

NEWS MEDIA INNOVATION *2020*



Centre
for Media
Transition

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INNOVATION
2020
JACQUI PARK**



She was the founding director for the **Splice Beta festival** for Asian media startups and innovators in Chiang Mai, Thailand, 2019. Previously she was CEO of the prestigious **Australian Walkley Foundation** for journalism where, among other initiatives, she created an innovation fund and incubator for media startups. She was also Asia Pacific director for the **International Federation of Journalists**, and in 2016 was a **Knight fellow at Stanford University**.
This report draws on her work over the past year researching and interviewing media innovators in Australia, New Zealand and across Asia.

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A NOTE ABOUT THIS REPORT

> Short 'bios' of the news media organisations cited in this research are contained in stand-alone boxes. Many of organisations and projects are further profiled in the case studies section, pages 52-62.

> Quotes not otherwise cited come from interviews or discussions conducted as part of this research. Quotes or information from speeches or interventions at conferences not otherwise published are referenced to the conference in the text.

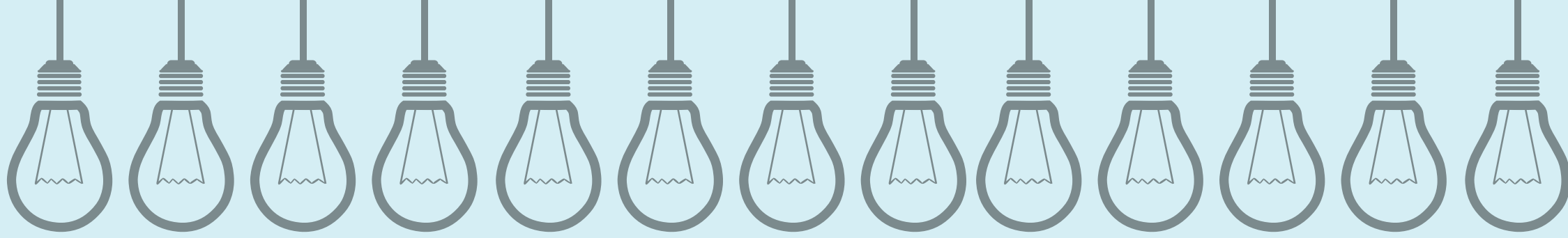
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EXECUTIVE SUMMARY



SIX TAKEAWAYS

- 1** Disruption of news media has come from outside. Innovation is about remaking news media from the inside.
- 2** The disruption is not about the technology. It's not even about the business model. It's about the clash between living in a world of information abundance and having only a finite amount of time to pay it attention.
- 3** Innovation in news media has circled through three overlapping cycles: digital-first publishing, social media distribution and, now, audience-centred publishing.
- 4** It has taken these three cycles to understand what is at the core of the disruption challenge: audiences.
- 5** Practically, putting audiences at the centre means having a holistic strategy that combines innovation in content, business models, distribution and product.
- 6** The case studies in this report reveal how new and established media organisations are placing audiences first.

Disruption and innovation is the call and response of the modern world. News media is caught shuttling helter-skelter from one to the other, attempting to juggle the impact of disruption while innovating to create a new media ecosystem. It's hard and exhausting work.

But disruption is not a matter of having to deal with new technological tools or the platform-based internet. The disruption of news media lies in the abrupt turnabout in the information and the attention economies. Previously, information – and access to information – was relatively scarce. It could be corralled, packaged and sold. But now, information is everywhere. It strains to be free, to be ubiquitous. And where supply is effectively infinite, demand for each individual unit falls.

On the other hand, attention – the time any one person has to consume information – is all too finite. As all the other magnets for attention come rushing in to compete with news media, the attention available for journalism has dwindled. Journalists are engaged, whether they know it or not, in a global fight for attention, from competition within their own industry and from outside it. Once, information scarcity allowed news media to monopolise significant blocks of attention, with the morning newspaper over the breakfast table or the television news in the evening. Now, the challenge is to win that attention through the power of journalism. And that is the core question posed by the digital disruption of news

media: do you have what it takes to hold the audience's attention? The situation calls for an innovation response that captures the audience with compelling content, packaged and delivered in the right way at the right time. The goal is R.E.A: repeat engaged attention.

It has taken a long time to understand that beyond the business model, social distribution and technology, the biggest disruption has been to the audience: their habits, needs and expectations and how they value information. This calls for an audience-focused response, and an understanding that just as disruption is at the heart of the business, innovation too has to be at the centre of everything. Business as usual is not an option.

Practically, this means aggregating, identifying or creating an audience with a holistic approach: creating journalism they value, designing distribution tools to reach them where they are and developing the products that embed the business strategy to complement the journalism. This report tries to take the first step in responding to these innovation challenges: to catalogue what we know,

and what we know we don't know. As futurist Amy Webb says, deep challenges need deep questions, so these learnings – and the suggested ways forward – must always have a touch of the tentative about them. Being agile has become something of a cliché. It is also a necessity. Because a vibrant news media in a democratic society is too important for us not to prepare to embrace solutions, to jump in and experiment. The stakes are too high.

Coming to grips with the centrality of the audience marks the third overlapping innovation cycle in news media this century, following the first cycle of process engineering that transplanted the old mass market advertising-supported model to the web, and the second cycle of mass and targeted distribution through search and social media.

This audience-centred dynamic is creating a diverse ecosystem, made up of traditional players, start-up media, public broadcasting and global players seeking a local footprint. There is good reason to be excited about the journalism that it's generating and the business processes and distribution that are underpinning it.

IT CALLS FOR AN INNOVATION RESPONSE THAT CAPTURES THE AUDIENCE WITH COMPELLING CONTENT, PACKAGED AND DELIVERED IN THE RIGHT WAY AT THE RIGHT TIME. THE GOAL IS R.E.A: REPEAT ENGAGED ATTENTION

INNOVATING THE BUSINESS MODEL — AKA: WHERE'S THE MONEY COMING FROM? TRADITIONALLY THAT'S BEEN ADVERTISING. BUT GRABBING A SLICE OF THE PAY IN THE AGE OF GOOGLE AND FACEBOOK REQUIRES SMARTS

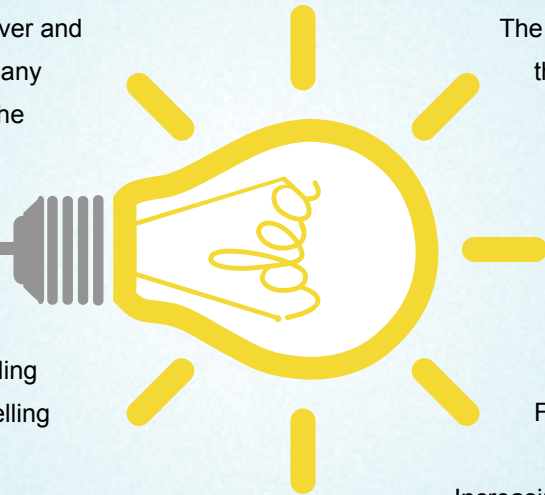
In this report, we draw insights and questions about innovation across the four pillars of product development, business models, distribution and, of course, the journalism that must continue to lie at the heart of news media in a democratic society. These need to be integrated in a holistic strategy that understands and engages its audience at the centre of the process.

The big takeaway for innovation in the journalism itself is that the story can't take for granted the attention of the audience. It must be earned over and over again. Journalists need to start any story by asking themselves: what's the value in this? Why should a reader, viewer or listener use some of their

limited attention on this. This requires understanding the job your journalism is doing, as well as providing compelling content, engaging storytelling and a targeted market niche.

Once, 'distribution' went one way, through loading papers on the truck or firing up the broadcast tower. Now innovation in distribution is multi-directional. With the internet now the front page, each media outlet needs to find its cut through, from managing the trials of the algorithm to the secret distribution power of email and much in between.

There's another distribution trap: your audience wants it when they want it – not when you decide to give it to them: think of time-shifting in video or the rise of the podcast. And there's an emerging challenge: artificial intelligence has the potential to make personalised delivery the ultimate in what the audience wants, when they want it. Link that with the trend to voice activation and you have the drivers of the next cycle of news media innovation in distribution.



The next question is how to innovate the business model – aka, where's the money coming from? Traditionally for news media, that's been advertising – and innovators are still finding those dollars too attractive to just give away. But grabbing a slice of the pay in the age of Google and Facebook requires smarts.

Increasingly, news media innovators are turning to their readers, viewers and listeners for revenue, turning them into subscribers, donors and partners. But it comes with a warning – that changes a lot more than you might think.

What other dollars are there? The magic answer is revenue diversification – an answer that requires real innovation and often rethinking the product.

If the business model is about building diverse revenue streams with the audience at the centre, innovation in product development is about designing news products that people need and want, will seek out and will pay for. It brings together the journalism, the distribution and the business strategy into a product that fits its market, a product that solves a problem for the audience it centres on.

That means there's a need for skills development, where innovators need business skills – either their own or someone else's. And start-ups need to find someone to help them get on, and off, the runway. That someone might be you, bootstrapping yourself.

While there is much to be excited about in this innovative ecosystem, there are also reasons for real concern. Too often, the ecosystem lacks depth and there is much work to be done to develop a robust culture to support media in transition. The current culture risks building walls that confine news to those able and prepared to pay for it and facilitating the creation of news deserts, most notably in local news.

So what's next for these four innovation responses? How might we:

■ truly understand the needs of our audience and communities? How do we turn this understanding into a media that is profoundly relevant to their wants and needs?

■ give the current generation of journalists (and, for universities, the emerging generation) training to drive innovation in journalism that meshes the imaginative and the practical?

■ network news media innovators across Australia, New Zealand and Asia and link them with innovators around the world to share the wisdom that comes equally from success and failures? How do we enable networked innovators to support each other through sharing knowledge as peers and mentors?

■ build the support structures and space for experimentation and shared learning for the whole craft and industry?

■ build initial runways for access to investment and other funding?

■ understand the role and value of journalism where internet culture is rapidly changing the context?

There are plenty more related questions to ask and problems to wrangle with. But the positive note is, by and large, the news media industry knows it has to meet the challenge of disruption with innovative responses. This report is a good place to start to understand how it is doing so.



WHY THIS REPORT?

INTRODUCTION

The emerging media eco-system in Australia and New Zealand, and in the broader Asia region, demonstrates an exciting diversity, both in its journalism and the products that make up that journalism. The black and white world of 20th century analogue journalism has been replaced by a vibrant interplay of colour. But what makes it work? How are traditional media navigating the transition? Why do some ventures succeed and others fail? How is the eco-system evolving?

To rephrase Clay Shirky in his 2009 blog post, *Newspapers and Thinking the Unthinkable* (Shirky 2009): You can understand the world before a revolution. You can understand the world after a revolution. But in the middle of it? All but impossible!

The stories of innovation only tell the journey up to this point where the news media (and its audiences) sit today. These stories aggregate the knowledge of news media innovators into the first glimmerings of a wisdom that helps understand what audiences want – and what they just might need – from the news media.

YOU CAN UNDERSTAND THE WORLD AFTER A REVOLUTION. BUT IN THE MIDDLE OF IT? ALL BUT IMPOSSIBLE!

This report is written with three audiences in mind. The first is the community of news media innovators who are shaping the media for the future, or people with the beginnings of ideas for innovation. These are the journalists and others navigating these turbulent seas.

Second are the institutions that are providing essential support for media in transition: universities, philanthropists, governments, not-for-profits, investors – people who want to know how they can help make a difference by collaborating with innovators.

And then there's everyone else: the news media is central to a democratic society, as a Fourth Estate. People who care about where society is heading, care about what's happening with news media.

Media – both traditional players and start-ups – are using innovative methodology and design to adapt distribution, audience building, business models and the pivot to reader revenues. The traditional players are

reshaping historical products, walking either side of the line that separates innovation from business as usual, to innovate without breaking what still brings value. Start-ups are providing a key layer of news and information – deepening the news ecology and filling news gaps.

In the 25 years since Australian media ventured online, our tentative learnings suggest that building a sustainable news media for the future requires integrated innovation around four factors:

- **Journalism** that understands its audience's needs and is able to engage it in a two-way (and a broader social) relationship and add value through being both useful and entertaining;
- **A product** that does the job that audiences want it to do for them and that, directly or indirectly, funds the journalism of news media;
- **Social distribution** that both uses and builds network power; and
- **A business model** that relies on diverse revenues from advertisers, readers and some other mix, without being over-dependent on any one source.

These are not stand-alone points to be ticked off. Successful news media innovators think about each of these steps in a holistic way that integrates them by centring the audience.

Because news media innovation is in a state of flux, it's all but impossible to put a pin into just where we are, or where we're going. Innovation is a discovery, a journey of exploration with news media often struggling to see too far ahead. This means 'we need to consider methodological approaches that help us capture a field in flux, and that allow us insights into the process, not merely into the input and/or the output of such processes' (Wagemans and Witschge 2019). This report,

“IF WE WANT EVERYTHING TO STAY THE SAME, EVERYTHING WILL HAVE TO CHANGE”
LAMPEDUSA
THE LEOPARD 1958



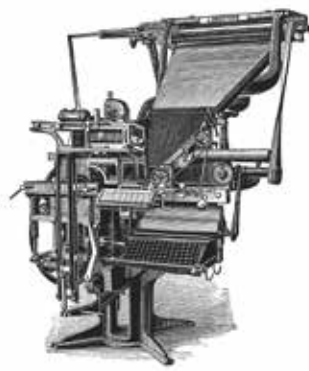
BHARAT ANAND SAYS INNOVATORS NEED TO UNDERSTAND THE GAME BEING PLAYED BEFORE THEY CAN KNOW HOW TO WIN IT
THE CONTENT TRAP

then, uses human-centred design both as a research technique and as a way of understanding how innovators in news media have (or could or should have) responded to the challenges. Human-centred design encourages innovators to focus on a sharp definition of the question before they fall in love with the answer or, in the case of journalism, before they assume that the answer that may have been correct within the constraints of 20th century media remains the correct answer today.

Within journalism, there's often a caution about embracing so-called Silicon Valley values; a concern, for example, that one person's audience focus is another's corrupt pandering to what works (Foer 2018 p 149). But, as the author of *The Content Trap*, Bharat Anand, says, innovators need to understand the game being played before they can know how to win it (Anand 2016). In this game, then, human-centred design is more a tool than a theory, a mindset that takes time for a deep understanding of the question or challenge and encourages innovation based on centring the user. This has been described elsewhere as the soft operating system of Silicon Valley innovation (Park 2019).

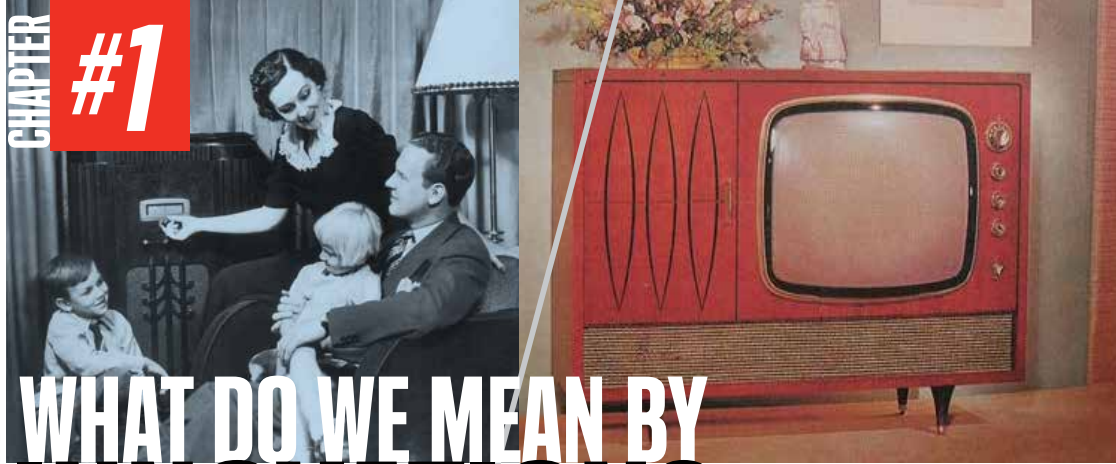
As a result this research is qualitative and theme-based, rather than quantitative. In-depth interviews with more than 70 practitioners and readings of their real-time comments in blogs, speeches and articles, have provided an understanding of how others have been defining the question – and how they've been attempting to answer it.

As Shirky reminded us a decade ago, we understand the future with the tools of the past. In news media this understanding means that what is innovation from one point of view is business as usual from another. But a holistic look over news media helps put each step – each success, each pivot, each failure -- in a broad innovation context.



LINOTYPE THE FILM
IN SEARCH OF THE EIGHTH WONDER OF THE WORLD

CHAPTER **#1**



WHAT DO WE MEAN BY INNOVATION?

Innovation and disruption (and even disruptive innovation) describe processes of change in industry and industry sectors – change that profoundly reshapes, perhaps destroys, and recreates. Economist Joseph Schumpeter dubbed ‘creative destruction’ the driving force of capitalism (Schumpeter 1947). Management theorist Henry Mintzberg said businesses mistake disruption as a moment, not a process: change, he says, has always been with us and each generation – mistakenly – believes it alone stands at the epicentre (Mintzberg 1994).

Much of this theoretical analysis of disruption treats innovation as the cause, rather than the driver of disruption. Disruption within a specific industry is driven by the shock of an invention, as suggested by Ralph Waldo Emerson and his proverbial better mousetrap. This underpins the foundational 1990s work on modern innovation by Clayton Christensen, *The Innovator’s Dilemma* (Christensen 1997). Corporations, he says, are torn between implementing the unknown new at the expense of a profitable present.

In news media, this was true of the large disruptions driven by linotypes in the late 19th century, radio in the 1920s and television in the 1950s. News media largely captured the process and journalism thrived as a result.

However, in the 21st century, news media is being disrupted by exogenous forces outside its control and not open to be captured, even by the titans that once dominated media.

The internet disrupted the news media in three ways. It disrupted distribution by enabling real-time circulation, eliminating capital-intensive production processes (a printed newspaper, a broadcast channel). It disrupted the business-to-business model aggregating mass audiences for delivery to advertisers. And it disrupted the monopoly on content creation that, for news reporting and analysis, was effectively held by the professional craft of journalism.

All these disruptions were more or less foreseeable as the natural playing out of the internet. What caught the industry by surprise was the greater disruption – the fragmentation of attention in an information-rich environment. The habits, wants and needs of news media audiences were thought to be well understood. The appointment with the morning paper over breakfast or with the 6pm news over dinner was so solid, it could, in a practical sense, be taken to the bank. Now the audience has atomised. Time has become moveable. Habits have become fluid.

Innovation in news media is better understood as the way an industry responds to the twin shocks of the internet: the overflow of infinite information it brings crashing into the hard limits of attention. It’s how the industry – and society – responds once it realises that a nudge on the tiller of business as usual isn’t going to cut it any more. It’s how innovators ask (pace Christensen 2016): ‘What’s the job to be done here? What do readers, listeners or viewers want news media to do for them?’



‘YOU CALL THAT INNOVATION? THIS IS INNOVATION’

As a response to exogenous disruption, innovation is both more constrained – i.e., more reliant on platforms and tools developed by others – and more free, at least of the trap of the innovator’s dilemma – the industry will be disrupted whatever choices the industry leaders make. However, the dilemma in news media innovation is real. It’s easy for Silicon Valley evangelists to grandly admonish us to ‘Move fast and break things’ (Zuckerberg quoted in Baer 2014). In news media, the things that get broken – local newspapers, say – have a value beyond the commercial, a deep history and strong community role.

Given the social and political significance of news media, the innovator’s dilemma has been to build the future while preserving as much of the values and assets of the past as we can. Practically, this means asking: how might we innovate in news media without sacrificing the core, historic values of journalism’s truth-telling mission? And, how might we support the advertising-driven mass product which still, 25-odd years into this digital journey, provides the overwhelming majority of news media revenues?

News media have eagerly adopted the tools of disruption to innovate. Newspapers were quick to move online: within six months of Netscape launching the first commercialised browser in 1994, smh.com.au began with Computers Online. Since then, journalists and communicators have continued to embrace the opportunity to innovate news media: in distribution, in product development, in business models and in the journalism itself, both in reportorial research and in crafting the story.

This mix of opportunity and constraint often leads to a Crocodile Dundee-style innovation competition: ‘You call that innovation? THIS is innovation.’ Google describes its thinking as 10x: ‘Put simply, true innovation happens when you try to improve something by 10 times rather than by 10 per cent’ (Google Cloud 2014).

How would we begin to conceptualise this in the news media today? What would a 10x news media even look like? What metric would you use to measure it? It’s a fascinating intellectual exercise – and a useful heuristic at the micro level – but of limited practical use for a sector seeking to just be as fit for purpose as it was 25 years ago.

However, as everything changes outside journalism, the starting point for that sort of necessary ambition in news media lies in radically reimagining the provenance and place

of journalism in the revaluation of time, the re-imagination of community and the demand for relationships that can be trusted. Being confident in its values and mission, makes innovation in news media a radically conservative project. As Lampedusa writes in *The Leopard* in response to that great 19th century social and political disruption of nationalism: ‘If we want everything to stay the same, everything will have to change’ (Lampedusa 1958).

Or to put Lampedusa into design thinking: how might we renew a journalism true to its values that delights and fulfills an essential need for our society? The answer to that question is a process, a journey. That process is the grand task of innovation as it is explored in this report.

Innovation across the sector is a collective and iterative project, assuming an implied collaborative understanding. Each individual idea, practice or change should be assessed for its contribution to the sector’s often tentative reaching for its next footing, rather than assessed for its own (probably unknowable) impact. For example, the roll-out of large-scale donations strategies was initiated by *The Guardian* and now is being replicated by others. However, as each of these innovative practices jumps (or iterates) from company to company, it demands its own product/market assessment, that process of understanding your own problem to assess the solution’s fit, rather than a simple cut-and-paste replication.

Looking back, putting a paper on the web in the 1990s using print deadlines looks a lot like 20th century business as usual. But at the time, it was a first tentative attempt to answer the question of how we would renew journalism. And it was embraced by many with excitement for the opportunities it offered.

MOONSHOT

is the flagship podcast series by experimental media company Lawson Media, founded by former ABC journalist Kristofor Lawson. It was partly funded by the Walkley Innovation Fund 2017 and RMIT University’s start-up accelerator LaunchHUB. Moonshot reports on big ideas for a tech-informed audience. Each episode attracts 10,000-15,000.

> SEE CASE STUDY

PAGE 56

The sector is rich in start-up and innovation talent, open to experimentation and adaptable to the constantly changing media landscape. Indeed, many have embraced change as the new normal. Significantly, it’s not about the money, or not just about the money. Innovators have a strong mission to create journalism as a service that informs and drives change, that speaks directly to the needs of their community.

WHERE ARE WE NOW? HOW DID WE GET HERE?

Today's news media eco-system is more diverse both in what it is and where audiences find it. On the one hand, it's more national (less local) and more globally integrated. On the other, it provides more opportunities for diverse voices, more niches for different interests.

Start-ups are carving out a new space in the media ecosystem, alongside publicly owned media, such as ABC and SBS in Australia and Radio New Zealand. Evolving traditional media groupings are building national scale around two big groups – Nine Entertainment, having absorbed the Fairfax mastheads and Stuff in New Zealand, and News Corp and Seven West Media who are increasingly cooperating on content and distribution. Global players are carving out a local footprint, such as *The Guardian*, *BuzzFeed*, *New York Times* and *VICE*.

