N²

NEWS PAPER NEXT:
THE TRANSFORMATION PROJECT

Blueprint for Transformation

The American Press Institute's groundbreaking research into new business models for the newspaper industry: New ways to see opportunities, produce sustainable growth and reshape organizations for consistent innovation

API
American Press Institute

N²

"A powerful wave of disruption is sweeping the newspaper industry, but it doesn't have to be a disaster. There are at least as many growth opportunities as threats, and companies that learn to think and act like disruptors can not only survive but prosper. The Newspaper Next approach gives them the tools they need."

Dr. Clayton Christensen,
Harvard Business School
Author, *The Innovator's Dilemma* and *The Innovator's Solution*

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The Newspaper Next project and this report were a collaborative effort by the American Press Institute and Innosight LLC.

API American Press Institute

INNOSIGHT unlocking new market growth

A TIME OF THREAT – OR OPPORTUNITY?

For years, newspaper companies could see trouble on the horizon.

Few thought its arrival would be so dramatic.

Newspaper circulation and readership keep sinking, and Internet gains are not enough to offset them. Print advertising revenues are weakening, and Internet sales, though growing, are still too small to have much impact. Margins are being squeezed, and investor pressure now has caused the all but unthinkable: the sale of Knight Ridder, one of the industry's most respected companies. Other companies, public and private, are also under heavy stress.

Many believe this is the beginning of a long-term decline. Or worse.

But outside this industry's perceived boundaries, huge opportunities are opening all around. Customer behaviors are changing fast as individuals and businesses find new solutions for their news, information and advertising needs.

Successful new business models are emerging, providing new ways to get and give information, buy and sell, create and maintain relationships, and convene communities. Many of these offerings supplant traditional newspaper functions, adding new dimensions of value, convenience and interactivity. Consumers and advertisers are eagerly adopting these new solutions to get key jobs done in their lives.

The innovators creating these solutions are seeing dizzying growth rates. Why can't newspaper companies do the same?

Newspaper Next's conclusion: They can – but not without dramatic changes in the way they think, the strategies they adopt and the innovation processes they use.

Like a devoted parent with a child heading off to college, the industry has reached a moment of self-examination. The public is migrating away from us, happily discovering new freedoms, opportunities and choices in a new world of infinite information. Will we cling to our old perceived roles and sink into irrelevance? Or will we commit to finding new roles that the public will welcome in their lives, even if these are unfamiliar and challenging to us?

Newspaper companies that make this commitment will discover broad new horizons of civic service and business opportunity. They will succeed in engaging large new segments of customers, both among the public and among businesses, and they will discover ways to serve them more effectively than ever before.

The purpose of Newspaper Next is to provide newspaper companies with the strategic framework, tools and processes they need to move into these new roles.

"Newspaper Next has helped me to see that we do have a future ... and that it is more in our control than the popular wisdom would have us believe."

*— Peter Bhatia,
Executive Editor,
The Oregonian,
Portland, Ore.*

1

In mid-2005, seeing the seismic changes that lay ahead, the American Press Institute's leadership took action. President and Executive Director Andrew B. Davis proposed a year-long project to develop the innovation tools and processes newspaper companies would need to reverse course from decline to growth— a practical method that API could teach. The API board of directors approved.

"N² moves your thinking from the doom and gloom of the collapse of the newspaper industry to an opportunity of a bright new future if you make the right choices. N² lets you know there is life after 'newspaper only'."

— Lonnie Peppler,
Publisher,
The Monroe Evening News,
Mich.

The effort, christened "Newspaper Next: The Transformation Project," was launched in September, 2005, and charged to deliver its findings in September, 2006.

The Newspaper Next (N²) challenge: Find a way to help newspaper companies migrate from a fixed and monolithic business model to a diverse and growing portfolio of business models, products and services that engage throngs of new consumers and advertisers.

A portfolio solution is necessary because a newspaper alone, or a newspaper and a news Web site, are no longer enough. These are solutions for a mass audience, but the mass audience is dispersing in many directions, never to return.

In this fast-changing environment, how can an industry built on a centuries-old model be transformed? There is no silver bullet. Opportunities abound, but they are hard to see and even harder to capitalize on when you are wearing the blinders imposed by 100 years of success.

Much of the industry would agree with the manager who said in a Newspaper Next survey, "I don't know what to do, but I am ready to do it."

Transformation in the newspaper industry demands an ambitious agenda:

- A better understanding of the forces re-shaping the entire media environment and disrupting the newspaper industry.

- A better way to see where new opportunities are emerging.

- A clear, practical process to shape the products that will unlock these opportunities while minimizing cost and risk.

- A strategic game plan outlining what newspaper companies should strive to become and some of the most promising opportunities they should pursue.

These are major elements of the Newspaper Next innovation method and strategies, and they are detailed in this report.

Much of the Newspaper Next innovation method is adapted from the work of Harvard Business School Professor Clayton Christensen. His consulting firm, Innosight LLC, was an integral participant at every stage of this year-long project.

Dr. Christensen's seminal studies reveal that successful companies across more than 60 industries have repeated the same patterns of failure when hit with waves of disruptive innovation. These patterns are profoundly apparent in the newspaper industry today.

However, Dr. Christensen's work also identifies certain counter-intuitive strategies and tactics that can break these patterns of failure. These have enabled far-sighted companies to develop breakthrough innovations and achieve new growth.

The Newspaper Next project set out to adapt and modify the Christensen approach specifically for use in the newspaper industry.

The N² team spent a year researching the patterns of disruption in the industry, developing

FIGURE 1: THE NEWSPAPER NEXT GAME PLAN (SECTION III)

Create innovation structures & enablers

Build audiences by fulfilling "jobs" beyond news

Maximize core business model

Use new models to fulfill "jobs" of current / new advertisers
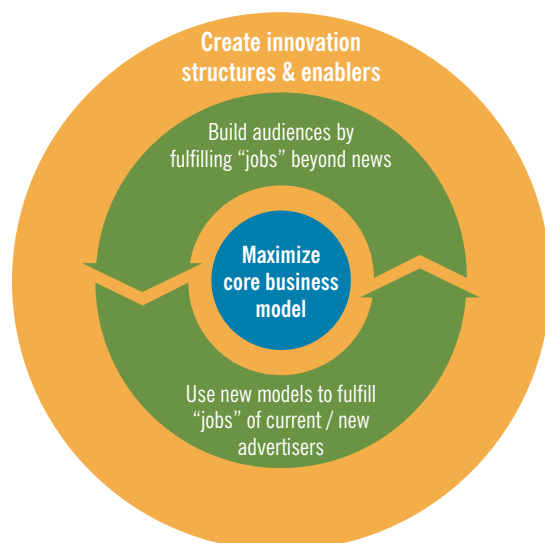
a practical innovation process and strategic game plan for newspaper companies, and field-testing these approaches. The team also recruited a task force of 26 individuals in key roles at newspaper or online companies whose input helped to shape the project work and the findings in this report.

In the last four months of the project, the Newspaper Next innovation process was applied in seven demonstration projects at U.S. newspaper companies. In each case, the N^2 Method showed its ability to stimulate innovative thinking, reveal new opportunities, drive development of new products and business models, and reshape organizations for more consistent innovation. (See Section IV)

A final phase of the project explored the possibilities of collaboration among newspaper companies to achieve new growth on the Internet. The results revealed a strong consensus among leading newspaper executives on the high potential of collaborative efforts to sell national advertising across newspaper Web sites. (See Section V)

To help newspaper companies learn and apply this unique innovation method, The Newspaper Next Method and Game Plan will become integral components of the American Press Institute's programs and services for the industry.

'AND' – NOT 'OR'

Newspaper Next's primary focus – expanding and diversifying the newspaper business model – is just one of many challenges facing newspaper companies. Meanwhile, other organizations, including the Readership Institute, Newspaper Association of America, World Association of Newspapers, Poynter Institute, Learning Newsroom, Media Center and others too numerous to name, are addressing other tough newspaper issues. These range from how to increase print and online news readership to how to assure the future of journalism and a healthy society.

Newspaper Next does not duplicate these efforts; it aims to complement and support

FIGURE 2: THE NEWSPAPER NEXT INNOVATION METHOD (SECTION II)
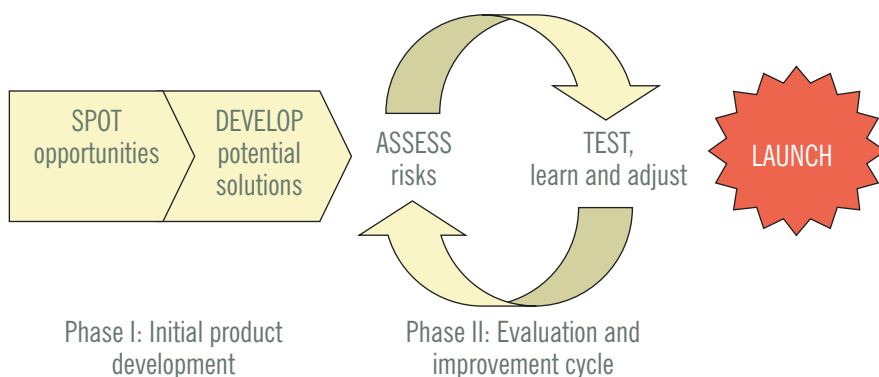
them. Indeed, the future of journalism and the civic mission of newspaper companies will be much easier to maintain if newspaper companies can develop profitable new business models to support them.

However, this report does give attention to the important question of how to sustain and maintain the newspaper industry's core products: print newspapers and news Web sites. These will continue to be the foundation on which newspaper companies build for years to come, and the Newspaper Next innovation process provides tools to improve their effectiveness.

WHAT ABOUT THE 'CIVIC MISSION'?

Many people in the newspaper industry see grave danger ahead for newspapers in fulfilling their traditional civic mission as maintainer of an informed citizenry, facilitator of civic dialogue and watchdog on institutions.

Under the triple whammy of shrinking newspaper readership, declining profit margins and reductions in staffing, the signs are alarming. With less than half of the public regularly using newspapers, a large question looms: How will society function if the quality, quantity and public impact of meaningful journalism are not sustained?

Newspaper Next takes a pragmatic view. For newspaper companies to keep fulfilling their important civic roles, we see two pre-requisites:

- The regular attention of a large majority of the public

- A strong and sustainable financial base

Both are endangered under the traditional newspaper business model. For both, Newspaper Next aims to provide the necessary innovation process, tools and strategies to achieve new growth.

Companies adopting the N^2 approach will quickly discover new frontiers of opportunity, both in audiences and in advertising. Through the new products and services they launch, they will find themselves serving broader constituencies through a larger and more diverse portfolio of products and services.

At the same time, through these new channels, they will discover new dimensions for fulfilling their civic mission. They will discover they can assist and enable a broader spectrum of individuals, communities and businesses in a wider range of ways than ever before.

ENCOURAGING SIGNS OF TRANSFORMATION

The Newspaper Next team has crisscrossed the country in the last six months, using the methods described in this report to help newspaper companies find new paths to innovation. Everywhere we have been, we have seen the very real challenges they face, including institutional structures and mindsets and major constraints of money, workforce and time.

And yet we have seen dramatic shifts within these companies as they use the N^2 approach. We have seen them reframe their markets and discover major opportunities for growth. We have seen them race ahead in developing and testing new products and business models while reducing the risks and costs of innovation. We have seen them discover important improvements to be made in their existing products. Some have made dramatic progress in reshaping their companies to make innovation a continuous process.

The complex challenge of transforming newspaper companies has no simple answer, but we see great cause for encouragement in these and dozens of other experiments taking place in the industry. Most importantly, we have seen the recognition dawning that there are many new opportunities and many ways to go forward.

There is much to do, and there is no time to lose. We believe that the right actions taken today can drive the transformation that this industry so sorely needs.

ABOUT THIS REPORT

The major sections of the Newspaper Next report provide:

Section I: Situation Analysis

How fundamental changes are reshaping the entire media environment; how these changes are sending waves of disruption through the newspaper industry; the implications for newspaper companies.

Section II: The Newspaper Next Method

Strategies, tools and processes to spot opportunities, shape new products and iterate to success.

Section III: The Newspaper Next Game Plan

Overall strategies and objectives for newspaper companies, plus some of the most promising avenues for growth.

Section IV: Lessons from the trenches

How the Newspaper Next concepts, tools and methods energized and reshaped the innovation process at seven newspaper companies.

Section V: Collaboration in the Newspaper Industry

What are the most promising opportunities for joint action by newspaper companies? What are the most promising structures for collaboration?

SECTION I

SITUATION ANALYSIS

What's happening — and why?

A. Upheaval in the media landscape

B. Understanding the patterns of disruption

C. The implications for newspaper companies

Driven by shifting customer behaviors, the media landscape is changing at an unprecedented pace. Virtually every aspect of the environment is in flux, sending media companies scrambling for new services and strategies, alliances and acquisitions.

In the newspaper industry, it often feels like a thousand cuts inflicted by a thousand enemies. The game is changing before our eyes, and new competitors are scoring successes even before we see them coming.

In this chaos, it is difficult for a newspaper publisher, editor or group executive to set a strategic course and hold it. To move intelligently, we need to review and understand why these things are happening. What are the driving forces? What are the implications for newspaper companies? Most importantly, what can we do about them?

A FUNDAMENTAL CHANGE IN HUMAN LIFE

In a search for answers, the Newspaper Next (N2) project team spent a year studying the media landscape and the forces reshaping it. In one segment of the project, we conducted scores of interviews, studied bushels of reports and scanned thousands of stories in the media.

We find the evidence overwhelming: This is change on the grand scale, driven by a fundamental transformation in the connection between humans and information. The social impact is likely to rival the advent of movable type and mass literacy.

The change is advancing quickly toward a new reality in which people can get any information, any time and any place, and publish their own content at will.

In this century, vast reserves of human intelligence, creativity and productivity will be unlocked as billions of individuals around the globe use this new access to knowledge to maximize their potential. The impact on human freedoms and quality of life is sure to be immense.

The trigger is technological, but the impact is behavioral. As individuals respond to the infinite range of choices available to them, this will reshape the media landscape and, over time, society itself.

People will want many things that do not exist yet — new kinds of information, new tools and services, new experiences, new ways to get things done. The Internet is alive with experimentation as innovators try to guess at these new solutions. But these have only scratched the surface of the possibilities, and the pace of change will only quicken.

While the implications and possibilities for both society and business are immense, among the first to feel the impact — as both threat and opportunity — have been the traditional media. For them, this long-term revolution in human behavior creates an intense near-term crisis.

SEEING THE FUTURE THROUGH OLD-MEDIA BLINDERS

As custodians of the old, limited information pipelines, newspapers, magazines, radio and television are seeing their dominance erode as consumers and advertisers slip away to new sources of news, information and entertainment.

For these companies, comprehending the scope of this change is both crucial and difficult.

For newspaper companies, the very newspaper itself — its form, function, history, role in society and demanding production processes — creates blinders that make it hard

The entire student body of the Havekost School, pictured in the Monroe (Mich.) Evening News in the early 1930s. The reason: It was one of 24 local "100-percent schools" in which every family subscribed to the newspaper. How many 100-percent schools exist today?

to comprehend the fundamental changes happening around them.

Less than a lifetime ago, the newspaper was *the* state-of-the-art information pipeline, the only comprehensive information feed to tide people over from yesterday to tomorrow. There was no substitute.

This near-monopoly ended decades ago, but a sense of indispensability still colors the industry's consciousness.

In most households today, however, newspapers are just one option among millions. Going from limited to infinite choices, consumers are eagerly substituting faster, cheaper, fresher, simpler (or more exhaustive) solutions to do information jobs once filled through newspapers and other traditional media.

This has fueled massive increases in time spent with media, now reaching an average of about 7½ hours a day[1] for U.S. adults. As channels proliferate — print, broadcast TV, radio, cable TV, satellite radio, Internet, cell phones, DVDs, music players, gaming boxes, and more to come — media use saturates more and more of our waking hours.

With more sources and channels, the dominance of any one source tends to dissipate. As a result, many observers have opined that we are now witnessing the end of the mass audience.

Meanwhile, the Internet has also drastically reduced the barriers to publishing. Without a press or years of training, even a gram-

mar-school student can create a Web site. No longer do relatively few owners control the flow of information.

The result is a dazzling proliferation of sources and voices available to any Internet user, and a history-making democratization of media.

What will the changes from a tiny pipe to an infinite pipe mean for individuals and their behaviors? The answer holds tremendous import for content providers.

To find their way amid these bewildering changes, media companies must shift their focus from products and services to the lives of customers. As the landscape keeps shifting, the central question is, "What indispensable roles can we play in the lives of consumers and businesses?"

To see the vast array of new opportunities, it is imperative to look through their eyes and understand the jobs they are trying to get done. This fundamental shift of perspective is one of the central principles of the Newspaper Next Innovation Method and Game Plan.

NEW TOOLS AND NEW SOLUTIONS

The unfolding revolution introduces a growing number of technologies that supercharge traditional behaviors and enable new ones.

High-speed Internet access makes technologies such as search, databases, mapping, e-commerce, audio and video streaming, user authoring, blogging, discussion forums and instant messaging easy and powerful, and increases the amount of time people are willing to spend using them. These and other online technologies are giving rise to new online behaviors and business models.

The Internet is fast becoming a preferred channel for individuals to get and give information, create and sustain relationships, be part of a community, buy and sell things, find and compare choices, and be entertained. In many situations, it is now the best possible tool for getting key information-based jobs done, displacing solutions and business models with long and successful histories.

Some implications of an infinite pipe:

- Everything is available all the time
- Free content becomes all but universal
- Individuals' choices become virtually infinite
- Users expect information on demand
- Search becomes a basic behavior and skill
- Users — not just editors or experts — make choices
- Users create content at will
- "What matters to me" drives most user choices
- Personally relevant content eclipses generic content
- Audiences splinter in many directions
- Virtual communities form without limits of time or distance
- Breaking world and national news are commoditized
- Users time-shift all media at will
- Forms and uses of content become fungible
- Lines between media blur

UPHEAVALS IN ADVERTISING

The infinite pipe and its related technologies also are driving revolutionary changes in the advertising landscape.

The splintering audience makes it increasingly difficult and costly for advertisers to reach broad swaths of the population. The increasing media clutter makes it difficult to be seen, so advertisers are embedding themselves in movies, games, online video and other new channels.

At the same time, new interactive technologies such as search and behaviorally targeted advertising make it possible to reach precise target groups as never before. The two-way and multi-media capabilities of new media are enabling advertisers to engage their target customers in entirely new ways.

Old media — both print and electronic — cannot match the targeting and engagement capabilities of the Internet and other interactive media. Nor can they deliver the direct evidence of effectiveness — ROI, or return on investment — that advertisers want and interactive advertising can provide.

The traditional advertising media still command massive market shares, but virtually every day brings reports of major advertisers switching dollars from traditional to interactive advertising, usually at the expense of print or broadcast.

Traditional advertising agencies, like traditional media, are swamped in profound change. Anthony J. Hopp, chairman of the Association of American Advertising Agencies, said recently, "The agencies that will succeed are the ones … that can find the new ways to engage and connect with consumers. If you're not doing that, you're not going to be in business."[2]

The agencies are not alone. The traditional media face exactly the same mandate, as individuals and advertisers stampede toward new solutions for information, entertainment and news.

PATTERNS IN THE WHIRLWIND

The disruptive forces buffeting traditional media are massive and far-reaching, but they are not random. They track exactly with classic patterns in other industries.

These patterns emerge when new technologies undermine existing companies, and Dr. Clayton Christensen has identified them in more than 60 industries. His work, published in the best-sellers *The Innovator's Dilemma*[3] and *The Innovator's Solution*[4], reveals how disruption happens, why established companies almost always lose when it does, and how they can break the patterns of failure.

The critical first step is to understand how disruptive innovation works. **N²**

B. UNDERSTANDING THE PATTERNS OF DISRUPTION

Innovation happens routinely in every industry. Established companies usually lead the way, improving existing products in response to the demands of their best customers. This is the normal path of growth and health for successful companies.

The following graphs from Dr. Christensen's work illustrate how this process happens.

Fig. 1 shows how the performance of a hypothetical product changes over time.

The dotted red line reflects the pace at which the average customer can absorb improvements in the product. Typically, the wants of customers change only gradually. But customer desires actually span a wide-performance range, as indicated by the red bracket on the right — from those using only a few of the product's benefits to those who will never be satisfied no matter how good the product gets.

Managers are trained to respond to the wants of their most demanding (and usually most profitable) customers. So, in industry after industry, the pace of product improvement follows the blue line, rising faster than the average customer's wants or needs.

The microprocessor chips powering PCs are a good example. At first, performance was so slow that speedy typists could outrun them. Many iterations later, they are so fast that most users never tax them. Most customers no longer care about more speed gains, but high-end users like gamers and video editors still cannot wait for faster chips.

Improvements on the blue line are known as "sustaining innovations." Large or small, they typically appeal to customers already using the product. Newspaper examples include adding special sections, redesigning the newspaper, building a new press to meet advertisers' color demands and adding video or audio to a news Web site.

When it comes to sustaining improvements, established companies usually win. They
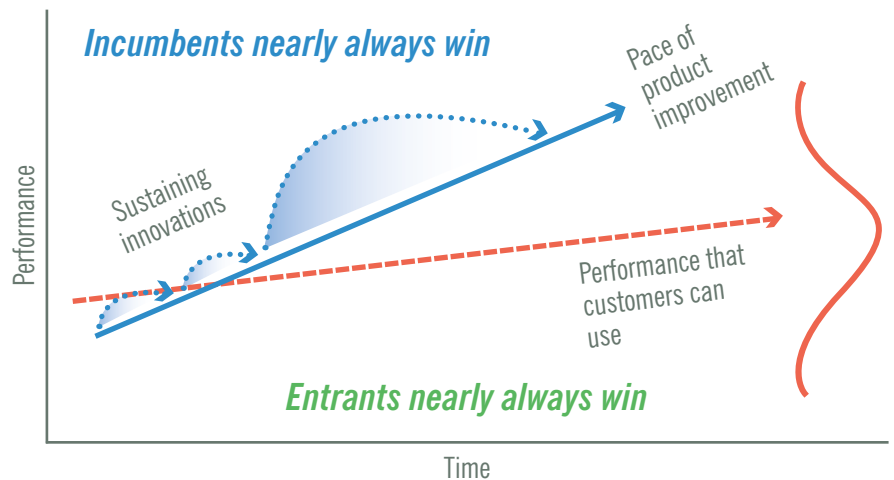
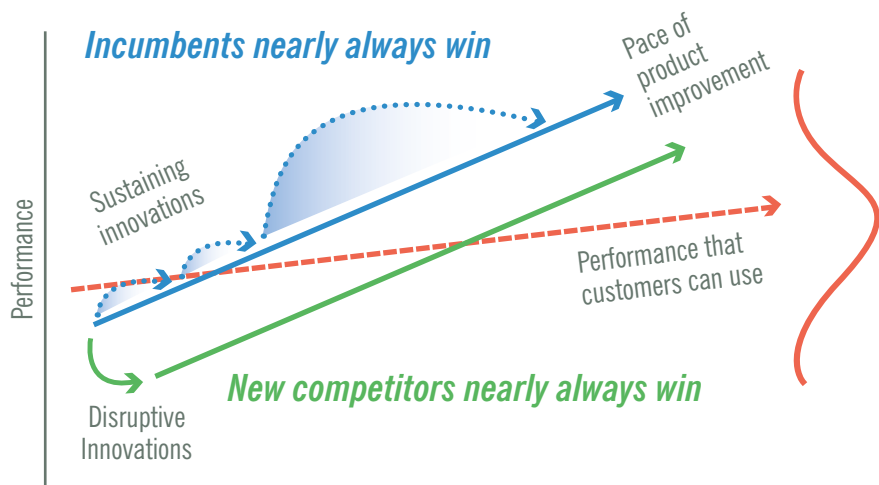Source: Clayton Christensen, *The Innovator's Solution*

beat back outside competition based on their resources, established customer relationships and technological skills.

A DRAMATICALLY DIFFERENT KIND OF INNOVATION

Every so often, however, a very different type of innovation occurs — what Dr. Christensen calls a "disruptive innovation." Often triggered by a new technology, it does not offer just another incremental improvement. Instead, it fundamentally changes the game. The new product provides lower performance along some traditional dimensions, but it offsets those factors with new benefits such as simplicity, convenience, ease of use, ease of access or low price.

As Fig. 2 shows, a disruptive innovation doesn't extend the blue line. Instead, it creates a new line below the performance level of the established product. And it appeals to different customers — typically those who cannot afford the existing product, or lack the skills, access, time or knowledge to use it. It takes root among these *nonconsumers* of the existing product, who are *overshot* by its performance, complexity or price.

FIGURE 2: DISRUPTIVE INNOVATION

Incumbents nearly always win

Pace of product improvement

Sustaining innovations

Performance

Performance that customers can use

New competitors nearly always win

Disruptive Innovations

Source: Clayton Christensen, *The Innovator's Solution*

Blue-line managers often fail to see the threat because the new product falls short of their quality standards, does not appeal to their customers and often operates on different business models with lower margins. So they ignore it or respond ineffectively.

Meanwhile, on the green line, managers face the same product-improvement pressures as managers on the blue line. Their best customers demand better performance, so they improve the product over time. The green line keeps moving upward.

Over time, performance often becomes good enough to attract customers of the established product. This is disruption in earnest.

Suddenly the blue-line managers realize this newer, simpler product is draining away business. Often they are unwilling or unable to compete, so they sharpen their focus on high-end customers, only to see the disruptive product rise into that space, too. Their sales and profits erode or, in some cases, collapse.

Disruptive innovation can happen in every type of industry. Examples, past and present, abound in manufacturing, retailing, services, distribution, telecommunications and elsewhere. Dr. Christensen's books are rich with vivid case studies, but a few brief examples will suffice here:

- Henry Ford realizing the middle class wanted motor-driven travel, too, and inventing a simpler car and a new manufacturing model to provide it.

- PCs beginning as toys for hobbyists, but improving until they swept the business world and largely displaced the minicomputer industry.

- Japanese automakers winning the low-end of the U.S. auto market with small, cheap cars, then improving quality and gaining power in every market segment.

- Southwest Airlines creating a business model to make air travel affordable for bus travelers, and then eating into the mainstream markets of the major carriers.

- Wal-Mart and other discounters creating low-price models for low-end consumers and driving department stores into financial trouble and consolidation.

FIGURE 3: HOW DISRUPTIVE PRODUCTS ARE DIFFERENT

Disruptive Innovations …
… start with "good enough" performance along traditional dimensions
… offer new benefits such as simplicity, convenience or low prices
… appeal to "overshot" customers or "nonconsumers"
… often utilize "low cost" or "start small" business models
… take advantage of competitive weaknesses and blind spots

"Sustaining" → "Disruptive"
Better → Different
Premium price → Low price
New & improved → Good enough
Leap forward → Leap down
Complicated → Simple

EVEN GREAT COMPANIES FAIL TO RESPOND

Dr. Christensen was intrigued by the pattern. Why, in industry after industry, do the established companies — even respected firms with brilliant leaders — fail to see disruptions until too late?

His research revealed that it wasn't stupidity or stubbornness. Rather, they were the victims of the very habits and behaviors that had made them successful. The right strategies and behaviors for sustaining innovation are the wrong ones for responding to disruptive innovation.

In mature industries, the blinders created by the resources, processes and values (or priorities) required for their existing products caused them to make two common mistakes: 1) failing to allocate resources to explore the new possibilities, or 2) force-fitting those resources into products too much like their established models.

In a classic example, AT&T — source of most telecom advances for decades — spotted cell phones early on as a possible new business opportunity. In the early 1980s, it hired McKinsey & Co. — one of the world's leading consulting firms — to predict the future size of the cell-phone market.

Using the best available methods, the consultants concluded that total cell-phone sales by 2000 would be about 900,000 units. That was too small for AT&T, so it pulled out of the market.

In hindsight, this looks absurd. But looking at the best cell phones of the early 1980s, any reasonable person might have done the same. They were the size of a small suitcase, weighed many pounds, and had miserable battery life, bad call quality and almost no signal coverage.

