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The Chicagotribune.com:
Creating a Newspaper for the New
Economy (A)

By

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I. Background

As he sat in his office in *The Tribune* Tower in downtown Chicago on a sunny morning in August, 1999, Owen Youngman, Director of Interactive Media for *The Chicago Tribune*, reflected on what it was like to manage the Chicagotribune.com:

The big deal is that you get up in the morning and come to work and you are on the bus and you know you'll make a mistake today. You don't know what it is and you may not know for a long time. Whereas in the newspaper business, there's a lot more certainty regardless of what part of the business you are talking about. And adjusting to that reality is different. And so you manage differently as a result. Some things you hedge; others you don't.¹

Youngman, a seasoned veteran of *The Chicago Tribune* for over 28 years, was used to a culture which valued innovation, but was steeped in 150 years of tradition. He now found himself managing in an environment characterized by constant change, instantaneous feedback from readers, a volatile marketplace, and competitors who had never been on his radar screen. True, in its foray into the online world, *The Tribune* had been very successful. As a leader and innovator in developing an online newspaper, *The Tribune* had not only developed a distinctive persona for its online paper but had also been innovative at integrating the digital and physical aspects of the paper and providing unique online offerings for its readers. It had been recognized for its efforts by such prestigious organizations as the Newspaper Association of America (NAA) as well as the "bible" of the newspaper business, *Editor & Publisher Magazine*. In the summer of 1997, it was named "Best Newspaper site" (in the largest circulation category) by the NAA. In 1998, Editor & Publisher honored the Chicagotribune.com as 1998's Best Online newspaper among publications with print circulations of more than 100,000. The online newspaper also won awards for the best business section and the best design.

But clearly, the Chicagotribune.com faced significant challenges in its fourth year of operation. Perhaps the most important challenge was creating a digital brand which would build on the reputation of the print newspaper but offer its readers features they could not get in print. Most online news sites obtained up to 70% of their online content simply by re-using and reformatting print stories for the online market, a practice known in the industry as 'shoveling'.² Rather than just providing its readers with an electronic version of the print edition, Youngman and his staff were committed to exploiting the strength of each medium and constantly fine tuning the interaction between them. In order to do this, the organization currently in place would need to be restructured to accommodate the new medium and the right kind of talent would need to be recruited which could adapt to this hybrid environment.

Closely linked to the development of the brand was the challenge of defining what business the newspaper should be in as it positioned itself in the NewMedia industry. Should the Chicagotribune.com be in the business of providing news to its readership, or should it become an e-commerce business with news as just one of its many products? Unlike many new media companies which operate independently, the Chicagotribune.com is part of the Tribune Company, a media conglomerate, and thus its development as an online entity is linked to the overall strategy of the parent company. In May 1999, the Tribune Company consolidated its national and local online businesses into one business unit, a move which could have a

significant impact on the development of the Chicagotribune.com. Tribune Interactive, which joined publishing, broadcasting, and education as the Tribune Company's fourth line of business (Exhibit 1), brought together the interactive functions of *The Tribune's* four newspapers and 17 television stations. In addition, other Internet products and services such as BlackVoices, Go2Orlando and Digital City sites for Chicago, Hampton Roads, Orlando, and South Florida, were placed under the umbrella of the business unit (Exhibit 2).

The purpose of the consolidation was to enable *The Tribune* to develop new products for the online environment more rapidly and achieve economies of scale. Yet Jeff Scherb, the CTO of *The Tribune* and President of Tribune Interactive (TI), stated on numerous occasions, that the "goal is for TI to be an e-commerce company enabled by great content."³ Scherb understands that the mission of the newspaper is to focus on coverage of events and breaking news, but his vision also entails building Internet businesses which would provide consumers with the utility and convenience of "one-stop" shopping on the web.

Whether or not the e-commerce mission of the online edition delineated by Scherb will be realized, executives at *The Tribune* see the Chicagotribune.com as one part of their plan to leverage the rich content of old media newspapers and evolve the Tribune Company into a cross-media company with multiple outlets serving a wide-ranging audience. Indeed, with the acquisition of the Times Mirror Company, which owns several newspapers in major cities such as Los Angeles and New York City, the Tribune Company will be in a strong position to develop what John Madigan, Chairman and President of the company, calls a "national platform rich in content and the ability to develop e-commerce."^{4 5}

As the Tribune Company redefines its role in the media industry on a national level, another challenge for the Chicagotribune.com will be how best to serve its Chicago-based readership in a complex environment where competitors are emerging from non-traditional sectors of the community and where making the right partnerships and alliances is essential. For example, new media companies such as Yahoo! have emerged over the past few years which are providing news services and thus making inroads on the audiences that had traditionally been considered in *The Tribune's* domain. With the proliferation of cellular phones and PDAs, technology companies could also play a major role in shaping the way information is distributed and formatted for the "small screen." During the past nine years, The Tribune Company has made numerous investments in online companies and formed alliances and partnerships with these companies. The Chicagotribune.com now has the task of cultivating these relationships and integrating the offerings of these companies in a way that will enhance the online edition and differentiate it from its competitors.

How the online newspaper will deal with the challenges outlined above remains to be seen. Will the Chicagotribune.com remain a strong, forward-looking pioneer in the NewMedia industry or will it struggle to survive in the vast media network of the Tribune Company?

