

“North Carolina’s Changed News Landscape: What It Means for Democracy”
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Penny Muse Abernathy
Knight Chair, Journalism and Digital Media Economics

I am the third generation in my family to graduate from college. Not only the ‘third’ generation – but the third generation of Southern women in my family, beginning with my grandmother in 1917. And it says something about this university system and North Carolina’s history of supporting public education that I didn’t realize how remarkable this was until I began working at the New York Times in the mid-1980s, and learned that most of my baby-boomer peers, regardless of their gender, were at best only the second generation in their family to attend college.

I actually received my degree from UNC at Greensboro (where my mother and grandmother had gone) – and that was, in part, because, back then, women were not eligible for full merit scholarships such as the Morehead whereas UNC-G, which until the 60s had been the Woman’s College at the University of North Carolina, had several – and I received one of them. But even though I didn’t graduate from Chapel Hill, I am an alumnus of the School of Journalism and Mass Communication, having attended the school on an inter-university exchange in the early 1970s. And that, as they say, has made all the difference – in the opportunities I’ve been offered as a journalist and media business executive over the years, and in the passions I’ve developed and pursued along the way.

I want to talk with you tonight about one of my driving passions – that of saving journalism for the digital age, and explain to you why you should care about the future of local newspapers, especially some rather extraordinary papers in North Carolina. But before I do, I want to mention an interesting statistic I came across the other day, in the course of beginning a new research focus – on the women, specifically the Southern women, who made it into positions of leadership in communication companies in the 1990s and paved the way for others. There’s Carolyn Lee, for example, the first female editor to be named to the masthead of the New York Times. And Karen Elliott House, the first female Wall Street Journal foreign correspondent to win a Pulitzer Prize and the first woman to become its publisher. Both are Southern by birth – Carolyn from a small town in Tennessee, Karen from an even smaller town in Texas – both attended the public universities in their state, and both gravitated to the schools of journalism and communication at those universities. And they were not alone. Here’s the statistic I came across: In 1970 – the year that my husband, Harry, graduated from UNC with a degree in journalism, less than 20 percent of the students enrolled in journalism schools in this country were women. By 1980, half were women. At UNC today, around 75% of students in the School of Journalism and Communication are women-- higher than the 60% of women in

undergraduate studies in the university as a whole, but lower than the 80% at some of the nation's largest schools.

In my days in Howell Hall, we few women dreamed of someday following in the path of alumni such as David Brinkley, Charles Kuralt and Tom Wicker. And indeed, some of my classmates, such as David Zucchini, have. David currently works as a foreign correspondent for the Los Angeles and won a Pulitzer Prize for his reporting while at the Philadelphia Inquirer in the 1980s. Students today, regardless of gender, take a much more expansive view of the career opportunities in journalism or communication. Some still want to be foreign correspondents for The New York Times or CNN. But they also aspire to be publishers and CEOs of news empires, congressional aides, marketing directors for Fortune 500 companies, and even founders of successful digital enterprises.

In contrast to previous decades, this means that in the digital age, the prospect of saving journalism – and charting a path to profitability for community newspapers – could well be in the hands of women like Tori Stillwell, a Morehead Scholar while at UNC, and now a Bloomberg reporter covering economics. Or, it could be in the hands of men, like Jed Williams, the recipient of a Park Fellowship, who received his Master's degree from the school in 2010. When he arrived at Carolina, Jed had almost a decade of experience as a drive-time sportscaster, and aspired to become a political correspondent. During his time at the school, he became passionate about the business of journalism. He is now a director of strategy for the consulting firm BIA Kelsey, and spends a good deal of time on the road helping newspaper publishers and editors reinvent themselves. Later this week, he'll be speaking with ad directors, publishers and editors at the New York Press Association, the largest such state press gathering in the country. Jed and Tori are here tonight, and since I had the privilege of teaching both of them, I can vouch that future of journalism is in excellent hands.

