Institute for Technology & Enterprise

Polytechnic University

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

Ву

Professor Nina Ziv [nziv@poly.edu]

Institute for Technology and Enterprise
Polytechnic University
The New York Information Technology Center
55 Broad Street, Suite 13B, New York, NY 10004
Tel: 212-547-7030 x.201 / Fax: 212-547-7029
www.ite.poly.edu

November 2000

On June 12, 2000, the Tribune Company completed its merger with the Times Mirror Company. The \$8 billion transaction is the largest newspaper merger in history and creates the third largest newspaper company in the United States, surpassed only by Knight Ridder and Gannett Co. Inc. The new company includes 11 daily newspapers with a combined circulation of over 3.6 million, 22 TV stations, four radio stations, and a number of widely visited websites including the Chicagotribune.com. (Exhibit 1) With this merger, the Tribune is the only media company which has a combined television-newspaper-interactive presence in the top three United States markets – New York, Los Angeles, and Chicago – and as such, reaches nearly 80 percent of United States households.¹

The Tribune made its bid for the acquisition of the Times Mirror at a time when the Chandler family, which has owned the LA Times for 118 years, was growing disillusioned with the strategy of Mark Willes, the Times Mirror's CEO. While Willes had boosted the Times Mirror stock price by selling the legal and medical publishing units as well as the under-performing *New York Newsday* and *Baltimore Evening Sun*, he had concentrated much of his efforts on increasing the circulation of the *Los Angeles Times* and had downplayed the importance of the Internet. According to Harry Chandler, son of Los Angeles Times ex-publisher Otis Chandler, and executive vice president of GoTo.com, "Mark Willes has not been an active supporter of new media. He was sort of late to it as a personal user." In an era where the Internet and other media were playing an important role in shaping the newspaper business, the Chandlers clearly recognized the "unsustainability of being a pure-play newspaper company in a fragmented world." For the Tribune, the acquisition was a key part of its strategy to become a formidable hybrid presence in both local and national media markets.

With the merger completed, the management team under the direction of John Madigan, the Tribune's Chairman, President, and Chief Executive Officer, began to forge a new national media identity for the Tribune. One of Madigan's first acts was to divest the Tribune of its "non-core assets". Accordingly, the Tribune Company sold Tribune Education to McGraw-Hill for \$680 million; Jeppesen Sanderson, a provider of flight information services to the Boeing Company for \$1.5 billion; the Times Mirror Magazines to Time Warner for \$475 million; and AchieveGlobal, a sales and management training firm for \$100 million to International Research.

Along with focusing on its core media businesses, the management of the Tribune emphasized the need to seek additional sources of revenue. Tribune Media Net was formed to sell national advertising across the company's print, online, and broadcast operations in major markets such as New York and Los Angeles. According to Dennis Fitzsimons, Executive Vice President of Media Operations for the Tribune, Media Net's goal is to position the Tribune's newspapers against the three big nationally distributed newspapers: *The Wall Street Journal, The New York Times, and USA Today*, and in doing so, "go after other people's revenues." ⁵ While national advertising in newspapers grew 18% in the first quarter of 2000, far outpacing the growth of retail and classified advertising ⁶, it is not clear that advertisers will embrace this so-called "one-stop adshopping approach." ⁷

Moreover, many news professionals wondered whether the increased emphasis on profitability at the Tribune would come at the expense of quality journalism, and would lead to a further breakdown of the traditional wall between advertising and news. At the Los Angeles Times, Mark Willes had already been heavily criticized for making a deal with the Staples Center sports arena to share advertising profits from an issue of the newspaper's Sunday magazine which featured the arena opening. However, Jack Fuller, President of the Tribune, has suggested that the old model separating the editorial from the business side of newspapers, is not viable in the current environment. Making this "wall" more permeable is one of Fuller's goals:

At the Tribune Company, we have experimented with various approaches in trying to get people - - whether they be journalists or business people - to recognize the need to adapt to a changing situation. In that context, the commercial necessity and the journalistic necessity are similar. You can't keep funding these journalistic enterprises unless you compete effectively. When we thought of Times Mirror and (Tribune Company), we thought they would be much stronger and more likely to succeed over time if they were together than if they were separate. Together, they have a spine of a national network to build a much stronger position in the interactive world and to capitalize on national advertising. You can't separate the commercial from the journalistic because one sustains the other. ⁹