FIGURE 4: THE BLINDERS OF SUCCESS

"R" Resources	"P" Processes	"V" Values (priorities)
• People • Technology • Products • Equipment • Information • Cash • Brand • Distribution	• Production • Hiring & training • Productdevelopment • Manufacturing • Planning& budgeting • Market research • Resource allocation	The criteria by which prioritization decisions are made • Coststructure/ business model • Size of opportunity • Customer demands • Culture

The resources, processes and values that make an organization successful are the same ones that can inhibit response to disruptive innovation.
Source: Innosight LLC

But a few people, such as doctors and stock traders, needed to be in touch at all times, so the early phones did sell. And, inevitably, the technology improved. Today, it takes only about 10 hours to sell 900,000 cell phones.[5]

Again and again, disruptive innovations fit this pattern. The early version of the product is inferior to the accepted product in important ways, but it also appeals to a certain slice of the public that values the tradeoffs. Established companies turn away, repelled by the quality levels, small market sizes, low profit margins or other factors. But the innovators keep going until, gradually, the product eats into the center of the market.

The challenges pummeling the newspaper industry show all the classic signs of disruptive innovation. **N**

C. THE IMPLICATIONS FOR NEWSPAPER COMPANIES

How are newspaper companies being disrupted? The product's history tells the story.

Newspapers were created to fill a great vacuum, providing the world's first regular information pipeline to homes and individuals. To achieve this, they had to be manufactured and delivered in the space of a few hours. They had to be affordable and portable. They had to compress a wide range of urgent information into limited space. They had to focus on the shared interests of the entire population because everyone "drank" from the same pipe.

The newspaper was the information equivalent of a Swiss army knife — a rich value proposition that helped readers in many dimensions of their lives.

Newspaper people called it "the daily miracle," and given the technologies, they were right. It was a great success formula — nearly 100% readership, large volumes of advertising and impressive profit margins.

"[Dr. Christensen's work] explains how shoppers and trader publications were able to blindside us a generation ago. It points to fresh opportunities among our least loyal and least attractive customers today."

— O. Reid Ashe,
Executive Vice President &
COO, Media General Inc.
Richmond, Va.

TRENDS AMONG READERS

Today, however, most households are connected 24/7 to vastly greater information pipes — broadcast media, cable TV and the Internet. One by one, the newspaper's information jobs are leaking away through these channels to new providers.

In classic disruptive fashion, these new solutions often provide lower quality in some ways (depth and comprehensiveness), but offer attractive tradeoffs such as lower cost (or no cost), fresher information, and anytime-access with a few keystrokes. They can focus on niche subjects to depths that general-interest newspapers cannot match.

Free dailies, growing in the U.S. and abroad, are a good example. They offer much less depth and scope than their paid competitors. They are designed, in format and content, for an easy, entertaining read in a short snippet of time, to appeal to people who are not likely to buy a daily anyway.

FIGURE 5: DISRUPTERS ERODING THE NEWSPAPER VALUE PROPOSITION

	PRINT/BROADCAST ERA				ONLINE ERA
Local news	Full service daily newspaper	Radio	Broadcast TV	Cable TV	Unclear
World, US					Aggregators, cable, espn.com, cnn.com
Opinion					Blogs, discussion sites, aggregators
Retail sales		Shoppers, 'traders'		DM	Retail & comparison sites, craigslist, ebay
Autos					Auto Websites, craigslist, ebay
Real estate					Agency Web sites, MLS sites, craigslist
Careers					Job sites, craigslist, recruitment agencies

Craigslist.com does not offer sophisticated design and there is no staff to help people create their classified ads. But it is incredibly easy to place an ad anytime day or night and to add photos. You can say whatever you want and it is free to most users. Consequently, people use it to sell things they would never bother to advertise in a paid daily.

Other factors are conspiring to depress newspaper readership as well. Americans are working more hours, spending more time on entertainment and less time engaged with their communities, as documented in Robert Putman's *Bowling Alone*.[6]

A strong trend away from newspapers and news consumption among younger generations has been documented in numerous studies.

When half of the adult population no longer uses newspapers and shows high resistance to our best marketing efforts, it is apparent that newspaper companies must look beyond their traditional boundaries to find audience growth.
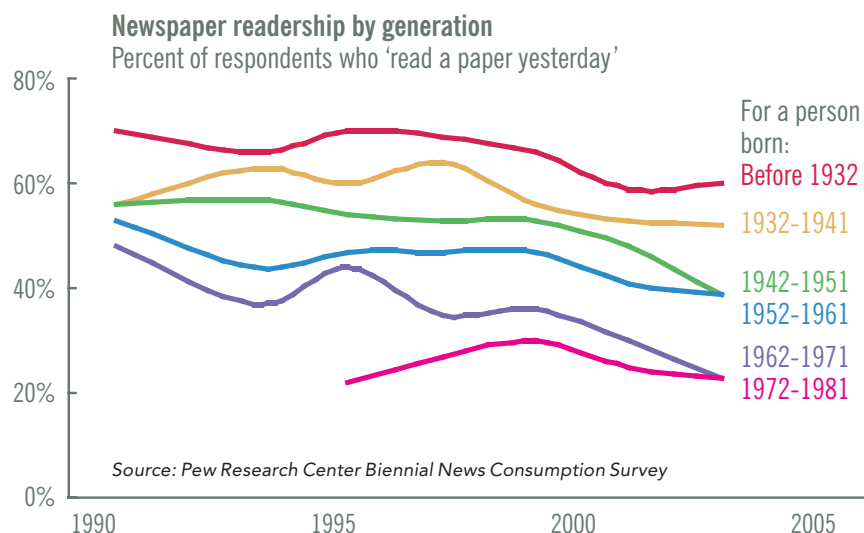
TRENDS AMONG ADVERTISERS

On the advertising front, disruption is taking several forms, and the aggregate effect is a flattening of newspaper ad revenues.

Much of the softness in traditional ad spending comes from disruption in advertisers' own industries rather than disruption among media. These include department stores disrupted by discounters, U.S. auto manufacturers disrupted by Asian manufacturers and real estate brokers disrupted by discount and online players.

Meanwhile, Internet disruption of newspapers is beginning, but it appears to be in a very early phase. Internet use by advertisers and agencies is accelerating, but it is lagging well behind the pace of online audience growth.

Most newspapers have little national advertising to lose, and local advertisers have been moving only slowly to the Internet. But local

FIGURE 6: THE NEWSPAPER HABIT IN DECLINE

Newspaper readership by generation
Percent of respondents who 'read a paper yesterday'

For a person born:
Before 1932
1932-1941
1942-1951
1952-1961
1962-1971
1972-1981

Source: Pew Research Center Biennial News Consumption Survey

businesses are gradually recognizing online advertising's ability to target qualified prospects, build new forms of customer participation and engagement, and deliver precise metrics to show effectiveness.

So far, most newspapers have felt the pressure of online competition only in a few categories — most notably classified and employment — and metro papers have been more affected than smaller markets.

Small daily newspaper markets may have seen less disruption than large ones so far, but even in small towns, high-speed Internet access is changing customer behaviors. At best, it appears small newspapers may have a little more time than large ones to discover the new products and services their communities will use.

In markets of all sizes, Internet advertising will grow strongly in the coming months and years. With online audiences growing fast, Web advertising tools and strategies maturing, and local businesses becoming more Web savvy, the pull on advertisers will increase dramatically. Traditional newspaper revenues will be impacted much more strongly than they are today.

NEWSPAPER WEB SITES — GOOD NEWS, BUT …

To their credit, newspapers saw the disruptive potential of the Internet early and moved to establish news Web sites. Many have been successful in winning both readers and advertisers, and recent revenue growth has been strong.

However, the online strategy chosen by most newspapers — essentially reproducing the newspaper online — falls into a common disruption trap. Dr. Christensen calls it "cramming": attempting to reproduce the old product in the new technology, and thereby missing many of the best new opportunities.

Others have done it many times before. Kodak saw digital imaging coming in the 1970s and responded — at a huge research and development cost — by developing a professional-grade digital camera with a $30,000 price tag. Needless to say, it failed in the marketplace. When digital imaging took off, it happened at the opposite end of the market, with simple point-and-shoot cameras that traded image resolution for new kinds of convenience. Seeing the market direction, Kodak then introduced its successful line of "EasyShare" products.

By reproducing their print business model online, newspaper companies have produced some gains. But they have been slow to spot and adopt new revenue models such as lead generation, targeting and direct marketing — major revenue sources for pure-play Web sites. And they have been slow to see the huge user and advertiser potential of new online offerings such as local search, hyper-local content, niche audience development, blogs, community forums and user-generated content.

At the same time, their focus on news content has mostly ignored half of the public audience — the people who don't regularly pursue news. And most newspaper companies have not yet acted on the realization that the Internet — through tools like search, databases, community forums and user-publishing applications — now gives them the power to unlock huge amounts of information people want and will use.

NEW FRONTIER OF OPPORTUNITY: LOCAL INFORMATION

For most people, news is a problem solved long ago. There is plenty of it, and they know how to get what they want. Most people aren't looking for new ways to get news.

But local information is a different story. People need many kinds of information besides news every day, depending on their interests, their needs, and what's going on in their lives. A large share of the information they need is local, and it's often difficult to get.

The Internet and its capabilities, such as search, databases, community forums, user authoring and mapping, provide the tools to unlock this local information as never before, fulfilling new needs and creating new channels.

For newspaper companies, this is a huge well of new opportunities. They are better positioned than any other players to gather this local information and make it usable for local residents and businesses. If they move quickly, they can establish themselves as the pre-eminent sources of many highly valued types of local information.

Opportunities abound. For example, databases such as parks, medical facilities and restaurant menus; hyperlocal information like youth league news or local school happenings; customer knowledge about mechanics, contractors and restaurants; community discussion groups on niche topics from parenting to recreation to entertainment; and shopping tools to show what stores sell a desired item at what price.

But others are moving in on these opportunities. Some competitors — like craigslist.com and angieslist.com — have a head start in some categories and some cities. Even in small towns, big players are jockeying for advantage. A local.yahoo.com search for pizza in Columbus, (Ind.) (pop. 40,000), yields 19 restaurants

within five miles, a map, some user reviews and contact information for each one.

The land rush to meet local information needs has barely begun. If newspapers see the opportunities and commit the necessary resources, they can become the preferred providers of a wide range of community, consumer, civic, recreation, entertainment and other information. This will enable them to serve their communities in new ways, attracting new audiences and serving new business customers — a natural fit with their time-honored civic mission of helping communities lead better lives through information.

COLLABORATION OPPORTUNITIES

On another front — national advertising — the shifting media landscape could be a huge benefit to newspapers, but only if they can overcome steep internal barriers to collaboration.

As national advertisers go online, they seek high-quality environments and audiences for their advertising. Newspaper Web sites offer both and, in the aggregate, could compete with the major portals now winning most of the business.

But making a national advertising buy across multiple newspapers has always been notoriously difficult. In print, newspapers never succeeded in standardizing formats, rates and policies to create a "one-order, one-bill" solution. Consequently, they continue to be bypassed for millions of dollars in national advertising spending in favor of broadcast, cable and magazines.

Today, a national buy on newspaper Web sites is no easier than in print. But some online executives say the Web should be an easier problem to solve because printing presses are not an issue. Creating a joint one-order, one-bill solution would be difficult, but some say it would enable newspaper companies to compete for a large new stream of national online advertising dollars.

A new Newspaper Next survey shows strong agreement on this point among the Top 25 newspaper companies and Top 25 newspapers. (Section V)

Across the entire advertising front, newspaper companies face a strong advertising challenge in the emerging media landscape. They can drive aggressively to become the providers of high-performance Internet advertising solutions for local, regional and national advertisers, or they can watch as competitors win these huge opportunities.

Rx FOR NEWSPAPER COMPANIES: 'THE PORTFOLIO SOLUTION'

As disruptions erode the traditional newspaper business model, many in the industry are recognizing that a newspaper alone, or a newspaper and a news Web site, are not enough. The public and advertisers are splintering in too many directions.

In the search for new models, terms like "portfolio," "audience aggregation" and "platform-agnostic" are coming into the industry lexicon. The realization is dawning that it's imperative to provide a broader range of information to a broader range of audiences.

The "portfolio solution," as visualized by many, consists of creating a suite of products and services in addition to the newspaper, intersecting the population on a variety of planes. The goal is to create new audiences of individuals who are not necessarily interested in the newspaper's contents, and to attract advertisers for whom the newspaper isn't necessarily a suitable way to reach their target audiences.

These new products may be print or online, daily or nondaily, paid or free — or mobile, or email, or virtually any other form — depending on the target user and his or her circumstances. Some companies are vaulting ahead in these directions, while others have barely begun.

N²

What about profit margins?

As disruptions buffet the newspaper industry, its historically high profit margins are being squeezed.

High margins resulted from the product's near-monopoly status in the past and persisted despite competition from broadcast and cable media. Many people believe the Internet is a structural change that will keep driving them downward.

Under heavy investor pressure, public companies (and many private ones) are fighting to maintain profits by cost-cutting and other means.

Newspaper companies face a difficult dual imperative: to maintain the value and viability of declining core products, while also investing in new initiatives that can drive future growth.

Other disrupted industries teach an important lesson: New winners often start small. Don't reject new ideas just because they can't match traditional margins in the short term. Rather, find ventures that can be profitable in the short run, even if margins are modest, and give them the chance to grow.

In the midst of disruption, there are no magic formulas, but it is crucial to balance a newspaper company's investment "portfolio" between the core and new ventures, consistently funding enough smart new experiments to discover the new winners the company will need.

In the midst of structural change, that's the best plan for survival, and an important strategy for investors to understand.

A MATTER OF SURVIVAL

After deep study of the media landscape for the past year, the N² project concludes that the portfolio strategy for newspaper companies is not merely an option for newspaper companies. It is THE option — a necessity for survival.

Most signs indicate that the newspaper itself is likely to shrink into a boutique product, serving an ever-smaller audience and advertiser base. How long a newspaper will remain a viable product is unknown, but the pace of shrinkage appears to be accelerating.

Already, a growing majority of the local population is looking elsewhere for local information they want and need. Newspaper companies can either become disruptive innovators themselves by creating new solutions to meet these needs, or they can watch competitors do it — and see their local information franchise ebb away.

Some fear that the portfolio solution means abandoning news or deserting the civic mission that newspapers view as central. On the contrary, if companies succeed in engaging ever-larger shares of the local audience, they create the opportunity to incorporate news in forms these audiences will use and value. If they do not succeed, they will reach ever-smaller minorities of the population, making it harder and harder to achieve civic impact.

Turning a traditional newspaper company into a portfolio company is a tall order. The portfolio concept alone will not do it, nor will the industry's traditional approaches to innovation, because sustaining improvements and old business models will not be enough.

Caught in a massive wave of disruption, newspaper companies must learn to think and behave like disruptors themselves. They need to see and understand customers' lives and business needs in completely new ways, and they must create products that get these jobs done better than any other solutions. They need an approach that can move fast, reduce risk and maximize the likelihood of success.

FIGURE 7: HOW READY FOR INNOVATION ARE NEWSPAPER COMPANIES? (RATINGS BY N² TASK FORCE IN JANUARY 2006)

Report Card: N² perspective
Evaluation for: The Newspaper Industry

Recognize the need to change	A–
Allocate resources to new growth	C
Design solutions users consider great because they get their jobs done better than any alternative	C
Expand the market by finding nonconsumers and nonconsuming occasions	C–
Unlock maximum revenue potential by looking beyond the traditional revenue model	D+
Minimize costs by avoiding needless overhead and wasteful investment in overshot dimensions	B–
Assemble the necessary capabilities to deliver innovative solutions	C
Possess the necessary capabilities for repeated innovation and growth	C
Communicate the change agenda internally	C+
Communicate the growth story externally	C

THE NEWSPAPER NEXT SOLUTION

That is what Newspaper Next is intended to provide. It gives newspaper companies the strategies, processes and tools they need to innovate in new directions, developing growth-oriented portfolios of products and services for their communities and their markets. These are outlined in the next two sections of this report.

The Newspaper Next Innovation Method (Sec. II) sets out a clear process for identifying high-growth opportunities, conceiving products to capitalize on them, and shaping them for success while minimizing cost and risk.

The Newspaper Next Game Plan (Sec. III) sets out a practical strategic framework for becoming a portfolio company by identifying the four key components of success and outlining the most promising kinds of opportunities in each of the four.

These are learnable, practical solutions for newspaper companies committed to creating a new future for themselves, their customers and their communities.

SUMMATION: AS MANY OPPORTUNITIES AS THREATS

The situation analysis for newspaper companies can be summarized in just a few words: Huge threats and huge opportunities.

In brainstorming sessions with groups of newspaper people around the industry, the Newspaper Next team found a fascinating pattern. Challenged to identify the industry's threats and opportunities, these groups repeatedly discovered that virtually every threat they named could also be a growth opportunity for their companies.

The deciding factors, it turns out, are the industry's own willingness and ability to innovate.

The Newspaper Next team emerges from its year of study with high hopes for the industry. We have seen the N^2 concepts and processes energize teams of newspaper people as they realized vast realms of new opportunities, and we have seen them successfully adopt dramatically different approaches to innovation. We believe the industry can break out of the old molds and rise to the challenge.

Time is short. The landscape is changing fast, and new products take time to grow. It is imperative for newspaper companies to commit themselves to action, and to do it now. **N²**

[1] Veronis Suhler Stevenson: Investment Considerations for the Communications Industry

[2] Winterberry Group survey, 2006

[3] Clayton M. Christensen, *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail* (Boston: Harvard Business School Press, 1997).

[4] Clayton M. Christensen and Michael E. Raynor, *The Innovator's Solution: Using Good Theory to Solve the Dilemmas of Growth* (Boston: Harvard Business School Press, 2003).

[5] IDC report, January 26, 2006

[6] Simon & Schuster, 2001

SECTION II

THE NEWSPAPER NEXT INNOVATION METHOD

Introduction: A practical innovation process

INTRODUCTION:
A PRACTICAL INNOVATION PROCESS

Newspaper companies need a practical approach to guide their diversification efforts. Without the right approach, companies risk squandering precious resources on low-potential solutions while missing better opportunities.

This section introduces the Newspaper Next (N²) Innovation Method. The N² Method is based on the academic research of Clayton Christensen and Clark Gilbert and applied work by Innosight at dozens of operating companies, augmented by the N² team's newspaper-specific field work over the past year.

The N² Method described in the following pages is a practical approach to innovation, designed to help project teams create booming new growth offerings. It can help innovators quickly move an idea from the sketchpad to the market in a way that increases its long-term chances of success.

The N² Game Plan, described in Section III, shows where to apply the N² Method in a strategic framework for growth.

More than just a "how-to" guide for product development, the N² Method introduces several profoundly different concepts and processes. Teams using this method find that it changes the way they think, opening their eyes to broad realms of new opportunity. And they discover that these same concepts and processes help them see how to make their existing products and services more effective for readers and advertisers.

Although specific steps are outlined below, the N² Method is more of a guide than a

rulebook. It is rare that the exact steps for any given project will be the same. Indeed, each of the seven newspaper companies in the N² demonstration projects (see Section IV) applied the method in different ways, depending on their goals and company circumstances.

Underlying the N² Method's four steps is an important concept called "emergent strategy." The concept, described in Chapter 8 of *The Innovator's Solution*,[1] suggests that innovators in highly uncertain circumstances usually start with the *wrong* strategy. The goal is to discover quickly *how* the strategy is wrong and find the right path.
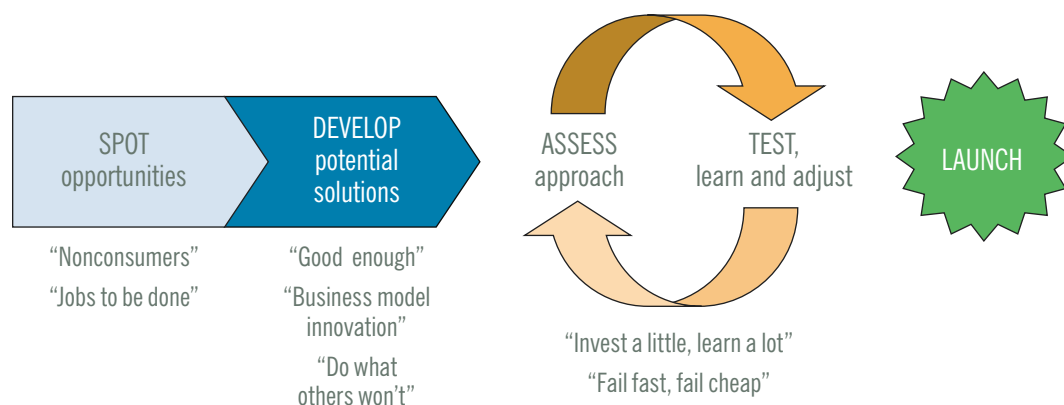
Therefore, the process is an iterative approach designed to quickly identify critical assumptions, run low-cost experiments and re-vector towards success.

The following discusses each step of the process in more depth. **N**

"If you want to know that you're on the right track; if you want to really test the assumptions that are driving your decisions; if you want to take the guesswork out of your strategic development, use the N² process."

— Bob Kempf, VP/Interactive, GateHouse Media New England

FIGURE 1: THE N² INNOVATION METHOD

SPOT opportunities → DEVELOP potential solutions → ASSESS approach → TEST, learn and adjust → LAUNCH

"Nonconsumers"
"Jobs to be done"

"Good enough"
"Business model innovation"
"Do what others won't"

"Invest a little, learn a lot"
"Fail fast, fail cheap"

The first stage of the process is spotting opportunities in a market to launch a new growth business. The key is to look for opportunities to help a group of customers[2] solve a problem that isn't adequately addressed by existing solutions.

SPOT ▸ DEVELOP ▸ ASSESS ⟳ TEST ▸ LAUNCH
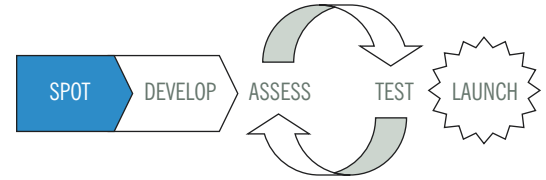
Output: Identified high-potential opportunities

Looking for "nonconsumers" and zeroing in on "jobs" that customers cannot adequately get done points the way to high-potential opportunities.

SPOTTING NONCONSUMERS

It might seem strange that the first place to start when you think about creating new growth is with nonconsumers, or people who don't consume your product. Across the sweep of history, however, many great growth businesses resulted from making it possible for people to do things that historically were difficult for them to do.

Start the quest for growth by asking, "What keeps people from consuming?"

Sometimes it is skills (people who lack the ability to "do it themselves"). Sometimes it is money (existing solutions are too expensive). Sometimes it is access (solutions may be difficult to use or obtain when people want them). And sometimes it is time.

Almost always, when a company begins to think about nonconsumers, the total potential market begins to look significantly larger, and the company's market share looks significantly smaller.

Consider how thinking about nonconsumption led Reid Ashe, executive vice president and COO of Media General, to rethink the Richmond, Va. market. That market has about 16,000 public-facing businesses that might want to advertise in one of Media General's products. However, Media General serves only about 3,500 of those businesses, leaving 12,500 as nonconsumers.

These nonconsumers may not advertise because Media General's products are too expensive, reach too large an area or do not reach their target customers, or they may feel advertising is too complicated or difficult. Finding ways to serve those nonconsumers could open large opportunities for growth.

Similarly, *Richmond (Va.) Times-Dispatch* reaches about 370,000 readers each day, leaving about 435,000 nonconsumers—another large pool for potential growth. They might not consume because the newspaper contains more information than they want, takes more time than they have, costs more than they want to pay or does not adequately address the topics that interest them most.

Zeroing in on important, unsatisfied 'jobs'

The next critical step in spotting opportunities is discovering where there are key "jobs"[3] that customers cannot adequately address with current solutions.

The concept of jobs to be done[3] is described eloquently in Chapter 3 of *The Innovator's Solution*.[4] The concept is surprisingly simple. It holds that customers do not really buy products, they hire them to get jobs done.

For example, Intuit's QuickBooks software made it easy for small business owners to accomplish an important job: Make sure my business doesn't run out of cash. Some alternatives, such as pen and paper and Excel spreadsheets, were not good enough. Professional accounting software packages were too good — confusing and filled with unnecessary features. QuickBooks did the job better than any alternative and quickly took over the category.

Examples of nonconsuming consumer groups
- Time-starved working mothers
- Busy professionals
- Recent immigrants
- Young adults

Examples of nonconsuming consumer occasions
- Commute
- Waiting times
- On the road

Examples of nonconsuming advertisers
- Ultra-local businesses
- Service businesses
- National advertisers

Think about the job an advertiser is trying to get done. Most of the time, the job is not really to advertise. Rather, he wants to let customers know about a special promotion. Or she is attempting to build her brand so she can drive repeat purchases. As one of the Newspaper Next Task Force members put it, "Advertising is a compensating behavior."

Using the jobs to be done concept requires first understanding the problems a customer faces in life or business. The most promising problems are those that people do often and consider important and where current solutions leave them frustrated.

Next, it is important to understand the precise "hiring criteria" a customer applies in choosing the solution to get the job done. For example, a teenager trying to engage with other teens might want a solution that is free, uses the latest technology, and is highly interactive.

Then look at the "candidates" who are applying for the job. The teenager could use her cell phone to send a text message to her friends or read a teen magazine – but increasingly, she logs on to MySpace or another social networking site.

Once you know a customer job and the hiring criteria, you can use this knowledge to spot the "help wanted" signs, or gaps between what the customer is trying to get done and the performance provided by existing solutions. These help wanted signs are clear opportunities for new-product innovations.

The concept of jobs to be done is straightforward, but it can dramatically change the way you think about new opportunities. It forces you to see the world from the customer's perspective, and to understand not just *what* they are doing, but *why* they are doing it.

How to identify customer jobs

Identifying unmet jobs to be done is not a trivial task. It requires acting like an investigative reporter, using a variety of techniques to unearth and synthesize clues.

For example:

- **Internal brainstorming.** Many managers and front-line workers have deep insights into the needs of the people they serve. Arming them with the nonconsumer and jobs-to-be-done concepts can unleash strong creative forces. It is particularly helpful to bring together people from different parts of the organization that might approach problems differently.

- **In-depth customer interviews.** Discussing the things customers try to get done in their lives, how they do them today, and where they are frustrated can uncover important jobs to be done (this section's Appendix contains suggested interview questions).

"'Jobs to be done' is simple in statement but transformational in concept. It takes a newspaper from looking straight ahead at its readers (or non-readers) and walks around behind and looks through the eyes of the reader."

– Peter Bhatia,
Executive Editor,
The Oregonian, (Portland)

FIGURE 2: SAMPLE CONSUMER AND ADVERTISER JOBS

Consumer Jobs

- **Enlighten me:** Help me stay informed on issues that are relevant to me
- **Educate me:** Help me make better decisions to increase my value as a parent, employee, student etc.
- **Enrich me:** Give me information that will give me a material benefit, i.e., make/save money or time
- **Entertain me:** Give me enjoyment, amusement, or keep me from boredom
- **Engage me:** Connect me with people who share my interests or views
- **Empower me:** Help me get action on things that matter to me

Advertiser Jobs

- Get a customer to visit my store tomorrow
- Provide information on the products, prices, and promotions I offer
- Help me build a deeper connection with my customer base
- Make my phone ring with a high-potential customer
- Help me do the things I don't like to do so I can do the things I do like to do
- Help me find the right people e.g., employees, suppliers, partners
- Make my marketing program more effective

- **Customer observations.** Sometimes customers cannot properly articulate the problems they face in their lives. Observing customers in natural environments, followed by probing questions about why the customer did *this* and not *that,* can lead to surprising findings.

These approaches can create a long list of potential jobs and usually are sufficient to tease out promising opportunity spaces. Quantitative research, of course, can provide deeper insight into rank ordering of jobs and segmenting or clustering of customer groups.

