Making News for the New World

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This is a transcript of a speech given by Lionel Barber, Editor of the Financial Times for the Polis Public Lecture on Thursday 12 November at LSE

Ladies and gentlemen, distinguished guests, good evening. Or as we say in Japanese: Konbanwa.

Thank you, Professor Charlie Beckett, Polis and the LSE for inviting me to deliver this prestigious lecture. You and your students do great work and I am honoured to play a small part.

Tonight, I want to talk about the news business in a world where the pace of change is accelerating, the challenge from digital insurgents growing and the opportunities for trusted brands like the Financial Times never greater.

Let me repeat that: NEVER GREATER.

There is plenty of talk about crisis in the newspaper industry. I want to talk about the opportunities for success, not just in the home market but worldwide.

In a networked world where speed, immediacy and interactivity are given, scale – global scale – is the ultimate prize.

But first a little detour.

This has been a momentous year for news: the Greek sovereign debt crisis, the Chinese stock market meltdown, the Middle East refugee exodus – and a (relatively) minor story involving the sale of the FT to Nikkei, the Japanese business news giant.

I've covered plenty of mergers and acquisitions in my nearly 40-year career, but let me tell you: it's a whole different story when your employer makes the lead on the home page.

There's been plenty of speculation about what the FT-Nikkei deal portends. I say this:

New owners, new partners, same FT.

The FT remains committed to the gold standard of journalistic excellence.

We will continue to report without fear and without favour. And we will continue to be an industry pioneer, blazing trails where others fear to tread.

Nikkei paid 40 times earnings for the Financial Times. Why?

In two words: Brand matters.

Last word on the FT-Nikkei deal, for now: I believe that in a world of nimble, deep-pocketed, tech-savvy rivals, we are stronger together than apart.

In the past decade, the media landscape has transformed beyond recognition.

As Marty Baron, editor of the Washington Post, reminded us in a recent lecture: it is easy to forget how much has changed over the past 10 years.

Apple introduced the smartphone in June 2007. Today more than 2.6bn people use smart phones, allowing every user to access anything at any moment at the touch of a button.

Facebook was founded in 2004. Now it has more than 1.5bn monthly active users – half of the online global population – and it has moved into the news distribution and video business.

Twitter was founded in 2006. 500m tweets are sent every day – including – full disclosure – three or four from my own account early in the morning and late at night.

WhatsApp launched its messaging app in 2009; five years later, with barely 50 employees, it was sold to Facebook for $19bn. Together with WeChat in China, WhatsApp highlights the growing power of instant messaging and chat apps in modern media.

I witnessed the phenomenon first hand during my visit to Saudi Arabia last week.

Behind these raw statistics lies a single unifying theme: the impact of high-speed broadband, with its ability to instantly download photos and video and connect mobile to the web. The broadband revolution means the structural shift from print to digital is yesterday's news.

Today's news is the rise of mobile. By some estimates, around 50 per cent of all news consumption happens on smart phones – and it's growing.

Eric Schmidt of Google has a simple test: if you aren't one of a handful of apps on the home screen of your audience's smart phone, you may as well be the last.

For the FT, as with other leading news brands, we can no longer rely on people coming to us. We need to reach them, with the relevant news, analysis and comment, where, when and how they want it.

News on demand, if you like.

And news on demand is shifting the balance of power – not just for mainstream media but also for the tech giants themselves.

Social media now sends almost as much traffic to news sites as Google – 36 per cent v 41 per cent.

Traffic diversion on this scale poses a dilemma for publishers. The big beasts in tech – and they are very big – say they have no interest in investing in content. The reality is that they have no need to if they create go-to platforms for publishers' content.

Take Facebook's newly announced Notify App or Apple's News App. Together they represent exciting opportunities for publishers to connect with a wider audience. They can help us to expand reach exponentially.

On the other hand, if mishandled, these new platforms present a route to disintermediation, to surrendering the direct relationship with readers which lies at the heart of the FT's pay-for-content subscription model. Indeed, all subscription business models.

News publishers are all wrestling with the reach-versus-return challenge right now.

Imagine a future where news providers – especially free sites reliant on advertising – exist almost entirely off platforms such as Facebook and Apple.

Why go to the effort of building and maintaining anything more than a skeletal site when your output can be viewed much more efficiently on Facebook or Apple.

Why bother running your own ad business when the tech companies will do it for you and give you revenue?

In short, is it a stretch to predict the tech titans will own the media without ever having to pay for the message.

Not so fast.

Almost a decade ago, Team FT made the right choice. We declined to accept the fashionable argument – too often voiced in Silicon Valley – that free content was the only way to go.

We knew our content had inherent value. Why would it not be worth something with a network of more than 100 foreign correspondents and a world class group of commentators and analysts?

And so we created a new business model around frequency of use, the so-called metered model. This allowed people to taste FT content – and the power of the brand – for free, before registering as a user and then subscribing as a customer.

Today we have gone a step further. We are looking at engagement, how readers are using FT journalism in terms of consuming and sharing.

Today, a new audience development team led by Renee Kaplan sits in in the heart of the newsroom – a game-changing move.

All these changes reflect what Ken Doctor of Newsonomics has called Paywall 2.0.

In the old days, well not so old, news publishers tended to emphasise the quantity of readers, represented by clicks. Nowadays, they are shifting emphasis to audience engagement: how, how much and for how long people are actually consuming content.

Paywall 2.0 is a qualitative step forward.

We have developed new metrics based around recency, frequency and volume.

What do we mean by that?

When did someone last visit ft.com? How often do they come back? How many of our stories do they read?

According to these metrics, engagement online at the FT is up by 20 per cent across B2B and B2C, year on year and year to date.