These are common global patterns, although in Asia, there is less innovation in the bigger traditional media houses (apart from a few exciting outliers), but real innovation in new media ventures is often freeing up reporting despite restrictive national conditions.

The innovation journey for news media has not been smooth. Since the turn of the century, it has rolled through three overlapping cycles of experimentation and learning.

TODAY'S NEWS MEDIA IS LESS LOCAL AND MORE GLOBAL, AND YET — IT OPENS TO DIVERSE VOICES, MORE NICHE AND DIFFERENT INTERESTS

THE AUSTRALIAN

is a national broadsheet newspaper, published from Monday to Saturday each week since 1964, with an audience of over 1.4 million readers. It has a paid subscription-based online service with an audience of 2.3 million, plus a mobile app and Facebook messenger app news service. Owned by News Corp Australia, the editor is Christopher Dore, previously the editor of *The Daily Telegraph*.

CYCLE ONE THE DIGITAL FIRST CYCLE

Early innovation in news media depended on two breakthrough understandings of the web: first, that, as an emerging medium, the web required approaching it on its own terms, rather than as an online replication of print or broadcast production and, second, that the web is a social network of many to many, not the traditional one-to-many that underpinned 20th century news media.

In a practical way, this meant putting stories on the web in a web-friendly (and subsequently mobile) format as they became available, rather than holding them back to match, say, newspaper deadlines, in an innovation known as 'digital first'. It meant reimagining journalism as a continuing conversation as the web matured into its networked self through what was known at the time as Web 2.0 (Dinucci 1998). This demanded a fundamental change in the relationship between news media organisations and what Rosen characterised at the time as 'the people formerly known as the audience' (Rosen 2011).

The shift to digital first publishing within Australian commercial media was more a process than a moment. From the earliest days of web publishing, commercial sites had a mix of digital first material and material that had been held back for print publication so as to preserve the perceived inherent news value in the print product. Over time, the mix shifted back and forth depending on corporate and masthead approaches. Finally, in 2012, Fairfax nailed its metropolitan mastheads to the digital first mast (ABC 2012). News Corp followed soon after. Both sustain digital publishing schedules through a daily cycle based on perceptions of reader needs and demands.

News media companies largely sequestered their web innovation, either through a skunk works lab, or separate administrative or legal structures. For example, Fairfax digital operations, under various names, was kept separate from its metropolitan mastheads until 2012 and often produced stand-alone digital only titles such as *The Brisbane Times* and *WA Today* (launched in 2007) and youth site *Vine* (launched in 2008). News.com.au's Sydney headquarters was initially housed outside the company's Surry Hills headquarters. Management theory debates whether innovation is best achieved through this separation (by protecting it against the dead hand of old-culture thinking) or through integration in daily practice.

Journalism on the web evolved by adopting hypertexting to link to sources, early interactivity such as comments (including, at times, a response within the comments by the journalist) and multi-media tools (such as video inserts or interactive artwork) (Deuze 2003).

Providing user access to source documents and working notes would, it was argued, improve transparency. This culminated in the launch of Wikileaks which provided all documents in large data dumps (Fowler 2011).

Outside traditional news media, writers were embracing the social web with the adoption of blogging, including through shared blogging sites. This gave rise to 'citizen journalism' defined by Rosen as: 'When the people formerly known as the audience employ the press tools they have in their possession to inform one another' (Rosen 2008). Often these were driven by journalists, academics, and students. The history of blogging in Australia was written in real time by Greg Jericho (who had blogged as Grog's Gamut), in his 2012 book *The Rise of the Fifth Estate* (Jericho 2012).

Although professional journalists found the citizen journalist concept challenging, the format innovated journalistic

NEWSPICKS

is a five-year-old Japanese socially networked news app built from the ground up by creating a community of younger people (age 20–40) interested in business and tech, together with a strong commentary feature. It produces original content and events as well as aggregating content. Its business model is based on subscriptions and branded content. **> SEE CASE STUDY PAGE 54**

content, with some journalists (such as Matt Price and George Megalogenis at *The Australian*) adding blogs to their output. In the UK, *The Guardian* had earlier developed live-blogging. Starting as a tool for a text-based medium to cover football live, it grew into a significant way of rethinking news for the 24-hour digital age and has been applied to cover almost all breaking events.

Within Fairfax, Margo Kingston launched a blog-style WebDiary in 2000 on *The Sydney Morning Herald* site, incorporating her own commentary with citizen journalism. By 2005, its free-wheeling nature became too much for the company and Kingston launched it as an independent structure, which continued until about 2012.

Some blogs developed into media start-ups (such as *MammaMia* or *The Roar*). Others were absorbed into traditional media as live digital content by *Crikey* or *The Australian*. Jericho himself ended up as an employed journalist on *The Guardian's* digital Australian edition. Melissa Sweet's *Croakey* blog which started as a link from *Crikey's* web site ended up spinning out into its own start-up.

New media were often seen through the eyes of the old. For example, when the NSW Labor Council launched its self-funded Workers Online in 1999 it was shaped, as founding editor Peter Lewis wrote in his recent book *Webtopia* (Lewis, 2019), with the early 20th century model of Labor Daily in mind. In its brief life from 2012–2014, the philanthropy-funded *Global Mail* grappled with the challenge of web-delivered digital with its design as an online magazine.

More enduring were two early digital only publications: *Crikey*, a subscription-based email newsletter launched in 2000 and the media and marketing newsletter and events company, *Mumbrella*, supported by advertising and sponsors, which launched in 2007.

In Australia and New Zealand, the public broadcasters came to be early innovators



in journalism content. Free from advertising constraints, organisations such as the ABC or Radio New Zealand have been able to experiment in new approaches to journalism. For the ABC and SBS, this also involved launching new digital channels like News24 and NITV and time-shifting streaming services iView and SBS On Demand.

CYCLE TWO THE ADVERTISING COLLAPSE & THE FACEBOOK PUNT

These early trends were overwhelmed from about 2008 by two external shocks: the sudden and continuing collapse of advertising revenues, particularly in newspapers, and the absorption of readers' time by social media, particularly Facebook and, in news at least, Twitter. Together with Google's search these platforms replaced the traditional top-down distribution of the media companies with a consumer-driven discovery.

This shattered the hope that the traditional news publishing model funded by advertising that brought and kept readers in the single product for both news and ads would transition from print to digital, from a newspaper to a url, from, say, *The Sydney Morning Herald* to smh.com.au.

The slump in advertising support happened astonishingly quickly, particularly in newspapers, as the graph (right) illustrates:

According to the latest reports from the Australian Communications and Media Authority (ACMA 2019) and the Interactive Advertising Bureau, the proportion of advertising dollars spent online is now over 50 per cent in Australia and 40 per cent in New Zealand. (As a general rule of thumb, ad spend in developed countries is equivalent to about 1 per cent of GDP, so about \$AU15.6 billion in Australia and

THE GUARDIAN

is the third largest English language news website in the world. *The Guardian Australia* launched in 2013 and by October 2014, had reached a record peak of 2.1m Australian readers. It has successfully transitioned to a contributor model with donations from readers. *The Guardian* is part of the Guardian Media Group, owned by the Scott Trust. Profits are reinvested in journalism rather than passed on to owners or shareholders.

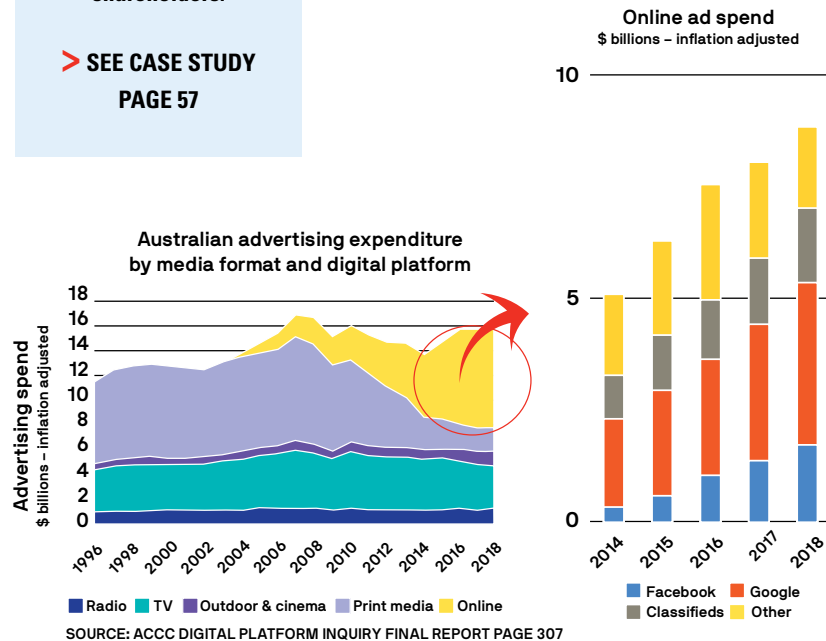
> SEE CASE STUDY PAGE 57

about \$NZ2.5 billion in New Zealand). Mary Meeker's *Internet Trends* (Meeker 2019) reports the online share increasing globally by about 20 per cent year on year.

Most of these online ads are now captured by Google and Facebook. According to the final report of the ACCC's Digital Platforms Inquiry, about 61 per cent of this online ad spend in Australia is now captured by one or other of the products and services of these two giants (ACCC 2019).

A significant slice of this online spend supports search and classified advertisements – famously dubbed 'rivers of gold' by Rupert Murdoch. In the internet world, these are look up and discover plays, with no self-evident basis for a relationship with news or related content. Although some media companies retain full or partial ownership of classified advertising platforms (Nine and Domain, News Corp and the REA Group) there is now only the most tenuous link between classified income and news media.

At the same time, display advertising (now about a third of online ad spends or about \$3.2 billion in Australia) is increasingly mediated through programmatic advertising – algorithmically allocated to consumers based on the user's personal data



held by the platform. Programmatic ads are both cheaper and shared across ad-supported web pages. (The ACCC inquiry includes a useful explanation both of how this works in practice and how it acts to capture advertising dollars within the platforms' own eco-system.)

Meeker's *Trends* estimate this takes 62 per cent of display advertising globally, and growing. The New Zealand IAB estimates about 48 per cent of digital display spend goes to programmatic ads.

As early as 2010, Meeker's *Trends* gave a structural reasoning to this decline by matching time spent on medium with ad spend, showing that newspapers then consumed 8 per cent of media users' time, but received 27 per cent of all advertising income. By last year, the figures for print papers had fallen to 3 per cent of time and 8 per cent of ad spend.

The report of the ACCC inquiry into the platforms estimates that print revenues in Australia are now about 12 per cent of total ad spend. However, these print revenues of about \$1.8 billion remain the major source of revenues for the traditional mastheads. They are tied both in content and in advertising to the aging of newspaper readers, with a recent page count of Saturday's *The Sydney Morning Herald* showing two-thirds of ads were discretionary travel, largely targeted at retirees.

The advertising collapse coincide with the shift to social and mobile. This was a profound change, arguably greater than the arrival of the internet itself, as it disrupted the shape of content and most importantly, the relationship with the audience.

The media companies looked to these platforms to chase readers, to understand what content people shared and why they shared it, so as to master the formula for creating stories that would 'go viral'. In 2008, editors were reporting that about half of all unique page views in newspapers were already coming from search. By 2015, many – for some,

THE SPINOFF

is an online journalism, commentary and opinion magazine started by Duncan Greive in 2014 with a focus on politics, pop culture and social issues. It is organised around sponsored verticals and has recently launched a successful membership program. It has an urban youth audience with an average reach of more than 800,000 New Zealanders per month.

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most – of these referrals were coming from Facebook.

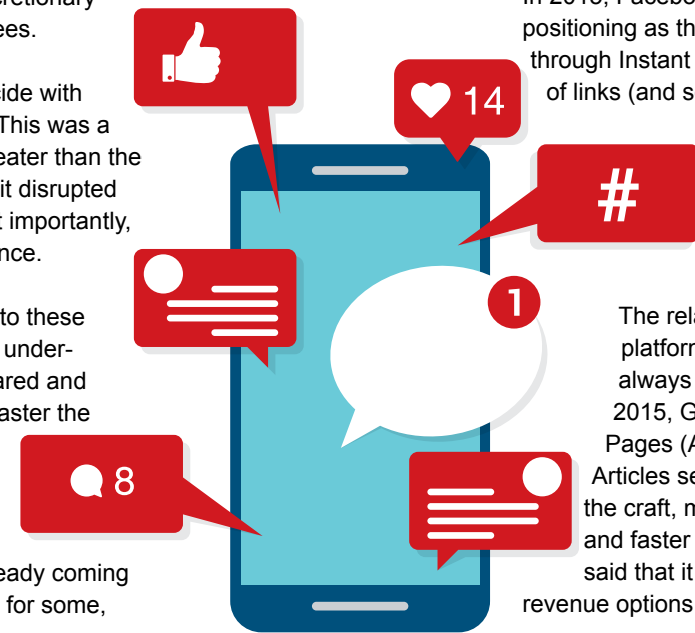
According to the ACCC report, in 2017, over half still came from Google (28 per cent) or Facebook (23 per cent).

From the news media's perspective, Facebook (and other social platforms like Twitter) have been about pulling readers into the publisher's web page where they can be monetised through advertising or converted to subscribers. For Google, this led to the near universal adoption of the tools of Search Engine Optimisation – the use of headings, words and tags to bump stories up the search rankings, pitching media companies in a zero-sum competition with each other.

For Facebook, it meant maximising user engagement with their page through likes, shares and comments to boost their links up the News Feeds of people similar to their existing users and so pulling them back to the publisher's site. This strategy caught the publishers out when the NSW Supreme Court found that this approach made them liable for defamation of comments posted on their public Facebook page (*Voller v Nationwide News 2019*).

In 2015, Facebook seemed to be cementing its positioning as the media distributor of choice through Instant Articles, which allowed loading of links (and some ads) more quickly and more efficiently. It promised even greater access to a Facebook audience that was growing both in numbers and in time on the site.

The relationship between the platforms and the publishers was always uneasy. On the one hand, in 2015, Google's Accelerated Mobile Pages (AMP) and Facebook's Instant Articles seemed to solve a problem for the craft, making the mobile web better and faster for journalism. But publishers said that it truncated their design and revenue options and the pact saw journalism



subject to the whims of changing algorithms (ACCC 2019).

The new environment brought opportunities to commercialise start-ups, using the platform distribution to reach and engage readers. Most famously, *BuzzFeed* launched in 2006, taking advantage of the scale virality brought for advertising and, in 2011, added a comprehensive news service. In Australia, *Starts at 60* built its media voice with a sophisticated understanding of how to use the Facebook algorithm, as did *The Spinoff* in NZ. Similarly, *New Matilda's* now editor Chris Graham says he was able to use Facebook to build awareness and subscriptions.

Successful viral strategies required each individual story to be optimised for social media, requiring significant investment in, for example, social media and engagement editors. Although this was practical for larger newsrooms, smaller start-ups struggled to compete.

Those Facebook years encouraged a belief that social distribution through Facebook (and perhaps other social media) would be the dominant mode of connection between media and their audiences. Effectively, it encouraged media to outsource audience development and engagement to the giant platform's algorithm. It meant that many media, particularly in the traditional sector, delayed the work of understanding their audience – work that has become essential in the new era.

In 2016, the media's punt on social distribution was deepened when Facebook announced a 'pivot to video', encouraging news media to use the platform for video distribution. Traditional media had already invested in video as part of building their multimedia capability (and because of the unavoidable pre-roll advertising they brought). However, the Facebook pivot was largely unsuccessful in bringing readers or viewers to the publishers' pages. In August 2018 Facebook announced it was

THEN, IN MID-2017, FACEBOOK STARTED TO TURN OFF THE TAP – NEWS WAS DOWN-GRADED IN THE FACEBOOK NEWS FEED IN LIEU OF POSTS FROM FAMILY AND FRIENDS

launching Facebook Watch (with 55 per cent of ad revenue for the producer) as a direct competitor to YouTube in Australia. Both Sky News and Nine have announced they are using this service to distribute video news although the early indications are that this is not attracting audiences to pay its own way.

The search for global scale saw Australia become a significant test market and the launch of Australian footprints for *The Guardian* in 2012, US start-ups such as *Buzzfeed* and *Mashable* in 2013 and 2014, and *Huffington Post* in 2015.

Then, in mid-2017, Facebook started to turn off the tap. In two tweaks to the Facebook algorithm – one in mid-2017 and, another, more high profile in January 2018 – news was downgraded in the Facebook News Feed in lieu of posts from family and friends. Seven West Media, for example, told the ACCC inquiry that its referrals fell by 40 per cent.

FOR START-UPS THAT HAD BUILT THEIR BUSINESS OFF THE ALGORITHM IT WAS AS THOUGH A LIGHT HAD GONE OUT

For start-ups that had built their business off the algorithm – often with encouragement from the platforms – it was as though a light had gone out. Some are still struggling, reacting with all the stages of grief, from anger to denial, and out of necessity, acceptance.

The ones that will survive are the ones that can pivot and build a more direct relationship with an audience they can monetise, or as with *Starts at 60*, switch to a transactional business such as their travel agency to capture the full value of the travel vertical.



Innovation in news media is turning to a third cycle, one where the audience focus has to be increasingly niche and deeply engaged, and where the media looks to its readers, viewers and listeners to provide the income to sustain journalism. It's forcing a more diversified approach to revenues, including advertising, reader revenues, events and anything else that might work.

From an organisational point of view, this has required a shift in innovation focus from an often tangential activity – interesting, but happening to one side of the main work of the organisation – to a core activity that sits at the centre of the most traditional of organisations.

In money terms, this has involved requiring a payment – usually a continuing subscrip-

tion – to access a news website. Often this involves some continued free access (a so-called freemium model) for non-subscribers. In 2013, the (now) Nine metropolitan papers moved to a freemium paywall. The *Australian Financial Review* had long been behind a harder paywall. Beginning that same year, News Corp started to move its mastheads behind paywalls. In New Zealand, the *National Business Review* was the first to adopt a paywall, followed this year by the *New Zealand Herald*. Among start-ups, *Crikey* has had a hard paywall from inception.

In early 2016, *The Guardian* (including its Australian online edition) launched a 'contributions model'. In the three years since, the paper has received financial support from about 650,000 regular supporters, providing a small operating profit and making its Australian operation self-sufficient with annual revenues of about \$16.6 million (Blackiston 2019).

This monetisation requires recognition that not all audiences are equal. As a rule of thumb, organisations say that perhaps 5 per cent of weekly audience will translate into paying subscribers. To encourage that transition, an organisation has to encourage repeat contacts by reshaping news habits with digital products.

Monetising readers, viewers or listeners directly requires innovating around both the product and audience engagement. Emerging research suggests it requires compelling journalistic content that they value in transactional terms and/or appeals to the audience's

THE GUARDIAN HAS RECEIVED FINANCIAL SUPPORT FROM ABOUT 650,000 SUPPORTERS PROVIDING ANNUAL REVENUES OF ABOUT \$16.6M



personal values (Tran Ha 2016). A recent report from the Harvard Business School indicates that uniqueness of content (and scale) is critical to a successful paywall model (Chung et al 2019).

The *Digital News Report Australia* et al 2019 (part of the global Reuters News Report) found that about 14 per cent of people who access news online make some payment, usually through a subscription. According to a 2018 ACMA survey, about 1.7 million people in Australia had paid for news online in the previous 12 months (ACMA 2019). News Corp claims unaudited digital subscriptions of about 517,300 across its mastheads (News Corp 2019). Nine claims about 350,000 between *The Sydney Morning Herald* and *The Age* (Nine, 2019).

PAYWALLS INVOLVE A TRADE-OFF BETWEEN THE ADVERTISING REVENUES FROM MASS (AND FREE) SITES AND SUBSCRIPTIONS REVENUES

Australian companies charge significantly more than comparable metropolitan newspapers in the United States, with annualised costs in early 2019 ranging from \$178 a year for *The Sydney Morning Herald* and *The Age* to \$312 for the *West Australian*, \$364 for the *News Corp* tabloids and \$468 for *The Australian*, all offset to some extent by start-up offers and annual discounts. The *New Zealand Herald* offering rounds out at NZ\$225.

These pricings seem more based on the newspaper companies' experiences as monopolies, for whom prices are relatively inelastic than for content providers in the highly competitive (and global) market for online news, particularly when a major competitor such as the ABC provides news for free.

An examination by Lenfest in the US found that the median price for annual subscriptions in the US was about US\$100 (\$140). Australian sub-



scribers can access the content of *The New York Times* and *The Washington Post* for less than most Australian titles (Lenfest 2019).

Paywalls involve a trade-off between the advertising revenues that come from mass (and free) sites and subscriptions revenues. The tentative nature of that trade-off is what drove the transition through the freemium model with, for example, the Nine papers initially allowing up to 30 free articles a month, which proved more than enough for all but the most heavy users. With so much access dependent on search, subscription take-up was also limited by Google's first click free policy which mandated certain levels of free access for its users as a condition of priority in its search rankings. Google abandoned this policy in 2017.

The Harvard study by Chung, Kim and Song found that at almost all levels among US papers, the implementation of paywalls meant the mastheads were better off than they would have been without a paywall (2019). The paywalls also rewarded scale – the bigger the masthead, the better off it was.

In the six years of paywalls in Australia, they have been increasingly hardened with fewer articles being accessible without a subscription. The innovation challenge is to build a product that engages an audience and also attracts a revenue mix that is largely based on readers, viewers and listeners.

The shift to a readers first focus is powering innovation within journalism itself. It's the opportunity of the craft of journalism to lead the news media industry in getting it right. In December 2015, Neal Mann (Mann 2015) could write:

The innovation we talk of in journalism isn't the kind of innovation designed to radically change the way consumers behave, it's really just short term reactionary attempts to try and deliver content to platforms the majority of consumers already use.

Too often, innovation in journalism means innovation in the aggregated product, or in distribution and delivery, or, particularly in this third

cycle, in the business model. Now, innovators in news media are rethinking what an audience might be looking for outside the traditional sense of breaking urgency and testing models that invite the reader into the journalism process to different degrees.

If the point of journalism is to tell stories, to provide the information and context that people want to hear, then the innovation response is to conceptualise the story from the beginning so that the story can be produced in (multiple) places where it can meet the audience it's seeking – or to allow the audience to find it.

Driving this understanding into the craft's sense of itself is, says the ABC's Gaven Morris, one of the key innovative changes. So a story may be rolled out through news reports for 24 hours over radio and the web, before being delivered at length as, say, a *Four Corners TV* feature, then followed up with a Q&A special, retold in a different format for YouTube or and much of it then repackaged for an iView audience.

At the same time, journalism has had to respond to the emergence of fake news. Thanks to US President Donald Trump, the phrase has come to mean any news that contradicts the user's world view. But its original usage – false reports designed with the look and feel of journalism and news media organisations – provides a direct challenge to public trust. As the US elections demonstrated, fake news involved gaming the social media algorithms

THE INNOVATION WE TALK OF IN JOURNALISM IS ... REALLY JUST SHORT TERM REACTIONARY ATTEMPTS TO TRY AND DELIVER CONTENT TO PLATFORMS THE MAJORITY OF CONSUMERS ALREADY USE

STARTS AT 60

is a digital community for Australians over 60 years of age. Launched in March 2013 by founder Rebecca Wilson, it built its community off news, information and blogging, largely relying on Facebook distribution. In 2017, it pivoted to build a parallel fully fledged travel agency, Travel at 60. Seven West Media has invested in the company through two tranches in 2018 and 2019.

