

Outlook



Amid structural changes in the U.S. economy, publishers face two possible short-term scenarios on the road to profitability. Long term, peak performance requires investment in training and tools.

In a service-based economy driven by information technology, publishers must develop a variety of information channels that engage their communities in new ways. The demands of this transformation loom.

2000

Marketing will play a dominant role as evolving businesses turn to media to tell their stories. To remain successful in this transformation, publishers must direct investment toward growing two related indices: mind share, and advertising share.

Mind share—newspaper circulation—has remained stagnant throughout the '90s. That harsh economic reality is reflected in the steady loss of ad share shown atop pp. 34-35. Readers now have broad information choices; continuing success as publishers will require greater understanding of and involvement in their needs.

Given this environment, this analysis explores two 1998-2001 forecasts and raises related, long-term questions: Can publishers reverse declining circulation and readership trends? If not, what are the consequences of sustained attrition? And how long can we continue to give up mind share and ad share?

MOST-LIKELY BASE SCENARIO

The U.S. economy is doing just fine and should continue to do so if government stays out of the way. Economic growth is ultimately determined by labor supply, productivity improvements and a technology-driven desire to squeeze out inefficiencies through business processes. The accelerated rate of improvement in the information sector continues to lower entry barriers, increase competition and unleash downward pressure on prices. This results in a tightening labor market with little material inflation. As long as the Federal Reserve Board recognizes this and accommodates the nation's performance, the economy will provide a solid start for the millennium.

Yet Federal Reserve Board actions, or financiers' fears of same, continue to limit growth at best. At worst, the Fed could squeeze economic potential into a slowdown or recessionary spiral. A base forecast assumes constraint, but no real slowdown.

For 1999, real growth in Gross Domestic Product should finish near 4 percent, with nominal GDP growth around 5.4 percent. Real growth will slip to the range of 3.1-to-3.2 percent in 2000, with some improvement in 2001.

by Miles E. Groves

The author is chief economist for The Barry Group of Bethesda, Md., and former NAA vice president and chief economist. E-mail, mgroves@barrygrp.com.

Inflation continues to attract attention, with the Consumer Price Index at 2.0 percent in October. Yet the Implicit Price Deflator, a more accurate measure of inflation, should remain below 1.5 percent in 1999 and 2 percent through 2001. Low inflation will contribute to nominal economic growth, nearing 5 percent in 2000 and strengthening in 2001.

Third-quarter newspaper advertising expenditures gained 5.5 percent over the same quarter in 1998 (see chart, p.4). Growth may approach 6 percent in the fourth quarter, yielding 1999 advertising performance near my earlier forecast of 5.4 percent (see table, below). As we enter 2000:

- National advertising growth remains strong but will soften to the 9.5-to-10.0 percent range.
- Local retail and classified advertising growth slows, primarily due to weak recruitment advertising. Retail is expected to finish 1999 with growth below 4 percent and hover between 3.4 and 3.7 percent during 2000.
- Classified recruitment-advertising growth has been steadily declining since third-quarter 1997, when it peaked at 25 percent. In second-quarter 1999, classified recruitment advertising grew only 2.4 percent. With no rebound expected in 2000, overall classified will likely generate no more than 4 percent growth, with any strength due largely to automobile advertising.

For the next two years, the industry's circulation declines are

U.S. Daily Newspaper Ad Expenditures, Real and Forecast*

	BASE SCENARIO							
	Classified		National		Retail		Total	
	Millions	% Change	Millions	% Change	Millions	% Change	Millions	% Change
1998	17,873	6.6	5,721	7.6	20,331	5.7	43,925	6.3
1999 (f)	18,627	4.2	6,595	15.3	21,057	3.6	46,278	5.4
2000 (f)	19,371	4.0	7,310	10.8	22,051	4.7	48,732	5.3
2001 (f)	20,353	5.1	7,809	6.8	23,042	4.5	51,204	5.1
	RECESSION SCENARIO							
	Classified		National		Retail		Total	
	Millions	% Change	Millions	% Change	Millions	% Change	Millions	% Change
1998	17,873	6.6	5,721	7.6	20,331	5.7	43,925	6.3
1999 (f)	18,439	3.2	6,694	17.0	21,845	7.4	46,978	7.0
2000 (f)	17,820	-3.4	6,943	3.7	21,522	-1.5	46,285	-1.5
2001 (f)	18,655	4.7	6,966	0.3	21,607	0.4	47,228	2.0

*Production cost estimates included

(f) forecast

Sources: All tables and graphs by NAA Market & Business Analysis Department; Scarborough Research, New York City.

