WHAT WILL THE APPLE IPAD DELIVER FOR NEWSPAPERS?

TERRY FLEW
Creative Industries Faculty
Queensland University of Technology
Brisbane, Australia

Abstract
The launch of the Apple iPad in January 2010 was one of the most anticipated and publicised launches of a new technological device in recent history. Positioning itself as between a smart phone and a PC, but with the attributes of both, Apple have sought to develop a new market niche with the iPad for tablet PC devices, and early signs are that market expectations are being met. The iPad's launch was potentially fortuitous for the newspaper industry worldwide, as it offered the potential to address its two recurring problems: the slow but inexorable decline of print media circulation, and the inability to satisfactorily monetise online readerships. As a result, the Apple iPad has benefited from an enormous amount of free publicity in newspapers, as they develop their own applications (apps) for the device.

This paper reports on findings from work undertaken through Smart Services CRC into potential take-up and likely uses of the iPad, and their implications for the news media industry. It reports on focus group analysis undertaken in the mid-2010 using ‘customer job mapping’ methodologies, that draw attention to current gaps in user behaviour in terms of available devices, in order to anticipate possibilities beyond the current ‘three screens’ of PC, mobile phone and television.

Keywords
Computers; newspapers, media, Internet; online; iPad; Apple; news.

Can tablet PCs save newspapers?
The 2000s were dominated by talk of the crisis of newspapers and, with it, the crisis of journalism. While the Internet had become central to newspaper journalism from the mid 1990s, it was from the mid 2000s that an interconnected set of trends came fully into play that would lead to both the industry and academics referring to an ongoing crisis for newspapers in the digital age (Gitlin 2009; Deuze 2009; Curran 2010). The Organisation for Economic Co-operation and Development (OECD 2010) usefully summarised the main dimensions of this transformation as being:

1. Static or declining circulation for newspapers in their print form;
2. Migration of classified advertising from print newspapers to online sources, some of which have no connections to traditional media (e.g. Craigslist.com in the U.S.);
3. Growing competition for news readerships from a plethora of Internet-based sources — including overseas titles freely available as well as online start-ups, blogs and citizen journalism sources — as well as from free dailies and other non-traditional print news sources;
4. Static or declining advertising revenues for print newspapers, not adequately covered by revenues from online advertising.

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As a result, there has been declining employment in the newspaper industry since the late 1990s, and the structural factors causing this stagnation were intensified by the impact of the Global Financial Crisis (GFC) of 2008–09, where a general cyclical downturn in consumer and advertiser expenditure hit ‘brand’ newspapers particularly hard, while newspaper sales declined in all OECD countries, and by 20% in Britain and 30% in the United States. While the modest economic upswing since 2009 has seen advertising revenues recover in other media industries, most notably television, newspapers have remained exposed to ongoing structural problems. One of the paradoxes of the online environment for newspapers is that, while Internet site statistics enable media companies to better demonstrate their user profiles to advertisers, that information can also be used by advertisers to better identify lower cost ways of reaching the same potential consumers than the newspaper and magazine mastheads, meaning that in a context of site proliferation, there is continual downwards pressures on the rates that can be charged for online advertising.

These structural transformations are occurring in the context of the greatest shifts in how news is produced and consumed for a century. The general shift from mass communications media, and one-to-many communications, to social media and many-to-many communications (Flew 2009), impacts upon newspapers at both the production and consumption ends of the value chain. At the production end, what was once a linear value chain where news content was created by journalists, put into a single printed package, and distributed to consumers, now exists alongside — and is increasingly being displaced by — a news ‘soup’ where there are a plethora of news actors, a range of devices from which material can be accessed (paper, computers, mobile phones, e-readers etc.), and where the expectation is that news is continuously produced and updated according to a 24 hour news cycle (McNair 2009; OECD 2010). While the established news brands bring significant reputational capital and reputations for professional journalism to this environment as sources of competitive advantage, they also typically possess higher fixed production costs and large staff budgets that make them less agile in responding to a rapidly changing online news environment. On the consumer side, it is debatable whether fewer people are consuming news than before: the problem for the established newspapers has been the difficulties in monetising their online readerships through either advertising or subscription models, due both to the dynamics of the online advertising market and the pervasive expectation that online content should be available for free, and the wide range of content that is freely available. The OECD notes that while online news readerships are large — news is estimated to account for 5 per cent of all online traffic — the modes of consumption are quite different:

Online readership is more ad hoc, irregular and sporadic than print newspaper readership used to be … Online news readers get a variety of news from different sources, allowing them to mix and compile their own personalised information (OECD 2010: 6).