Despite Fuller's desire for newspaper and business people to have a better relationship, both he and John Puerner, newly appointed President/publisher of the *Los Angeles Times*, agreed that editorial credibility and integrity come first. Says Puerner, "If there's ever a decision to be made where we have a business issue that's rubbing against an editorial issue, editorial will always come first. Our credibility is our stock in trade, and we can never allow that to erode." ¹⁰

As the Tribune Company goes through this transition period, one part of the business that is repositioning itself is Tribune Interactive. In line with the overall direction of the company, Tribune Interactive has focused on "revenue-driving initiatives" which among other things, entailed eliminating over 90 jobs throughout the business unit. It has also continued to enhance its portfolio of strategic partnerships with new media companies. Thus, the Chicagotribune.com recently signed agreements with everstream, an Internet broadcasting network, which will enable the newspaper to bring its users multiple channels of music, news, and advertising. Tribune Interactive has also partnered with Vindigo, which will provide wireless distribution of content from latimes.com, sunsentinel.com, and metromix.com, the Chicagotribune.com's online entertainment guide and has made an investment in iBlast, a broadband network that will have the ability to deliver rich media content such as MP3 files, video games, and newspapers, to iBlast enabled devices such as personal computers.

As a result of the merger, Tribune Interactive has become "one of the nation's top 25 online networks for news and information, measured by unique visitors per month." ¹⁵ With revenues increasing and projected to be about \$50 million in 2000, ¹⁶ Tribune Interactive appears to be playing a significant role in helping the Tribune to become a national new media company.

The acquisition of the Times Mirror appears to have had a positive effect on the overall health of the Tribune Company. Indeed, even though its stock price hit a 52 week low of \$27.88 the day after the Times Mirror deal was announced, recently shares have been trading in the mid \$30 range (Exhibit 2) and because of the addition of the Times Mirror. revenues have gone up 89% to \$1.36 billion compared with the same period last vear. 17 Yet many issues remain as the Tribune Company continues to redefine its role in the new media industry. One issue is how to find additional sources of revenue especially for its newspapers which are competing for readers both online and in print. The management of the Tribune is clearly taking some steps in this direction. In mid-November in an effort to reach a national audience, the company expanded the Los Angeles film preview section, "Sneaks" into Chicago, suburban New York City, Baltimore, Fort Lauderdale, and Hampton, Virginia. 18 In keeping with the Tribune's tradition as an innovator in the use of various media, the current management views technology as a way of extending and growing its businesses. E-books, a relatively new technology, may provide an opportunity for revenue generation that is different than the Web or hand-held wireless devices because it will enable newspapers to charge for personalized content which can be delivered on a scheduled basis, and might become an alternative to subscriptions to the print edition.¹⁹

As John Madigan laid out the future plans of the Tribune Company in a speech this past September, he reflected that while his company is moving toward a new stage in its development, at its core, the newspaper business has not changed fundamentally:

In many ways, our business hasn't changed in 153 years. That's because people are still people. They have a need for community, for information and for entertainment – and for sharing all these things with each other. They have a need to use their information in the form that is most useful to them at any given time—print, broadcast, or online. Years ago, people got their news from a newspaper—usually once in the morning and once in the evening. But today, they have many choices. They can turn to the TV for news in the morning, noon and night…or to all-news cable…or to all-news radio…or to the Internet. So, just as in earlier times, our strategy is focused on the many-faceted needs of our customers. ²⁰

Exhibit 1

Tribune Fact Sheet 2000 21

Tribune (NYSE: TRB) is a leading media company with businesses in 23 major U.S. markets, including 18 of the top 30. Through its television and radio broadcasting, publishing and interactive operations, Tribune reaches nearly 80 percent of U.S. households daily. Tribune Ventures is an industry leader in venture partnerships with new-media and technology companies. Tribune has \$6 billion in revenues and more than 30,000 employees. A Fortune 500 company in 2000, Tribune, for the third straight year, ranked No. 1 among its industry peers in *Fortune* magazine's list of most-admired companies in America.