1978

28.2%

1980

27.6

1985

26.6

expected to average near 1 percent annually, though I'd like to be proven wrong. Net spending from subscriptions and single-copy sales will grow about 2 percent annually.

Online advertising will likely double in 2000, though it will not have a material impact due to the relatively small contribution it makes to revenue. In all, advertising expenditures in the newspaper industry should surpass \$56.7 billion in 1999, \$59.4 billion in 2000, and \$62.0 billion in 2001.

This forecast, which seems most likely, assumes neither improvement in overall advertising share nor any material loss. However, the key factor driving it remains the overall economic performance, assuming minimal government intrusion. What if that proves to be a misguided assumption? No one knows what the Federal Reserve Board will do, how inflation will change, or how the markets will respond to anticipated policy or actual restrictive actions.

RECESSION SCENARIO

Let us now use the data from the primary forecast to review the implications of a policy-created recession in the newspaper industry.

Imagine: Instead of noninflationary growth for 1999, the second half proves far stronger than anyone forecast. Real economic growth accelerates to around 4.5 percent, stretching labor markets tighter with resulting upward pressure on wages. Wage growth creates anxiety for members of the Federal Reserve Board. Overall, the impact of wage gains have been offset by productivity gains, but labor shortages create pressure to increase wages in most U.S. markets.

Couple this with an unexpected event, say, an earthquake destroying a foreign plant producing key technology. This hikes material costs. Nominal GDP growth surpasses that of 1998. The Implicit Price Deflator passes 2 percent. Worse, the CPI shoots up beyond 3 percent.

During the second half of the year, newspaper advertising would therefore grow so fast that the annual rate would approach 7 percent. Many would break out the champagne to celebrate an unplanned cash infusion.

Before the bubbly could disappear, however, the Federal Reserve Board likely would respond by raising interest rates, thereby lifting the cost of capital, home mortgages and automobile loans. At best, the Fed would achieve a soft landing, as occurred in 1994; at worst, a recession like the one we experienced in 1991 would ensue.

A policy response would effectively drive real economic growth down to 2 percent through 2001, with the Implicit Price Deflator falling from 2 percent in 2000 to 1 percent in 2001. GDP growth would slip from 1999's 6 percent to 4 percent in 2000 and 3 percent in 2001. This effectively halts local economies and reduces

A Reading List For Growth

"The New Economy Is Stronger Than You Think," William A. Sahlman, Harvard Business Review, volume 77, number 6, Nov.-Dec 1999, pp. 99-106.

Management Challenges for the 21st Century, Peter F. Drucker (HarperCollins Publishers Inc., New York City).

The Balanced Scorecard, Robert S. Kaplan and David P. Norton (Harvard Business School Press, Boston).

The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail, Clayton M. Christensen (Harvard Business School Press, Boston).

Segmentation and Positioning for Strategic Marketing Decision, James H. Myers (American Marketing Association, Chicago).

Kotler on Marketing: How to Create, Win, and Dominate Markets, Philip Kotler (The Free Press, New York City).

The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value, Frederick F. Reichheld with Thomas Teal (Harvard Business School Press, Boston).

newspapers' advertising share. National advertising growth would plummet from more than 17 percent in 1999 to 1.3 percent in 2001. Retail advertising registers a 1.5 percent decline, and classified declines 3.4 percent in 2000. Overall, newspaper advertising would fall from 1999's near 7 percent growth to a 1.5 percent drop in 2000. Quite a shock.

How likely is this scenario? Not very. A soft landing would be more probable. Sure, the longer this recovery continues, the greater the risk of a downturn. In either a recession or a soft landing, readers would show greater interest in classified advertising, recruitment advertising would increase, and marginal classified competitors would lose ground.

A CAUTIONARY TALE?

Those who recall the early 1990s won't count the high drama described above as a disaster. The very nature of the U.S. economy is changing, as are the rules that measure it.