The techniques described above are not new. But the jobs-to-be-done approach changes the questions you ask, focusing on the customer's problem instead of her view of existing solutions. Applying this approach with nonconsumers rather than current readers or advertisers will yield previously invisible opportunities.

At the end of Step 1, you should have identified a high-potential opportunity space, characterized by an important problem that a target customer cannot adequately address with today's solutions.

Tips and tricks

- Ted Levitt, the guru of marketing at the Harvard Business School a generation ago, was famous for reminding his students that customers do not really want quarter-inch drills. They want quarter-inch holes. Focus on the holes, not the drills.

- It is often helpful to focus jobs research on a predefined customer segment (e.g., working moms). However, there also are many high-potential jobs that cut across demographic boundaries.

- Start simply: Gather a group of people and try brainstorming to identify desirable groups of nonconsumers and some important and frustrating jobs to be done in your market. Then try some external interviews. Consider activities like inviting nonconsuming advertisers for a lunchtime discussion.

- Train customer-facing employees in the jobs concepts and set up mechanisms to gather their feedback and ideas.

- When looking for nonconsumers, remember to look for nonconsuming *occasions* as well. **N**²

STEP 2: DEVELOP POTENTIAL SOLUTIONS

Most managers believe creating growth through innovation is risky and random. A fog seems to hide high-potential opportunities and make success elusive.

Yet a closer look shows that successful innovations conform to a pattern. The best way to crack a new market is to follow the principles of disruptive innovation.

After pinpointing important, unsatisfied jobs to be done, the second step is to conceptualize potential solutions that would get the job done better than existing alternatives. Essentially, this step involves creating a first-cut business plan to seize the identified market opportunity.

This does not require a 30-page document, detailed exhibits and complicated financial analysis. Rather, the first version should provide basic answers to the following questions:

- What is our idea?
- Who is our first target customer?
- What job do those customers need to get done?
- How do customers currently get the job done?
- What will customers "give up" compared to other offerings by choosing the solution?
- What advantages will they get?
- How will we make money?
- How will we keep costs low?
- With whom will we need to partner?
- How will we beat competitors?

Embedded in these straightforward questions (summarized in a simple tool called the "Newspaper Next Idea Resume" in this section's Appendix) are three important principles to keep in mind when attempting to craft a winning solution.
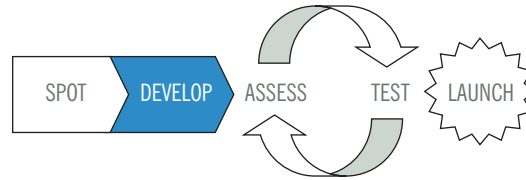
Output: "Idea Resume" on new opportunity

Principle 1: Perfection is the enemy of "good enough"

Quality is truly in the eyes of the beholder. Sometimes "good enough" can be great. The essence of disruption is about making trade-offs. The customer "gives up" performance along some traditional dimensions and "gets" improved performance along some much-appreciated new dimensions.

This does not mean dumbing down existing products. Nor are new, disruptive products *bad* products; for any product to succeed, customers must consider it better than any alternatives. A disruptive product is a *different* product that does a particular job better than any competitor.

Free daily papers are a good example. The *Boston Metro* cannot compete with the depth and breadth of *The Boston Globe.* When a reader has a solid chunk of time and wants to dig into the day's events, the *Metro* is an inferior product. But when that same customer wants to kill 15 minutes on a train, and the only alternative is boredom, the *Metro* is a near-perfect solution.

Newspaper companies show strong perfectionist tendencies, but there are important reasons to fight this urge. First, it can result in products that are overly complicated or expensive. The customer may prefer a simpler, cheaper solution with less performance.

Second, perfection is costly to achieve. Because so many initial product strategies are wrong, the worst thing to do is spend a lot of money early. The heavy investment makes it difficult to adapt when you learn what you need to do instead.

"The 'good enough' concept gave us freedom to do new things and to do different things ... the real test is not what our standards are but what are the standards of consumers ... What do they want? What do they think is good enough?"

— Steve Silberman,
Executive Editor,
The Desert Sun,
Palm Springs, Calif.

N²

Dimension	Possible implications of "turning the dial up" on performance			
Content	Wholesale use of wire/other existing content	➜ Minor repackaging of existing content, e.g. rewriting, shortening, adding briefs	➜ Looking for low-cost sources of original content, e.g., blogs, freelancers	➜ Hiring a professional to create new content
Ad Sales	Launching a self-service advertising model	➜ Hiring some low-cost "good enough" sales staff, e.g., interns, telemarketers, temps	➜ Hiring a full-time professional sales force	
Distribution	Rely on pick-ups through centrally-located drop-off boxes	➜ Hire "hawkers" to push the product at key locations	➜ Offer home delivery	
Production Quality	Newsprint tab, minimal color	➜ Broadsheet, heavy color, multiple sections	➜ Full color, heatset, bound	

The key to disruptive innovation is "dialing up" performance only along dimensions where necessary. This example shows the choices facing a company launching a niche / free publication. The simplest choices create the lowest-cost model. Depending on the competition, the company may need to increase performance in some dimensions.

Rather, think about what would be a "good enough" first solution that gets the most important job done better than anything else. Think about how to minimize fixed costs in the first version, creating a flexible base that makes adaptation easy.

To keep fixed costs low, consider such things as using interns, temps or consultants to fill out staff in early days, using user-contributed content instead of relying on proprietary content and leveraging off-the-shelf solutions instead of building proprietary solutions; do only what is necessary for Version 1.0. As we will explain later, the goal is to "invest a little, learn a lot."

Principle 2: Think creatively about the business model

An innovation lever that companies often overlook is the business model. Often true disruption stems from a new business model that makes money in new ways.

Consider Google. While Google's search algorithms are unquestionably innovative, the key to its growth are its AdSense and AdWords offerings that make it simple, affordable and

FIGURE 3: EXAMPLES OF REVENUE STREAMS

Available online revenue streams
- CPMdisplay advertising
- Classifiedads
- Subscriptions
- Do-it-yourself advertising /upsells
- Costper action (per click/lead/call)
- Licensingfees
- Sponsorship
- E-mailmarketing
- Paidsearch
- Leadcapture
- Video/ audio advertising

Available offline revenue streams
- CPMdisplay advertising
- Classifiedads
- Subscriptions
- Singlecopy sales
- Costper action (phone call)
- Licensingfees
- Sponsorship
- Directmail marketing
- Fee-for-service (e.g., market research)
- Inserts/wraparounds
- Eventproduction / promotions

profitable for small businesses to place ads without costly human assistance – a very different model from newspaper advertising.

Historically, the newspaper industry has relied on three basic revenue streams —display advertising, classified advertising and subscription revenues. There are other revenue streams worth considering for any innovation, some of which are discussed in more detail in Section III.

Principle 3: Do what the competitor won't or can't

Disruptive innovation is all about changing the game. If you follow a strategy that looks attractive to market leaders, you can bet they will respond. Incumbents often have advantages that are difficult to overcome.

The way entrants win battles of disruptive innovation is by turning an incumbent's strength into a weakness.

Consider free classified provider craigslist. Classified advertisements are an important driver of industry profitability, constituting a large share of company profits. Craigslist allows consumers to post classified ads for free (it charges for some job listings in some markets). How excited would most publishers be about giving away classified ads? Not very.

Generally, disruptors follow an approach that established market leaders consider unattractive or uninteresting.

The goal is to think critically about how to *maximize* the time before a competitor is motivated to respond and to *minimize* a competitor's response options.

At the end of Step 2, you should have completed an N² Idea Resume (or several Idea Resumes) describing your proposed solution to seize an identified opportunity.

Ways to limit competitive response

- Target a nonconsumer. If you reach a true nonconsumer, no incumbent feels pain.
- Target a customer the competitor considers undesirable. Finding profitable ways to serve seemingly unattractive customers can be a key to disruptive growth.
- Use a different distribution channel. Companies often hesitate to anger critical channel partners. For example, computer retailer Compaq had to shut down its direct-to-consumer Internet arm because owners of the stores that sold its computers protested.
- Create a business model that succeeds *without* a revenue stream that is vital to incumbents. By not charging late fees, Netflix made its business seem less structurally attractive to Blockbuster, whose business model historically relied on late fees.

Tips and Tricks

- Approach the solution from the perspective of an entrepreneur. If you had none of the baggage or habits of a newspaper company, what strategy would you use to create and capture this space?

- Use simple templates like the N² Idea Resume to help frame out a strategy.

- Do not obsessively focus on gross margin percentages. You can create very profitable businesses with different margins from those of your core business.

- Consider strategies that other newspaper companies, media companies, competitors or companies outside the industry have used on a similar problem. These might give you ideas that can be adapted to target your identified opportunity. **N²**

The next two steps in the N² Method are closely related and may be repeated frequently in developing a new product or service.
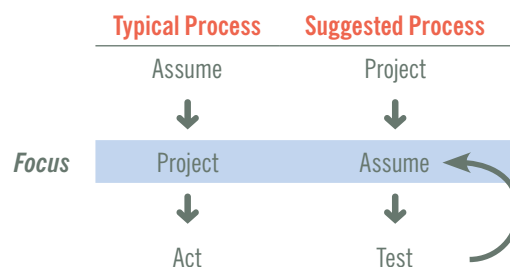
Step 3 involves assessing the concept described in the N² Idea Resume. The goal is to make a comprehensive list of the strategy's strengths, weaknesses and unknowns, and to identify those areas that need to be tested in more depth in Step 4.

More broadly, Steps 3 and 4 force innovators to rethink how they approach strategy. Often, when managers create strategies, their process involves developing assumptions, using those assumptions to build a detailed business plan with extensive financial projections and acting to implement that plan. However, because your first strategy is likely to be wrong, that approach is likely to lead you in the wrong direction.
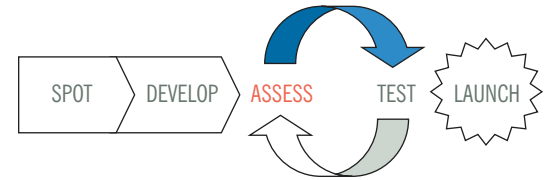
Steps 3 and 4 flip that approach on its head. In Step 3, you begin by assessing what your idea would need to look like to be successful, both in qualitative characteristics and quantitative metrics. Then you work backwards, asking yourself what assumptions would have to come true and what risks would need to be overcome to reach that level of success.

This approach teases out the most critical assumptions and risks that need to be addressed in Step 4.

SPOT ⟩ DEVELOP ⟩ ASSESS   TEST   LAUNCH

Output: Prioritized list of assumptions and risks

Qualitative assessment: Does it fit the pattern of success?

Successful innovations conform to a pattern. The disruptive pattern[5] in particular has six key elements:

1. Customer: Target an important job that customers (consumers/advertisers) cannot adequately get done

2. Solution: Offers a disruptive solution that gets the job done better than existing alternatives

3. Business model: Features an attractive business model that starts with low fixed costs and creative revenue streams

4. Competition: Creates or includes a competitive advantage that will make competitive response difficult

5. Strategic Fit: Addresses a growth area that is strategically important to the company

6. Execution: Uses capabilities that the company has, or can build or buy

Using those six categories, the N² team created a tool providing 21 qualitative success factors (see the Newspaper Next Opportunity Assessment System in this section's Appendix). The first stage of Step 3 is to use these 21 factors to assess the strategy. For each factor, consider the degree to which your approach conforms to the identified factor, and the amount of evidence or certainty you have backing up your answer.

FIGURE 4: FLIPPING STRATEGY ON ITS HEAD

	Typical Process	Suggested Process
	Assume	Project
	↓	↓
Focus	Project	Assume
	↓	↓
	Act	Test

Source: Innosight LLC

In the early stages of innovation, there will be many areas where your assessment is nothing more than an educated guess. That's okay. What is critical is separating the things you *know* to be true from the things you *assume* to be true.

It is also unlikely that your strategy will perfectly fit the pattern. That's okay, too. The goal of the assessment is to isolate core strengths of the idea, known risks that need to be addressed, and uncertain areas that need to be explored in more depth.

While assessing 21 distinct factors might seem daunting, the comprehensive list is a useful way to smoke out assumptions you may not realize you are making. In fact, the assessment process itself is often more valuable than the "answer." The discussions and debates provoked by the assessment inevitably point out ideas for improving the strategy in meaningful ways, and they ensure that the right assumptions and risks get addressed at the right time.

Quantitative assessment: Reverse-engineer financial figures

Many seasoned innovators might be asking themselves, "Why didn't you start with the numbers?" Numbers are a critical part of the innovation process, but we suggest approaching the quantitative part of the assessment process in a very different way.

Experience shows that most companies force teams to develop detailed financial estimates (e.g., 10-year profit & loss statements) way too early, when their accuracy will necessarily be low. When you have low certainty about almost all of the inputs into a financial model, the output is likely to be wrong.

Consider Intuit founder Scott Cook's comment about some of the duds launched by his company: "For every one of our failures, we had spreadsheets that looked awesome."
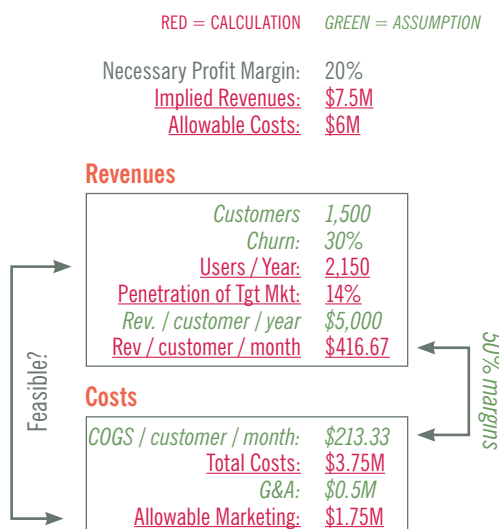
Furthermore, companies that prioritize projects using metrics like net present value (NPV) or return on investment (ROI) will not end up selecting ones aimed at the seemingly small, difficult-to-measure markets that are so often the footholds for powerful growth strategies.

FIGURE 5: REVERSE-ENGINEERING FINANCIAL FIGURES

Back of the envelope market sizing

Discoverable fact ➡	**15,000 small businesses in our market**
	✖
Market research to validate ➡	**10% penetration**
	=
	1,500 customers
	✖
Market research/analogies ➡	**$5,000 / customer**
	=
	$7.5 million market

Top-down estimate: Required Profits of $1.5 Million

RED = CALCULATION   *GREEN = ASSUMPTION*

Necessary Profit Margin:	20%
Implied Revenues:	$7.5M
Allowable Costs:	$6M

Revenues

Customers	*1,500*
Churn:	*30%*
Users / Year:	2,150
Penetration of Tgt Mkt:	14%
Rev. / customer / year	*$5,000*
Rev / customer / month	$416.67

Costs

COGS / customer / month:	*$213.33*
Total Costs:	$3.75M
G&A:	*$0.5M*
Allowable Marketing:	$1.75M

Feasible?   50% margins

Instead, they will likely pursue projects in large, measurable markets — the ones that are usually hardest to enter. Or they will focus on low-risk opportunities that have little chance of driving meaningful growth.

Instead of building *up* to an NPV or ROI figure, determine what the key elements of the answer must be. What kind of revenues must an opportunity generate on an ongoing basis to be attractive? What kind of profits should it produce? How soon must it produce positive cash flows?

Then calculate backward from those figures to determine what has to come true to reach those projections, as in Fig. 5. We call this "reverse-engineering" the financial figures, working backward to determine what would have to be true to reach critical financial milestones.

One key "sanity check" is to make sure there is a plausible story that leads you to the desired revenue figure. What must you assume about the total number of customers, the penetration rate and the revenue per customer to reach the figure? If that "back of the envelope" calculation has assumptions that seem far-fetched, it might be time to rethink the approach.

Prioritizing assumptions

The assessment work described above should have generated a long list of assumptions (what must go right) and risks (what could go wrong). The final step in the assessment phase is to prioritize that list to identify the greatest risks and most crucial assumptions. These will be addressed in Step 4.

These tend to fit one of three categories:

1) *Deal killers.* A deal killer occurs when being wrong about an assumption or right about a risk means the strategy will fail. For example, technology (will it work) and partnerships (will they work with us) can often be deal killers.

2) Areas of *high uncertainty*. A customer's willingness to pay, repeat purchase and acceptance of a new product are all often educated guesses in the early stages of product development.

3) *Areas that heavily influence other parts of the strategy.* The cost of producing a product, for example, impacts price, which impacts the target customer, the channel, and viable promotion strategies. These *path-dependent* items should be tested early and tested often.

When you complete Step 3, you should have a prioritized list of assumptions and risks that you will address in Step 4.

Tips and tricks

- Have a small team do the assessment. The discussion and debate almost always leads to an improved strategy.

- Be conservative when assessing your level of certainty about an assumption. Ask how much of your salary – a day, a week, a year? – you would be willing to give up if you are wrong.

- Keep focusing on assumptions. Keep a running list of the critical assumptions you are making. Do not stop until you have at least 25.

- Look for opportunities during the assessment process to reshape the strategy to maximize its chances of success.

- Do not use numbers as the sole arbiter in a decision-making process. They can provide useful input in prioritizing opportunities, but intuition and judgment are also critically important.

- Do not get bogged down on developing financial estimates too early. Remember, markets that do not yet exist cannot be measured and analyzed. **N**

STEP 4: TEST, LEARN AND ADJUST

The final stage of the process is to design and execute tests and other knowledge-building activities to learn more about your key assumptions and reduce your key risks.

There are two parts of this process. The first is designing and executing simple, cheap ways to test identified assumptions. The second is deciding what to do with the learning.

'Invest a little to learn a lot'

Smart experiments and risk-mitigation strategies are at the heart of the ability to innovate successfully. Instead of risking big investments on uncertain strategies, companies can "invest a little to learn a lot" about the key uncertainties in their approach.

Minimizing fixed investment in the early stages of innovation is critical because you don't want to plow money into a strategy with fatal flaws. The goal is to find and address points of failure early and inexpensively.

Experiments can range from simple activities such as small focus groups to more complicated activities such as launching a localized test market. Contingent contracts, employing consultants before making full-time hiring decisions and creating patent protection can be sensible ways to reduce key risks.

It is important to keep these knowledge-building activities as simple and inexpensive as possible. Find a colleague who addressed a similar problem to see if there is something useful to glean from her experience. Build models, mockups and simulations before you design final products. Look for outside analogies that provide additional evidence about whether you are headed in the right direction. For example, one project team at a consumer health care company had a critical assumption about how often a consumer would use a planned new product during the course of a year. The team looked for comparable figures for similar products to see if their assumption made sense.
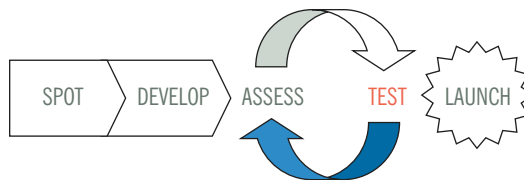
Output: Decision about next steps

One key testing mechanism is fast-cycle prototyping. Show users an existing product that approximates the envisioned product or create simple, cheap prototypes that are "good enough" to demonstrate the concepts. Ask questions such as: "Could you see yourself using a solution like this? Under what circumstances would you use this? What features would you use or not use? What features are missing?"

Companies often have lower-cost trial options than they realize. Localizing a launch to a particular geography or using employees to beta-test products can be quick and easy ways to test key assumptions.

Working from your prioritized list of assumptions and risks from Step 3, design and conduct low-cost, fast-cycle tests to reduce risk and replace assumptions with greater knowledge. Some assumptions and risks are easier to test than others; if there are several high-risk issues, test the easiest ones first.

Reflect and adapt

The final stage of the process is to apply the learning from the knowledge-building exercises by adapting the strategy.

Redirecting a strategy can be emotionally wrenching. Managers who have dedicated time and energy to a particular path can cling to it even in the face of countervailing evidence. Success requires a mix of humility (to recognize that despite your best efforts your initial approach was wrong) and confidence (to persevere in the face of disappointing results).

This step often trips up well-intentioned companies. Consider one newspaper editor's reflections on his organization's early forays onto

Knowledge-building exercises
- Prototypetests
- Focusgroups
- Businessmodeling
- Roleplaying (customers, competitors)
- Test marketing
- Secondaryresearch
- Market research
- Internal best practice assessment
- Technologyassessment
- Concept/ prototype tests
- Thoughtleader round table
- External benchmarking

the Internet: "Given the pace of our expansion, I don't think we made mistakes fast enough and we didn't learn from them often enough. The problem wasn't just turning [the experiments] on, sometimes it was turning them off." The company did not use the knowledge from the experiments to shelve strategies that emerged as duds and redirect stumbling strategies that still had potential.

Force yourself and your team to reassess your approach at regular milestones and carefully consider the implications of your increased knowledge.

Be willing to shelve projects if you cannot fix a deal killer or if learning suggests that the opportunity is less exciting than you thought. Celebrate these "failures." It is far better to fail fast and fail cheap than to waste more money on a doomed strategy.

The output of Step 4 is a decision about next steps for the project. There are three options: 1) shelve the idea as unlikely to succeed or still too risky, 2) proceed to launch the first market version of the idea or 3) revise the idea and test again. Often the best choice is the third – to keep iterating through Steps 3 and 4 until your experiments show more clearly that it is time to shelve it or launch it.

Identifying inflection points requires intuition and judgment. Generally, you should have largely addressed your most critical assumptions and risks and have market-based information supporting critical financial assumptions.

Launching a solution does not end the process of assessing and testing. Keep a close eye on customer response — one of the best possible tests — and keep looking for ways to modify the strategy to increase its long-term potential.

Tips and Tricks

- Continue to think like an entrepreneur, asking what you would do if you had only 60 days and a limited budget.

- Keep a master list of assumptions that gets updated on a regular basis.

- Look for analogies in other industries to gain confidence in assumptions or to find creative ways to test assumptions.

- Celebrate failures as well as successes, because they often result in useful learning.

SUMMARY

Properly following the four steps described above can greatly increase the chances of creating successful new growth offerings. It can greatly reduce initial costs, reduce risks and increase the probability of creating a hit with target customers.

Finally, a few words about timing.

Generally, the search for new opportunities and the creation of potential products should be continual. If you are just starting out, give a small group 30-60 days to identify a handful of potential jobs and design potential solutions.

We suggest running Steps 3 and 4 in 60-90 day chunks. At the end of Stage 4, if signs suggest the strategy still has merit, repeat Stage 3, map out your new activities, and move forward. If the strategy has problems, skip back to an earlier stage or stop altogether.

Innovation will not become perfectly predictable any time soon. However, following the process described in this section can help bring clarity and discipline to the messy process of innovation, helping newspaper companies to move toward the more diversified portfolios that are vital to the industry's future.

The report's next section describes how to apply the Newspaper Next process as part of an overall strategic "Game Plan" for growth and points out promising areas of opportunity. **N²**

APPENDIX

Reference material

Clayton M. Christensen, *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail* (Boston: Harvard Business School Press, 1997).

Clayton M. Christensen and Michael E. Raynor, *The Innovator's Solution: Using Good Theory to Solve the Dilemmas of Growth* (Boston: Harvard Business School Press, 2003).

Clayton M. Christensen, Scott D. Anthony and Erik A. Roth, *Seeing What's Next: Using the Theories of Innovation to Predict Industry Change* (Boston: Harvard Business School Press, 2004).

Scott D. Anthony, Matthew Eyring and Lib Gibson. "Mapping Your Innovation Strategy," *Harvard Business Review,* May 2006.

Innosight's *Strategy & Innovation* newsletter regularly provides updates on core conceptual material. Visit www.strategyandinnovation.com for more information.

TOOLS AND TEMPLATES

Jobs-to-be-done questions

The following questions can help guide jobs-to-be-done discussions with consumers, market-facing employees, or advertisers:

Consumers	Employees	Advertisers/Businesses
• What are some things (for example, related to local information) that you have most trouble trying to do at the moment?	• What are some things that customers have asked us to do in the past that we could not do?	• How do you make money?
• Why and when do you typically seek to do this?	• Why couldn't we deliver what they wanted?	• What are the things that keep you up at night?
• Where did you look for help? Describe the process you followed.	• What alternatives did they use instead?	• What are some things ("jobs") that you are having problems getting done?
• What frustrated you most?	• How well did these alternatives meet their needs?	• Under what circumstances do you usually try to do these things?
• Describe a perfect solution. What will it do?	• What would the perfect solution for them look like?	• What do you currently use to help you?
• What are the emotions that the perfect solution would make you feel ("emotional hiring criteria")?	• What would be the most important characteristics ("hiring criteria") of this solution?	• What other options have you considered? Why did you use or reject these?
	• What common characteristics do these consumers share?	• How would you describe the perfect solution?
		• What are the most important characteristics of this solution?

The N² Idea Resume

The N² Idea Resume is a simple way to summarize an idea to create a new growth business. The "resume" hardwires many of the core disruptive concepts, such as "jobs to be done," "good-enough solutions," and starting simple and cheap. It is designed to be completed in 30 minutes or less, and does not require complex financial models or detailed market sizing. Exploratory analysis is almost always useful, but seeking precision too soon is almost always a mistake.

The Newspaper Next Idea Resume

Our idea is . . .

Our first target customers will be. . .

The jobs these customers need to get done are . . .

Customers currently get these jobs done by . . .

Relative to competitive offerings, consumers will "get". . .

They will "give up". . .

We'll make money by. . .

We'll keep costs initially low by . . .

We'll need to partner with . . .

We'll beat competitors because. . .

Critical assumptions

Our plan to test assumptions

The N² Opportunity Assessment System

Newspaper Next identified the following 21 factors as critical elements of high-potential growth strategies.

....

Consumer/Advertiser
- Targets a job that is important to the target consumer/advertiser
- The job occurs relatively frequently
- The consumer/advertiser is frustrated by their inability to get the job done because existing solutions are expensive, difficult to use, inconvenient or not customized
- The consumer is willing to accept a "good enough" first-generation solution

Solution
- The consumer would consider the solution a more desirable way to get their job done than existing alternatives (including nonconsumption)
- It will take no more than 12 months for the company to solve the required technological hurdles to introduce version 1.0 of the solution
- The solution is disruptive, offering "good enough" performance along some dimensions and better performance along others

Business Model
- The foothold market can be reached with relatively low investment
- Attractive returns can be made in the foothold market, with a path to create a large market ("adequate in the short term, superior in the long term")
- The approach features diverse revenue streams that go beyond the core business model
- The opportunity can be extended beyond the foothold to create a substantial long-term business

Competitive Response
- Powerful competitors will not be motivated to respond immediately (unattractive margins and/or size)
- Smaller competitors will lack the skills to be able to easily duplicate the offering
- Approach builds defensible competitive advantage

Strategic Fit
- Opportunity fits company's general strategy and does not violate a stated or unstated boundary condition
- The approach leverages existing capabilities or builds new ones
- Barriers beyond the ones identified in this assessment (e.g., patents) can be overcome

Execution
- The company has, or can access, the right resources (e.g., content, technology, etc.) to tackle this opportunity
- The company — or commercialization vehicle — has processes that will help the new venture succeed
- The company — or commercialization vehicle — will prioritize following this strategy
- The company can strike the right partnerships to commercialize the opportunity

....

The team also created a simulation tool that builds on a proprietary Innosight approach designed to bring more rigor to the qualitative analysis of ideas. Called the Newspaper Next Opportunity Assessment System (N²-OASYS), the tool asks the user to complete a form assessing the strategy's fit with each factor and state the evidence behind the answer. Based on these inputs, the tool immediately flags factors that are strengths, weaknesses, unknowns and potential "deal killers." It then uses a statistical technique known as Monte-Carlo simulation modeling to provide a more detailed analysis of the strategy. The tool is typically deployed as part of a facilitated consulting engagement. For more information, contact the American Press Institute at info@americanpressinsitute.org. **N²**

FOOTNOTES

[1] Clayton M. Christensen and Michael E. Raynor, *The Innovator's Solution: Using Good Theory to Solve the Dilemmas of Growth* (Boston: Harvard Business School Press, 2003).

[2] Generally when we say customer we mean a consumer, a business or both.