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and hacking the practices of journalism to play to the credulity of users so as to drive virality. There were (and are) two principal sources: people in it for the money, seeking advertising revenues through the platform's ad exchanges, and state actors, such as the Russian Internet Research Agency (Mueller 2019).

Although this played off a weakness of the platforms, Trump's adoption of the term fake news coupled with a perceived loss of trust in media (Newman et al 2019) requiring an industry and craft response. Innovation to confront fake news has been largely based in the US where it has included algorithmic and



process changes by the tech platforms, an expansion of fact-checking and trust advocacy and the beginnings of the use of artificial intelligence to rank quality (including truthfulness) of journalism.

In Australia the primary response has been fact-checking. In 2013, Politifact launched in Australia providing a service contract to traditional media, primarily the Seven Network, but could not find a long-term business model. The ABC launched a fact-checking unit that has since moved to RMIT. This year, First Draft launched an Asia Pacific operation from Australia, with a broader brief on trust and truth.

These three cycles of innovation in news media have created the framework in which innovators have been experimenting as they search for sustainable journalism models that serve their audiences.

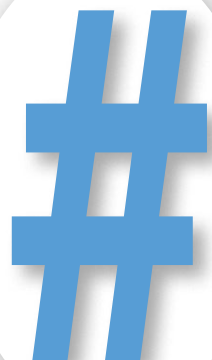
CHAPTER #3 INNOVATION IN THE JOURNALISM

What's the story?

As the disruption of the audience has atomised news, each piece of journalism – each story – has to stand increasingly on its own and be judged by what it alone brings. As the unit of production for journalism, innovation in reporting and storytelling – innovation in journalism – can best be understood at the level of the story, with, as *Buzzfeed* editor-in-chief Ben Smith says, the internet as the front page (interview with Recode Media 2019).

The story may present as a breaking Tweet or a long-form podcast series or anything in between. It can be contained in a single report or spread out in multiple reports over multiple platforms. Through the story, journalism turns information into knowledge by fusing facts, data, analysis and understanding into a compelling narrative with words, sound and images.

News media innovation (particularly in start-up businesses) tends to be a means to a storytelling end, launched for the drive to tell stories, rather than as a pure device to make money. This brings a passion and personal voice that is re-shaping news media writing. Yet, journalistic innovation can be easy to miss as change occurs over time. Innovations are readily replicable and can be quickly absorbed into normal practice. As Matt Carlson writes, journalism is a 'constructed and malleable cultural practice and therefore an adaptable one' (Carlson 2017).



The value of a story on the social web is assessed by how it cuts through, how it builds or leverages community or connections and how it engages with the audience, as much as its historical assessments of usefulness (as citizen or consumer) and entertainment (readability, the brio of the storytelling) (Wei 2019). Without that connection, the opaque nature of craft practice can leave the audience unsure of its relevant usefulness. The 2019 *Australian Digital News Report* revealed that only 25 per cent of consumers agreed that the news they read was relevant to their needs. About half neither agreed nor disagreed (Fisher et al 2019).

In this context, the challenge for journalism according to *The Guardian* Editor-in-Chief, Katherine Viner, is to give readers hope amidst endless negative news. 'It's an aim to contextualize the world and it's a belief that we still have the power to make the world a better place.' To do this, she says, journalism must 'develop ideas not just critiques'. It demands 'greater collaboration with readers and with other partners and publishers too'.

This requires a commitment to journalism that is 'meaningful': 'Readers now want to be nourished, not fattened up with the junk food of click bait. Everything we publish must matter.'

This requires thoughtful innovation across the skills needed to tell the story. These can be understood through the journalistic rubric of '5W1H': What stories? How are they shaped and told? Where are they told (and to whom)? When are they told (fast or slow)? Who is doing the telling (and who are journalists telling about)? And, most importantly, why? This is a threshold question that should answer answer for the audience why they would give it their attention.

In a 2018 paper, the Centre for Media Transition summarised the stage of academic and craft understanding of the changing nature of journalism in the face of the disruption of the internet (Wilding et al, 2018).

This paper looks at some practical examples of this innovation in the 5W1H context, recognising that journalism in Australia and New Zealand is slower in trialing and implementing innovation at the level of the story than news media in other countries.

HOW AND WHEN: IT CAN BE FAST...

In the disrupted world, journalism can be understood as falling into two categories: fast and slow (Le Masurier 2019).

Fast journalism is breaking news or news and comment snippets that's up to the minute, presentable and consumable in, say, Twitter's 280 characters. It makes every journalist – and plenty of others – a news breaker. In Australia at least, Twitter is the dominant journalism social platform, particularly for political news where #auspol is, year after year, the most used hashtag. It's a tool by which journalists can talk with their audiences, although the often open trolling and abuse (particularly of women journalists) can act to limit its potential.

But as Ben Smith, the editor-in-chief of *BuzzFeed* News, says, 'the same social-media mechanisms that have poisoned the conversation have also elevated a sophisticated two-way policy conversation that includes experts and actual people affected by policies ... The internet has created communities of expertise and sophistication around everything from how labor law treats transgender employees to carbon taxation to economic policy'.

Live blogging, now commonplace on breaking stories, was initially used by *The Guardian* to provide rolling coverage of Canberra politics across the news day, integrating statements by government and opposition, parliamentary actions and press conferences with social media commentary to provide a comprehensive live feed of political news.

AS THE UNIT OF PRODUCTION FOR JOURNALISM, INNOVATION IN REPORTING AND STORYTELLING – INNOVATION IN JOURNALISM – CAN BEST BE UNDERSTOOD AT THE LEVEL OF THE STORY

NEW MATILDA

is an online site of news, opinion and satire. First launched by John Menadue in 2004, it has been managed by Brisbane-based Chris Graham since 2014. It is funded through crowd-funded donations and subscriptions without a paywall.

All major news media use web alerts or notifications to lift breaking news off their web page and into the consumer's field of vision, or from their app into mobile notifications, and then draw those consumers back to the web page. Writing notifications that will engage the reader is, says *The Australian's* Stuart Fagg, a particular skill (See also Owen 2017).

The mix of data and AI has enabled the production of automated news – known as robo-journalism – particularly of financial reporting and sports. Although this is common in the US, used by Bloomberg and Associated Press, the practice remains unusual in Australia and New Zealand. Information holders can also automate their information to produce updates that bypass journalists, such as the NSW Government's @NSWSHarkSmart which live tweets shark movements based on tagging data.

The remaining mass voices monetise fast journalism through advertising. Subscription-based media monetise fast news distribution by habituating users to the news source and demonstrating continued value of the product. They draw audiences to their websites where they can aggregate them to advertisers or convert to some form of regular subscribers. *The Australian*, for example, has a hard paywall on search, but allows one free story accessed through social media. Small independent sites *Independent Australia* and *New Matilda* rely on Twitter as the major pull medium. It's increasingly the tool for consumer crossover from the fast to the slow.

...OR... IT CAN BE SLOW

Slow journalism, or long-form or issues-based journalism is becoming the defining characteristic of the current innovation cycle, driven less by the daily news cycle and by an attempt to make sense of a complex world. It has become the heart of strategies to monetise reader revenues while continuing to provide oppor-

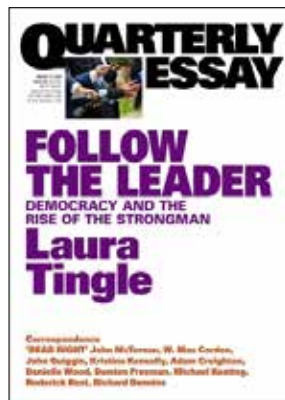
tunities for advertising acceptable to targeted consumers. It can mean the sort of long-form weekend analyses of the politics of the week that new players such as *The Saturday Paper* have made their hallmark and which are the major content of traditional media such as *The Australian*. It can be the 20,000 words of a *Quarterly Essay* or the 80,000 words of a non-fiction book.

Mobile has powered slow journalism innovation through podcasts, made possible by the inclusion of the podcast button in 2012, initially in iOS and then on Android and other platforms. Podcasts filled a gap in the attention economy, found new audiences and developed an advertising revenue model. Melbourne-based Lawson Media, with its lead podcast *Moonshot*, has demonstrated the capacity to build a global business out of Australia on strong storytelling. Within Australia the podcast market for Australian content has been dominated by innovation in traditional media, particularly the ABC and *The Australian*.

It's also journalism that is guided by telling the stories of the big thematic issues of our time. Non-traditional journalism spaces such as Melbourne's Wheeler Centre are providing space for experimentation, notably with podcasting. Head of publishing, Sophie Black said she didn't expect the writer-driven program to morph into traditional journalism but she wanted to capitalise on the calibre of people that come through the centre and capture some of the editorial threads and themes.

Behind the Wire – a collaboration with The Wheeler Centre – brought together tech tools, community engagement and podcasting to tell stories of people in detention, using 4,000 30-second audio messages exchanged with Melbourne journalist Michael Green. When it won a 2018 Walkley Award, Green said:

I'm proud of working slowly, carefully and collaboratively — to try to tease out complexity and nuance in an issue and, also, to try to tell those stories with heart (Courtney 2018).



Writer-focused literary magazines are also experimenting in news delivery in both traditional media (such as Meanjin) and more recent ventures (such as the *Griffith Review*). These provide formats for writers – journalists as well as others – to experiment in long-form news analysis and reporting, taking creative risks that are less dependent on readership. *Griffith Review* provides book-length space to deeply explore a given theme, relying on pitched story ideas from its Contributors' Circle.

The Walkley Magazine (which ceased its print edition in 2018) tracked the disruption and innovation and provided a vehicle for journalistic reflection on the craft that provided confidence for creative and reportorial innovation.

WHAT STORIES ARE BEING TOLD?

The shift to a business model reliant on reader revenues is demanding innovation in the sorts of stories that journalists produce, and in the subjects and people that we report on.

This has meant a greater focus on considered analysis, explanatory and investigation-based journalism: stories that go beyond reporting the actions of public institutions, looking instead in depth at how broader, often social or environmental issues are playing out. The shift in focus means that stories that didn't fit well into the daily news cycle now find their own home.

New York University's Mitchell Stephens calls this 'wisdom journalism', where journalism becomes an ideas business that replaces the low-value activity of simply reporting the news (Stephens 2014).

To add value by creating this in-depth content, *Crikey* has this year launched a 12-person public inquiry unit, *INQ*, funded through investment from former media owners John B. Fairfax and Cameron O'Reilly. This will augment its long-term focus on news

analysis, although it has not yet announced what product changes this may involve.

These investigations are shifting the definition of newsworthiness, even within the fast news sphere. Stories about domestic violence, youth suicide, gender and sexuality, and mental illness break out of the slow news space into broader newsworthy areas of continued reportorial attention. At the same time, as the recent analysis by the ACCC showed, reporting on traditional institutions such as local government and courts has declined, although given the heavy tracking of usage metrics in traditional media, this would have been driven, in part, by audience demand (ACCC 2019).

Innovation is bringing valuable tools to generate big stories by unlocking information often hidden in plain sight. Data journalism meshes journalistic and data skills to explain (and, sometimes, match) large data sets. In Australia, *The Guardian* and the ABC have established data teams. Rosie Williams' largely crowd-funded website *ausgov.info* makes government data dumps accessible. So-called open source journalism has relied on analysing patterns in social media to generate stories (see, for example, the work of Bellingcat) and the power of data (and collaboration through, for example, the International Consortium of Investigative Journalism) has also been used to uncover stories in large document dumps, such as the Panama Papers.

The power of this journalism is evidenced by those who noted a pattern of new subscriptions off the back of strong stories, particularly stories that unearthed new information and exposed hypocrisies.

Journalism is also being challenged by the proliferation of fake news. Although this has largely required a response from the platforms (particularly Facebook), journalism's truth-telling mission means this cannot be ignored.

Innovation is also driving a change in just who is telling the story, in recognition that diversity among tellers is as important as diversity in the subject of the story. It's providing an

E-TANGATA

is an online Sunday magazine run by the Mana Trust, specialising in Māori and Pacific stories. Launched in late 2014, the website is not-for-profit and seeks audience supporter donations to increase its presence, and represent a more balanced view of Māori and Pacific people's lives and issues in the New Zealand media landscape.

THEY REDUCED THEIR CONTENT BY 20% AND SAW 32% MORE PAGE VIEWS PER ARTICLE

opportunity for storytellers to better reflect the diversity of Australian community and through that reflection, broaden the perspective of what's sufficiently newsworthy. The most exciting innovations in this space are in indigenous reporting, such as the work of *IndigenousX* (*IndigenousX* 2019).

HOW MUCH DOES QUALITY TRUMP QUANTITY?

Innovators find that not all stories are equal. Quality (length, analysis, wit) seems to be more attractive to readers than the quantity approach of traditional mass media. In a world where just about everyone is fighting for a share of the attention economy, journalism that is relevant and useful turns out to be the winning play.

At *The Guardian*, Viner has recently reported that a reduction in the number of stories resulted in more time spent on the page. After a review of which stories were being rarely read ('exactly what you'd expect them to be'), the masthead cut its online content by 30 per cent without any complaints from readers. 'All that's happened is that they're reading more of the good stories and the traffic has gone up. So, you know less is more'.

Similarly, Brazil's *O Globo* recently changed its online mix to fewer, longer stories – fewer words, in fact – and found readers spent more time with the masthead. Francisco Amaral, former executive editor at *O Globo* told the GEN summit this year that doing less journalism better delivered results when they reduced their content by 20 per cent and saw 32 per cent more page views per article.

In London, *The Times* has published 15 per cent fewer stories on its online Home News section after learning that news with no additional or exclusive content underperforms. 'As

a result of publishing less content,' *Digiday UK* reports, 'dwell time in the section has increased: Readers of *The Times* smart-phone app spent an average 28 minutes daily on the Home News section, up 25 per cent year over year, according to the publisher' (Southern 2019).

Tortoise has made slow news central to its membership model, which provides reporting against five defining issues powered by editorial member 'thinkins'. Co-founder and publisher Katie Vanneck-Smith (president of Dow Jones and behind the paywall launch at *The Times* before *Tortoise*) says: 'The interesting thing about slow news is that you need to be serious at planning ... in order to slow down you need to plan far more than you usually would in the newsroom' (Granger 2019).

Tortoise publishes its thinking about news angles each day to its members which helps drive longer term planning and commissioning. After getting feedback from members in a Beta that they were publishing too many stories, they reduced the number.

In India, finance and tech newsletter *The Ken* has taken this to its logical conclusion, delivering a single in-depth story of about 2,500 words to its (paying) subscribers each day (see case study on page 55).

But who is the journalism for when stories are selected and written with an audience that will pay in mind? Who is providing the kind of journalism that helps lower income groups, for example, navigate scarce housing, a welfare system or access gig-economy work. Sarah Alvarez created *Outlier Media* in Detroit to fill information gaps such as housing and other local issues, which she reports on with actionable information and distributes to the people who need it via text. She calls it service journalism.

'Watchdog reporting works better when there are more watchdogs, and *Outlier* seeks to get residents better information so they can create more accountability for themselves and their communities,' Alvarez says (Alvarez 2019).



IF THE JOURNALIST STARTS BY ACCEPTING 'THERE IS A LOT I DON'T KNOW, THEN THE COMMENTS CAN HELP US FIND NEW INSIGHTS'

THE WHY: SOCIAL AUDIENCE IS ABOUT CREATION, NOT JUST CONSUMPTION

Media innovators say repeatedly that the key to success is loyalty and engagement that creates and feeds a habit for journalism. This means different things to different media and depending on practicality and degree of comfort, the audience engagement activities can range from comments and sharing right through to story idea generation and framing of issues, selection and involvement in the reporting process.

However, it involves a fundamental shift in news production models by creating channels, tools and practices that actively seek to integrate the expertise of the audience both in identifying and preparing stories, providing information and context, and in deepening on-site and social debate.

Audience engagement is one side of the same coin that is looking for reader revenues. But what the right audience engagement model involves or looks like is still being worked out. Harken and GroundSource in the United States have both built platforms for listening at scale and also articulate a strong journalism and business case in support of creating two-way channels.

GroundSource pioneered the use of texting to mass gather information and context from communities that help frame the stories, and to take the pulse of communities information needs. Harken offers a technology platform but emphasises the change in processes and practices is more of a cultural, mindset one.

GroundSource founder Andrew Haeg says the real power of texting is that it 'provides an incredible channel for developing and cultivating loyalty and turning audiences into fans and brand ambassadors by experiencing more direct connections' with the news organisation and its journalists. With its un-

filtered 'directness, immediacy and intimacy' you feel like you are in a conversation with a reporter (Arabian 2019).

The Guardian is continuing its work on engaging its readers in story generation, despite the reluctance of some journalists. Says Viner: 'My experience is that readers really want to help you in positive creative ways. I wouldn't say we're necessarily so great at capturing them yet, that's something we're working on.'

There are deepening expectations of journalism. This requires journalists to recognise that there will often be audience members who know more about a given subject than they do. *The Guardian's* Lenore Taylor says that about half the story ideas for their Wide Brown Land series came from a reader call-out.

In an interview with Harvard's *Cold Call* podcast Bharat Anand said: 'One of the important traps is ... that somehow the answer to try to succeed in a digital world, where there's product clutter, is to produce even better content ... That often turns out to be wrong (Kenny 2016).

'It's actually the connected product that sits in the centre of a newspaper's success, financial success ... connectedness is a central feature of behaviour. It's something that we take for granted, but it turns out to have huge implications.'

Norway's Schibsted media, says Anand, responded to the travel disruption of the Icelandic ash cloud by creating an app that allowed people to share their own experiences, which turned out to be the most popular response. 'This comes back to this idea of connections ... It's all about user connections, and how do you tap into it, recognize it, exploit it.'

An audience relationship that builds connections, driven by social media, is essential to open up media access to this sort of expertise. *NewsPicks* in Japan has built a new social platform business model on the strength of seeking and integrating commentary from readers and experts into its journalism. For the journalists, this can sometimes be an 'un-

CONNECTEDNESS IS A CENTRAL FEATURE OF BEHAVIOUR. IT'S SOMETHING THAT WE TAKE FOR GRANTED, BUT IT TURNS OUT TO HAVE HUGE IMPLICATIONS.'



comfortable' process as their own expertise is challenged and their work might be corrected in real time before the audience. But as editor Naoyoshi Goto said, if the journalist starts by accepting 'there is a lot I don't know, then the comments can help us find new insights'.

This is the model that underpins *The Conversation*, an Australian start-up that has now been rolled out in other countries. *The Conversation* unlocks the expertise of Australian universities and mediates it through digital journalism, using social media to optimise discovery.

Other start-ups were built from or traded on the expertise that emerged from the blogging culture of the first decade of the 21st century, which provided a path for experts into media as, for example, economist Greg Jericho into *The Guardian* or psephologist William Bowe into *Crikey*, or through having blogs collected and attached to a start-up, as for example occurred at both *Crikey* and *The Australian*.

Similarly as 'the front page of the internet', Reddit has simplified the bulletin-board framework by enabling discussion around content, including content initiated by other media organisations.

It doesn't appear that any organisation in Australia or New Zealand has been able to monetise this free-range engagement other than as an indirect tool for driving audience (and subscriber) growth. Some media with otherwise hard paywalls will use it as a tool of connection to potential subscribers by allowing additional (or more) access to social media links.

BHARAT ANAND: 'ONE OF THE IMPORTANT TRAPS IS ... THAT SOMEHOW THE ANSWER TO TRY TO SUCCEED IN A DIGITAL WORLD IS TO PRODUCE EVEN BETTER CONTENT ... THAT OFTEN TURNS OUT TO BE WRONG'

CHAPTER #4 INNOVATION IN THE BUSINESS MODEL

Building a sustainable media business now depends on finding ways to diversify income streams by experimenting with innovative customer-focused advertising models, pivoting to reader revenues and developing other sources of revenue, most commonly, events.

Despite the talk around reader revenues, advertising income models continue to dominate the thinking of many of the new digital news media in Australia and New Zealand. However, the sector is moving towards more diverse funding flows, increasingly relying on (and future-proofing) readers paying for content directly.

All sources of income rely on a strong relationship with the audience, whether it be to seamlessly tie them with the advertiser through the medium to encourage readers to contribute directly; or to attract the audience to participate in events. Each of these depends on innovation that centres a direct business-to-consumer (b2c) approach over the traditional advertising sales-based business-to-business (b2b) approach, that understands the challenges of attracting the reader's attention.

Cash flow is what keeps many founders up at night. Yet many start-ups either don't have the time or the capacity to work through challenges in the kind of systemic and detailed way necessary to build sustainable revenue bases.

HOW DO YOU GET ON (AND OFF) THE RUNWAY?

Innovation requires funding to get from start-up to take-off where sustainable cash flows support the business. News media start-ups in Australia and New Zealand have typically been funded in one or more of four ways: bootstrapped including from family and friends, grant funded, investment, or built through support by public or not-for-profit institutions.

Innovation teams in established companies, on the other hand, start with knowing where their money is coming from. They are budgeted in either continuing or revolving structures and in some cases, teams are built ad hoc within editorial departments.

In Australia and New Zealand, start-ups have usually been bootstrapped by committed founders and are, initially, reliant on personal founder investment (in time, if not cash), sometimes with friends and family seed funding, and then relying on cash flow for their continuing operation.



This is particularly true of news-oriented organisations such as *New Matilda*, *Newsroom*, *The Spinoff* (although it had the benefit of launch sponsor partners) and *Independent Australia*. It was initially true of *Crikey*. *The Squiz* was initially bootstrapped and recently raised its first round of investor funding.

Pedestrian started in 2005 with a hand-distributed DVD of the kind of mini-docs video content that, now commonplace, wasn't widely on offer at the time. Founders Chris Wirasinha and Oscar Martin came to their start-up from the advertising industry and 'always had the model of free content in exchange for advertising' and have 'hustled' for advertising in different forms since. *Pedestrian* was launched 'the same year three guys in a garage were creating YouTube', and grew organically online and via social where they began creating original video content for MySpace, reaching half a million views, and building their profile and traffic back to their site. Social is 'still the most fantastic distribution platform,' says Wirasinha. They were among the first to offer a full suite brand and content service and recently sold to Nine.

This distinguishes the Australian and New Zealand news start-ups from the US examples such as *BuzzFeed*, *Vox*, *Vice*, or *Mic*, which were launched or boosted with venture capital, although as all four have discovered, this comes at a cost if it doesn't drive its own cash flows.

This lack of investment to provide runway in Australia and New Zealand can limit a start-up's ability to fund potential pivots or chase parallel opportunities and can even prevent take-off. The lack of investment for the children's newspaper start-up, *Crinkling*, for example, meant it could not survive long enough to build positive cash flows particu-

larly as founder Saffron Howden explained: 'We weren't just creating a product. We were creating a new market.'

'We underestimated the time it would take to get to the point of sustainability,' she said. The company didn't have the time or bandwidth to seek venture funding and so opted for a crowdfunding campaign. Still, despite personal founder investment, and some success with audience development and crowdfunding, *Crinkling* reached the end of its runway before reaching sustainability.

Other media have been initiated with (or moved to) a start-up style by public or not-for-profit institutions, such as universities, (e.g., *The Conversation*, *Griffith Review*) and largely funded by that institution. *The New Daily* was backed by the not-for-profit superannuation sector as a commercial operation.

