

ABSTRACT

Title of Thesis: The New Century Network: A Critical Moment for Newspapers at the Dawn of the Internet.

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This thesis is a case study of established media during a period of rapid technological change involving new media. It examines the New Century Network (NCN), a consortium of nine companies that published more than 100 newspapers, including the *New York Times* and the *Washington Post*. Formed in 1995, NCN sought to create an online affiliate network linked to a national advertising platform. Reasons typically given for the consortium's demise include the number of participants, primitive technology and the egos of those involved. But previous accounts have largely ignored a significant paradox. Decades before the Internet, newspapers had faced emergent technologies and remained profitable. This thesis argues a defensive posture assumed by newspaper leaders limited their ability to capitalize on potentially groundbreaking ideas that arose out of NCN. These possibilities included a nascent but abandoned effort to use Internet search as a means of maintaining control of newspapers rich content.

THE NEW CENTURY NETWORK: A CRITICAL MOMENT FOR NEWSPAPERS
AT THE DAWN OF THE INTERNET

by

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Dedication

To my wife Colleen Allen, and my children Robert and Annie. Thanks for supporting me in this effort and for suffering through all the lost weekends that resulted.

Acknowledgements

I wish to thank my thesis committee and my thesis advisor, Dr. Ira Chinoy. Your repeated admonitions to “go deeper” helped to lead me to some larger truths.

Table of Contents

Dedication.....	ii
Acknowledgements.....	iii
Table of Contents.....	iv
List of Figures.....	vi
Chapter 1: Introduction.....	1
Background.....	3
Plan of Thesis.....	6
Literature Review.....	8
Theory.....	12
Methods.....	15
Chapter 2: Print Beyond the Page.....	18
News On The Small Screen-Viewtron and Mercury Center.....	22
Chapter 3: The Birth of New Century Network.....	32
Chapter 4: The New Model.....	41
NewsWorks.....	47
Chapter 5: The Death of NCN.....	57
Chapter 6: Lost in the Legacy.....	68
Chapter 7: Conclusion.....	77
Bibliography.....	84

“Both direct media and Internet product were business concepts that to a local newspaper editor and publisher were completely foreign...so to ask them to make the leap to understand what the Internet represented from a product and advertising point of view was to ask them to fly to the moon!”

Peter Winter, Interim CEO-New Century Network, Interview with the author.

List of Figures

1.	Consumption comparison chart prepared by Karl Hartig.....	15
2.	Viewtron main menu screen.jpg.....	25
3.	Viewtron weather forecast screen.jpg.....	26
4.	Viewtron mail screen from the AT&T Archives.jpg.....	28
5.	Mercury Center Home Screen-WayBackMachine.....	30
6.	NCN logo. United States Patent and Trademark Office.....	37
7.	NCN Walkthrough Schematic from Mark Potts, Sent 10/7/96.....	49, 50
8.	S-Curve Adoption- Everett Rogers, <i>Diffusion of Innovations</i> . 1995.....	66

Chapter 1: Introduction

A 2010 Congressional Research study entitled, “The U.S. Newspaper Industry in Transition,” expounds on a narrative that over time has become almost a cliché when it comes to newspapers and their bosses. The report to Congress was meant to show how newspapers were overwhelmed by technological advances and could not keep up. Because they were late to the Internet, the thinking goes, they missed out as “Google, Yahoo and other online upstarts...successfully captured tens of billions of advertising dollars.”¹ The *Harvard Business Review* notes that newspapers “initially resisted going online because they did not want to lose subscription revenue by cannibalizing print circulation.”² And in the weblog *Gawker*, Nicholas Carson makes the case against newspaper luddites even more succinctly. Widespread adoption of the Internet, he argues, “made it impossible for ink-stained wretches to look further into the future than the next edition.”³

The popular narrative is that newspapers and their publishers during the time the Internet was taking hold were asleep, or worse—that they had “an unwarranted self-

¹ Suzanne M. Kirchhoff, *The U.S. Newspaper Industry in Transition*, CRS Report for Congress, September 9, 2010. 15.

² David Collis, Peter Olson and Mary Furey, “The Newspaper Industry in Crisis,” *Harvard Business Review*, Case study #2-709-463, (Rev: January 12, 2010): 1-24.

³ Nicholas Carlson, “5 ways the newspapers botched the web.” *Gawker*, Aug. 21, 2008.

confidence” when it came to their abilities to deal with the challenges posed by the new medium.⁴

In 1995, at a time many consider to be the dawn of the Internet era, nine newspaper companies would band together to create an online distribution platform for news and advertising. Given a futuristic sounding name—New Century Network (NCN)—the organization was an effort by newspapers to place their content online. The inclusion of New Century Network in that 2010 Congressional report—more than a decade after the participants had moved on to other projects—was meant to show how the newspaper industry as author Suzanne Kirchhoff put it, “was slow to embrace the technology” of the Internet.⁵

New Century Network would be shuttered within just a few years of its launch. But the consortium’s limited life and influential participants make the effort an ideal vehicle through which to view newspapers and the broader news industry. There is a paradox of why NCN would die just as the Internet was taking hold. This thesis explores whether the inability of newspaper titans to agree on how the operation should be run lead to the consortium’s demise, or if the answer was more complex. Was NCN an offensive or defensive response to the challenge the Internet posed to newspapers and their profits? And if NCN did contain significant defensive elements, which is my hypothesis, did this adversely affect the participant’s ability to see and seize on other opportunities?

⁴ James O’Shea, *The Deal From Hell-How Moguls and Wall Street Plundered Great American Newspapers*, (New York: Public Affairs, 2011), 4-5.

⁵ Ibid, 15.

Media theorist Manuel Castells has called the Internet “the fabric of our lives,” likening it to the “electrical grid and the electrical engine.”⁶ Few would disagree with that assertion today, but it was not obvious that this would become the case during the time NCN was being formed.

Through an examination of New Century Network, I explore whether the consortium is properly considered as little more than a footnote in media history, or if it represented a potentially more groundbreaking period for newspapers, the importance of which has been largely overlooked.

Background

Certainly there is no shortage of evidence that the past two decades have been difficult for newspapers. During the brief life span of New Century Network, from 1995 to 1998, 44 daily newspapers went out of business or ceased publishing. That number would rise to 151 by 2011.⁷ By 1995, the year NCN was born, newspaper readership was already showing significant signs of erosion. Circulation had been falling for decades.⁸ Newspapers total share of ad dollars was also dropping, while newsprint prices in the first few months of 1995 would jump by 40 percent.⁹

⁶ Manuel Castells, *The Internet Galaxy* (Oxford: Oxford University Press, 2001) 1.

⁷ Newspaper Association of America, *Newspaper Circulation Volume*, Sept. 4, 2012. <http://www.naa.org/Trends-and-Numbers/Circulation/Newspaper-Circulation-Volume.aspx>

⁸ Margie Wylie, “*Electronic newspaper is an oxymoron; includes related articles on newspapers online and the New Century Network*,” *Digital Media*, (May 10, 1995): 14.

⁹ *Ibid*, 2.

New Century Network was created by a group of large newspaper publishers, who could not help but take note of these alarming trends. NCN initially included eight of the nation's largest newspaper companies: Advance Publications Inc.; Cox Newspapers Inc.; Gannett Co.; Hearst Corp.; Knight Ridder; Times Mirror Inc.; Tribune Co.; and Washington Post Co.¹⁰ The New York Times Co. held off, but announced it would join the group a month later.¹¹

The founders hoped that by joining forces to offer shared news content and a platform to sell national advertising the nine companies, representing more than 100 member newspapers, would be able to take advantage of electronic publishing to lower their costs—three quarters of which involved printing, infrastructure maintenance and related corporate expenses.¹² NCN would be an ambitious effort to bring the concept of a networked print product to the Internet.

At the time NCN was being envisioned, the Internet had only begun to gain widespread public acceptance. With the arrival of the graphical user interface Mosaic, there would be more widespread appropriation of Internet browsers by consumers.¹³ But during this period, most newspapers were still primarily offering their digitized content

¹⁰ New Century Network, “*Eight Major Newspaper Companies form National Network of Online Services Joint Venture to include Advance Publications, Inc., Cox Newspapers, Inc., Gannett Co. Inc., The Hearst Corporation, Knight Ridder, Inc., The Times Mirror Co., Tribune Company, and The Washington Post Co.*” <http://www.hearst.com/press-room/pr-32-19950419.html>, April, 1995. Press Release (accessed August 3, 2013)

¹¹ Staff, Information Technology; The Times is Joining New On-Line Service, *New York Times*, May 8, 1995.

¹² Robert W. McChesney and John Nichols, *The Death and Life of American Journalism* (Philadelphia, PA: Nations Books, 2010), 64.

¹³ Graham Meikle and Sherman Young, *Media Convergence-Networked Digital Media in Everyday Life* (London, Palgrave Macmillan, 2012), 31.

through online dial-up content-sharing services such as CompuServe and Prodigy.¹⁴ It would not be until about 1995 that there would be a more wholehearted embrace of the Internet, as noted by communications theorist Pablo Boczkowski, “the year that newspapers began discovering the web.”¹⁵ And even as late in Internet history as 2007, only about half of all Americans would have broadband access in their homes.¹⁶

Boczkowski calls the Internet both “revolutionary and evolutionary,” describing how it has altered the existing media landscape while at the same time shaping how the public at large chooses to use technology.¹⁷ Newspaper executives such as Bob Ingle, a former *San Jose Mercury News* executive, summed up his own unease in an interview in 2007, when he said, “(he) saw the Internet as a great opportunity, but also as a great threat.”¹⁸

Newspapers over their long histories have faced numerous challenges. Well before the arrival of NCN, newspapers had shown various degrees of adaptability when faced with new technological developments such as the telegraph, radio and the facsimile—and yet had remained largely profitable.¹⁹ But for the most part, that has not been the prevailing story for newspapers in the Internet era. Fifteen years after the demise of NCN, we still do not know whether consumers are willing to pay for news online. It is also unclear whether revenues for online advertising will rival those from print anytime

¹⁴ Pablo J. Boczkowski, *Digitizing the News, Innovation in Online Newspapers* (Cambridge-London, The MIT Press, 2004), 39.

¹⁵ Ibid, 40.

¹⁶ John Horrigan and Aaron Smith, “Home Broadband Adoption 2007,” *Pew Internet and American Life Project*, Data Findings-July, 3 2007.

¹⁷ Ibid, 3

¹⁸ Bloomberg BusinessWeek; A Cautionary Tale for Old Media, *BusinessWeek*, Nov. 4, 2007. <http://www.businessweek.com/stories/2007-11-04/a-cautionary-tale-for-old-media>

¹⁹ Keith L. Herndon, *The Decline of the Daily Newspaper*, (New York: Peter Lang, 2012), 5.

soon. However, viewing NCN through a historical lens allows us to see how newspapers and other media outlets approached a rapidly emerging technology at a particular point in time.

Plan of Thesis

This thesis will be divided into several distinct parts. The remainder of Chapter 1 reviews the literature and theory relevant to the study of New Century Network. While there has been some discussion of the consortium by scholars, for the most part this discourse has not delved very deeply into the reasons for NCN's short life. Diffusion theory as outlined by Everett Rogers, as well as work done by Pablo Boczkowski and others who have looked at the pace of adoption of emergent technologies, helps to provide a framework for analyzing the consortium. In this chapter I also describe the methods used in this historical case study.

Chapter 2 explores several episodes involving technology and collaboration in the newspaper industry—some of which predate NCN by more than a century. These developments include the telegraph and the formation of the Associated Press. Also, analyzed is an effort during the late 1970's and early 1980's to transmit news electronically using TV sets—called Viewtron. And I look at an early online news service called Mercury Center, which was launched in 1993. While the last two projects failed to gain sufficient traction to survive long term, the efforts are reviewed in some detail, since each contained elements that NCN hoped to bring to the market through its own model.

Chapter 3 focuses on the birth of NCN. It provides a more in-depth look at the climate surrounding the Internet at the time NCN was launched in 1995, with discussion of how the Internet was being viewed at the time not just by newspapers, but also by the general public. I examine the hopes, fears, and ambitions of those taking part in the project.

In Chapter 4, I dissect the organization's business model—how the consortium was supposed to work. I look at whether the technological advances NCN was hoping to exploit outpaced the initial design concept, making the consortium's original mission irrelevant. I also explore in depth some of the original documents that I was able to obtain which show that while the founders envisioned unique capabilities for NCN, many were never realized.

In Chapter 5 my study turns to the death of NCN. While covered by the popular press, that attention would be short-lived. The popular narrative has been that squabbling among the founders was the principle reason the consortium disbanded. But based on my own research I wondered whether there might not be more to the story. Primary documents, interviews with individuals who were involved in the project and materials culled from the web archives paint a different picture. I argue NCN was an important early effort on the part of newspapers to move beyond the printed page, and that far more complex factors influenced the decision by the nine participating newspaper companies to cut their losses and move on. These included, but were not limited to, a desire to embark on individual projects of their own and differing views on the best use of the technology.

Chapter 6 examines how organizations facing a new technology, even one they may be well suited to adopt, may not be able to adjust quickly. Examples are Eastman Kodak and Sony Corp, two companies I will discuss in more detail. While both were established firms similar to the legacy newspaper companies that founded NCN, they also had difficulty dealing with technological change.

Lastly, in Chapter 7, I explore the principle question of this thesis: the paradox of why newspapers have had such a difficult time incorporating the Internet into their existing business models. What seemed like an ideal fit has not turned out that way. By continuing to focus primarily on moving their print product online, a case can be made that newspapers did not change their business model enough. NCN's story also shows how even as companies have sought to break out of established practices and accepted norms within their fields, they sometimes have missed potential opportunities.

Review of the Literature

Little scholarly research has been devoted to the New Century Network. The reasons for this lack of interest in NCN as a subject worthy of further investigation are not entirely clear, though from my own examination a couple of possibilities emerge. First, the consortium was only in existence for a brief period of time, three years. Secondly, the fact NCN was not a publicly traded company, but rather a privately held entity funded by the newspapers themselves, means that public records such as Securities and Exchange Commission documents are not available. This provides distinct challenges to the researcher seeking to dissect the consortium and its day-to-day operations.

However, this lack of scholarly attention also makes NCN ideal for further exploration. While the consortium has appeared as an occasional footnote in books detailing newspaper history, the early effort to move print online has for the most part been used as an example of failure. In their chronologies of the brief history of the consortium, most authors who have mentioned NCN have blamed the consortium's failure on either a clash of egos on the part of the participants, or simply bad timing.

Keith L. Herndon, a visiting professor at the Grady College of Journalism at the University of Georgia, described the creation and demise of NCN in his 2012 book, *The Decline of the Daily Newspaper*.²⁰ He argues that the consortium represented the “newspaper industry’s most aggressive attempt to gain the upper hand at the outset of the Internet era...a bold offensive strategy for a newspaper industry that was uncomfortable with the early anarchy of the web.”²¹ While my thesis argues that NCN can be seen as more of a defensive than an offensive endeavor, Herndon’s book is nonetheless an important source of information.²² Herndon’s 1997 master’s thesis also helped to paint a picture of the newspaper industry as it was in the mid-1990s.²³

References to the formation of the NCN have also appeared in several other books. In *The Deal From Hell-How Moguls and Wall Street Plundered Great American Newspapers*, journalist and author James O’Shea briefly mentions NCN in his portrayal of the events leading up to the merger of the Tribune Co. and Times Mirror Co. O’Shea

²⁰ Herndon, 142-150.

²¹ Ibid, 142.

²² Ibid.