Thanks to authoritative news and commentary such as the Lex financial column, readers spend three times as long on ft.com as other media sites.

In sum: Back in November 2005, when I became editor, the FT had 420,000 newspaper circulation and 76,000 digital subscribers.

Today we have three-quarters of a million circulation, more than 70 per cent digital. Now we are targeting 1m paying readers.

JUST AS WE have transformed our business model, so we have fundamentally changed our editorial operation. The print-centric newsroom is no more.

The future is text-plus: an exciting combination of words, graphics and image tailored for the age of social media, where readers can comment, recommend and share our journalism across platforms and national boundaries.

Today, we think and act digital-first: that means conceiving of our news and views in digital form, whether for the smart phone, tablet or desktop.

If you think this a little much theory, here's how it works in practice as shown by some of this year's best text-plus FT journalism.

Our digital first, text -plus approach has forced us to push through wrenching changes in the newsroom. In effect, we have inverted the traditional newspaper production process.

What does that mean?

First, we have moved from a news factory producing multiple editions through the night to a news broadcaster with schedules on ft.com tailored to reader demand early in the morning, lunchtime and evening around the world.

Second, we have shifted resources from night to day and streamlined newspaper production, bringing forward print deadlines and adopting a single international edition for Asia, Europe, the Middle East and US.

Third, we have separated the editing and production of the newspaper from the news desks, under the guidance of a new Executive Newspaper Editor. I see the New York Times has just adopted a similar model.

Just sayin'. . .

Fourth, we have centralised the news desk structure and overall commissioning and created the new role of story producer to develop the digital form of stories.

So we are moving steadily toward a system where the success of our journalism can be measured in real time in terms of reader appeal and engagement – a valuable insight for advertisers but also an important advance for a subscription business like the FT.

Does this mean that the traditional role of the journalist as reporter and curator of news is undermined? Does software trump the power of editors, or, whisper it softly, the editor? Are the robots taking over?

The answer is an unequivocal no. But the balance of power is shifting in the newsroom. Journalists can no longer afford to ignore the new tools which connect them to their readers more closely than they ever might have imagined.

Of course, their skills as wordsmiths remain as valuable as ever; so too the judgments which influence the selection and weight of a story.

But new skills are required for the networked world – a willingness to work with data and moving image as well as the written word. And for those of us in the news business committed to success that flexibility requires a different mindset.

My friend Marc Andreessen, one of the top venture capitalists in Silicon Valley, had this to say about the state of modern media.

"Today's news organisations are spending 90 per cent of their effort and resources on playing defence. They are protecting the old artefacts and business model, rather than going on the offence and making the future."

How do we see things at the FT? Well, I used to play fly half at rugby at school and university – and as my team-mates will testify: I was a whole lot better playing offence than defence.

To play offence, to make the future, journalists need to be open and curious.

We are not immune to the forces of change coursing through our economies and societies.

Newspapers and news organisations have a civic purpose but they do not have a divine right to exist.

In the networked age, the most valuable qualities in media will be adaptability, hunger and a relentless commitment to innovation and quality.

Steve Jobs of Apple epitomised this ethos. Read his inspiring 2005 commencement address at Stanford University – and my favourite passage.

"Your time is limited, so don't waste it living someone else's life. Don't be trapped by dogma — which is living with the results of other people's thinking. Don't let the noise of others' opinions drown out your own inner voice. And most important, have the courage to follow your heart and intuition."

Today, we journalists are being forced to revisit long cherished assumptions about the news business.

First, we thought we owned the content business. But today, everyone's in the content business. Not just individual bloggers and other self-publishers, but also companies and corporations.

Look at the new advertorial news streams such as Goldman Sachs' podcasts or GE's Special branded corporate news on innovation.

The separation between commercial and editorial is distinct and sacrosanct. Advertising can never be allowed to influence (directly) editorial copy.

But hard-and-fast views are breaking down in the face of declining print advertising and the rise of ad-blocking technology which poses a serious threat to digital advertising models.

Media publishers are turning to new sources of revenue such as content marketing and de facto corporate-sponsored editorial copy. As long as safeguards are in place, I believe these potential conflicts of interest can be resolved.

The second, related assumption is that news publishers thought they would always serve as the trusted source, handing down wisdom like Moses with his tablets of stone.

Today, in an age where information is instantly accessible readers can adopt the motto: trust but verify. That means that media publishers find themselves held to account as never before.

That offers challenges but also great opportunities for trusted brands like the FT. We have long recognised that we are in a two-way dialogue with readers. We also understand that we need to have a robust independent means of resolving reader complaints.

Last year, after much debate in the wake of the Leveson inquiry, the FT chose, for now, not to join IPSO, the new industry body set up to replace the Press Complaints Commission.

Instead, we created the new post of editorial complaints commissioner reporting to an independent panel including our CEO John Ridding and two former Fleet Street editors, Baroness Wheatcroft and Ian Hargreaves.

The appointment of Greg Callus, an experienced barrister – created a new locus of authority in the news room, albeit strictly in the appellate role.

Earlier this evening I spoke our commitment to the gold standard in journalism. The appointment of an independent editorial complaints commissioner demonstrates just that. It underlines the value of fresh thinking, of avoiding being trapped by dogma.

Ladies and gentlemen, the birth of the new is often neither obvious nor pain-free. Yet when I look around me, I see a world of infinite possibilities.

In the next few years, journalism will redefine itself, largely through the power of technology. Where journalists once drove software – remember the way we micromanaged our content management systems – software will drive journalism. Media companies will increasingly become tech companies.

At the FT, we want to be in the vanguard of change. So as we prepare to embark on a new journey with our new partner, I say to you all here tonight: come aboard. It will be quite a ride.

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