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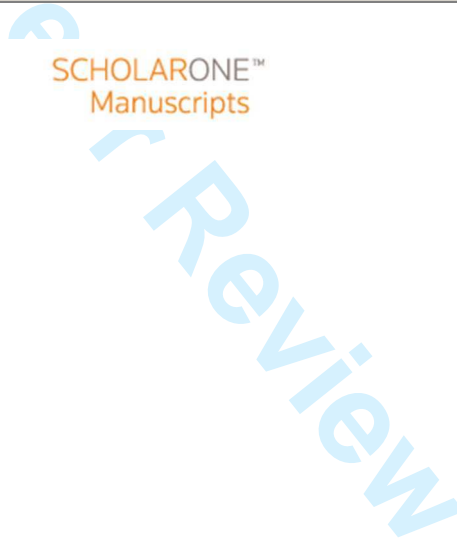


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**Transforming the News Value Chain in the Social Era: a
Community Perspective**

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Transforming the News Value Chain in the Social Era: a Community Perspective

Abstract:

Purpose: This paper develops a conceptual framework to understand the influence that the social era is having on the value chain of the local news industry. We theoretically advance value chain theory by firstly, considering the influence of community type and age on consumption and secondly exploring the role that consumers can play in value adding activities. Our theoretical contribution lies in moving from a transactional approach towards consumer relationships in the value chain towards managing consumers as a source of relational value (e.g. co-creation and integrated perspectives).

Design: The conceptual framework is theoretically positioned in relation to community and digital community practices in the social era. A series of research questions are presented, then these questions are explored drawing on empirical data from the PEW database. We then advance the framework further to consider news firm strategy towards its consumers. 15 in-depth executive interviews were conducted with local news organizations in the Manchester area of the UK.

Findings: We illustrate that different types of communities (merging cohorts and locations) are influencing levels of technological and social connectivity within the value chain. We also find that the news industry is experimenting with reconfiguring its consumer relations from a purely transactional to a co-created and participatory value added activity in the social era. In terms of its policy impact our findings show that the whole strategic value chain ideology of the news industry needs to change radically; away from its largely transactional (and lack of trust) approach in the ability of consumers to create value in the supply chain (other than to buy a product) and, move towards much greater consumer involvement and participation in value chain processes (creation, production and distribution of news products and services).

Originality/value: The change associated with social media and connectivity is changing the way that different community types and consumer groups are now consuming and participating in news content creation. Unlike previous studies we show that there is variance and complexity in the levels of consumer participation by community type/age group. Using the PEW data we contribute to knowledge on the value creation strategy of news firms in the social era, by identifying how communicative, social and communicative logics influence value and co-creation activities in the local news supply chain. Through our interviews we advance value co-creation theory from its strategic and marketing origins to operational and supply chain implementation.

Key words: newspaper supply chain, conceptual framework, value chain, co-creation

Transforming the News Value Chain in the Social Era: a Community Perspective

1.0 Introduction

While the industrial era was about making a lot of goods and convincing enough buyers to consume them, the digital era is about the power of communities, of collaboration and co-creation. The “*social era*” refers to a set of fast, fluid, flexible networks of connected individuals creating connected businesses and connected supply chains/industries that are being advanced by social technologies (Merchant, 2012). Therefore a central technology of the social era is Web 2.0. Web 2.0 as a tool provides a means for “*collective evaluation*” and “*connectivity*” to grow as a socially accepted and legitimized method by which news can be produced and consumed.

The commitment to “*hyper-local*” news, such as the experiences of “*niiu*” platform¹ demonstrates that as newspapers are personalized, they tend to be “*proximal*” although not exclusively “*locational*”, because community audience members choose to form an alliance with a specific regional news context (Schubert, 2011). Increasingly news producers are turning their attention to local content as part of their business strategy (Carvajal & Avilés, 2008). Proximal content depends on the way in which news or a story can “*connect*” with community audience members, their “*current*” or “*future*” interests, their needs and expectations. The significance of proximal communities relates to a specified geographical area usually understood as a neighbourhood, a residential area where people are able to form an inclusive sense of identity based on their shared lived experiences (Pateman, 2011).

¹ Published in Berlin, Germany, from November 2009 until January 2011, Niiu consisted of a daily newspaper with a range of news stories from newspapers and online resources selected and composed by each reader's individual preferences.