[3] The jobs to be done concept bears some similarities to the Readership Institute's (RI) concept of "experiences," and the concepts are compatible. RI's valuable research cites 26 "motivators" that drive newspaper readership, such as "give me something to talk about" and "make me smarter." Many of these could also be described as "jobs to be done." Many "jobs," however, are more granular and functional than "experiences." While the RI research focuses on newspapers and news Web sites, Jobs to be done casts a broader net, giving innovators a way to discover specific opportunities beyond those traditionally met by newspapers and news Web sites.

[4] Christensen and Raynor, 2003.

[5] The elements of the pattern change depending on the type of innovation you are trying to introduce. Disruptive innovations have the highest chance of creating new growth, so we focus on disruptive elements here.

SECTION III

THE NEWSPAPER NEXT GAME PLAN

Introduction: A Strategic Framework

Area 1: Maximize the core

Area 2: Build audiences by fulfilling jobs beyond news

Area 3: Use new models to fulfill jobs of current and new advertisers

Area 4: Create innovation structures and enablers

Measuring progress: the N² Dashboard

FIGURE 1: THE NEWSPAPER NEXT GAME PLAN

Create innovation structures & enablers

Build audiences by fulfilling "jobs" beyond news

Maximize core business model

Use new models to fulfill "jobs" of current / new advertisers
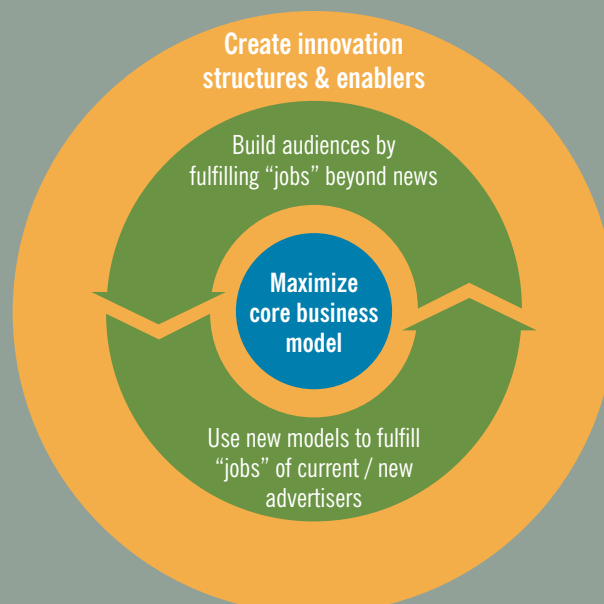
INTRODUCTION: A STRATEGIC FRAMEWORK

Newspaper executives can see and feel it — the media landscape is shifting, and the traditional newspaper business model is eroding.

In the aggregate, newspapers are reaching a smaller share of the public audience every year as individuals migrate away to faster, cheaper, fresher, simpler or more exhaustive solutions for information jobs the newspaper once owned. As the mass audience splinters, businesses are trying new strategies to reach target customers.

However, almost every threat to newspapers can also be an opportunity for newspaper companies, if they expand their horizons to embrace new audiences, new types of business customers and new business models.

A consensus appears to be emerging in the industry: To achieve new growth, newspaper companies need to innovate and diversify. They need to create broadening "portfolios" of products and services that get key jobs done for a wider range of customers.

But the portfolio strategy raises as many questions as it answers. Which are the best opportunities? What are the right approaches? What are the right goals?

To help newspaper companies answer these questions, The Newspaper Next (N^2) Game Plan offers a strategic framework — a road map — for diversification. It organizes the challenge into four clear areas of opportunity, points out some of the most promising strategies in each, and offers practical pointers for setting goals and benchmarking progress.

Newspaper executives at organizations of all sizes can use the N^2 Game Plan to manage their diversification efforts. The N^2 Game Plan can help companies to plan their growth initiatives, assure that they allocate resources to new growth and monitor progress.

Within the N^2 Game Plan, the N^2 Innovation Method — detailed in the previous section of this report — provides a practical process for improving core products and developing new ones. The N^2 Game Plan provides the strategic framework for planning and managing diversification, and the N^2 Innovation Method provides the toolkit to execute it. Examples from Newspaper Next demonstration projects are cited to show how this can be done.

Within each of its four target areas, the N^2 Game Plan identifies several of the most promising opportunities for growth. Even this short list — although far from comprehensive — exceeds the project capacity of most newspaper companies. One of the most important decisions each organization must make is which ideas to pursue immediately and which to defer. These choices will hinge on the company's capacities and the nature of the market.

Each of the N^2 Game Plan's four areas provides a short list of recommended basic metrics. These, together with several overall measures, constitute the N^2 Dashboard, which is covered in the final part of this section. The N^2 Dashboard is a powerful tool for assessing an organization's current status, determining goals and monitoring progress in developing an expanded product portfolio.

The N^2 Game Plan is not a formula to be followed by rote. Every newspaper has unique internal circumstances and unique market characteristics, and no fixed formula could address them all. Rather, the N^2 Game Plan provides a flexible plan of attack that can be shaped to suit each company and community.

Turning a newspaper company into a "portfolio" company is no small challenge, but the opportunities in each market are immense. The N^2 Game Plan and N^2 Innovation Method are practical tools to speed the transformation. N^2

AREA 1: MAXIMIZE THE CORE

Many newspaper companies, to their credit, are efficient engines producing a flagship product (daily and weekly newspapers) and numerous ancillary products including content-based publications (e.g., entertainment guides), ad-based publications (e.g., real-estate books) and news Web sites.

Maximize core business model

A. Strengthen the core by using Jobs to be done thinking

B. Grow the core by creating niche jobs-based products suited to your market

Their most urgent challenge lies beyond this familiar territory, in the need to diversify the product portfolio and embrace new audiences, new functions, new types of business needs and new business models. The N² Game Plan addresses these in Areas 2-4.
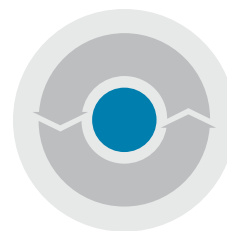
At the same time, companies must do what they can to maximize the health and effectiveness of their existing core products, and to add promising core products they may have missed. In many cases, these products are proven winners that make money in familiar ways, using existing business models, content, sales, and production and distribution resources.

The good news is, adding and improving core products is easier than creating dramatically different new growth opportunities, and these products tend to produce good profit margins. For companies that have not already exhausted the potential niches and verticals in their markets, these can add revenue while reaching new consumers and advertisers.

WHAT'S 'CORE' AND WHAT'S NOT?

The "core products" of the newspaper industry can be defined in various ways. In this report, the term is used to mean the traditional product — paid daily or weekly newspapers — and all other products based on a similar business model.

Generally, these are products that rely primarily on display, classified or insert advertising sold by sales representatives to traditional advertisers, and that use traditional production and distribution methods. Specifically, this includes:

• Print dailies and weeklies

• Niche publications, either content focused or advertising focused

• News Web sites relying mainly on cost per thousand CPM (display) advertising and classified

Noncore products (covered in Areas 2 and 3 of the N² Game Plan) include:

• Niche Web sites targeted at user Jobs to be done (such as community bulletin boards like craigslist.com, social networking portals like MySpace.com and user-ratings engines like TripAdvisor.com)

• Products that rely on new revenue streams (such as paid search, lead generation and consumer direct marketing)

• Products sold through nontraditional sales channels (such as self-serve advertising; e.g. Spotrunner.com and Google's AdWords and AdSense)

There are two specific actions newspaper companies can use to maximize their core business model:

A. Strengthen the core by using "jobs-to-be-done" thinking

B. Grow the core by creating niche jobs-based products suited to your market

A. STRENGTHEN THE CORE BY USING 'JOBS-TO-BE-DONE' THINKING

Traditionally, core newspaper products have fulfilled a wide range of customer jobs. Some typical information jobs are identified in figure 2. The newspaper offered a rich value proposition addressing jobs from "help me stay well-informed" to "help me get a discount on my dry cleaning."

The proliferation of media and the explosion of alternatives on the Web are changing the game. Consumers are substituting faster, cheaper, fresher, simpler or more exhaustive solutions to do information jobs they once accomplished through the newspaper. As a result, the newspaper value proposition is declining for many consumers.

Similarly, businesses are now choosing from an ever-growing array of solutions to reach target customers, often in addition to or instead of newspaper advertising.

Newspapers need to update and improve content for readers and effectiveness for advertisers to track the changing needs of their customers. The N² jobs-to-be-done approach is a powerful tool in this process.

The "jobs" research methods described in Section II, ranging from interviews to focus groups and formal research, can easily be applied to target groups of newspaper readers and nonreaders, advertisers and nonadvertisers, to identify jobs a newspaper or other core product could fill more effectively today.

For example, many papers conclude that stocks pages are unnecessary in an age when investors can get fresh quotes on the Internet. As old jobs fade, newspapers need to look through the eyes of their customers, including marginal customers, to discover new jobs their core products can do for them.

About new technologies

Online audio, video, podcasts, user-generated content, blogs and hyperlocal content are hot topics in many newsrooms. They look innovative, but they take time and effort, raising concerns about whether, when and how to do them.

It is important to remember that a technology typically can be used in one of three ways:

1) To increase the satisfaction of a company's most committed customers. Podcast versions of news stories or columns largely appeal to newspaper company's core customers.

2) To deepen the engagement of an important group of current customers. For example, video home tours in online ads might appeal to a housing developer.

3) To attract nonconsumers — people or businesses who don't consume current products — by enabling them to get important jobs done. For example, the "spotted" photo-sharing areas on many newspaper Web sites engage large segments of the community who aren't attracted by news alone.

Companies instinctively tend to pursue the first option, aiming to provide better products to their best customers. If those customers are already committed, however, large investments of time or money may not be warranted.

If, on the other hand, a new technology can be used to create a product or solution that engages many new customers or opens attractive new business models, significant investment may be a good idea.

Always ask the question: "What important job would this new offering get done better than others, and for whom?"

FIGURE 2: COMMON INFORMATION JOBS IN CONSUMERS' LIVES

Enlighten me	• Help me stay informed on issues that are relevant to me • Help me feel smart by stimulating my thinking
Educate me	• Help me make better decisions to increase my value as a parent, employee, student, etc. • Help me be more secure or healthy
Enrich me	• Give me information that will give me a material benefit, i.e. make/save money or time
Entertain me	• Keep me from boredom • Give me enjoyment or amusement • Help me to relax
Engage me	• Connect me with people who share my interests or views • Make me feel part of a community
Empower me	• Help me get action on things that matter to me • Provide me with information that is necessary to keep our democracy running

As described more fully in Section II, the "jobs-to-be-done" process focuses on understanding the customer's objectives and choices:

- What *jobs* do they hire the product to do?

- What *hiring criteria* do they apply in deciding to use it?

- What *compensating behaviors* do they use to make up for its deficiencies?

- What would an *ideal solution* look like?

- What *other jobs* are they trying to do that they cannot get done today?

In its N² demonstration project, *The Desert Sun* team in Palm Springs, Calif., applied the "jobs-to-be-done" approach to their core products and quickly spotted improvements they could make for their target audiences.

They realized that readers of their monthly business journal had a vital need — to increase the markets shares of their businesses. They adjusted its contents to focus more sharply on business-improving ideas. They also realized the publication's advertisers were trying to reach other businesses, not the public, so they switched from in-paper distribution of 55,000 copies to direct-mail delivery to 11,000 businesses. With less distribution, the product now achieves more effective targeting.

In the newsroom, editor Steve Silberman assigned a simple jobs-based task to reporters and editors — read the paper as you normally do, and mark where you stop. Result: Even in the newsroom, only 6 percent of the readers read the jumps from Page 1, and no one read the jumps from section fronts. Conclusion: Time to cut back on jumps.

The jobs-to-be-done approach can be applied simply with the intended users of any core product.

B. GROW THE CORE BY CREATING NICHE JOBS-BASED PRODUCTS SUITED TO YOUR MARKET

Some newspaper companies have been doing "alternative publications" for years, launching product after product to diversify the core business. For example, *The Spectrum* in St. George, Utah, a 23,000- circulation daily, has more than 40 revenue-generating products and activities aside from the paper, and most are publications.

Other companies have barely begun this type of diversification. In markets where there is room and opportunity for strong additional niche offerings, this is a relatively painless way to strengthen the core. Not easy, by any means, but far easier than creating unfamiliar and new offerings outside the core business. Because they make money in familiar ways, they often require minimal research and development and can draw on existing resources, from content to ad sales, to production to distribution. Examples are plentiful at other newspapers, whose managers often are eager to explain how they work.

Variations on the niche theme are almost infinite, and many of them are based on characteristics of the local market, such as NASCAR mania, a popular college team, tourism, an outdoors culture, and so on.

These products can be an important part of a company's strategy for increasing its aggregate audience because they attract nonreaders as well as readers

In creating these offerings, the "jobs-to-be-done" approach in Section II helps to ensure that they succeed with users and advertisers. When considering potential new target audiences — both consumers and advertisers — three questions are important:

- What important jobs are nonconsumers looking to get done?

- What frustrates them the most as they seek to fulfill their particular jobs?

- What do the target customers most want, which might be the key ingredients of a "good enough" solution?

Some niche products deviate significantly from the core business model and may even border on disruptive innovation. A successful free daily, for example, requires significantly lower costs of production and distribution to offset the lack of circulation revenue. This can be accomplished by streamlining distribution, layout, marketing and content generation while targeting nonconsuming advertisers with low rates.

In its N² demonstration project, *The Oregonian* in Portland applied the N² Method and jobs to be done to meet a company mandate to expand its portfolio of core products. As a result, they created a committee charged with exploring opportunities for niche products and new special sections. Now they see enough opportunities that they are considering a new department to develop and produce them.

Creating new core products is less risky than creating entirely new models outside the core, so the research phase often can be as short as a few weeks. Typically it consists primarily of: 1) determining whether a sufficiently large and interested audience exists, and what jobs they would want the publication to do, and 2) determining whether a sufficiently large and interested advertiser base exists, and what jobs they would want the product to do.

A word of caution: Maximizing the core by strengthening existing core products and adding new ones can pay handsome benefits. However, it should be only part of a newspaper company's plan for transformation.

Like a wise market investor, a newspaper company must think carefully about balancing its "portfolio" between low-risk opportunities in the core and new, higher-risk growth opportunities that may grow into big success stories in the coming years.

Newspaper companies that focus too hard on the core — as most do — will miss many fast-emerging growth opportunities. If they over-invest in the core and under-invest in growth opportunities like those outlined in the N² Game Plan's Areas 2 and 3, they risk losing their status as the leading information providers in their communities. The time to move on these new ventures is now, before local or national players gain the advantage.

Niche opportunities

A few of the many possible publications based on the core business model:

- "Lite" versions of daily papers for commuters (potentially distributed free)

- Entertainment-focused publications distributed on racks and countertops

- Niche publications for tourists, young adults, parents, senior citizens, hobbies, high school sports, etc.

- Publications for non-English speakers

- High-demographic publications on fashion, homes, investing

- Paid or free nondailies serving smaller communities or neighborhoods

- Niche advertiser publications, e.g. cars, homes, coupons

METRICS

Precise audience measurements are difficult where products overlap. It is important to determine an estimation method for each metric and use it consistently from period to period.

For maximizing the core business model, the following measures can be used to track progress:

- Total combined audience reached by core products. As newspaper penetrations in most markets continue to decrease, it is important to strive for gains across the entire suite of core products. (For companies lacking the data needed to determine unduplicated audience, a simple total of audiences will be enough to reflect growth.)

- Number of core-product users and non-users interviewed, surveyed or contacted to learn about their "jobs to be done." For effective core products, it is essential to get continuous input from the target customers.

- Number of niche and targeted products. In most markets, the law of diminishing returns eventually will set in. Companies starting at a low number will have more room to add products than those that have already tapped the most promising opportunities.

POINTERS AND SUGGESTIONS

- Teach the "jobs-to-be-done" and "nonconsumer" concepts to a newsroom team and invite them to scan a week's newspapers to see which consumer content jobs are now being met more effectively by other providers.

- Similarly, scan all existing core products from the user's perspective, asking what jobs they are not doing or could do better.

- Use the jobs-to-be-done interview questions from Section II Appendix to conduct a number of interviews with current readers and nonreaders of any core product. Look for new content ideas to enable the product to get more high-value jobs done for its readers.

- Use the jobs-to-be-done interview questions with current and former advertisers to discover urgent jobs your core products could do more effectively, or services you might add to help them accomplish those jobs.

- Assemble a group familiar with your market area and brainstorm about significant audience segments and local niche interests that might hold potential for new core products. **N²**

AREA 2: BUILD AUDIENCES BY FULFILLING JOBS BEYOND NEWS

As the tiny pipe gives way to the infinite pipe, the mass audience is disintegrating. The explosion of media options is splintering audiences and dissipating the dominance of any one source, as newspaper penetration figures show.

People are becoming conditioned to using multiple channels or sources to find the best available solutions to get important jobs done.

Nonconsumption of newspapers has become a popular choice among all age groups. Even among baby boomers, a strong newspaper audience, nearly half do not regularly read a newspaper, and nonconsumption rises in younger generations.

If newspaper companies are serious about reclaiming audiences, the focus needs to shift from products and services to the lives of consumers. The central question is, "What indispensable roles can we play in the lives of the consumers we want to serve?"

The reality is that consuming news is only one of the information-related tasks most people do in a day. The countless other jobs may include: "Help me connect to others in the community who share similar interests," "Keep me entertained during small snippets of time," "Help me make smart lifestyle choices," and "Help me save money or make money."

In the era of the tiny pipe, newspapers fulfilled those jobs alongside the main job of "Help me keep up-to-date on breaking news." As new targeted solutions emerge to address these jobs, they will inevitably draw audiences away from newspapers.

These trends, together with the rapid commoditization of all but local news, show that newspaper companies must look beyond news to build audiences by fulfilling other important jobs.

Going beyond news requires real innovation. Although many newspapers have *some* of the

Build audiences by fulfilling jobs beyond news

A. Master key building blocks:
- Assemblingrelevant databases
- Unlockinglocal "collective wisdom"
- Providingplatforms for communities to form

B. Use building blocks to craft solutions targeting specific unmet jobs

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content they need to address jobs beyond news, that content needs to be augmented, shaped, developed and packaged.

Even more broadly, newspaper companies must recognize that content goes beyond written words and professional photos to include user ratings, snapshots from mobile phones, opening hours, maps and countless other types of information. Getting some jobs done requires relinquishing control of content to outsiders, letting them build and shape content as they see fit.

The good news for newspaper companies is that many of these jobs are local. The new tools of the Internet can unlock vast amounts of local information that consumers want and need. For most consumers, getting news is relatively easy, but getting reliable and varied local information is difficult.

The bad news is that these local information opportunities are not a secret. Many competitors, including giants like Google and Yahoo, are moving to capitalize on them. As local information providers, newspaper companies have a natural brand advantage. But they must be willing to expand the range of local information needs they meet, or others will race ahead of them.

To begin building new audiences, here are two steps newspapers can take:

A. Master critical "building blocks"

B. Use these building blocks to assemble solutions and target specific unmet jobs for your audiences

A. MASTER KEY BUILDING BLOCKS

Looking beyond news requires developing new skills and capabilities many newspaper companies do not possess. Internet capabilities assume greater importance, as functions such as interactivity, search, scalability and customizability are the key elements for new offerings that help audiences get their jobs done better than existing solutions.

Three of the new capabilities enabled by the Internet that are certain to have massive local impact are: databases, user knowledge exchanges (unlocking the "collective wisdom") and community (providing platforms for communities to form). These "building blocks" can underpin a wide range of solutions to help audiences get important jobs done. Mastering them can open large growth opportunities for newspaper companies.

In reality, there are many Internet capabilities that also can open new opportunity spaces for newspaper companies. These three are basic elements of a wide range of local growth offerings, and therefore represent a good place to start. Some newspaper companies are advancing rapidly in theses areas, but most have barely begun.

Building block 1: Assembling relevant databases

Every community is chock full of local information residing in many places around the landscape, from institutions to businesses to the knowledge banks of local residents. Newspapers often house extensive stores of local data, and their staffs generally know better than anyone else how and where to get more.

This content and know-how can be a formidable asset, which national competitors like Google and Yahoo! will find difficult to replicate.

Most local information, both inside and outside newspaper offices, has not been organized yet for easy public access and searchability. Organizing and tagging information in databases so it can be retrieved easily can

enable people to accomplish many important jobs in their lives.

For example, Kudzu.com launched last year by Cox in Atlanta, helps residents find service professionals in the region. Businesses are organized by categories, such as pets, health and automotive. Each listing contains data customers need, such as descriptions of services, contact information and distance. User ratings and reviews — invaluable local knowledge —also are provided.

In Naples, Fla., *The Daily News* sports staff, like most, maintains statistics on high school teams and athletes. On naplesnews.com, that data is provided in searchable databases, enabling local sports fans to compile their own comparisons of local teams and athletes online.

The jobs-to-be-done lens can help to determine which data is most critical. One newspaper planning a youth-focused dining site found that the main job in its target audience of young adults was, "Help me plan my Friday evenings by showing me half-decent eating places close to where I'm going afterward." They wanted practical information such as where the restaurant was located, whether there was onsite parking and whether credit cards were accepted. They cared much less about getting the newspaper's well-written and researched restaurant reviews.

Assembling databases can be challenging for newspaper companies because a different mindset is required — not looking for news, but collecting and updating mundane details.

This calls for hiring a different labor force. Consider using interns, temps and hourly employees to "scrub" existing data and add important pieces of data.

Also, consider databases already available in your community, which could get important jobs done for consumers with the right touches.

For example, Chicagocrime.org automatically harvests data from the Chicago police department's online reports and organizes them into a Web site that enables citizens to do the job, "Find out how safe I am (or how safe my parents

Some useful databases:

- Localentertainment (restaurants, events, attractions, etc.)
- Smallbusiness
- Shopping
- Home-relatedservices (contractors, plumbers, lawn/pool, pest control, etc.)
- Kids-relatedservices (childcare, schools, kid friendly attractions, etc.)
- Localschool/college sports
- Pet-relatedinformation

or children are)." Users can search crimes by crime, street, date, ward, zip code, and other parameters and see them displayed on an interactive Google map. It was built by a single developer, Adrian Holovaty, in his spare time, and it requires no daily manual labor.

A nearly infinite amount of data exists in most communities, and many databases can be created only by hard work. So it is critically important to prioritize, acting first on the most urgent and widespread jobs consumers are trying to do. The N^2 "jobs-to-be-done" approach in Section II is a great help.

Additional databases can be added over time to target different audience groups or types of needs, and build a rich set of resources that will serve a wide range of users.

Building block 2: Unlocking collective wisdom

Many local information jobs are best done by tapping the prior experiences, opinions and knowledge of people in the community. For example, someone trying to find a good home contractor or dentist wants the lowdown from others based on their personal experiences. We call this unlocking the community's collective wisdom.

The popularity of sites like Amazon, TripAdvisor and eBay demonstrates that people value other users' input as they make decisions, from good vacation destinations to trusted merchants.

Newspaper companies have been slow to enter this realm for a variety of reasons. A leading concern is that unvetted user comments may be wrong or unfair — normal on the Internet, but uncomfortable for institutions that value accuracy and know the risks of libel. Internet case law remains uncertain, but user ratings and comments are so common that newspapers should be able to find approaches with acceptable levels of risk. (Consulting your legal counsel is advised.)

Beyond incorporating user-generated content (such as blogs and user forums) on existing newspaper Web sites, companies can experiment with many other ways of unlocking the

collective wisdom in their communities. Using the N^2 Method can help companies identify promising first opportunities, develop the necessary platforms and then expand into additional kinds of local "collective wisdom."

Building block 3: Providing platforms to facilitate collective conversations

An inevitable outcome of the democratization of media is that communities *will* self-form. Newspaper companies cannot expect to be at the center of all these communities, as they often were in print's heyday. However, they can stay engaged with these new audiences by providing the platforms and tools they need.

As with unlocking collective wisdom, many platforms already are in use. These span a wide range of types, from photo- and video-sharing tools to bulletin boards to e-mail groups to wikis.

One of the N^2 demonstration projects, WickedLocal.com, provides these kinds of platforms. While the site has substantial news content, it also has numerous blogs, discussion forums and places for user-submitted photos. The site first launched in Plymouth, Mass. In its first five months, traffic grew 300 percent, with consumers drawn in by the local community feel of the site. Scripps' Yourhub.com, Morris Communications' Blufftontoday.com and privately held Backfence.com are other community platforms.

The challenge for newspaper companies is to acquire a set of applications and tools that can support a range of communities. Having different platform types makes it easy to develop new solutions that fit a variety of audiences and their needs.

The good news for newspaper companies is that many of these platforms are easily available as plug-and-play features from technology vendors, such as PlanetDiscover, Travidia and Harvest, or from open-source development groups such as phpBB. Hence, launching some of these platforms could be done with a relatively small investment of money and resources.

Businesses successful at unlocking collective wisdom:
- Amazon (consumer goods, e.g., books, music)
- TripAdvisor (hotels, attractions)
- RottenTomatoes and Netflix (movies)
- Angie'sList (home contractors)
- LinkedIn (professional networks)
- Wikipedia (encyclopedic knowledge)
- iTunes (music)
- Yahoo!Groups (broad range of interest groups, e.g., hobbies, young parents)
- craiglistforums (broad range of information areas)

Examples of platforms
- Bulletin boards
- Virtual roundtables
- Discussion forums
- Email-based groups
- Ratings and reviews
- Hosted personal sites
- Blogs
- Knowledge repositories
- Content sharing directories

B. USE THE BUILDING BLOCKS TO CRAFT SOLUTIONS TARGETING SPECIFIC UNMET JOBS

All three building blocks can open excellent opportunities to serve new groups of customers in new ways. Realistically, however, no company is likely to go on a shopping binge to acquire all of these capabilities at once.

The practical approach is to acquire them one by one, as they prove necessary for the new products you are developing.

In other words, you should begin by following the steps of the N² Method (Section II): Identify a promising and desirable group of nonconsumers, determine the key jobs they want to get done and develop an idea for a good solution. In most cases, you will find that the solution requires one of the three building blocks — a database, a knowledge-sharing platform or a community platform.

How should you choose your target audiences? A good place to start is by identifying nonconsuming groups your company doesn't reach effectively with its existing products — especially those desirable to advertisers. These may be demographic groups, such as young adults or busy mothers. Or they may be groups in circumstances where existing products are difficult to consume, such as commuters. Or there may be a job that spans many groups of consumers, such as finding out more information about local merchants and the products they sell.

As you develop and launch new products and solutions, you gradually can acquire a range of tools while also increasing your range of audiences and advertising opportunities.

When you have identified a high-potential group, a key job and a solution, consider who else might face the same problems. The goal is to see if the solution you're building can be adapted to serve multiple audiences.

The following examples illustrate how these two N² demonstration projects developed solutions to reach out to new audience groups by addressing non-news jobs.

Nonconsumers: some examples

• Busy mothers
• Teenagers
• Young professionals
• Non-English speakers
• Recent movers
• Out-of-towners, e.g., snowbirds

Nonconsuming occasions: some examples

• During morning/evening commutes
• While waiting, e.g., at an airport, doctor's office
• While out of town or on the move
• At the gym or playground

Dallas Morning News: Helping busy mothers get kid-related jobs done

Drawing on their personal experiences, members of the *Dallas Morning News* team realized that busy mothers in the Dallas/Fort Worth area had problems finding trusted recommendations on things to do with their young children. This "user knowledge" existed mainly in the minds of other mothers who faced the same problems before, and it could be accessed only by word-of-mouth within a mom's circle of acquaintances.

The idea emerged for a "MasterMom" online-print-mobile solution where moms (dads, too) could find suggestions on kids' activities, such as lessons, summer camps and birthday parties. They also could share their experiences and provide feedback to other parents through user ratings and recommendations.

Because parents were seeking to get these jobs done during small snippets of time, such as while waiting at a playground or in a doctor's office, the Web site could be optimized for viewing on a mobile phone or supplemented with a reverse-published newsletter.