II. The Tribune as Innovator

The Chicago Tribune was founded in 1847 and during its 150 year history has been an innovative pioneer in the media industry. Very early in its history, Colonel Robert McCormick,

who took over *The Tribune* in 1911, expanded the reach of the newspaper to include the Washington Times-Herald and the Daily News of New York. In 1924, when radio was a new medium, McCormick bought WDAP, one of the first radio stations in Chicago because he viewed it as another way to reach his audience. Later *The Tribune* invested in television stations even though most major newspapers saw television as a threat. (Exhibit 3)

With its history of innovation, "...it was really no big leap for the Tribune company to view interactive media as another way to do what it had done successfully so many times before," said Owen Youngman. Moreover, key members of senior management were very much in favor of moving in this direction. Jack Fuller, President of The Tribune Company, recognized early on that the Internet would be a positive force for the newspaper industry and promoted this idea in his 1996 book, News Values. Fuller's vision of the convergence between this new medium and the traditional newspaper business proved to be a driving force in enabling the culturally conservative *Tribune* to develop its online offering. Charles Brumback, the Chairman of the Tribune Company from the late 70's until 1995, also believed that computer services would be crucial to the development of newspapers and it was he who initiated the Tribune company's investments in various online ventures.⁶

The Tribune Company began to amass its portfolio of online companies in 1991 when it bought a 10% share in America Online then known as Quantum. Over time, the newspaper sold off its shares and invested the money into other NewMedia opportunities. As of August 1999, the Tribune's portfolio, which includes stakes in public companies like AOL, [Excite@home](#), iVillage and Peapod, Inc., and private companies such as WB Network, Lightspan Partnership, and Digital City Inc., was valued at more than \$812 million.⁷ (Exhibit 4).

In addition to the potential financial gains from making such investments, John Madigan, the Tribune's Chairman, president and Chief Executive Officer, said the investments were "our form of R&D."⁸ Owen Youngman elaborated on Madigan's idea:

Being an early investor in AOL gave the company an up-close view of the mind set that it takes to be successful in this space. AOL, first and foremost, is a great marketer. And so, seeing their marketing techniques up close and the speed with which they'd both move and with which they would change, helped us to make decision about what we should be doing. No, we're not spending the same percentage of revenues on promotion that AOL did, but it's a good leading indicator that spending promotional money early on can help to build a powerful brand down the line.

Thus, the newspaper viewed its investments in NewMedia companies as an avenue for learning about how to operate effectively in the NewMedia environment and understand how some of these companies could affect the long term development of the newspaper. Indeed, some of these companies were threatening one of the newspaper's most important sources of revenue – advertising. In an August 1999 report, Forrester Research predicted that by 2003, newspapers would lose over 23 percent of their total ad revenues.⁹ Yet The Tribune Company's strategy was to incorporate these online opportunities and use them to enhance their own media offerings.

For example, last year, the newspaper invested in Supermarkets Online. The company, which is based in Greenwich, Connecticut, provides electronic coupons which are accepted at over 9,000 brick and mortar grocery stores nationwide. In making this investment, Andy Oleszczuk, Tribune Venture president said:

With Supermarkets Online, we see a company that represents the future of consumer packaged goods promotion and helps our traditional media properties serve the needs of our consumers and advertisers.¹⁰

For *The Tribune*, a company such as Supermarkets Online, which offers digital coupons, could potentially threaten the supermarket advertising business which had been so lucrative for the newspaper in the past. However, rather than view this as a threat, newspaper executives saw it as an opportunity to integrate the content offerings of the newspaper with advertising and create a richer online experience, especially for the local consumer.

The Tribune Company's investments and innovative strategies appeared to have paid off. The company's 1999 Annual Report indicates that the Tribune has continued to be profitable. (Exhibit 5). In a press release detailing the full year results of the Tribune Company's operations in 1999, John W. Madigan reported:

"This is our eighth consecutive year of earnings growth. In our media businesses, we increased our operating cash flow margins once again in 1999. Our daily newspapers' operating cash flow margins of 35 percent are among the best in the industry. And operating cash flow margins from our television stations expanded to more than 41 percent. Our television group-the largest station group not owned by a network- has been the most significant driver of earnings growth. The fundamentals of all of our businesses are strong, and we're looking forward to continued growth in 2000."¹¹

III. Organizational Challenges for The Chicagotribune.com

The first online edition of *The Tribune* was launched in 1992 and could be accessed only through America Online. As the World Wide Web became more pervasive, *The Tribune* launched its own website in March 1996, the Chicagotribune.com, which featured stories from the daily paper as well as original content such as election news.

Even with Jack Fuller and the rest of the senior management behind the effort, Youngman, who was charged with the developing the new online edition, described his role as a mediator between two cultures:

There is a culture of innovation that suffuses the newspapers. That is helpful. There is a willingness to take measured risks. That's helpful. On the other hand, there are elements of the culture that are very hide bound and traditional. It's a balancing act and one of my key roles is sort of mediating and juggling all that stuff and deciding when to push and when not to push.

As he juggled these two disparate cultures, one of Youngman's immediate tasks was to develop an organization that could successfully produce an online edition of the newspaper. While the standard departments such as marketing, finance, advertising, and customer services would all continue to exist in the new online organization, the old ways of gathering, validating, and presenting the news were no longer suitable, and the organization as well as the people in it would have to reflect this.