The Project

They are two of the almost 200 students who worked on the project, *Saving Community Journalism*. It has been a collaborative effort that has stretched over five years (and 11 semesters), and involved five professors in the School of Journalism and 12 newspapers spread across the country – from Santa Rosa, CA, to Rutland, VT, and Washington – the one in North Carolina, “little Washington.” Most of the students who worked on this project were enrolled in a strategy course I teach at the J-school, “Leadership in a Time of Change.” As part of that class, they conducted customer research on the readers and advertisers who still relied on their local papers, as well as those who were using digital alternatives. They analyzed financial statements and recommended new strategies. They redesigned pages in both the print and online editions of these papers. They worked with programmers to develop “apps” that would allow reporters to better access public records. And when certain strategies failed, they went back to the drawing board. In other words, these students didn't sit in a classroom learning how to perfect a lead paragraph on a breaking news story. They were out in the field – learning how to help our community newspapers make a successful transition into the 21st century.

As a result, *Saving Community Journalism* is more than just a book. It is an instructional website (businessofnews.unc.edu), aimed at helping publishers and editors craft their own strategic plans. It is a multimedia case study that will be available through Columbia University this summer and will help professors educate a new generation of students on the business opportunities and challenges facing community newspapers. Later this year, we hope to convene a joint symposium with the Pew Research Center that focuses on the information needs of communities – large and small – and the role of newspapers in the new digital news ecosystem.

The idea of combing the three pillars of academics – research, teaching and service – is what brought me back home to North Carolina and to this university that we all care about, after more than three decades in the profession, working first as a journalist on papers throughout the South and Midwest, and then as a business executive at *The New York Times*, the *Wall Street Journal* and the *Harvard Business Review*.

The seed for this project was actually planted 45 years ago in the summer of 1969, when, as a recently minted high school graduate whose sole journalistic experience consisted of editing the school newspaper, I was hired as a reporting intern on my hometown paper, the *Laurinburg Exchange*. John Henry Moore the second-generation owner and editor of the twice-weekly paper was a Carolina graduate, who believed that a “strong community needs a strong newspaper to prosper,” and he proceeded to challenge the community with every editorial means at his disposal – including his own signed column that ran down the left side of the front page, as well as the editorials he banged out on an old Royal typewriter.

I carried that lesson with me over the next three decades as I graduated to larger and larger papers in North Carolina (Greensboro, Fayetteville, Charlotte) -- and beyond (Wichita, Dallas, and, finally, *The New York Times* and *Wall Street Journal*.)

By the time I returned to North Carolina in 2008, the *Laurinburg Exchange* was no longer independent. Like most papers in the country, it had been sold by the family to a corporation, based out of state. While the profitability of large metro papers had declined dramatically in the first years of the decade as classified advertising moved to the web, papers like the *Exchange* in the small and midsized markets that populate our state were relatively unscathed. They faced little competition from broadcast outlets and were in essence de facto monopolies. By consolidating back office functions, these corporations that owned these papers could operate them quite profitably.

Then, the recession of fall 2008 slammed the country, and community papers began to feel the pain. An FCC report in 2011 documented dramatic cutbacks in reporting staff that resulted, and worried that this trend could compromise the historic “watchdog” role of newspapers. A report by the Knight Foundation warned that we could shortly face “a crisis in democracy” in many communities since by some credible estimates, newspapers have historically produced almost 85% of what we refer to as “accountability journalism” – the beat, investigative and analytical reporting that influences and informs the public policies, in communities across the state, as well as in Washington. (DC)

In 2009, with a grant from the McCormick Foundation, we at UNC took the first step and identified three prize-winning newspapers in economically challenged rural communities in the state and began working with them to craft a path to profitability in the digital age. At the time, all three of those papers were owned by families, not by chains, or investment companies. One – the *Washington Daily News* – has since been sold. Two of those papers – the *Whiteville News Reporter* and the *Washington Daily News* – had won Pulitzer Prizes. The third paper – the *Wilkes Journal Patriot* – is known for its aggressive legal pursuit of public officials who want to hold meetings behind closed doors.

Why it is Important these Newspapers Survive

When we conducted reader surveys in the communities these papers served, we discovered something very reassuring: Despite the seismic changes in media habits occurring even in remote areas of the state as more and more consumers plugged into the Internet, readers still expressed strong loyalty to their local paper. We measured loyalty using a simple tool that’s been used by many industries in recent years – and newspapers, such as *The New York Times* and *Wall Street Journal*. We asked readers, on a scale of one to 10, with 10 being highest, if they would recommend their local paper to a friend or family member. To account for grade inflation, we set the bar high. Only if readers answered 9 or 10 were they considered loyal. Loyal readers said they depended on their local papers to be the most credible and comprehensive sources of news and information they cared about. They believed their papers performed three important functions (beyond that of being a “watchdog” over local government).