The eco-system lacks institutional drivers and supporters of change that can provide support and capital: the Walkley Foundation was an early thought leader through its Future of Journalism project and Media Incubator and Innovation Fund (now closed), which provided small seed and development grants, and the Federal Government's small publishers grants program provides some limited assistance for business development. Some universities have established structures to research and support change practitioners, such as the Centre for Media Transition at the University of Technology, Sydney and similar centres at University of Canberra, University of Melbourne and the Queensland University of Technology. The Public Interest Journalism Initiative launched in 2019 to work with the public and industry to find solutions to help sustain public interest journalism.

Philanthropic support provided initial runway for the now closed *Global Mail* and to support the launch of *The Guardian Australia*.

B2C

~~B2B~~

CRINKLING NEWS

was a hard-copy subscription newspaper and digital publication for young people aged seven to 14. It was founded in 2016 by former Fairfax journalists Saffron Howden and Remi Bianchi. *Crinkling News* was written by adults with children contributing 'junior reporter' articles, opinion pieces and reviews. It operated until January 2018, eight months after the funds raised in a crowdfunding campaign to keep it going were exhausted.

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Australia also has its first major philanthropic commitment of \$100 million from the Judith Neilson Institute for Journalism and Ideas which has announced its first round of grants, although this seems targeted at replacing the layers of journalism resources newsrooms have lost, including the mentoring role of senior journalists that were among the first to depart the craft in the layoffs.

The big social tech platforms have kicked in practical (and financial) support: Google has recently launched the News Lab and the Google News Initiative funding and training for journalists. The Google News Initiative offers support via a competitive grant process to fund news organisations to address defined challenges (its first, for reader revenues, funded a range of organisations in Asia Pacific). Facebook has announced its intention to fund journalism with \$5 million in Australia and NZ and has launched an accelerator program for publishers focussing on reader revenues, including revenues through the Facebook platform.

Funding for start-ups has come from traditional media as acquirers or relatively mature investors. In 2016, *Junkee* sold 85 per cent to *oOh!* for \$11.05 million; *Starts at 60* sold a third to Seven West Media for \$2.5 million in 2018 and a further tranche for \$2.7 million in March 2019; *Pedestrian* sold 60 per cent to Nine in 2015 for \$10 million and the remaining 40 per cent for \$39 million in 2018; Conversant Media (*The Roar*) sold to HTE (formerly APN Media) in 2016 for \$11.6 million. *Mumbrella*, which was launched with a clear mission and understanding of how to serve its audience 'communities' and built with an exit strategy in mind, sold itself to the US events and conference company Diversified Communications in December 2017 for an undisclosed price when it had reached a turnover of \$7 million and profit of \$1 million.

Too often, founders have jumped in with their journalism relying on a 'build it and they'll come' approach to strategy and revenue streams. All would benefit from a design review process early in the start-up phase to ensure

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solutions fit with their strategy and are baked in across the business model, the distribution and product design, as well as the journalism.

At the same time, venture capital or private equity in Australia has largely avoided investment in media innovation, in part because of a lack of knowledge of a small but admittedly complex sector, matched with a lack of a developed market – of founders with the understanding of the opportunity seeking capital. The media sector would benefit from a better understanding of what drives capital and assistance in connecting to a range of funding options from venture to philanthropy.

YOU NEED BUSINESS SKILLS IN THE BUSINESS

It's no secret that journalism skills and business skills do not necessarily come neatly packaged together. And the idea of producing graduates with the range of skills and know-how to build sustainable journalism ventures hasn't yet made its way into the heart of the current journalism education offerings.

The journalistic background of most founders and innovators means that the light bulb of inspiration quickly burns out unless the founder or innovator develops or sources an entrepreneurial mindset matched with the business skills needed to operationalise the concept in a sustainable manner.

The sector would benefit (and would have benefited at the start) from techniques, tools and support to understand audience needs and engagement strategies and for product development as a solution, which could be provided through industry or university bodies.

There is a natural survivor bias in drawing conclusions from the current players. We don't know how many journalistic innovation



ideas were snuffed out because the journalist didn't know what they didn't know. Certainly, some of the smaller start-up media we met could have benefited from a significant business skills input.

Experience with the Walkley media innovation fund and incubator over four years shows there were many good ideas that just lacked business nous, a bias to action and the research and design mindset that gets to product/market fit. Some developed these ideas through the accelerator program. Some went off and found them on their own or found an entrepreneurial partner. Others faded due to this skills shortfall.

Kevin Brockland reviews investment opportunities in the Asia-Pacific for the Media Development Investment Fund. He says that for early stage companies, they look at the strength of the founding team and how they are building off their strengths, and whether they have the qualities to be able to build a business. However, he says, it's also important that they can demonstrate good processes, can set targets, milestones and KPIs, and during execution they can measure and revise and deal in the level of detail needed as well as have the discipline around process to build a business.

He says management needs to understand the levers that move their business to have operational focus. For example, if you are building a subscription business you need to know what number you need to get to, at

**THE INCREASING
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AD TECH MEANS
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BY THE PROCESSES
OF GETTING THE ADS
IN FRONT OF THE
CONSUMER**

what price point and have a strategy to get there. If it's advertising supported, how many ads at what price? Or for crowdfunding which you wish to raise \$300,000 for example, how many people do you need to reach, what is the average contribution and how will you reach them?

Opportunities for deep investment in the people who can boldly reinvent journalism need to be created in Australia, and in the broader Asia-Pacific region. For inspiration, and evidence of the investment, look to the Reuters Fellowships at Oxford or the offerings from Stanford, Harvard and the University of Michigan, which each offer up to year-long programs and space to learn, experiment and tackle wicked challenges, and importantly, develop the confidence for bold leadership. Similarly, the Sulzberger program at Columbia provides space for journalism leaders to work on solutions to complex problems.

Collaboration, networking, and space for experimentation that allows for failure and the learning and sharing of lessons, is the definition of any eco-system. And universities and journalism-specific foundations and institutes need to be developed and funded to play a leading role. There is much to be shared and learnt among news media organisations, and while collaboration between both traditional and emerging players is already strong in New Zealand, in Australia we need to take steps to build confidence in collaboration.



ADVERTISING: THE GOOD, THE BAD AND THE UGLY

The industry has spent nearly 20 years trying to make the advertising model work for online media. It's been a struggle of reinvention, of re-imagining both what the media and advertising are and can be, as both are being transformed by digital disruption.

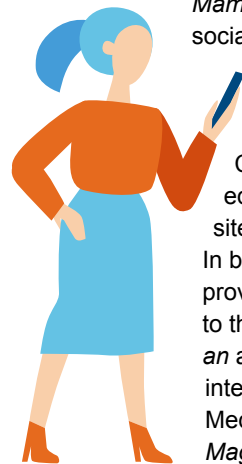
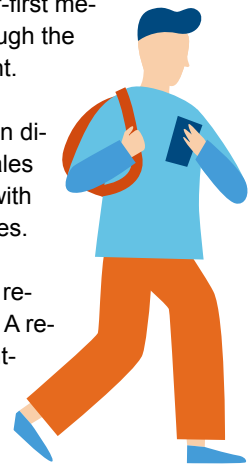
Understanding the new advertising-journalism relationship means understanding that the advertising relationship must itself be innovative, not simply an online replication of 20th century mass distribution.

Both start-ups and traditional media in Australia and New Zealand use some or all of the following advertising income models to build or sustain their products in a way that can sustain their niche.

Programmatic advertising delivers the bulk of display advertising that appears online, including for online news sites. This mainly benefits publishers operating at scale, such as general news sites like news.com.au or, in the start-up space, *New Daily*. While this also contributes to a diverse revenue mix for subscriber-first media, it is decreasing in value, although the space on sites is relatively constant.

Directly booked display depends on direct relationships, often through sales staff, either with the advertiser or with the intermediary ad-buying agencies.

Advertising for discretionary travel remains a major supporter of media. A recent count demonstrated it accounted for about two-thirds of the ads in the Nine metro newspaper print weekend editions. Discretionary



travel has been the basis for the pivot by *Starts at 60* to *Travel at 60*. However, founder Rebecca Wilson says it is insufficient to support a pure media start-up and she needed to build a fully fledged travel agency (*Travel at 60*) to properly benefit from the opportunities.

Start-ups say that there is a welcome willingness by advertisers themselves to give the new products a go. However, the advertising buyers prefer to place at scale and to bypass the small start-up players. Some of the smaller players say they have found that the consolidation of ownership of traditional media into two or three key players has accelerated this trend.

Native advertising is promotional material that is paid for by advertisers and appears native to the surrounding editorial content. The US Interactive Advertising Bureau has identified six ways in which native advertising can appear on a site including paid search units, recommendation widgets and promoted listings, as well as the more traditional content (IAB 2015).

Although this has been characterised as 'camouflaging church as state' (Conill 2016) news media in Australia operate within ethical guidelines such as those of the Australian Press Council. Email newsletters *The Squiz*, *Quartz* and *Crikey* have provided vehicles for native content.

Buzzfeed innovated with a model of native viral advertising through social media, initially in the US and subsequently in Australia. *Mamamia* built a revenue strategy around social media packages, producing content for campaigns on their site and amplified on Twitter.

Content marketing involves providing editorial content to fill out an advertiser's site or to support an advertiser's strategy. In both start-up and traditional media, this is provided through content studios attached to the core products. *Junkee*, *Pedestrian* and *The Guardian* all work their own internal brand and content studios. *Junkee Media* publishes *AWOL* for Qantas and *City-Mag* got its start in Adelaide as a quarterly

magazine content marketing play boosting Adelaide city and supported by the city council and others.

Advertisers sometimes sponsor part or all of the product. In *Mumbrella*, for example, a sponsorship arrangement can cover both events and newsletter and web display advertising. *The Design Files* has a direct sponsor relationship with Dulux among others, and other sponsor arrangements that include events and awards.



In New Zealand, both *The SpinOff* and *Newsroom* have sponsors supporting particular verticals or areas of coverage. For example, *The SpinOff* book section is sponsored by Auckland and Wellington book stores Unity Books.

With the spread of Instagram, influencers are used to promote products and services. This is still limited in news media, although Lizzy Marvelly uses her personal brand on Instagram to promote *Villainesse*. *The Design Files* also uses its Instagram presence to promote partners while Lucy Feagins has an ambassadorial role.

However, advertisers – and ad buyers – seek scale. Aside from some direct relationships, such as those nurtured by *The SpinOff* or *The Design Files* or that between the industry superannuation funds and *New Daily*, advertisers are likely to opt for large traditional players or the tech platforms. As the ACCC digital platforms report highlighted, the increasing complexity of ad tech means that somewhere between one and two thirds of advertising spend is being swallowed by the processes of getting the ads in front of the consumer.

A focus on bespoke advertising like native content for particular communities or niches can drive journalism to abandon low-income communities. As Harry Backlund, founder of the Chicago-based city bureau says:

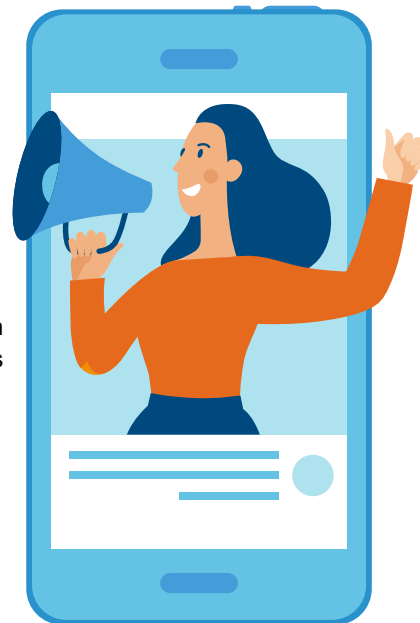
In the era of paid referral links, many of our most respected news services have put journalists to work on a kind of information-concierge service for the consumer class (Backlund, 2019).

The challenge now for many media is getting the business model right with volume versus quality. Commonplace metrics focus on unique audiences that miss the point and challenge for media organisations that are concerned with engagement metrics such as time spent on site and return visits. For businesses that continue to rely on custom advertising for the bulk of revenue now, but are investing in their biggest source of future growth to come from reader revenues, this is a particular challenge.

TURNING READERS INTO SUBSCRIBERS, DONORS, PARTNERS — IT WILL CHANGE MORE THAN YOU THINK

Within the pivot to diversified revenue streams, the big media houses and many of the smaller media are moving to or deepening their reliance on reader revenues, particularly subscriptions (sometimes shaped and marketed as 'memberships') and/or crowdfunded donations.

But there's a price that comes with reader revenues. Journalists and stories hidden behind paywalls can largely vanish from public debate, reducing the fourth estate influence of media. It also has the potential to create an information inequality that restricts much of the news market to those who can afford to pay.



THE SQUIZ

is a free Australian weekday morning email newsletter and companion eight-minute podcast. It was launched in March 2017 by Claire Kimball, PR specialist and Tony Abbott's former press secretary. By the second half of 2019 it had more than 35,000 email subscribers and daily open rates of 50 per cent each day and more than 4000 podcast listeners.

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JUNKEE MEDIA

is an Australian digital media company that produces the pop culture title *Junkee* filled with original content aimed at an audience aged 18 to 29 years. Formerly known as Sound Alliance, it was originally founded in 2000 by Matt Callander, Libby Clark and Andre Lackmann, who were later joined by Neil Ackland and Tim Duggan who launched *Junkee* in March 2013. *Junkee* averages more than 1.3 million unique browsers and a monthly Facebook reach of nearly 3.5 million, with 75 per cent of audience coming via mobile device. In 2016, oOh!media bought 85 per cent of *Junkee Media* for \$11.05 million.

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Whether through subscriptions, donations or memberships, news media relying on reader revenues need to deeply understand their audiences and what might motivate them to pay for journalism by subscribing. Most commonly, people subscribe when they think the news source has authority in the areas they care about and has values that aligns with the reader.

Building this relationship with their readers requires understanding how journalism is found and consumed. How do people land on the site? What are they looking for? How do you convert that casual visit to a subscription? And then how do you deepen the relationship to loyalty? What functional relationship reflects that loyalty (e.g., membership)?

As American Press Institute research has found, the foundations of the relationship fall into three categories (Ha 2017):

- 1 **The traditionally transactional**
paying for value
- 2 **Engagement**
aligned values build loyalty and community
- 3 **Elusive engagers**
view journalism as a commodity

The more successful reader-driven organisations invest in building this understanding and in a continuing engagement with their audience. In turn, their journalism is shaped by this understanding. Reader revenues means a new metric, one that values community and quality over reach and clicks.

While there is growing consensus on the need to develop reader revenue streams, it's less clear what that best reader revenue model might look like, and, for the organisations that currently lack one, the best way to make the pivot and develop the business model.

SUBSCRIPTIONS: The most successful subscriber models have been the traditional media with *The Australian*, Nine and News Corp papers between them having about 850,000 subscribers – although this is about half the level of pre-internet print circulation.

Next to other common subscription services Spotify and Netflix, paying for news in Australia looks expensive. Some are finding ways to increase the (perceived) value of their subscriptions with events, or for *The Australian*, access to *The Wall Street Journal*. Some are also looking at bundling packages for family subscriptions, or at least a second subscription.

Very few start-ups are able to build a subscription model as they lack the scale to build direct sale to consumers with the layer of complexity, cost of customer acquisition and relationship management, and the challenge of discovery for new titles or mastheads. The exception is in business/finance/tech media where the start-ups *Eureka Report* in Australia, *National Business Review* in New Zealand and *The Ken* in India were all able to build subscriber business models off the value of the content.

Australia's most mature digital start-up, *Crikey*, has always been primarily subscription-funded. It does not release its numbers (thought to be somewhere in the teen-thousands) and has recently increased its annual cost to \$210. The smaller Independent Australia (thought to have somewhere around 2,000) charges \$120 a year. The print stable of Schwartz Media – *The Monthly* magazine, *The Saturday Paper* and *Quarterly Essay* – have digital access, largely tied to subscription to the print product.

Similarly, Australia's literary magazines – including *Meanjin*, *Griffith Review* and *Overland* – can increasingly be characterised as forums for long-form journalism. They provide a mix of digital content for print subscribers or digital-only subscriber access to the otherwise printed content. They generally see themselves as writer-driven publications and rely on this community to subscribe, with incentives like first call for story proposals by *Griffith Review* to its 'writers circle' subscribers.

Start-ups in New Zealand have a contrasting approach where paywalls have been all but nonexistent outside finance news (particularly the *National Business Review*, which has recently pivoted from a free advertising model to a hard paywall, prioritising its service to readers over advertisers), although the *New Zealand Herald* has launched a paywall this year.

The biggest challenge in a subscriptions model is retaining paying subscribers. One challenge is finding ways and developing products that surface wider content to readers. For retention this is particularly important to make sure that readers are engaging with, and valuing, your journalism.

Other strategies to minimise the churn rate, the number of subscribers that fail to renew, are centred on developing a relationship with readers and keeping them engaged through events, podcasts, email newsletters and notifications. With all the effort of gaining subscribers, if they fail to engage with a media's content the investment will most likely be lost.

There is a developing understanding of the scope and potential limits of a paywall and resulting innovation within the subscriptions model. For *The Ken*, it started with the understanding 'that we needed to separate the roles of subscribers from that of payers'.

The Ken now offers corporates, college and institutional-wide subscriptions and recently launched its 'most ambitious and radical paywall innovation', patron-funded subscriptions.

Separating payers from readers with a cor-

NATIONAL BUSINESS REVIEW

is a weekly, national Auckland-based newspaper and online publication. Businessman and publisher Barry Colman acquired the masthead from John Fairfax in the 1980s, and led the *NBR* for 24 years before passing control to CEO Todd Scott in 2012. The publication's website has a paywall model, with an average of more than 100,000 unique users, almost 200,000 weekly page impressions, and approximately 34,000 email subscribers. In 2015 *NBR* launched an online radio platform and in early 2017 it launched a video service, both of which can be streamed from the website.

porate subscription model is also a feature of the planned new subscription content platform from former Hearst chief content officer Joanna Coles. She told *The Information's* Women in Tech, Media and Finance conference in New York in June 2019, the new media venture would focus on connecting working women across the US. Early moves involve discussions with corporations for company subscriptions. She is confident that people will pay for quality information, and is more concerned about the potential of excluding people who can't afford it.

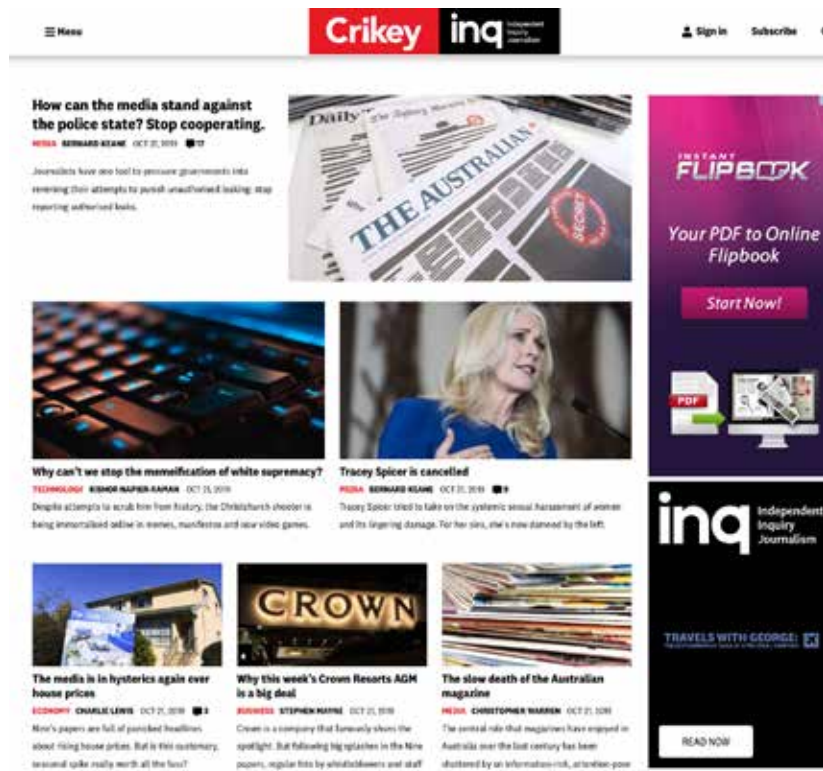
DONATIONS: The use of crowdfunded donations as a variation of the subscription model has been highlighted by the success of *The Guardian* which has encouraged others to explore a donation process. Both start-ups and some bigger media are including it as part of a mixed revenue model, usually for specific asks.

Some more established media are turning to Patreon or – particularly in New Zealand – the Wellington-based start-up *PressPatron*. These provide a structure for both processing (hopefully) repeat donations – particularly for specific causes such as investigative reporting – and for structured campaigns.

New Zealand-based *PressPatron* is a media monetisation platform operating in the US, Canada, UK, Australia and New Zealand, which aims to streamline the payment and sign-up process including monthly, annual and one-time payments under a 'pay-what-you-want' patronage model, facilitating memberships, donations, subscriptions and crowdfunding campaigns. The platform integrates natively within media websites and offers a one-click checkout process for payments.

PressPatron also provides publishers with detailed insights into the stories that generate the highest levels of support, and also offers campaign strategy services to assist publishers with best practices for their marketing and promotion.

The company says its clients who follow best practices can convert between one and five of their monthly unique audience into paying



supporters. About 46 per cent opt for monthly payments (at an average of NZ\$12), 9 per cent opt for annual (at an average of NZ\$82) and about 45 per cent opt for one-time payments (at an average of NZ\$51) (see, for example, *The Spinoff* case study).

None of the start-ups outside of those tied to universities have what the Australian Tax Office calls Deductible Gift Recipient status – that is, donations to them are not tax-deductible for the donor. It is unlikely that any of them would have the bandwidth to work through the regulatory approval process required to achieve this status. (The exception is the Walkley Foundation which achieved tax deductible status in 2016.)

While there is a growing community of donors in Australia who are stepping up to support journalism it remains a challenge to educate and recruit donors. This contrasts with the US where NewsMatch was a national gift-matching campaign that motivated non-journalistic community foundations to support non-profit news and expanded the base of community

CRIQUEY produces a daily email newsletter focusing on politics, media and finance. Owned by Private Media Pty Ltd, it is circulated to a paying subscriber base. It was founded by Stephen Mayne in 2000 and purchased by PMP in 2005. In 2019 it launched an investigative journalism unit, *INQ*.

and civic-minded organisations' understanding of the need to support journalism.

MEMBERSHIPS: Memberships seek to mesh more transactional subscriptions with the purer values affinity of donations, using the power of engagement to generate continuing payment. It requires the most profound rethinking of the relationship between journalism and the reader, viewer or listener.

This makes it a difficult model for traditional commercial players. Some publishers have attempted to create a purely transactional membership program through added benefits. This seems to have been the model that *Buzzfeed* had in mind when it announced its membership in late 2018.

The more thoughtful work involves rethinking how you bring readers into the process of journalism that might involve contributions beyond money. Beyond contributing revenues, many successful membership programs outside Australia and New Zealand have readers contributing in different ways, from cleaning data, volunteering at events, to joining the editorial meetings at 'thinkins' with UK-based Tortoise. It perhaps requires the biggest newsroom cultural change as it redefines the relationship with the audience and the power position of the journalist. There are well-thought out and proven products such as Hearken and Ground Source that help facilitate this two-way relationship with the audience and guidelines for engagement journalism that start with the audience.