Through "MasterMom," the Dallas team hopes to reach out to mothers of young children, many with no time for the newspaper.

FIGURE 3: PROPOSED 'MASTERMOM' SOLUTION FOR BUSY MOTHERS IN DALLAS

North Jersey Media Group: Helping people in the community fulfill important jobs

Facing the need for a Web site redesign, the North Jersey Media Group (NJMG) wanted to retool its online strategy to reach audiences not attracted by the news-focused NorthJersey.com Web site.

The team interviewed family members and friends; people in malls and offices; and visitors to the Web site, and found myriad non-news jobs that people in the community were trying unsuccessfully to get done.

For example, homeowners wanted more peace of mind about the safety of family members at home. Parents wanted to make their kids "stars" by documenting their achievements, whether sports, academic or simply fun. Local business owners wanted to get the heads-up on latest trends that could help them make money. College alumni wanted to stay in touch with news of their sports teams.

This led the team to brainstorm about potential solutions that could address a range of audiences with differing "jobs to be done." Ideas included a high school sports Web site with reverse print publication, an information service for new movers, a Web site addressing parents' jobs, and relevant topics to help local businesses reach out to other businesses.

This led to the idea of tying these new solutions together in an all-new, multipurpose NorthJersey.com site, repositioned as *the* portal for local information. The new site contains features that helped audiences solve frustrating jobs such as: "Help me find activities to do this weekend" (event calendar), "Help me find a reputable home contractor" (local service directory) and "Give me up-to-date weather and traffic information" (traffic and weather icons).

It also points audiences to other relevant resources from both NJMG and third parties that can help address more specific jobs.

FIGURE 4: ORIGINAL NORTHJERSEY.COM SITE

FIGURE 5: NEW NORTHJERSEY.COM SITE

Living in North Jersey requires more than just the latest news, and the aim of the new NorthJersey.com site is to help with a wide range of those needs. The new site also provides ample opportunities to use new revenue models like paid search and lead generation. These and other models are discussed in more detail in Area 3 of this section.

METRICS

Some metrics newspaper companies can use to measure their progress in reaching out to new audiences with non-news solutions are:

- Combined audience reach for noncore products. (For companies lacking the data needed to determine unduplicated audience, a simple total of audiences will be enough to reflect growth.) This will ensure that innovation focuses on new types of products as well as traditional ones.

- Number of nonconsumers surveyed to learn about jobs to be done. To get innovative new products correct, it is essential to get input from the target customers.

- Number of products in the portfolio that are non-news focused. This simple metric reinforces how fast the company is moving beyond the core.

POINTERS AND SUGGESTIONS

- Remember that content is more than words and pictures produced by professionals. Structuring pieces of data and user comments in useful ways can help consumers address important, unsatisfied jobs.

- As a simple first step, have a small team of employees ask about jobs that are causing frustration for people they know — family, friends, colleagues, shoppers, and other people in the community.

- When you have identified a key job and a possible solution, check to see what competitive solutions are available in your market — local or national Web sites, print options, or others. How well do they fulfill the job you have identified? How would your offering be more attractive?

- Hold a brainstorming session for the team to report what they heard, and talk about ideas for "good-enough" solutions to address these frustrating jobs.

- Nine out of 10 new product ideas begin with the wrong strategy, so it's important to keep initial investment small. If the idea shows promise in the market, you can invest a little more. The goal is to "invest a little, earn a little, learn a lot."

- Some of the ideas that emerge to serve specific audiences may be small. The key is making sure they can be profitable by managing costs and adopting effective revenue models. A newspaper company's portfolio can contain both large and small products, as long as they are profitable.

- To keep risk lower in the early stages of building a product, look for low-cost and flexible labor options. Instead of hiring full-time staff, consider using interns or freelancers. Drawing from nontraditional sources of talent, e.g. stay-at-home moms, can give a fresh and realistic perspective to jobs that audiences are seeking to get done.

- Instead of building every idea from scratch, look for a successful product in another market that might be emulated or licensed.

- Build out the components of a Web site gradually instead of launching everything at once. Focus on the one or two most crucial categories of information, and then add new categories based on users' search terms or requests.

- Features that rely on user-generated content, such as user ratings, can flounder with too few ratings at the outset. Seed content quickly by asking employees to contribute comments or by organizing "all you can write" sessions at local colleges, malls, libraries, country clubs and other locations.

- Recognize that existing assets, such as databases of restaurant reviews, are attractive only if they make it easy for audiences to get their key jobs done. Minor adjustments in presentation and usability can make a big difference. **N**

Historically, newspapers had a simple and powerful business model. As dominant information providers, they attracted most of the population and most of the businesses who wanted to reach that population. Newspapers enjoyed healthy margins selling subscriptions, display advertising, classifieds and inserts.

In recent years, newspapers have set up Web sites that largely replicate this historical model, minus the subscription revenue. Many of these have become substantial online properties, with booming revenues and audiences. Yet their sites are not growing quickly enough to offset the softening revenues from print advertising and subscriptions.

Along some dimensions, the picture looks worrisome. The loss of subscription revenue is significant. Classifieds — especially in the "Big Three" categories of cars, homes and jobs — are under severe threat from players ranging from Monster.com to craigslist. National advertisers — not a large category to begin with for most newspapers — are turning to the Internet in increasing numbers, and local advertisers are beginning to do the same.

With valuable content, strong brands and vibrant online properties, newspaper companies have every right to be serious online players. However, simply moving traditional business models online, like display advertising and paid classifieds, will not be enough. Rates are too low and competing advertising solutions from nimble and increasingly powerful entrants are too compelling.

To create and sustain robust online businesses in this competitive media landscape, newspapers must adopt a broad set of revenue strategies going beyond their traditional models. They must reach companies and individuals who do not purchase current

Use new models to fulfill "jobs" of current/new advertisers

A. Identify important, unsatisfied advertiser/business jobs

B. Offer new models that get identified jobs done better than traditional solutions

offerings and add effective new offerings for current advertisers.

To navigate the emerging online revenue realm, newspaper companies should:

A. Identify important, unsatisfied advertiser/business Jobs to be done in their markets

B. Offer new models that get these identified jobs done better than traditional solutions.

A. IDENTIFY IMPORTANT, UNSATISFIED ADVERTISER/BUSINESS JOBS

The quest for innovation begins with understanding the jobs that current and potential customers cannot adequately solve with current solutions, as described in the N^2 Innovation Method (Section II).

Seeking out important, unsatisfied jobs of current and potential advertisers yields an important insight. While many businesses (and individuals) advertise, the job they are trying to get done is *never* advertising. Advertising is a means to an end. Consider the following quotations from Newspaper Next interviews:

"I want to target an upscale audience, but the newspaper can't do that."
— Specialized lighting contractor

"We are not able to buy preprints in terms of geography, and it dilutes our message."
— National retail chain

"Mine is a relationship-centric business — I rely heavily on my own Rolodex. Newspapers cannot do that for me."
— Mortgage broker

"The biggest problem with a small business is that you try to do everything yourself, and you just don't know how. Life became 100% easier when I hired a payroll service."
— Bookstore owner

These frustrated businesses want to find new ways to connect with customers, reach the audiences they want, build brands and solve problems that go beyond those addressed through traditional advertising.

Most current advertisers feel newspaper advertising fulfills a crucial job. But large numbers of nonconsuming businesses consider newspaper products too expensive, too broad and too difficult to use. Many nonconsumers, local and national alike, use other media; they combine various approaches to reach their desired audiences or simply do not advertise at all.

In its N² demonstration project, *The Richmond (Va.) Times-Dispatch* chose to investigate nonconsuming advertisers in its market. The impetus came from an insight: The number of local businesses who *did not* advertise in the newspaper was at least four times greater than the number of advertisers who did. They had identified a significant weakness — and a tremendous opportunity.
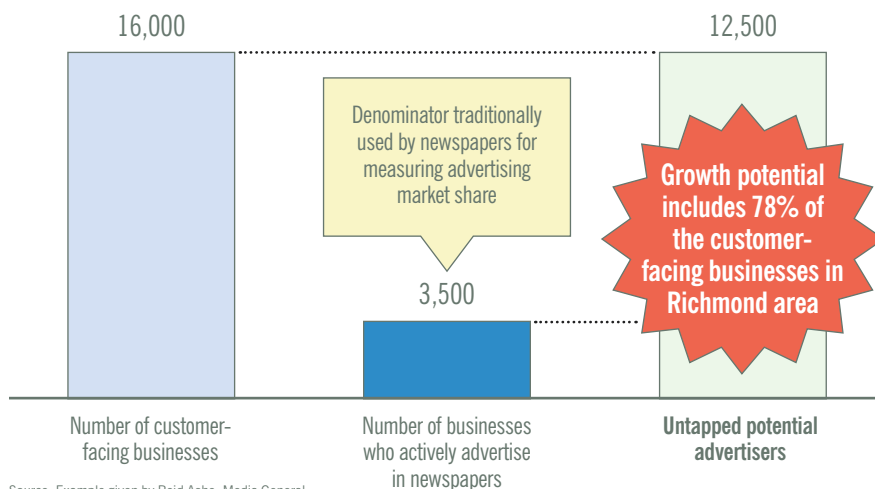
As a result, the *Times-Dispatch* interviewed current advertisers, nonadvertising businesses and their own advertiser-facing employees.

They found that certain unfulfilled jobs came up repeatedly:

- Hyper-local businesses (e.g., drycleaners and grocers) and businesses with distinct audiences (e.g., baby stores and luxury goods retailers) wanted to target their marketing message more narrowly.

- Businesses with high staff turnover (e.g., contractors) and businesses in closely knit communities (e.g., real-estate brokers, lenders, inspectors and lawyers) expressed frustration about the difficulty of finding the right employees, partners or suppliers.

- Businesses dependent on personal relationships (e.g., mortgage brokers, investment advisors and personal care providers) wanted to make direct contact with their particular types of prospective customers.

Few ideal options are available to these potential customers. Designing solutions to meet their needs — profitably — has the potential to unlock massive new growth.

The Times-Dispatch's work also highlighted the need to create structures to continue learning about Jobs to be done of current and potential customers (for more information, see Area 4 of this section and the *Times-Dispatch* project summary in Section IV).

To learn more about the Jobs to be done in your market, consider asking the following questions to businesses or employees who regularly interact with businesses.

Notice that none of these questions asks businesses about the newspaper or newspaper advertising. The goal is to understand the specific problems the business faces, and then to use that insight to develop solutions that solve that problem better than any existing solution:

FIGURE 6: ADVERTISING MARKET IN RICHMOND, VA.

16,000 — Number of customer-facing businesses

3,500 — Number of businesses who actively advertise in newspapers

12,500 — **Untapped potential advertisers**

Denominator traditionally used by newspapers for measuring advertising market share

Growth potential includes 78% of the customer-facing businesses in Richmond area

Source: Example given by Reid Ashe, Media General

Advertisers/potential advertisers

- Whatdo you do?
- Howdo you make money?
- Whatare you most worried about at the moment ("keep you up at night")?
- Whatare some problems that you can't adequately address?
- Under what circumstances do you usually encounter these problems?
- Whatdo you currently use to help you solve these problems?
- Whatother options have you considered? Why did you use or reject these?
- What"hiring criteria" (functional, emotional and social) do you use to evaluate available solutions?
- Howwould you describe the "perfect solution"?

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Advertiser-facing employees

- Whatare some things that potential advertisers have asked us to do in the past that we could not?
- Arethere characteristics that these potential advertisers share, e.g., from the same industry, similar company size, trying to reach the same audience?
- Whycouldn't we deliver what they wanted, e.g., product did not exist, product was too expensive, product was not timely enough?
- Whatwere the alternatives that they turned to? How well did these alternatives meet their needs?
- Whatwere the "hiring criteria" that influenced their decision making?
- Whatideas do you have for helping them get their job done?

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The terms we use can get in the way of seeing opportunities. Newspaper staffs use the word "advertiser" and "reader" constantly, unconsciously obscuring possible growth opportunities among nonconsumers. Look beyond "advertisers" to nonadvertisers — and to businesses in general — to see all sorts of new customers. The insights you gain about their important, yet unsatisfied jobs will highlight the need for new models.

B. OFFER NEW MODELS THAT GET IDENTIFIED JOBS DONE BETTER THAN TRADITIONAL SOLUTIONS

The good news for newspaper companies is that new technologies allow them to fulfill existing and potential advertisers' jobs better than ever. Putting together the right solutions can increase revenue by delivering new value to their best customers, and by serving new noncustomers including small businesses and individuals for whom the newspaper is too broad, expensive or difficult to use. If newspaper companies were to collaborate effectively on a national level, they also could use these new tools to serve national advertisers who long ago rejected newspapers as too expensive and too difficult to buy (see Section V).

Many of the new technologies and models will be well known to some newspaper companies — especially large ones — but less familiar to others. Yet most newspaper companies still are not using successful strategies that many non-newspaper companies and a few newspapers use routinely.

In short, most newspaper companies continue to leave money on the table. By implementing the strategies discussed below — in conjunction with the new offerings described in Area 2 of the N² Game Plan — newspaper companies can develop a more robust, diversified business model.

SOLUTIONS TO HELP ADVERTISERS REACH A SPECIFIC AUDIENCE

Many companies advertise because they want to reach a very specific audience. Creating targeted publications or targeted sections on a Web site can achieve this. Targeting or profiling technologies and techniques can help newspaper companies match audiences and advertisers.

In many cases, rates for targeted advertising can be substantially higher than "run-of-site" rates because advertisers are able to reach prequalified prospects.

FIGURE 7: WAYS TO INCREASE REVENUE

Chart: Typical advertising spend (vertical axis) vs. Number of Customers (horizontal axis), showing a declining curve with labels: National companies, Regional/local companies, Small local businesses and individuals.

| How can we offer products that national companies need in local markets? | How can we increase our share of wallet of our traditional advertisers? | How can we design products and business models to serve small customers profitably? |

Targeted publications and/or Web sites

By organizing content into packages aimed at specific audiences, newspapers can provide attractive vehicles for advertisers, increase their high-value inventory and jumpstart other revenue models such as lead generation (discussed below).

For example, some newspaper companies and online entrants have targeted focused content at such niches such as youth entertainment, ethnic audiences, home improvement, mom and baby, neighborhoods, baby boomers, sports and teen issues. As a simple example, an "Education" tab on a Web site could be a desirable location for companies like Kaplan or the University of Phoenix targeting education-seeking consumers.

In addition to organizing content, newspapers can create additional revenue opportunities by pushing content to willing consumers. Organizations like *The New York Times* and Belo have found success in opt-in e-newsletters and e-coupons. These programs leverage existing content to deliver value to consumers (such as daily sports updates or coupons from local stores) while creating valuable targeted

ad space. (Many of the models discussed in this Area are closely related; the "consumer direct" opportunity discussed below is very similar to "push" newsletters and coupons.)

Across the industry, these offerings are still small today. However, Borrell Associates estimates that newsletters and coupons will produce close to $250 million in revenue by 2007. Starting an e-mail program can be as easy as contacting a vendor (such as Constant Contact) to provide the technological backbone.

Audience profiling

Newspaper companies that develop a deeper understanding of their online audiences can help customers target advertisements more precisely.

Many newspaper companies appropriately worry about driving away visitors with cumbersome registration procedures, but there are other ways to build deeper profiles of online audiences. Opt-in offers and customizable choices can help newspapers collect user information.

Newspaper companies also should consider using targeted advertising solutions (e.g., ad software from Kanoodle, Tacoda, Revenue Science) that automatically serve relevant ads. Consider contextual targeting programs that match advertisements to the content on a page, and consider behavioral targeting programs that serve ads according to user surfing patterns.

There are also low-cost ways for small to midsize papers to gain targeted advertising dollars. One solution is to sign up with a national paid search provider like Google or Yahoo! to host search ads on their sites (discussed below). Creating content areas on sites that allow users to self-select according to their interests is another approach. Finally, newspaper companies can join a behavioral targeting affiliate ad network, such as those run by Tacoda and Revenue Science, where a central manager tracks user data across a network of sites and serves corresponding ads.

SOLUTIONS THAT MAKE IT EASIER OR MORE AFFORDABLE FOR ADVERTISERS TO REACH CUSTOMERS

Many businesses do not advertise because it is too expensive or too difficult. Newspapers could serve these businesses by creating self-service channels that allow customers to "do it themselves," by launching lead-generation programs where advertisers pay for performance and by creating paid search offerings that tie advertisements to particular search terms.

Self-serve channels

Simple, low cost, do-it-yourself ad placement can help newspaper companies serve the vast number of small businesses and individuals who do not have the time or money to buy conventional ads.

Self-serve works especially well for print and online classified advertisements. Many companies already offer this feature on their Web sites, and others should follow suit.

Self-service models also help support text-based models such as paid search.

Craigslist and Google operate primarily on self-serve models. Craiglist allows individuals to create their own listings. Google allows users to "bid" for targeted search terms (e.g., "Boston homes"), set the amount they are willing to spend per day on a particular term and manage multiple advertising campaigns simultaneously.

Their huge success shows how the definition of quality depends on the job a customer is trying to get done. Newspaper companies pride themselves on professional salaried sales forces, but Google's customers love the fact that they can handle their ads all by themselves.

One online ad broker said, "It takes me 10 minutes and three clicks to get my clients' ads up on Google for a national audience, but to get the same ad up on a newspaper site, it takes many phone calls to your sales person and I can't change my campaign easily." In some cases, the best customer service is no service at all.

There are many vendors that can help vendors establish a self-serve advertising platform, such as AdMission, AdDynamix and AdScriptor.

Lead generation

Lead generation is a "cost-per-action" model. Instead of paying a newspaper company for the number of people who *view* an advertisement, advertisers pay newspaper companies for the number of people who *take action* on an advertisement.

In a typical lead-generation model, a user clicks on an ad and fills in a form expressing interest in a particular product or service. The newspaper company or a third-party online broker validates the information and passes it on to a company, charging a fee for each qualified lead.

Fees can range from $5 to $40, or even higher in some cases. These rates can translate into a much higher effective CPM than a traditional banner advertisement.

Many newspaper companies — especially small- and mid-sized properties — have never used lead generation, but it is already a big business. Estimates of market size in 2005 range from $750 million to $4 billion. Some advertisers, like the University of Phoenix, almost exclusively use online brokers with lead-generation models.

Businesses prefer lead generation or other cost-per-action models because results are so tangible. Instead of wondering about the impact of an advertisement, a business sees the direct results of its ad. As lead-based sites like Autobytel and programs such as Google's AdWords proliferate, many advertisers — especially small local businesses with limited budgets — will want the efficiency of this model.

Launching a lead-generation program

- Signup with online ad brokers (such as CommissionJunction or AzoogleAds) to gain access to their database of pay-per-lead campaigns.
- Talkto current advertisers in prime lead categories such as autos, homes, mortgages and colleges about their interest in lead-based advertising.
- Talkto small businesses that might otherwise not be able to afford to advertise on your site (e.g., restaurants) about a pay-per-lead program.

Newspapers should consider experimenting with lead generation in appropriate places, such as targeted contexts like transaction verticals and alongside classified search results.

Lead-generation offerings can work even better on non-news related sites where the mere fact of visiting the site shows the user is interested in the subject. One midsized newspaper company found that lead-generation advertisements on its news sites generated *zero* leads during a three-week pilot. However, lead-generation advertisements on its employment pages generated considerable traffic.

Another lesson here is that successfully tapping into new revenue models requires rethinking content strategies as well. Simply trying to force-fit new models onto existing content is unlikely to work.

Paid search

Google's phenomenal success largely comes from the small, simple text ads that appear when users run searches. Search is the ultimate form of targeting. An increasing number of companies are willing to pay premium prices to reach users whose searches indicate an interest in a particular area.

Newspaper companies can similarly sell ad space alongside search results, tying ads to particular search queries and charging premiums for preferred placement and other advanced features.

Borrell Associates projects that paid search will account for $7.3 billion in online ad spending this year, and, as local businesses shift dollars into search, Borrell predicts that search will quickly become the primary form of online advertising.

Newspapers must protect and grow their share of local advertising dollars by establishing themselves in this critical category.

An easy way to start is to sign up with a national paid search provider such as Google or Yahoo! that will serve targeted search ads alongside queries in return for a share of the resultant commission.

Meanwhile, newspaper companies can build up searchable functions such as databases, classifieds and transactional sections to increase paid search opportunities. After all, you can not sell search advertising unless you have something to search!

The N² Demonstration project with the WickedLocal.com team at GateHouse Media New England suggests that many local businesses do not understand the value of an online search product. Showing potential advertisers a rich search product that clearly demonstrates impact can help to persuade skeptical companies.

Newspaper companies also can capitalize on the explosive growth of search in other ways. Through its work with the N² team, *The Boston Globe* decided to resell a package by a third-party, search-engine marketer. Businesses would pay *The Globe* a fixed amount to get guaranteed "clicks" on their Web site, with *The Globe's* third-party partner placing ads on search engines. The solution keeps the Globe's initial investment low while helping businesses address the important job of attracting more visitors to their Web sites.

FIGURE 8: EXAMPLE OF PAID SEARCH OUTPUT

SOLUTIONS TO MAKE MARKETING PROGRAMS MORE EFFECTIVE

Remember the old saying, "I know that 50% of my advertising dollars are wasted. I just don't know which half"? Increasingly sophisticated technology allows companies to reduce the waste.

In addition to the models above, consumer direct marketing, in which newspaper companies help businesses create and send customized messages directly to consumers, can create high-impact marketing programs.

Online direct marketing is growing rapidly. Borrell estimates it will grow from $2.1 billion in 2006 to $7.3 billion in 2010 — and newspaper companies should lead the charge in their local markets.

In a jobs to be done interview with *The Oregonian* in Portland, the marketing manager of a regional department-store chain said she wished she could create and maintain a one-to-one relationship with her customers — something her newspaper ads and inserts could not do. However, the job might be a natural for a consumer-direct solution such as user-selected e-mail newsletters on food, fashion or health.

Newspapers can leverage their existing content and databases to produce valuable collateral for local businesses. For example, packaging travel articles into a newsletter would be relatively easy for a newspaper and valuable for a travel agent. Newspapers might design, e-mail, print and distribute such materials, effectively managing businesses' marketing and e-marketing programs.

The models described above are far from a comprehensive list, but all are well established and ripe for newspaper companies to implement. New, yet-to-be imagined models are sure to keep emerging.

Newspaper companies must constantly pay close attention to jobs among the businesses in their markets so they can identify the models with the highest local potential, build content that supports the new models and be willing to build the necessary capabilities to support those models. Such efforts may well yield additional creative — and promising — solutions.

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The need for new capabilities

Implementing many of these models requires building new capabilities. For example, it quickly became apparent to *The Boston Globe* that it needed new capabilities to launch its "guaranteed-clicks" offering.

The reason? The small revenues from individual "guaranteed-clicks" advertisers would not justify the use of *The Globe's* salaried sales force, nor would the sales force see value in trying to land these small customers instead of servicing existing large customers.

Rather, *The Globe* needed to explore telesales or self-serve offerings to make the economics of the model work.

Similarly, the WickedLocal.com team found that its traditional sales force did not take easily to selling a paid search offering.

Generally, reaching nonconsuming businesses and using new revenue models may require building specialized sales forces or using third-party vendors that have the skills and motivation to push the new products.

Launching a consumer direct marketing program

- Offer data alerts to advertisers to notify them of news and information relevant to their businesses.
- Create "private-label newsletters" for advertisers.
- Help advertisers reach audiences through database marketing (e.g., sending coupons and offers to your registered users who have opted in).
- Manage advertisers' marketing programs by designing newsletters and e-mails, and sending them to their customer databases.

METRICS

A newspaper company assessing its progress in unlocking the power of new models should track the following three metrics:

1. Percentage of revenue from nontraditional revenue models — in other words, the percentage of revenues that does not come from print display and online CPM print and online advertising, print and online classified advertising and subscription revenues. The growth of new revenue models will ensure the success of diversification efforts.

2. Percentage of revenue from new advertisers added in the last two years. This measure emphasizes the importance of successfully fulfilling new jobs for nonconsuming advertisers.

3. Percentage growth in total number of advertisers served. Capitalizing on these new models should dramatically increase the number of advertisers.

Progress on these metrics should indicate that efforts to realize the potential of new models are bearing fruit.

POINTERS AND SUGGESTIONS

• Set up formal and informal jobs research mechanisms (see Area 4, Section III for more information). Start by inviting representatives from nonadvertising local businesses to lunch and asking them about their business and advertising needs.

• Look to partner with technology vendors when possible. It is not necessary to sink large sums into building solutions that can be bought or licensed for less.

• Most of this section focused on online opportunities. Many emerging models have offline applications as well. Newspaper companies need to constantly be on the lookout for new models emerging in other delivery mechanisms, such as mobile telephones.

• Seek "good-enough" solutions that get customer jobs done better than existing alternatives. Not all of the revenue models require whiz-bang technology.

• Create the opportunity for consumers to customize content. The customization choices a consumer makes can provide useful clues into their interests, which creates more opportunities for targeted advertising.

• Joining affiliate networks that track surfing behavior across multiple sites can be a way to increase inventory of high-value targeted ads.

• A variety of opt-in, topic-oriented e-newsletters can increase your inventory of highly targeted ads. Opt-in e-coupons can give businesses additional ways to reach willing customers.

• Developing searchable content — such as directories, online classifieds, and other transactional channels — helps to increase search volume and paid search opportunities. This also provides opportunities to upsell listings with features like preferred placement, pay per call and multimedia.

• Relying on elements of your core business model can sharply limit your ability to capture new business models. Consider separate sales staffs, self-serve advertising or other organizational changes to give new models their best chance of growth. N

AREA 4: CREATE INNOVATION STRUCTURES AND ENABLERS

Following the suggestions in the previous Areas of the N² Game Plan should help newspaper companies create successful products and services. But mastering innovation requires more. Companies need to put in place structures and enablers that make innovation a regular, repeatable part of everyday operations.
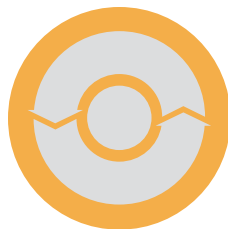
Create innovation structures & enablers

A. Build a "common language"

B. Dedicate resources to innovation

C. Develop an innovation process

D. Create Jobs to be done feedback channels

Structures and enablers are vital to success. Without the right structures in place, organizations have an overwhelming tendency to fall into old habits. Existing processes and structures can subtly influence even the best growth idea until it bears a striking resemblance to the company's old products and business models.

Newspaper companies are organized to be extraordinarily efficient within one basic business model. Now they are under great pressure to develop and implement new products and business models. The traditional newspaper structure is not designed for innovation, much less for the kind of continuous disruptive innovation they need today.

There are four specific actions newspaper companies can take to create structures and enablers that help them master innovation and transformation:

A. Build a common language

B. Dedicate resources to innovation

C. Develop an innovation process

D. Create "jobs-to-be-done" feedback channels

These activities will help to ensure consistent prioritization, management and funding of innovation efforts. They will help to create an environment that enables companies to capitalize quickly on emerging opportunities.

A. BUILD A COMMON LANGUAGE

Succeeding at innovation requires actions and approaches that are unfamiliar and disorienting to many corporate managers. A common language reflecting a shared view of innovation can help companies overcome some of the barriers that make it difficult.

To discover new growth opportunities, newspaper companies need to break out of deep-rooted habits of thought and limits on imagination. The concepts and processes of N² give newspaper companies a way to do this, by opening eyes to a new way of thinking and a new way of seeing opportunity. Teaching these concepts in the management team and across the company will generate new ideas and create new excitement. Making them a constant part of the organization's internal communications can cement the concepts and lead to real organizational change.

Having a shared perspective on key innovation principles can dramatically change the way organizations think, strengthening their ability to identify and develop new ideas.

Senior managers and middle managers need a common approach to innovation. After all, middle managers make many of the most important day-to-day decisions, and doing what they have always done can undermine the innovation goals of top management. Senior managers who "don't get it" can derail a middle manager's well-designed approach.