²³ Keith L. Herndon, “*The 90’s Newspaper Debate: Profits VS. The Public Trust*” (master’s thesis, University of Oklahoma, 1997)

primarily uses NCN as an example of the newspaper industry's lack of foresight about the competitive challenges posed by the Internet.²⁴

Communications scholar Robert W. McChesney, in *Rich Media, Poor Democracy*, also references the consortium. McChesney includes NCN in his discussion of a broad pattern of failure by large media companies to successfully monetize the Internet.²⁵ The issue of monetization has been much discussed by those pointing to early mistakes on the part of the newspaper industry and will also be touched on in this thesis.

While not mentioning NCN specifically, Roger Fidler's groundbreaking work, *Mediamorphosis: Understanding New Media*, was useful as a source for the section dealing with Viewtron, an early effort at delivering newspaper content electronically.²⁶ Fidler helped to create Viewtron, and he documents the lessons learned from the failure of the endeavor. Some of the ethnographic case studies outlined by communications theorist Pablo Boczkowski have also proven to be extremely valuable in understanding the variety of ways in which newspapers approached the delivery of online content.

New Century Network is also touched upon briefly in several scholarly works I encountered during the course of my research. In a 2005 Ph.D. dissertation, Loran E. Lewis Jr. makes mention of NCN. Lewis was focusing primarily on *Mercury Center*, the online effort by the San Jose Mercury News that will also be described later in more

²⁴ O'Shea, *The Deal From Hell*, 4-5, 118.

²⁵ Robert W. McChesney, *Rich Media, Poor Democracy-Communications Politics in Dubious Times*, (New York: The New Press, 1999), 169.

²⁶ Roger Fidler, *Mediamorphosis: Understanding New Media*, (Thousand Oaks, CA: Pine Forge Press, 1997), 140-166.

detail.²⁷ I also found references to New Century Network in a master's thesis by Stephen Michael Wilson, in which he explores the difficulties faced by community newspapers in the era of the Internet and convergent media.²⁸

Media accounts written during the consortium's brief life—from 1995 until it ceased operations in 1998—were also of use in learning more about how NCN was viewed at the time. These include descriptions of the consortium's operations in *Editor & Publisher*, as well as accounts in various publications and newspaper articles. While most provide only limited detail, they are nonetheless valuable resources for detailing the histories of the companies involved.

One more detailed media account is a valuable piece on NCN in a 1998 edition of *CIO Magazine* entitled, "That Sinking Feeling," which helped put events surrounding the collapse of the consortium into context. It detailed some of the specific events the author believes led up to the collapse of NCN.²⁹ An article in *BusinessWeek* magazine, "New-Media Meltdown At New Century," also provided key insights into the inner workings of NCN.³⁰

Almost all of the available literature concerning NCN focuses on common themes, either that the organization failed because of ego on the part of the participants or due to the lack of a unified vision. Decades after NCN's collapse there have been few, if

²⁷ Loran E. Lewis Jr., "The Center of the Storm: The Role of the San Jose Mercury Center in Online Newspaper Development." (PhD diss., Southern Illinois University, 2005), 73, 165, 175, 210.

²⁸ Stephen Michael Wilson, "Preserving the American Community Newspaper in an Age of New Media Convergence and Competition." (master's thesis, Georgia State University, 2005), 2,3

²⁹ Sari Kalin, "That Sinking Feeling," *CIO Magazine*, November 1, 1995.

³⁰ Jeanne Dugan, "New-Media Meltdown At New Century," *BusinessWeek*, March 23, 1998.

any, efforts that have looked at the consortium's inner workings. This thesis seeks to address that deficit by viewing NCN as a case study, applying theory and filling in some of the gaps in the discussion.

Theory

In this narrative I examine one cooperative effort by newspapers to deal with fast-paced technological change. While encompassing a select group, NCN serves as a good representation of the overall industry at a particular point in time. As mentioned, a number of major themes have emerged about newspapers reaction to the Internet and the Web. The idea outlined by Everett Rogers in his book *Diffusion of Innovations*, that “critical mass” is required for any innovation to take hold, is an important point when thinking about NCN. Rogers also describes the importance of the “perceived advantage” of a new technology, whether or not it is viewed as being superior to what it replaces.³¹

This idea of perceived technological superiority and its effect on adoption is important when it comes to the way newspapers viewed the Internet. Media futurist Clay Shirky notes that for newspaper editors and publishers, “The idea that the transmission of news via paper might become a bad idea, that all of those huge, noisy printing presses might be like steam engines in the age of internal combustion, was almost impossible to grasp.”³²

³¹ Everett M. Rogers, *Diffusion of Innovations*, 4th ed (New York: The Free Press, 1997) 313, 212.

³² Clay Shirky, *Here Comes Everybody: The Power of Organizing without Organizations* (New York: Penguin Group, 2008), 56.

Other communications theorists, such as the previously mentioned Pablo Boczkowski, have taken a more nuanced approach. Boczkowski contends that newspapers looked at what the Internet had to offer, but he writes that they began exploring options other than the traditional print model “only after it seemed evident to key decision makers that relevant technical and social developments had a reasonable chance of taking hold, rather than more proactively trying to take advantage of them earlier in the game.”³³ This is the idea that newspapers were more worried about protecting their “core business” than they were about taking a longer view when it came to experimentation.³⁴ He also makes the important point that new technologies, rather than superseding the old, “emerge by merging existing social and material infrastructures with novel technical capabilities...”³⁵

Strong arguments have been made for why adoption of a new technology may take time. Media forecaster Paul Saffo speaks to this in his “30-year rule,” which contends that 30 years is generally the period of time it takes for a new technology to gain widespread acceptance.³⁶ Rogers also addresses this stating that, “getting a new idea adopted, even when it has obvious advantages, is often very difficult.”³⁷ I examine those concepts and how they might apply to the “S curves” of adoption.

However, there have also been a number of individual technologies that have

³³ Boczkowski, 48.

³⁴ Ibid, 173.

³⁵ Ibid, 4.

³⁶ “Paul Saffo and the 30-Year Rule,” *Design World*, 24 (1992), 18.

³⁷ Rogers, 1.

diffused rapidly once they have gained widespread adoption, including the Internet.³⁸

This point is made visually in a 2008 chart in the *New York Times*, shown in figure 1, which is taken from a much larger visual representation by Karl Hartig a freelance chartist and photographer.³⁹

The illustration shows a steep rate of adoption for the Internet. Radio and the cellphone are examples of two other disruptive technologies that took off quickly once they became readily available to the public at large.⁴⁰ Viewed in an historical context it can also be argued that NCN was formed in a period of rapid change as well, though it failed to reach critical mass.

³⁸ John Horrigan and Ellen Satterwhite, “Adoption Paths: The social forces that shape the uptake of technology,” (paper presented to the 38th Telecommunications Policy Research Conference, October, 2010).

³⁹ Karl Hartig, Consumption Spreads Faster Today, *The New York Times*, 2008. Online. <http://www.karlhartig.com/chart/techhouse.html>

⁴⁰ Ibid.

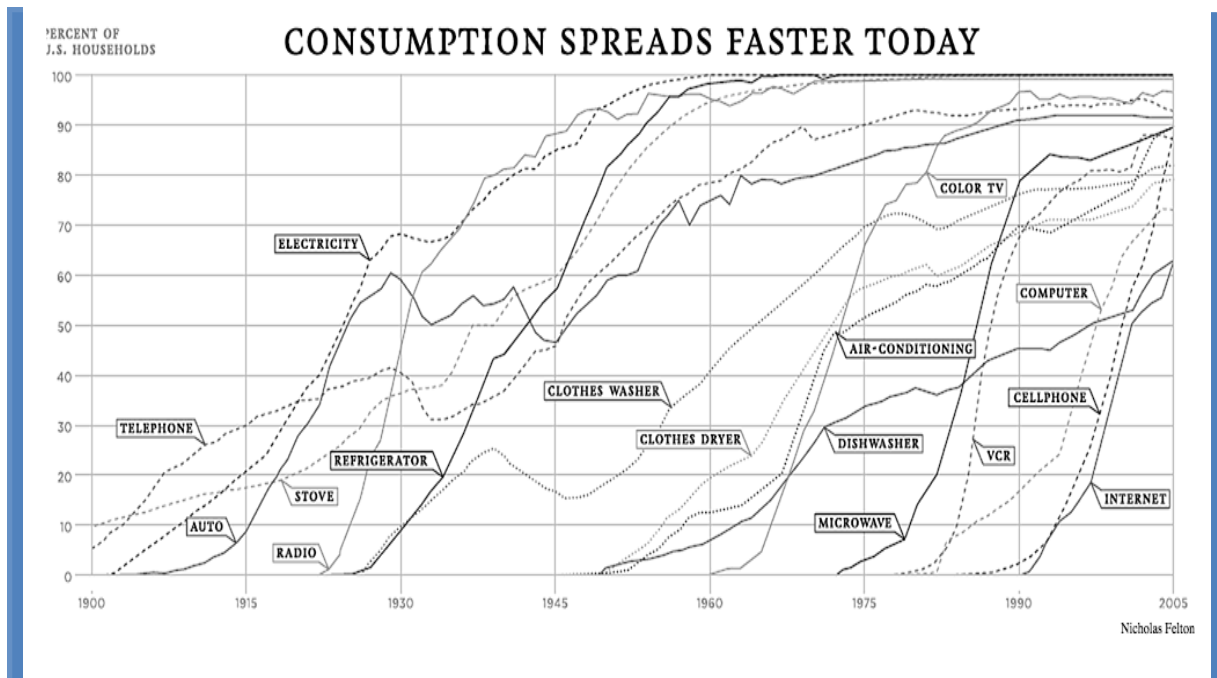


Figure 1. Consumption comparison chart prepared by Karl Hartig.

Methods

As noted earlier, primary documentation detailing the inner workings of NCN is sparse. However, I was fortunate in being able to find a number of founding members of the consortium who shared with me original documents and memos. Among the materials I was able to obtain were flow charts explaining the inner workings of the organization and communications with the NCN board. It is my belief that at least some of these important documents have not been previously shared with researchers or others outside the consortium. So, while the memories of the original participants may vary, these original documents and memoranda provide a unique window into the ways the early participants sought to structure the consortium and their vision for the enterprise.

I also conducted extensive interviews with many of the key individuals actively involved in the creation of NCN. These included not just leaders at the top of the organization, but also individuals farther down the organizational ladder tasked with the day-to-day business of running the company. These contacts gave me insights into the difficulties of birthing a corporate entity during a period of rapid technological change.

Especially helpful were David Hiller, formerly with the Tribune Co. and part of the group that founded NCN; Peter Winter, a former Cox Enterprises executive who served as Interim CEO; Lee deBoer who became NCN's acting CEO; John Papanek who served as executive editor; and NCN consultant Mark Potts. Their assistance in terms of exploring the inner workings of the organization, including the relationships between the group's original members, was invaluable. With their unique access they also offered their viewpoints as to why the consortium unraveled and provided perspective on what newspaper executives were thinking at the time.

In addition to primary documents provided by NCN participants, I also found that the WayBack Machine, a Web archiving tool, was extremely valuable in terms of obtaining additional information about NCN. Created by Internet pioneer Brewster Kahle, the WayBack Machine is named after the time machine used by the cartoon character Mr. Peabody in the 1960's cartoon series *The Rocky and Bullwinkle Show*. An offshoot of some of Kahle's archiving work, the site stores more than 150 billion Web pages dating back to 1996. The archive also contains hundreds of thousands of news broadcasts and more than 200,000 digitized books.⁴¹

⁴¹ Benny Evangelista, "His mission-preserve our fleeting digital past: SUNDAY PROFILE / Brewster Kahle," *San Francisco Chronicle*, October 14, 2012, FINAL edition.

Relevant to my study is the fact the WayBack Machine saves early web pages as they appeared in their original form. The value of this cannot be overstated for students of the Internet and Web history. At a time when institutions are wrestling with finding means to preserve digital content in its original form, ranging from early Weblogs to original online artwork, the WayBack Machine would seem to have a valuable role to play, especially for early Internet history.⁴²

Finally, I looked at case studies of legacy business models and concepts of organizational change. This includes understanding how institutional constraints may blind companies to unique applications for their products or designs.

In the next chapter, I will examine the period before NCN was founded. I discuss Viewtron, a 1980's era effort intended to reach a news audience through television sets adapted to display interactive content before widespread computer adoption. I also look at Mercury Center, an early online news operation run by the *San Jose Mercury News*. While neither entity lasted, both are important since they contain some early lessons for newspapers seeking to move print onto electronic platforms, including the difficulty of appropriating new technologies. These two examples also demonstrate failure in the context of history, illustrating how it is often far easier to see why something did not take hold, looking back at it years later.

⁴² Melena Ryzik, "When Artworks Crash: Restorers Face Digital Test," *New York Times*, June 10, 2013, Late Edition-Final.

Chapter 2: Print beyond the Page

Early Electronic News

The Internet is not the first major challenge that the newspaper industry has faced. Therefore, it seems appropriate to look at some events prior to the creation of New Century Network. Newspapers over their long existence have dealt with countless challenges, yet have generally managed to thrive and prosper.

In the 1820's New York newspapers would launch one of the "first ventures in cooperative news gathering," sending "news boats" out into New York harbor to intercept the ships coming from Europe.¹ These boats were tasked with the mission of picking-up the latest European news, along with any other information from the ships they could glean, and quickly getting it to shore before the larger vessels docked in order to get the material into the paper and out to readers, though cooperation would turn to competition amongst the papers in just a few years.²

Twenty years later, in 1844, Samuel Morse's telegraph would allow news to be transmitted "almost instantaneously."³ And in the 1980's widespread adoption of the facsimile, or fax machine, would allow for easy and cheap reproduction of the printed product.⁴ Yet, newspapers quickly found ways to adapt to these potentially competitive

¹ Mitchell Stephens, *A History of News* (New York, Oxford: Oxford University Press, 2007) 218.

² Ibid.

³ Ibid

⁴ Pablo J. Boczkowski, *Digitizing the News, Innovation in Online Newspapers* (Cambridge-London, The MIT Press, 2004), 32-35

and disruptive technologies. For example, the arrival of the telegraph, rather than becoming a threat to the business model, would eventually lead to the creation of the New York State Associated Press, which would later become the Associated Press (AP).⁵ The AP allowed newspapers to have one reporter covering a story that could be used by many member papers, rather than each paper having to rely on an their own correspondent to cover a distant news event.

Such cooperative efforts on the part of newspapers would continue with the rise of electronic communication, including radio. The first commercial radio station in the country, Pittsburgh's KDKA, drew heavily from the reporting staffs of local newspapers for its coverage. On election night in 1920, KDKA was able to broadcast the results of the Harding-Cox election, "from the wire service room of the *Pittsburgh Post*."⁶ Other newspapers would subsequently seize upon the model.

However, there have also been periods when newspapers have been less hospitable to non-print media. During what came to be called the press-radio war, the Associated Press, fearful of the rise of radio, would seek to limit the amount of time radio stations could devote to broadcasting the news. The wire service in 1922 "issued a notice to subscribers that AP news copy was not to be used for broadcasting purposes."⁷ A decade later this press-radio war would "heat up considerably" when newspapers tried to limit the number of newscasts the radio networks could offer on a daily basis.⁸

⁵ Patricia Dooley, *The Technology of Journalism-Cultural Agents, Cultural Icons*, (Evanston, Illinois: Northwestern University Press, 2007) 103.

⁶ Stephens, 269.

⁷ Dooley, 141.