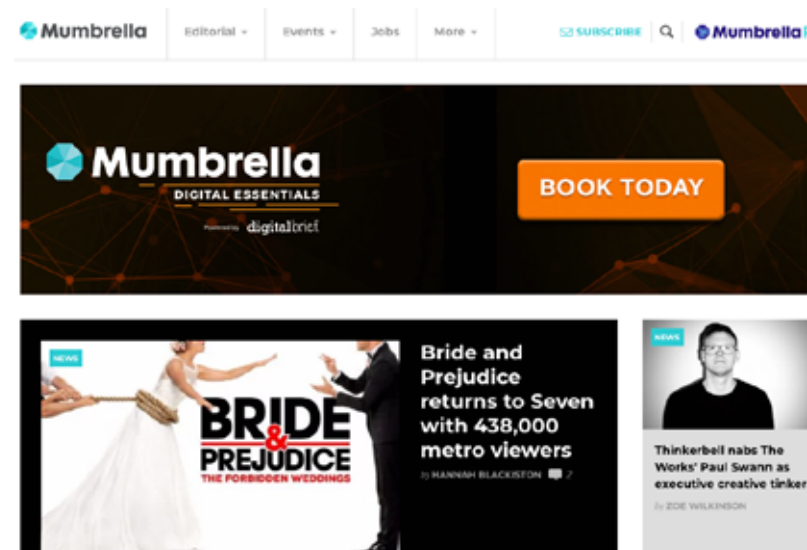
There are interesting experiments, like the work of the Wheeler Centre or the crowd-funded environmental editorial position at *The Guardian*, where contributions included story ideas and expertise as well as money. The ABC's *Four Corners* story on aged care crowdsourced story direction and content for its double episode in 2018, that also turned out to be its most popular for the year. However, none of these were on the scale that has been developing in the US and Europe. In Australia, *Crikey* is one of the few start-up

organisations which has, at times, characterised its subscribers as members. Although there appears to be a growing engagement between *Crikey* and its readers, this still seems more a marketing tag-line reflecting a sense of shared values than a practical engagement. However, *Crikey* has received a grant from ACMA to develop its engagement platform and it is possible that this relationship will change.

Whether building reader revenues through membership, subscriptions or donations, a conversion strategy is based on progressive stages in a funnel: research, expose and attract, engage and deepen, convert, and sustain.

Successful news media recognise that audience engagement and audience revenue are two sides of the same coin, and embed the engagement of the reader in day-to-day thinking about product design and output.

Here, loyalty is the key: Emily Goligoski, formerly with the Membership Puzzle Project, told the 2019 International Journalism Festival in Perugia that the email subscribers who regularly open and click through – 'super readers' – are the best indication of success. To boost this requires thinking about the product in a cross-functional way,



PRESSPATRON is a media monetisation platform designed specifically for media organisations and journalists. It specialises in turning readers, listeners and viewers into paying supporters, by streamlining the payment and sign-up process. *PressPatron* processes monthly, annual and one-time payments under a 'pay-what-you-want' patronage model, facilitating memberships, donations, subscriptions and crowdfunding campaigns. The platform integrates natively within media websites and offers a one-click checkout process for payments.

so as to build loyalty and also deliver on revenue strategy and secure members/donations.

DIVERSIFYING REVENUES

Almost all media are seeking to diversify their revenues by looking beyond advertising and reader revenues to find additional sources.

The most common is to build parallel businesses, usually content studios that provide an additional cash flow to the news products, although they will often generate native advertising for inclusion in the organisations' digital channels.

In some ways, the most interesting example was *Buzzfeed*, which started the other way around. First came the sort of content studio, using social media to generate virality around brands and campaigns. Its newsroom came later, partly as a tool to lure audiences in traditional ways.

Events are a second significant source of diversifying revenues while engaging subscribers. The most successful start-up in the space has been *Mumbrella* – so successful that it ended up selling itself to a US events company. Similarly, the private equity and venture capital-backed events business built around Singapore-based Deal Street Asia contributed to its value and sale to Nikkei in 2019.

Some are exploring transactions as an income source. The most successful has been *Starts at 60* with its travel agency, Travel at 60.

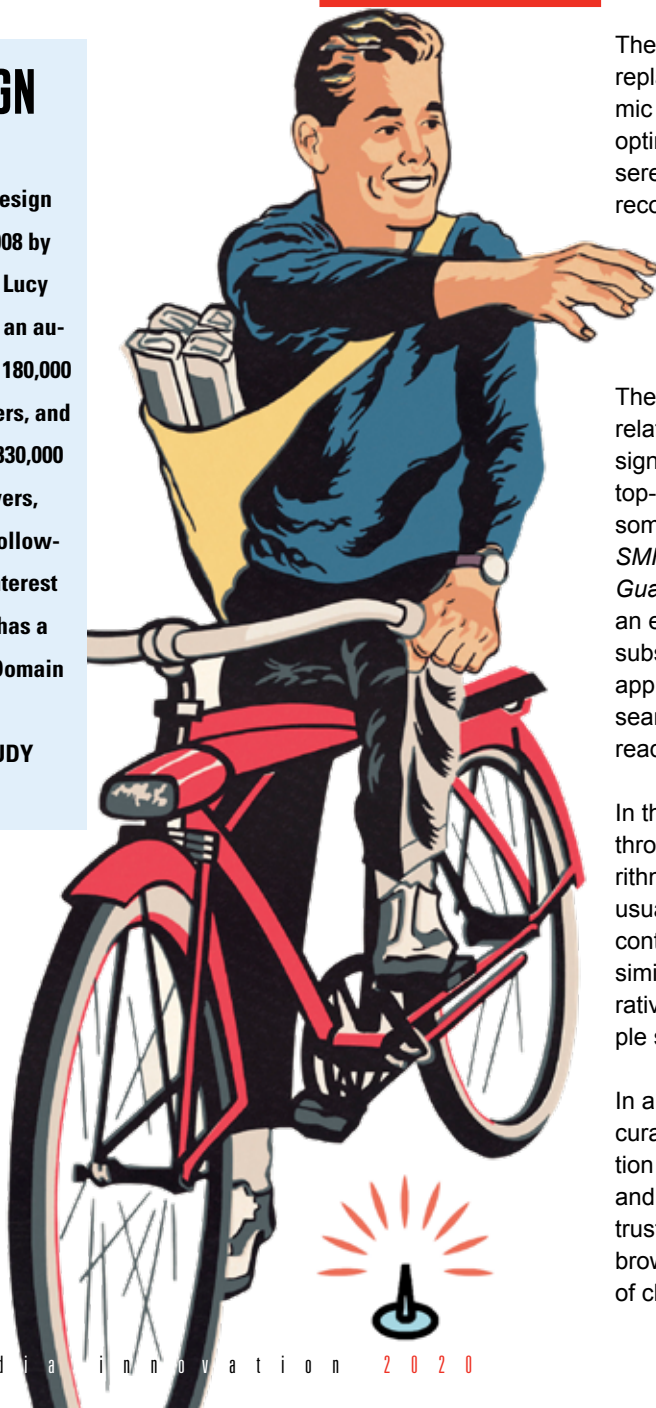
We can expect to see more experimentation on sustainable business models as both start-ups and traditional media have been looking for project-based contributions from government, tech platforms, NGOs and philanthropists.

#5 INNOVATION IN DISTRIBUTION

THE DESIGN FILES

is an Australian design blog founded in 2008 by Melbourne stylist Lucy Feagins. It now has an audience of more than 180,000 monthly website users, and attracts more than 330,000 Instagram followers, 130,000 Facebook followers and 260,000 Pinterest followers. It also has a weekly column in Domain magazine.

> SEE CASE STUDY
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Reaching and building an engaged audience online has become one of the biggest challenges for news media as discovery has largely replaced distribution, shifting power to the audience, primarily through the mediation of the big platforms' algorithms. News media cannot rely either on traditional recognition of brands or a build-it-and-they-will-come approach.

The social web has transformed distribution, replacing it with shares, likes and algorithmic discovery. As a result, media have to optimise themselves for discovery through serendipity, through influencer and peer recommendation, and through algorithm.

News media track what is trending across platforms through tools such as NewsWhip or Chartbeat to determine what is engaging news consumers.

The enthusiastic launch of iPad and related tablet editions was the last significant innovation built on top-down distribution. For some publications, like the *SMH*, *The Age* and *The Guardian* tablets offered an early opportunity to apply a subscription model to e-delivery. This approach flourished on the rocks of search and the social web, built on reader-driven discovery.

In the social world, distribution is facilitated through pull, rather than push. The algorithms facilitate personalised discovery – usually on a story-by-story basis – through content-based filtering ('here's something similar to something you liked') or collaborative filtering ('here's something that people similar to you liked') or a mix of the two.

In an information oversupply environment, curated newsletters have been an innovation to help readers sift through the mass and make sense of the world. For many, trusted email curators have replaced web browsing and social as the news interface of choice.



REACHING YOUR AUDIENCE, OVER AND OVER: THE TRIALS OF THE ALGORITHM AND THE POWER OF EMAIL

News media now use a broad spectrum of tools to engage their audience, from socially distributed media, to email lists and push notifications, in efforts to draw them to their sites where they can earn revenue from them. For social media, the Facebook News Feed is the most important, and for search, it's Google. However, the tweaks Facebook made in 2017 and 2018 to prioritise family and friends have forced a rethink about alternative social channels, a more diversified use of distribution, brand promotion to build organic growth and the re-emergence of email as a primary tool.

For Melbourne-based *The Design Files*, the Facebook shift was part of the disruption that pushed them towards a more diversified and lucrative business model. Unusually they get around 30 per cent organic traffic direct to the web site. Pinterest is their main social draw, bringing about 10 per cent of traffic, followed by Instagram.

Villainesse has used short videos on Instagram to target its young female demographic. Others are more ambivalent, saying that Instagram is more a publication channel in its own right than an engagement platform.

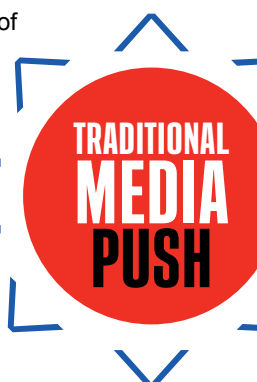
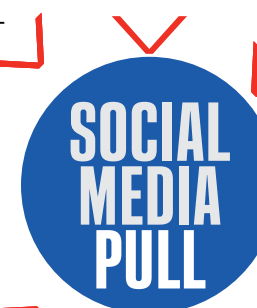
Independent Australia has used Twitter as its primary social distribution tool, particularly through #auspol links, and distributes links through email. For *Mamamia*, Twitter powered its early growth and provided the social amplification for its content marketing campaigns.

After the damaging experience of entrusting the reader relationship to Facebook, most publishers turned (or returned) to email as a tool to own their relationship with their readers. While email lists don't bring the same scale of audience engagement as the virality of social (and are more work to compile), audiences are more loyal and the lists drive more revenue (Owens 2019).

Almost all media are investing in building their own email newsletter subscriber lists. Even those with paywalls understand that a direct line to the reader is a crucial early step in building a relationship with a potential subscriber, and are creating products for a wider audience at the top of the funnel. *The South China Morning Post* sees signing up for a newsletter as a 'loyalty trigger', which informs how they develop new products that move people to sign up.

Lauren Indvik, chief editor of the recently launched *Vogue Business* told the Global Editors Network Summit in Athens in June 2019 that email is the best way to test and launch a new news product, as it requires only a small staff and getting feedback is as easy as asking for a reply to the email. But she warns while it is 'great for loyalty and engagement', it can't be found by search, share is limited, and subscriptions will need a website to register and pay.

For some, such as *Crikey* and *New Daily*, email has long been their preferred distribution. In fact, *Crikey's* primary product remains their email newsletter, containing all content. *Crikey*, *The Squiz* and *The Design Files* each work an email list of about 35,000 active users.



EMAIL

Email servers accept, forward, deliver, and store messages. Neither party is required to be online simultaneously



Instagram

Platform for users to upload photos and videos. These can be edited and organised with tags and location information and matched with stories in text



twitter

A microblogging and social networking service – the 'SMS of the Internet'. More than 321 million monthly active users



A site for visual discovery, collection, and storage tool. Available in 27 languages and 291 million active users

Pedestrian, with more than 100,000 email subscribers, was an early email innovator moving to daily emails at a time when the accepted wisdom among news media was weekly emails were better for a readership that didn't want to be bothered every day.

Clare Kimball, who started *The Squiz* with a launch list of 900 two years ago and now boasts more than 30,000 subscribers, says: 'For me as a news consumer, the newsletters that stood out were those that had a voice. It had to cut through the clutter and feel like it was somebody updating you. Newspaper emails miss the mark because they're generic cut-and-paste jobs, not a note to someone. They are just news and a bunch of links.'

Publishers relying on subscriptions are asking how to get a higher rate of conversion from readers to payers and how to get subscribers to visit more often.

Some publishers seek to manage the churn of paid subscriptions and the challenge of keeping subscribers engaged by using AI to understand readers' preferences and pull up a range of content they might engage with.

The Times newspaper in the UK found, with a US\$1.2 million grant from Google, that by using AI to personalise the content of their email newsletters as well as delivering them at the time individual subscribers would most likely open them, they were able to reduce churn rate by 49 per cent. '[The newsletter] created habits among the lowest engaged groups which are the hardest groups for us to retain,' said Mike Migliore, head of customer value at the newspaper (Tobitt 2019).

Some try to build audience through promotion via other organisations. *New Daily* works through industry super funds and other membership groups to build its email distribution. *Crinkling* worked through schools and school community groups to build subscriptions to its print newspaper.

Few have been able to build audiences outside Australia or New Zealand, inhibited by the ad-



YouTube allows users to upload, view, rate, share, add to playlists, report, comment on videos, and subscribe to other users



Facebook Watch is a video-on-demand service. Original video content is produced for the company by partners, who earn 55% of advertising revenue

THE NEW DAILY

is a free online news website owned by Industry Super Holdings, with close to 2.5 million readers, and approximately 440,000 subscribers to its daily email newsletter. It was co-founded in 2013 by current editorial director Bruce Guthrie (former editor of *The Herald Sun* and *The Age*) and Chairman Garry Weaven, Director of Industry Super Holdings.

vertising industry's national focus. There is some organic traffic – for example, *Starts at 60* says 8 per cent of its traffic comes from New Zealand.

One of the few with a global audience is the podcast *Moonshot*, launched by Lawson Media, covering technology and start-ups. Founder Kris Lawson was initially funded through a Walkley Foundation grant and family support. Podcasts have a natural global distribution and market and unlike pure digital, their ad rates are significantly higher outside Australia, and particularly for US audiences (see case study).

One regional offering is *The Mekong Review*, a literary journal for and about South East Asia published by Minh Bui Jones from Sydney. It circulates in Australia and South East Asia as a high quality quarterly newspaper print product sold in bookstores and also available online, and is supported by donations, subscriptions and print sales.



PEOPLE WANT IT WHEN THEY WANT IT

Living in the attention economy – where information abundance has replaced scarcity – gives consumers the freedom to determine what they want and when they want it. This requires news media to better understand how much time people have, when they have it, and their preferences at different times of the day.

TIME-SHIFTING HAS POWERED THE ATTENTION ECONOMY. PEOPLE ARE NO LONGER BEHOLDEN TO 20TH CENTURY PRODUCTION AND DELIVERY TIMES

So podcasts can be shaped into commute times for example, or, as Medium does, the reader can be alerted to the likely time length of a pending read, while others are looking at providing stories in different formats from the long read to takeaways.

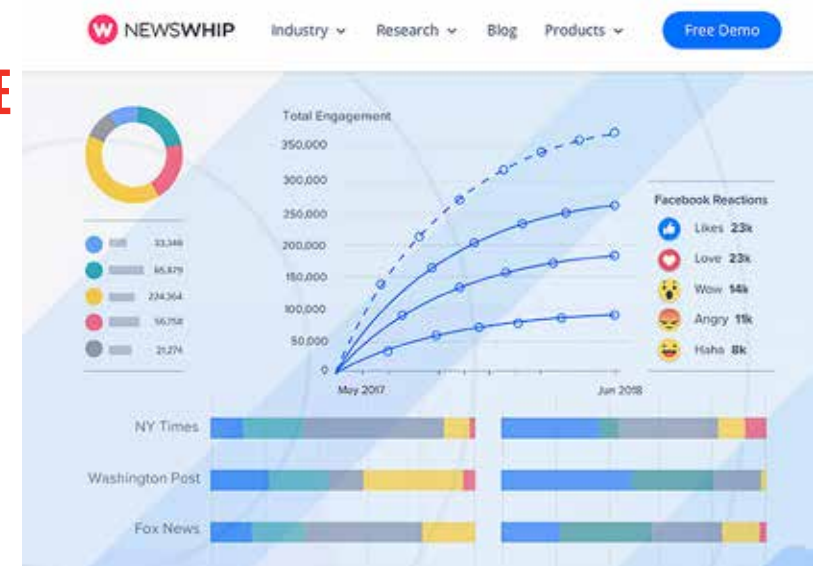
Time-shifting has been powering the attention economy. People are no longer beholden to the industry's 20th century production processes and delivery times. It's a disruption that has particularly hit free-to-air television as viewers embrace streaming services such as Netflix or Stan, also demonstrating the appetite for binge-worthy content in audio and video.

The ABC was an early innovator in time-shifting, particularly for news, launching its streaming service iView in 2008, long before it was commercially viable. It used its HD channel to launch a 24-hour news channel in 2010. It has been a leader in podcasting.

The ABC's Director News, Analysis and Investigations, Gaven Morris, says: 'My theory is that on-demand video news that is never out of date is going to be the big emerging trend. No-one is doing it at the moment. It completely changes what you do with a television news product.'

On-demand will be powered by machine learning to give you stories you want over the time span you want them, much like Spotify does with music.

YouTube and its emerging competitor Facebook Watch are being used to produce some news programs supported by advertising with a split between the platform and the producer. For example, Sky is producing a best-of-commentary half hour program for Facebook Watch.



TOOLS SUCH AS NEWSWHIP OR CHARTBEAT TRACK WHAT IS TRENDING ACROSS PLATFORMS



INNOVATION IN PRODUCT DEVELOPMENT

If the business model is about building diverse revenue streams with the audience at the centre, innovation in product is about designing news products that people need and want, will seek out and will pay for.

The 'product' is the stage that brings together the strategy of the journalism, the distribution and the business model with the audience in mind and matches it to the target market – hopefully meeting previously unserved – or underserved – needs or wants. In innovation terms, the product can be understood as combining a set of features with user-centred design (or UX) to produce a specific value proposition (Olsen 2015).

Successful innovation requires the product to meet the needs of the market it is targeting, in what innovators describe as 'product-market fit' (Griffin 2017). In news media (and in this report) 'the product' is analysed as the vehicle into which the journalism is packaged and through which it is communicated and consumed – whether it be a newsletter, website, newsbot or Twitter feed.

Usually, start-ups are encouraged to get to market – and to test the needs of the market – with a minimum viable product; that is, with the most cost-effective and simplest product that is viable for the market being targeted.

This way you can test your ideas or products and get valuable feedback before you have invested in them.

It is a relatively new way of understanding innovation in journalism. Historically, 'the product' was determined by the relatively inflexible and capital intensive production demands of print, or the linear nature of radio or television broadcasting. Now, it's central to the innovation process. It's where an organisation brings together both technically and strategically the wants/needs of the audience, the mission and values of the company, and the business interests of the organisation.

The innovation lies in understanding the need for and central role of product thinking, and allocating scarce resources to it. Its innovation also lies in the 'radical collaboration' of diverse disciplines drawn from beyond journalism to business, UX, data, sales, marketing, strategy, research and design. It's about understanding audience behaviours as much as their desires and needs, and building product experiences designed to make the process of reaching the content as easy and frictionless as possible, while also directing the audience to the desired outcome, such as subscribing, commenting, sharing or donating.

STRATEGY



DELIVERY



AUDIENCE



It's understanding that media organisations need to create news products and experiences of enough value that people will want to pay for or become loyal to the product.

Design thinking for product starts with the customer and their needs, and looks to build on the synergies to be found between those customer needs and core business capabilities, understanding the unique value of journalism and what it can do better than anyone else.

Developing products that both serve an audience and deliver on broader corporate needs has guided *Crikey* in its quest to deepen individual engagement with the launch of the morning *Crikey Worm* in 2017. The ABC Audio Studio is charged with using podcasts to find new audiences or fill out existing ones, says manager Kellie Riordan. She sees podcasts as the ideal tool to bring (or keep) women in their 30s and 40s engaged with the ABC.

As former Fairfax product manager Jess Ross who steered product for Fairfax through the critical years of digital transition says, knowing these synergies 'will determine your key strategy about where to play and how to win'. You then need to ensure you have the fundamental core capabilities for product development that will allow you to compete well.

For Fairfax that was about putting in place a robust, flexible publishing infrastructure that allowed journalists and newsrooms to not only create, edit and promote stories quickly and easily wherever they were, but also to experiment, 'to be able to create new story formats or spin up a new website or newsletter without it taking months and months'.

Ross says in the past these were very slow, expensive, inefficient pieces of infrastructure that acted as an 'innovation tax. You literally cannot experiment in the way you need to be able to. Those tests that you need to run, they need to cost you in the hundreds, maybe a thousand dollars, not hundreds of thousands of dollars' in the way that legacy media organisations did.

LIMINAL MAGAZINE

is an online publication profiling the artistic achievements of Asian-Australians through photography and long form interviews. Published every Monday, it was founded by Leah Jing McIntosh to boost representation of Asian-Australians in the media. It launched in late 2016 and is based in Melbourne, partly funded by a VicArts grant.

FOR MANY TRADITIONAL MEDIA PARTICULARLY, CULTURE IS WHERE THE MAJOR CHANGE IS HAPPENING, IN CONCEPTUALISING THEIR AUDIENCE BEYOND AN AMORPHOUS GROUP TO DEFINING NEW MEASURES OF SUCCESS

Innovative organisations think deeply about how to ensure the product's value proposition meets the audience needs, and where building audience loyalty and engagement are the desired outcomes, ensuring that the product is designed in a way that triggers loyalty actions. It may mean some continuing commitment to an email newsletter, a YouTube program or a continuing donation or subscription. It may mean some pop-up such as one off podcasts (perhaps the ultimate pop-up right now) or newsletters to deal with news issues and events.

Many organisations, particularly larger media, have designated product managers or teams to research, design and steer products to market (Southern 2019). Still, for many traditional media particularly, culture is where the major change is happening, in conceptualising their audience beyond an amorphous group to defining new measures of success.

HOW DO YOU OPERATIONALISE A HUNCH?

Product innovation in news media, particularly in the start-up space, tends to be launched off an idea or a vision of a gap in the market – almost a light-bulb moment – and then goes looking for an audience. It's been more like Mintzberg's 'emergent strategy' than the Harvard business school's analytical strategic approach. In some cases this means that, rather than starting with a deep understanding of an audience and its needs, the product has been conceptualised first and reshaped through implementation or after launch.

Usually, the founder in start-up news media comes from a journalistic or related communications background. Innovation teams in tra-

ditional media tend to be more broadly based, drawing on journalism, technology and product development skills.

Of course, the light-bulb moments and insights are not uninformed. Successful founders are smart and driven people. The internal innovation teams are committed to building for the future. These recognitions of a gap or gaps usually come with a strong hunch of how they can leverage that insight.

Among the most sophisticated pre-launch research in Australia was done by *Junkee* (see case study), which went looking for the white space in a charting of smart-dumb and general-niche axes.