Many newspapers faced with developing news in two media simply used their print reporters to staff their online editions and "integrated" their print and on-line operations.¹² In contrast, *The Tribune* was the first newspaper to build a team of reporters whose primary responsibility was to produce online content. By mid 1997, the newspaper had hired 130 "digital journalists", the largest staff of any online newspaper.¹³ While these online reporters worked in a separate unit, they were just as adept at posting a breaking story on the newspaper's website as writing a longer article about the same issue for the print edition. Indeed, the expansion of the online staff was initially intended to help not only the *Chicagotribune.com* but also to enhance the market share for the print edition of the paper, especially in the area of local news. This hybrid organizational model has continued to evolve because the management at *The Tribune* has ensured that the two organizations interact at various levels. Thus, the top online editors attend news meetings with the print editors and reporters and work with their print counterparts to post early versions of print stories on the website.¹⁴

Youngman soon discovered that aside from the ability to be conversant in both print and online media, the most successful new hires had other attributes that enabled them to thrive in this new environment:

We started off early - because there was not much of an established Internet model for employees in 1995 - hiring people with skills that were going to translate into the new medium. But over time what we've learned is that flexibility and adaptability are more important than almost any other skills and when we hire people we say now this is what we're hiring you for today but three months, three days from now we might ask you to do something different. The business is changing rapidly. We're trying to learn from our mistakes, leverage our success and there are really very few people in the whole organization, two to three at most, that are doing the same thing today that they were originally hired to do. And you have to be comfortable with that amount of change and to some degree comfortable with the ambiguity in order to thrive.

Along with finding the right people who could work in an environment that was constantly undergoing change, Youngman suggested that a significant challenge for a traditional media company like *The Tribune* was trying to understand the nature of the NewMedia workforce. Not only were NewMedia employees more mobile and less likely to stay at *The Tribune* for the length of their careers; the competition for top-notch human talent was coming from unexpected quarters. Instead of *The Chicago Sun Times*, technology companies such as Sun Microsystems, AOL, and Microsoft were luring away *The Tribune's* people:

For old media companies that are in the NewMedia space, the biggest differences are workforce issues. *The Chicago Tribune*, *The New York Times*, *The Washington Post*, *The LA Times* are destination newspapers. People will generally go there and that is where they stay. In the Internet space, it's a different competitive set. We are not competing with *The Sun Times* for people. We're competing with Sun or AOL or Excite. And we've lost people to those companies and more. Adjusting to the sort of rent-a-player mentality, where you know when you hire somebody they are not likely to be a career employee but you want to help them. You want to keep them as long as you can, help them build their skills knowing they are ultimately going to leave but wanting to get as much value out of them as you can.

Indeed, Madigan is concerned about the constant turnover and whether there will be enough of the right kind of people to manage the newspaper in the future:

I worry about whether we have the right people in the right places to deal with the issues that will be most significant in the future. Are you growing the right people, hiring at entry and middle management level, the kind of people who will develop into the positions of the future? Are you recruiting enough from the outside to immediately provide the management talent for tomorrow's needs? It's something I think about every day.¹⁵

IV. Building a Brand

While the Chicagotribune.com was able to capitalize on the brand name of its print counterpart, *The Chicago Tribune*, it was important that the online organization build a brand that went beyond this legacy. Instead of being merely an electronic version of the newspaper, the online edition would have to offer stories and information not readily available in the print edition.

In order to differentiate itself, the Chicagotribune.com began to experiment with producing various content which was unique to the web. One of the most successful features it implemented was "Metro Daywatch" a breaking news feature, which was launched in January, 1999. This feature exploits the unique capabilities of the online edition. For unlike the print edition, which has one production cycle, the online version has a constant deadline cycle which enables online reporters to deliver the news in a timely fashion even after the print newspaper edition has been finalized. For example, when an Amtrak train crashed in a Chicago suburb, online reporters were able to go to the scene immediately and post stories throughout the night. The crash occurred after midnight, long after the print edition had been "put to bed." In the morning, the website had fresh information about the crash while the print edition had none.

Ben Estes, editor of the Chicagotribune.com believes that features like breaking news are important for developing a readership for the online newspaper: "We have a lot to offer the reader who wants to know the latest. That's where our future is".¹⁶ In fact, the ability of the Chicagotribune.com to provide in-depth coverage on breaking news stories has enabled the online newspaper to significantly increase its user base. When Walter Payton died in

November, 1999, the Chicagotribune.com had extensive coverage on Payton within hours of his death. In just three days, there were over 600,000 page views on that story line alone.

One of the keys to the development of the unique online features which characterize the Chicagotribune.com's brand, is the incorporation of various technologies into the newspaper's infrastructure. Early in the development of the Chicagotribune.com, a major investment was made in a technology called Story Server, a content management system for the web. CNET had originally developed this technology called PRISM (Presentation of Real-Time Interactive Service Material) to maintain high volume Web sites. CNET sold this technology to Vignette, an Austin, Texas based company in mid 1996. After becoming a beta test site for the new technology, the Chicagotribune.com implemented Story Server in the spring of 1997. Mike Guilino, *The Tribune's* manager of interactive technology, viewed the acquisition of Story Server as a way to improve the handling of the vast amount of information that existed on line. "There's no way to support our efforts statically," he said. Discrete, independent files live in the directory structures and the larger they get, the more difficult it becomes."¹⁷

The first *Tribune* operation to use Story Server was Silicon Prairie <http://www.chicagotribune.com/tech/>, a feature which focuses on delivering the latest technology news and job listings to Chicago's high tech professionals. With the help of Story Server, the majority of the stories on the Silicon Prairie site are original with only two columns coming from the print Tribune. Writers send the editor stories by e-mail which are edited before being posted on the website. In addition to holding the stories on the site, Story Server creates relationships between articles. Thus in several Silicon Prairie columns, headlines for the previous ten are available at the end.¹⁸

In addition to providing technical improvements for managing the online content, Owen Youngman sees technologies such as Story Server as a way of harnessing the productivity of his employees and making some sections of the print newspaper more efficient:

One of my goals in building Metromix was to move the newspaper away from its inefficient way of putting listings in the paper which is Rudy gets a press release and opens up a file. And types in the information and next week he gets another press release, opens it up, deletes last week's, and types in another one. Awful. So we built a database for Metromix of events so that Rudy can now get the press release, type in a whole year's worth of events, and it's fielded. So every week we just do a dump from the database to create the nine zone listing for the newspaper which is localized. We've decreased the error rate in them from 12 per page to 3 per page, typos and so on. Because it's all databased, it's only typed once. Huge deal. Huge deal.