⁸ *Ibid*, 142

Newspaper publishers themselves also tried, albeit unsuccessfully, to prevent radio news operations from using news content taken from newspapers in their broadcasts.⁹

During the Great Depression, newspapers would face competition from radio at both the local and national level, along with other economic difficulties of the era. Newspaper advertising during the height of the depression would fall by 45 percent. And even after the economy began to improve, newspaper advertising would still be down by roughly 20 percent compared to levels before World War II.¹⁰ Newspapers would recover, only to face an even more formidable foe with the emergence of television.

Television, while it got off to a slow start, also went on to become a concern for newspapers. Speaking at the annual conference of the *American Academy of Advertising* in 1980, communications researcher James Carey described how World War II had delayed “widespread innovation and diffusion of television.”¹¹ For a time, this gave newspapers some breathing room. However, after the war, Carey noted, television would become far more accessible, to the point that by 1949, “Americans who lived within range of a couple of the approximately 100 television stations that now dotted the country could watch the *Kraft Television Theater* or *Howdy Doody*, and choose between 15-minute newscasts—CBS TV News, with Douglas Edwards, and NBC *Camel News Caravan*, with John Cameron Swayze.”¹²

⁹ Philip M. Napoli, *Audience Evolution: New Technologies and the Transformation of Media Audiences* (New York: Columbia University Press, 2007), 29.

¹⁰ Kirchhoff, 18.

¹¹ James Carey, “Changing Communications Technology and the Nature of the Audience,” *Journal of Advertising* 9, no.2 (1980): 3.

¹² Stephens, 275.

With the widespread adoption of television, newspapers saw not just another competitor for their advertising dollars; they also began to see worrisome declines in circulation. From 1947 to 1998, the trend would pick up steam as newspaper circulation declined 44 percent.¹³ Looked at another way, readership for newspapers over the past 60 years has fallen even as population has more than doubled.¹⁴ The percentage of adults reporting they read a daily newspaper “yesterday” continued to drop in 2012, down three percentage points from the previous year for 35-44 year olds.¹⁵

It would be incorrect to say there was no worry on the part of newspaper managers and owners about the threat posed by electronic media. Testifying before a U.S. Senate Committee on Commerce, Science and Transportation more than a decade before the birth of the New Century Network, James Batten, vice president of the Knight Ridder newspaper chain would succinctly sum up the position of many in the industry at the time when he stated, “Our initial concern was defensive. For years there had been talk about the electronic newspaper. We were concerned that some of the new systems might someday represent a competitive threat to the daily newspaper.”¹⁶

Yet despite past trends, many newspaper companies did not appear unduly alarmed when a new competitor, the Internet, arrived on the scene. As has been noted, challenges to the newspaper’s business model were not new. The previous ability to fend off various forms of competition, in some cases working with their competitors, may

¹³ Robert W. McChesney and John Nichols, *The Death and Life of American Journalism* (Philadelphia, PA: Nations Books, 2010), 31.

¹⁴ Ibid, 31.

¹⁵ Pew Project for Excellence in Journalism, *The State of the News Media 2013, Newspapers: By the Numbers*. www.stateofthemediamedia.org

¹⁶ James K. Batten, “A History of K-R’s Viewdata project.” *Editor and Publisher*, July 4, 1981, 18.

have caused newspapers to be less worried than they might have been. And the fact that newspapers had a solid half-century of profitability, remaining so until the year 2000, could also have lead the casual observer to believe the industry was well positioned to move its principle product, the news it produced, online at the dawn of the Internet age.¹⁷

I next examine two early efforts on the part of newspapers to address the competitive threat they believed was posed by these new forms of electronic publishing. The experiments preceded the Internet. However both are important since they show how newspapers responded to perceived technological challenges. The early efforts to publish electronically also provide an early taste of the difficulty inherent in moving the print product to other media platforms.

News on the Small Screen: Viewtron and Mercury Center

As early as the late 1960's and 1970's, large media companies had begun to look at ways of reproducing their print product electronically. The British Broadcasting Corporation (BBC) by 1969 had started testing a system it called videotex, which used a telephone line hooked to a TV set to transmit both text and graphics.¹⁸ The British Post Office would launch an electronic publishing platform called Prestel in 1978, the goal of which was to provide newspaper, magazine, and book content over a television.¹⁹

¹⁷ Roger Fidler, *Mediamorphosis: Understanding New Media* (Thousand Oaks California: Pine Forge Press, 1997) 150.

¹⁸ McChesney and Nichols, 64.

¹⁹ Fidler, 143.

These early efforts in Britain were not so much aimed at creating a new form of mass media. Instead, they were focused on finding new ways to utilize and better serve existing audiences, using telephones and TV sets. Through its telecommunications lab, the British Post Office hoped to come up with a system to display text on TV screens for the hearing-impaired.²⁰

These government-subsidized experiments in the U.K. would not go unnoticed by the heads of some large privately held media companies in the U.S. The newspaper chain Knight Ridder sent a number of its employees, including Roger Fidler, to England to get a look at the technology behind Prestel. Fidler details the trip in his book *Mediamorphosis*, calling it as a “Secret Mission”—though he notes that, unfortunately for the team, the system was “inoperative the entire time they were there.”²¹

Still, for Knight Ridder, Prestel would serve as the blueprint for its own service. Given the futuristic name Viewtron, this early U.S. effort would predate New Century Network by roughly a decade.²² The project would actually be a joint effort involving Knight Ridder and AT&T. Fidler reported that Viewtron “used a videotext system both to carry news, and more importantly, to allow subscribers to send messages, shop, and even bank through telephone lines that ran from terminals connected to television sets...”²³

Fidler extensively documents Viewtron’s creation, including his own role, stating, “I had the privilege of sharing in the excitement and travails of midwifing this new

²⁰ Ibid

²¹ Fidler, 144.

²² Ibid, 143.

²³ Michael Shapiro, “The Newspaper That Almost Seized the Future.” *Columbia Journalism Review*. Nov/Dec 2011. Print.

medium.”²⁴ Even before the creation of Viewtron, the idea of a new distribution platform for print had been percolating for some time. “By 1979, market researchers and pundits were already predicting the death of mass media—particularly newspapers and magazines—and their eventual replacement by personal interactive media accessed through home information and entertainment centers,” Fidler states.²⁵

This level of interest in emerging technology by large newspapers, long before the commercialization of the Internet, would seem to contradict those who say that editors and publishers were paying no attention as new technology arrived on the scene. In fact, there is ample documentation provided by Fidler and others that newspaper bosses at the time were aware of what was taking place in terms of the emergent technology and were trying to find ways to address it.²⁶

But while newspapers may have had an interest in electronic news distribution, they also faced technological hurdles. Before widespread computer adoption, accessing printed material electronically had limitations. Fidler described how Bell Labs, a Viewtron partner, produced drawing tools that allowed for “64 million” choices of color shades that could be used for a visual display. Unfortunately, as he noted, the delivery system, “a standard home TV set, could not distinguish more than about 100 colors...”²⁷ As can be seen by the screen shots of typical Viewtron pages in figures 2 and 3, the resulting product was not especially compelling in what is a highly visual medium.

²⁴ Fidler, 143

²⁵ Fidler, 139.

²⁶ Ibid, 144.

²⁷ Fidler, 14.



Figure 2.Viewtron main menu screen.jpg.²⁸

Despite the technological challenges, Viewtron was allowed to go forward. The system was tested in the “affluent” Miami suburb of Coral Gables in 1980, where a group of several dozen families were chosen to participate.²⁹ Launched in 1983, the initial trial would run for more than a year at a cost of about \$26 million. Fidler states that it would take partner Bell Labs “nearly 15 months to complete the design of the customer terminal” before the project could even get off the ground.³⁰

²⁸ David Carlson, David Carlson’s Online Timeline, www.iml.jou.ufl.edu/Carlson/timeline.shtml (accessed August 27, 2013)

²⁹ Fidler, 146.

³⁰ Ibid, 149.



Figure 3. Viewtron weather forecast screen.jpg.³¹

Viewtron’s creators envisioned more than just a common platform for the delivery of news and information, similar to what we will see later with the arrival of New Century Network. They also wanted a way to appeal to advertisers. It was hoped by Viewtron’s creators that advertisers, the industry’s lifeblood, would see the service as a means of targeting a specific group of consumers.³²

Knight Ridder eventually dumped \$50 million into Viewtron before pulling the plug. Fidler says that partner “AT&T is believed to have lost twice that amount.”³³

Arguably, one reason Viewtron failed to take off was because, as Fidler states, “the cost

³¹ Carlson, www.iml.jou.ufl.edu/Carlson/timeline.shtml (accessed August 27, 2013)

³² Keith Herndon, *The Decline of the Daily Newspaper* (New York: Peter Lang, 2012) 48.

³³ Fidler, 153.

was too high...and the medium was un-compelling.”³⁴ But as an early experiment, Viewtron provides an interesting window into the development of a nascent technology. It is also illustrative of how both news-content providers and consumers at the time reacted to the emerging world of electronic publishing.

Viewtron had a somewhat rigid infrastructure and would prove to be too unwieldy.³⁵ As Fidler and others noted, the news and information service was also difficult to navigate and was a more costly service than customers and advertisers were willing to accept.³⁶ However, concepts that would later be utilized by New Century Network and other online platforms would first be tried out on Viewtron. These concepts would include the dissemination of news, sports, and advertising to a small select target group, rather than to a mass audience as newspapers were more accustomed to doing. Some key players in Viewtron, including Robert Ingle, managing editor of the *Miami Herald*, would later be involved with NCN. Ingle prior to NCN also helped launch another online project called Mercury Center, which will be discussed here.³⁷

Fidler says looking back at Viewtron, elements that were missed and that would later turn out to be quite important were the expectation subscribers had for the service. During their initial research, Ingle says, founders failed to notice how “usage data clearly revealed that access to general news, information, and advertising was less exciting to subscribers than the ability to easily communicate with other subscribers.”³⁸ This

³⁴ Ibid, 156,157.

³⁵ Herndon, 49.

³⁶ Fidler, 156.

³⁷ Shapiro, 5, 6.

³⁸ Fidler, 148.

communication was done at the time with a primitive precursor of the modern e-mail system, which is shown in figure 4.



Figure 4. Viewtron mail screen-AT&T Archives.jpg.³⁹

Another lesson AT&T and Knight Ridder would learn from the Viewtron experiment was that electronic media and print are quite different in terms of the user experience. In the case of Viewtron, this difference would manifest itself as a problem in slow-loading pages and difficult-to-read graphics.⁴⁰ In a report he prepared in 1990 for the head of the Knight Ridder chain, Ingle talked about “the deep scars” left by the project. He also noted, “it would be nothing short of criminal...if the company that had

³⁹ AT&T Archive, AT&T Tech Channel, <http://techchannel.att.com/play-video.cfm/2012/2/29/AT&T-Archives-Viewtron-Introduction>

⁴⁰ Boczkowski, 28.

the courage to launch Viewtron failed to seize the moment that the market had turned.”⁴¹

Whether Ingle’s analysis is correct is open for debate, but it does bolster the argument that far from complacently sitting back and doing nothing, the newspaper industry was looking to technology as a means of disseminating news and information electronically well before widespread public adoption of the Internet. And the Viewtron experience would herald yet another effort to move print online.

Several years before the launch of New Century Network, Ingle would embark on a new electronic news delivery system at the *San Jose Mercury News*. In what appears to have been a nod to the parent newspaper and an effort to come up with a catchy name, the project would be dubbed Mercury Center. Ingle began assembling a staff in 1992. As noted in an account at the time, he did “not turn to the technology people who for years had been flooding Silicon Valley... Ingle instead turned to newspaper people.”⁴²

Like its predecessors, Mercury Center was to be an electronic publishing platform. But instead of TV sets, it would utilize the rapidly emerging personal computer (PC) as its delivery vehicle, aligning itself with America Online, one of the major online dial-up services of the time.⁴³ But like Viewtron, even as the project was getting underway the landscape was shifting rapidly due to advancements in technology. With the advent of the web browser Mosaic, the world of information would open up for PC users.

⁴¹ Shapiro, 7.

⁴² Shapiro, 9.

⁴³ Ibid, 9.



[Site Index](#)

[Site Search](#)

[Feedback](#)

[Help](#)

Figure 5. Mercury Center Home Screen.⁴⁴

As noted by Michael Shapiro in a *Columbia Journalism Review* article, “The Newspaper That Almost Seized the Future,” this new browser software “could shift users away from the narrow confines of their online providers and (allow them to) begin navigating their way through a source of information and communication that had previously been accessible only to a handful of university-based technologists: the World Wide Web.”⁴⁵

Ingle earlier had argued that Viewtron’s failure was that it sought to impose a technology which many newspapers and their readers were not prepared to utilize.⁴⁶ This is not to say that it was inherently a bad idea, but that it simply may have been technologically too early. In some ways it appears the founders of NCN were going through a similar dilemma, where they were coming up with lots of good ideas but were in a reactionary mode. Responding more to what they perceived as the threats to their business models, as detailed by the *Chicago Tribune*’s David Hiller:

⁴⁴ WayBackMachine, Mercury Center, Mercury Center Homepage, http://web.archive.org/web/19980213080001/http://ww1.mercurycenter.com/homepage/homepage_welcome.htm

⁴⁵ Shapiro, 12.

⁴⁶ Ibid, 27.

If you look (at the) early generation of search engines, they had the prospect of becoming the sort of locus of aggregation and market power. As prominence and market position threatened to be shifting from the content providers, like the newspapers, to these new online entities, aggregators and search engines...things were very much changing, and the newspapers didn't want to get dis-intermediated, if you will, to one or the other of these new online entities. And the related issues were use or reuse of content under fair use or other things...so that was kind of the stew of issues we were all focused on and things were changing very rapidly and we wanted to see if we could stay ahead of the curve.⁴⁷

Almost from the very beginning, remaining ahead of the curve when it came to the Internet would prove to be far more difficult than newspapers or their bosses could have imagined in the early to mid-1990s. This dynamic of an established business reacting to a fast-moving nascent technology is an important point that will be explored in further detail in subsequent chapters. It's also important to note that as new technologies emerge, it can be quite difficult for established organizations to see all of the possibilities and potential applications for the development. Something Boczkowski notes can only take place when "actors appropriate novel technological capabilities."⁴⁸

I next examine the birth of the New Century Network, the online news effort that is the focus of this thesis. The fact that NCN was launched just as the Internet was gaining widespread public acceptance is important in terms of how the consortium would ultimately be organized by its founding members. By looking at the beginnings of NCN, we can see how the project evolved and look at the early motivations of its participants.

⁴⁷ David Hiller, telephone interview by author, December 20, 2012.

⁴⁸ Boczkowski, 3.

Chapter 3: The Birth of New Century Network

Whose Child Is This?