Starts at 60 launched with a deep sense of its audience embedded in their name: how to speak to the over 60s, understanding the kind of information they need at their different life stages and providing a forum for its audience to share. Founder Rebecca Wilson saw the gap – there was nothing that made this age group ‘look and feel sexy’.

In some cases the start-up is built specifically off the personal brand of the founder, such as New Zealand’s site for young feminists, *Villainesse*, which is wrapped up in the personal brand of Lizzie Marvally. Some others were built out of blogs, building the brand of the site and the brand of the journalist hand-in-hand, such as Mia Freedman and her eponymous site *Mamamia* or *The Design Files*’ Lucy Feagins.

In the Asia-Pacific, India stands out for the strength of start-ups focussed on hard news that are filling a credibility and trust gap left by the mainstream media that is perceived to be pro-establishment and pro-corporate interests. These have been built in part around the brands and reputations of their founders who are senior journalists and former editors from traditional media, such as former Hindu editor Siddharth Varadarajan and Siddharth Bhatia at *The Wire*, or Naresh Fernandes (previously editor-in-chief of *Time Out*) at *The Scroll* or Madhu Trehan at the crowd-sourced media



MAMAMIA

is an opinion and lifestyle website targeted at women. It was created in 2007 by magazine editor Mia Freedman. Originally a blog, it is now a full digital platform for women’s news, lifestyle content and opinion, with written, video and podcast content, for an average of approximately 4 million unique users.

critique website *NewsLaundry*, or former Indian Express editor and NDTV host Shekhar Gupta at *The Print*.

Successful organisations usually document the hunch with a business plan or, at least, a concept note. Rebecca Wilson at *Starts at 60* says she sat down and wrote out her business plan a matter of months after starting journalistic experiments inspired by her light-bulb recognition that there were few if any media voices speaking to her parents’ generation. This plan continues to guide her. ‘Everything we’ve done was in there,’ she says.

The Spinoff in New Zealand started with a concept note for a content marketing play developed by founder Duncan Grieve. Rather than a map, this acted as a concept for unrolling the start-up over time, with each vertical seeking its own sponsor. It pivoted in June to a more diversified revenue mix with the launch of its membership offering.

Lucy Feagins at *The Design Files* says she ‘retrofitted’ her business model over the original product, originally with direct-sale advertising before pivoting as the money fell out of programmatic advertising and as social media opened up greater opportunities to monetise.

Consistency of brand and offering is also important in sustaining – and monetising – the start-up’s narrative.

Pedestrian, for example, credits its success to its unity of mission and brand. In 2014, *Junkee* renamed its parent company from Sound Alliance to Junkee Media in keeping with the hero brand. *The Australian* notes its print and online versions never diverged, not in content and not even in typeface.

These differing trajectories indicate that in successful start-ups, the plan will evolve over time both as the outside world changes (specifically as it becomes more social and mobile) and as the demands and needs of the audience change or become better understood.

EVERYTHING (WELL, ALMOST EVERYTHING) IS NICHE

The search for product-market fit in news media – particularly start-up news media – means they are increasingly focused on a specific audience or niche. Media products need to be shaped with their audience in mind to deliver revenues. These can be a single target or seek to link groups together. However, the size of the market in Australia (and, even more so in New Zealand) means there are significant constraints on the down side for start-up media: too small a niche means you struggle to build revenues, as some news sites have found.

For traditional media the challenge is to be both big enough to retain mass, and small enough to build a community relationship or feel. The successful ones adopt a bold approach, using the depth and breadth of their coverage to build new products like podcasts, blogs and savvy investigations. They use the mass scale of the web, but are also able to feel small and intimate by using the formats like almost-personalised emails, events and podcast avenues that allow them to speak directly to their readers, and allow their readers to get to know the people behind the mastheads, to build relationships and communities.

The New York Times perhaps does this best, particularly with its Australian newsletter produced by its local team, set up in 2017. It is typical of *The Times*’ attempts to build on the breadth of its coverage to build a more intimate relationship with its audience, using verticals and new products (e.g., modern love, simple living, cooking, health), podcasts and email newsletters that also target new audiences. It’s now experimenting with AI to deliver even more personalised email newsletters.

PRIVATE MEDIA

is an independent digital media company with a portfolio of specialist news sites whose publications include *Crikey* (subscription-based), *SmartCompany*, *Start-upSmart*, *The Mandarin* and *Crikey*’s new investigative journalism extension *INQ*. Eric Beecher is Chairman of Private Media and Editor-in-Chief of *Crikey* *INQ*. Private Media also operates a business to business audience engagement agency called *Bureau*.

Among the factors used to develop target audiences are:

Demographics, usually by age group, with *Starts at 60* targeting over 60s, *Junkee* and *Pedestrian* targeting millennials (with both also developing products to reach Gen Z). *Villainesse* is aimed at millennial (and younger) women;

Political orientation, with *The Australian* leading with a centre-right voice, or *The Sydney Morning Herald* and *The Age* seeking an ‘independent always’ constituency, or *The Guardian* targeting a more progressive grouping;

Work and career, with *Moonshot* aimed at people working in middle and project management in technology companies, and *Mumbrella* targeting people in media, marketing and advertising;

Indigeneity (and people interested in indigenous issues), such as *IndigenousX* or *e-Tangata*;

Gender, as with long-standing start-up *Mamamia* targeting a broad range of women’s interests, as do new entrants launched by Helen McCabe with *Nine*, *Future*



Woman and *Primer* founded by ex-*Marie Claire* editors Anna Saunders and Felicity Robinson. *The Squiz* newsletter (see case study), and the Indian *Broadsheet*, are largely read by women. Indonesia-based feminist webmagazine *Magdalene* has also had success in this niche.

However it defines its niche, the organisation needs to build a strong and engaged relationship, to turn that sector into an audience, connected to the product.

Not all niches are equal. Some bring more passion. Some are more engaged. Some have greater financial resources. Some are just bigger than others. This tells us that it is not enough to identify and engage an unserved or poorly served niche. *Mumbrella* credits its success in part to the capacity of its audience (via its employers) to pay for events and products, demonstrating how important it is to find a niche that can sustain a media business.

This is great for communities and niches that can afford to pay for their journalism. They are better served than ever. But as Stanford media economist James Hamilton said recently: 'There's no *Wirecutter* for the poor' (Owen 2019).

THE LOCAL NICHE

Through the 20th century 'local' was what news media did best. The infrastructure of 20th century media – newspapers, radio and television – was built off local structures and optimised for local news. It was reinforced by regulation which, until the 1990s, required radio and television to produce local news for their direct communities (Dwyer et al 2005). It was reinforced by ownership structures, with regional papers usually owned by a local business family.

Now, most local and regional papers are



owned by two national chains, which have been carving cost savings out of the sector through centralisation. Over the past five years, they have been the most affected by the flight of advertising to Facebook and Google.

This centralisation in masthead chains has meant most have had neither the freedom nor the resources to innovate from a grass roots level, with a deep understanding of the wants and needs of their own particular local audience. It's made local solutions to the challenge of local news harder to justify and sustain. The long-term financial clout of the chains has also kept other would-be local publishers from launching new experiments in these spaces.

Throughout the English-speaking media world, digital news media has failed to scale local. Not enough local advertising is looking to align with local news. It's not certain what the scale point is: when a locality is large enough (in population, in news consumers, in wealth) to sustain local news media, without being too large to be considered a unified community.

In 2019, *The New York Times* executive editor Dean Baquet warned the International News Media Association World Congress of the coming death of local media:

The greatest crisis in American journalism is the death of local news ... Their economic model is gone ... most local newspapers in America are going to die in the next five years.

In Australia and New Zealand, 'local' is used to mean suburban or community media and regional papers (a narrower definition than in the USA). In broadcasting, only the ABC sustains a broad local network (regional, but not suburban) covering most of Australia, although this is under funding pressure.

In the traditional chains, innovation is still often at the level of business process

engineering to reduce costs. The sector is in the end point of that process with the announced closures in New Zealand by *Stuff* in 2018 and a drip-by-drip wind back of local titles in Australia.

The handful of independent local media, caught up in the day to day production process chasing costs and revenues, struggle to get the time and intellectual bandwidth to innovate. In 2018, the Federal Government announced a special program of grants for independent local media. ACMA, which administers the grants, found that this lack of innovation potential meant the sector lacked even the ability to take advantage of the grants' structure. And yet, local media is perhaps best placed to develop the kind of deep relationship with its audience that could sustain small but relevant newsrooms, as noted in the Centre for Media Transition's report on regional news media (Fray & Giotis 2019).

The only regional start-up of any scale and longevity is Adelaide's *InDaily*. It's a relatively successful model that relies mostly on advertising and sponsorship to report on business, politics and city life in Adelaide. It's been able to build a relationship with its readers so that when it launched a donations strategy via *PressPatron* it was able to raise significant enough revenue that it is now looking into deepening this strategy.

One attempt to get around the constraints of local scale has been a London-based start-up, *Urbs*, which exploits big open data sets, often organised by geography, for local stories by combining journalism with natural language generation to generate localised stories. *Urbs Media* launched in 2015 to leverage open data into public interest journalism. Unlike robo-journalism which takes data into a repeating format, the company sorts nationally available data into regional components for each individual story. Now with an editorial team of six (one editor and five reporters), it has produced about 180,000 local news stories in the past 12 months covering health, crime, transport, education, housing, social policy, environment,

lifestyle – the beats of local news. Stories are typically 400 words and include contextual information and comments that reflect on the broad national trends. According to co-founder and editor Gary Rogers, about 80 per cent of the stories are published unchanged online. In print, it is about 50 per cent with local reporters adding more local comment and calls to action.

'We are providing data journalism on a massive scale that is beyond the scope of most hard-pressed local newsrooms, and I hope, shining a light on statistics that inform readers what is really happening in their area,' says Rogers.

In Japan, *Asahi Shimbun* Assistant Managing Editor Takeshi Fujitani says the paper similarly sorts data by prefecture to provide targeted stories for local editions of their paper.

A US initiative is Detroit-based *The Outlier* launched by Sarah Alvarez in 2016, which uses a bot to individualise texts as a means of informing its generally poor community about the housing crisis (Alvarez 2019).

If, as societies, Australia and New Zealand believe local news matters to communities, then it will require active intervention through the key innovation supporters: governments, tech platforms, universities, philanthropists. It is unlikely to survive outside the ABC by simple reliance on the market to sort it out.

The value in local and regional media is community. It will be interesting to see if the fortunes of local media can be improved if the larger groups decide to divest some assets and local ownership encouraged. They will need assistance and support to develop the tools, know-how and mindset to understand and engage local audiences and to develop the journalism products that can deliver on both engagement and reader revenues.

NEWSROOM

is a New Zealand-based online news publication focusing on politics, current affairs and social issues. Founded by co-editors Tim Murphy and Mark Jennings in March 2017 and aiming for a 'New Zealand version of *The Guardian*', its initial funding came from corporate and education partners including the University of Auckland and Victoria University of Wellington. It is also funded by private donations through audience supporters. The public site is based in Auckland and the paid subscription service is based in Wellington.

THERE'S STILL MASS IN THE MIX

Within this landscape, there remains a market for traditional mass news for mass audiences. These mass products are the closest there is to 'business as usual' products in the ecosystem, producing online the sort of product that sustained newspapers or broadcast news. This means spot news: weather, celebrities and entertainment, crime and personal tragedy, sport, politics as the horse race (who's up, who's down), etc. High on details and drama. Low on analysis and deep reporting. They remain a critical part of the eco-system, providing a free layer of information.

In the commercial sector, these endure as general advertising plays. In the online world, this means maximising clicks to maximise usually programmatic (including programmatic native) advertising revenues. It's less about driving reader revenues through engagement.

But the journalism has had to adapt. As editor-in-chief of news.com.au Kate de Brito

told *4th Estate*, journalists need to work hard on the entry point for the audience, how they find their way into a story. 'What's interesting, what makes it worthwhile? Saying "A study released today" is like death in digital journalism.' They focus on real time metrics, which stories people are coming to minute to minute, looking at search and social reports to see what people are reading. It's about insights. There is only 'a thin layer between you and the audience, you can almost touch them' (Fray 2019).

In Australia, there are four organisations that continue to deliver particular types of news that are aimed at maximising audience to drive income through general (usually programmatic) advertising. In New Zealand, there are two or three.

The major voices in this space come from the traditional companies, and rely in part on the volume of material prepared by their parent. The most dominant are news.com.au in Australia and stuff.co.nz in New Zealand, both of which remain as a free source of this relatively commodified information.

In the case of News Corp this allows them to horizontally integrate their news voices, with the free-to-consumers news.com.au filling the mass space, and the mastheads being put behind paywalls where they are being shaped as more niche products.



The general news sites of the old Fairfax company are branded to their mastheads – smh.com.au and theage.com.au. The company decided early in the internet age to position these websites further down-market from their print papers in a journalistic sense to attract the sort of mass audience a free site required. However, now that most content is

URBS PRODUCED 180,000 LOCAL NEWS STORIES IN 12 MONTHS COVERING HEALTH, CRIME, TRANSPORT, EDUCATION, HOUSING, SOCIAL POLICY, ENVIRONMENT, LIFESTYLE - THE BEATS OF LOCAL NEWS

behind a paywall, the company is shifting to an integrated online strategy and prioritising quality over reach, driven by its paywall approach. A possible approach of the newly merged Nine-Fairfax might be to position the Nine site as a free site going head to head with news.com.au, and to further re-align the mastheads' sites with the papers' more targeted values of quality, in-depth journalism.

For commercial free-to-air broadcasters, the network digital news offers the same generic coverage as a sort of content-marketing play to draw viewers to the (advertising-supported) broadcast.

In the start-up area, the *New Daily* is attempting to occupy this generic news space, although it has a leaning to superannuation and personal finance, as a content marketing resource for its sponsoring organisations among the industry superannuation funds. For commercial organisations, the generic

AS MUCH OF NEWS PRODUCTION SHIFTS BEHIND PAY-WALLS, THERE IS A REAL RISK OF CREATING A NEWS DIVIDE BETWEEN THE NEWS RICH AND NEWS POOR ALONGSIDE THE ECONOMIC DIVIDE

news bundle is made particularly challenging by the presence of the ABC which has the scale and funding to provide a more thoughtful news service without needing to worry about maximising clicks to generate revenue. This also enables it to resource in depth (through, for example, *Four Corners*), to set the agenda both through the quality of its reporting and through its ability to boost its stories across its platforms and to adapt its news for target audiences (e.g., Triple J for under 25s).

The endurance of mass market news remains a key social and democratic imperative. As much of news production shifts behind paywalls, there is a real risk of creating a news divide between the news rich and news poor alongside the economic divide. The more this paid-for news is targeted at its relatively well-off audience, the less that audience will be exposed to the diversity of real world issues and challenges, as well as possible solutions.





CHAPTER **#7**

CHALLENGES AHEAD AND SOME TENTATIVE SOLUTIONS

This report seeks to step off the treadmill of constant change and the stream of new challenges, responses and experiments, to understand more deeply what and how broader societal changes are impacting media transition. There is much experimentation and the external conditions are constantly changing.

The report is a work in progress. In the midst of a revolution, it can be nothing more. While the report has outlined the three cycles of innovation, we can't be certain just where we are in this revolution, what the endpoint is, nor how much more of this journey there is to come.

As much as it is a work in progress, it attempts to bring together the blocks the industry is using to rebuild media. Many of these have come from earlier experiments that might have failed but have left vital learnings and clues for

“
2008
MOVE FAST
AND BREAK
THINGS
2015
MOVE FAST
WITH STABLE
INFRASTRUCTURE
”

the future builders, demonstrating the collective nature of innovation.

Perhaps the most important block is the mindset and culture of the innovator – open to understanding the past and present in new ways and comfortable with change as a constant companion.

Famously, the founding mantra of Facebook was ‘move fast and break things’. In 2015, the company’s CEO Mark Zuckerberg announced a rhetorical pivot to ‘move fast with stable infrastructure’. Not as catchy, but relevant for innovators in news media.

All the ‘breaking’ that’s happened in the industry, all those job losses and masthead closures resulting from the exogenous disruption of the internet and the consequent fragmentation of

attention, has been bad – not just for the industry (or the journalists who lost their jobs) but for a vibrant media in a democratic society.

That’s why innovation in news media has always been about balancing the need to move fast with the imperative of stabilising the existing news media infrastructure. The new isn’t being written on a blank page. It’s emerging on palimpsest that’s already been written over and over.

The job of innovators in news media is to bring speed to the process, push down on the accelerator, drag the industry and the craft from the past into an admittedly uncertain future, keep what is valuable, be open to reviewing everything you thought essential.

POSITIONING AND REACH

Identifying audience and understanding audience needs has to be more deeply embedded in the innovation practices of the industry as too many still operate on a ‘build it and they’ll come’ approach. This involves a deeper knowledge base on how to build and scale audiences, how to reach them, engage them (and promote to them) and how to identify otherwise missed opportunities.

This could include annual (or more frequent) **innovator workshops** to bring together entrepreneurs and/or innovators to work on a particular challenge or idea; an **audience lab** to work with media start-ups directly on identifying and understanding audience needs/wants and data and strategies to monetise opportunities and product development; and promote **opportunities for start-up expansion**, particularly to off-shore audiences.

JOURNALISM:

Journalism today depends on optimising its traditional utility and entertainment alongside its connectedness in the social web. It rec-

VICE
is a global youth media brand that launched in Canada in 1994, and grew to be one of the world’s most lucrative multiplatform media start-ups. It was recently valued at US\$5.7 billion (\$7.2 billion), financed in part by contributions from private equity, 21st Century Fox, HBO and Disney. Known for its provocative and edgy video content, *Vice* launched in Australia in 2003 and partnered with SBS to broadcast VICELAND channel.

ognises the expectations of our audience in the social digital age for news media to build community, connect them and empower them to find solutions to the changing challenges in their lives. Strengthening innovation in journalism across these three planes requires sharing and learning through best practices; keeping the audience in the design process; production with multiple channels in mind; and greater understanding, support and advice from tech platforms including through intermediaries such as universities and philanthropic institutions. It needs experimentation with scalable journalist-focused technologies such as deepnews.ai. Journalism schools in universities need help to reimagine journalism education, both for now and for the future.

BUSINESS OF THE BUSINESS

Innovators in news media need access to business knowledge and understanding that can be built within the constraints of the inherent shortage of bandwidth, capacity, and the resources needed to focus on business building.

There’s an urgent need for a **training program** for so-called journo-preneurs and innovators on leadership, innovation and entrepreneurship to focus on fundamentals, such as need-finding, problem/solution and product-market fit, prototyping and product design, audience engagement, revenue strategies and opportunities, financial management, marketing and sales. This could include a purpose-designed bootcamp for current and emerging journalists to develop needed business skills. For journalism schools there is an urgent need to deepen their understanding of the depth, detail and scale of the change and challenges for the industry and use this to reimagine their course offerings for journalists and media makers to produce graduates who have the skills, mindset and leadership capacity to be both responsive in a changing environment and to lead the change.

DIVERSIFYING REVENUES

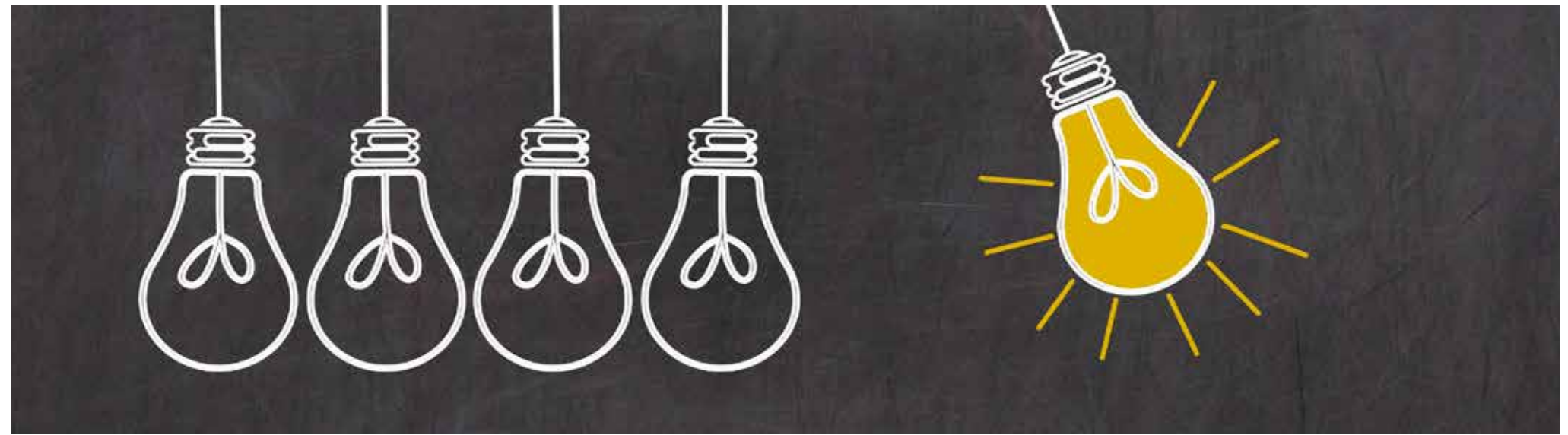
Key to the business of the business is diversifying funding through building greater understanding of the potential of the different models of advertising, reader revenues and the range of possible alternate sources, ensuring the model fits the mission.

This could include **evangelising** the importance of media start-ups to create **news media-focused accelerators**, showcase them, encourage **deal flow and interest** and build an angel network of media believers; bringing together potential philanthropic institutes to create a **targeted grants program** for existing start-ups to address a specific challenge and/or to seed runway for new start-ups; building a matching fund for PressPatron-style donations to existing media; and building a coalition of media donors and investors to help build the case for broader investment.

It could mean helping news outlets reach sustainability by **lowering operating costs**, particularly for publishing and business infrastructure; providing **shared resources** and services for creating and managing initiatives such as membership campaigns; **share best practices** for developing reader revenue streams; networking start-ups to **engage with advertisers** seeking placements at scale.

BUILDING OUT THE ECO-SYSTEM

The eco-system depends on a **network** that encourages understanding and learning from success and failure of others, providing access to expertise, coaching, mentoring and community support. This could include a (perhaps virtual) **community-based co-work space** specifically for media start-ups, a coaching service and a **mentor network** to support new media ventures and innovators.



THE FALL AND RISE OF NEWS MEDIA

Innovation both in start-up and in traditional media is creating an opportunity for news media to climb out of the slough of disruption into a new, exciting and diverse media world. Around the world – and in Australia and New Zealand – innovators are seizing this opportunity.

Too often, critics focus on the effects of disruption, on what we can see – the collapse of newspaper revenues as advertising flies to the tech platforms, or the fall in linear television viewing as viewers use streaming to time-shift their consumption. But it's not just the business model. It's not just the technology. These are the outcomes, not the cause.

There is now a growing understanding that change is the new normal – that the forces that drive disruption are here to stay. There has been a fundamental shift in the nature of the audience and the challenge now is to understand its expectations, its behaviours and where it sees value.

This can be understood within the shift to the attention economy and the positioning of the

media in the centre of that economy. In an era of content abundance, a major economic constraint is the time that the audience has amid the myriad pulls for attention.

These are disruptions to the core value of journalism and the business of media, and demand that innovation is also a core business response. We need to reinvent journalism from an audience perspective and this demands that we develop a deep understanding of where the value is in what we do.

That's why, as this report tracks, innovation in news media has shifted from a 'nice to have' component of the news business to the very centre of how news is thought about, created and consumed. It has to be front-of-mind for everyone in the business of news.