Technology has also been used to enhance the online edition by providing readers with access to vast amounts of information in easy-to-use formats. For example, the online newspaper offered data on Illinois school districts which included statistics on standardized tests in math and reading. In addition to articles on the results, an interface to the database was designed so that the readers were able to access not only their own district statistics but also do comparisons with the statistics of other school districts in Chicago.

Another example of the use of technology is the online paper's ability to provide in-depth coverage of elections. Along with the standard information that is usually provided about candidates, the Chicagotribune.com provides all the contribution records and the paper's endorsements of the candidates. In addition, the online edition provides copies of the questionnaires that the candidates filled out in seeking the paper's endorsement so that voters can understand the paper's rationale in endorsing a particular candidate. Youngman said that this type of information could not be offered in the print edition because "there's no room in the newspaper to do that. Print is expensive and there is just no space for it. But here [in the Chicagotribune.com] we can do that and do it powerfully."

The technology has also enabled reporters to tell their stories in non-traditional innovative ways that invariably enhanced what they could have done in the print edition. Using a process called "nonlinear story telling," reporters can provide a variety of ways for viewing and reading a story. Since the web is structured so that links from one computer page location can lead to another, a story can be told in components or from several points of view, and can encompass different media such as video, audio, and text.

Thus, during the 1996 Democratic convention, Tribune reporter Darnell Little developed a historical tour of some of the previous 25 political conventions in the city. Little, who holds a degree in both engineering and journalism used a variety of media and devised three parallel tours which included tours of some of the conventions, a behind-the-scenes look at what was happening in Chicago at the time of the conventions, and archives and cartoons of the various periods. Little also used a technique called "layering" which guides the reader from one section of the story to the next. Unlike a print newspaper page which usually has ample space for a story, a computer screen might only contain the first "layer" of a digital story in the form of a headline, photograph, or text. The reader is given the option to click on the first "layer" and proceed in a logical order to the other aspects of the story.¹⁹

While the use of technology has had a significant impact on the type of information offered to the readers of the Chicagotribune.com, the Chicagotribune.com's competitive edge lies in part in its ability to provide solid reporting and compelling writing just as its print counterpart has done for 150 years. In a well publicized thrust into the NewMedia business, Microsoft developed a group of web entries called Sidewalk. Aimed at providing an entertainment guide for cities around the country including Chicago, Sidewalk was poised to be a significant threat to online ventures like the Chicagotribune.com. Microsoft even tried to recruit away editorial people from the Tribune to work on Sidewalk.

The Tribune responded by developing Metromix, <http://metromix.com/top/1,1419,M-Metromix-Home-X!Front,00.html>, which Youngman said was far superior to Sidewalk in terms of content and focus on the Chicago market. Though Microsoft's technological capabilities far outweighed that of an online newspaper like the Chicagotribune.com, according to Jack Fuller, the newspaper could respond to this threat because of the news values which are part of the newspaper's culture and define its brand. Fuller believes that though people can get information from anywhere, they still need filters for selecting and creating meaning out of the vast amount of information that they have been given and the newspaper can act as such a filter. In a discussion of the role of the newspaper in the NewMedia environment, Fuller wrote:

Whether delivered on paper or electronically, the newspaper must have human editors. It must continue to embody the complexities of human personality, to demonstrate judgment and character, to have a distinctive voice that relates well to the community it serves. All these elements come together in what the marketers like to call brand identity, which in a fragmented, targeted environment, will be vital to differentiating one source of information from another...Out of the welter of products on a supermarket shelf, a few stand out because of their comfortable familiarity. Organizations with the most brand loyalty-earned by staying close to their communities and by adhering strictly to proper new values-will be the ones that thrive.²⁰

Fuller's vision of a brand which garners loyalty by espousing particular values and catering to its constituent communities, may not be viable in a future characterized by a proliferation of content, and a variety of news media that provide coverage on the Web. It remains to be seen whether the vast audience of users will be interested in a comprehensive newspaper like the Chicagotribune.com or prefer more Yahoo-type short takes on newsworthy events.

V. Content, Community, and Commerce

As the Chicagotribune.com developed, it became apparent that if the newspaper was going to succeed, it would need to rethink its strategy vis a vis the various stakeholders both traditional and nontraditional, who were becoming an influential part of the community in which *The Tribune* operated. Indeed, the management of *The Tribune* realized that the nature of the interactive medium had changed the way the newspaper related to its partners, its competitors and its readers. Owen Youngman pointed out that the competitive landscape had changed dramatically: "The nature of this business is changing so much that our best customers are turning into competitors, and our competitors are turning into potential collaborators."²¹ For example, some of the local media and publishing organizations that used to be competitors of *The Tribune* are now forming alliances with the Chicagotribune.com. *Crain's Chicago Business* now has a relationship with the online newspaper as do several radio stations which have online presences. Conversely, real estate agencies which used to be a traditional source of classified ad revenues for the newspaper, were now setting up websites that bypassed the newspaper and offered property directly to the consumer.