The official launch of New Century Network (NCN) was announced to the world via a somewhat clumsily worded press release sent out over *Business Wire* on April 19, 1995, though its genesis can be traced back several years prior to that.¹ In an article detailing the formation of the consortium, industry observer David Cole quoted one of the participants, Knight Ridder's Vice President of new media, Robert Ingle, as saying, "There had been some telephone conversations back-and-forth" at an industry gathering as early as 1993.²

The formation of NCN took place at a time when access to the Internet was far more restricted than the broadband universe many of us inhabit today. During the early 1990's, Americans who had personal computers (PC's) were primarily using online dial-up services such as America Online, CompuServe, and Prodigy that were linked to telephone modems. These early services were operating at only a fraction of the speed

¹ New Century Network-Press Release. "*Eight Major U.S Newspaper Companies form National Network of Online Services Joint Venture to include Advance Publications, Inc., Cox Newspapers, Inc., Gannett Co, Inc., The Hearst Corporation, Knight Ridder, Inc., The Times Mirror Co., Tribune Company and The Washington Post Co.*" April 19, 1995. <http://www.hearst.com/press-room/pr-32-19950419.html>, (accessed August 3, 2013)

² David Cole, *The Cole Papers*, May 1995. <http://www.colepapers.net/>

broadband users enjoy today, and they had relatively small numbers of subscribers and offered limited content.³

It was not until after the release of the graphical browser Mosaic by the National Center for Supercomputing Applications at the University of Illinois in 1993 that there would be what communications theorist Pablo Boczkowski described as “extensive social appropriation” of the Web by consumers.⁴ This period in time would roughly coincide with the birth of New Century Network.

It is important to note that PC use by American households, while on the rise at the time NCN was being launched, was nowhere near today’s levels. As late as 1997, well after the arrival of both the personal computer and the launch of NCN, only slightly more than a third of US households owned a PC.⁵ Compare that to 2013, when according to NPD Group there are more than half a billion devices connected to the Internet in U.S. households, with the PC penetration rate at 93 percent.⁶

However, the 1990’s were a period of rapid technological adoption, when many newspaper and magazine publishers began looking seriously at putting their news online. These included the *Chicago Tribune*’s Charles Brumback, who was profiled in a 1998 article in *CIO Magazine*, “That Sinking Feeling.”

(Brumback) took his first look at the Web through an early download of the browser Mosaic, sometime around 1993.

³ Roger Fidler, *Mediamorphosis: Understanding New Media*, (Thousand Oaks, California: Pine Forge Press, 1997), 158.

⁴ Pablo Boczkowski, *Digitizing the News-Innovation in Online Newspapers* (Cambridge, Massachusetts, London, England: The MIT Press, 2004), 7.

⁵ Lee Sproull, *A Nation Transformed by Information: How Information Has Shaped the United States from Colonial Times to Present*, Edited by Alfred Chandler and James Cortada, (New York: Oxford University Press, 2000), 257.

⁶ TNW The Next Web, “NPD: US homes now hold over 500m Internet-connected devices with apps, at average of 5.7 per household”, www.nextweb.com

What the then-chairman, president and CEO of the \$2.7 billion Tribune Co. saw through Mosaic was the Web's future for his business. And he saw a way⁷ for the newspaper industry to try to own a chunk of that Web business.

As detailed by author James O'Shea in his book *The Deal from Hell*, "Brumback realized (long) before most other newspaper executives how the computer and its attendant technology would transform the newspaper industry. Brumback had zeroed in on what would become a devastating problem for newspapers as the Internet began to thrive."⁸

Along with Brumback's Tribune Co., other founding participants in the New Century Network were Advance Publications Inc., Cox Newspapers Inc., Gannett Co., The Hearst Corp., Knight Ridder Inc., The Times Mirror Company and The Washington Post Co. The New York Times Co. would join a month later.⁹

Within days of the formation of New Century Network, the mission of the newly formed consortium would be outlined at a trade industry convention in New Orleans. In the April 25, 1995, edition of *Editor & Publisher*, reporter George Garneau described how "at least 300 newspaper publishers attended a standing room only gathering to hear NCN's pitch."¹⁰ One of the participants, David Easterly, president and chief operating officer of Cox Newspapers, stated in the attendant press release, "Our goal is to help all

⁷ Sari Kalin, "That Sinking Feeling," *CIO Magazine*, November 1, 1998, 55.

⁸ James O'Shea, *The Deal From Hell-How Moguls and Wall Street Plundered Great American Newspapers* (New York: Public Affairs, 2011), 117, 118.

⁹ Staff, Information Technology; The Times is Joining New On-Line Service, *New York Times*, May 8, 1995, online.

¹⁰ George Garneau, "New Alliance Raises Industry Concerns; New Century Network to cost \$8 Million; Aims to Put a Total of 75 Newspapers Online in Three Years," *Editor & Publisher*, April 25, 1995.

newspapers to strengthen their relationships with customers and retain their brand leadership as information providers.”¹¹

Peter Winter, who retired from Cox Enterprises in 2000, was chosen as interim CEO of New Century Network. Winter was vice president of marketing at Cox, but he agreed to run the consortium temporarily until a full-time CEO could be found. He envisioned a uniform platform over which newspapers could share content, as he put it, “...making sure that as individual companies made their separate and distinct technology decisions to drive whatever Internet endeavors they wanted to move forward with, that they built them on a common gauge railroad.”¹²

After holding their initial meeting, the nine participating newspaper companies agreed to contribute a million dollars each to get the New Century Network off the ground.¹³ While the figure might sound like a substantial sum, for the founding companies it was actually a fairly minimal investment. It is not clear why so little was initially dedicated to the consortium. At the time NCN was being created, newspapers had yet to see their revenue growth severely restrained by the newly emergent technology.¹⁴ It is possible that at least some members of the consortium were simply not convinced of the importance of the new technology even as they were experimenting with it.

Newspaper advertising revenues totaled \$13.7 billion dollars in 1995, the year that New Century Network was launched. They would peak in 2000 at \$19.6 billion

¹¹ Cole, 1.

¹² Peter Winter, telephone interview by author, January 23, 2013.

¹³ Ibid.

¹⁴ Robert W. McChesney and John Nichols, *The Death and Life of American Journalism* (Philadelphia, PA: Nations Books, 2010), 34.

dollars, before falling precipitously to just over \$5 billion dollars by 2011.¹⁵ So with strong balance sheets in the early 1990's, newspapers had yet to feel the financial pain they would experience less than a decade down the road.

While newspapers were still highly profitable, there were reasons for concern. Newspapers had dealt with competition from radio and television, and most recently the PC, without seeing a significant erosion of their revenues. But circulation, especially for the evening papers, was a different matter. It had been falling for decades, generating mounting concern on the part of the industry.¹⁶

It was during this still profitable, but also unsettled period, NCN's founders would set out to establish the company's mission and business model. As noted by the original participants, one goal of the consortium was to create "common standards" for the newspapers represented by the founding members.¹⁷ But almost from the beginning there would be internal disagreements over everything from the name of the consortium, which as one media account noted, "most of the owners disliked," to the logo, which one partner reportedly "hated."¹⁸

¹⁵ Newspaper Association of America, *Industry Highlights*, www.naa.org 2012.

¹⁶ James Carey, "Changing Communications Technology and the Nature of the Audience" *Journal of Advertising*, Vol.9. No.2, 1980 (From Address given March 23, 1980 conf. American Academy of Advertising, in Columbia, Missouri)

¹⁷ Peter H. Lewis, "The Media Business; Big Newspapers to Help Locals on Internet," *New York Times*, April 20, 1995, late edition.

¹⁸ Jeanne Dugan, "New-Media Meltdown At New Century," *BusinessWeek*, March 23, 1998, <http://www.businessweek.com/1998/12/b3570103.html>. 1

Int. Cl.: 42

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Reg. No. 2,053,340

United States Patent and Trademark Office

Registered Apr. 15, 1997

**SERVICE MARK
PRINCIPAL REGISTER**



COX NEWSPAPERS, INC. (DELAWARE CORPORATION)
1400 LAKE HEARN DRIVE, N.E.
ATLANTA, GA 30319

FOR: COMPUTER SERVICES FOR NEWSPAPERS, NAMELY LEASING ACCESS TIME TO A COMPUTER DATABASE IN THE FIELD OF NEWS, ENTERTAINMENT AND ADVERTISING, IN CLASS 42 (U.S. CLS. 100 AND 101).

FIRST USE 4-28-1996; IN COMMERCE 4-28-1996.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "NETWORK", APART FROM THE MARK AS SHOWN.

THE HORIZONTAL LINES IN THE DRAWING DESIGNATE THE COLOR BLUE, BUT COLOR IS NOT A FEATURE OF THE MARK.

SN 74-667,293, FILED 4-26-1995.

LEIGH CAROLINE CASE, EXAMINING ATTORNEY

Figure 6. NCN logo.¹⁹

¹⁹ NCN logo, United States Patent and Trademark Office,
<http://img02.mar.cx/us/2053340.png>

Along with the internal disagreements, reaction from the broader industry was also mixed. As interim CEO Peter Winter put it, one of his most important tasks initially was “managing expectations... telling people to hold on a moment, we didn’t have membership agreements, we didn’t have an affiliate network agreement, we didn’t have a sense of how we were going to find a business...”²⁰ Winter, in a 1997 interview, noted that expectations for the still young medium were far different from what most print media executives were accustomed to:

Our point of view is that this is long-term brand and franchise building... If you talk to Conde Nast or any other magazine company and ask them how long it takes to launch a magazine and make it profitable, they’ll say three to five years. If you ask a network how long it takes to build a television program into a hit, they’ll say three to five years... Why people should suspend that logic with the Internet is beyond me.²¹

Because of NCN’s timing, coming just as the Internet was gaining widespread commercial acceptance, such heightened expectations would be a problem almost from the beginning. There was also confusion over how to best utilize the new medium, as was again noted by Winter:

A lot of newspapers simply saw the Internet as a digital distribution channel for their existing newspapers, so they began to build online newspapers, so-called, and deliver them down a digital pipe and think that was the appropriate response to the Internet. And in fact the Internet is as different from newspapering as television was from newspapers, or as radio was from newspapers, or as television was from radio. It was an entirely new medium based on an entirely different set of product attributes where audiences reacted in entirely different ways to the way they read newspapers. And it required therefore a more radical sensibility about the product and the audience than a local newspaper could possibly conjure up.²²

²⁰ Winter, interview by author, January 23, 2013.

²¹ Scott Kirsner, “Profits in site? (Newspapers hoping for profits from their Web sites)”, *American Journalism Review*, December 1, 1997, 1.

²² Winter, 2013.

As a result of this uncertainty, some within the newspaper industry were enthusiastic about the possibilities offered by the Internet while others viewed it as a challenge to their existing business models, or even as a complete waste of time. In a 1995 Minnesota Public Radio interview, astronomer and technology writer Clifford Stohl referred to the Internet as “a fad of the early 90s,” which he predicted would fade away because there was “so little of value there.”²³

Dismissive critics compared online “chat” rooms, and by extension the World Wide Web, to other short-lived cultural phenomena. The *Wall Street Journal*, in describing online portal AOL’s popular “chat” function, asked whether it would have “continued stratospheric growth or a descent to the basement alongside the CB radio and fondue pot?” Humorist Dave Barry called the Internet “CB radio with typing.” And some journalists were equally unimpressed, with one asking whether in years to come, “many people will have dumped their modem in the attic, next to their CB radio, personal digital assistant and all the rest of the junk that was once so cool.”²⁴

The fact that the Internet would have more staying power and prove to be far more important than any of these pundits could have predicted at the time was not clear then. This speaks to the point that while a technology is emerging, there is always confusion and tension. It also shows how what appears obvious in retrospect is not necessarily apparent during the time the technology is taking off. As noted by communications theorists such as Everett Rogers, there are also other factors that

²³ Michael Olson, “The Internet will be a fad, claimed scientist in ’95,” *NewsCut*, MPR News, February 16, 2012.

²⁴ Malcolm Wheatley, “Viewpoint-Even Sillier Than CB Radio?” *The Independent*, December 5, 1994.

determine how quickly a new technology is embraced, including the “perceived attributes” of the innovation.²⁵

In the next chapter, I examine how NCN was supposed to work and why some of the ideas put forth by the consortium’s founders failed to achieve critical mass. A common misperception as outlined by one online journalist of the era was: “Too many cooks in the kitchen, too many newspaper moguls in the consortium can both have disastrous results.”²⁶ But, this is a somewhat simplistic analysis. As noted by communications theorist Pablo Boczkowski, as newspapers moved into a non-print model, they “...neither ignored nor wholly embraced electronic publishing, but appropriated it full of contradictions.”²⁷ Those contradictions, combined with differing visions for the consortium on the part of NCN’s founders, would also affect its development.

²⁵ Everett Rogers, *Diffusion of Innovations*, 4th ed. (New York: The Free Press, 1995) 206, 207.

²⁶ Constance Loizos, “MEDIA---Newspaper experts flop online with New Century Network,” *Red Herring*, July 1, 1998. 56.

²⁷ Boczkowski, 20.

Chapter 4: The New Model

It's All About the Net!

As has been noted elsewhere in this thesis, technology was changing rapidly during the 1990's when New Century Network was being launched. For that reason it is important to understand the hopes and aspirations of companies looking to exploit the Internet and the World Wide Web during that period in time. Here is how NCN—on its websites preserved via the WayBack Machine archive—described the Internet and the company's perceived mission:

We get the Net. It's astonishing. And since you are here, chances are you get the Net too. It's a new distribution channel filled with wonderful possibility. In fact, we think it heralds the beginning of a genuine new medium...New Century Network, or NCN, aims to marry the interactivity, breadth and cool conversation of the Net with the credibility and dedicated insight of hometown newspapers across the country...and eventually maybe, across the world.¹

World domination would seem like a big aspiration for a business that had only been in existence for little more than a year and had yet to settle on a firm plan. However, such thinking was not uncommon during the Internet's early days. NCN's "About" page, in describing the network, states, "By marrying the best of the Net and the best of newspaper local content, we aim to link communities, and to give the people who live

¹ Wayback Machine, "*Background: About NCN*," web.archive.org/web/19961112075043/http://newcentury.net/about/backgrnd.htm (accessed April 5, 2013)

within them a chance to participate in interactive content that serves their passions, their interests, their needs in new ways.”²

And NCN was far from alone when it came to trying to find a business model for the Web. As was noted in an article published on April 20, 1995, in the *New York Times*, even as the consortium was getting started, Microsoft was looking at creating “similar services” via its Microsoft Network.³ Prodigy, a joint venture of I.B.M and Sears, Roebuck, the largest web access provider at the time, was already offering electronic versions of a number of daily newspapers, including the *Los Angeles Times*.⁴

So at the time the consortium’s founders sought to launch NCN in the context of a rapidly evolving media landscape, they had to worry not just about online competitors, but also about the group’s own member newspapers, many of which were also looking to carve out an online presence on platforms other than NCN. Initially, this does not appear to have been especially worrisome to NCN’s founders, as can be seen from an early “Talking Points” memo prepared for a 1996 board meeting. More like a slick sales pitch, it sought to sell the board on the NCN concept under headings including, “Makes editorial sense,” “The team idea excites me,” and “Advantages of the Network.”⁵

But breathless hyperbole aside, initially there was uncertainty about the best way to profit online, creating confusion about what NCN’s business model should be. As noted in *Editor & Publisher*, “If you’ve ever tried to herd a group of nine cats, you might appreciate the task (interim CEO) Peter Winter appears to be faced with getting New

² Ibid.

³ Peter H. Lewis, “THE MEDIA BUSINESS; Big Newspapers to Help Locals on Internet,” *New York Times*, April 20, 1995.

⁴ Ibid

⁵ NCN, Talking Points-Board Meeting, 1996.

Century Network (NCN) off the ground.”⁶ In a recent interview, Winter was only slightly more optimistic, saying, “so on the one hand it was a lot of enthusiasm and ‘I want in,’ and on the other hand there was certainly the trade press and certainly it reflected the point of view of some newspaper companies in some corners that this was yet another attempt to take a highly fragmented industry and get it to work together...”⁷

NCN did briefly consider the idea of having users pay to access content. As noted by participant David Hiller, “one of the key avenues in the... planned development of New Century Network...was that it was going to be a vehicle for a paid content model, for charging people, for some volume of usage of the content over the network.”⁸ But for good or ill, the proposal that ultimately emerged was that the cost of the operation would be borne by advertisers and not users. This was an arrangement similar to the model that newspapers, and TV as well, had been comfortable with throughout most of their existence for generating the bulk of their revenues.