In their study for the Berkman Centre for the Internet and Society, Miel and Faris described the change as follows:

Audiences are able to access the same professionally produced news, information and entertainment that they previously obtained from traditional media, but on their own terms … furthermore, they are able to separate stories from the advertising sold by the publisher or broadcaster. (Miel and Faris 2008: 5).

Our own study of young people and online news (Flew et al. 2011 (forthcoming)) found that while it is not the case that young people have ‘switched off’ the news, only a small percentage — estimated in our study at 30% — seek out news in traditional ways, such as relying upon established news sources, maintaining regular news consumption habits, and respecting traditions of journalistic authority. These ‘loyal’ online news users exist alongside what can be referred to as ‘convenience’ users, who access news on a ‘need to know’ basis and often rely upon news aggregators, and ‘customisers’, who are the ‘pro-ams’ (Bruns 2008) of online news culture, sourcing information from multiple outlets and engaging with the news process as producers and commentators as well as consumers. Moreover, traditional ‘hard news’ also competes for attention.
with a range of satirical and entertainment-driven ‘newstainment’ formats, particularly among young people who recirculate such material through social media such as You Tube, Facebook and Twitter (Harrington 2010).

Into this troubled environment steps the Apple iPad. Launched in January 2010, it was not the first tablet personal computer to have appeared on the market, nor was it the first electronic reading device; the Amazon Kindle and other eReaders already had a significant degree of market penetration, particularly in the United States. What the iPad was able to do, however, was to combine the functionality of the personal computer, the intuitive interface that consumers had become familiar with from other Apple products such as the iPhone, and the talent of Apple to mobilise both the world’s media and its own user base to publicise its new products. Moreover, unlike the Amazon Kindle, which was designed for the book publishing market and where revenue sharing arrangements held little attraction to newspaper businesses, Apple had worked closely with the newspaper and magazine industries prior to launching the iPad, developing content deals with News Corporation and Time-Warner, and foregrounding such publications as The New York Times in its publicity material.

The Apple iPad has in turn been identified in the newspaper industry as the best means to address the ‘perfect storm’ of rapid technological change, new competitors, more fickle consumers and footloose advertisers, and challenges to established business models and production and service delivery processes. Former Telstra CEO Ziggy Switkowski has identified the opportunities presented to the newspaper industry by the Apple iPad as including:

- Scope to migrate site users from Web-delivered content to their fixed PCs to mobile wireless services, where there existed established practices of paying for access to data and services;
- Establishment of subscription-based services, where media companies can have a direct billing relationship with the subscriber, allowing them to offer a variety of bundled services better matched to the interests of the customer;
- The user-friendly and portable nature of the iPad encouraging users to purchase applications (‘apps’) on the basis of the enhanced quality of the user experience;
- Publishers being encouraged to produce high quality, good looking content in formats that also appealed to traditional advertisers, rather than the more stripped down versions of content and generic advertising often found on media web sites (Switkowski 2010).

The global consultancy firm Accenture has identified the Apple iPad as presenting the ‘last profitability train’ for newspapers, allowing them to unravel what it sees as the error of making all Internet based content freely available, and developing business models and content strategies in tandem so as to combine the best elements of print media (in-depth content, quality look and feel, sense of completion for users) with that of the online environment (regularly updated content, low distribution costs, user interactivity with content, actionable advertising and e-commerce options) in a single product, that will itself become something of a status symbol to identifiable market niches (Accenture 2010).

Early experiments with iPad apps have been undertaken by major Australian news media outlets such as News Limited, Fairfax and the ABC, and newspapers such as The Times (UK) have moved to an entirely subscription-based model for online content. Moreover, major publishers such as News and Fairfax are flagging that iPad apps may be at the start of a wholesale shift from free online content to subscription-based access only, while the question of future investments in print newspapers remains in some abeyance. It is therefore timely to consider whether the Apple iPad and equivalent tablet PC devices will come to constitute the much sought after ‘fourth screen’ for news media organisations — the others being the personal computer, the mobile phone and the television.
Consumer perspectives: research methodology

In developing a research methodology for anticipating likely consumer uptake of a new device such as the Apple iPad, and whether it will be used to access print media content, there are two potential pitfalls that need to be guarded against. The first potential pitfall is the ‘more, please’ problem. If you survey people on what they want, and do not attach any financial or other constraints to their choices, they will almost certainly indicate a higher degree of preference for what is available than they will actually commit to as consumers. In field such as environmental economics, this issue has arisen because people will indicate a stronger preference for non-market resources (e.g. preservation of wilderness areas) if there are perceived to be no economic costs arising from such a choice than if there are perceived to be costs. As a result, survey methodologies are treated with some caution, as they do not require any ranking of preferences. To take an example relevant to this study, people asked if they want a tablet PC or a netbook may well say both if there is no financial constraint applying, as both can serve different consumer needs.