BROADCASTING

By market size

TV Stations:

WPIX (WB11) New York KTLA (WB5) Los Angeles WGN (WB9) Chicago WPHL (WB17) Philadelphia WLVI (WB56) Boston KDAF (WB33) Dallas WBDC (WB50) Washington WATL (WB36) Atlanta KHWB (WB39) Houston KCPQ (FOX13) Seattle KTWB (WB22) Seattle WBZL (WB39) Miami KWGN (WB2) Denver KTXL (FOX40) Sacramento, CA KSWB (WB69) San Diego WXIN (FOX59) Indianapolis WTIC (FOX61) Hartford, CT WXMI (FOX17) Grand Rapids, MI WGNO (ABC26) New Orleans WNOL (WB38) New Orleans WPMT (FOX43) Harrisburg, PA WEWB (WB45) Albany, NY

Radio Stations:

WGN (720AM) Chicago KEZW (1430AM) Denver KOSI (101.1FM) Denver KKHK (99.5FM) Denver

Entertainment:

Chicago Cubs Chicago Tribune Entertainment Los Angeles

PUBLISHING

Daily Newspapers (by circulation):

Los Angeles Times Los Angeles Chicago Tribune Chicago Newsday New York The Baltimore Sun Baltimore Sun-Sentinel Ft. Lauderdale, FL The Orlando Sentinel Orlando, FL The Hartford Courant Hartford, CT The Morning Call Allentown, PA Daily Press Newport News, VA The Advocate Stamford, CT Greenwich Time Greenwich, CT

Spanish-language Newspapers:

¡Exito! ChicagoHoy New YorkLa Opinion Los Angeles (partnership with La Opinion)El Semanal Ft. Lauderdale

Entertainment Listings and Syndication:

Tribune Media Services Chicago

Cable Programming:

Central Florida News 13 Orlando, FL (*partnership with Time Warner Communications*) **CLTV News** Oak Brook, IL

Other Products and Services:

Magazines; niche publications; database marketing/direct mail; commercial printing and delivery

INTERACTIVE

Tribune Interactive operates leading interactive news and information sites in major markets across the United States, including 18 of the top 30 markets. Tribune Interactive is a network of local and national Web sites and ranks among the top 25 news/information/entertainment networks in the United States.

Tribune Websites²²

Television

WPIX-TV, New York

KTLA-TV, Los Angeles

WGN-TV, Chicago

CLTV News, Chicago

WPHL-TV, Philadelphia

WLVI-TV, Boston

KDAF-TV, Dallas

WBDC-TV, Washington

WATL-TV, Atlanta

KHWB-TV, Houston

KCPQ-TV, Seattle

KTWB-TV, Seattle

WBZL-TV, Miami-Ft. Lauderdale

KWGN-TV, Denver

KTXL-TV, Sacramento

KSWB-TV, San Diego

WXIN-TV, Indianapolis

WTIC-TV, Hartford and New Haven

WXMI-TV, Grand Rapids

WGNO-TV, New Orleans

WNOL-TV, New Orleans

WPMT-TV, Harrisburg-Lancaster-Lebanon-York

WEWB-TV, Albany

Entertainment and Leisure

Chicago Cubs

ChicagoSports.com

Go2orlando.com

Metromix

Calendarlive.com

Showtime Interactive

HRticket.com

Tribune Media Services

Zap2it.com

Comics Page

Tribune Entertainment

Radio

WGN-AM, Chicago

The Hawk, Denver

KOSI F.M.

KEZW-AM, Denver

Newspapers

Los Angeles Times

Chicago Tribune

Newsday, New York The Baltimore Sun Sun-Sentinel, Ft. Lauderdale, Fla. **The Orlando Sentinel The Hartford Courant** The Morning Call, Allentown, Pa. Daily Press, Newport New, Va. The Advocate, Stamford, Conn. **Greenwich Time**, Stamford, Conn. Hoy, New York La Opinion, Los Angeles (partnership with La Opinion)