Why New Century Network’s founders would chose this path is not entirely clear, though given the environment at the time of the consortiums launch, it is perhaps not surprising. The prevailing ethos at the time was that the Internet should be free for users, with many news organizations opting to put their entire news content online without charge for consumers.⁹

As detailed in an NCN internal memo the business model called for revenues to come from national advertising, with some of the money, 25 percent of net national

⁶ Steve Outing, “Whither New Century Network?” *Editor&Publisher*, March 5, 1996. 1.

⁷ Peter Winter, interview by the author, January 23, 2013

⁸ David Hiller, interview by the author, December 20, 2012

⁹ Robert W. McChesney and John Nichols, *The Death and Life of American Journalism*, (Philadelphia: First Nation Books, 2010), 65.

revenue, going back to the affiliates based on the traffic they drove to the NCN site. Ads sold by NCN on the affiliate's own web sites would bring the member newspapers 75 percent (net of commission) of the revenues. At the time, NCN had around 75 affiliates, so this would not be a big number right away, though the consortium "hoped to double" the number of participating newspapers by mid 1997.¹⁰

Under the proposed model, the affiliates would send traffic to the main NCN site through a button placed on their own websites. The main NCN site in turn would serve as a "national hub" of sorts for the participating newspaper companies 20 million readers. NCN also promised it would link back to participating papers from its webpage, helping them to "develop online services in their local markets."¹¹ On the NCN home page would be stories from the various member newspapers, not unlike what a Google or a Yahoo does today.

But while New Century Network sought to solidify its affiliate network and design a website, the Internet was developing at a rapid clip, and the consortium was not moving nearly as fast. It would take NCN more than a year to appoint a full-time CEO, former HBO International president Lee deBoer. The actual affiliate agreement would not be ready to sign until late January 1997.¹² These delays in implementation, rather than disagreements amongst the founding members, meant it took NCN longer than it might have to come up with a business plan.

¹⁰ NCN, Memo: John Papanak, "Frequently Asked Questions about NCN", 1996.

¹¹ Outing, 1,2

¹² Sari Kalin, "That Sinking Feeling," *CIO Magazine*, November 1, 1998, 4.

As a result, the first task for newly appointed CEO Lee deBoer was to try to get participants on the same page. Here is how he described his understanding of the mission for the nascent consortium:

Bring national value, national presence to the locally owned and operated websites and take advantage of what was going on at those websites to help you build a national business...much like you would see in a broadcast environment with synergy between a national broadcast network and its local affiliates, you've got value going in both directions.¹³

One of the ways deBoer would seek to create this “synergy” was by bringing in a number of people he had worked with previously. Some of the early participants in NCN included Mark Potts, a consultant, and John Papanek, a former *Sports Illustrated* prodigy, who at age 32 had been promoted to editor at the magazine, one of the youngest in *Sports Illustrated's* history.¹⁴ It was this core group of Lee deBoer, John Papanek and Mark Potts who would in many ways be tasked with bringing the vision of the consortium's founders to life.

NCN initially had three key missions: get affiliates onboard, develop interesting content, and find a way to pay for it all. Proposed affiliate fees were initially fairly “modest,” somewhere around \$2,000 a year for small newspapers and up to around \$30,000 a year for large newspapers with circulation in excess of a half a million.¹⁵ The fees entitled newspapers to be part of the NCN network, sharing in ad revenues as well as having their newspaper's content placed online. NCN was looking, according to one published account, “to develop vertically oriented sites that would aggregate affiliates

¹³ Lee deBoer, telephone interview by author, April 9, 2013.

¹⁴ Papanek, telephone interview by author, June 7, 2013.

¹⁵ Kalin, 4.

content on topics such as cars, as well as develop a general news gateway site to its affiliates.”¹⁶

As described in a 1996 memo by editor in chief John Papanek, “*Frequently Asked Questions about NCN*,” the consortium “will act as a syndicator of content to NCN affiliates. This syndicated material will include ‘sitelets’ and other content produced by NCN from aggregations of affiliate content...”¹⁷ The so-called “sitelets” were basically more targeted special interest items for users to click on, such as “Local Hero of the Day,” or specific events.

At least initially, there appeared to be a common goal on the part of the participants. The founders envisioned a model where both affiliate and non-affiliate newspapers would be a part of the broader network, though only affiliates could share in the expected national ad revenues. As noted by Papanek:

Portal was the big concept then. But, what was interesting about the NCN model was the idea of modeling it after a television network. You know, where all of the newspapers were equivalent to individual owned local stations with their own local constituencies, with their own local advertising business, but they would form into this network...¹⁸

With that “television network” concept in mind, something that broadcast media had been doing for decades, NCN would embark on the creation of its own news site. The site was designed to be more than just stories from individual newspapers.¹⁹ The idea was that information from a large section of the country that formerly had been broadly dispersed would now be in one easily accessed location, the NCN website. The

¹⁶ Ibid

¹⁷ NCN Memo, 1996

¹⁸ Papanek, interview by the author, May 7, 2013

¹⁹ Ibid

consortium's founders believed this would allow for a better user experience.²⁰ And it did not take Papanek long to come up with a catchy name for his new network model, NewsWorks.

NewsWorks

I'm sure that some of the people left in the genesis of it (NewsWorks), and went to work for Google, and I'm sure the genesis of Google News lay in the products that Lee (deBoer) developed. Unfortunately, he couldn't win that argument because to win that argument required newspapers understanding they were no longer going to be the sole distributors of their news product, and that was a big conceptual jump for newspapers to make.

Peter Winter, Interim CEO-New Century Network, Interview with the author.

Papanek would be the driving force behind NewsWorks, and getting the site online was apparently no easy feat. In an interview, he said, "It took eight months before we actually lit up the site."²¹ Launched in 1997, NewsWorks was not producing any content of its own, but rather the site was aggregating stories from member newspapers. As noted in the Business Wire release detailing the launch, CEO Lee deBoer described how the new product would offer, "exceptional depth, breadth and multiple points of view on news and information from the 25,000 journalists who report for affiliate newspapers."²²

As envisioned by Papanek and deBoer, NewsWorks would feature a home page with major stories of the day, as well as other features and sports coverage. In an

²⁰ Mick O'Leary, "NewsWorks Brings New Depth to Web News," *Information Today*, 14, no.11 (December 1997) 10.

²¹ Papanek, interview by author, May 7, 2013.

²² Business Wire, June 19, 1997, (New York),1.

interview on June 22, 1997, with Matthew McAllester of New York *Newsday*, prior to the official launch of NewsWorks, Papanek would describe it as “...the collective intelligence of America’s newspapers.”²³ Though other media heads, including some from other electronic media outlets and from network television, were less enamored with the concept. They noted that unlike a true network, NewsWorks lacked immediacy and did not reflect the 24-hour nature of breaking news.²⁴

But when NewsWorks officially debuted that same month, it received a lot of attention. One reason was that many of the paper’s parent companies were NCN members. The *Akron Beacon Journal* described how “The site opened with a bang, thanks to Mike Tyson’s Bite of the Century, featuring blanket coverage of the Tyson and Holyfield bout and the resulting fallout.” In the same article, the author would note that his employer, Knight Ridder, was a member of New Century Network.²⁵ During the period in which NewsWorks was being developed, NCN consultant Mark Potts distributed a diagram illustrating what he termed “a typical usage pattern on the NCN Sports and Auto sites.”²⁶

²³ Matthew McAllester, “Extra! Extra!/130 Newspapers Join Forces Online To Combat Their Ancient Foe-TV News and Its Interactive Offspring,” New York *Newsday*, July 22, 1997.

²⁴ Ibid.

²⁵ Glenn Gamboa, “NewsWorks Combines Best Stuff in Papers Web Site Could Serve as Model for Collaboration By Companies On Internet,” *Akron Beacon Journal*, July 7, 1997.

²⁶ Personal collection Mark Potts, Internal memo: NCN Site Walkthrough Schematics, October 7, 1996.

To: John Papanek, Lee deBoer
 From: Mark Potts
 Re: NCN Site Walkthru Schematics
 10/7/96

As discussed, this is an attempt to illustrate a typical usage pattern on the NCN Sports and Auto sites, including a demonstration of how users might touch NCN, affiliate and third-party content during a typical visit. Not intentionally, but quite successfully, I've managed to show both the breadth and depth of the sites—the breadth is seen horizontally, the depth is seen in the vertical links.

NCN Sports Site Walkthru

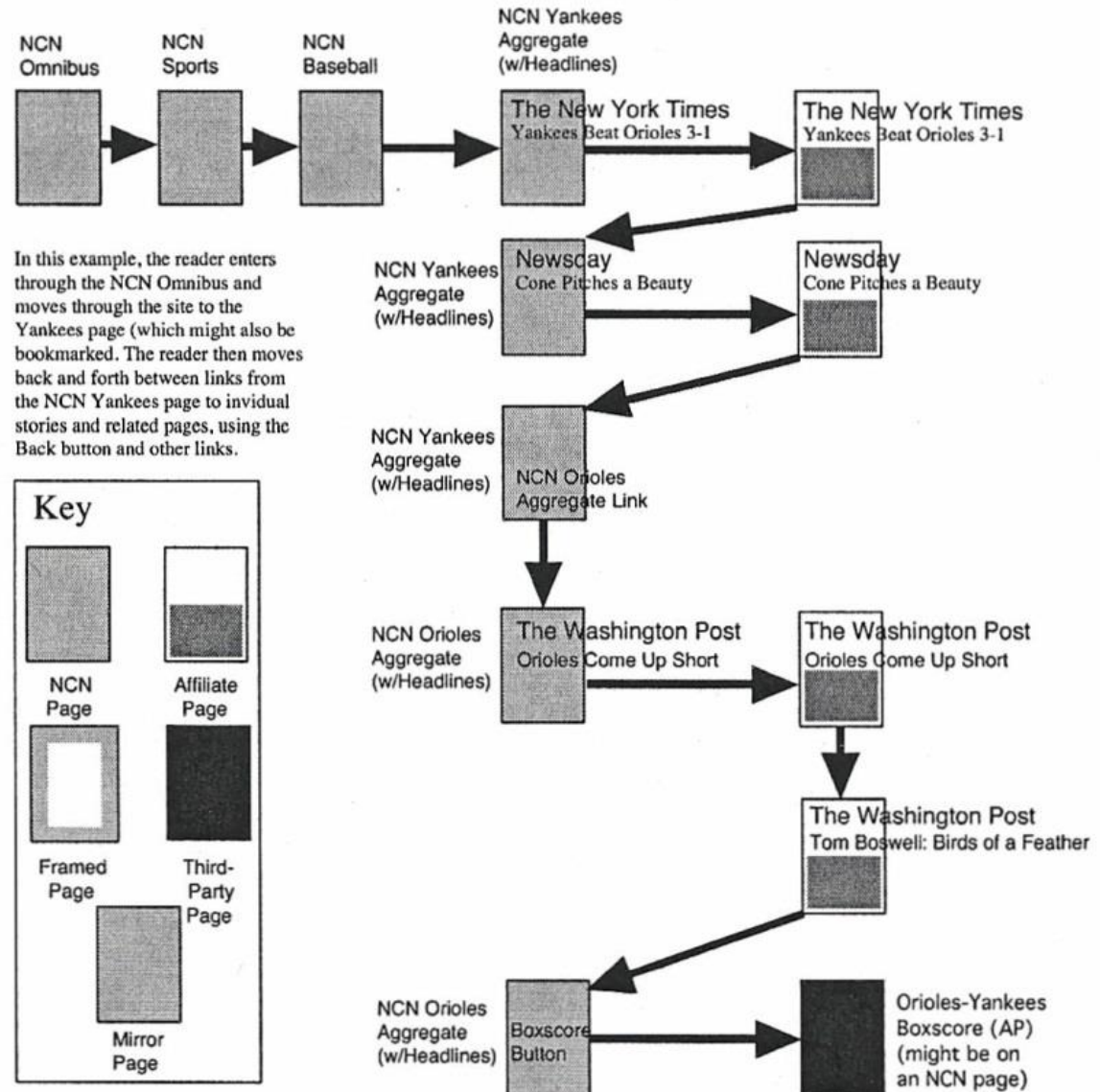


Figure 7. NCN Walkthrough Schematic from Mark Potts, Sent 10/7/96 to John Papanek, Lee deBoer.

NCN Auto Site Walkthru

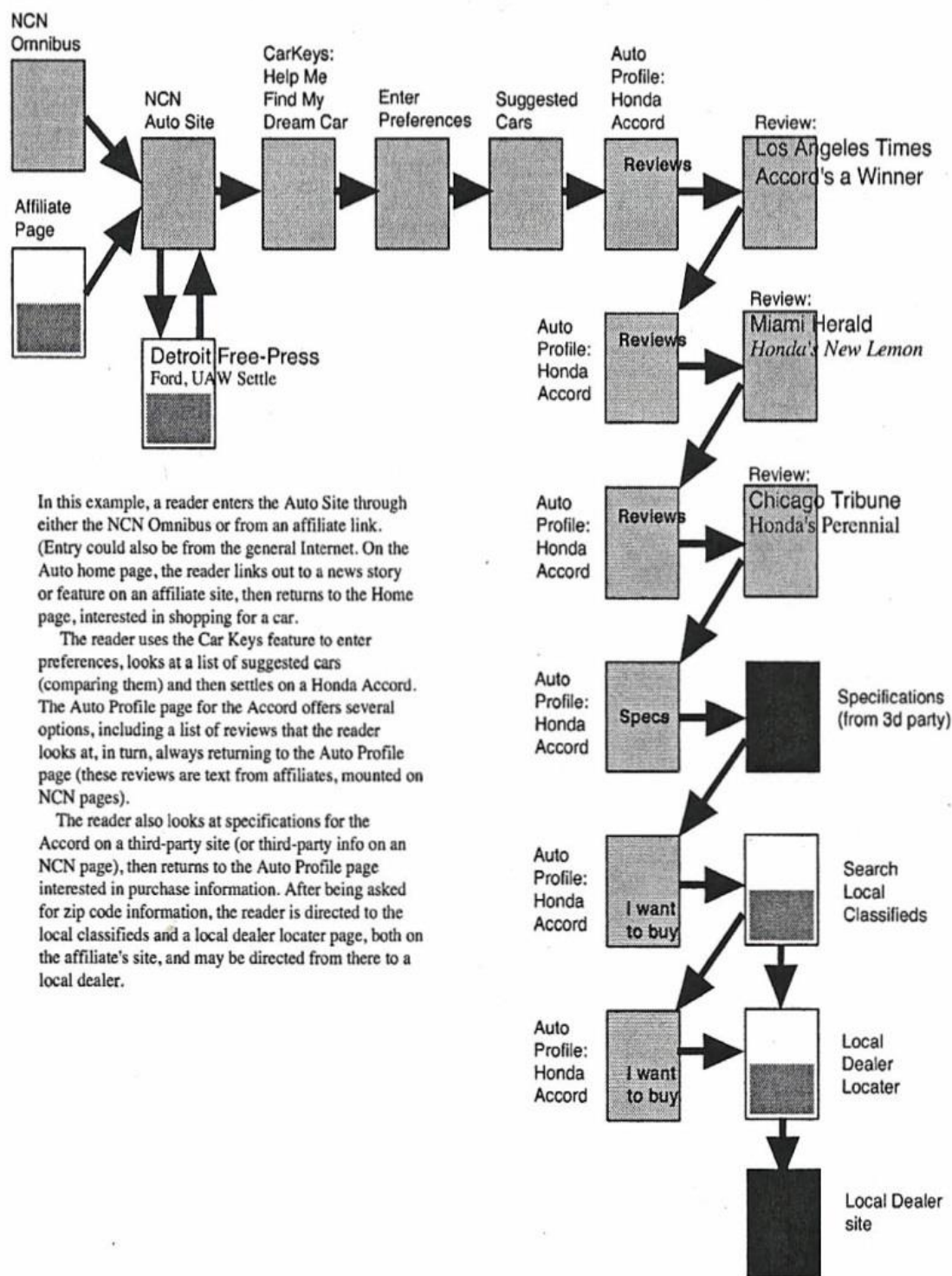


Figure 7 continued

It was not just NCN's newspaper partners that would wax enthusiastically about the news platform. Industry publications also gave it high marks. *Information Today* described how NewsWorks contained not only the main news headlines, but also "a collection of unique news sources, deep retrospective coverage, powerful searching, and value-added editorial features."²⁸ The review went on to favorably compare NewsWorks to NEXIS and other major news and information databases, though the reviewer also notes, "In some respects—especially retrospective coverage and extent of Boolean search options—it is inferior."²⁹

When NewsWorks was launched by NCN in 1997, the consortium had about 130 member newspapers including some larger papers such as *The Boston Globe* and the *Los Angeles Times*, which were providing content. The member newspapers also served "smaller cities and regions, including: Ardmore, Oklahoma; Athens, Georgia; Brainerd, Minnesota; Charlotte, North Carolina; and Lancaster, Pennsylvania."³⁰ The initial plan was to pay for NewsWorks with advertiser dollars. Users could access the content for free.