The second potential pitfall is the ‘faster horses’ problem. This refers to the propensity to see potential uses of a new technology through an already established prism of practices and behaviours. The term comes from the question of how people would have responded to first exposure to automobiles 120 years ago, which would have been to compare their capabilities to those of the horse and cart. We focus on relative advantages in terms of established behaviours, which generates a propensity to routinely underestimate the new possibilities associated with a new technology. As Dan Ariely observed in *Predictably Irrational*, ‘We focus on the relative advantage of one thing over another, and estimate value accordingly … most people don’t know what they want unless they see it in context’ (Ariely 2008: 3). A similar proposition arises in media studies with the concept of *rearrviewmirrorism*, a term first coined by Marshall McLuhan in *Understanding Media* (McLuhan 1964). According to John Hartley, ‘rearrviewmirrorism occurs where a new technology or medium imitates the one it is destined to supplant’ (Hartley 2002: 198): the Gutenberg Bible looked like a medieval manuscript; the first photographs borrowed from the conventions of portraiture; early television was watched in a darkened room, like cinema; early news Web pages replicated the printed media form, etc. As the Apple iPad was barely in existence in Australia in the first half of 2010, when much of this work was undertaken, discussion of it often occurred by analogy with other, already familiar devices, such as smart phones, televisions and personal computers. There was limited experience of eReaders such as the Amazon Kindle, but these were far less prominent in Australia than in the United States, with only 3,000 having been sold in Australia by January 2010.

In order to address the first problem, we chose a focus group methodology. Drawing upon Fairfax Digital’s subscriber lists, we recruited 44 focus group participants as volunteers from 3,000 emails that were sent out, and they were engaged across eight sessions in three cities (3 in Melbourne, 3 in Sydney and 2 in Brisbane). All of those who expressed interest in participating were directed to a qualifying survey, which asked questions about their frequency and intensity of Internet usage, along with some demographic information. Respondents who were infrequent Internet users (less than once per week) were screened out of the pool. The surveys for each session remained open until each had ten qualified participants signed up. We had endeavoured to match respondents to Fairfax products (e.g. Business Daily subscribers, Style & Sport subscribers), but this proved to be too difficult to overlay upon the geographical distribution.

In order to address the second problem, we drew upon a methodology known as *customer job mapping*. The methodology was devised by Bettencourt and Ulwick (2008), and aims to get to the heart of questions of what people do with devices in order to identify gaps in the relationship between tasks being undertaken and the tools available. They contrast this to the ‘hopeful wandering through customer interviews’ that too often constitutes corporate approaches to innovation and the consumer. By focusing instead on the problems that consumers are trying to solve in various media consumption contexts, the aim is to allow identification of new innovation
opportunities through the development of new or enhanced content and/or through re-combinations of existing content and services. The job mapping methodology aims to analyse what people are trying to get done from a problem-solution or value-creation perspective, arguing that all jobs have a universal structure and can be decomposed into eight steps:

### Table 1: The eight steps of customer job mapping

<table>
<thead>
<tr>
<th>Step</th>
<th>Customers …</th>
<th>Companies can innovate by …</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Define</td>
<td>Determine their goals and plan resources.</td>
</tr>
<tr>
<td>2</td>
<td>Locate</td>
<td>Gather items and information needed to do the job.</td>
</tr>
<tr>
<td>3</td>
<td>Prepare</td>
<td>Set up the environment to do the job.</td>
</tr>
<tr>
<td>4</td>
<td>Confirm</td>
<td>Verify that they’re ready to perform the job.</td>
</tr>
<tr>
<td>5</td>
<td>Execute</td>
<td>Carry out the job.</td>
</tr>
<tr>
<td>6</td>
<td>Monitor</td>
<td>Assess whether the job is being successfully executed.</td>
</tr>
<tr>
<td>7</td>
<td>Modify</td>
<td>Make alterations to improve execution.</td>
</tr>
<tr>
<td>8</td>
<td>Conclude</td>
<td>Finish the job or prepare to repeat it.</td>
</tr>
</tbody>
</table>

Source: Adapted from Bettencourt and Ulwick 2008.