At the dawn of the decade, the nation's economy was strong. Unemployment had finally fallen below 6 percent in 1988 and remained in the 5 percent range throughout 1989, prompting concerns that the "Phillips Curve" would kick in. This curve maps a relationship between inflation and unemployment. Simply put, believers in the curve see a "natural"

unemployment rate that becomes inflationary when the rate falls too low. In the early '90s, this noninflationary rate was held to around 6 percent. Some economists were concerned with the shrinking labor force and its impact on consumer demand and wage-push inflation. They feared that the United States would fall below the natural rate.

Others, more pragmatic, rejected the Phillips Curve. In their view, labor shortages drive capital investment, yielding productivity gains that offset slow workforce growth. Federal Reserve Board Chairman Alan Greenspan supported the former view and had been trying to hold the economy back. Despite his efforts, it was going strong.

Meanwhile, advertisers were thriving, and the future appeared bright for publishers, whose advertising growth in 1988 had surpassed 6 percent. True, that rate was well below the 10-year average of 9.8 percent growth. But this slide applied to all advertising that year. Many saw it as a slight dip that would soon be forgotten.

While publishers' overall ad share had fallen from 28.2 percent in 1978 to 26.4 percent in 1988, all-media advertising had reached a historic high at 2.31 percent of U.S. economic output, helping offset the impact of newspapers' loss.

Some argued that the share of the economy going to adver-

Newspaper Advertising Share Among All Media

1990

25.1

1995

22.2

1999p

21.1

tising would rise to at least 3 percent. Newsprint companies, counting on growing demand, expanded capacity. Publishers expected growing advertising demand, too. Daily and Sunday circulation had been improving, enabling advertising departments to pass on rate increases reflecting inflation and circulation growth.

Despite expectations, 1989 was a soft year, the precipice of the worst recession since measurements began. The Phillips Curve brigade notched real interest costs up, slowing local economic growth. Classified advertising slumped from 10.1 percent growth in 1988 to 2.9 percent in 1989, representing 36.8 percent of newspapers' advertising base. Classified bottomed in 1991, when it dropped 8 percent, reflecting a decline in classifieds' share to 34.9 percent.

It was a tough time. By the end of 1991, 56 daily newspapers were gone and the industry's overall share of advertising had dropped to 24 percent. Total daily circulation shifted from growth to declines that have averaged 1 percent a year since 1988 began.

On the advertising side, recovery began in 1993 with average annual growth of 6.4 percent. Since then, growth in newspaper-advertising expenditures have consistently outperformed the U.S. economy. Unfortunately, newspapers' advertising share kept shrinking, to 21.8 percent in 1999.

These twin trends do not arise from any natural law, despite their acceptance by many industry analysts. Publishers can stem losses on both counts, as a commitment to growing mind share also begets growing advertising share. But declines will continue until publishers begin to practice effective consumer marketing to build their numbers and develop reader-based operational systems in circulation departments.

MASS, NOT CLASS

Newspapers' share of advertising is determined by publishers' perceived ability to serve the needs of advertising customers. Much has been done to improve services for advertisers, especially in terms of supporting targeted distribution. These efforts are not enough. The one-to-one marketing that helped drive retailers into direct mail and inserts has not helped them grow share. Run-of-paper advertising does that, and publishers can make the case that as retail competition explodes, increasing share becomes critical.

The Internet is transforming local markets more quickly than anticipated, affecting relations with classified and retail customers. Major retailers continue to reshape themselves as their locations in malls cease to provide the markets they once counted on; big-box retailers change the rules and challenge them. Both groups now try to tie into the Internet without cannibalization. And their suppliers pursue that channel, too.

Yet many advertisers still focus on the quality of targeted audiences rather than the large communities of readers that newspapers deliver. Research identifies advertising content as information that readers seek. Advertising provides utility, with information on price and product availability, and it builds awareness.

Similarly, every classified-ad category stands at risk in the face of Internet classified sites. Fortunately, newspaper publishers are aggressively entering the fray with sites that serve local needs.