First, they looked to their papers to help set the agenda for debate of public policy issues that could affect the community’s future. In the 1970s, two professors at UNC – Don Shaw and Maxwell McCombs – articulated a ground-breaking communication theory that has been cited thousands of times since. They determined that local newspapers set the agenda for public debate of issues in a number of ways – by the types of stories they covered, by the placement they gave these stories and by the editorials they printed arguing a certain position.

Second, readers believed local newspapers encouraged economic development in a region by providing a marketplace for consumers and advertisers to connect. Even in a “digital” age, most people still prefer to buy goods and services close to home. Additionally, readers felt journalists on the paper had an important role in encouraging long-term economic health and overall prosperity in a community by nurturing discussion around issues that could either impede or accelerate growth.

Third, readers looked to their local newspapers to foster a sense of geographic community by uniting the various political and governmental entities in an area. Les High, editor of the *Whiteville News Reporter*, counts 3 state legislative districts, 10 incorporated municipalities, 19 unincorporated communities, 6 school board districts, 7 county commission districts and 9 zip codes in Columbus County, one of the state’s largest in terms of land mass, and also one of its most rural. It is the role of the *News Reporter*, says Les, to make sense of this system of overlapping entities and inform the 55,000 citizens of that county how a certain issue

will affect a specific town or a zip code. In other words, strong community newspapers tell us about “the consequences of our own actions on people who might seem unrelated but really aren’t.”

Worrisome Trends

Since strong newspapers build communities, there are two trends that we’ve witnessed in recent years that worry me when I consider the future of North Carolina’s community newspaper.

. The first is the economic health of the entire industry. Not only are the country’s 100 or so large papers, such as the Times and the Washington Post, facing severely depressed profits, but also the 11,000 other papers in this country that serve communities like Fayetteville or Greensboro or Aberdeen. From experience in other industries, we know that a disruptive technology such as the Internet first attacks the cost base of an existing industry, then siphons off customers and revenues. And that is just what has happened to the newspaper industry over the last decade. Newspapers are saddled with huge production and distribution costs associated with the print edition (the dinosaur), even as readers fall in love with new digital devices such as the smart phone and the i-Pad. Advertising, which has historically furnished 80-90% of the revenue at most newspapers, has fallen back to 1950 levels – in terms of dollars, as well as volume. This means that many local newspapers, which used to post profit margins in excess of 20%, are now trending toward breakeven. With such tight profit margins, “you have to weigh carefully whether you will prevail in court before bringing a lawsuit,” according to Whiteville’s Les High

These depressed margins have also prompted many families and corporate chains – such as the New York Times Regional Newspaper Group, Landmark Communications and Media General – to sell their community papers in the state. And many have been purchased by not by newspapers companies, such as McClatchy, but rather by investment firms and private equity companies, whose primary focus is not on strong journalism that sets the agenda for debate of public issues, but rather on profit margins. The worst of these companies employ what is known as a harvesting strategy, slashing the editorial staff, and pocketing the savings, instead of investing in a digital future. Others, like Halifax which now owns the former New York Times papers, such as the *Wilmington Star*, enact an editorial policy that prohibits the newspaper from endorsing local candidates. Still others, such as the Civitas chain, do away with a staff produced editorial page entirely. Even the most enlightened, such as BH Holdings, tend to focus their reporting resources on day-to-day coverage of events and people – and not the costly investigative reporting that exposes wrong-doing or uncovers worrisome trends, such as environmental pollution. Many of the state’s poorest counties now are served by newspapers that are owned by these investment entities.

Reason for Optimism

But that’s only half the story. There are two things that also leave me optimistic about the future of community newspapers. First, based on the research we’ve done at UNC, we’ve found

that newspaper owners who respond aggressively to the Internet's attacks on cost, customer and revenue base have a chance of not just surviving, but thriving. They need to employ a three-pronged strategy that sheds legacy costs associated with the print edition, and then funnel the savings into building vibrant communities of readers across multiple media platforms, including print, digital and mobile. By doing this, they are then able to profitably tap into new sources of revenue. It's not easy – no one said it would be. But newspapers need to start this process by asking "If we were building it today, how would we do it?" While newspapers are no longer living in an era of 20% margins, smart ones may well be able to achieve 10% margins or better. Most of the publishers who participated in our study believe that will allow their papers to continue to pursue the sort of journalism that will set the agenda for debate of public policy issues in their community.