Because of this dramatic shift in alliances, Youngman spent much of his time seeking out a variety of strategic partners with whom the newspaper could form mutually beneficial alliances. When he realized that cultivating relationships was an intrinsic part of the new online business, Youngman created a position in his organization, the strategic relationship manager, which would focus on managing such strategic partnerships. Youngman considers this to be one of the most important jobs in his organization:

Going it alone did not make any sense. Six months into this, it became clear to me that we needed to have a focus in the digital arena on this. If you are going to make these relationships, someone is going to have to manage them and make sure they work for everybody. Sorting it out is a full-time thing, and making sure that those relationships accrue to the benefit of our organization and our partners' organization requires a full-time focus.²²

In addition, Jack Fuller appointed a vice president for acquisitions and alliances at the newspaper itself. In another iteration of the hybrid organization that has evolved at *The Tribune*, the two relationship managers work closely together and meet regularly with Youngman.

The thrust of the newspaper toward reaching out to the larger community of partners echoed Jeff Scherb's tripartite strategy of "content, community, and commerce." Scherb, who recently became President of Tribune Interactive, believes that while the first goal of the newspaper is to be the premier provider of local news and information, this is only one aspect of a newspaper's mission. Providing up-to-the-minute news through such features as Metrowatch, also drives traffic to local e-commerce sites thus serving the local community in a multi-dimensional way. An example of this blend of content, community, and commerce is the news coverage and related advertising which appeared before and during Hurricane Floyd in September 1999. Along with weather updates and breaking news stories, the Chicagotribune.com teamed up with Lowe's, a home products retailer, who provided information on the availability of supplies that would be useful during the storm.²³

The importance of the community of readers for *The Tribune* is also reflected in several features of the Chicagotribune.com website. There is Metromix, a site devoted to providing up-to-the-minute information on movies, restaurants, art exhibits, and other entertainment events; a network of community websites devoted to local events and groups; and most recently, the addition of Chicagosports.com <http://www.chicagosports.com>, a website devoted exclusively to in-depth coverage on Chicago sports teams and events which is linked to the Chicagotribune.com home page.

Because of the nature of the interactive medium, the community of readers has not only been passive receivers of information; they have become active participants in content creation on several levels. For example, a decision was made in early 1998 to change the newspaper page metaphor that was *The Tribune's* home page and redesign it so that it looked like a television screen with content in different channels. Because of the overwhelming negative response to the redesign from the user community, the newspaper switched back so that it would look like the other newspaper sites such as *The New York Times* and *The Wall Street Journal*. In addition, readers have become active participants within their own online communities. Using a self-publishing software tool, local community groups can post news and events on their particular community websites.

VI. Emerging Issues

On March 14, 2000, The Tribune Company and the Times-Mirror Company announced that they would merge. The combined company, which would own 11 daily newspapers, 22 television stations and 4 radio stations, would have a combined circulation of 3.6 million copies, ranking the new company third among newspaper companies after Gannett and Knight Ridder.²⁴ Along with a more powerful presence on the print side, the addition of the Times-Mirror web sites would give Tribune Interactive an audience of 34 million unique visitors, more than the web site of *The New York Times* (www.nytimes.com) and USA.com (www.usa.com) combined.²⁵

While the creation of a nationwide website is something Tribune executives envision, the company has no immediate plans to combine content on any of the web sites. Instead, the

company will create a national network of locally focused sites and focus on how it can leverage the advertising, promotional and technological possibilities that the merger will bring. For example, the company will explore how to manage the technology of its entire group of web sites more efficiently and see if common content management platforms and search engines can be developed.²⁶

For the Chicagotribune.com, the proposed merger may have an effect on its development as a strong local online newspaper. Clearly, there will be more opportunities for online advertisers both locally and nationally and the emphasis on advertising at the expense of good content could threaten the brand that Owen Youngman and his staff have been building over the last four years. Even before the merger, there were organizational changes that were seen by many as a step in the wrong direction. Indeed, after the creation of Tribune Interactive in March 1999, more than 15% of the Chicagotribune.com's staff left, including Howard Witt, associate managing editor of the paper. Staffers say they left because the company was de-emphasizing writing and journalism and focusing more on promotion and profit.²⁷

Yet in an interview in December 1999 with *The Digital Edge*, Digby Solomon, who had just been appointed as the new general manager of Tribune Interactive's Chicago division, defended the focus on e-commerce and suggested that the content needed to be changed in order to compete with pure Internet companies such as AOL and Yahoo!: "Let's face it-we created many products that audiences didn't want to read and that advertisers wouldn't pay for, because they were legacies of our traditional newspaper businesses. We needed to focus on content that drove ratings..."²⁸ Solomon also insisted that the editorial quality of the online newspaper would not suffer and that "our properties will still follow the journalistic values of our newspaper and television newsrooms."²⁹

While the conflict between profitability and good journalism continues, online newspapers such as the Chicagotribune.com must search for additional sources of revenue to sustain their operations. One such potential revenue source is subscriptions. With the exception of *The Wall Street Journal Interactive*, which has had a subscription fee since its inception, other online newspapers have not charged for access to their sites. Moreover, in a recent survey released by ScreamingMedia.com, 89 percent of the 1232 respondents said that they had never paid for news or information on the Web and 83 percent said that they were not willing to pay.³⁰ Nevertheless, Owen Youngman thinks that this should change and is investigating what users will pay for: "We're conducting research on what people will pay for and what they won't and how much they'll pay for it. We're looking at what [content] is highly commoditized."³¹ Another potential source of revenue may be subscriptions to mobile services. *The New York Times* already has a free service which provides daily updated coverage of top stories that are downloadable to handheld devices. However, users may be willing to pay for subscriptions to such features as breaking news and stock reports.