NAA recently completed two studies exploring the Internet's impact on newspapers. These are Synergize for Success and the 1999 Recruitment Advertising Study. The first profiles online users and how they use newspapers (see story, p. 14). The study found that newspaper readership among the online set is much higher than among the general adult population, and even stronger among those who visit online-newspaper sites (see

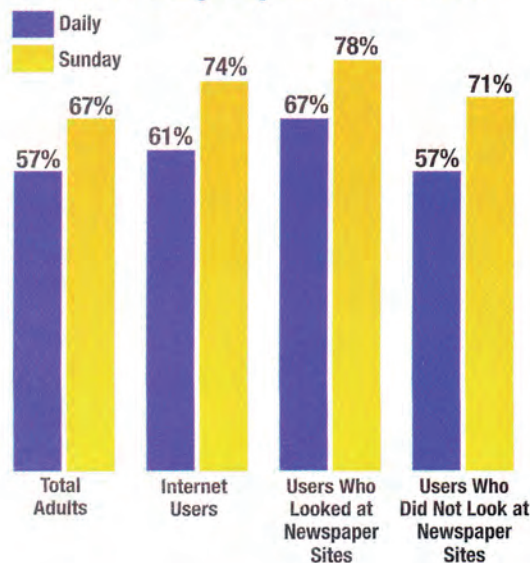
graph, left). But sagging growth in newspaper recruitment ads causes concern, as growth slipped to 2.4 percent in second-quarter 1999 (see graph, p. 37).

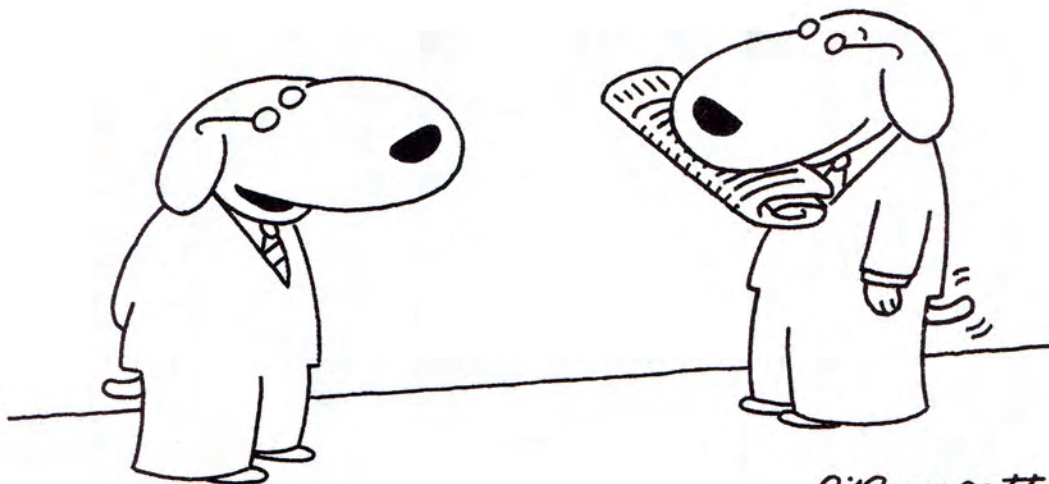
The second study addresses this trend by examining job seekers' media of choice. The study found that, on average, job seekers use three sources for job information. The key source remains newspapers; 70 percent use them, compared with 40 percent using online options.

Private-party classified ads also constitute a key component of newspapers' advertising base. They define markets, attract other categories and bring in young readers.

Unfortunately for the classified-advertising business, many publishers are emphasizing distribution only in residential areas desired by national and regional retail advertisers. They justify declining circu-

Internet Users' Newspaper Habits





Charles Barsotti

"Not only is it one of the best papers in America, but as you may have noticed, it also has a lovely flavor."

THE COLUMBIA JOURNALISM REVIEW recently included three McClatchy newspapers on its list of America's Best Newspapers for the 21st Century. Strong, relevant journalism has always been the source of McClatchy's success. That core value is why editors across the country ranked *The News & Observer* in Raleigh, the *Star Tribune* in Minneapolis/St. Paul and *The Sacramento Bee* among the best.

lation as good if the effort serves the readers whom retail and national advertisers want to reach. This strategy follows the revenue model that has served publishers through much of this decade, but prevents formation of the mass audiences required by the classified franchise.

Publishers should note that retailers are growing less important to the industry's franchise than they were a decade ago and will likely be less important in the future. Classified advertising now represents more than 60 percent of the advertising dollars that many newspapers receive. When publishers find themselves with audience reach falling below 50 percent and penetration at 30 percent or less, they risk becoming another niche product rather than the market maker. The dynamics shift, damaging the industry in market share and mind share.