There are many ways to ingrain key N² concepts in an organization. Consider holding training workshops, consciously incorporating terms into key documents such as strategic plans, having senior leaders apply the terms in speeches and conversations and encouraging staff to use them in meetings, presentations, and hallway discussions.

Intel's common language

One of the most well-known stories in the innovation literature — how Intel recognized and responded to threats emerging at the low-end of its microprocessor business — had a huge common language component.

Clayton Christensen went to Intel about 20 times in the late 1990s, educating about 100 managers at a time on the principles and language of disruptive innovation.

Intel went on to launch what is now known as the Celeron processor, a stripped-down, low-cost chip to compete in the least-demanding tiers in its industry. The Celeron processor slowed the advances of disruptive attackers such as AMD and Cyrix and became a substantial business for Intel.

Christensen believes that education played a critical role in helping Intel formulate and execute the strategy.

"At the end of it all, I was talking with [then Intel CEO] Andy Grove," Christensen says. "He said, 'You know, the model didn't give us any answers to any of the problems, but it gave us a common language and a common way to frame the problem so that we could reach consensus around counterintuitive courses of action.'"

An organization seeking to develop a shared perspective faces a choice. It can seek to "saturate" the organization in new concepts and unleash ideas and enthusiasm from many directions, or "dip" a smaller group into the concepts and leave the rest of the organization largely unchanged. The former requires careful oversight and attention, but can drive systematic change much more quickly, particularly if those new perspectives are coupled with the other supporting elements described below.

In its N² demonstration project, *The Desert Sun* wanted to change its organizational structure to make innovation a constant process, so it took the "saturate" approach. It worked hard to bring the common language to the entire organization through training sessions, meetings and the inclusion of the language like jobs to be done in key discussions and documents. Not only did the tenor of conversations change, *The Desert Sun* attributes many concrete improvements in core and emerging products to the different way of thinking embedded in its new common language.

B. DEDICATE RESOURCES TO INNOVATION

Many managers think their company's strategy determines how it allocates resources. In fact, how resources are allocated typically determines a company's strategic direction.

While many N² concepts allow companies to start innovating without committing major resources, innovation still requires applying the right resources in the right quantities. Specific actions to consider:

- Appoint **innovation champions** tasked with spotting and seizing new growth opportunities. Ideally, innovation champions should spend a substantial portion (more than 50%) of their time on innovation.

- Allocate **"just-enough"** money to help champions develop early-stage opportunities. Beginning the innovation journey need not be expensive. In fact, limiting funding can be exactly the right thing to do. Scarce

resources can force teams to zero in quickly on critical assumptions, find cheap ways to test those assumptions and develop lean, flexible structures.

- Assure strong and active **commitment from senior management.** Senior management needs to "lean forward," becoming actively involved in moving innovative strategies towards realization. Strong commitment does more than signal the importance of innovation to the organization. It also helps teams clear the inevitable obstacles to success and harness senior management's wisdom to improve ideas.

- Identify a **team of experts** to help emerging innovators address problems. No individual innovator will be able to handle all the issues that arise. Establishing a centralized panel of people who are strong in certain aspects of business development — such as jobs-to-be-done research, prototype creation and business model formulation — should ease frustrations and speed project development. Developing this team can take time, because no organization will have all the necessary expertise at the beginning of its innovation journey.

The Desert Sun learned quickly that jump-starting their innovation efforts would require large time investments. During the four-month engagement with the N² team, the publisher and editor estimated they spent close to 40 percent of their time on innovation. The organization's operating committee spent a full day each week for three months wrestling with innovation issues. Numerous meetings and activities within departments focused on innovation. The company created a new position to manage its innovation efforts. As a result, it made dramatic progress.

Editor Steve Silberman said it was difficult to find the time to work on innovation, but he and the other managers discovered they had more capacity than they thought. "We found that if we take our eye off the core a little bit, we'll be okay. If we take our eye off innovation a little bit, it will fail."

C. DEVELOP AN INNOVATION PROCESS

Innovation should not be random and unstructured. Developing a structured approach can help to make innovation a more rigorous, repeatable capability. The N^2 Method is in fact a process, a series of steps designed to take an idea and shape it to increase its chances of success.

There are countless ways to build innovation processes. Some newspaper companies already have innovation processes. However, they tend to be good at nurturing close-to-the-core incremental innovations but bad at building truly different growth strategies.

An innovation process that embodies the N^2 Method should have three components:

1. **Staged allocation of resources.** The innovation process unfolds in iterative stages in which good opportunities are refined, while less attractive ideas are filtered out. The early stage features numerous ideas, each receiving limited funding. As the process progresses, hurdles grow higher, so the number of ideas shrinks, and the resource commitment to each surviving idea increases. As discussed in the N^2 Method section, early activities should focus on addressing critical assumptions and risks.

2. **Appropriate tools.** Companies often will use financial projections to assess an idea's potential. However, typical financial tools are likely to downgrade opportunities that start in small, unmeasurable markets. Instead, consider using simple checklists and the N^2 tools in Section II to sort and prioritize ideas and opportunities. They will help to screen concepts according to essential criteria and focus team activities on key risks and assumptions.

3. **An oversight mechanism.** Senior management needs to set the innovation agenda and ensure that the right ideas get handled in the right way. A board of governors (often called a "Growth Council" or an "Innovation Council") should define what ideas are in and out of bounds, evaluate and fund new proposals and work with managers to solve problems and shape emerging businesses. The group need not include the entire senior management team; limiting the group to three to six managers will maximize flexibility. Outsiders such as local entrepreneurs or academics can provide useful perspectives as well. Such a structure ensures that the oversight body is flexible, experienced and powerful, capable of providing steady management and ready to pounce on opportunities.

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FIGURE 9: PROCESS DO'S AND DON'TS

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DO		DON'T
Keep it simple and communicate "wants"	**Soliciting Ideas**	Say "anything goes" or make it daunting to submit an idea
Utilize simple screens and checklists to flag key risks/unknowns	**Focus**	Force precision too soon; markets that don't exist cannot be analyzed
"Invest a little, learn a lot"; tie investment to risk-reduction milestones	**Investment**	Invest too much too soon. The curse of too much capital can cause failure
"Fail fast, and fail cheap"; the right kind of failure can be a success	**Failure**	Fear failure; if key risks cannot be overcome, move onto the next project
Senior management actively participates on boards and as sponsors	**Senior Management**	Have senior management involved once a quarter

D. CREATE 'JOBS TO BE DONE' FEEDBACK CHANNELS

Many newspaper companies do research on readers and advertisers. Few, however, have any processes for exploring the wants and needs — Jobs to be done — of nonreaders or businesses that do not advertise. As a result, large realms of opportunity for new products and services remain invisible.

To fuel the innovation process, companies need consistent mechanisms to constantly gather knowledge about the jobs nonconsumers and consumers are trying to do. This external input is critical for companies hoping to create new growth.

At the most basic level, feedback can come from casual interactions. In the N^2 demonstration projects, impressive results came from acts as simple as inviting local businesses to an informal lunch, casually "interviewing" friends and family members at dinner or intercepting potential customers in locations such as malls or playgrounds. Simply initiating conversations about the jobs individuals and businesses are trying to do can provide much insight into consumer needs.

Simple structures to make this feedback more systematic can include having outward-facing managers dedicate a fixed portion of their time to customer interactions. Also, newspaper companies can create jobs-based panels that mirror their reader panels. The key to success is ensuring that the panels contain a mix of consumers and nonconsumers and stay focused on identifying important, unsatisfied "jobs to be done."

Even more systematic approaches include forming a dedicated group of consumers or businesses as standing test-beds for new ideas. This can allow newspaper companies to get quick feedback on whether new ideas actually meet the jobs of identified consumers adequately.

Finally, newspaper companies can consider solutions that are just beginning to emerge like vendor-hosted online communities that allow constant interaction with a group of current or potential customers.

Organizing for change: Integrated or separate?

Newspaper executives often ask how they should organize to innovate. Should they integrate new businesses with their core business or create separate, autonomous units?

To succeed at disruptive innovation, newspaper companies need to be comfortable giving substantial autonomy to noncore operations.

Historical evidence across many industries, from retailing to computing, shows that autonomy is a necessary condition for companies hoping to create new growth that may disrupt the core business.

Dr. Christensen advises companies to push for autonomy when a new venture needs to take an approach that the old venture will dislike or reject. Otherwise the parent is likely to assign a low priority to the innovative strategy or force-fit the old model onto the new opportunity.

To drive growth, newspaper companies need to serve new customers, rethink content models, accept different margin structures and create new revenue streams. If they do not create the right degrees of autonomy, they are unlikely to succeed.

At the same time, companies can certainly consider tapping centralized capabilities such as content generation, editing, advertising sales and production. But they must let the needs of the new business — not the existing business — dictate the organizational setup.

In most cases, newspaper companies will need to adopt hybrid organizational structures. Different "channels" (core print, core online, niche publications, other online, other businesses) should have different "owners." The owners should have profit-and-loss responsibility, the ability to tap existing company resources and the freedom to build their own assets where needed.

For example, an online manager is likely to need a dedicated sales force to sell online-only offerings to online-only customers. But the online sales force certainly could collaborate with the traditional sales team in selling print/online packages and in selling online programs to traditional print customers.

This type of setup maximizes an organization's chance of finding new customers and new revenue models. Too tight a connection to the core can lead to rigidity that lowers the chances of long-term success.

Through its work with the Newspaper Next Team, *The Richmond Times-Dispatch* plans to launch a number of new channels to learn more about local businesses. For example (see Section IV for a complete list):

- A *Times Dispatch*-sponsored series with guest speakers on specific topics of interest to local businesses, which will create a venue for listening for Jobs to be done without injecting a sales message.

- A free design service for multimedia advertising campaigns, which will present a no-commitment way for the *Times-Dispatch* to learn more about the advertisers.

- Regular attendance at small-business chamber of commerce events and forums.

Companies should consider creating mechanisms for unsolicited input as well. Opening channels for staff and consumers to share ideas can bring jobs insights from unexpected places.

Finally, celebrating good behavior helps to strengthen feedback mechanisms. One way to do this is to recognize staff members who use jobs concepts or undertake economical jobs research. Another key to success is encouraging senior management to model desired behaviors such as interviewing nonconsumers. Procter & Gamble CEO A.G. Lafley is famous for visiting consumers in their homes and observing them using P&G's products.

METRICS

Measuring capability development need not be complicated. We suggest tracking three specific metrics:

1. The percent of senior management time spent on innovation efforts. A low allocation of time demonstrates a lack of real commitment to innovation.

2. The percent of employees who have been formally trained in critical N^2 innovation concepts. If the percentage is low, the lack of common language can inhibit innovation.

3. The total amount of money dedicated to innovation. Goals without resources are nothing more than words on a page. Small but meaningful financial allocations can demonstrate the organization's commitment to innovation.

These metrics can be important indicators about how seriously the organization is pursuing innovation. They can show where the organization's innovation structures and enablers need to be reinforced or improved.

POINTERS AND SUGGESTIONS

- The most important first step in building innovation capabilities is a firm senior management commitment to innovation. The demonstrated allocation of time and attention drives many of the other structural changes described in Area 4: Create innovation structures and enablers.

- Reshaping your organization for innovation will take you into unknown territory. The important thing is to commit time and resources, take simple first steps and keep moving.

- Although some well-known organizations famously allow individual managers to dedicate a portion of their time to innovation, it can be better to fully allocate a small group of people to innovation. If innovation is a small portion of a manager's job, the "tyranny of the urgent" almost always crowds out innovation activities. Time can be a scarcer resource than money. Smaller

organizations that lack the capacity to create a full-time innovation team should at least consider allocating half of an individual's time to innovation.

- A great way to build a common language is to hard wire terms into documents. The N^2 Idea Resume and N^2-OASYS tool (Section II) contain many of the key N^2 concepts, forcing people to continually use the language system.

- Culture is a lagging, not a leading, indicator. Trying to change culture by fiat almost always fails. But changing language, structures and tasks as N^2 recommends, will change the way people approach problems, resulting in culture change.

- Although this section discussed four separate items, the items are tightly interrelated. A process without resources will run aground; allocating resources without a common language can lead those resources in the wrong direction etc. Consider working on all four elements at the same time.

- Do not accept "we don't have capacity to innovate" as an excuse. Take a critical look at the things consuming your time. Odds are that 10-20% of time is spent on activities that overshoot market needs.

- Beware the sucking sound of the core. In any company there is an overwhelming tendency to shape opportunities in ways that conform closely to what has been done before. Following the recommendations in this section can limit these tendencies, but constant vigilance is required. **N**

MEASURING PROGRESS: THE N² DASHBOARD

Managing a newspaper company's transition from the monolithic model of the past to the diverse portfolios of the future is not an easy task. As companies move to strengthen existing products, add new ones and develop a variety of new business models, they need a way to set key goals and measure progress.

Each of the N² Game Plan's four areas identifies a short list of metrics that managers can use to determine how fast and how far they are moving their organizations. Four additional measures targeting a company's overall progress are provided below.

Together, these 16 metrics constitute the N² Dashboard (See next page.)

The N² Dashboard encourages senior management to assess a company's current state of progress toward a diverse business portfolio and to consider where the company needs to be — and realistically can be — in one to three years.

In filling out the N² Dashboard, answers will differ markedly from company to company. The answers should take into account differences in markets, management teams, company goals, resources and many other factors.

For that reason, the 16 measures themselves are intended as a starting point, not a list of the "correct" measures to track. Managers should consider modifying any of the 16 — and adding or deleting any — to provide an accurate reflection of their company's situation and goals. For example, organizations trying to improve the internal flow of innovative ideas might measure the number of employee-submitted ideas. Some measures may require educated guesswork because accurate data are hard to get; the important thing is to use the same method each time the N² Dashboard is updated.

No company should expect to make equal progress in all areas at once. The N² Dashboard answers can be used to designate the "must-do" areas and the "when-we-can" areas by setting targets appropriately in each.

To some companies, the N² Dashboard may look overwhelming. But even the smallest companies with the least resources can adapt it to their needs by selecting just a few of the targets and making as much progress on those as they can.

Besides targets for the N² Game Plan's four Areas, the N² Dashboard includes targets for the company or newspaper property as a whole:

- Percent of EBITDA from online. While the N² Game Plan covers offline and online opportunities, achieving a higher percent of earnings from online likely requires substantial innovation.

- Percent of revenues from products launched in the last three years. A meaningful percent of revenue generated by new products indicates serious progress in developing innovation capabilities.

- Percent of employees with experience outside the industry. True innovation almost always occurs at the intersections, when disciplines interact in new ways. Outsiders can bring fresh perspectives that allow companies to see new opportunities.

- Total combined audience reached by all products. (For companies lacking the data needed to determine unduplicated audience, a simple total of audiences will be enough to reflect growth.)

As companies plan their transitions to diversified portfolio models, it is advisable for senior management to sit down together and come to agreement on current metrics and goals for one and three years later. They should look beyond financial targets alone, aiming for a dashboard that balances core growth with new growth and sets ambitious but realistic targets for building new audiences and adding new business models and advertising solutions.

At regular intervals — for most companies, quarterly may be sufficient — managers should review progress. Each year a new Dashboard should be completed, reflecting progress made and increased knowledge about how much progress can be expected in the coming years. **N**

Maximizing the core	Now	Yr 1	Yr 3
Combined audience reached by core products			
Number of core-product users surveyed to learn about Jobs to be done			
Number of niche and targeted products			

Innovation enablers	Now	Yr 1	Yr 3
Percent senior management time spent on innovation			
Percent of employees trained in disruptive innovation			
Total spending on innovation			

Building audiences	Now	Yr 1	Yr 3
Combined audience reached by noncore products			
Number of nonconsumers surveyed to learn about jobs to be done			
Number of products in portfolio that are non-news focused			

Fulfilling advertisers jobs	Now	Yr 1	Yr 3
Percent of revenue from non-traditional revenue models			
Percent of revenue from advertisers added in last 2 years*			
Percent growth in total number of advertisers served			

General	Now	Yr 1	Yr 3
Percent EBITDA from online			
Percent of revenues from products launched in last 3 years			
Percent of employees with experience outside the industry			
Combined audience reached by all products			

Traditional revenue models would include: display ads, classifieds, CPM
*Nontraditional revenue models could include: pay-per-click, pay-per-lead, search fees, database access fees, consulting fees
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SECTION IV

NEWSPAPER NEXT DEMONSTRATION PROJECTS

In February, Newspaper Next (N²) invited newspaper companies to submit applications for a demonstration program in which they would receive free consulting help from the N² project team on innovative products, services or programs they planned to develop.

"Although its work is underpinned with a solid research and academic foundation, N² chose to demonstrate the effectiveness of its strategic process with real world projects in real time. This 'live R&D' should provide enough validation for a skeptical industry to embrace this much-needed process."

— Robert Kempf,
WickedLocal.com

"[Most important is] understanding the history of disruptive technology and how established businesses do not respond and ultimately lose market share. This reality sinks in during the training and causes you to think in 'non-newspaper' ways. That's what our industry needs to do to develop future business models that will be successful."

— Nancy Lane,
Suburban Newspapers
of America

To help them shape and develop these initiatives, they would receive Newspaper Next/Innosight training and coaching. In exchange, the N² project would gain valuable case studies showing how its concepts, tools and processes are applied in practice.

Eleven newspaper organizations submitted applications for 21 project ideas. Submissions came from both large papers and small papers, and included consumer-focused ideas, business-focused ideas and structural ideas.

In the projects that followed, the organizations followed substantially different paths, depending on their projects and circumstances. But all agreed the N² disruptive innovation concepts and processes had a transformative effect on their thinking, the steps they took and the products or solutions they chose to pursue.

That transformation — much more than the specific products or solutions produced in each case — is by far the most important outcome from the demonstration projects. To discover great new growth opportunities, you must begin by changing the way you see opportunity, and you must use drastically different processes to shape truly innovative solutions.

The value is in the journey as much as in the result — and once the journey has been taken, a team is equipped to repeat the innovation process again and again.

THE SEVEN PROJECTS

In consultation with Harvard Business School Professor Clayton Christensen, American Press Institute Executive Director Drew Davis and Innosight Director and former HBS Professor Clark Gilbert, the team selected projects at seven organizations:

1. *The Boston Globe:* Create solutions for advertisers too small to use a metro daily newspaper

2. *The Dallas Morning News:* Create a product to help busy moms master the many challenges they face in their lives

3. GateHouse Media/Suburban Newspapers of America: Improve our emerging local portal strategy, WickedLocal.com

4. Gannett/*The Desert Sun:* Develop organizational structures to make innovation systematic

5. Media General/*Richmond Times-Dispatch:* Develop new research approaches to better understand the jobs nonconsuming advertisers are trying to get done

6. North Jersey Media Group (NJMG): Shape a winning approach to overhaul our online strategy

7. *The Oregonian:* Use innovative approaches to grow our core products

Teams selected for the program received advice and consultation from the N² project team over a 4-month period. The goal was to take teams as far as possible during the necessarily short span of the project.

Each team had an immersive one-day workshop to introduce N² innovation concepts and develop a project plan. Participation ranged from the project's core group and advisers to large groups with cross-departmental and corporate representation from several levels. The N² team then interacted with each team on a regular basis to help them overcome ongoing issues. In June, many of the teams came together for a one-day joint learning session.

Following are overviews of each project outlining its objective, team members, activities, project status at the end of September, next steps and key learning. N

1. *THE BOSTON GLOBE:* SMALL ADVERTISERS

PROBLEM STATEMENT

How can *Boston Globe* Media gain a meaningful share of advertising spending from very small businesses by providing effective marketing solutions that are profitable and scalable?

RATIONALE FOR SELECTION

Most newspaper markets have large numbers of small businesses that cannot or do not use the newspaper's advertising solutions — a large potential new market for newspaper companies. *The Boston Globe's* market includes more than 150,000 very small businesses, few of whom use the *Globe's* existing offerings. Developing innovative business models that target those nonconsumers could create substantial growth.

THE TEAM

• Core Members

  ~ Jay Fogarty: Vice President of Strategic Planning

  ~ Laura Kauderer: Strategic Planning Manager

  ~ Steve Galligan: Senior Divisional Manager Local Advertising

• Advisers

  ~ Mary Jacobus: President and COO of Boston Globe Regional Media Group

  ~ Lisa DeSisto: Vice President, Advertising Sales

  ~ Boston.com local search team

KEY ACTIVITIES

• Full-team kickoff workshop for the core team and advisers to learn N² concepts and brainstorm potential solutions

• Several half- and full-day working sessions to assess and shape ideas and plan next steps

• Interviews with nine small, local advertisers sourced by "friends and family"

• Assessing strategic alternatives and selecting a lead option (discussed below)

• Interviewing other newspaper companies that attempted similar solutions, and potential partners

• Conducting detailed selection process for sales vendors and product vendors; meeting with vendors, selecting lead vendors and working to design pilot activities

• Working with Boston.com team and assessing several different distribution channels

• Building back-of-the-envelope market size estimates for the market space and the selected opportunity

• Creating a version 1.0 plan with steps to progress after initial introduction

STATUS ON 9/27/2006

The plan is to sell small businesses a search-engine marketing (SEM) program to provide guaranteed clicks to their Web sites. Customers will spend $200 to $1,000 a month depending on the number of clicks they want. A third-party vendor will place advertisements on search engines like Google and Yahoo! to drive Web traffic. The offering will help small businesses solve an important job: "Give me high-potential customers."

The team plans to use telesales to reach customers economically, as well as including SEM as a product offering available to onsite local reps. The team also is working with other parts of the organization to evaluate the further potential of telesales (either inside or outside). The team received approval in late August to proceed with a test market in the fourth quarter of 2006.

In total, the team spent less than $10,000 and four months of full-time effort from a strategic planning manager to develop this approach. It plans to spend roughly $50,000 in the fourth quarter of 2006. Estimates of eventual market potential range from $5 to $15 million.

NEXT STEPS

The team is moving forward with its test market activities. It plans to start selling the product in late 2006. At the end of 2006, the team will assess its progress and plan its next steps. If the test marketing achieves its milestones, the team will make further investments to increase the scale of this solution. Depending on performance, it may also offer the product as part of an integrated Boston.com package in 2007. It also plans to begin other investigating next-generation solutions. Finally, it is exploring other channels to reach small businesses like small business seminars, educational forums and self-serve models.

KEY LEARNING

- There are quick ways to learn more about nonconsuming businesses. The team identified nine nonconsuming advertisers through friends-and-family connections, and the resulting interviews contributed much to shaping their eventual solution.

- Small business jobs go well beyond advertising. Three critical jobs that emerged through this team's work are:

  ~ Make my phone ring with a high-potential customer.

  ~ Make it easy to do the things I don't like to do so I can spend more time doing the things I love to do.

  ~ Make it easy to reach out to old customers who might have new needs.

- Learning from other newspapers can be very valuable. Other papers were able to validate the team's assumption that the two most critical areas to address were developing a low-cost sales channel and identifying what would constitute a "good-enough" first solution.

- Existing distribution channels can be an asset and a liability. A newspaper's "feet on the street" are a competitive advantage for some products, but the costs make it difficult to serve small businesses that cannot spend much money. New distribution mechanisms such as telesales and customer self-service solutions are critical to making a small business-based offering profitable.

- As much as the Internet has disrupted the traditional newspaper business, it has disrupted Yellow Pages, shoppers and other advertising vehicles for small businesses, too. Newspapers can use their assets and brands to gain access to these nonconsumers, but need to move quickly before other players take advantage of the opportunity.

For more information, contact Laura Kauderer at *The Boston Globe:* lkauderer@globe.com, 617-929-7415. **N²**

2. *THE DALLAS MORNING NEWS:* MASTERMOM

PROBLEM STATEMENT

More than 700,000 mothers in the Dallas Fort-Worth (DFW) area are online each month. *The Dallas Morning News* reaches less than 15 percent of that audience. What solutions can engage this attractive market segment by helping busy moms to master the many challenges they face in their lives?

RATIONALE FOR SELECTION

Almost any "jobs-to-be-done" brainstorming exercise at a newspaper company surfaces the possibility of new solutions for moms. Competitors are beginning to target this space, but there still are opportunities to develop models that get "mom jobs" done better than existing solutions. These are likely to include strong local information elements, creating a natural opportunity for newspaper companies.

THE TEAM

• Core team

~ Laura Gordon: Senior Vice President, Marketing

~ Jiggs Foster: Director, Marketing and Promotions

~ Erik Johnson: Assistant Director, Marketing

~ Rani Monson: Director, New Products

~ Lisa Kresl and Jennifer Okamoto: Lifestyles Editors

~ Michael Brown: Manager, Online Business Development

~ Jon Reynolds: Manager, Advertising Group Sales

~ Yvonne Kearby: Research Manager

• Advisers

~ Bill Tanner: Director of Strategic Research, *The Dallas Morning News*

~ Sara Rosenberg: Consultant

KEY ACTIVITIES

• Internal and external focus groups to develop a long list of potential jobs that local moms struggle to get done

• Research on competitors to identify other emerging local solutions

• Kickoff workshop for the core team and advisers to learn N^2 concepts and brainstorm about high-potential jobs and possible solutions

• Creation of a three-year profit and loss statement that included novel revenue streams

• Development of prototypes and mockups

• Analysis identifying 82,000 potential advertisers

• Creation of a phased rollout plan

STATUS AS OF 9/27/2006

The team proposed a one-stop online activity planner where busy moms in the Dallas/Fort Worth area could find trusted recommendations to help plan their kids' activities and book these services. The planner would be called GuideFamily.com, and would be closely related to *The Dallas Morning News'* established "GuideLive" online entertainment offering.

The initial phase would include options for 1) summer camps, 2) kids' lessons and activities, 3) family activities, 4) family-friendly restaurants and 5) birthday parties. Points of differentiation from other offerings would be mom-tested recommendations and ratings similar to Amazon.com, "Guide" branding and depth of content and recommendations from *The Dallas Morning News* trusted staff.

The approach would feature numerous revenue opportunities, including sponsorships, upsells, sponsored e-mail newsletters, targeted e-mail offerings, traditional banner advertising and lead generation (in Phase 2).

The team spent about $2,000 developing this approach, with team members allocating "nights and weekends" time to push it forward. The proposed investment for the fourth quarter of 2006 was $80,000. The estimated revenue potential of the opportunity is $500,000 to $1 million in the third year of operations.

NEXT STEPS

The team has launched a "mommy blog" as a way to learn more about the jobs to be done in the space. It will continue to explore, refine its proposal and seek to create bolt-on offerings to GuideLive that address identified jobs.

KEY LEARNING

- Prioritization is a big challenge. The passion of this middle-management team has allowed it to move the idea forward, but top management (as in most companies) must weigh many competing resource requests, and different-looking "disruptive innovation" proposals can find it difficult to break through. In retrospect, getting management tightly bought into the approach early on, through participation in working sessions, might have facilitated future conversations.

- It is important to balance the belief that small and simple starting points facilitate long-term success with the need to have a compelling long-term vision to excite management.

- The right kind of focused Web site can present numerous revenue opportunities that go well beyond the traditional newspaper business model.

- Dallas-area moms are beginning to turn to simple local solutions to address important jobs. Newspaper companies still have a window of opportunity to capture the moms' space, but the window is closing quickly.

- The innovation journey can provide interesting insights. Even if GuideFamily.com does not launch exactly as the team envisioned, the team strongly believes that the learning about the moms' space, how to think about "audiences," and how to conceptualize online niche products will be useful throughout the organization. The work already has had two spinoff benefits:

  ~ Identified a database upgrade need for the existing GuideLive site and catapulted that project into the spotlight. *The Dallas Morning News* will likely implement a GuideLive relaunch in spring 2007 with significant revenue potential.

  ~ Modeled and highlighted the work that needs to be done for a planned community user-generated site called Neighbors. The Neighbors team will go through a similar process to the one used by the MasterMom team.

For more information contact Jiggs Foster at *The Dallas Morning News:* jiggsfoster@dallasnews.com. **N²**

3. GATEHOUSE MEDIA NEW ENGLAND: WICKEDLOCAL.COM

PROBLEM STATEMENT

What opportunities exist to refine the emerging strategy for WickedLocal.com, a network of hyperlocal Websites? Are the assumptions that drove the proof-of-concept launch in Plymouth, Mass., validated to a point where it makes sense to scale the project to other locations?