Innovation works to rebuild journalism when it is centred on a deep understanding of the audience, on the people who value and engage with the journalism on offer to engage through shares, likes, comments – and payments. An innovation strategy requires a holistic approach to rethinking this understanding – in the content, in the distribution, in the business model and in the products that package them up.

The examples in this report – the stories of those who are engaged in the innovation journey –

demonstrate how that strategy is playing out in the local eco-system

We're now deep into the third cycle of this innovation, a cycle that demands readers, viewers and listeners be put first in news media thinking. For many news media it's also a crucial moment when their actions will determine their survival and success, and that demands an understanding that disruption, and innovation are not something to the side, or a part of the business, but at the heart of the business itself. It is the audience that is disrupting news media, and innovators need to understand how it has fragmented, how expectations and behaviours have completely changed, as well as the way in which it values journalism.

This cycle brings its own challenges, with increased competition for both time and money. When the competition is for attention, the competitors are less other news outlets than they are all the other demands on time and attention (and subscription dollars) from social media to streamed entertainment.

Yet it's a cycle where everyone within news media benefits from sharing what they're learning, to work together to build deep news habits in the new eco-system for the 21st century and to carve out a role for the democratic practice of journalism in the internet age.

CASE STUDY
#1

THE DESIGN FILES

THE CULTURE OF THE BRAND

Thinking of new ways to deepen corporate relationships that create value for both sides has underpinned *The Design Files*' pivot away from a traditional advertising-based business model to build a more sustainable business focusing on Australian design.

Founder Lucy Feagins says that advertising directly contracted by brands was once the main source of the site's income, although it was never making substantial money from that source.

'We were lucky in that we were never over-reliant on advertising but what we did start to find about five years ago was that advertising – even the minimal we were getting – was just declining,' Feagins says. That decline was the shift by ad buyers to programmatic advertising, which acted to disadvantage start-up players.

Programmatic advertising produces less income than direct deals because of downward pressures on price and because of the proportion of ad spend clipped by the platforms and ad exchanges on the way through.

Feagins says that the industry brands she was working with didn't want to spend their money in that way. But



there was good news: 'They did want to still work with us. They said: "We want to work with you, but we don't want to advertise." We heard that over and over again.'

That provided an opportunity to pivot to meeting the brands' marketing needs in place of advertising, unlocking more budget from those brands through native content, co-hosted events and being a brand ambassador. 'Now,' Feagins says, 'many spend more on us doing those things than they did doing straight advertising.'

The Design Files was started by Feagins in 2008 as a blog for the design industry, evolving incrementally to where it is now with a team of nine, including designers, event organisers and writers. Its major outlet is the website, which attracts about 180,000 unique visitors each month, supported by an email list of about 30,000.

Most of its traffic is organic – people looking for the site. The major social media referrals come from Pinterest, although most of those are from overseas and so can't be monetised.

In terms of brands strategy, Feagins says: 'It's our job to look at that brand and think about how to integrate that into our content in a way that our readers will accept.'

'We're in a unique position in some ways because we're a publisher than can sell content but we're also in the influencer game. I have a bit of a profile and sometimes brands want me and there's a cost attached to me being part of the campaign.' For example, she says, she's been an ambassador for Dulux Paint, who are a long-standing advertiser.

There's a value, she says, when the founder is in the business every day: 'Everyone here can see me working.'

But *The Design Files* brand has to come first: 'We have a culture around our brand that is very strong. We are very protective of that culture. That's where engagement comes. We protect it because the outcome of that is that our audience are very engaged – they'll let us know when we drop the ball. That's the magic and that's what keeps us on track and holds us accountable.'

CASE STUDY
#2

THE SPINOFF

INVESTING IN A MEMBERSHIP PROGRAM

New Zealand's online media brand, *The Spinoff*, is marking its fifth anniversary as a self-proclaimed 'smart, funny, provocative' site with a sophisticated membership program to help keep the site's content free to access.

Launched by founder Duncan Greive in 2014, the Auckland-based organisation now claims an average monthly unique audience of about 800,000 (about one in six New Zealand residents) and a daily organic social reach of about 100,000. Their site boasts: 'Our audience is young, urban, and earning, and they love what we do.'

Greive says: 'I was working as a freelance journalist and I was always interested in the commercial side because all the magazines I'd written for had gone defunct and I thought "that's annoying".'

The Spinoff was originally launched as a site for talking about television, supported by New Zealand's SVOD supplier Lightbox, although, says, Greive, 'through television, you could talk about politics or sport'.

It has now expanded to offer content grouped around 10 verticals – still including television, but also across politics, sport and culture. Usually, each vertical has its own sponsor – for example, the books vertical is supported by the Unity Books stores. 'We got sponsorship for parenting coverage,



sport and books and we also opened the politics and media section,' says Greive. 'We just opened them and hoped that sponsors would come – which turned out to be wrong.'

As a result the company has been bootstrapped. Growth has depended on cash flow, both through the site and through white-labelled content, including video, produced for other companies. It now has about 20 staff, including 15 journalists producing content.

However, the site has avoided straight advertising. 'Our audience is very resistant to advertising,' says Greive. 'We're aggressively anti-advertising, so no programmatic, no CPM. About half our audience have ad blockers.' (And only 60 per cent have linear television.) He says the scale advantages the traditional companies have 'are deteriorating by the day and at the end, we're going to win'.

The Spinoff has been taking donations through the New Zealand start-up *Press Patron* (since July 2017) and has been thinking for some time about a more structured program. As a result, in May this year it launched a membership program based on a member-chosen level of contribution, either monthly or annually.

Apart from some swag (tote bag, annual book), the membership offering is network and values based, highlighting 'opportunities to tell us what topics you'd like us to cover' and 'undying gratitude and love'.

The membership program took six months of planning and prep work: programming to accept monthly continuing payments, design and artwork, getting the book ready. 'We really sweated the copy and the message of the membership landing page because we wanted to emphasis that this wasn't a paywall and would not change the experience of *The Spinoff*, but would allow us to do more and open up a two-way conversation where members could speak to, inform and contribute,' says Greive.

By launch, he says, 'I was pleased that it felt like we had figured out the proposition that made sense for us.'

About 1,000 people signed up in the first week. Although there was no minimum payment (members can pay as little as \$1), the average contribution is about NZ\$100 a year. Greive says the company is continuing to pick up members every day and is on track for a target of about 2,000 people by the end of this year, on the way to a tripling of current membership income. Although *The Spinoff* is based in Auckland, the membership growth has largely come from outside, particularly Wellington which has contributed about 25 per cent, although it is only 10 per cent of the country's population.

The company has launched its first membership based product – a pop-up newsroom to cover local government elections around New Zealand. The challenge is to respond to members, without, Greive says, being edited by members. It conducts monthly surveys of readers to identify interests and then considers how or whether it can bring an appropriate standpoint to the subject. Major topics so far have been climate change, followed by national politics. It is currently road-testing climate change coverage with the aim of developing an ongoing unique coverage that doesn't duplicate what others are doing.

CASE STUDY
#3
NEWSPICKS

COMMENTARY AS A KEY PART OF JOURNALISM (JAPAN)

Six-year-old Japanese news app *NewsPicks* may be closest to working out one of the central challenges of journalism right now: how do we genuinely engage the audience in both creation and consumption?

The business and tech news organisation uses the power of comments to drive a news platform that acts more like a social media platform. They mesh this approach with innovative content that merges journalism and design to appeal to a millennial audience whose web habits have been shaped by social media.

NewsPicks launched in 2013 as a mobile app curating news content for its target millennial audience: younger people interested in business and tech who bring strong points of view that enhance and create value through the commentary. The following year it started generating its own content and in 2018 it expanded with the takeover of US-based global business media Quartz.

It has adopted a social media sensibility in its in-app distribution, curating news through a network of experts and peers to encourage engagement and sharing. It gives users the power to discover and shape their own feed of personalised business news.

As a platform, it aggregates global content on business and tech for its Japanese audience. As a community, it encourages and curates comments. As media, it generates its own content through meshing the skills and contributions of journalists, designers and engineers.

It has more than 4 million member subscribers who have downloaded the app and can access and comment on curated content for free supported by advertising. Their paying subscribers include: 110,000 subscribers, predominantly in the 20- to 40-year age group, paying 1500Yen (US\$14) per month to access and engage with original content; and around 5,000 premium subscribers paying 5000yen (US \$46) per month who can also access the more



than 100 events per year either live or via video. Branded content provides another revenue stream.

But it has a big difference to the big tech platforms. As Silicon Valley Bureau Chief YooHee Hong says: '*NewsPicks* is a totally different social platform to Facebook or Twitter because we create original content. We have a newsroom and we try to share the knowledge of experts that everyone can read for free.

The company invested heavily in the commentary system to grow the app. This meant focusing on identifying and attracting high quality 'newspickers' and expert commenters with large follow-

ings who could lend their status to help *NewsPicks* grow its audience.

Newpicks does not want to be just another space for marketing and influencers. It wants to make space for deep insights.

Finding the right commenters for each story and providing advance access is now part of its weekly news planning, with lead commenters identified for major stories each morning and evening. The newsroom actively curates the thousands of comments it receives, rather than relying on algorithms, and encourages its users to spread their comments on their own social networks.

NewsPicks also challenged the idea of the interests of Japanese news consumers, both in areas of coverage and in journalistic style. They try to think mobile, from each story's beginning. The design team are key partners. They bring strong visual journalism and infographics for explainers as well as using Manga visuals.

NewsPicks has experimented to develop new formats for storytelling to attract and entrench this new audience. The platform supports video streaming, graphic storytelling and weekly in-house talk shows. It takes a team approach, bringing journalists, designers and engineers together from the beginning of the process to make a package that works for their audience.

'I love journalism,' says technology and business editor Naoyoshi Goto. 'But content is more than just journalism.'

'And journalists need to bring a business perspective to their work, thinking from the start about how the content will be designed to reach and engage our audience.'

CASE STUDY
#4
THE KEN
INNOVATION IN PAYWALLS (INDIA)

Bangalore-based *The Ken* grasped that paywalls require their own continuing innovation. Off-the-shelf products based on the learnings of larger traditional businesses weren't going to support the start-up's high quality tech-business news offering.

The product and journalism *The Ken* offers is already innovative: it publishes only one original long-form article (about 2,500 words) each weekday for paying subscribers, supported by a free email newsletter to introduce that article. Its in-depth narrative style is a key differentiator in the Indian market which is dominated by highly commoditised news.

The value in this differentiation is reflected directly in the pricing: at US\$50 a year, it's relatively high for the region. (*The Hindu* digital subscription, for example is US\$30.)

Its approach is based on a clear-eyed assessment of what paywalls are: 'Paywalls are a business model. Paywalls aren't barriers,' says co-founder and CEO Rohin Dharmakumar. Understanding it as a business model led to a realisation that the reader/subscriber and the payer need not be the same person.

Like most paywalled news media, *The Ken* initially only offered individual subscriptions.

The Ken's Narratives

Explore curated reads of our best stories, grouped by themes.



SEE ALL NARRATIVES

'It took us well over a year to understand that we needed to separate the roles of subscribers from that of payers,' says Dharmakumar. As a result, the company introduced a corporate subscription that eliminated the paywall for all (or some) of their employees. Six months later, it innovated its paywall again for colleges, through campus-wide subscriptions, with students and faculty members as the subscribers, and educational institutions the payers.

This year, it launched patron subscriptions, its 'most ambitious and radical paywall innovation', where any person, company or brand can fund annual subscriptions of between \$50 and \$250, that *The Ken* will double by matching. According to *The Ken*, patrons can choose who these subscriptions should go to from 'their alma maters, bootstrapped start-ups in their sector, young employees or specialist professionals. Or they can leave that to us to figure out and solve'.

In October it used its third anniversary to launch what is effectively a household subscription (the model used by stream-

ing services) by letting subscribers add their partners to their subscription at no additional cost.

The organisation also encourages sharing to increase reach. In any month, a subscriber can share access for up to five individual stories. *The Ken* then hopes that the quality of the offering will convert them into a subscriber.

Separating payers from readers with a group subscription model is now being explored by other start-ups and traditional media. It's a feature of the planned new subscription content platform from former Hearst chief content officer Joanna Coles. She told the The Information's Women in Tech, Media and Finance conference in New York in June 2019 that the planned new venture would focus on connecting working women across the US.

Early moves involve discussions with corporations for company subscriptions. She is confident that people will pay for quality information, and is more concerned about the potential of excluding people who can't afford it.



CASE STUDY #5 LAWSON MEDIA MOONSHOT

BUILDING AN INTERNATIONAL AUDIENCE

The first podcast series from Lawson Media – *Moonshot* – has already suggested it has the potential to become one of the few Australian media start-ups to carve out a global audience. The podcast discusses the biggest ideas in tech – such as moving to Mars or quantum computing – and talks to the people who are making that happen, wherever they are.

Its audience – more than 800,000 downloads or about 10,000 to 15,000 an episode – tends to work in tech, engineering and design, often at the middle or higher levels of their companies. This puts *Moonshot* in the top 5 per cent of the over 750,000 shows in Apple Podcasts.

‘If you are going for real scale, you are not going to get that in the Australian market,’ CEO and Founder Kristofor Lawson says. ‘We are well placed in this region. We have the talent in this country. If we focus on the global audience, we can get scale.’

Already about 50 per cent of *Moonshot* listeners are in the US. But being in Australia shapes the podcast’s content, as it tries to interview people outside the US and from the Asia-Pacific region to bring a global perspective to the issues. Serving a

global audience, *Moonshot* saw the opportunity to charge ads at US rates, normally about US\$37 or \$50.

The company was launched with support from the Walkley Innovation Fund in March 2017, then built with support from RMIT University’s Activator Launch-HUB, and bootstrapped with financial support from family and friends.

Its first podcast reached 100 downloads (‘pretty dispiriting,’ says Lawson) but the company persisted. In July that year, it featured in Pocket Cast. By its fifth episode in August, the advertising started to come in. Now, Apple is using *Moonshot* in a global campaign for the Apple Watch.



By May 2018, the company had built sufficient revenues with about 70 per cent from ads on the podcast and 30 per cent from providing content and audio services. Lawson had left his job at the ABC a year earlier to focus on building a sustainable business.

As a business that has been built with support from family and friends and a handful of innovation grants, the

company can grow step by step based on its income. Still, Lawson notes, ‘The sale of Gimlet Media at \$230 million is fantastic for podcasting. It adds legitimacy to the field.’ If anything, he says, it will turn out to be a cheap price.

‘What worries me most as a start-up company is cash flow, and being able to sustain it, so we can build a real business around it. We need to keep the show relevant and keep the audience engaged so that the advertising keeps coming in.

‘In the end, quality in podcasting is about a combination [of] the depth of the storytelling and the quality of the

audio production. You can have a really fantastic investigation but if the audio is terrible, it can be a turn-off for listeners. We want our listeners to recognise the work that goes into making our podcasts a reality and that only shines through when the show sounds as good as the journalism that went into it.

‘Audiences recognise quality,’ Lawson says.

CASE STUDY #6 THE GUARDIAN

CREATING A MAINSTREAM DONATIONS MODEL

The Guardian has stood out as a model for innovation in the media, often in counter-intuitive ways, zigging when others zag. Right now, it is innovating reader revenues through reader-based donations. Although crowdfunding has long been a feature of digital creativity on the internet, *The Guardian* was the first to imagine into practice its potential in funding a global media player.

By 2015, most mastheads (and all metropolitan and national mastheads in Australia) were implementing subscriber-based paywalls of increasing hardness to confront the continued decline in advertising revenues. Although *The Guardian* had experimented with digital subscriptions in its tablet product, it was philosophically committed to remaining free on the web. Yet it faced the same crisis.

The Guardian News and Media Editor-in-chief Kath Viner says: ‘In the UK, the idea of a media organisation asking its readers for direct contributions was unheard of at the time. And I’ll be honest with you, it really did not have much support inside *The Guardian* or outside to begin with.’ ‘But,’ she says, ‘the readers understood it.’

The company invested in a new unit led

by two senior journalists who understood ‘the readers’ relationships with *The Guardian* and in political campaigning’. They put together a team of journalists, UX researchers, designers, data analysts, engineers, marketing and product managers.

They tested messaging to identify the most effective tool. Viner (who was also founding editor of *The Guardian* Australia in 2013) says: ‘Independence is a very powerful message all around the world, but it’s particularly powerful in Australia where 70 per cent of the media is owned by Rupert Murdoch and so they, obviously, value independence particularly in Australia.’



The research found that although pre-existing members (about 12,000 registered from an earlier events-based program) liked getting something tangible for their contribution, there were also many who would prefer to simply support *The Guardian*’s journalism at a level and frequency they could dictate and they could afford.

The ask for donations had to be structured within the values of the organisation – and of their readers. As chief strategy officer James Down said in February, *The Guardian* had ‘to build a more meaningful set of relations with our readers to play a larger role in their lives and to improve our journalism.’

In three years, more than 1 million people have supported *The Guardian* financially, with more than 650,000 paying regularly. Most (55 per cent) revenues are now digital, and more than half come from readers over advertisers, with only 8 per cent from print advertising.

The editor of the digital-only *The Guardian* Australia, Lenore Taylor, says that as a result of the campaign, the Australian business is self-sustaining and has been able to diversify its journalism.

The membership/contributions model, she says, ‘frees you up to do the most important journalism’ because you are not having to create products for advertisers. More importantly, engaging readers transforms the journalism.

‘You need to find ways to hear from people rather than talking about them,’ Taylor says. In Australia, this has included call-outs to readers for both donations and story ideas for environmental issues under ‘The Wide Brown Land’ project. Taylor says the company raised more than it expected (about \$150,000) and that half the story ideas came from its readers.

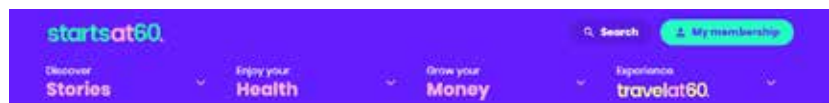
Engaging readers has also helped with journalistic innovation in data, such as the ‘Killing Time’ project, developing ‘a massive map of Australia’s frontier wars’.

The Guardian demonstrates both the work that it takes and the financial value of engaging readers. It’s a model that’s being picked up around the world. Viner says: ‘Everyone has taken a leaf out of our book. We’ve seen everyone using our language and that’s great because we did all the hard work. That’s great. Very happy to help the industry.’

CASE STUDY #7 STARTS AT 60

SERVING A BOOMER AUDIENCE

'As a media company, we own the platform for speaking to the baby boomer market and can build products and partner with solutions that over-60s can benefit from,' says *Starts at 60* CEO and founder Rebecca Wilson. Based on that understanding, the company is attempting to pull off an audacious pivot by launching a fully fledged online travel agency to sit alongside its media offering.



Wilson launched the media side of the business in March 2013 as she watched her parents turn 60 and start to look around for how to reference their retirement in media.

'In my job as a marketing consultant, I was recommending that corporates should be looking at the boomer market, at the scale and economics of the market as it shifted. Everyone wants a millennial audience – but they have no money and no real propensity to make significant purchases. All the money is tied up in the boomer market, yet few media companies treat them with the respect they deserve.'

Starts at 60 grew in the Facebook boom to build an audience in its first stage. 'We rode the algorithm and really engaged the over-60s online,' says Wilson. By mid-2017, 85 per cent of the traffic to its website came through Facebook.

When Facebook announced its shift to prioritise family and friends in January 2018, the company had already pivoted to its own channels and reduced its Facebook audience share to about 45 per cent. 'We always had email,' says Wilson, 'but before mid-2017 we never focused on it because we liked Facebook. But there came a time when there was no more growth in Australia for us in Facebook, so we had to build wider audience share and depth with our audience. That's just the reality of media today.'

Now the company sends out more than 10 million emails a month on a twice-daily timetable, and has a powerful Google traffic base coming directly to its 'reinventing retirement' evergreen and news articles, while still engaging across Facebook, Instagram, Twitter and Pinterest.

The audience come for a mix of the journalistic content targeted at the age group (the company now employs 11 journalists plus freelancers out of their 28 staff) and professionally edited user-generated content from about 430 over-60 bloggers.

The media business is free to access, and runs on advertising, sponsored

and native content. Wilson describes it as a premium digital environment, with mainly direct booked and premium programmatic advertising, and little to no open marketplace activity, due to the demand for the site's advertising. 'The advertising model is limited, as we all know, by the need to have scale to service the advertising agency market,' Wilson says.

With sold-out advertising in recent months, the business is gradually shaping its native model around the retirement life stages, and has built first-party retirement life stage-related consumer datasets to overlay on advertising, content amplification and social media activity.

Recognising the potential in the travel market for over 60s ('about 80 per cent of discretionary travel', Wilson estimates) Wilson launched the parallel company Travel at 60 in 2017 as a lead-gen marketplace before shifting it in 2018 to an online travel agency.

'Retirees are regular travellers and there are some very unique ways we can bring them unique propositions ... As a product, retail and media company we can bring the consumer a better deal, and bring it to them quickly, while other larger companies are less able to bring great deals to market at speed due to their limited digital audiences and traditional marketing approach. It really helps to work with our own media platform and have the trust of our community. It allows us to go full stack between product and the consumer.'

In 2016, Seven West Media bought a third of the business for \$2.5 million. Three years later, it followed on in a round of \$2.7 million. Travel at 60 is working closely with the Seven business in media campaigns that Wilson says 'have been very successful' in expanding the marketplace.

CASE STUDY #8

THE SQUIZ

BUILDING AN ENGAGED AUDIENCE

'Women are great sharers,' says Claire Kimball, founder of the daily curated news digest, *The Squiz*. That's the social secret that lies behind the growth in the email newsletter's distribution from an initial mailing list of about 900 government and communication executives when it launched in March 2017 to the 30,000-odd inboxes and 12,000 regular podcast listeners it reaches today – three-quarters of them women – with a 45 per cent open rate.

In those two years, Kimball has been up at 3.30 each morning to curate *The Squiz* as a daily email newsletter, along with a short podcast that delivers a digest of news you need to know to start the day, without, she says, political spin.

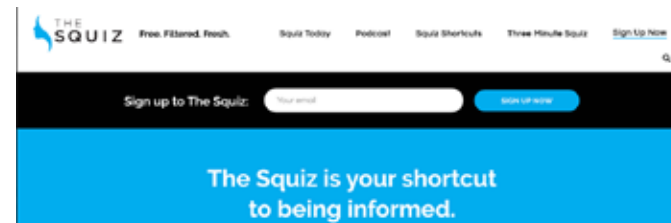
She saw an opportunity to build an audience that was looking for information without spin. 'With *The Squiz*, we've worked on our balance and tone to make it factual, not punishing,' she says. 'You're not going to feel outraged. We don't shout at people at 6am. In the 18 months since we've published, we've had two complaints.'

Kimball comes from a news consumer rather than a journalism background – she worked in corporate and political communications, including for former prime minister Tony Abbott. It's been useful to not have a journalism background, she says, because she's

focused on what the audience wants, rather than trying to replicate old media.

'For me as a news consumer, the newsletters that stood out were those that had a voice,' she says. 'It had to cut through the clutter and feel like it was somebody updating you. Newspaper emails miss the mark because they're generic, cut-and-paste jobs, not a note to someone. They are just news and a bunch of links.'

Instead, the content in *The Squiz* is built around three principles: 'Be authentic. Be regular. Be predictable.' Within that framework, she builds a social component to content with a weekly interview with a subscriber called 'Three Minute Squiz with ...'