After four years of operation, the Chicagotribune.com remains one of the premier online newspapers. Yet its leadership knows that in the rapidly changing business environment, flexibility, adaptability, and constantly reassessing the competitive landscape, are key if the newspaper is going to continue to be recognized for its high quality reporting and features. Owen Youngman knows this very well:

It's literally true that, every day I question whether what we're doing is going to continue next week, next month, next year or in five years. If you let a week go by without evaluating what you're doing, you can be left behind.³²

Exhibit 1
Tribune Company Structure

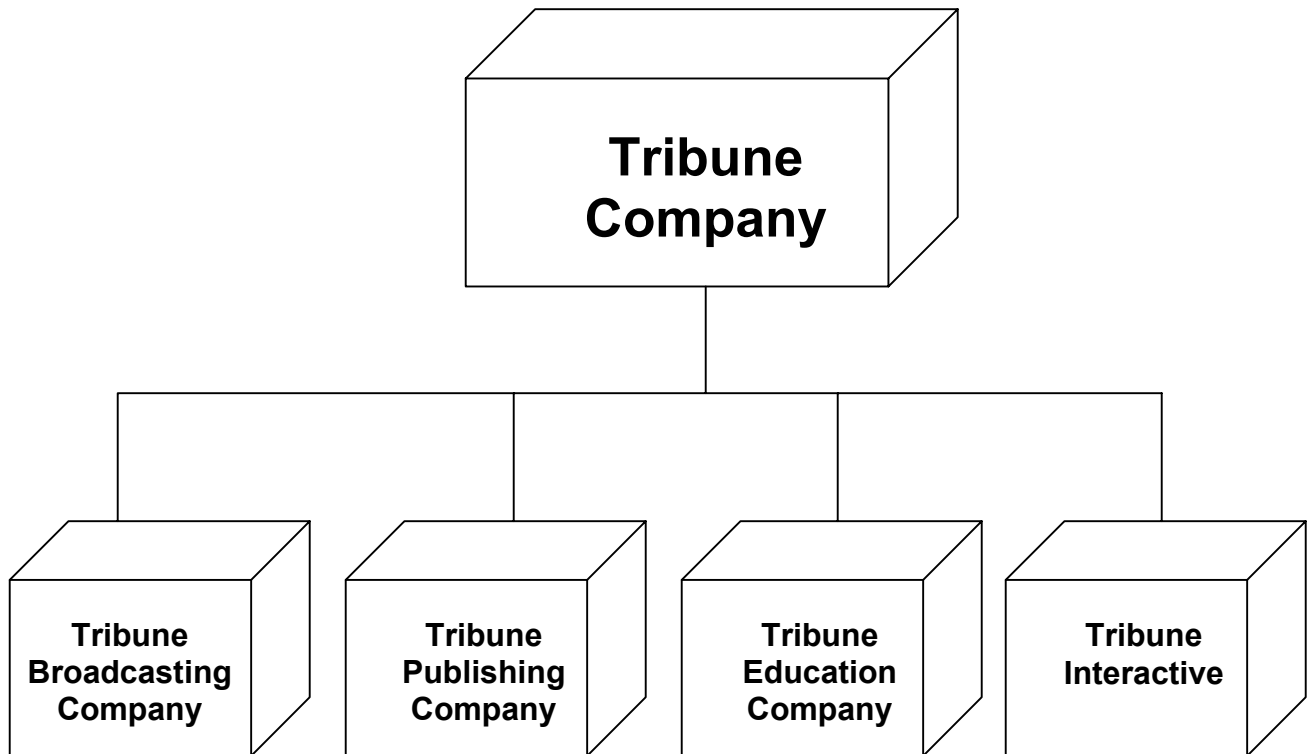


Exhibit 2

Tribune Company Holdings By Business Unit ³³ **Tribune Broadcasting Company**

Television

WPIX (WB) New York	WLIV (WB) Boston	KHWB (WB) Houston
KWGN (WB) Denver	WTIC (FOX) Hartford	WPMT (FOX) Harrisburg
KTLA (WB) Los Angeles	KDAF(WB) Dallas	KCPQ (FOX) Seattle
KTXL (FOX) Sacramento	WXMI (FOX) Grand Rapids	WEWB (WB) Albany
WGN (WB) Chicago	WBDC (WB) Washington	KTWB Seattle
KSWB (WB) San Diego	WGNO (ABC) New Orleans	WPHL (WB) Philadelphia
WATL (WB) Atlanta	WBZL (WB) Miami	WXIN (FOX) Indianapolis
WNOL (WB) New Orleans		

Radio

WGN-AM Chicago	KEZW-AM Denver	KOSI-FM Denver
KKHK-FM Denver		

TV Programming

Tribune Entertainment Company, Los Angeles-develops and distributes first-run television programming for the Tribune station group and national syndication

Baseball

Chicago National Ball Club Inc. (Chicago Cubs)

Investments

The WB Television Network (25% stake), TV Food Network (29% stake)

Tribune Publishing Company

Daily Newspapers

Chicago Tribune
Chicago

Sun-Sentinel
South Florida

The Orlando Sentinel
Orlando

Daily Press
Hampton Roads, Va

Weekly Newspapers

Sun-Sentinel Community News Group Exito

Entertainment Listings and Syndications

Tribune Media Services, Chicago – TV, k cable and movie listings; comics, features and opinion columns; online and wire services; advertising networks

Cable Programming

CLTV News Chicago; Central Florida News 13, Orlando, a 50% partnership with Time Warner Communications