RATIONALE FOR THIS PROJECT

Sponsored by Suburban Newspapers of America, the WickedLocal.com project provided the opportunity to work on a Web strategy suitable for many smaller communities and newspapers. Prior to the N^2 engagement, Enterprise NewsMedia had formulated the WickedLocal strategy to leverage its local news brands through a network of rich hyperlocal Web sites. A pilot project was under way in Quincy, Mass. Enterprise NewsMedia was acquired by GateHouse Media in May, 2006.

The aim of addressing consumer jobs well beyond news and making money with new revenue streams was a close fit with N^2 strategies, and the pilot projects provided live data and a real-world environment to test critical assumptions.

THE TEAM

• Core Members

- ~ Bob Kempf: Vice President of Interactive Media
- ~ Kate Kelleher: Product Manager
- ~ Sarah Corbitt: Editorial Director, MPG Newspapers
- ~ Chris Eck: Online Sales Manager
- ~ Courtney Hollands: Online Editor
- ~ Ron Welby: Business Development Manager

• Advisers

- ~ Kirk Davis, CEO
- ~ Anne Eisenmenger, VP, Business Development
- ~ Nancy Lane: President, Suburban Newspapers of America

KEY ACTIVITIES

- Full-team workshop for about 20 (business, editorial and corporate representation) to learn N^2 concepts and apply disruptive innovation thinking to WickedLocal's current strategy

- Interviews with audience groups and advertisers in local market to understand their Jobs to be done

- Analysis of WickedLocal in context of Jobs to be done — how well was WickedLocal responding to unmet jobs in the market?

- Assessment of WickedLocal's content strategy using the N^2-OASYS tool (described in Section II's appendix)

- Assessment of WickedLocal's local search strategy using the N^2-OASYS tool

- Implementation of a pilot WickedLocal Search sales plan as a "miniblitz" of local small/medium businesses to test their interest in a local search product

- Rethinking the WickedLocal sales model based on disappointing results of sales blitz, largely due to the existing sales force's inability to prioritize the local search offering

- Launch of two additional WickedLocal sites (Duxbury and Wareham, Mass.) to test scalability and further validate WickedLocal's ability to meet unmet jobs.

STATUS AS OF 9/27/2006

The N^2-OASYS assessment confirmed that WickedLocal was addressing important jobs of the target audience that were not well met elsewhere. Such jobs include "Help me find hyperlocal news and information," "Help me find local services" and "Help me connect to other people in my town by sharing our experiences." Combining professionally produced content, user-generated content (photos, videos, news, blogs) and search functionality helps audiences to get these jobs done. Exponential traffic growth since launch in March 2006 further validates that users were looking for more than a traditional news site.

The revenue side of the equation remains less clear. Interviews and observations confirmed that local businesses have important jobs they cannot adequately address with current solutions, such as "Help me reach out to potential customers for my product/service in a cost-efficient manner." However, experiments highlighted two key concerns:

1) The paid search product in isolation has not gained traction. In the initial sales test, print sales teams (under guidance of online sales management) presented the search product as a component of integrated-Web-marketing packages. Resulting revenues were below expectation. The cause seemed to be that the existing sales force did not prioritize pushing the local search offering, focusing on core offerings instead.

2) It remains unclear how WickedLocal can build a strong position in a market with strong competitors such as Google, Yahoo! and Boston.com.

NEXT STEPS

The team has begun analyzing scalability concerns and developing rollout models for the WickedLocal sites. To address the revenue issue, the team will test a number of different sales product variations. The team also plans to address identified sales process issues, such as the inclusion of self-service advertising after promising product variations are identified. Finally, the team will consider alternative revenue streams. In the meantime, existing Web revenue streams will support the installed WickedLocal sites.

KEY LEARNING

- Sharing content, expressing opinion and communicating about local issues is emerging as an important unmet local job. The early indications are that WickedLocal is providing a better than "good-enough" solution.

- Local small to medium advertisers do not fully understand search advertising and are not universally convinced of the Web value proposition.

- Leveraging existing newsgathering resources to enable community-generated content works. Newsrooms have legacy community knowledge that is invaluable to the WickedLocal strategy.

- Leveraging existing sales resources to offer local search and other Web marketing products presents challenges. These are resources that must stay focused on the core products.

- Traditional Web advertising revenue streams can be sufficient to support initial versions of new content strategies. Those streams can provide "cover" while companies experiment with new approaches.

For more information contact Anne Eisenmenger at WickedLocal at AEisenmenger@enterprisenewsmedia.com N²

4. GANNETT/*THE DESERT SUN:* STRUCTURES FOR INNOVATION

PROBLEM STATEMENT

How can we develop an organizational structure that will drive and sustain innovation, adaptable to other newspaper units of larger or smaller size?

RATIONALE FOR SELECTION

Making innovation systematic requires supporting structures and processes. *The Desert Sun* was selected because it is a representative midsize property at Gannett. *The Desert Sun* is in Palm Springs, Calif., and has an average daily circulation of roughly 50,000. Online makes up roughly 5 percent of revenue, and a suite of nondaily products constitutes 12.5 percent of revenue.

THE TEAM

• Core Members

~ Michelle Krans: President/Publisher

~ Steve Silberman: Executive Editor

~ Lori Edwards: Online Director

~ Other members of the operating committee

• Corporate Support

~ Sue Clark-Johnson: President, Newspaper Division

~ Jennifer Carroll: Vice President, New Media Content

~ Bob Dickey: Senior Group President, Pacific Group

~ Dave Daugherty: Vice President, Research

~ Michael Maness: Vice President, Strategic Development

~ Joni Silverstein: Vice President, Market Development

KEY ACTIVITIES

• Full-day kickoff workshop for about 25 (business, editorial and corporate representation) to learn N^2 concepts, with real-time audit of organizational capabilities against 11 "best-practice" characteristics of innovative organizations

• Weekly full-day operating committee meetings dedicated to innovation

• Workshops and retreats to spread N^2 concepts and language throughout the organization

• Using jobs-to-be-done thinking to rethink existing products

• Creating companywide idea submission process

• Forming a panel to screen submitted ideas

• Developing a specific new growth offering (discussed below)

• Hiring new manager to focus on innovation

STATUS AS OF 9/27/2006

The organization has made substantial strides towards increasing its innovation capabilities in just four months. Specific accomplishments include:

• Generating more than 40 innovation ideas.

• Creating a process to evaluate and shape ideas. A key element is the "Big Brain Panel," a rotating group of employees chosen from different departments to act as a sounding board for ideas submitted by employees.

• Selected an initial new growth idea, a restaurant coupon Web site called FoodPsycho.com. The idea has been shaped through several internal working sessions and interviews with 27 local restaurants. The first version of FoodPsycho.com will allow local restaurants to place coupons for free. Registered users can search and print coupons. *The Desert Sun* will monetize the opportunity through e-mail database marketing, upsells and sponsorships.

> *"As a company we're rallying together … offering suggestions, brainstorming, a heightened level of critical thinking … we're applying innovation to a lot of our initiatives … we are using philosophies of 'good enough' and 're-vectoring' as we turn up the volume online. We are choosing projects that can be launched and in process in 90 minutes, 30 days, etc. We're making decisions quicker and are making a deliberate point of saying when we will revisit what we're doing and see what can be done better."*
>
> — Monica Torline, Editor,
>   *Indio Sun*

- Made "jobs-to-be-done" modifications to three existing products:
  - ~ Changed distribution of business publication from an insert in daily print publication to a direct mailing to local businesses.
  - ~ Modified entertainment weekly by focusing on entertaining during idle time and increasing youth-focused content, including games and puzzles to address the "entertain-me" job.
  - ~ Increased Web content and experimented with new distribution strategies (hawking at soccer games, family distribution) for Hispanic-focused publication.
- Innovation "best practice" audit in August indicated progress on almost all 11 organizational traits.

NEXT STEPS

The team plans to focus on launching Food-Psycho.com and addressing organization goals where it has not yet reached its desired end state. Specifically, it plans to focus its idea-generation process by issuing specific innovation "challenges," work to make business model innovation more systematic by creating a business-model playbook to guide efforts and take simple steps to ensure that external input informs innovation efforts. It plans to keep dedicating substantial time to innovation and hold quarterly review sessions to assess progress and plan next steps. Meanwhile, Gannett plans to share the learning from *The Desert Sun's* N² engagement with other properties.

KEY LEARNING

- Culture does not change overnight. The best way to change culture is to change the tasks that people do. The new tasks will create new patterns of behavior that will drive culture change and reveal needed changes in organizational structure. Leading with structural change could result in missteps.

- Organization capabilities can be real disabilities. The organization's focus on process and its tendency to listen to the desires of its best customers make it hard to spot and seize different kinds of opportunities.

- Technology hurdles can inhibit innovation. It is critically important to build capabilities in-house and gain skills in working with outside vendors.

- A common language is a powerful way to facilitate change. The repeated use of terms such as "jobs to be done," "good enough" and "invest a little, learn a lot" can help to hardwire new concepts into the organization.

- It is possible to make time to innovate without hurting the core. As Steve Silberman said, "If we take our eye off the core a little bit, we'll be okay. If we take our eye off innovation a little bit, it will fail." In fact, the core is improving because everyone is focusing on innovation.

- Transformation is not easy. Management dedicated a substantial portion of its time to addressing these issues. Individual managers spent 20–40 percent of their time on innovation during the course of the project.

- Commitment at the top is crucial. The presence of key corporate Gannett managers in the kickoff session gave the team confidence that the company supported its efforts. This support gave the team freedom to move forward quickly.

- Targeting different consumers requires different approaches; news will not be the magnet that attracts low-end consumers and nonconsumers.

- Increasing innovation capacity comes from sifting through ideas faster, not from decreasing the number of projects.

- People don't change at the same pace. Some departments will lead the way and show other departments how to change.

'STARTER KIT FOR INNOVATION'

As *The Desert Sun* team assessed its progress over its fourth-month engagement with the N^2 team, it developed what it calls an "11-Step Starter Kit for Innovation":

1. **Insist on doing things differently.** At the beginning of the year, *The Desert Sun* management team created a vision and mandate for change, saying "This is the year that..." Throughout the year, management has dedicated substantial time to innovation and demonstrated commitment through action.

2. **Get everyone to understand the mission.** *The Desert Sun* spent a substantial amount of time communicating the mission to inspire the organization. It sought to develop a common language and spread the message throughout all levels of the organization.

3. **Revise strategies for existing portfolio.** *The Desert Sun* took a hard look at its existing publications and services. The Jobs to be done lens helped it identify tangible ways to improve several products. It also held "workout" sessions throughout the organization to find and reduce time being wasted on low-value activities.

4. **Generate new ideas.** The team tried several different approaches to generate new ideas. It created a "Big Brain Panel" to serve as a sounding board for new ideas — a rotating group of managers, not "the usual suspects." Furthermore, the division hired a manager to move the innovation process forward.

5. **Invest in innovation.** Every manager devoted a substantial portion of time to innovation, with the publisher and editor dedicating up to 40 percent of their time. They also sought to identify and nurture previously unrecognized innovators.

6. **Be quicker to market, not perfect to market.** The management team is trying to make decisions faster. They have grown increasingly mindful of not dragging things out because they don't have every "t" crossed, especially the ones that make no difference.

7. **Nurture different schools of experience.** The division sought to find and reward innovative thinking. Management experienced some frustration and anxiety at the beginning, but was reassured when it began spotting innovative thinkers in unexpected places in the organization. It is now looking less at people's titles and job duties and focusing more on their abilities.

8. **Understand consumers.** Sales managers are now required to spend up to 50 percent of their time in the field, and the organization is focusing on "low-end" consumers and "nonconsumers" to spot opportunities and threats more quickly and systematically.

9. **Experiment with different business models.** The team recognizes that new business models don't happen overnight. It is seeking to "invest a little to learn a lot" about new approaches, and hopes to gain experience with novel approaches, such as free advertising, using its competitors' content and changing distribution approaches.

10. **Reorganize to fit the mission.** Instead of forcing a new structure on the organization at the beginning, the team focused on letting structural changes bubble up as the departments and staffers start spending time on the right innovation activities. The newsroom is leading the change, and the managers believe other departments will follow their example.

11. **Create new benchmarks.** Transformation does not happen overnight. The team is working on using the N^2 Dashboard (end of Section III) to help ensure it focuses activities on the right areas.

For more information contact Michelle Krans at mkrans@palmspri.gannett.com and Steve Silberman at ssilberm@palmspri.gannett.com. **N²**

"Getting us to think out of the box and shoot for the stars is a welcome part of the Newspaper Next project ... . I think we'll take things even further than most newspapers do ... . Our culture and mindset has changed and is changing — and still has some changing to go. A lot of that has to do with empowerment and setting goals …. We've come a long way and hopefully a year from now we'll say the same thing."

— James Meier,
Assistant Metro Editor,
The Desert Sun

PROBLEM STATEMENT

What new research approaches can identify the important and unmet Jobs to be done of nonconsuming advertisers (businesses who do not advertise with Media General) in the Richmond market?

RATIONALE FOR THIS PROJECT

The Richmond market has approximately 16,000 public-facing businesses, of which about 3,500 are advertisers with the *Richmond Times-Dispatch.* Developing deeper insight about the Jobs to be done of nonconsuming businesses would be vitally important input for creating innovative products and services.

THE TEAM

• Core Members

~ Steve Shaw: Director of Research, Media General

~ Paula Stallard Downey: VP Advertising, *Richmond Times-Dispatch*

~ Doug Forshey: Publisher, *Virginia Business Magazine*

~ Todd Williamson: Director, Customer Relationship Management

• Advisers

~ Reid Ashe: Executive VP and COO, Media General

~ Tom Silvestri: Publisher, *Richmond Times-Dispatch*

KEY ACTIVITIES

• Full-team kickoff session for about 25 (business, editorial and corporate representation) to learn N² concepts and brainstorm potential ideas

• Lunch session with four nonconsuming business owners

• Market analysis to identify high-potential industry segments to focus on (healthcare professionals, real estate, food manufacturers)

• Interviews with more than 40 nonconsuming advertisers from these industry segments

• Half-day follow-up team session to brainstorm solutions to address some of these jobs

• Interviews with *Richmond Times-Dispatch* advertising sales representatives

• Interviews with Richmond suburban newspapers' advertising sales representatives

STATUS AS OF 9/27/2006

The research conducted during the project showed that nonconsuming businesses have many important Jobs to be done that go well beyond advertising. Examples include:

• "Help me reach a targeted, upscale audience in a specific geography"

• "Help me find qualified employees"

• "Help me with back-office duties that keep me from running/expanding my business"

• "Help me establish an online presence for my business that will target customers and prospective employees."

These jobs demonstrate the team's emerging belief that "advertising is a compensating behavior" and challenged the *Times-Dispatch* to think about solutions other than advertising that could help to get these jobs done. Furthermore, the research highlighted the needs to create more formal processes to gain understanding of the jobs of underserved advertisers and nonconsuming businesses.

NEXT STEPS

The Times-Dispatch plans to launch a number of formal initiatives in the Richmond market, including:

- **Personal visits/interviews with nonadvertisers and underserved advertisers.** To help identify the "jobs to be done," interviewers will continue to use the N² interview questions, processes and N² Idea Resume.

- **Formal efforts to interview employees of nonadvertisers.** Many times a salesperson's view of Jobs to be done is much different from the owner's or manager's. Front-line contacts with customers often reveal deep insights into how customers find out about the goods and services offered.

- **Observation of nonadvertisers in their natural business settings.** Team members will go into the field to observe nonadvertisers as they go about their normal activities, such as interacting with customers. They will focus on identifying areas of high frustration and understanding what "compensating behaviors" people currently use. This will help the *Times-Dispatch* fashion solutions that can get the job done better.

- **Business Services Series.** The company will create a *Times Dispatch*-sponsored speaker series on business topics. This will provide a good venue to learn about Jobs to be done in a nonsales setting.

- **Advertising Campaign Design Service.** The company will offer design services for multimedia advertising campaigns at no charge to selected nonadvertisers and underserved advertisers. These consultations will provide new understanding of the jobs these companies are trying to do. The clients will be selected from the *Times-Dispatch* database, focusing on high-potential categories.

- **Attending small business chamber events and forums.** *Times-Dispatch* representatives will register for seminars, chamber breakfasts, etc., aimed at small businesses in the Richmond market. The goal is to hear these businesses discuss the jobs they are trying to get done and the solutions they currently use.

The team is preparing to launch these initiatives in the Richmond market. It expects to roll out findings from these initiatives to the other Media General newspapers. Information gathered will be shared with the core team and *The Times-Dispatch* advertising team so the methods used to discover key jobs can be adjusted and enhanced for future efforts.

KEY LEARNING

- The jobs-to-be-done interview technique is an abnormal behavior for many newspaper companies, who tend to think in terms of current solutions available vs. listening for possible new solutions.

- Interviews can produce unexpected positive byproducts. *The Times-Dispatch* learned how some of its processes make it more difficult to serve potential advertisers. For example, the team learned that its production-driven advertising deadlines are too far in advance for some advertisers and that advertisers find its billing procedures complicated and frustrating.

- The process of seeking to understand Jobs to be done helps to develop common language and helps managers move out of a "sell-the-product" mode into a true listening mode.

- Common tools help to reinforce the common language. Using the "Identifying Jobs to be Done" template and the N² Idea Resume in all nonadvertiser interviews gave the team a common diagnostic tool that all team members could relate to, discuss and revise as they received nonadvertiser feedback.

- Structured sessions help allow team members move out of their comfort zone by demonstrating the value of new concepts.

For more information contact Steve Shaw: sshaw@mediageneral.com. N²

6. NORTH JERSEY MEDIA GROUP: RETHINKING THE ONLINE STRATEGY

PROBLEM STATEMENT

How can North Jersey Media Group (NJMG) rethink its Web strategy to engage a broader audience, including nonconsumers of news?

RATIONALE FOR SELECTION

As a mid-sized, family-owned and print-centric media company, NJMG is representative of many newspaper companies across the country. Its existing Web site, NorthJersey.com, was also typical: closely resembling the print product with a predominant news focus and a strong overlap between print and online audiences. NJMG was keen to use a Jobs to be done approach to help grow aggregate audiences in the market.

FIGURE 2: CURRENT NORTHJERSEY.COM

THE TEAM

- **Core Members**
    - ~ Ed Efchak: VP Marketing, NJMG
    - ~ Howard Goldstein: VP Internet, NJMG
- **Advisers**
    - ~ Stephen Borg: Publisher of *The Record* and *The Herald News*
    - ~ Jon Markey: President of NJMG

KEY ACTIVITIES

- Full-team kickoff workshop for about 30 (business, editorial and corporate representation) to learn N² innovation concepts and brainstorm ideas
- Interviews with family and friends of staff members to identify some preliminary Jobs to be done for discussion
- Phone interviews and online survey with more than 100 respondents to understand what jobs people go online to solve
- Several rounds of internal and external focus groups to get reactions to early prototypes of the new NorthJersey.com site
- Follow-up telephone interviews with customers to aid in understanding the prioritization of jobs
- Focus groups with both internal and external groups using similar existing sites to confirm look and feel aspects of the site and identify prelaunch improvements.

STATUS AS OF 9/27/2006

After five rounds of rapid prototyping over three months to gather user reactions, the new NorthJersey.com site is ready for launch. It will feature tools to help users solve jobs that they currently can't do satisfactorily, such as "Help me find activities to do this weekend" (event calendar), "Help me share my favorite impressions of my community, opinions, hot tips" (user-submitted photos and blogs), "Help me find a reputable home contractor" (user ratings) and "Give me up-to-date weather and traffic information" (traffic and weather icons). The goal is to make NorthJersey.com a local portal for all types of information and services about the North Jersey region of nearly 3-million people, linking to other NJMG and third-party sites.

In addition NJMG has been applying "jobs-to-be-done" thinking to existing print publications, such as planned modifications to the business, real estate, and education topics in *The Record.*

NEXT STEPS

The team plans to continue using Jobs to be done to refine the NorthJersey.com site after launch. The team has also identified additional subject areas to add to the site after the launch. These include parenting, new move-ins and business-to-business information as starters.

The team is also developing other ideas such as a high school sports site with reverse print publication for the end of 2006.

KEY LEARNING

- Rapid prototyping greatly facilitates low-cost ways to learn, modify and implement.

- The concept of "good enough" helps to ensure that version 1.0 of a solution fulfills basic consumer requirements while avoiding overbuilding that can increase costs and time to market.

- The "jobs-to-be-done" approach helps to pinpoint what content the customer needs in various circumstances. That understanding helps to determine how to marry content and distribution channels to best meet those specified jobs and serve new audiences.

- The N^2 Method is complementary to continuous improvement activities. Using the approaches together can improve existing work processes and reduce cycle time. The jobs nomenclature helps to clarify what the customer wants at the earliest stages of product development. Putting the needs of the customer first and then building exactly to those specifications eliminates waste and improves customer satisfaction.

For more information contact Ed Efchak at efchak@northjersey.com and Howard Goldstein at goldstein@northjersey.com **N**

PROBLEM STATEMENT

How can *The Oregonian,* a metropolitan daily newspaper, increase readership among the booming population of "young creatives" in the city of Portland?

RATIONALE FOR SELECTION

*The Oregonian'*s desire to focus on the core product — the daily newspaper — provided an opportunity to demonstrate how the N² Innovation Method and its key concepts such as Jobs to be done and "nonconsumption" could be used to maximize the core business model — a key component of the N² Game Plan.

THE TEAM

- **Core Members**
    - ~ Sandra Mims Rowe: Editor
    - ~ Peter Bhatia: Executive Editor

- **Team Leaders**
    - ~ Mommy Team: Jolene Krawczak, Senior Editor/Features
    - ~ Portland Team: Susan Gage, Portland team leader (newsroom)
    - ~ Innovation/Niche Publications and Special Sections Team: Peter Bhatia

- **Advisers**
    - ~ Fred Stickel: Publisher
    - ~ Pat Sticke: General Manager

KEY ACTIVITIES

- Preworkshop Jobs to be done interviews with several nonconsuming individuals and businesses, some recorded on video.

- Full-team kickoff workshop for about 40 (business, editorial and corporate representation) to learn N² concepts and brainstorm on potential Jobs to be done and solutions

- Appointment and launch of three cross-departmental work teams to pursue brainstormed strategies

- N² training session for team members not present in initial workshop

- Regular and continuing team meetings to develop and refine product ideas and prepare proposals for implementation

STATUS ON 9/27/2006

The three teams are developing recommendations in specific areas:

1. Mommy Team: A demographics-based opportunity targeting the key jobs of busy moms; products could be Web and or print. After defining key jobs and researching competitive solutions on the Web, the team has concluded that a local Portland niche exists but must be pursued quickly. The team has proposed building a Web site prototype to assess advertising potential and test content ideas.

2. Portland Team: A geography-based opportunity targeting "young creatives" in the City of Portland; products could be Web, print daily or print weekly. A research team of reporters, editors and ad reps interviewed or surveyed more than 100 members of the target audience. They learned that this group uses the Web to find local information on topics from entertainment to neighborhoods, but that they find it hard to get the information they want. The findings suggest opportunities online or in print or both.

3. Innovation/Niche Publications and Special Sections Team: A team concentrating on how to make innovation continuous at *The Oregonian,* with an initial focus on how to develop a range of niche products and special sections. The team concluded that a new department to spot and develop niche opportunities would be the most efficient solution.

NEXT STEPS

Mommy Team: Written recommendations for action given to senior management in mid-September; now under review.

Young Creatives: Group brainstorming is planned in September to translate the identified Jobs to be done into ideas for new products or services.

Innovation Team: Recommendations to senior management, describing how to implement a niche products department.

In all three cases, the intent is to develop tangible plans for inclusion in 2007 budgets.

KEY LEARNING

- The innovation concepts and brainstorming at the initial workshop generated so much energy that the project needed to be broadened to include the two additional projects, focused on mothers and long-range innovation/niche products/special sections.

- The N^2 innovation process and the resulting team structure are creating long-needed organizational channels for cross-departmental dialogue, problem-solving and product development. As the teams make progress, their tasks and discussions are already changing the organization's culture.

- Jobs to be done and "nonconsumption" are helping teams rethink other existing products, including a new high-demographic magazine recently launched.

- The committee structure is giving the company an opportunity to develop its young creative thinkers and involve them in major initiatives.

- The Innovation Team is using the practical, short-term challenge of creating a niche-products innovation structure as a springboard for longer-range thinking about how to improve the company's cross-departmental strategy development.

For more information, contact Peter Bhatia at *The Oregonian:* pbhatia@news.oregonian.com. N^2

SECTION V

INDUSTRY COLLABORATION: WHAT DOES IT TAKE?

The N^2 collaboration survey

Key success factors for collaborations

Appendix

THE N² COLLABORATION SURVEY

Headlines trumpeting major deals among big Internet players and media companies break almost daily, but newspapers companies tend to be conspicuously absent.

As pure-play online giants race to build and monetize huge national audiences and capture national ad spending, the newspaper industry remains largely out of the picture. The industry's fragmented ownership — a legacy from the era of locally owned printing presses — creates a severe structural handicap.

For the most part, this has kept large, well-capitalized newspaper companies from creating new ventures on a national scale or networking existing newspaper Web sites.

Although newspaper Web sites reach a unique audience of more than 50 million users a month, generating about 2.5 billion pageviews, almost all newspaper efforts focus on local Internet sales.

When newspapers have attempted national collaboration efforts, most have failed. Yet a few industry success stories — such as Careerbuilder.com and Cars.com — prove that, under the right conditions, the industry can produce winners.

Within the industry, the pattern of failure and inaction is viewed with increasing alarm. The subject comes up repeatedly in trade journals, conventions and seminars: Newspaper companies must join forces to compete in the online world — why can't they?

To the Newspaper Next task force — 26 executives in key innovation positions, mostly within the industry — this is a hugely vexing issue. Every task force discussion saw spirited dialogues about the missed national opportunities and competitive threats.

The task force members virtually insisted that the N² project find a way to press for action. Lincoln Millstein, Hearst's senior vice president and director of digital media, framed it this way: "Seventy-five percent of ad dollars are captured by three or four portals, while most digital newspaper properties have not attained even 10% of their parent companies' revenues."

With this backdrop, the Newspaper Next team decided to survey top executives at the largest newspaper companies and newspapers to determine their views of and interest in collaboration.

Wrenching the industry into new behaviors is beyond the scope of the Newspaper Next project, but this section brings two things to the continuing discussion on industry collaboration:

- The results of the N² Collaboration Survey

- A look at key success factors for collaborations, derived from "disruptive innovation" theory and collaborations inside and outside the industry

Based on the survey's results showing strong support for a national advertising collaboration, it appears the question is not, "Why can't we collaborate?" but rather, "How shall we?"

THE SURVEY

The Newspaper Next Collaboration Survey had one primary goal: To determine whether the largest companies and newspapers — the most likely parties to undertake collaborations — would agree on the need and on the most promising opportunities.

N²

"I have been involved in a number of relative failures. Until our economic interests are truly aligned I doubt much progress can be made."

— Publisher

"These search-engine companies provide the audience and the technological firepower we need. We, on the other hand, provide the content and credibility they need."

— Newspaper division president

"We're not negotiating from positions of strength if we go it alone with the likes of Google and Yahoo. I'd rather share revenues with other industry members by putting an industry plan together first, and then explore alliances with the national online competitors."

— Publisher

The survey targeted a small but select group: The CEO, division head or publisher and the top interactive executive at each of the top 25 newspaper companies and top 25 newspapers (by circulation) in the U.S. and Canada. Of the 95 individuals in this universe, 39 participated in the survey.

Consensus was high on the need for collaboration:

• 72% agreed or strongly agreed that the newspaper industry is missing large online opportunities because companies rarely collaborate.

• 69% agreed or strongly agreed that non-newspaper companies are preempting large national online opportunities that newspaper companies could win through collaboration.