The same method was used in each session, where participants were first asked to introduce themselves and discuss the different types of technology that they use throughout the day, including some discussion of the types of work that they do on each. Then they were given post-it notes and asked to write down and then discuss the types of things that they ‘must do’, ‘like to do’ and ‘wish they could do’ across five different situations and/or with different types of devices: mobile phones, television, desktop personal computers/web, tablet computers, and non-device-based activities. At the end of each session, participants were given an exit survey for further comments and feedback. Each session was recorded for later analysis, and the results of the responses to the task questions were compiled across each site.

**Consumer surveys: research findings**

The five major research findings to come out of our focus groups were:

1. People already have clearly established usage patterns for personal computers, mobile phones and television. In particular, the large number of jobs that people use their personal computers and, increasingly, mobile phones for indicates that their roles are already well embedded within established consumer lifestyles;

2. People are currently thinking about Apple iPads and tablet PCs in ways that are defined primarily by what they already do with existing devices such as personal computers and mobile phones;

3. It is the personal computer that remains the locus of the widest range of jobs and activities, and which other devices are primarily compared against;
4. The focus groups were below-average online content creators, suggesting that our focus group recruitment strategies may not have tapped into the most active online content creation communities, or that the iPad is not primarily seen as being about online content creation;

5. There is an ‘observer effect’ that arose from the focus group activities themselves. People envisaged considerably more possibilities for use of the iPad and tablet PCs in the exit interviews than they did in the focus group discussions themselves, suggesting that the scope for new interactive uses for the device may be a ‘slow burn’ in the minds of consumers.

In breaking down how people would use different devices in terms of job mapping, we identified four categories of activity, listed in descending order of frequency among those who participated in the focus groups:

- **Content consumption**: e.g. reading, watching media;
- **Communication**: e.g. gaming, instant messaging, email;
- **Personal Interaction**: e.g. sharing pictures, shared learning tool, information presentation;
- **Creation**: e.g. taking notes, digital image editing, design projects.

The total number of responses across all categories can be shown as follows:

**Table 2: Focus group participants’ uses of media devices**

<table>
<thead>
<tr>
<th></th>
<th>Content Consumption</th>
<th>Content Creation</th>
<th>Communication/Information</th>
<th>Personal Interaction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>25</td>
<td>2</td>
<td>35</td>
<td>1</td>
<td>63</td>
</tr>
<tr>
<td>Television</td>
<td>21</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td>PC-Web</td>
<td>34</td>
<td>8</td>
<td>60</td>
<td>6</td>
<td>108</td>
</tr>
<tr>
<td>Tablet</td>
<td>6</td>
<td>2</td>
<td>14</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td>Offline</td>
<td>18</td>
<td>1</td>
<td>8</td>
<td>14</td>
<td>41</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>104</strong></td>
<td><strong>13</strong></td>
<td><strong>118</strong></td>
<td><strong>21</strong></td>
<td><strong>256</strong></td>
</tr>
</tbody>
</table>

These results can also be shown graphically:

**Figure 1: Focus group participants’ uses of media devices**

Several findings can be drawn from this data. The first is that the personal computer is the device that spans across all activities, and the point of comparison for any new device is implicitly the
personal computer. Second, the focus on content consumption rather than content creation was influenced in part by how people are thinking about the Apple iPad in terms of media discussion of this device, which has mainly been about its uses as a reading device. These responses, therefore, may indicate a lack of familiarity with this device category more than an actual measure of their likely use. It was striking in this regard how the relatively limited imagination of the responses arising from the focus groups reflected a lack of knowledge about the potential uses for tablet computers, and the mere fact of participating in a focus group on other possible uses seemed in itself to act as a stimulus to new thinking.

The three primary reasons identified for not purchasing a tablet PC were:
1. Cost;
2. Lack of perceived need for one;
3. Limitations of the Apple iPad in its current version (e.g. lack of a camera).

What was noted from the discussion was that much of what was referred to as cost related to the lack of perceived value. This suggests that the barriers to uptake may well be short-term, particularly if costs begin to fall, as would be expected (Borthwick 2010). Moreover, Apple will face greater competition in the tablet PC market, and the device functionality associated with table PCs can be expected to increase considerably. It is notable that key elements of what we now use mobile phones for, such as GPS functions, were never relevant when the first wave of mobile phone uptake occurred. At this stage, consumer demand for Apple iPads seems to be following a trajectory that would be predicted by Everett Rogers’ Diffusion of Innovation model (Rogers 2003), and some of the resistance identified perhaps relates to what is currently a niche device not yet having sufficient penetration in the mass consumer market.