A key selling point of NewsWorks for NCN's members was little work initially would be required on their part. Papanek says the idea was to "take the newspaper story that was produced and use it in its entirety...or trim it, edit it, whatever has to be done,

²⁸ O'Leary, 10.

²⁹ Ibid, 12.

³⁰ Ibid.

and its immediately transferable to the network, the NCN front page...”³¹

NewsWorks was just one of a number of content rollouts being planned for the company. Another proposed NCN product was a sports information site called HomeGame.³² As initially proposed the site would include box scores and coverage from the perspective of both team’s, provided by NCN member newspapers.

However, despite the much-touted resources of thousands of reporters from NCN’s affiliate newspapers, it was clear the consortium’s backers were still cautious when it came to spending much money on the undertaking. The first major effort since NCN’s founding just two years previously, NewsWorks would have a New York based staff of 18 which would be tasked with making day-to-day editorial decisions regarding the site. Papanek may have dreamt up the idea of putting together “(a) super smart newsstand,” to steer readers towards the content produced by the affiliate newspapers, but he would be doing so with a limited budget and staff.³³

Even as NewsWorks was being launched, some members of the consortium were also increasingly moving in different directions, as noted by professor Keith Herndon, who writes that it became clear early on that the group’s “mission was muddled.”³⁴ Two of the nine NCN partner newspapers, *The New York Times* and Gannett’s *USA Today*, refused to even place their content on the NewsWorks site. The *Times* wanted its own national website.³⁵ Gannett also viewed the platform as competing with its own site.

³¹ Papanek, interview by the author, May 7, 2013

³² O’Leary, 12.

³³ Business News, “New Century Network launches NewsWorks Web site, July 1, 1997.

³⁴ Keith Herndon, *The Decline of the Daily Newspaper*, (New York: Peter Lang, 2012) 145.

³⁵ Ibid

Also, at least some of the bigger newspapers believed while they were national publications, NewsWorks was primarily focused on local content.³⁶

But, while NewsWorks lacked buy-in from two of the consortium's biggest members, it can be argued that it marked an important milestone for online news. At least some of the things that would later make Google and Yahoo a success were part of the NewsWorks model, including the concept of news aggregation. An internal memo described the site as being constructed "to attract and inform an audience defined by a common special interest, such as sports, automobiles, health, business, entertainment, kids' content, etc."³⁷ These are concepts that in later years would become ubiquitous in terms of how online sites would be constructed.

But despite coming up with some important concepts, the consortium fell down in other areas. One key failing was the partners unwillingness, or inability, to capitalize and expand on their rich content. At one point there had been a plan to do this through the development of a proprietary search function known internally as On-Ramp. On-Ramp was envisioned as a powerful search engine that could easily access all of the content produced by NCN members. However, as noted in a March 14, 1998, article in *Editor&Publisher*, "a lack of consensus among the newspaper cyber-consortium's nine owners caused it to flounder."³⁸

NCN's own research had shown that "traffic to newspaper Web sites...in nearly all local markets, (was) far below that of search engines."³⁹ As some consortium

³⁶ Kalin, 60.

³⁷ NCN Internal memo: John Papanek, "Frequently Asked Questions about NCN," 1996.

³⁸ Steve Outing, "NCN Goes Belly Up Total Shutdown Announced," *Editor & Publisher*, March 14, 1998. 12.

³⁹ Ibid

members felt that member newspapers needed their own search and directory tool. In addition to building its own search engine NCN also discussed finding a search engine company that might be willing to partner with the consortium in exchange for a share of ad revenues. The consortium also briefly toyed with the idea of possibly buying a search engine company.⁴⁰

However, it quickly became apparent that many of the affiliates were leery of the concept of search entirely. Papanek says some members thought placing their content online in an easily accessible way, for free, was a direct affront to their business model, describing their reaction at the time as “thievery...all about people getting something for nothing.”⁴¹

This defensive posture on the part of some NCN participants would herald the beginning of the end for not just NewsWorks, but for the consortium as a whole. In September 1997, editor-in-chief Papanek would leave NCN, lured away by the chance to run Disney’s *ESPN The Magazine*. Shortly after Papanek’s departure, the nine members would begin scaling back NCN’s operations. The consortium did attract some major advertisers, among them Barnes and Noble, CDNow and Intel. The group would also sign an exclusive homepage deal with main sponsor IBM, but the die was cast.⁴²

By February 1998, the decision had been made to pull the plug on NewsWorks with an announcement that rather than offering news content, the consortium would shift its focus to selling online ads for its member newspapers. Half of NCN’s 70 employees

⁴⁰ Ibid

⁴¹ Papanek, May 7, 2013

⁴² “New York Times Drops Back from NCN,” *ADWEEK*, September 8, 1997

were laid-off.⁴³ The idea of a powerful search engine controlled by newspapers, which in turn would allow them to maintain control of their rich content, was essentially dead.

As has been noted previously, the founders never seriously considered setting up paywalls, or charging for NCN's online content. This was further evidence, it can be argued, of the kind of group thinking of many newspapers and their bosses as the Internet was gaining prominence. While certain select publications such as the *The Wall Street Journal* and the *Financial Times* have been able to pull-off paywalls, many at the time believed this was much more difficult for the typical newspaper.⁴⁴

Also, the technology had not yet advanced to the point where it was easy to put a paywall in place. Only recently are more generalized newspapers such as the *New York Times*, giving paywalls a try, using the idea of a metered paywall and offering a limited amount of content for free. Such efforts are also not cheap. Before setting up its latest paywall effort in early 2011, the *New York Times* is reported to have spent upwards of \$25 million on building the system.⁴⁵

Some scholars who have examined NCN, including Keith Herndon, have described it as a "bold offensive" on the part of newspaper editors and their publishers, whom he says did not react out of fear in this case.⁴⁶ But I would argue much of the evidence actually points to a different conclusion. NCN, while it had vast resources at its disposal through its nine member newspapers, was unable to capitalize on what could

⁴³ Jeanne Dugan, "New-Media Meltdown A New Century Network", *Business Week*, March 23, 1998.

⁴⁴ Newsonomics: "The Newsonomics of Why Paywalls Now?" *Niemen Journalism Lab*, March 8, 2013.

⁴⁵ Ibid

⁴⁶ Herndon, 142.

have been possibly a game-changing idea. This was not just the idea of charging for content but also of controlling that rich content.

In the next chapter I explore the demise of the consortium. While addressed in the literature, I believe it is one of the most over-simplified and least understood aspects of NCN. Also largely overlooked has been the consortium's contribution to online news, as well as its importance on the time-line of journalistic history.

Chapter 5: The Death of NCN

The Final Nail in the Coffin

Unlike the birth of New Century Network, its death would be announced with little fanfare. NCN's board quietly pulled the plug on the joint effort on March 9, 1998. In wire service reports the following day, board member Harry Chandler the head of new business development for the *Los Angeles Times* would state, "Not enough members felt strongly enough to keep it going."¹ Sources cited "investor fatigue," saying that the nine member newspapers no longer wanted to each keep spending upwards of \$1 million dollars a year on a project that was showing scant returns.²

By this time many, if not all, of NCN's member newspapers had also embarked on projects of their own. An oft-quoted account of NCN's demise by Jeanne Dugan in *BusinessWeek* on March 23, 1998, "New-Media Meltdown At New Century," notes the partners "were busy doing other things."³ The "other things" cut across a broad swath. Knight Ridder had launched a project called New Cities to link 32 newspaper Web sites to run classified advertising. Another online advertising venture called Classified Ventures involved the Tribune, Times Mirror and Washington Post Companies.⁴ There were also projects that involved some NCN members and not others. Digital Cities, a

¹ Associated Press, "Major publishers dissolve New Century Network partnership," March 16, 1998.

² Martha Stone, "NCN stops the presses," *ZDNet*, March 10, 1998.

³ Jeanne Dugan, "New-Media Meltdown A New Century Network", *Business Week*, March 23, 1998, 3.

⁴ Ibid

joint effort to provide local content, was launched by the Tribune and AOL. CitySearch, a similar effort included the Washington Post Company and Times Mirror.⁵

Dugan's account of NCN's reception in April 1997 at a major annual industry trade event showed that major cracks in the consortium had become apparent well before the partners would finally pull the plug:

In a ballroom at the Newspaper Association of America convention in Chicago, a thousand bottles of champagne emblazoned with "New Century Network: The Collective Intelligence of America's Newspapers" awaited the hordes expected to come toast the watershed new-media joint venture. When fewer than 100 people showed up, Chief Executive Lee de Boer made an abbreviated speech before retreating. "They built a business and nobody came," says David Morgan, president of the online ad agency Real Media Inc.⁶

Arguments as to what was the final nail in the coffin for the consortium have varied, but most seem to coalesce around a few major themes. For example, as worried as they were about protecting their own turf, newspapers appear to have been even more concerned about the possibility of, as one member put it, "cannibalized revenues from the consortium members print ad sales." There was also the idea "that newspapers with their geographic monopolies in print were not prepared to compete with each other online."⁷

This idea that newspapers were limited not just by their collective thinking, but also by the role geography played in their business models, is an important one. Media futurist Clay Shirky touches on this when he explains how most newspapers prior to the Internet "were only able to sell a newspaper as far as a truck could profitably drive before

⁵ Constance Loizos, "Media---Newspaper experts flop online with New Century Network," *The Red Herring*, July 1, 1998.

⁶ Dugan, 1.

⁷ Loizos, 1.

running out of gas.”⁸ With the arrival of the Internet, those physical boundaries would not just be stretched, they would be broken.

Another major point of contention among the consortium members would be NCN’s advertising model. While historically newspapers had received a large portion of their revenues from classified advertising, the Internet would alter the equation. Classified advertising during the period NCN was in existence had yet to see substantial erosion, but things were about to head south quickly. From receiving around 40 percent of revenues from classified advertising in 1999, the year after NCN’s demise, newspaper’s share would plunge to nearly half that amount within a decade.⁹

For businesses, advertising online did have some important advantages, though. These concepts included being able to identify audience more specifically and link an online ad directly to the purchase of a good or service. As is noted by Philip Meyer in his book, *The Vanishing Newspaper*, this allowed for more targeted “direct marketing...far better than a newspaper coupon.”¹⁰ There was also the important factor of cost.¹¹

However, in fairness to NCN and others trying to forge their way in a rapidly evolving media landscape, the idea of selling advertising online was still in its nascent stages. NCN’s national ad network was billed as the possible solution to the problem, but it never really got going. A 1997 article in *American Journalism Review* summed up the

⁸ Clay Shirky, “Let a thousand flowers bloom to replace newspapers: don’t build a paywall around a public good.” Nieman Journalism Lab, September 23, 2009.

⁹ Robert W. McChesney and John Nichols, *The Death and Life of American Journalism: The Media Revolution That Will Begin the World Again*, (Philadelphia: First Nation Books, 2010), 27.

¹⁰ Philip Meyer, *The Vanishing Newspaper: Saving Journalism in the Information Age*, 2nd ed. (Columbia and London: University of Missouri Press, 2009), 62-63.

¹¹ David Collis, Peter Olson, and Mary Furey, “*The Newspaper Industry in Crisis*,” Harvard Business School, Case study, Rev. January 12, 2010. 5.

feelings at the time, noting how newspaper publishers were not sure whether the new medium was “a potential gold mine or a bottomless pit.”¹²

Revenue estimates for the Web varied widely. It was reported in 1997 that the *New York Times* was charging \$20,000 dollars for half a million ad displays on the newspapers Web site, or the equivalent of \$40 dollars per thousand impressions.¹³ This metric is often abbreviated to CPM (cost per impression), or cost per mille (the Latin word for thousand). For advertisers this can be shown as a formula: Total cost= (Total Impressions *CPM)/ 1,000.¹⁴ Other newspapers had their own cost figures.

As Internet usage became more widespread, advertising rates would actually come down. With more Americans going online, the cost of all those clicks and the attached eyeballs began to fall, something that has largely continued today. According to the media metric company comScore, by 2010 the average CPM rate for newspapers was just under \$7 dollars per thousand impressions, illustrating how as online costs came down, advertisers began to abandon newspapers and move to the web.¹⁶

Prior to the official announcement that NCN would be shuttered, there would be a number of attempts to revive the foundering consortium. Even though NewsWorks had been closed down, NCN at the time had realized some small profits from its advertising

¹² Scott Kirsner, “Profits in site? Newspapers holding for profits from their Web sites”, *American Journalism Review*, Vol. 19. No.10, December 1, 1997.

¹³ Ibid, 2.

¹⁴ Anil Batra, Web Analytics, Behavioral Targeting and Optimization by Anil Batra, Entry posted Tuesday, January 3, 2012, <http://www.webanalysis.blogspot.com/2012/01/cost-of-advertising-cpm-ecpm-and-cpc.html> (accessed September 3, 2013).

¹⁶ comScore, “The New York Times Ranks as Top Online Newspaper According to May 2010 U.S. comScore Media Metrix Data.” Press Release, June 16, 2010.

network, which showed “\$2 million dollars on the books for 1998.”¹⁷ At one point there was a reported near deal with CNET Inc. to tie into its portal, Snap, as a means of allowing the member newspaper sites to have easier access to the Web. But the idea failed to take off.¹⁸

With the revenue model for NCN so uncertain, as has been noted previously, there was at one point early on in the consortium’s life the idea of bringing in an outside investor. Consortium member Peter Winter had proposed that the San Francisco-based venture capital firm Kleiner Perkins Caufield & Byers be brought in as an equity partner. Winter believing that “if they (newspapers) acquiesced around a common product, like...Google News...they would then be in a position to negotiate the best possible distribution of their content.”¹⁹ Winter also felt that taking the company public would attract top talent, since an eventual IPO might entice new hires with the prospect of stock options.