Respondents were less sure of the industry's ability to collaborate:

• 49% agreed or strongly agreed that newspaper companies are capable of successfully organizing and managing joint online initiatives.

A slim majority were interested in partnering with online giants:

• 54% agreed or strongly agreed that it would be good for newspaper companies to partner with Yahoo!, Google or other major nonnewspaper companies.

The survey also asked participants to rate the potential of 25 specific types of collaboration opportunities (for descriptions, see this section's Appendix) and their company's interest in pursuing them. Among the most important findings:

FIGURE 1: THE SURVEY'S TOP SEVEN COLLABORATION OPPORTUNITIES

Ad-related opportunities topped the list

Top-ranked results from online survey

Newspaper Next online survey on industry collaboration, Aug-Sept 2006

Opportunity — How large is the opportunity if companies collaborate?

Probability of success — How likely is success if companies collaborate effectively?

Chart labels: Joint ad sales efforts; Inventory monitoring system; Ad ordering & invoicing; Common ad serving platforms; Standard (online) traffic metrics; Common content management system; Standard ad types and sizes

- National advertising-related opportunities took six of the top seven spots.

- Interest in pursuing these opportunities is as high as the perceived potential.

- The preferred structure for five of the six advertising opportunities was clear: partner-ships or strategic alliances.

The six ad-related opportunities, as a group, constitute virtually all the major elements needed to create a centralized entity to sell

to national advertisers, serve ads across a national network of newspaper Web sites and serve customers on a one-order, one-bill basis.

If newspaper companies could achieve this online, it would be a historic first. They failed long ago to create such a solution for national print advertising, unable to overcome the technical, economic and strategic barriers. As a result, they win few national ad dollars today, so a successful online initiative could open a substantial new revenue stream.

Interest in pursuing specific opportunities

Opportunity (# of 5s)	Interest
Sales efforts (12)	4.11
Ordering/invoicing structure (9)	3.92
Traffic metrics (9)	3.91
Inventory monitoring & control (8)	3.89
Ad-serving platform (10)	3.78
Ad types and sizes (6)	3.46
Content management system (8)	3.42
Search (9)	3.20
News aggregation (6)	3.14
Travel (4)	3.11
Database formats, architectures (5)	3.11
Invoicing policies (4)	3.09
Shopping/comparison (7)	3.06
Community site (7)	2.97
Advertising rate structures (5)	2.94
Community tools (3)	2.86
Website design/production tools (4)	2.81
Entertainment (4)	2.77
Content storage formats (4)	2.69
Sports (3)	2.57
Social networking (0)	2.54
Local knowledge exchange (1)	2.51
Ad deadlines, acceptance policies (3)	2.40
Business/finance (2)	2.40
Parenting (1)	2.06

All results from online survey, N = 39; scale 1-5
Source: Newspaper Next online survey on industry collaboration, Aug-Sept 2006

Urgency of the need for collaboration

Opportunity (# of 5s)	Interest
Sales efforts (15)	4.19
Ordering/invoicing structure (13)	4.11
Inventory monitoring & control (11)	4.04
Ad-serving platform (9)	4.00
Traffic metrics (12)	3.96
Search (9)	3.56
Content management system (8)	3.46
Ad types and sizes (7)	3.40
Advertising rate structures (5)	3.28
Database formats, architectures (5)	3.27
New s aggregation (5)	3.24
Shopping/Comparison (8)	3.16
Community site (6)	3.12
Travel (3)	3.04
Invoicing policies (3)	3.00
Community tools (3)	2.96
Website design/production tools (4)	2.96
Entertainment (5)	2.92
Content storage formats (5)	2.76
Ad deadlines, acceptance policies (2)	2.68
Sports (4)	2.68
Social networking (0)	2.60
Local knowledge exchange (1)	2.60
Business/finance (2)	2.64
Parenting (1)	2.20

All results from online survey, N = 39; scale 1-5
Source: Newspaper Next online survey on industry collaboration, Aug-Sept 2006

Hearst's Millstein points out that the economics are very different online: In print, the cost of standardizing press equipment across the industry might have been far greater than the revenue gain in revenue, but online the cost of standardizing online ad platforms is likely to be far less than the revenue gain.

The market is substantial and growing fast. For 2005, the Internet Advertising Bureau estimated total Internet advertising at more than $12.5 billion, a 30 percent increase over the previous year. First-quarter 2006 figures showed a 38 percent gain to $3.9 billion over the same period in 2005.

Within the industry, a number of initiatives are proceeding in various directions. For example, a Newspaper Association of America committee is working on advertising standards and solutions, a Suburban Newspapers of America (SNA) network is marketing a network of 250 smaller newspaper sites, a number of brokers and agencies are aggregating placements on newspaper sites, and a number of companies are known to be in private discussions within the industry or with major portals.

What kind of collaboration would be best? The survey results indicated that for five of the six ad-related opportunities, the preferred collaboration vehicle was "partnership/strategic alliance." For the sixth, standard online traffic metrics, "voluntary standards" and "trade association initiative" were tied for top choice. (A solution on metrics easily could involve both.) For most of the remaining 25 opportunities, responses about the preferred structure were more mixed.

In terms of company interest, average scores across the 25 opportunities ranged from a high of 4.11 to a low of 2.06 on a 5-point scale. However, even for midlevel opportunities, some companies showed high interest, indicating that collaborations might be possible.

For example, nine respondents ranked their company's interest in a national search site as a 5, and seven respondents ranked a national shopping site as a 5.

In examining the opportunity tables, it is important to remember that the scores represent averages among a small survey group, so small differences may not be significant.

In sum, the survey indicated high interest in collaboration on national advertising opportunities among the largest companies and newspapers.

The next steps are up to the industry and its key players. As they consider the options, they would be wise to take note of several important lessons from "disruptive innovation" theory and past collaborations. N²

KEY SUCCESS FACTORS
FOR COLLABORATIONS

Collaboration efforts in the newspaper industry and elsewhere have clearly had mixed results. The newspaper industry has seen its share of collaborative failures, and the N^2 Survey shows that many top executives are skeptical about new efforts.

Assessing the root causes of success or failure of any venture is always complicated. As the N^2 team reviewed publicly available reports about notable successes and struggles through the lenses of the disruptive innovation models (discussed in more detail in Sections I and II), the following six keys to success emerged:

- **Define mission and scope narrowly;** set clear goals and bounds: *"No questions about what we are trying to do."*

- **Start with a "good-enough" solution:** *"Avoid the pursuit of unattainable perfection."*

- **Build on shared incentives:** *"We are all in the same boat."*

- **Give management considerable operational freedom:** *"No undue interference; we are shareholders, not managers."*

- **Agree to cannibalize existing business if necessary:** *"Think of the new growth we will create, not the existing business we may lose."*

- **Use both carrots and sticks (e.g., revenue streams and penalties):** *"We will succeed or fail together."*

DEFINE MISSION AND SCOPE NARROWLY

History suggests that collaboration works best when directed at a specific, clearly definable set of objectives or tasks.

Classified Ventures focused squarely on building online vertical sites like Cars.com and Apartments.com, and has succeeded in establishing them as recognized national brands. AdOne (which later became PowerOne) ventured into numerous other activities, including classifieds, ad networks, Web hosting, content management and consulting. It recently sold off all but its classified consulting businesses.

Newspaper companies that set up a collaborative venture should determine what job they are trying to do and organize their venture around it.

FOCUS ON A 'GOOD ENOUGH' SOLUTION

Visions of next-generation solutions that solve every problem can be tantalizing. But great leaps forward, where companies spend years and millions of dollars seeking to jump over existing companies, almost never work. Companies have a much greater chance of success if they start with a simple springboard.

Instead of trying to leap to a perfect solution from day one, the goal should be to figure out how to quickly construct a "good-enough" solution. The idea is to get into the marketplace early and then tinker and improve based on market feedback, following the disruptive innovation principle, "invest a little, learn a lot."

When SNA launched its national network in June 2006, it only had a single offering: a whole national buy. As SNA President Nancy

Lane described it, "We didn't want to spend a lot of time and money creating a complicated network — we wanted to get something out there and learn from it."

The smart disruptive innovator would begin by talking with target customers to zero in on their important, unsatisfied jobs to be done. The next step would be to push for a flexible first-generation solution that gets the key job done better than existing alternatives.

For example, Bid4Spots.com is a "reverse-auction" site that allows radio stations to bid for advertisers. A similar newspaper solution might be able to allow a national retailer to reach local markets without creating a common advertising platform whose development could delay the launch of an industry solution by many years.

BUILD ON SHARED INCENTIVES

Organizing carefully around well-defined shared incentives — common benefits and threats — can help to ensure the cooperation a partnership needs.

Bob Benz, general manager of interactive media for Scripps Newspapers, told the N^2 project team that notable industry flop New Century Network (NCN) lacked these shared incentives.

"The trick is not to pull together because it feels good, but because we make lots of money," Benz said. NCN "didn't work that way. That's what would make these go — strong revenue."

GIVE MANAGEMENT CONSIDERABLE FREEDOM

Companies often set up new ventures because they know their normal way of doing business won't suffice. Unfortunately, merely setting up a new company isn't enough, because over-controlling parents can doom collaborative efforts. In essence, the DNA from the parent companies can "infect" the new organization.

To avoid this, it is important to give the new venture freedom to organize in ways appropriate for the challenge it faces.

The parent organization also should consider bringing in management with experience in the target area, rather than appointing someone from within the parent industry. Newspaper executives may not have the right range of experiences to solve problems and see opportunities far different from the ones in their existing businesses.

When five large newspaper companies joined together in 1995 to form CareerPath, they gave the venture only limited freedom. In an *Editor & Publisher* article in 2000, Classified Intelligence founder Peter Zollman said: "CareerPath's multiple owners … certainly have different directions and different strategic goals … that make it next to impossible to run a company where everybody had equal ownership and all have a say. There are some that believe this is a newspaper strategy, and some believe it's a new business."

In 2000, two of CareerPath's stakeholders — Knight Ridder and Tribune — bought it out and merged it with a pure Internet play, CareerBuilder. They gave the venture substantial autonomy, which has helped it become a leading player in the online employment space. By 2006, analysts estimated CareerBuilder's market value to be close to $2 billion.

AGREE TO CANNIBALIZE EXISTING BUSINESS

Disruptive innovation often requires companies to sacrifice a portion of their core business for the sake of greater growth. Partners must foresee the cannibalization risk and agree to permit it if it comes. A lack of clear agreement may destabilize the venture later. Contrast the success of the Associated Press with the struggles of NCN.

Six New York City newspapers founded the AP in the mid 19th century. The fierce rivals agreed to pool newsgathering resources while sacrificing their own unique coverage and reporting networks. The collaborative ef-

fort thrived. Among NCN's problems was that certain stakeholders were unwilling to see their existing print franchises cannibalized. The partnership struggled to find a successful business model.

USE BOTH CARROTS AND STICKS

Alliances often struggle if there are no mechanisms to reward collaboration and punish a lack of compliance. The Organization of the Petroleum Exporting Countries, the oil cartel, has strong incentives to ensure cooperation among member nations. The cartel's success across decades of controversy shows the strength of its model. The United Nations, on the other hand, has struggled to achieve its goal of serving as a catalyst for world peace and stability because it lacks the ability to compel members to abide by its agreements.

FINAL NOTE: THINK LIKE A DISRUPTOR

The N[2] Collaboration Survey shows that the newspaper industry has a strong interest in collaboration to pursue national online advertising. While it is beyond the scope of this report to plot out specific next steps, companies that do move forward should consider one final piece of advice: Think like a disruptor.

In their home markets, newspaper companies are established, powerful players being disrupted by newcomers. In the national online advertising market, the roles are reversed. A newspaper-industry venture would be a newcomer competing against established players like Google and Yahoo! — a status that confers freedoms as well as limitations.

Newcomers are free to develop new models, and they often succeed with solutions that get a key customer job done with a product that is simpler, easier to use, more convenient or less costly (explained in more detail in Section I, Part B: "Understanding the patterns of disruptive innovation"). A newspaper collaboration would be wise to adopt the same tactics.

Another key disruptor strategy is to find a way to stay out of the incumbents' line of fire at the outset. This could be helpful in a national advertising initiative, because many of the more obvious strategic choices would take a newspaper alliance straight onto the turf of market leaders like Google and Yahoo.

Trying to muscle into an established space can be difficult and expensive, and can trigger immediate defensive responses from incumbents. Disruptive innovation research shows that new entrants have the best chance of success if they can devise an approach the incumbent sees as unattractive or insignificant.

Questions that might help the venture find an off-the-radar starting point include:

• Can we start with a customer group that the incumbent is not serving?

• Is there a customer group the incumbent would be happy to shed?

• Can we make money in ways that would look financially unattractive to the incumbent?

For example, newspaper collaboration might consider starting its unified sales effort by focusing on a particular vertical, or on a particular type or size of advertiser, or in a regional area. This might lower the chances that a national player feels an immediate need to respond. Then, as the venture gained lessons in the market and improved its offering, it could scale to broader and larger markets. **N²**

25 Collaboration opportunities: survey descriptions

The N[2] Collaboration Survey asked participants to rate size, urgency, likelihood of success and their company's interest in 25 possible online collaboration opportunities. In the survey, the opportunities were described as follows:

National/regional ad sales and marketing

Join forces across newspaper companies and properties to enable advertisers to make one-order national/regional web site buys.

- Sales efforts (such as a joint national sales force, joint marketing budgets, unified marketing campaigns)

- Inventory monitoring and control (a way to quote inventory availability and rates across multiple sites quickly)

- Ordering/invoicing structure (enabling an advertiser to place one order and receive one bill when buying multiple newspaper sites)

Standardization of platforms

Reach agreement among newspaper companies to adopt same or compatible systems across newspaper properties.

- Ad-serving platforms (systems for placing online ads and managing inventory)

- Content management systems (systems for storing/accessing content elements in universal formats)

- Web site design/production tools (software and systems for creating and publishing Web pages)

- Database formats and architectures (common platforms and structures for online databases and stored data)

- Community tools (such as applications used for forums, chat, blogging, etc.)

Standardization of policies and specifications

Reach agreement on policies and specifications across newspaper companies and properties to facilitate collaboration and cross-property ad sales.

- Advertising rate structures (compatible or uniform pricing strategies and rate plans to facilitate multiproperty ad buys)

- Ad types, sizes (compatible or uniform ad types and space modules)

- Ad deadlines and acceptance policies (such as compatible or uniform insertion deadlines or advertising content restrictions)

- Invoicing (uniform billing practices such as invoice formats, billing periods, etc.)

- Traffic metrics (uniform standards for counting page views, unique visitors, etc.)

- Content storage (uniform standards on storage formats of various media)

National topical sites

Join forces across newspaper companies and properties to create national-scale Web sites on specific topics.

- News aggregation (create a recognized national/international news destination site by pooling newspaper resources)

- Business/finance

- Sports

- Parenting

- Travel

- Entertainment

National functional sites

Join forces across newspaper companies and properties to create national-scale Web sites performing specific functions and services

- Search

- Shopping/comparison (e.g., products, prices, sellers)

- Community (e.g., discussion, photo/video sharing, etc.)

- Social networking (e.g., Myspace.com, facebook.com)

- Local knowledge exchange (e.g., angieslist.com, kudzu.com)

25 collaboration opportunities: average scores

Survey respondents were asked to rate each opportunity on a scale (1 = low, 5 = high) on four measures:

- How large is the opportunity if companies collaborate?

- How urgent is the need for collaboration?

- How likely is success if companies collaborate effectively?

- How great is your company's interest in exploring a collaboration effort?

Average ratings for all 25 online collaboration opportunities appear to the right. N²

	How large	How urgent	Success	Interest
Ad-serving platform	4.04	4.00	3.77	3.92
Sales efforts	3.96	4.19	3.67	4.07
Inventory monitoring and control	3.89	4.04	3.63	3.85
Traffic metrics	3.88	3.96	3.72	3.80
Ordering/invoicing structure	3.74	4.11	3.56	3.81
Search	3.68	3.56	3.36	3.48
Content management system	3.58	3.46	3.23	3.46
Ad types and sizes	3.36	3.40	3.28	3.32
Database formats and architectures	3.35	3.27	3.23	3.23
News aggregation	3.32	3.24	3.20	3.36
Advertising rate structures	3.28	3.28	3.12	3.08
Community tools	3.19	2.96	3.00	2.96
Community	3.12	3.12	3.12	3.12
Shopping/Comparison	3.08	3.16	2.92	3.08
Web site design/production tools	3.04	2.96	2.81	3.00
Travel	3.00	3.04	3.04	3.08
Entertainment	2.96	2.92	2.88	2.88
Invoicing policies	2.92	3.00	2.92	3.00
Content storage formats	2.84	2.76	2.80	2.80
Ad deadlines and acceptance policies	2.84	2.68	2.68	2.64
Sports	2.76	2.68	2.72	2.72
Social networking	2.72	2.60	2.52	2.60
Business/finance	2.68	2.64	2.56	2.64
Local knowledge exchange	2.60	2.60	2.56	2.64
Parenting	2.16	2.20	2.16	2.16

ABOUT THE NEWSPAPER NEXT TEAM

NEWSPAPER NEXT PROJECT TEAM

Stephen T. Gray
Managing Director, Newspaper Next

Prior to joining the API project in September, Steve Gray was managing publisher of *The Christian Science Monitor* in Boston for seven years, leading implementation of numerous new online, syndication, partnership and multimedia strategies that introduced the *Monitor* to millions of new readers, viewers and listeners.

Previously, he was president and CEO of the family-owned Monroe Publishing Co. in Monroe, Mich., and editor of *The Monroe Evening News.* He led the company's conversion to employee ownership and the creation of an award-winning culture of open management and employee involvement. He also led the diversification of the company's business model through numerous new publications, products and services, and won awards for reporting, editorials and columns, including the Morgan O'Leary Award for Excellence in political reporting.

He is a former president of Inland Press Association, the Michigan Press Association and the Michigan Associated Press Editorial Association. He holds a bachelor's degree in journalism from Northwestern University's Medill School of Journalism.

Scott Anthony
Managing Director, Innosight

At Innosight, Scott Anthony worked with Fortune 500 and start-up companies in industries including media (print and broadcast), consumer products, medical devices, software, and telecommunications, and led a multimonth project for the government of Singapore. He has been integral in developing Innosight's methodology to implement the ideas in *The Innovator's Solution* and *Seeing What's Next,* and he has given training workshops and presentations to senior management teams and broad audiences.

Anthony is coauthor (with Clayton Christensen) of *Seeing What's Next: Using the Theories of Innovation to Predict Industry Change* (Harvard Business School Publishing, 2004). He has published numerous articles and case studies, and he serves as the editor of *Strategy & Innovation,* a bimonthly newsletter published by Innosight and Clayton Christensen.

Prior to joining Innosight, Anthony was a senior researcher with Christensen, worked as a consultant for McKinsey & Co., was a strategic planner for Aspen Technology and was a product manager for WorldSpace Corp. He received a B.A. in economics, summa cum laude, from Dartmouth College, and an M.B.A. with high distinction from Harvard Business School, where he was a Baker Scholar.

Adeline Ng
Manager, Innosight

In addition to the Newspaper Next project, Adeline Ng recently worked with a large newspaper company to launch new ventures and diversify online revenue streams in two markets, and to develop a plan for disruptive innovation with a major logistics company.

She graduated from the Harvard Business School in 2005 after spending four years as a consultant with McKinsey & Co. in Asia and the U.S. At McKinsey, she worked on engagements in industries including consumer packaged goods, energy, financial services, high-tech and healthcare. Her experience includes launching new business ventures in financial services and logistics, developing growth strategies for IT and CPG clients, managing large-scale change projects and improving operations processes in healthcare.

Ng trained as a lawyer and is qualified as an advocate and solicitor in Singapore and as a barrister (Inner Temple) in England. She spent a year as a law clerk with the Supreme Court of Singapore. She received her law degree from the London School of Economics and Political Science, and holds a B.S. degree in accounting and finance.

Natalie Painchaud
Associate, Innosight

While at Innosight, Natalie Painchaud has worked on consulting projects and executive education programs for healthcare, consumer products and media clients. A focus of her work is using the Jobs to be done approach to understand customer needs in fields as diverse as pharmaceuticals, food and media.

Prior to joining Innosight, she was a senior associate with Cambridge Executive Enter-prises, an MIT-founded executive education company. She led a small team that pro-duced seminars sponsored by Hewlett Packard and Oracle Corp. in China, Japan, India, Scandinavia and South America. She was responsible for interviewing the interna-tional executives attending the seminars and working on rapid development of customized technology prototypes. Previously, she worked with the interactive agency AGENCY.COM in New York City. Natalie holds a B.A. with distinction in industrial relations from McGill University.

Josh Suskewicz
Associate, Innosight

At Innosight, Josh Suskewicz has worked on consulting projects and executive education programs for financial services, healthcare and media companies. A focus of his work is using the disruptive innovation theory to strategize financial products for the unbanked poor in developing countries.

Previously, he was a research associate at Glo-balTech Research, where he covered emerg-ing technologies in alternative energy, clean technology and sustainable development. He also worked as a researcher and writer for *Let's Go Travel Guides* and as a research assistant for a think tank on Middle Eastern history and politics. He holds an honors A.B. in English literature from Harvard College.

NEWSPAPER NEXT TASK FORCE

Decker Anstrom, President and COO, Landmark Communications

Reid Ashe, Executive Vice President and COO, Media General

Donna Barrett, President and CEO, Community Newspaper Holdings Inc.

Peter Bhatia, Executive Editor, *The Oregonian*

Jennifer Carroll, VP/New Media Content, Gannett Newspaper Division

Rob Curley, New Media Director, *Naples Daily News*

Louis Alberto Ferre, Editor, *El Nuevo Día*

Laura Gordon, Senior VP/Marketing, *The Dallas Morning News*

Christian Hendricks, VP/Interactive Media, The McClatchy Co.

Jennie Lambert, Publisher, Shelby (NC) Star/ Freedom Communications

Jonathan Landman, Deputy Managing Editor, *The New York Times*

Nancy Lane, President, Suburban Newspapers of America

Caroline Little, CEO and Publisher, WashingtonPost.Newsweek Interactive

Stacy Lynch, Director of Innovation, *Atlanta Journal-Constitution*

Joycelyn Marek, VP/Marketing and Public Affairs, Houston Chronicle

Lincoln Millstein, Senior VP and Director/ Digital Media, Hearst Newspapers

Andrew Nachison, Director, The Media Center

Hilary Schneider, former Senior VP, Knight Ridder (joined Yahoo, Sept. 2006)

Rich Skrenta, CEO, topix.net

Dean Singleton, Vice Chairman and CEO, MediaNews Group

Sreenath Sreenivasan, Dean of Students, Columbia University Graduate School of Journalism

Gary Watson, retired President, Gannett Newspaper Division

John N. Wilcox, Chairman & CEO, Ottaway Newspapers Inc.

Bob Wyman, Co-Founder and CTO, pubsub.com

Steve Yelvington, Digital strategist, Morris DigitalWorks

Owen Youngman, VP/Development, *Chicago Tribune*

PROJECT ADVISERS

Clayton M. Christensen
Professor of Business Administration, Harvard Business School
Co-Founder, Innosight

Clayton M. Christensen is the Robert and Jane Cizik professor of business administration at the Harvard Business School (HBS). His research and teaching center on the management issues related to developing and commercializing technological and business model innovation, with a focus on developing organizational capabilities and finding new markets for new technologies.

Prior to joining the HBS faculty, Professor Christensen served as chairman and president of Ceramics Process Systems Corporation (CPS), which he co-founded in 1984. From 1979 to 1984 he worked as a consultant and project manager with the Boston Consulting Group (BCG). In 1982 Professor Christensen was named a White House fellow and served through 1983 (on a leave of absence from BCG) as assistant to U.S. Transportation secretaries Drew Lewis and Elizabeth Dole.

Professor Christensen is the author of the best-selling books *The Innovator's Dilemma* (1997), which received the Global Business Book Award for the best business book of 1997, and *The Innovator's Solution* (2003). His latest book,

Seeing What's Next, was published in fall 2004. He edited two casebooks on innovation: *Innovation and the General Manager* (1999) and *Strategic Management of Technology and Innovation,* 4th edition (2004). Professor Christensen's writings won numerous awards, including the Best Dissertation Award from The Institute of Management Sciences, the Production and Operations Management Society's 1991 William Abernathy Award, the Newcomen Society's award for the best paper in business history in 1993; and the 1995 and 2001 McKinsey Awards for articles published in the Harvard Business Review.

In 2000, Professor Christensen founded Innosight LLC to extend and apply the disruptive innovation principles developed in his research and writing.

Clark Gilbert
Director, Innosight

Clark Gilbert is a director at Innosight and former professor of entrepreneurial management at Harvard Business School (HBS). Professor Gilbert published several leading articles on innovation in Harvard Business Review and MIT/Sloan Management Review. He is also the author of the book *From Resource Allocation to Strategy,* published by Oxford University Press. He recently left the Harvard Business School to work on issues affecting underprivileged youth for his church, accepting an administration position at Brigham Young University, Idaho. He remains an active director at Innosight.

Professor Gilbert's formal research focused on how disruptive technologies reshape the structure of existing markets. He examined industries including, healthcare, media and technology. His doctoral research won awards for best dissertation finalist and best paper at the Strategy Division of the Academy of Management. He was awarded the 2005 Best Article Award in the Academy of Management Journal. Professor Gilbert has written HBS teaching cases on corporate entrepreneurship in companies such as Merck, Knight Ridder, Intel and SAP.

Professor Gilbert consults in media, health-care, and technology industries. He served on new ventures boards at Johnson & Johnson, Landmark Media and Scripps. He is a founding partner of Innosight Ventures, where he served as a founding director of several healthcare and media start-ups.

Professor Gilbert graduated summa cum laude from Brigham Young University, where he was his department's valedictorian. He earned a masters degree from Stanford University and a doctorate from HBS.

Drew Davis
President and Executive Director, The American Press Institute

Andrew B. Davis became president and executive director of The American Press Institute in December, 2003. Previously, he was director of innovation and business development for the Media Management Center at Northwestern University. Prior to joining the Media Management Center, Davis was president of Chicago Sun-Times Features, Inc. and of Performance Media, a custom publishing division he conceived and developed into a multi-million-dollar venture. He was vice president of the Sun-Times Company. For 10 years he was group publisher and newspaper operations vice president of Pioneer Newspapers, a 41-newspaper group in suburban Chicago. A major general in the Marine Corps Reserve, Davis took leave from the Media Management Center between July 2001 and July 2003 to serve as director of Marine Corps Public Affairs at the Pentagon. He holds a bachelor's degree cum laude in English literature from Princeton University and a master's degree with distinction in journalism from Northwestern University's Medill School. He is the author of *Rx for New Product Success: A Guide to Successful Innovation for Media Executives.*

The American Press Institute, founded in 1946, is the newspaper industry's leading center for executive education. It provides skills-training and leadership development in the news industry, offering seminars, online training and onsite programs for newspaper professionals. API is also the home of the Media Center, which conducts research, educational programs and symposia and facilitates strategic conversations and planning on issues shaping the future of news, information and media. API houses the Donald W. Reynolds National Center for Business Journalism, which offers a nationwide forum and educational opportunities for improving the quality of American business journalism. The Learning Newsroom, a three-year laboratory project aimed at improving the workplace culture of newspapers, is located at API, too.

Innosight LLC helps companies improve their ability to create growth through innovation. Harvard Business School Professor Clayton Christensen founded the company in 2000. Innosight's work combines Dr. Christensen's research summarized in the bestselling books *The Innovator's Dilemma, The Innovator's Solution* and *Seeing What's Next* with field work in dozens of large and small organizations, including Procter & Gamble, Johnson & Johnson, the E.W. Scripps Co. and the government of Singapore. Through its field work, Innosight has uncovered key principles to recognize patterns of success that lead to better connection with consumers and reduced competitive threats. It offers a collection of tools and delivery mechanisms that help companies build internal capabilities and identify ways to speed projects, minimize investment and increase revenue potential. ◼

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NEWS PAPER

NEXT:

THE TRANSFORMATION PROJECT

API American Press Institute