Other Products and Services

Chicago, Illinois

Auto Finder Job Finder Mature Adult New Homes Guide Silicon Prairie
RELCON Apartment Guide Tribune Direct Marketing

Orlando, Florida

Auto Finder Black Family Today Central Florida Family Hot Properties
O Arts The Orlando City Book RELCON Apt. Sentinel Direct
Renter's Book

South Florida

Florida New Homes& Condominium Guides Gold Coast Shopper South
Florida Parenting Vital Signs

Newport News, Virginia

Hampton Roads Gardening and Home

Investments

BrassRing Inc. (36% owned); CareerPath.com (16%); Classified Ventures (17%); Knight Ridder/Tribune Information Services (50%)

Tribune Education Company

Educational Products for Schools

The Wright Group
Everyday Learning/Creative Publications Group
NTC/Contemporary Publishing Group
Instructional Fair Group

Educational Products for Consumers

NTC/Contemporary Publishing Group
Instructional Fair Group
Landoll

Investments

Discourse Technologies (19% owned); ImageBuilder Software (22%)

Tribune Interactive

National Businesses

BlackVoices.com
Cubs.com
Go2Orlando.com

Local Businesses

Chicagotribune.com
Dailypress.com
Orlandosentinel.com
Sun-sentinel.com
Metromix.com
Showtimeinteractive.com
HRticket.com
ChicagoSports.com
Web sites for all tribune television
and radio stations

Classified Businesses

Automotive – cars.com
Real Estate – apartments.com
newhomenetwork.com
Recruitment – BlackVoices.com
BrassRing.com, CareerPath.com
Siliconprairie.com, thepavement.com
General merchandise – Auctions.com

Exhibit 3

History of the Chicago Tribune³⁴

1847 - The *Chicago Tribune* newspaper is founded by 2 newspapermen – John E. Wheeler and Joseph K. C. Forrest and a leather merchant – James Kelly. The first edition was a 4-page newspaper – The *Chicago Daily Tribune*. 400 copies were printed.

1848 - *The Tribune* becomes the first paper in the west to receive regular news by wire. By the end of 1849 circulation was near 1000.

1852 - The subscription price for *The Tribune* is raised to 15c.

July 1, 1858 - The *Chicago Daily Tribune* and the *Democratic Press* merge to become the *Chicago Daily Press and Tribune*.

1861 - The *Tribune* takes over Chicago's oldest paper *The Daily Democrat*.

1871 - The Great Chicago Fire. The buildings housing the paper are totally destroyed by the fire.

1897 – The newspaper prints its first half-tone image.

1903 – The first daily spot color begins running.

1912 - *The Tribune* builds its first paper mill in Ontario.

1924 – The paper expands into local radio

1925 – The Tribune Tower is dedicated.

1931 – The “Dick Tracey” comic strip begins publishing.

1939 – *The Tribune* prints the first-ever full-color spot news photo.

1948 – *The Tribune's* television station – WGN - begins broadcasting

1981 – The Tribune Company purchases the Chicago Cubs baseball team.

1983 – The Tribune Company goes public.

1991 - The Tribune Company makes a \$5 million investment in America Online.

1992 – *The Tribune* goes digital with Chicago Online - available via America Online.

October, 1995 – CareerPath is formed as an employment information service – in conjunction with The Boston Globe, Los Angeles Times, The New York Times, San Jose Mercury News, and The Washington Post.

March, 1996 – *The Tribune* launches its Web site, the Chicagotribune.com.

September, 1996 – Digital City Arlington Heights is unveiled – Chicago's first 'virtual community'.

June 10, 1997 – *The Tribune* marks its 150th anniversary with a free public celebration. *The Tribune* is older than *The New York Times* (146 years old), *The Washington Post* (120), *The Los Angeles Times* (116), and *The Wall Street Journal* (108).

July, 1997 – Community Web sites are expanded to 20.

February, 1998 – The Chicagotribune.com web site is redesigned so that news and advertising are divided into 7 categories.

December, 1998 – The Chicago Tribune's Media Services launch FanStand. This site provides online shopping for film and television related merchandise.

March, 1999 – The Tribune Company announces that it will digitize its entire archive of news clippings (1985 to date is already online). The completed database will house over 15 million images and include content from as early as 1920. Images and full text of every front page since 1849 will also be available, as will obituaries and death notices.

April, 1999 – Tribune Ventures makes an investment in SuperMarkets Online

May, 1999 – Tribune Interactive is created.

November, 1999 – *The Tribune* announces it will no longer produce a special edition for AOL.

Exhibit 4
Tribune Ventures As Of April, 2000³⁵

Public Investments

[America Online](#) - America's largest online service, with more than 14 million subscribers.

[Exactis](#) - Customizable, scalable e-mail marketing solutions for business

[Excite@Home](#) - Leading provider of broadband Web services and open access to the Internet via cable.

[iVillage](#) - A leading online network targeted to women, with top brands Parent Soup and Better Health.

[Lightspan](#) - Developer of electronic education curriculum products. Products used in more than 500 school districts.

[Peapod](#) - Online grocery shopping service, with more than 75,000 customers and operations in eight U.S. cities.

[VarsityBooks.com](#) - Nation's premier online college bookstore.

Private Investments

[BlackVoices.com](#) - The leading online African American community.

[Food.com](#) - The Internet's largest takeout and delivery service.

[iExplore](#) - One stop resource for adventure and experiential travel.

[iOwn.com](#) - Online mortgage broker and real estate service.

[Legacy.com](#) - Publisher of online memorials and related information.