So how long can we continue this slide in share before newspapers' role in marketing budgets falls in the category of niche media? If the industry cannot shift trends in circulation and readership, that time is far shorter than 10 years.

'INSPIRED LEADERSHIP'

NAA's 1999 Turning the Tide study identified six daily newspapers that had grown circulation and penetration. A common theme across these newspapers could be described as "inspired leadership."

These publishers aggressively pursue local coverage, quality journalism, customer service and advertising growth. Their papers are produced and sold by teams that understand their communities. Empowerment and risk represent more than popular themes. These newspapers mirror the souls of their regions, and they prosper.

Circulation professionals recognize that the tools for increasing sales are different from those for maintaining circulation. They need the latter. On an almost daily basis, acquiring and retaining readers becomes ever more complicated because of individuals' plethora of information choices.

Few publishers back up their circulation efforts with systems that provide the marketing tools employees need to work in this new environment. Instead, most use telemarketing as the primary acquisition tool and routinely approach all nonsubscribers with the same variation of price rather than value.

Publishers must use segmentation systems based on market research and make them part of the daily process of acquiring and retaining readers. Sound consumer segmentation can identify potential readership pockets to grow the franchise.

From the 1997 media-usage study, *So Many Choices, So Little Time*, publishers learned that newspapers surpass other media in terms of utility and advertising information. Despite that, we learned that local television rated higher in terms of providing local news. How could that be? The answer is simple: Broadcasters promote; newspaper publishers don't.

Publishers understand the importance of promotion and brand development; they sell that importance to advertising customers. They must commit to it, too. Right now, the money spent on promotion provides only anecdotal evidence of effectiveness. Few publishers operate systems that track and provide accountability, a key promotion strategy.

Systems must describe readers and drive accountability in terms of service, retention, acquisition and promotion. In the coming decade, newspapers must adopt these and other premier marketing techniques if they are to grow. As circulation falls, so does audience. As audience falls, so will advertising share. If these continue to slide, then industry economics will change, too. Publishers must:

- Invest in quality research to support editorial, circulation and advertising, and use research daily
- Invest in training to ensure that staff have the marketing skills necessary to grow the franchise and reverse trends
- Invest in tools and training for strategic marketing
- Promote newspapers' value to public
- Demand outstanding service and measure performance to stop losing readers to other venues due to service, quality, or value issues.

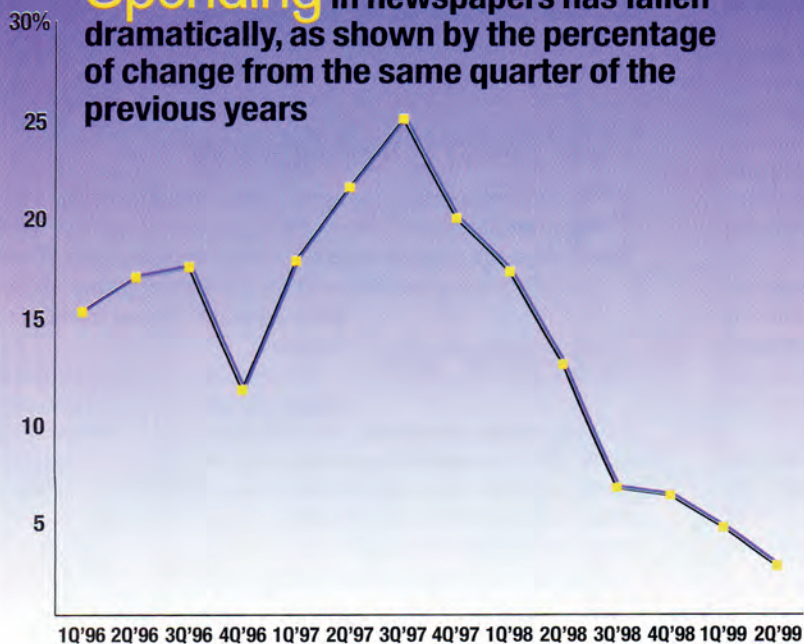
It can be done. ■

Where Online Seekers Find Their Information

	Real Estate	Job	Auto
Print newspapers	28%	36%	42%
Word of Mouth	24	33	41
"Trader"/printed magazines	21	23	30
Weeklies/shoppers	20	14	26
TV	6	5	21
Radio	4	5	13
Used any in Category	38	46	62

