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Size Doesn't Matter: An Analysis of Online News and Political Sites

By Lauren Rich Fine, CFA

There's been an explosion of sites that cover news and politics on the Web over the last few years. But how many of them are seeing strong growth in traffic? And more importantly, how many of them are actually making money? In this report, Lauren Rich Fine, ContentNext Research Director, tackles those questions, looking for patterns that make some sites more successful than others. One key conclusion: Bigger isn't necessarily better -- in fact, some small sites are doing quite nicely. Lauren also analyzes the last 18 months of deals to find out who's investing and what sub sectors are getting the bulk of that money. The findings and data in this report should prove useful both to media executives who want new insights into their industry and to prospective entrepreneurs looking to model a new business.

Main Takeaways

- How consumers consume news has changed dramatically: They want facts, commentary and alternatives. In short, they want it all. Newspapers are doing their best to offer the features that consumers find compelling but are still behind. The New York Times's recent foray into linking with Times Extra is a positive step.
- There are a lot of news and political sites, but, as a group, they're distinct enough to make editorial sense, especially when consumers move frictionless from site to site. The real question is whether they make long-term economic sense.

The Way it Was, Or How News Consumption Has Changed Dramatically

The way news is consumed has changed dramatically over the last century. Newspapers used to be the only game in town. They are incredible objects and they used to be consumed voraciously by most adults. They have something for everyone, they're neatly packaged, and typically sell for 50 cents or less. They are highly edited, offer analysis on events, lots of pictures, lots of variety, typically have a format that is predictable (making it easy to find specific content), and run the gamut of information, ads, listings, and news. It is a one-to-many communication, not a dialogue.

Newspapers survived and thrived alongside radio and TV news but then along came 24-hour news channels. Now someone can easily turn on CNN, Headline News, CNBC or several other channels at any time of the day

Local news used to be the most profitable type of programming for a TV station, although it has been lessening in importance with increased competition from other network-affiliated stations. TV news was increasingly supported by auto and auto-related ads. The severe downturn in the auto industry coupled with increased online competition has put pressure on TV news.

There is increasing concern every day about the print-newspaper industry and its rumored imminent demise. Newspapers do provide a necessary check and balance in society but it isn't hard to see that the same process is beginning to take place online. Of course, there are concerns about the lack of standards and a purported dearth of investigative journalism but the latter, too, is already percolating online.

Too Much News?

News Sites Ranked by Unique Visitors, Oct '08

Website	Total Uniques (000)	Unique Growth 2008/2007	Brand Type	National/Local
MSNBC Digital Network	40,946	37.0%	Hybrid	National/Local
CNN Digital Network	38,489	27.0%	Traditional	National
Yahoo! News	37,340	13.0%	Digital	National
AOL News	20,827	1.0%	Digital	National
NYTimes.com	20,348	16.0%	Traditional	National/Local
Tribune Newspapers	17,714	36.0%	Traditional	National/Local
ABCNews Digital Network	15,479	43.0%	Traditional	National
Fox News Digital Network	14,269	51.0%	Traditional	National