



GREG SCHNEIDERS

Newspapers finally waking up to innovation's role in survival

I have just finished reading *The Washington Post* over a cup of Starbucks coffee – a morning ritual that occurs less regularly now than it used to. The Starbucks part still happens every morning. But the *Post* part happens a few days each week instead of every day as it once did. It seems to me the contrast says something about Starbucks and about newspapers.

Traditional papers are in decline. We've all heard the familiar explanations: the Internet, consolidation of advertisers, a new generation's short attention span, increased competition. Wait a minute. There's something wrong with that last one. In fact, it is dead wrong. The greatest cause of newspapers' troubles – and the one seldom mentioned – is their historic lack of competition. And, if anything will save the medium, it will be the fact that they now have to fight for every reader.

Monopolies are not good for their customers nor, ultimately, for the monopolies themselves – and most major papers were monopolies until very recently. And, they acted like monopolies with arrogant disregard for the customer and a dismal lack of innovation. They probably would also have adopted the third characteristic of monopolies – price gouging – except papers make their money off ads and have always subsidized the subscriber in order to boost circulation.

Starbucks, by contrast, was an upstart startup just a few years ago, taking on the coffee giants like Dunkin' Donuts and McDonald's. And Starbucks acted like startups do – it broke the rules, listened carefully to customers, and innovated like crazy. The greatest threat to Starbucks now is that it has become so ubiquitous it may soon look – and act – like a monopoly. But Starbucks and newspapers have (or, at least, had)

one important trait in common: They are driven by habit. Therein lies more depressing news for newspapers. I have two college-aged sons. Both have already developed the coffee habit. Neither has developed the newspaper habit. Unless newspapers can find a way to reverse this trend, they will soon look like tobacco companies – dependent upon a dying generation of “addicted” users.

The good news for newspapers is that they seem, finally, to understand their new situation. Increased competition – mostly from nontraditional sources like all news Web sites and blogs – has caused them to think competitively, to listen to their customers, and to innovate with their own Web sites, online communities, localization, blogs, and RSS feeds. Even the traditional dead tree product is susceptible to innovation, as *The Wall Street Journal* has recently shown.

If newspapers can continue this pattern of innovation and find ways to make newspaper reading – in whatever format the reader chooses – a habit again, they will not only survive, but prosper. The invention of TV was supposed to doom radio. The VCR was going to kill the movie theater. Neither prediction proved true, but only because radio and theaters started innovating and finding new ways to meet customers' needs (think Howard Stern and the multiplex). Papers can survive in the same way – now that they have finally woken up and smelled the coffee. ■

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