Figure 2: Situating the Apple iPad on the Diffusion of Innovations curve

Where to for newspapers?

The first point to be noted is that, if the Apple iPad and tablet PCs are to be the saviour of newspapers, then it will be a slow train coming. Figures on iPad sales are difficult to come by, but while there would appear to be every reason for Apple to be happy with how sales are proceeding, it
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will be some time before it becomes a mass market commodity, if at all. It is estimated that Apple iPad sales will be 6 million in 2010, which is about 10% of the sales of netbooks, which account for about 18.4% of personal computer sales worldwide (Yegulalp 2010). Both devices are seen as complementary to the main PC, and even if iPads cannibalise sales from netbooks, Apple seems comfortable with the device occupying a niche rather than being a mass market commodity. This would indicate that newspapers and magazines cannot simply leave content delivery to the Web: delivery through Apple iPad apps becomes another portal alongside that of PCs, not an alternative to them.

Another risk is that the Apple iPad is seen as ‘back to the future’ device, enabling newspapers and magazines to abandon not only the era of free content on the Web, but also the range of forms of interactivity and social sharing of media that have emerged around online media. The attraction has arisen in part because the iPad enables a replication of the design features of the traditional newspaper or magazine in the online environment, while being perceived as more of a ‘read-only’ device than Web-based media. The specialist computing media is noting that the iPad is becoming a device for content creation, albeit by different means to keyboard-based devices. In particular, the implications of the touch screen are only now becoming apparent (Yegulalp 2010).

We are in very early days of estimating the impact of subscription-only access to media. News Corporation is reporting 100,000 online subscribers to The Times (UK) since it became subscription-only from May 2010, which key players at News seem comfortable with, but this is clearly a small fraction of the readerships being accessed when material was freely available online (Greenslade 2010). One implication that seems to be coming through is that the readerships for subscription-based online access through devices such as the Apple iPad will be far more niche than was the case for online readerships, or indeed for the print media readerships. While this can be viewed positively in terms of better understanding readerships than was ever possible with Web-based free access, the readerships will be much smaller, so we would have to assume that news organisations will be working off leaner margins and smaller revenue bases than was the case a decade ago. In this respect, authors such as James Curran, who are by no means Web enthusiasts, would be right to say that ‘the tide is turning inexorably from old media … with a force that media managements cannot control’ (Curran 2010: 468).

Two concluding observations can be made. The first is how we will evaluate iPad news apps. Whether it becomes a ‘fourth screen’ for large numbers of Australian news consumers will depend in part upon developing both content and design for the device itself, rather than simply adapting content designed for one media platform onto another. It has been argued that if companies such as News and Fairfax see their online future as being increasingly subscription-based, they will need to invest more in producing journalism that encourages people to subscribe, rather than the ‘eyeballs driven’ model that had prevailed in the height of free content on the Web. One set of criteria that may be used relates to the following:

- **Content**: timeliness; archive; personalisation; content depth; advertisements; the use of multimedia; and the extent to which the content is in sync with the provider brand;
- **Useability**: degree of static content; ability to control multimedia; file size; page clutter; resolution; signposts; and customisation;
- **Interactivity**: hyperlinks; ability to contribute content or provide feedback to news items; depth of multimedia; search function; ability to use plug-ins and linking; ability to highlight, rate and/or save items; functions that may facilitate a community of users;
- **Transactions capabilities**: ecommerce functionality; purchase and download process; user privacy and transaction security;
- **Openness**: degree of linking to outside sources; reader contribution processes; anonymity measures; and application code ownership.
On this basis, it would appear at present that the best Australian iPad app is that of the ABC, which is another reminder, in case it was needed, that the new media environment breaks down any real or perceived firewalls that may have existed between commercial and public service media.

Finally, news organisations will face the ongoing challenge of how to move from a product-centric to a consumer-centric perspective. There has been a historic tendency within journalism to think about the value of news content within its own paradigm, which may have been understandable when little was known about newspaper readerships except in the most generic terms (e.g. ‘tabloid’ versus ‘broadsheet’). But each development in media devices enhances understanding of user behaviour, and this will be reinforced by subscription-based access to iPad apps. What is needed is a much clearer perspective, not just of how content can be adapted to new devices, but how consumers can be expected to use the new devices. Continuing to view new devices through a content-centric lens is a sure way to miss important understanding off the early signals of evolution in consumer behaviour and preferences in relation to mobile and Internet-based device use, that will in turn drive demand for new types and combinations of content and related new media services.

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