

# Case analysis : new york times digital essay sample

[Media](#), [Advertising](#)



The New York Times Company is a leading media company; its flagship paper, the New York Times is considered as its most valuable asset. News is a low outlay, frequently purchased good, with a value proposition of intangible or informational nature, and a high differentiation potential. The publishing industry, newspaper in particular, had adopted the “ Chinese Wall” principle- the separation of editorial operations and business operations as a gatekeeping function. The industry is cyclical: when the economy is depressed, advertising declines and publishers look to cut costs and personnel. New York Times derives majority of its revenues from advertising (65%).

Other revenues primarily consist of circulation and revenues from wholesale delivery operations, operating leading news services and direct marketing. Its main operating expenses are employee-related costs, which include compensation and benefits, and raw materials. The company’s strong core-quality news, information and entertainment-provides the company a leverage for multi-platform expansion, brand extensions and new business initiatives. Accordingly, it has to maintain its brand recognition to continue to be competitive, hence, retaining and/or increasing its readership and advertising. Maintaining this brand recognition requires commitment to the existing “ Chinese Wall.”

This case analysis focuses on the New York Times Digital (NYTD), The New York Times Company’s business unit, launched in 1995, that provides online news and information services in multimedia format, and includes NYTimes.com, Boston.com, and an archive distribution business. It operates by providing a high-quality, worldwide online audience with trusted editorial

content from The New York Times and the Boston Globe. It is focused on leveraging its existing brands and relationships. The web operation is unique in that it is not constrained by newsprint, either in form or in the cost structure of the business.

The NYTimes.com remains mostly free for users, as long as they register and provide some personal information. By requiring registration, NYTD is able to track users' movements through the site. These movements are then used as leverage with advertisers, allowing them to target their most desirable consumers. NYTD does not acquire its content free. The online division purchases content from the print division for the amount of \$5M per year. In turn, NYTimes.com has 3 principal revenue streams: (1) display advertising, (2) classified advertising and (3) premium content & licensing.

The unique combination of building NYTD, with the potential to deliver breakthrough growth for the highly established company, and its coexistence (or the lack thereof) with its most closely related business unit, the New York Times, creates three challenges for NYTD: (1) It must set itself apart from some factors that made the newspaper successful, because the two have elemental differences; (2) it must pull some of the paper's assets—its crucial competitive advantage over independent startups; and (3) it must be prepared to learn from strategic experiments, since there exists no clear formula in this emerging content business on the Web.

At first, the company's Internet operations were kept closely integrated with newspaper operations. The Internet team prepared content by altering headlines, adding hyperlinks, resizing photos, changing captions, and so

forth, keeping a continuous news operation, providing updated news and analysis around the clock. NYTD added many new features in the early years, but it soon started lagging behind competitors, which were more fully utilizing the rapidly expanding capability of the Internet. Though the NYTD staff pushed to keep pace, it felt constrained to a simple “ newspaper. com” operation.

By 1999, NYTD is a separate division of the company with its own management team. The head of NYTD began reporting directly to the president rather than to the general manager of the paper. NYTD’s managers created their own policy team, including a CFO and heads of human resources and business development. They hired so many outsiders with Internet experience that, by the end of 2000, only a quarter of the staff had come through internal transfers. They altered planning norms and focused on different measures of performance. They moved to a separate building. And they made an effort to redefine their culture and values.

The NYTD employees were now operating under the assumption that they are serving a different set of readers and advertisers than the paper and meeting distinct needs. By 2001, NYTD has its own sales force. It has expanded the company’s audience: only 15 percent overlap with newspaper readers; 85 percent of NYTD’s audience is new to the company. NYTD has expanded the company’s reach in key demographics: age and geographic reach. Also, NYTimes. com has a much stronger international audience than does the newspaper. NYTD has experimented with potential revenue streams and added a great deal of content that was not in the daily newspaper,

including material from other news sources, continuous news breaks, audio and video content, interactive features, and archives.