However, the founding members roundly rejected the idea. As noted in one media account, “The vote was split between those companies dominated by newspapers and those more multimedia oriented.”²⁰ Former *Chicago Tribune* Senior Vice President of Development David Hiller summed it up this way:

Kleiner Perkins was going to come in and own 10 percent of the company and their partner...was going to be on the board and be the Kleiner representative. And I think (it) really did have the same opportunity that Kleiner had with Google. I mean if this venture were set up in the right way, it could be a successful online startup, I mean, who knows where it could have gone.²¹

¹⁷ Sari Kalin, “That Sinking Feeling,” *CIO Magazine*, November, 1998.

¹⁸ Ibid, 7.

¹⁹ Peter Winter, interview with the author, January 23, 2013.

²⁰ Dugan, 1.

²¹ David Hiller, interview with the author, December 20, 2012.

Ultimately, the idea went nowhere. The larger affiliates such as the *New York Times* and *Washington Post* believed if there were to be any profits to be realized from NCN, they should be go to the affiliates. And there were also fears on the part of some members of losing control if Silicon Valley were to be involved in the effort. In the end the vote on bringing in an outside entity to help bankroll NCN was five to four against the idea.²²

In a broader sense though, the prospect of outside capital and the possibility of eventual stock options was not the biggest problem the consortium members faced at the time. NCN's members had differing and at times conflicting visions of the relationship newspapers had with the Internet. They also could not agree on how it might be used in unique and possibly novel ways. As noted by interim CEO Peter Winter, "They were reacting in traditional ways to a very untraditional set of circumstances."²³ This is an important idea in terms of how established businesses often respond to a new technology.

New Century CEO Lee deBoer says it's uncertain whether all of NCN's newspaper partners had an entirely clear picture of the Internet in the mid 1990's, noting:

So, if you are asking about the guy who is the editor of the *Hartford Current* as to whether he really understood the Internet I'm not sure I even knew then, because I barely met that guy. He was owned by the Tribune Company, and I would work with David Hiller sitting in Chicago who was also working for one of the nation's largest broadcasting companies. He was my board member he understood the Internet pretty well.²⁴

²² Dugan, 2.

²³ Stone, 1.

²⁴ Lee de Boer, Interview by author, April 9, 2013.

Even if the industry bosses claimed to understand the Internet, as noted by deBoer, some were reacting more defensively than others to the threat they believed the Internet posed to their business model. This is an idea demonstrated over the course of this thesis and speaks to the difficulty of trying to innovate during a period of disruptive technological change. As noted previously, the telephone, telegraph, and radio are examples of earlier disruptive or transformative technologies.²⁵

In his 1997 book *The Innovator's Dilemma*, written while NCN was still in existence, Harvard Business School professor Clay Christensen describes how during periods of “disruptive innovation,” upstart competitors can sneak into the marketplace. He details how this sometimes involves taking over lower-cost portions of a business or moving into areas that the major corporations have simply overlooked. And he notes a paradox, the fact that this generally occurs at a time the firms are “widely regarded as among the best companies in the world.”²⁶

At a 1997 Interactive Newspaper Conference sponsored by *Editor and Publisher Magazine*, there was a description of how then *Toronto Star* columnist K.K. Campbell reported on the event: “I kept waiting for someone to shout at people to wake up: There were foxes in the hen house. But no one did.”²⁷ At the same conference, *Arizona Star* Technology Director Bob Cauthorn gave a speech in which he is quoted as saying, “Microsoft, AOL, Yahoo! and other companies want to steal your lunch. It’s natural for

²⁵ Roger Fidler, *Mediamorphosis: Understanding New Media*, (Thousand Oaks, California: Pine Forge Press, 1997) 24.

²⁶ Clayton Christensen, *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail* [e-book]. (Boston, Mass: Harvard Business School Press, 1997), Accessed October 21, 2013, 16.

²⁷ “Why 1998 Was The Turning Point for Newspapers,” Digital Deliverance LLC, June 9, 2004, www.digitaldeliverance.com/2001/06/09/why-1998-was-the-turning-point-for-newspapers/

you to defend against that. But why aren't you trying to steal theirs and other companies lunches when it comes to information services?"²⁸

While it can be argued that the newspapers which were a part of NCN made a stab at going on the offensive, they fell short. The consortium's members were aware of AOL, and to a somewhat lesser extent Microsoft, both of which they viewed as potential competitors seeking to take their content and place it online for free. NCN Editor-in-Chief John Papanek, in an interview looking back on that period, summed it up this way:

...Somebody said we can't let AOL take away our business...that was absolutely the mentality. It was AOL. It wasn't *USA Today*, it wasn't MSNBC. It wasn't the *New York Times* it wasn't Google...Google didn't exist. It was AOL...AOL was the 800 pound gorilla. And AOL then, is what Google is now.²⁹

However, because newspapers could not determine which course of action to take, they would ultimately cede a significant portion of their business to these new upstart entities. This was not because they were unaware of the threat to their business posed by the new competitors, but because in many cases they simply could not agree as a group on how to respond. A number of NCN participants have supported this idea. Consultant Mark Potts notes while media consortia are "often created with the best intentions, they have tended to lose momentum or founder completely because of corporate governance issues and/or conflicting motivations among the owning companies, or because they were outstripped by more aggressive technologically

²⁸ Ibid.

²⁹ John Papanek, interview by the author, May 7, 2013.

proficient competitors.”³⁰ Media theorist Pablo Boczkowski describes how newspapers’ reaction to the Internet was in some ways ingrained into their business model:

Print papers have enacted a culture of innovation that led them to react to social and technological developments rather than more proactively contribute to these developments, focusing on protecting the print franchise rather than on prioritizing nonprint publishing, and emphasize smaller but more certain shorter-term gains rather than potentially larger, but less certain, longer-term benefits.³¹

It is also important to note that this idea of traditional organizations falling back into their old ways of doing business is not unique to newspapers. A large number of so-called legacy businesses have experienced a similar dilemma. As noted by media commentator Howard Finberg, there is often a “‘cultural template’ of suppression of new forms of communication.”³² Finberg, Director of Partnerships and Alliances at the Poynter Institute, was part of another 1990’s new media newspaper cooperative called PAFET (Partners Affiliated For Exploring Technology). In a 2002 speech in which he mentions NCN, Finberg notes, “New Century Network didn’t feel right—didn’t fit—because of the cultural template of the people who were assigned the task of making it work.”³³

Another important point is that there is something of a herd mentality in any business, which even if it does not entirely stifle innovation, often slows things down. As

³⁰ Mark Potts, online interview by the author, March 27, 2013.

³¹ Pablo J. Boczkowski, *Digitizing The News: Innovation in Online Newspapers*, (Cambridge, Massachusetts, London, England, The MIT Press, 2004), 171.

³² Howard Finberg, “Convergence and the Corporate Boardroom,” *Poynter*, December 3, 2002, <http://www.poynter.org/uncategorized/3996/convergence-and-the-corporate-boardroom/> (accessed April 10, 2013)

³³ Ibid.

noted by communications theorist Everett Rogers in *Diffusion of Innovations*, “At first, only a few individuals adopt the innovation in each time period—But soon the diffusion curve begins to climb.”³⁴ This idea of adoption of technology is an important point, especially when the technology is in its nascent stages. This can be seen more easily in graph form, via Rogers S-curve of adoption, showing acceptance of a new technology over time.

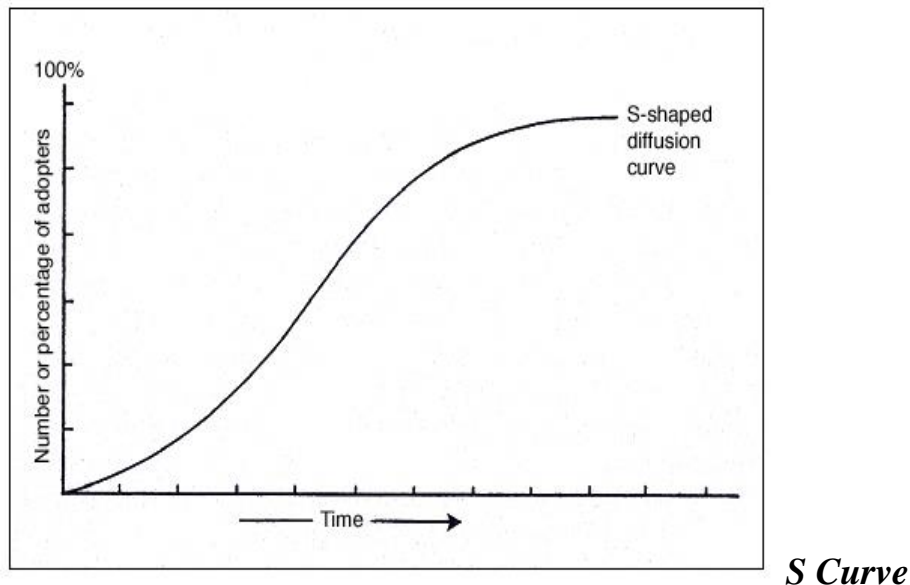


Figure 8. Everett M. Rogers, *Diffusion of Innovations*.1995. (4th Ed, New York, Free Press) 106.³⁶

In the next chapter I will argue that history is replete with examples of organizations which, despite a virtual monopoly on their businesses, could not adapt

³⁴ Everett Rogers, *Diffusion of Innovations*, 4th ed. (New York: The Free Press, 1995), 23.

³⁶ Ibid, 106,107,108,109.

quickly enough to new technology. This includes technologies in which, as has been noted, they would have seemed to have an early advantage.

I will also describe in greater detail how NCN participants, due to their reliance on old constructs and ways of thinking, may have been blinded to new possibilities for their products. Because of this tendency, it can be difficult for established organizations to envision using emergent technology in ways that are at times not initially obvious. While research has been done in this area, NCN serves as a good model for the larger industry since its members are in many ways a microcosm of the industry.

Chapter 6- Lost in the Legacy

Blind to Change

This thesis argues that there was a “defensive posture” on the part of newspapers and their bosses during the time period NCN was in existence. With the advent of the digital age, many newspapers sought to protect their monopoly franchises, rather than making a concerted effort to create new or unique business models. This is understandable to some extent, since profit margins for newspapers had been high for such a long period of time that even when they began to erode, at the end of the early 21st century, many were still posting double-digit returns.¹

History is replete with examples of other large companies or industries that also seemed to have had an early advantage, and yet were unable to succeed and prosper in a time of transformative change. Listing all of them over the course of a thesis would be impossible. However, several recent examples show that New Century Network was not alone when it came to having a difficult time envisioning new uses for existing technologies.

Film and photography giant Eastman Kodak is an example of a large legacy company in the same era, whose model was adversely affected by the shift from analog to digital and by the arrival of the Internet. With more than 100 years of history, Kodak was an extremely innovative company employing tens of thousands of people. With the

¹ Robert W. McChesney and John Nichols, *The Death and Life of American Journalism: The Media Revolution That Will Begin the World Again*, (Philadelphia, PA: First Nation Books, 2010), 13.

launch of its popular Brownie camera in 1900, and the slogan “you push a button, we do the rest,” Kodak would put the ability to take a photograph into the hands of millions of Americans.² Kodak dominated the traditional film business for decades. But the company whose name became synonymous with picture taking could not make the transition into digital photography, winding up in bankruptcy.

Contrary to the popular mythology, with the arrival of the new technology, Kodak was not standing still. Decades before widespread adoption of digital photography, Kodak was experimenting with new methods of picture taking. In a 2008 article in the *New York Times*, Kodak engineer Steve Sasson describes how in the 1970’s he had actually successfully put together an early prototype version of a digital camera, which he described as being “as big as a toaster.” Sasson noted that while “the technical people loved it,” upper management’s reaction was, “that’s cute—but don’t tell anyone about it.”³ This reaction by Kodak’s top managers to what would seem to have been a major business opportunity for the company is revealing.

It also shows that when confronted with a new development or technology, the first reaction on the part of companies and their managers may be to seek to protect their franchise. That can include belittling or downplaying the new development as being insignificant in an effort to minimize the threat. In his book about his time as ombudsman at the *New York Times*, Daniel Okrent notes how there was a similar philosophy in place at the newspaper. He describes how some of those who worked at the newspaper were “arrogantly convinced of its primacy, historically dismissive of both critics and

² Scott Anthony, “Kodak and the Brutal Difficulty of Transformation,” HBR Blog Network, *Harvard Business Review*, (January 17, 2012): 1.

³ Claudia Deutsch, “At Kodak, Some Old Things Are New Again,” *New York Times*, May 2, 2008, Technology.

competitors,” and he describes how when faced with outside criticism they would go into a “defensive crouch.”⁴ This concept would also appear to apply in the case of Kodak, which it can be argued was operating “out of fear,” but also found itself thwarted by its own “routine rigidity.”⁵

However, it is not always the threat of the new that can cause companies to be slow to react. As noted by media theorists, another reason established firms may initially reject a new idea is that the adoption rate for the technology is affected not just by what it replaces, but also by perceptions of how compatible the new technology is with the overall goals of the organization.⁶ This is expressed as the idea of “mimetic originality” as put forth by theorist Pablo Boczkowski in his book *Digitizing The News*. Boczkowski describes how even as they sought to innovate online, newspapers were “keeping the centrality of old journalistic repertoires...”⁷

This same concept can also be expanded into the broader industry, of which individual companies make up a part. And it is here where we see another interesting paradox. Even as they seek to change their own organizations, companies very often wind looking like one another. This is embodied in the concept of “isomorphism,”

⁴ Greg Mitchell, “Former ‘Times’ Ombud Takes Shot at the Paper of Record in New Book,” *Editor & Publisher*, May 3, 2006.

⁵ Peter A. Koen, Heidi M.J. Bertels and Ian R. Elsum, “The Three Faces Of Business Model Innovation: Challenges for Established Firms,” *Research-Technology Management* (May-June 2011): 58.

⁶ Everett Rogers, *Diffusion of Innovations*, 4th ed. (New York: The Free Press, 1995), 227-229.

⁷ Pablo J. Boczkowski, *Digitizing The News: Innovation in Online Newspapers*, (Cambridge, London: The MIT Press, 2004), 73.

whereby one member of a group comes to resemble the other members of the larger group.⁸

For example, Kodak compared itself primarily to other film and photography companies. As a result, the company may not have perceived the threat to its business model posed by computer makers, which would become the storage and replication medium for photos with the arrival of digital technology. Similarly, newspapers for the most part still thought of themselves as being facilities that printed and published news, rather than disseminators of news and information across a variety of platforms.

Kodak would eventually invest billions of dollars in the digital space.⁹ However, by the time that had taken place, a host of competitors were already there. Some, such as Hewlett Packard, which had mostly been a computer company, would start making and selling digital cameras and printers. Kodak initially sought to leverage its existing business model by offering digital photography kiosks, similar to what it had been doing with film.¹⁰ But as this was taking place, the company's competitors, unconstrained by such preconceptions, quickly built up a sizeable lead.

Along with failing to exploit what might have been an early ability to control the digital photography space, Kodak also missed a number of other opportunities. In 2000, the company purchased the photo-sharing site Ofoto. But instead of turning Ofoto into a place where users could do more than just upload pictures-for example a site where users could share details about their lives- Kodak could not envision a use beyond its core

⁸ Paul DiMaggio and Walter Powell, "The Iron Cage Revisited: Institutional Isomorphism And Collective Rationality In Organizational Fields," *American Sociological Review*, vol.48 (April, 1983) 147-160.

⁹ Anthony, 1.