[Pseudo Programs](#) - Online entertainment network. Produces more than 40 Internet-television programs.

[Replay Networks](#) -- Creators of next-generation television products using advanced digital technologies.

[SocialNet.com](#) - Destination site to meet people for work, leisure, housing and romance.

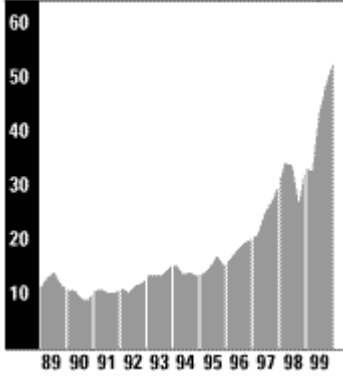
[Teach.com](#) - Premier provider of training solutions focused on improving knowledge worker productivity.

[ValuPage](#) – A website service where consumers receive coupon savings on leading national brands at local supermarkets

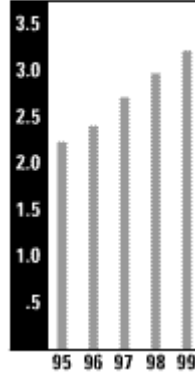
Exhibit 5 – Financial Highlights

For the Year <i>(in thousands, except per share data)</i>	1999	1998	change
Operating revenues	\$ 3,221,890	\$ 2,980,889	+ 8%
Operating profit	\$ 770,440	\$ 702,289	+ 10%
Net income			
Before non-operating items	\$ 415,446	\$ 350,809	+ 18%
Including non-operating items	1,483,050	414,272	*
Cumulative effect of accounting change, net	(3,060)	–	*
Total	\$1,479,990	\$ 414,272	*
Diluted earnings per share			
Before non-operating items	\$ 1.54	\$ 1.27	+ 21%
Including non-operating items	5.62	1.50	*
Cumulative effect of accounting change, net	(.01)	–	*
Total	\$ 5.61	\$ 1.50	*
Common dividends per share	\$.36	\$.34	+ 6%
Common stock price per share:			
high	\$ 60.88	\$ 37.53	
low	\$ 30.16	\$ 22.38	
close	\$ 52.56	\$ 33.32	
At Year End	Dec. 26, 1999	Dec. 27, 1998	change
Total assets	\$ 8,797,691	\$ 5,935,570	+ 48%
Total debt	\$ 2,724,881	\$ 1,646,161	+ 66%
Shareholders' equity	\$ 3,469,898	\$ 2,356,617	+ 47%
Common shares outstanding	237,792	238,004	–

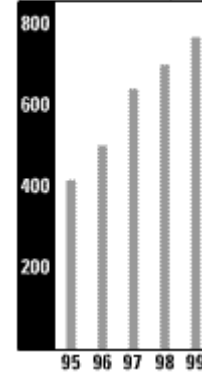
Common Stock Eleven Year Price History
(Dollars based on closing price each quarter)



Operating Revenues
(Dollars in billions)



Operating Profit
(Dollars in millions)



Source: Tribune Annual Report, 1999

END NOTES

- ¹ The remarks by Owen Youngman throughout this case study were taken from a taped interview with Mr. Youngman in Chicago on August 10, 1999
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- ³ Press Release, "PaineWebber Media Conference", December 8, 1999, <http://www.tribune.com/about/news/1999/pw.htm>
- ⁴ Mark Fitzgerald, "The Team Riding the Tiger", *Editor and Publisher Online*, March 27, 2000
- ⁵ For further discussion on the merger with the Times-Mirror, see *The Chicagotribune.com: Creating a Newspaper for the New Economy (B)*, Institute for Technology and Enterprise, November 2000
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- ¹⁰ Staff reporters, "Chicago Media Company Increases Internet Investments" *Editor & Publisher Online*, April 9, 1999.
- ¹¹ "Tribune Reports Record 4Q and Full Year Earnings" Chicago, Friday January 21, 2000, Press Release, <http://www.tribune.com/about/news/2000/4q99.htm>
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- ¹⁵ Jeff Borden, "A Collision of Media", *Crain's Chicago Business*, June 7, 1999, www.pcreprints.com/eprint/tribune
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- ¹⁸ Staff Editors, "Web Databasics", *NAA Presstime*, July/August 1997, www.naa.org/presstime/9707/wb2.html
- ¹⁹ Christopher Harper, "Journalism in a Digital Age", Lecture given at the Democracy and Digital Media Conference held at MIT, May 8-9, 1998. For a discussion about content innovation at the Chicagotribune.com, see George Szarka. "Chicago Tribune Internet Edition", Unpublished paper, Institute for Technology and Enterprise, Polytechnic University, Spring 1999.
- ²⁰ Jack Fuller, *News values: Ideas for an Information Age*, Chicago: University of Chicago Press, 1996, p. 229-230
- ²¹ Staff Editors, "Meeting The Online Competition", *Editor & Publisher Online*, January 8, 1997
- ²² Staff Editors, "Meeting The Online Competition", *Editor & Publisher Online*, January 8, 1997
- ²³ Paine Webber Media Conference, December 8, 1999
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- ²⁵ Jason Williams, "The New Spider in the Web", *Editor & Publisher Online*, March 20, 2000
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- ²⁷ Martha L. Stone, "Defections Hit Tribune Co.'s Interactive Unit", *Editor & Publisher Online*, September 8, 1999
- ²⁸ Rob Runett, "Solomon Grabs Point Position as Tribune Restructures Sites", *The Digital Edge*, December, 1999, www.digitaledge.org/monthly/1999_12/digbyprofile.html
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