However, the organizational restructuring that enabled NYTD to overcome the first challenge also hindered it from overcoming the second one. And being able to do this is crucial. NYTD needed two links in particular to the newspaper. It could not survive without the newspaper's branded content (its crucial competitive advantage), the main attraction for its readers. It gets more mileage from users and advertisers under the New York Times brand. Also, it needed to tap into the newspaper's existing base of advertisers, which required the coordination of sales processes. It does not really covet the local advertiser; it positions itself as a national media. It is just not economical for NYTD to hire scores of additional sales people to chase small accounts. Tensions increased in the interactions between NYTD and the mainstream media.

Some tensions arose from substantive business conflicts. One major issue is that the editorial staff was concerned about protecting the newspaper's brand. NYTD was primarily a software operation and, as such, was designed to encourage cross-functional collaboration, something strictly limited within the newspaper to ensure that journalism was not influenced by commercial pressures. There is a serious likelihood that online audience is likely to see more excursions over the "Chinese wall" that once separated advertising and editorial departments. The trend for digital media is the seamless integration of advertising and editorial content, and this of course, has flown

in the face of publications whose brand image is based on generations of tight editorial control over their content products.

In addition, the paper's circulation department was not anxious in helping NYTD. Making newspaper content available on the Internet at no charge gave consumers a strong reason not to subscribe to the print version.

Finally, the newspaper group that sold display advertisements (as opposed to classifieds) viewed coordination with the NYTD sales team as a distraction, since the print ads were much bigger sources of revenue. Tensions rooted in rivalry were also disruptive. The NYTD tracking stock, though never launched, would have given NYTD employees a chance at a large payoff. And because NYTD had made it so clear that it was trying to build a different kind of organization, interactions took on an "us versus them" undertone. NYTD communicated that it aimed to be risktaking, fast moving, experimental, and antibureaucratic. Naturally, the newspaper aspired to be the same and this gave a suggestion that it was not.

At present, the NYTD's organizational structure (shown in exhibit 1) is highly functional. However, to create a more effective cooperation, the New York Times Company's senior management team should acknowledge and proactively manage the tensions. The president, in particular, must closely monitor interactions between NYTD and the New York Times and intervene when necessary to keep interactions productive.

Moreover, in performance reviews of individual managers, the company must stress collaborating across business units. The company must

encourage project sponsorship and foster an environment where business development and entrepreneurial thinking is everyone's responsibility. Someone in NYTD can come up with a great editorial idea and vice versa. To minimize tensions over subscription cannibalization, the senior management team has to conduct an analysis that would show if cannibalization is prevalent or minimal and that the Web site is actually generating new subscriptions by inducing trial use of the product online.

To help NYTD establish a clear price in the market, the senior management team must prohibit any initiative on the part of the newspaper to give away Web advertising as part of a larger print advertising package. NYTD could potentially mine opportunities of its operations by converting free visitors into paying customers to create revenue streams. For example, it could sell news packages on particular topics and charge customers for delivering video on exclusive interviews per video stream.

Also, to protect the New York Times, the newspaper has to retain substantial control over alterations to editorial content on the Web site.

In the future, New York Times Company could potentially combine NYTD's digital operations with their related print businesses. Integrating the newsrooms would likely eliminate the difference between newspaper journalists and Web journalists. Print editors would take greater responsibility for Web content. Editorial staffers at NYTimes.com would continue to report to the editor in chief of the website, and also work closely with editors at the newspaper. Staffers from the print side and from NYTimes.com would start collaborating on coverage much more frequently than they do at present.

This would likely foster ownership of the coverage in the Web as well as the newspaper. Consequently, the company can focus on a multiple-media platform approach pursuing both audiences and advertisers within the markets in which it competes.

Exhibit 1.

NYTD Organizational Structure

The New York Times Company

Russell Lewis, Chief Executive Officer

NYTD Six - Member Senior Policy Team

Martin Nisenholtz, Chief Executive Officer

Ellen Taus, Chief Financial Officer

Lincoln Millstein, Executive Vice President

Muriel Watkins, Vice President of Human Resources and Communications

(two other executive members)

Website General Managers

Scott Meyer, NYTimes. com

Lisa DeSisto, Boston. com

Functional Heads



(Sales, Marketing, Technology, Content Development)