Growth in Recruitment Spending

in newspapers has fallen dramatically, as shown by the percentage of change from the same quarter of the previous years



Six Categories,

Influences, options and outlooks

Scarcity Adds Value To the Labor Pool

Eric P. Lofgren, global director of the benefits consulting group at Watson Wyatt Worldwide in Washington, D.C., says that the first 10 years of the 21st century will probably be remembered as the decade of the employee. The current scarcity of skilled labor will persist because the number of young workers entering the workforce continues to decline. The effect influences wages, restructuring, retirement and the cost of benefits.

Many major corporations spent the better part of the '90s restructuring and downsizing. In 1998, U.S. companies cut 677,795 workers from their payrolls, according to a study by Challenger, Gray & Christmas Inc., a Chicago outplacement firm. The rate of job reductions for the first 10 months of 1999 outpaced 1998 cuts by 11 percent. Companies, says Chief Executive Officer John A. Challenger, "have moved into a just-in-time employment workplace," quick to shed workers in businesses

that perform marginally and free up resources for areas of higher growth.

Employment

In fact, throughout the decade, the average number of jobs created has exceeded the number of reductions by a factor of four—almost 2 million a year.

Job expansion will continue, but analysts expect the rate to slow. Eric Rolfe Greenberg, director of management studies at the American Management Association of New York City, reports that AMA's 10,000 member companies, employing one-quarter of the nation's workforce, forecast that they will expand their workforce 3.8 percent between July 1999 and June 2000. That's down from 7.7 percent growth in members' jobs during 1998 and a 5 percent increase in 1999.

U.S. employers, measured fourth quarter to fourth quarter, have been creating jobs at an annual rate of nearly 2.5 percent for six years, says Randy Ilg, an economist with the U.S. Bureau of Labor Statistics in Washington, D.C. BLS is poised to issue the outlook for 1998-2008 on its Internet site, www.bls.gov/proghome.htm.

The majority of new jobs among AMA member companies will be in information systems and technology, sales and marketing, and customer service and sales support. Fewer new jobs will open in purchasing, communications and public relations, and research and development.

Lofgren expects employers to change their approach to restructuring, eliminating jobs but not the people who hold

them. Instead, managers will emphasize retraining. AMA-member companies that invest in training, says Greenberg, "show better corporate performance in terms of profitability, productivity and increased shareholder value than companies that don't increase their training."

The shortage of young workers also drives up wages—for young workers, at least. Real wage increases for Generation X employees have grown 5 percent annually over the past two years while real wages for 50-year-olds grew at a rate of only 1-to-2 percent, says Lofgren. This "compaction of compensation," as he describes it, will continue.

Another effect of the labor shortage will be a decrease in early retirements and an upswing in phased retirements, with more flexible workplaces and compensation schemes.

And Lofgren predicts that with an aging workforce, the cost of benefits, now stable after a 15-year decline, will rise. Tenured employees get more vacation than new hires, older employees tend to participate and invest more in 401(k) plans, and older workers are likely to have more medical problems than younger counterparts.

Finally, in an effort to protect the value of their pension plans, employees are pressuring Congress to legislate restrictions on how companies change from one pension formula to another, making it more difficult for employers to reduce costs.

—Ann Lallande

The author is an Annapolis, Md., free-lance writer.

We're in the Money

Save for a recession scenario, "there still seems to be a fair amount of availability for bank financing this year although interest rates have crept up a bit," says Eileen K. Orscheln, a vice president with the publishing group of Citizens Bank of Massachusetts in Boston.

Finance

Investments in prime newspaper properties should proceed at the pace experienced in 1999, says Lee Dirks, chairman of Dirks, Van Essen & Associates in Santa Fe, N.M. Prime newspaper properties still sell at 12-to-13 times cash flow, sometimes more, and a fairly large number of private, equity-backed groups operate in the market.

"The sale of weeklies to major companies is a definite trend," Dirks says. The practice of large metro papers acquiring suburban nondaily groups did not occur before the mid- to late-'90s,

Many Scenarios

for a sampling of industry issues

he says, because the U.S. Justice Department questioned such transactions as possibly anti-competitive. Now, several nondaily groups have been acquired by metro dailies, and Dirks expects more.