Classifieds

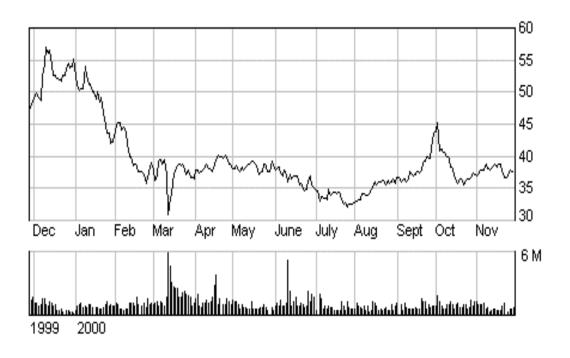
CareerBuilder* **Classified Ventures*** Cars.com* Homescape.com* Apartments.com* Newhomenetwork.com* Relcon Apartments The South Florida Home Spot

Niche Publications Silicon Prairie, Chicago **Recycler.com**, Los Angeles **Central Florida Family City Link Online South Florida Parenting Online Hampton Roads Gardening & Home**

Community **Black Voices** iSoko.com

^{*}Operated in partnership with other media companies.

Exhibit 2
Chicago Tribune Stock Price



Period: Nov-29-1999 - Nov-29-2000

Source: www.quicken.com/investments/charts

END NOTES

- Jason Williams, "Interactive: The New Spider in the Web," Editor and Publisher Online, March
- ³ Lisa Bannon and Nikhil Deogun, ""How Tribune Grabbed a Media Prize", *The Wall Street* Journal, March 14, 2000, p. B1.
- ⁴ Remarks by Dennis Fitzsimons, Merrill Lynch Media and Entertainment Conference, September 28. 2000. www.tribune.com/about/news/2000/mlconf200.htm
- ⁵ Tony Case, "Nowhere but Up", *Editor and Publisher Online*, October 30, 2000.
- ⁶ Tim Jones, "Key to Times Mirror Merger: Ads", Chicagotribune.com, June 11, 2000, www.chicagotribune.com/business/printedition/article/0.2669.SAV-00006110158.FF.html
- ⁷ Tim Jones, "Key to Times Mirror Merger: Ads", Chicagotribune.com, June 11, 2000, chicagotribune.com/business/printedition/article/0,2669,SAV-00006110158,FF.html

Michael White, "Tribune to Buy Times Mirror," ABCnews.com, March 13, 2000, www.abcnews.go.com/sections/business/DailyNews/merger/000313,html

- ⁹ Mollie Sinclair McCartney, "Building an Information Empire: A Q&A with Jack Fuller", Poynter.org, June 9, 2000, www.poynter.org/offthenews/060900.htm
- ¹⁰ Tony Case, "Nowhere but Up", Editor and Publisher Online, October 30, 2000
- ¹¹ "Pink Slips to 20 Employees", *Editor and Publisher Online*, October 12, 2000
- 12 "Fast Growing everstream Internet Broadcasting Network Adds Chicagotribune.com and Hearst's Albany Times Union Site", Press Release, everstream, biz.vahoo.com/prnews/001010/oh everstr.html
- 13 "Tribune, Vindigo partner on hand-held content", Editor and Publisher Online, November 14,
- ¹⁴ Remarks by Dennis Fitzsimons, Merrill Lynch Media and Entertainment Conference, September 28, 2000, www.tribune.com/about/news/2000/mlconf200.htm
- ¹⁵ Tribune Company Overview, Fall 2000, <u>www.tribune.com/overview/interactive.html</u>
- ¹⁶ Tribune Company Overview, Fall 2000, www.tribune.com/overview/interactive.html
- ¹⁷ Tony Case, "Nowhere but Up", Editor and Publisher Online, October 30, 2000.
- ¹⁸ Mark Fitzgerald, "Tribune Runs 'National' Test with LA Times Tab", Editor and Publisher Online, November 6. 2000.
- Steve Outing, "Stop the Presses" Editor and Publisher Online, July 10, 2000.
- ²⁰ Remarks by John Madigan, "The New Mass Media: National Reach with a Local Touch", Los Angeles, California, September 21, 2000.

 Tribune Fact Sheet 2000, www.tribune.com/factsheet.htm
- ²² Tribune Web Sites 2000, http://www.tribune.com/tribsites/index.htm

¹ Press Release, The Tribune Company, June 12, 2000. www.tribune.com/about/news/2000/merger.htm