



Summary of Meeting with Joel Kramer

Civic Caucus, 8301 Creekside Circle, Bloomington, MN 55437

Thursday, July 12, 2007

Guest speaker: Joel Kramer, former publisher, *Star Tribune*, founder and former executive director, Growth and Justice

Present : Verne Johnson, chair; Lee Canning, Chuck Clay, Paul Gilje (by phone), John Mooty, and Jim Olson (by phone)

A. Context of the meeting —The Civic Caucus has conducted several meetings on public affairs information coverage by Twin Cities media. Today's meeting is with Joel Kramer, who is exploring the possibility of an internet-based newspaper for the Twin Cities area and the state of Minnesota

B. Welcome and introduction —Verne introduced Kramer, former publisher of the *Star Tribune* and founder and former executive director of Growth and Justice, a think tank.

C. Comments and discussion —During Kramer's remarks and in discussion with Civic Caucus members the following points were raised:

1. Pessimistic future for newspapers —The newspaper business future is very concerning, he said. Newspapers have been shrinking and will continue to do so. The reason is not primarily the drop in readership, although there is some of that. The *Star Tribune* still has 350,000 daily circulation, with about one million readers. That's a lot of people and influence.

The problem is advertising. For 150 years newspapers were able to support a higher level of journalism through advertising. Television never proved to be as serious an advertising threat as feared. But with the internet the powerful position of the newspaper has dropped. With its loss of advertising to the internet, the newspaper industry cannot sustain the journalistic payroll of the past. Internet advertising is growing at 30 percent a year, he said. Moreover, it's not just the volume of advertising that is going to the internet. Much advertising remains in the newspapers, but newspapers aren't able to charge the rates for advertising they used to get.

The newspaper reader never has picked up much of the tab, and now with outlets on the internet giving information away, Kramer doesn't see any way for newspapers to be as profitable or as big in the future. Younger people are more attracted to the internet. An audience of one million certainly can sustain a business, but only if they pay more. A core group of people want to read and are frustrated because quality is deteriorating. But some of them are willing to pay, he said. Kramer believes that it might be possible to raise the quality and the price and accept a lower level of circulation, say, reaching 200,000 copies a day instead of 350,000. But that's not the strategy the *Star Tribune* or

others—with the exception of the *New York Times*—are following. The *Star Tribune* is changing its content in a hope to appeal to less-dedicated readers and, thereby, maintain circulation, but Kramer is doubtful that such a strategy will succeed. He doubts that a strategy to direct more resources to suburban news, for example, will hold core readers.

2. National newspapers not as bad off —Kramer said the newspaper problem is concentrated among the dailies in the metro areas. The *San Francisco Chronicle* already has had four rounds of staff reducing buyouts, and the *Star Tribune* has had two rounds. It will get worse. National papers such as *USA Today*, *New York Times*, and *Wall Street Journal* are also challenged, but remain healthier. It was noted that *Wall Street Journal* readers apparently are willing to pay, including for internet service, but Kramer said most of those people are on expense accounts and are buying information that they believe will help them make money or improve their careers. . Interestingly, he said, dailies in small urban areas and suburban dailies are generally faring better than those in metro areas.

3. Greater awareness of leading newspapers -Increased access through the Internet to a national paper like the *New York Times* has the effect of increasing the serious reader's appetite for quality news. Years ago when he was an editor, Kramer said that there might have been 5,000 Minnesotans who read the *Times*. So there weren't too many people asking, "Why don't you cover the news like the *Times*?" Today, with the *Times* available for free on the internet, many more people think that coverage by their own metro newspapers ought to be equivalent to that of the *Times*.

4. Finding a way to pay for good journalism —The big question for good coverage on the internet in the future is how to find a revenue source to pay for creating the journalism, which is expensive. You have advertising on the internet, of course, but a lot of that advertising is disconnected from news. For example, he said, classified advertising was a very important source of revenue for the newspapers. But classifieds on the internet no longer have, nor need, proximity to the news.

Blogging is good for democracy. Everyone can express opinions. But even the bloggers need a good source of news upon which they can base their comments.