Anticipated economic benchmarks for 2000 include a real Gross Domestic Product at 3.1-to-3.3 percent, nominal GDP at 5.0-to-5.2 percent, and an unemployment rate in the range of 4.0-to-4.2 percent.

In such an economy, there will be money available for those who want to make acquisitions, expand facilities or refinance, says Kevin M. Lavalla, managing director of Veronis, Suhler & Associates Inc. in New York City. "The environment remains pretty competitive for financial institutions. One indication is when I see one of the larger banks doing smaller deals because it's so competitive. They need to put their money to work."

In early December, the prime rate was 8.5 percent and the London Interbank Offered Rates were 5.6-to-6.2 percent. A year ago, prime stood at 7.8 percent and LIBOR a little over 5 percent.

Orscheln says that advertisers have enjoyed a "great five or six years," and that has generated dollars to spend on advertising, but bankers expect growth rates to level off at some point. "Be aware of that when structuring loans," she warns. If growth levels, will the company be able to pay its debt?

—Nancy M. Davis

Slow but Steady on the Hill

In August, the Federal Communications Commission revised its duopoly and one-to-a-market rules that had limited the media properties that broadcast companies could own in each market. Those rules took effect Nov. 16.

Where did that leave publishers? On the sidelines, according to NAA President and Chief Executive Officer John F. Sturm. The Association filed an August petition asking the FCC to "take the steps necessary to repeal its long-outdated rule" prohibiting common ownership of a daily, a television and radio station in the same market.

At the Practising Law Institute's Communications Law Conference in New York City last November, Ford Foundation Consultant Gigi B. Sohn argued for the rule. She and other speakers said the rule needs to remain in place to ensure a diversity of media voices (see story, p. 24).

NAA officials disagree with that argument,

however, and the Association will continue to work for repeal of the FCC rule in 2000. Other issues on NAA's policy agenda include:

Postal reform. On Nov. 3, Rep. John M. McHugh (R-N.Y.) celebrated passage of The Honesty in Sweepstakes Act to crack down on deceptive sweepstakes mailings. McHugh, chairman of the Subcommittee on the Postal Service, has had a tougher time passing sweeping postal-reform legislation.

The Postal Modernization Act of 1999, HR 22, sponsored by McHugh, stalled in the Government Reform Committee. NAA members oppose the bill, insisting that it gives preference to some mailers at the expenses of others.

NAA lobbyists predict HR 22 will resurface when Congress reconvenes in January. Any legislation that passes will need to do so quickly before legislators grow preoccupied with elections.

Database protection. NAA lobbyists will continue efforts to pass protection against the theft of print and online classified advertising. The Association supports The Collections of Information Antipiracy Act, HR 354, sponsored by Rep. Howard Coble (R-N.C.).

In addition to protecting classified ads, it contains a provision that protects the rights of journalists to

use databases for news gathering. The bill was reported favorably out of the Judiciary Committee and awaits action by the House.

Estate taxes. For the first time, Congress passed a tax package that included a repeal of the so-called "death tax," although President Clinton vetoed the measure last September. The Association supports The Death Tax Elimination Act, HR 8, to phase out estate taxes over 10 years. Reps. Jennifer Dunn (R-Wash.) and John Tanner (D-Tenn.) sponsored the bill along with more than 228 co-sponsors. NAA joins the National Black Chamber of Commerce, U.S. Hispanic Chamber of Commerce, National Indian Business Association and others in seeking repeal. During a November meeting in Arlington, Va., NAA's Sturm told members of the Newspaper Association Managers that the next session of Congress may present a favorable climate for passage of the Dunn-Tanner legislation.

—Rosalind C. Truitt

Public Policy

2000

Mobile Millennium: Murky

Jupiter Communications predicts that low-end "smart phones," on a variety of networks, "will easily outpace all other mobile Internet access devices, exploding to an installed base of nearly 80 million units in the United States by 2003." That would represent astonishing growth from an estimated 2.9 million current users of Internet appliances, a figure the New York City group expects to expand more than 30-fold in three years.

Getting to that level comes in part by projecting how many cell- and personal-communication-service-phone users will upgrade their services. The International Data Corp. of Framingham, Mass., counted 64.4 million users in the United States at the end of 1998. Bullishness also derives from the determination by many portals and other national content-providers to extend their franchises onto the next platform beyond the desktop.