There is a second reason to be optimistic about the future of community newspapers in this state. In North Carolina, we have a history of strong newspapers taking their public service obligation to their communities seriously. We also have a university with a tradition of training inquiring and discerning journalists. Some of the "journalists" we are training today in Carroll Hall will go on to work at The New York Times – or in Washington, as public servants. Others will follow in the footsteps of Charles Broadwell, who returned to Fayetteville and worked his way up to publisher of the *Observer*, which has been owned by his family for four generations. The *Observer* is one of the best and most ambitious daily newspapers in the country today. As Charles says in the book, "We have to kick the ball through at least two goal posts every day. We have to cover Fayetteville and the residents of the 10-county Cape Fear area where our paper circulates. And we have to follow the troops here at Ft. Bragg (which employs 100,000 people in the Cape Fear region), and go where they go, whether it is Iraq or Afghanistan."

Similarly, UNC alumni Les and Stuart High are committed to upholding family tradition at the *Whiteville News Reporter* – as are their daughters, the third generation of Highs to study at School of Journalism and Mass Communication. In the 1950s, their grandfather, Leslie Thompson defied death threats for three years, as his crusading editor worked tirelessly to expose Ku Klux Klan activity in Columbus County. This perseverance was rewarded in 1953, when the *Whiteville News Reporter* shared the Pulitzer Gold Medal for Public Service with the nearby *Tabor City Tribune*. They are the two smallest papers in the U.S. ever to win journalism's most coveted award. And they share that honor – not just with the large national papers – but with four other Tar Heel publications. The Charlotte Observer has won twice for its reporting on brown lung and financial fraud in the PTL club. The Winston Salem Journal received the award for its coverage of environmental concerns along the New River, the Raleigh N&O for its coverage of the issues surrounding commercial hog farming in eastern North Carolina, and the Washington Daily News, circulation 8,000, for its reporting on pollution of the town's water system.

In the last half of the 20th century, North Carolina papers won the Pulitzer Public Service Award a record seven times. That's more than any other state in the union. During that same period, the state of North Carolina was perceived as being one of the most progressive in

the South. I believe that is due in large measure to our strong university system, which not only trained highly skilled doctors, scientists, lawyers and business executives, but also journalists who took their First Amendment obligations and “watchdog role” seriously and, in the process, set the agenda for debate of the public policy issues that most affected our future.

Saving Community Journalism is the first book of its type that UNC Press has published. Contrary to what you may think, less than 10 percent of the 100 books a year that the Press publishes are written by professors in the university system. . The Press is another jewel in this University’s crown. Established 92 years ago, it was the first academic press in the South and has established a reputation for being the premier publisher of both academic and general interest books on the South and women’s rights, among other topics. It was the first to publish the works of the historian John Hope Franklin, for example. The spring catalog features several Civil War titles, William Ferris’ magnificent book on Southern authors (with profiles on Eudora Welty and Alex Haley, among others), a new cookbook on okra, and *Saving Community Journalism*. I am very indebted to the Press for the editorial guidance I received – for their advice that I put issues around community journalism into historical context – and that I tell people a good story. So I did – I told the story of 12 extraordinary newspapers from across the country, eight of which are in the South, five of which are in North Carolina. And I focused specifically on the day-to-day challenges confronting Les and Stuart High as they attempt to guide the *Whiteville News Reporter* into uncharted territory,

Before he committed to publishing *Saving Community Journalism*, the editorial director, Mark Simpson-Vos, wanted to see a first draft. So, last June, with some trepidation, I returned his phone call to learn his verdict. “I never really thought of journalism as a public good,” he said, “until I read your manuscript.”

My hope is that more non-journalists like Mark will come to see community journalism as a public good, and understand what is at stake. Columbus County today struggles with many of the same issues as other rural counties along the U.S. 74 corridor – including high unemployment and poverty. Yet how much worse would it be, if 60 years ago, the publisher and editor of the *News Reporter* had not stood up to the Klan?

“A newspaper reminds a community every day of its collective identity, the stake we have in one another, and the lessons of its history,” says Harvard professor Ron Heifetz. It is “an anchor in the community.”