¹⁰ Koen, Bertels and Elsum, 58.

photography business. Had Kodak been able to recognize a different use for its acquisition it might have become the next Facebook, Instagram or Flickr.¹¹

It was not a lack of money on Kodak's part that prevented it from succeeding. Rather, it can be convincingly argued that like many other large legacy corporations that have been superseded by smaller competitors, Kodak was adversely affected by the inability on the part of the company and its managers to seize the opportunity to take the business in a new or different direction. This again goes to the argument of "disruptive technologies" that allow upstart firms to replace monopoly businesses. Examples include steamships replacing sailing vessels and AT&T overtaking Western Union.¹²

Another example of a company that would seem to have been uniquely positioned to take advantage of digital developments was Japanese electronics maker Sony. The company revolutionized the way people listened to music with its Sony Walkman in the 1970's. With the introduction of the Walkman, Sony made music portable, allowing joggers, hikers, and others to listen to music on the go. This was in an era when large expensive home stereo systems and vinyl records were still the norm.¹³

Yet when the shift from analog to digital took place, the company that pioneered portable music listening could not envision something like the Apple iPod. The iPod disrupted Sonys business model, quickly becoming the standard for portable music rather than a digital version of Sony's system.¹⁴ By 2011, Apple was said to control upwards of 78 percent of the music market with sales of 300 million iPods since the product's launch

¹¹ Anthony, 1.

¹² Toni Mack and Mary Summers, "Danger: stealth attack," *Forbes*, January 25, 1999. 88.

¹³ Ibid, 53.

¹⁴ Ibid, 53.

a decade earlier. Apple CEO Tim Cook at the company's "Let's talk iPhone" event that same year stated, "To put that in context, it took Sony 30 years to sell 230k (of its) Walkman cassette players."¹⁵

Certainly there are technological barriers to entry with any new technology. While the digital camera and the digital music player may to some extent resemble the technologies that preceded them, in reality they share almost none of the same architecture. Aside from a lens, the digital camera has little in common with the film version. A device that plays MP3's is not actually very much like a cassette deck. And in both cases it took companies that were outside the traditional photography or music businesses to expand their popularity.

Because coming up with new or revolutionary technologies is often difficult, there have been a number of relevant studies that show so-called "sustaining innovation"—products like the Toyota Prius that combine new and the old technology—may be less problematic for established firm to carry out.¹⁶ John B. Horrigan and Ellen Satterwhite explore this concept of business innovation and technological change in a paper presented to the Telecommunications Research Council in 2010. They explain that when it comes to new technologies, not only is it harder for companies to innovate, they also must convince their customers to buy in.

¹⁵ Sherilynn Macale, "Apple has sold 300M iPods, currently holds 78% of the portable music player market," *TNW*, October 4, 2011, <http://thenextweb.com/apple/2011/10/04/apple-has-sold-300m-ipods-currently-holds-78-of-the-music-player-market/> (accessed October 4, 2013)

¹⁶ Koen, Bertels and Elsum, 55.

Horrigan and Satterwhite maintain the adoption of a new technology depends on “three pillars—infrastructure, sustained innovation and social support”...as well as what they describe as the “role of the social milieu in adoption.”¹⁷ Others who have examined this idea note to a large extent when approaching the Internet, many newspapers took their print product and simply threw it online because they were familiar with the idea and also believed that readers would be as well.¹⁸ A good example of this would be the previously cited *Harvard Business Review* article, “Disruptive Change: When Trying Harder is Part of the Problem,” which describes how with the Mercury Center project, “Knight Ridder could only envision the digital newspaper as an extension of the print newspaper, and so failed to exploit new revenue channels or to develop the digital channel fully.”¹⁹

Consumers, it turns out, also very often have different expectations than the companies themselves when it comes to how a new technology should be utilized. As has been noted previously, in terms of the World Wide Web and the Internet, it became clear early on that many users wanted to use these new platforms to communicate and share information with one another, rather than be told what to watch and read.²⁰ Horrigan and Satterwhite note how “the surprising popularity of email helped drive further adoption of the computer and the Internet.”²¹

¹⁷ John Horrigan and Ellen Satterwhite, “Adoption Paths: The social forces that shape the uptake of technology,” (paper presented to the 38th Telecommunications Policy Research Conference, October, 2010).

¹⁸ Clark Gilbert and Joseph L. Bower, “Disruptive Change: When Trying Harder is Part of the Problem,” *Harvard Business Review* (May 2002): 98.

¹⁹ Ibid, 58.

²⁰ Roger Fidler, *Mediamorphosis: Understanding New Media*, (Thousand Oaks, CA: Pine Forge Press, 1997), 155.

²¹ Horrigan, Satterwhite, 7.

So, when talking about New Century Network, the discussion again is about not just opportunities missed but also opportunities only partially glimpsed. As I have mentioned, perhaps one of the biggest missed opportunities was failing to utilize search as a way for newspapers to retain control of their content and advertising revenues. A 1998 article in *Editor & Publisher* noted that, “as members failed to band together to purchase a Web search engine...the U.S. newspaper industry may have made a strategic mistake.”²² NCN consultant Mark Potts, a principle co-designer of NCNs brief and failed effort at search, known as OnRamp, has his own thoughts on the topic:

I can go on and on and on about this, but the real original sin is how media companies failed to work with advertisers to create really viable online ad products and models. Banner ads are a joke. They let classified ads get away. They completely missed the importance of search. And in many cases, they devalued their online products by bundling—usually at huge cut rates—online advertising with print advertising.²³

In fairness to the two aforementioned companies and to New Century Network, the organization that is the focus of this thesis, it is important to note that change can be difficult to effect. There are financial barriers to entry, but more importantly in the two examples I have mentioned, there are also institutional and societal hurdles to clear. As a result, for a company to blow up a business model that in the past has been both highly successful and highly profitable can be difficult.

²² Staff, “Did the newspaper industry’s failure to recognize the crucial importance of national search engine capability doom it to second place or worse,” *Editor&Publisher*, March 14, 1998.

²³ Mark Potts, interview with the author, March 31, 2013.

The inability on the part of newspapers to control their product is in no small part a result of their inability to control their audience as new technologies emerged. This is the paradox explored in this thesis, how the defensive posture of the newspapers that created NCN ultimately prevented them from seeing how this short-lived effort might have changed their business.

Chapter 7- Conclusion

New Century Network was a cooperative effort by newspapers at the start of the digital age. Critics who have examined NCN have primarily dismissed it as a flawed experiment by shortsighted media titans, and as far as the analogy goes they are correct. However, over the course of this analysis I have sought to demonstrate that this effort on the part of nine large newspaper companies at the dawn of the Internet represented much more. Within NCN's structure, I contend, were the seeds of possible online success. And I argue that the events leading up to the consortium's demise are more complex than have been detailed previously.

This case study is by no means meant to be an exhaustive analysis of newspapers during the time the Internet was taking hold, or even of the New Century Network. However, by using NCN as a representation of the broader industry, I have sought to shed light on an interesting paradox: Namely, that despite numerous challenges preceding the arrival of the Internet, newspapers had largely weathered threats to their business models.

Over their long and varied histories, I note how newspapers have dealt with technological developments ranging from the telegraph in the 1800's, to the arrival of radio in the 1920's, to the explosion of television after World War II. And in each of these instances they had largely held their own.¹ Even with circulation declines, newspapers remained profitable up until the year 2000.² Newspaper revenues totaled

¹ Mitchell Stephens, *A History of News* (New York: Oxford University Press, 2007), 275.

² Pew Project for Excellence in Journalism, *The State of the News Media 2013, Newspapers: By the Numbers*. www.stateofthemediamedia.org

13.7 billion dollars in 1995, the year NCN was launched, reaching a record 19.6 billion five years later.³

NCN was not the first effort on the part of the newspaper industry to take advantage of emergent technology. I have discussed how projects such as Viewtron involved the early use of videotext—transmitting news over television sets. There were also efforts by newspapers to place their print product online utilizing platforms such as the Mercury Center project.⁴ However, these early efforts were for the most part clunky, costly, and failed appeal to a wide audience.⁵

What made New Century Network unique, and perhaps superior to those earlier efforts, was that in addition to having a much better means of distribution for news in the form of the Internet, it was also a group undertaking. And this is where a principle paradox of this thesis emerges. Even as many newspaper companies were hugely profitable, most were only dipping a toe into the Internet waters. NCN's member newspapers each contributed around a million dollars a year to the effort, and would pull the plug on the venture after spending around \$25 million dollars.⁶ That's a relatively paltry sum when compared to the industries previously mentioned billions of dollars in profits and begs the question: why so little invested?

Granted, the period in which NCN was launched was early in terms of the Internet penetration. Most people were still using dialup services like AOL, Compuserve, and Prodigy. Only about a third of U.S. households, 37 percent, even owned a PC as late as

³ Newspaper Association of America, *Industry Highlights*, www.naa.org 2012.

⁴ Roger Fidler, *Mediamorphosis: Understanding New Media*, (Thousand Oaks California: Pine Forge Press, 1997), 140,143,150.

⁵ Ibid, 156.

⁶ Ibid.

1997.⁷ But during a period when newspapers were still relatively flush, it is something of a mystery as to why those involved with the consortium were unable to move quickly enough to take advantage of what was a still developing field. This is a problem that continues for newspapers today.

My argument is that because the NCN member newspapers and their bosses could not see beyond their “defensive crouch,” they missed key opportunities which they might have taken advantage of as the Internet was taking hold during a narrow window in time. These included utilizing search to control their rich content, and envisioning new applications for the technology rather than simply replicating online what they had been doing for decades in print.

As has been noted by communications theorists and others studying adoption rates of new technologies, this is not a problem unique to newspapers. Case studies that have looked at Eastman Kodak and other large legacy firms have found in many instances the first reaction of the company, along with that of key industry observers, is to dismiss new technological development. Humorist Dave Barry’s description of the Internet as “CB radio with typing” shows how at least some viewed the online world early on.⁸ And even if the NCN participants realized the Internet might one day be important to their businesses, it is not clear they could see all of the possibilities during the time NCN was in existence. This speaks to the idea put forth by communications

⁷ Lee Sproull, *A Nation Transformed by Information: How Information Has Shaped the United States from Colonial Times to Present*, Edited by Alfred Chandler and James Cortada (New York: Oxford University Press, 2000), 257.

⁸ Michael Olson, “The Internet will be a fad, claimed scientist in ’95,” NewsCut, *MPR News*, February 16, 2012.

theorists including Everett Rogers, which is that the adoption of any new technology is affected by its “perceived attributes.”⁹

NCN’s Interim CEO Peter Winter and others interviewed by the author appear to have been aware that the Internet would represent an important development for their industry. In an interview, Winter described how it was clear that the Internet needed to be more than just a “digital distribution channel” for newspapers, while at the same time noting the difficulty of effecting change. However, he also noted how “it required therefore a more radical sensibility about the product and the audience than a local newspaper could possibly conjure up.” And at a time he and others were struggling to get NCN off the ground, he explains that asking a local newspaper editor and publisher to “make the leap to understand what the Internet represented from a product and advertising point of view was to ask them to fly to the moon.”¹⁰

This shows that while NCN was envisioned as the newspaper industry’s response to emergent technology, it was hard to move the participants past the legacy technology they were familiar with. Communications theorist Pablo Boczkowski speaks to this when he discusses the idea that, in the past, adoption of a new technology on the part of participants generally has required that it be “evident to key decision makers that relevant technical and social developments had a reasonable chance to take hold...”¹¹

It is not always the threat posed by a new technology that can cause companies to be slow to react. Established firms may also be worried about what is displaced by the

⁹ Everett Rogers, *Diffusion of Innovations*, 4th ed. (New York: The Free Press, 1995), 206, 207.

¹⁰ Peter Winter, Interview by the author, January 23, 2013.

¹¹ Pablo J. Boczkowski, *Digitizing The News: Innovation in Online Newspapers*, (Cambridge, London: The MIT Press, 2004), 48.

new technology and how compatible it is with the overall goals of the organization.¹²

This is expressed as the idea of “mimetic originality” put forth by theorist Boczkowski in his book *Digitizing The News*. He describes how even as newspapers sought to innovate online, they were “keeping the centrality of old journalistic repertoires...”¹³

I have discussed how those tasked with getting NCN off the ground appear to have been quite driven as they sought to achieve something that newspapers over their long history had never been able to do before, namely to form a national network. NCN CEO Lee deBoer described the vision for the consortium as being “much like you would see in a broadcast environment, with synergy between a national broadcast network and its local affiliates, you’ve got value going in both directions.”¹⁴ It is worth noting, however that the broadcast TV model has also had its problems in recent years. But the fact that newspapers, historically monopolistic and turf oriented, even agreed to take part in the NCN consortium argues they had deep concerns about the emergent technology.¹⁵

Despite the vision of hundreds of member newspapers sharing content, and the depth and breadth of shared coverage provided by thousands of journalists, NCN never gained sufficient traction to succeed. The company would pioneer important products such as the online news platform NewsWorks, an early news aggregation site, and would even take a stab at search, but NCN would never fully realize any of these endeavors.

¹² Rogers, 227-229.

¹³ Boczkowski, 73.

¹⁴ Lee deBoer, interview by the author, April 9, 2013.

¹⁵ Bloomberg Business Week: “A Cautionary Tale for Old Media,” *BusinessWeek*, November 4, 2007 <http://www.businessweek.com/stories/2007-11-04/a-cautionary-tale-for-old-media>.

Because they could not agree on a common goal, the NCN partners appeared to be moving in different directions.¹⁷ This speaks to the point repeated in a number of accounts blaming NCN's demise on the fact that with nine partners, there were "too many cooks."¹⁸ Two of the consortiums largest members, the *New York Times* and Gannett's *USA TODAY*, would refuse to even place their content on NewsWorks, apparently fearing it might cut into the paper's own websites.¹⁹

But focusing on the failure of NCN to achieve critical mass also gives the consortium less significance than it might otherwise have as part of the media history timeline. With the help of some of NCN's founding members, I was able to obtain important historical documents detailing the day-to-day operations of the consortium. These included key talking points with members of NCN's board, flow charts, and mission notes. To the best of my knowledge, this is the first time some of these documents have been shared outside the network.

I was also able to make extensive use of a Web-archiving tool, the WayBack Machine. This online site is an invaluable treasure trove of Internet history. It includes cached Web pages written by the founders detailing the consortiums mission, its funding model, and the vision for its Web-based product as well as examples of NCN's front page.²⁰

¹⁷ Keith Herndon, *The Decline of the Daily Newspaper*, (New York: Peter Lang Publishing, 2012) 145.

¹⁸ Sari Kalin, "That Sinking Feeling," CIO Magazine, November 1, 1998.

¹⁹ Herndon, 145.

²⁰ Internet Archive-WaybackMachine, "Homepage," web.archive.org/web/19961112075020/http://newcentury.net/

In this thesis I argue media researchers have, for the most part, inadequately explored the New Century Network and the vision held by the group's founders. While NCN has been used primarily as a metaphor to explain how newspapers were unprepared or taken by surprise by the arrival of the Internet, I argue that the consortium has some valuable lessons to teach. In many ways NCN acted as a microcosm of the broader industry, illustrating why it has been so difficult for newspapers to make money online.

It is a given that NCN can only be viewed as a snapshot in time. But in terms of media history, I maintain the importance of New Century Network has largely been overlooked. In this brief synopsis, I have attempted to rectify that. My argument is not that newspapers failed to act; it is that perhaps more importantly they failed to see what the Internet could have meant for their business models at a critical moment in time, the dawn of the Internet age.

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