Alas, no one knows exactly what services will catch on.

New Media

When Jupiter and NFO Interactive of Greenwich, Conn., asked device-owning

online users what features they want, the most popular response was e-mail, followed by driving directions, traffic updates, weather, Yellow Pages and business reminders. About one fifth put local services on their wish lists, but didn't say what kind. Sports scores, entertainment or ticket

buying were sought by not more than 10 percent each.

Forrester Research of Cambridge, Mass., asked the same question and found Yellow Pages information most-sought by 90.6 percent of cell-phone users. Booking airline flights, at 54.1 percent, and purchasing a physical product, at 55.6 percent, also ranked high.

Neither study found crying demand for general news updates, so just downloading headlines doesn't cut it. That doesn't mean that newspapers can get by without providing news. Knight Ridder New Media reports that a simple news application already accounts for 1 million page views a month from its wireless users, though most may download more pages than they read. Because access charges are likely to attach to wireless applications, the most heavily used probably will be immediate, tactical and personal. Publishers should ponder how the ability to notify smart-phone users when real estate matching their criteria becomes available. Such a service might instigate addictive use of online classified ads.

Several wireless carriers want to work with publishers to develop compelling content that can drive sales of their services. The emerging standard of Wireless Markup Language, a derivative of XML, is key to landing such partnerships, but delivering newspaper applications also calls for an unprecedented degree of cooperation among publishers. Carriers don't have the business-development bandwidth to deal with thousands of information providers; wireless gateways are technically constrained in the number of servers they tap for information. Tasked with delivering the most compelling content possible, they'll either pick a few national services or deal with portals that can deliver local content to users "out of the box." That means when a wireless device is purchased, it is already programmed for specific services and ready for use.

If newspapers can create and bundle local services for wireless carriers, they can capture the immediate, instinctive, one-on-one attention of wireless users. Thus, publishers that have delivered information on demand since their inception will do so again, to user's breast pockets or briefcases.

A wireless working group of the New Media Federation is examining wireless publishing opportunities. And NAA has published a white paper on the subject, entitled *Newspapers Everywhere*. It is available on The Digital Edge (www.digitaledge.org) or in hard copy by calling (800) 651-4622 and asking for item 50205.

—Melinda Gipson

The author is NAA director of new-media business development.

Wireless Scorecard

Subscriber-based wireless data services have been slow to take off, with AT&T's PocketNet drawing just 12,000 users. But a recent report, *Mobile Web Access: Overcoming Wireless Walled Gardens*, by Jupiter Communications of New York City, suggests that the total installed base of devices might amount to something with the availability of useful, local services. Existing devices include:

- **Alphanumeric pagers**—2.4 million consumer-owned devices by year-end 1999. Both Yahoo! and eBay deliver personal messages to users. Fidelity offers stock trading using Research In Motion's pager on BellSouth's network.

- **Digital phones**—32 million devices in use during 1999. The short messaging services are severely limited.

- **Low-end smart phones**—Internet-enabled phones from Sony, Nokia, Motorola and others made their debut in the U.S. market during late fall, and could see sales of 800,000 by Christmas. Nearly all use Phone.com's browser.

- **Personal digital assistants or PDAs**—AvantGo and Yahoo!Mobile synchronize services to these handheld devices from the user's PC. 3Com's Palm devices predominate, paced by newcomer Handspring at a price point under \$300. A projected 5.2 million 'Net-capable devices are expected to be in use, though many are for contacts and scheduling rather than connected services.

- **High-end smart phones**—Qualcomm's pdQ, Nokia's Communicator 9000 and the NeoPoint 1000 integrate full browsers and PDAs. They're heavy and expensive, but could enjoy an installed base of 300,000.

Here Comes the Cyberbinge

Look for Internet-savvy shoppers and ambitious retailers to fuel a boom in e-commerce this year.

In a 1999 survey conducted by The Boston Consulting Group for Shop.org, the trade association for online retailers, e-commerce revenues were expected to top \$36 billion for the year, up from \$14.9 billion in 1998.

Analysts expect that figure to soar in coming years. Forrester Research in Cambridge, Mass., says broad consumer and retailer