The Squiz was based on identifying a gap: 'There is certainly a hole — from a marketing perspective anyway — for reaching high-income, professional women who are short of time,' Kimball says.

To drive distribution, she seeks subscriber volunteers, or 'Squizheads'. Once their sharing leads to at least five additional subscribers, they are thanked for their support. Going forward, the plan is to engage them further with unique content and offers.

'We were always only interested in developing long-term relationships with our email and podcast subscribers – and like any relationship it takes time and consistency to build trust,' Kimball says.

'By showing up every weekday and delivering our 'shortcut to being in-

formed' in a way that takes a lot of care and respect for our audience, means we're not only developing a sustainable business (or at least we hope we are), but it's a meaningful venture for us to put our blood, sweat and tears into.'

Kimball bootstrapped the launch and focused on growing *The Squiz* audience for the first year before looking for revenue from sponsorship matched with native advertising. It now draws from the Commonwealth Bank, Woolworths, Future Women, Qantas, The Growth Faculty and Four Pillars Gin. These partnerships and advertising are the company's only income stream, although the team is thinking about what non-advertising income might look like.

The podcast has brought a new audience. 'By and large it's a different audience to the email gang. Our view is we need to be where our audience is, and a 6am morning podcast with an opinion-free look across the news was a no-brainer for us.'

In late 2018, *The Squiz* gained runway status when its first round of investor funding, led by ex-News Corp executive Peter Tonagh, raised almost \$500,000. As a result, Kimball now pays herself a salary and has expanded her team to include two team members focused on commercial growth and subscriber engagement.

And for the future? 'There is a very downcast sentiment about the future of media, but I didn't come from any of that,' Kimball says. 'We didn't beat ourselves up because we were a start-up. We didn't think, "This is the future of news and it's going to be awesome." I prefer us to be reader-focused. The Squiz's carved a space for itself. We don't have any legacy issues to worry about.' remains confident in the idea: 'We didn't fail because the product didn't work.'

CASE STUDY
#9 **ABC**
A CHARTER
TO INNOVATE

As a public broadcaster, the ABC is free from the constraints of business pressures, but it is not free from the imperative to innovate in news media. In part, this is because innovation is a specific ABC Charter responsibility, but more important is the imperative to reach and engage new audiences.

This means the ABC is innovating around the type of journalism it produces, the way it is distributed and the products it creates.

According to the ABC's Director News, Analysis and Investigations, Gaven Morris, the journalism challenge is to shape stories from the beginning with different means of distribution – and consequent different audiences – in mind.

Morris calls this the ABC's responsibility to provide 'an equal digital life'. 'When *Four Corners* does a good story then it should have a life for all platforms. We should be able to take that story and make it just as compelling on a different platform for under 40s,' Morris says. This requires innovating around the storytelling, based on preserving the ABC's traditional sense of what's news.

'We didn't need to change our editorial values for younger audiences, we just needed to find where younger audiences wanted to consume it – this is the big lesson from the digital age,' Morris says. 'The young audiences are out there on these platforms looking for these sources of information. These are people who never use the ABC for anything else.'

He says the big drivers are Facebook, Google and Apple News. ('Apple has been amazing as an audience for us. We get 2 million uniques from Apple to our content.') The corporation has launched a Messenger news bot and is experimenting with YouTube and voice-activation.

Although, it likes to draw users into the ABC's website to explore other options ('The Messenger bot has been great for that,' says Morris), it doesn't have the brand – or monetisation – imperative that commercial players do.

This enables the ABC to innovate around social platforms more as push distribution tools to get their content out to new audiences than as tools to pull users into the core site.

The ABC has long-standing, committed audiences. About a million people still sit down and watch the 7pm news, although, like most linear broadcasting, it's an aging audience that's down a third from its peak.

Morris says the organisation needs to be thinking about the future experience: 'Thinking about what people want from news. What are their habits? How can we meet them there?'

One way is public collaborative journalism such as the two part *Four Corners* series in 2018 on aged care. A call-out to viewers generated 3,000 pieces of feedback, which informed a rich and deep look at the challenges of the sector.

Another is 'More in investigation. More in explanation. Less in telling them stuff that happens today. Explain to me. Give me the meaning around this story that helps me understand.'

The greatest innovation challenge is

navigating the end of schedule broadcasting. The ABC was an early innovator, launching its streaming service iView in 2008, long before it was commercially viable. It used its HD channel to launch a 24-hour news channel in 2010 and it has been a leader in podcasting.

Now, Morris says, 'we're getting to the point that what drives a behaviour is on-demand and personalised. It's a greater challenge than anything that has come before. Earlier changes were incremental but our newsrooms are structured in the same way they've always been.'

'When you move from a clock-driven organisation to one that's on-demand, it changes fundamentally how you put a newsroom together. A lot of broadcasters haven't grasped that yet.'



Broadcast platforms are still huge, still massive compared to online, he says, and it's not clear where the tipping point is. 'My theory is that on-demand video news programs that are never out of date are going to be the big emerging trend. No one is doing it brilliantly at the moment. It completely changes what you do with a television news product.'

On-demand will be powered by machine learning to give you stories you want over the time span you want them, much like Spotify does with music.

In terms of collaboration on big innovation he says: 'What good is it to us, as a tiny ABC, looking 10 years out?'

'Our philosophy is: we can't worry about what the commercial payoff is so let's try to innovate and see what we learn and maybe working with the platforms helps make them work out what makes it commercially viable.'

CASE STUDY
#10

CRINKLING

LESSONS FROM BOOTSTRAPPING A START-UP WHILE BUILDING A MARKET

Crinkling – a paper aimed at school students from age 7 to 14 – had the unique challenge of building both the product and the market, without runway funding to get it off the ground. It demonstrates both the potential and the limitations of bootstrapping a start-up that relies on founder passion.



The idea was bold with a clear sense of product-market fit: a national printed newspaper that reported the big news and current affairs in a style appropriate for the target market and that engaged the young audience in content.

'Essentially we were running this as a social venture. We did it because we believed in it,' says co-founder Saffron Howden.

The result of the idea was a weekly newspaper, with 48 issues a year with junior editor and journalist programs.

Crinkling used print, says Howden because it's better for children to read first in print. ('You can't click out of the product and it means less screen time.') And, it turned out, kids liked the tactile experience.

The product's business model was built around subscriptions (at \$4.50 an issue). Initially, this was families (and, they found, clusters of families built through word of mouth). This grew into schools taking group subscriptions, although, here, *Crinkling* faced institutional lag, with schools, having once made a decision, then needing to factor the cost into the following year's budget.

By the time it closed in January 2018, *Crinkling* had either individual or institu-

tional subscriptions in one in 10 Australian schools, reaching about 250,000 readers during term.

The costs were in producing relevant high-quality content, as just about everything needed to be written from scratch, says Howden. Even material from the wires or subscription services needed to be rewritten to be relevant and appropriate for the audience.

The printing cost was negligible and the postage costs for distribution were built into subscription. 'High quality content is costly.'

The product was bootstrapped out of the time and savings of Howden and her co-founder Remi Bianchi. The pair worked seven days a week for two years. The time spent on building both the product and the market meant they had no time (or internal bandwidth) to seek out investors to provide runway.

'We didn't go into it blindly,' says Howden. 'But no-one would have backed a print newspaper for children unless they had seen it. We had to produce it first. It would be much easier now to talk about investment and funding because we've already done the work to show a national newspaper for young people actually works.'

As costs mounted, the company launched a crowdfunding campaign which raised about \$200,000. It learned one big lesson from the experience: 'Unless you ask for money, people don't know you need it.'

Getting known was a challenge. 'We didn't spend a cent on marketing,' Howden says. 'But we got a lot of organic media coverage.' Subscription spikes came off the back of this coverage.

The company was aiming to diversify revenues to include 'subscriptions through households and schools, media literacy programs and resources, and some child-appropriate advertising'.

Howden is critical of the Australian news industry saying big picture thinking isn't coming from within. Support for *Crinkling* came not from the media companies but, instead, from places like Facebook and Google, and the Museum of Australian Democracy.

Looking back, Howden recognises that the *Crinkling* founders needed deeper pockets or real financial runway. But she remains confident in the idea: 'We didn't fail because the product didn't work.'

CASE STUDY
#11 JUNKEE
DO THE RESEARCH

The founding principle of *Junkee* is 'do the research'. Its co-founders started with a market analysis charting existing media products across multiple axes, including 'smart to dumb' and 'niche to mainstream'. In the white space of smart millennial demand, the company launched its millennial-focused website *Junkee* in 2013.

Publisher Tim Duggan says 'Choose a community you can authentically speak to and find the gap that exists in the market. Once you start speaking to an audience every single day you have to continually tweak your strategy, because the readers you talked to five years ago may have changed.'

The *Junkee* co-founders matched the market analysis with a deep audience dive to make sure they had a clear understanding of wants and needs. They have continued to do that year-on-year and have now surveyed almost 30,000 Australian millennials to deliver what they believe is the most significant (nine-year) longitudinal set of data about the generation.

'We wanted to treat the audience like they had brains,' says Duggan, who co-founded *Junkee* with CEO Neil Ackland as one of the websites that were originally part of music publisher, Sound Alliance. 'We launched it as a semi-side project, without realising the potential of the audience, and then suddenly it blew up.'

'A few months [after our launch] Tony Abbott became the prime minister and we saw that a lot of young Australians felt passionate about that,' says Duggan. 'We harnessed that power and *Junkee* has been highly engaged ever



since. We renamed the entire company Junkee Media in 2014. We knew it was the future.'

The learnings from this research have shaped the company's content around two four-letter acronyms: FOMO (fear of missing out) and FONK (fear of not knowing) with recapping explainers telling the audience what it needs to know.

In 2017, the research showed a need to adapt for the next generation. 'The hunch we had was that Gen Z, roughly 16- to 24-year-olds, were very different to their millennial older brothers and sisters,' Duggan says. 'We needed to speak to them in their own way, or our audience would only grow older in age.' From that insight came the parallel media brand, *Punkee* that focuses on a younger audience with shorter, sillier meme-based content.

Duggan does not believe *Junkee's* current content can be monetised through subscriptions ('that horse has bolted'). Rather Junkee Media's model focuses on sponsorship and advertising, particularly native advertising targeted at the millennial generation. About half of its media revenue comes from native advertising, with the balance from display and events.

Junkee Media also runs a content arm, *Junkee Studio*, which develops native and white-label content for clients, such as

AWOL, a mobile-first travel title in partnership with Qantas.

Junkee's social distribution remains dependent on Facebook – still the source of around 50 per cent of audience referrals – and it has a close relationship with social media giant. *Junkee* was one of five Australian publishers to receive funding from Facebook to create news content exclusively for Facebook Watch.

Junkee has also experimented with Messenger chatbots – a *Punkee* bot that sends subscribers the latest television recap videos scored a 95 per cent open rate – and is looking at voice activations such as Alexa.

In 2016, 85 per cent of the company was bought by oOh!media, Australia's largest outdoor advertising company, for \$11.05 million, bringing help in areas such as legal, human resources and removing cash flow pressures, while leaving it independent. The company now employs about 60 staff across the products.

'We'll always be digital-first and maintain that start-up essence. The mentality is to be agile, be quick to try new things, experiment, fail fast and just be really curious,' Duggan says.

'Because when you lose that curiosity, you lose what makes you, you.'

CASE STUDY
#12
INDAILY

FILLING A LOCAL JOURNALISM GAP

Adelaide's *InDaily* has arguably become the most successful local start-up in Australian journalism through seeing — and trying to fill — a gap in the market for independent journalism, and building an engaged audience and diversified revenue stream to support it.

Solstice Media launched the *Independent Weekly* in print in 2004. *InDaily* began as a parallel website and email two years later and in 2010, the print product closed, leaving the company to hone its focus as a pure online news organisation.

It has a staff of seven journalists and two sales staff. Its editor is David Washington. In 2018 Solstice Media acquired local content publications, *City Mag* and *SA Life*.

'We are filling the broadsheet shaped space in the market,' says Washington. 'It's what people want – what our research and our gut tells us people want.'

Through its ownership of Adelaide's only daily paper, *The Advertiser*, and its community newspaper chain, *News Corp* had an effective monopoly over local commercial news content until the *Independent Weekly* arrived.

'Our audience is happy to be challenged,' Washington says. 'We don't have to have an ideological position to have the support of our readers. In that way, our approach is traditional, even though we are digital-only and sometimes use



non-traditional methods to tell stories.'

'We have a passionate community of readers. We can have a story on indigenous incarceration and a dry economist writing for us. They can sit side by side because people expect it to be challenging. They demand it be independent.'

The daily email is now sent to 45,000 addresses, almost all of them local.

InDaily is primarily advertising funded, with a mix of directly booked ads and sponsored content. 'Our audience is very South Australian-based,' says Washington 'We can say to our advertisers that every click they get is valuable – it's not just random eyeballs.'

The publisher abandoned programmatic advertising after the lack of control raised reputational risks for its relationship with readers. It has since sought to diversify revenues, with events and reader donations.

InDaily's audience and revenue strategy includes organising two key events: the South Australian Business Index and '40 under 40'.

The index tracks the top 100 companies in South Australia, generating intelligence and analysis for the business community and engaging them in a major lunch event. The index brings in revenue from tickets and sponsors while the analytics provide in-depth business journalism.

The second major event, launched in 2018, highlights 40 prominent South

Australians under 40 years old. The event generates tickets sales and sponsorship and provides stories. The 40 South Australians are profiled in the lead-up to the event and become de-facto *InDaily* ambassadors.

Last year, the company launched a donations strategy using the portal *Press Patron*. Potential donors are called to action by an editor's email appeal sent every three months on average. These usually emphasise the independent journalism on offer.

Donations have developed into a significant and growing funding stream, accounting for about eight percent of revenue. Solstice Media is now working with the Facebook Accelerator program to further develop this revenue stream.

InDaily continues to innovate around journalism products, including a podcast series during the 2018 state election, a weekly email on food and travel, *The Forager*, and a special festivals highlight email during the February-March festivals season.

Solstice Media Managing Director Paul Hamra is clear about what innovation is needed: 'You have to invest in the journalism.' With the move to digital, this is even more important, he says.

The result is a unique local digital offering. Washington says: 'I don't think there's another digital only news website in a capital city in Australia that provides a traditional news offering like we do on a daily basis.'

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INTERVIEWEES

Name / Position / Organisation / Country / Interview Date

Chantal Abouchar / Founder and CEO / The Studio / Australia / Oct 2018

Monica Attard OAM / Founding editor in chief / Global Mail / Australia / Mar 2019

Sophie Black / Head of Publishing / The Wheeler Centre / Australia / Feb 2018

Tim Burrowes / Founder and content director / Mumbrella / Australia / Feb 2018

Andrea Carson / Associate Professor / La Trobe University / Australia / Oct 20018

Phillippe Ceulen / Programs and Engagement Manager, Head of Programs / QUT Creative Enterprises, Collider Accelerator / Australia / Nov 2019

Bronwen Clune / Digital Director / LaunchVic / Australia / Oct 2018

Tamsin Creed / General Manager / Private Media / Australia / Dec 2018

Simon Crerar / Former Editor-in-chief and General Manager / BuzzFeed Australia / Australia / July 2019

Andrew Dodd / Director / Centre for Advancing Journalism, University of Melbourne / Australia / Oct 2018

David Donovan / Founder and Managing Editor / Independent Australia / Australia / Nov 2019

Nick Drewe / Founder / Publishthis. email / Australia / Oct 2018

Tim Duggan / Publisher and Co-Founder / Junkee Media / Australia / Oct 2018 and Mar 2019

Stuart Fagg / General Manager - Digital / The Australian / Australia / Mar 2019

Joshua Fanning / Publisher / CityMag / Australia / Dec 2018 and April 2019

Lucy Feagins / Founder & editor / The Design Files / Australia / Oct 2018 and Aug 2019

Farrin Foster / Founding editor / City Standard / Australia / Dec 2018

Peter Fray / Co-director / UTS Centre for Media Transition / Australia / Oct 2018

Josh Gardiner / Former Director of Communications (Asia Pacific) / VICE / Australia / Oct 2018

Chris Graham / Editor / New Matilda / Australia / Nov 2018

Nicholas Gray / Managing Director / The Australian / Australia / Mar 2019

Mark Gustowski / CEO / QUT Creative Enterprise Australia / Australia / Nov 2018

Paul Hamra / Managing Director / Solstice Media / Australia / Oct 2018 and June 2019

David Higgins / Head of Marketing / Pandal Group / Australia / Oct 2019

Saffron Howden / Co-founder and editor / Crinkling News / Australia / Oct 2018 and Aug 2019

Stephen Hutcheon / Supervising Producer / ABC / Australia / Mar 2019

Leah Jing McIntosh / Founder / Liminal Magazine / Australia / Oct 2018

Minh Bui Jones / Editor/Publisher / Mekong Review / Australia / Feb 2019

Claire Kimball / Founder / The Squiz / Australia / Oct 2018 and July 2019

Jason Lavigne / CEO and Co-founder / Mamamia Media Group / Australia / Mar 2019

Kristofer Lawson / Founder Co-Host / Lawson Media Moonshot Podcast / Australia / Oct 18, Feb and Sep 19

Helen McCabe / Founder & Managing Director / Future Women / Australia / Mar 2019

Kylie Merritt / Founder and Managing Director / Ausbiztv / Australia / Feb 2019

Gaven Morris / Director / ABC News / Australia / Mar 2019

Luke Pearson / Founder and Director / IndigenousX / Australia / Mar 2019

Kellie Riordan / Manager / ABC Audio Studios / Australia / Nov 2018

Jess Ross / Former Chief Product Officer / Australian Metro Publishing, Fairfax / Australia / Sep 2019

James Saunders / Chief Operating Officer / IndigenousX / Australia / May and June 2019

Lenore Taylor / Editor / The Guardian Australia / Australia / Mar 2019

David Washington / Editor / InDaily / Australia / Dec 2018 and April 2019

Rebecca Wilson / CEO / Starts at 60 / Australia / Dec 2018 and Sep 2019

Chris Wirasinha / Co-founder / Pedestrian Group / Australia / Feb 2019

Astrid Maier / Editor in Chief / XING News / Germany / April and Sep 19

Malcolm Ong / Head of Product / South China Morning Post / Hong Kong / Mar 2019

Ross Settles / Adjunct Professor / Journalism and Media Studies Centre, University of Hong Kong / Hong Kong / Feb 2019

Beula Anthony / Manager / Radio Active / India / Oct 2019

Sidharth Bhatia / Co-founder and Editor / The Wire / India / May 2019

Pinky Chandran / Co-founder / Radio Active / India / Oct 2019

Rohin Dharmakumar / Co-founder / The Ken / India / Mar 2019

Vasanthi Hariprakash / Founder and Editor / Pickle Jar / India / April/ Oct 2019

Meera K / Co-founder and editor / Citizen Matters / India / Oct 2019

Praveen Krishnan / Head of Product / The Ken / India / May 2019

Manisha Pandey / Executive Editor / Newslandry / India / Oct 2019

Shobha SV / Journalist / Co Media Lab / India / Oct 2019

Rajesh Tahil / COO Scroll / Founder / Scroll, India / Audiomatic / India / May 2019

Siddharth Varadarajan / Co-founder and Editor / The Wire / India / Oct 2019

Devi Asmarani / Co-founder and Editor-in-Chief / Magdalene / Indonesia / May 2019

Naoyoshi Goto / Technology & Business Editor / Newspicks / Japan / April and May 2019

Sasa Vucinic / Co-founder, Managing Partner / North Base Media / Korea / May 2019

Kevin Brockland / Senior Investment Officer / Media Development Investment Fund Malaysia / May 2019

Prateek Pradhan / Founder and Editor-in-Chief / Baahrakhari / Nepal / May 2019

Alex Clarke / Founder / Press Patron / New Zealand / Dec 2018 and Aug 2019

Clare Curran / MP (Former minister for communications) / New Zealand Parliament / New Zealand / Dec 2018

Brent Edwards / Acting Political Editor / National Business Review / New Zealand / December 2018

Duncan Greive / Founder and Managing editor / Spinoff / New Zealand / Dec 2018 and July 2019

Bernard Hickey / Managing Editor / Newsroom Pro / New Zealand / Dec 2018

Mark Jennings / Co-founder, Co-editor / Newsroom NZ / New Zealand / Dec 2018

Lizzie Marvelly / Founder and editor / Villainesse / New Zealand / Dec 2019

Glen Scanlon / Former Head of News and Digital / Radio New Zealand (RNZ) / New Zealand / Dec 2018

Todd Scott / Publisher / National Business Review / New Zealand / Dec 2018

Patrick Smellie / Co-founder / BusinessDesk / New Zealand / Dec 2018

Paul Thompson / CEO & Editor-in-chief / Radio New Zealand / New Zealand / December 2019

Jenny Velasco-Chua / Head of Partnerships & Communities / Rappler / Philippines / May 2019

Maria Ressa / CEO & Executive Editor / Rappler / Philippines / March 2019

Carla Su Yap-Sy / Chief Revenue Officer / Rappler / Philippines / March 2019

Boon Ping Chua / CEO / SPH Ventures / Singapore / May 2019

Dilrukshi Handunetti / Founder and executive director / Centre for Investigative Reporting / Sri Lanka / May 2019

Joey Chung / Co-founder & CEO / The News Lens / Taiwan / Oct 2019

Chiranuch Premchaiporn / Co-founder / Prachatai / Thailand / May 2019

Kathryn Geels / Director, Engaged Journalism Accelerator / European Centre for Journalism / UK / April 2019

Nathalie Alvaray / Manager, local digital news / Univision / USA / April 2019

Emily Goligoski / Former Research Director / Membership Puzzle Project / USA / May 2019

Anita Zielina / Director of Innovation and Leadership / Graduate School of Journalism, CUNY / USA / Oct 2019

ABOUT THE CENTRE FOR MEDIA TRANSITION

The Centre for Media Transition is an applied research unit based at the University of Technology Sydney. We work across disciplines to explore and develop responses to: the ongoing movements in practice and regulation caused by digital disruption; the role of journalism in enhancing democracy in Australia and the region; and the business models and practices that support a diverse and prosperous news media industry.

The Centre for Media Transition (CMT) is an interdisciplinary initiative of the Faculty of Arts and Social Sciences and the Faculty of Law. It was launched in July 2017.

It sits at the intersection of media, technology, regulation and business. Working with industry, the academy and other stakeholders, the CMT explores:

■ The changing nature of journalistic practice;

■ Ways in which citizens and media interact and how regulatory and ethical frameworks might adapt for this environment (this includes issues of digital privacy);

■ The ingredients of a competitive commercial media sector, built on sustainable business models and informed by the experience of other disrupted industries;

■ The development of a diverse media environment that embraces local, international and transnational issues and debate; and

■ Contemporary formulations of the public interest informed by established and enduring principles such as accountability and the public's right to know.

The CMT's published works include reports on digital defamation and trust in news media and it has current projects on industry self-regulation, privacy, news verification, foreign reporting, innovation and press freedom. The CMT has consulted for the Australian Competition and Consumer Commission and the Australian Communications and Media Authority and is the host of the Asia-Pacific bureau of First Draft News.

The Centre hosts public events, conferences and forums on a regular basis. Details of events and the CMT's work can be found at our website at <http://bit.ly/2Nr44Hs>. You can sign up to our regular newsletter at <http://bit.ly/2IXvs6D>.