5. Absence of an agenda-setting platform —It was noted by a member of the Civic Caucus that years ago the *Star Tribune* had large circulation that went far beyond the Twin Cities area to rural areas and even other states. Thus there was a common platform for shaping issues. Such an agenda-setting platform no longer is present. Kramer replied that the internet at least offers some opportunity for returning to a statewide news and agenda-setting focus, because it does not cost any more to deliver the news online to someone in rural Minnesota than it costs to deliver it to someone in the metro area.

6. Difficulty in sustaining two metro dailies in the Twin Cities area —In response to a question, Kramer believes that in the future there will be one print newspaper where currently there are two, the *Pioneer Press* and the *Star Tribune*.

7. Finding quality public affairs coverage —A key issue for the Civic Caucus, a member said, is how to assure quality coverage of public policy and governmental action at the state and local level.

8. Kramer's preliminary business model for a new product —Kramer outlined parts of an evolving strategy he is developing. First, he said, is to start something new that focuses on a smaller audience—in effect, the more serious readers who want quality coverage and feel they are getting less of it than they used to. This means aiming for perhaps 200,000 readers, many of whom are opinion leaders, not trying to cater to the varied interests of more than a million people.

Second, he said, is to use the internet, because it enables you to produce a product much more cheaply than is possible via print. No printing or distribution expenses—big expenses with print media—are required.

Third, a non-profit approach is more likely to work than a for-profit approach. You might have 200,000 serious readers, but perhaps only 12,000 are willing to pay. If you sell your news to that number of people, you have a newsletter, not a newspaper. Thus, Kramer is thinking that a non-profit approach, combined with donors' contributions and advertising, is the most likely route to success. In discussion with Kramer it was noted that his approach is strikingly similar to that of Minnesota Public Radio (MPR). He said that there is room in the market for that same model to be applied to an audience that wants the same kind of quality in the written word as MPR seeks to provide on the radio.

9. Some models to build upon —Kramer said that a number of metro or regional news sites have started up on the internet in the last year or two. One in San Diego is a nonprofit, as is one expected to begin soon in St. Louis. Sites in the Pacific Northwest (Seattle-Portland) and the Rocky Mountains, on the other hand, are for-profits. Each has a different news approach as well, with the San Diego site focusing more on original content while the Pacific Northwest site puts more emphasis on aggregation of other publishers' content. Following the meeting Lee Canning reported on two of these sites.

Go to <http://www.crosscut.com/> for an internet service for Seattle and northwestern USA. Crosscut describes itself as follows: "Crosscut is a guide to local and Northwest news, a place to report and discuss local news, and a platform for new tools to convey local news. The journalism of regular citizens appears alongside that of professionals. News coverage with detachment, traditionally practiced by mainstream media outlets, coexists with advocacy journalism and opinion."

Go to <http://voiceofsandiego.org/> for an internet service for San Diego. Voice of San Diego calls itself "a nonprofit, independent and insightful online newspaper focused on issues impacting the San Diego region." Its mission statement: "To consistently deliver ground-breaking investigative journalism for the San Diego region. To increase civic participation by giving citizens the knowledge and in-depth analysis necessary to become advocates for good government and social progress."

10. Effective fund-raising is key -Kramer has been seeking larger donations to create a reserve that would cover losses in early years, giving the enterprise time to build advertising revenue to sustain quality journalism. If possible, he'd like to have the internet service operational by this fall.

11. Interest of the Civic Caucus on the *material*, not the *media*—In the discussion a Civic Caucus member said that whatever approach is taken that our interest is in the generating and disseminating of quality, serious public affairs information, by whatever media works best.

The discussion extended briefly to the role of the Civic Caucus itself in sharing information. While not diminishing the significance of generating proposals for action, some Civic Caucus members said that the main contribution of the organization has been in distributing information and in promoting intelligent discussion of issues.

D. Thanks —On behalf of the Civic Caucus, Verne Johnson thanked Kramer for meeting with us today.

The Civic Caucus is a non-partisan, tax-exempt educational organization. Core participants include persons of varying political persuasions, reflecting years of leadership in politics and business.

A working group meets face-to-face to provide leadership. They are Verne C. Johnson, chair; Lee Canning, Charles Clay, Bill Frenzel, Paul Gilje, Jim Hetland, John Mooty, Jim Olson, Wayne Popham and John Rollwagen.