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3 The social era environment is assisting changes in “*consumer-producer*” relationships and
4 therefore in the value creation concept (Nambian, 2002); it changes the role of customers to the
5 resource of information and wealth to firms (Lengnick-Hall, 1996) and shifts the perspective of
6 exploiting the customer knowledge by the firm to the perspective of knowledge co-creation with
7 the customers (Sawhney & Prandelli, 2000). Co-creation is a management initiative, or form of
8 economic strategy, that brings different parties together (for instance, a company and a group of
9 customers), in order to jointly produce a mutually valued outcome (Prahalad & Ramaswamy,
10 2004). It views markets as platforms for firms and active customers to share combine and renew
11 each other's resources and capabilities to create value through new forms of interaction, service
12 and learning mechanisms. It differs from the traditional passive consumer market of the past.
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30 The primary aim of this paper is to extend the theoretical foundations of the traditional news
31 value chain and to develop a framework that can guide and help our understanding of the social
32 era. Our research objectives are firstly, to explore the framework in different types of US
33 communities (urban, suburban and rural) and secondly, to investigate the key demographic
34 influence of age (Casero-Ripolles, 2012; Meyer, 2004, 2008; Graham et. al., 2014). on news
35 consumption, Thirdly, we then sought to explore the influence of the social era on the value
36 chain strategy of (UK) news suppliers. In order to meet these objectives we initially developed a
37 conceptual framework as a starting point to guide the development of three research questions.
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52 The purpose of our investigation was not to converge or convert US data with UK findings. With
53 the US data we sought to position the framework, by specifically exploring the consumption
54 aspects of the news value chain in the social era. Then we aimed to theoretically advance the
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3 framework by exploring the impact of the social era on value chain strategy (using interview
4 data). In building our “*hybrid*” UK-US framework we did not aim to converge the data together
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6 (e.g. convert the US data into UK data), we solely used each type of data to first position and
7
8 then to advance our framework.
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15 There are no studies as comprehensive as that of PEW on the local news industry in the social
16 era in the UK neither did we have sufficient resources to complete our interviews in the US. In
17 spite of these limitations we were able to position and then to advance consumer and supplier
18 perspectives of framework. Fundamentally we felt that it was important to use data to build a
19 more rigorous framework than if we had left it purely to theory (secondary data) or just one
20 source of data (UK or US). We were not therefore converging or combining datasets in building
21 this framework but using the data separately to position and then advance it.
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34 This paper is organized as follows. Section 2 presents a literature review that provided the
35 theoretical antecedents for developing a conceptual framework and research questions. While the
36 methodology we followed is outlined in Section 3. Section 4 presents the results from our
37 empirical investigation. While Section 5 positions and advances the framework with respect to
38 the key data findings. Finally, Section 6 provides some concluding remarks and directions for
39 further research.
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50 2.0 Literature review: Internet transformation of the local news value chain

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53 The value chain approach to supply chain management is well established. Porter's (1985, 2001)
54 value chain concept suggests that a competitive advantage can be understood by disaggregating
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3 the value creation processes of a supply chain into discrete activities. These activities contribute
4
5 to the relative cost positions of the supply chain and create the basis for differentiation. There is
6
7 an imperative for the firm to manage their chain, in order, to create value for the end customer at
8
9 an acceptable cost. Jack *et al* (2006) note that companies are struggling to improve both
10
11 manufacturing and supply chain operations, as the importance of finding the best processes and
12
13 value chains for their products increases. In effect, it is suggested that competition no longer
14
15 exists at the level of the firm but should be considered between supply chains (Christopher,
16
17 1998). The literature is beginning to focus on the end consumer as the key determiner of value
18
19 creation in the supply chain (Martinez, 2003). Hence, managing end customer value in supply
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21 chains has become critical for the survival and growth of organization.
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30 While the traditional value creation process in the news industry was “*firm-centric*” and
31
32 independent; there was little social interaction with consumers, the arrival of consumer value
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34 creation in the social era, is part of a broader shift within media and society. Personalized stories
35
36 are identified in new trends in documentaries. Within genres of media, the notion of audiences as
37
38 creators is also seen in game shows (which allow audiences to supply answers), reality
39
40 programming (which allow audiences to supply questions) and phone-in radio shows. Meanwhile
41
42 increasingly accessible technology makes personalized media more available to the public. In the
43
44 newspaper industry, the trend towards consumer creation (co-creation) is associated with the rise
45
46 of citizen journalism and weblogs (blogs) on the Internet.
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54 The concept of value and the process of its creation in the news industry is rapidly shifting from
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56 a “*product*” and “*firm-centric*” view to “*personalized*” consumer experiences. Consumers are
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3 becoming more informed, networked, empowered, and active; and also co creating value through
4 the interactions with the firms. The meaning of value shifts to the experiences, the market is
5 shifting to a forum for conversation and interaction between consumers, consumer communities,
6 and the firm (Prahalad & Ramaswamy, 2004). The most important concern for the firms
7 becomes creating an environment within which individual customers can generate their own
8 unique personalized experience and as consequence in contrast to the traditional systems, the
9 experiences will no longer be commoditized anymore.
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20 21 22 *2.1 Social era value chain management*

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24 Social media tools can contribute to “*consumer-driven*” community-building if common
25 practices and values exist (responsibility, commitment and support) and if all possible
26 stakeholders have similar hierarchical positions. These changes can be facilitated if enough
27 closeness for sharing meanings and participating in collaborative practices are realized
28 (Hernandez-Serrano, 2011). Social tools can provide “*leadership to the community audience*” by
29 engaging participants and making them responsible for the quality of their contributions
30 (Schaffer, 2007). Community audience responsibility also relates to the social responsibility
31 mentioned by Meyer (2004). This social responsibility stimulates identification with a news
32 community and, as a result, “*identification with the media*”. At the same time, media
33 identification is related to the business influence. More precisely, this sense of social
34 identification can encourage individuals to cooperate, offer assistance and share with others
35 (Brickson and Brewer, 2001). For this reason, personalizing services in social media generates
36 the individual's feeling of being (re)presented in a virtual space, by a continuous selection and
37 leaking of personal information (Burbulles and Callister, 2000). For news media this is a means
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3 of return to the community responsibility for newspapers, through the representation of the
4 interests of their associated community audiences.
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10 *2.2 Conceptual framework*

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12 The framework provides insight into the potential interactive tools for the participatory process
13 of social online practices (presented in Figure 1). There is convergence between the
14 “*computational logic*” - the characteristic of the computer- and the “*communicative*” logic-
15 characteristic of the media itself (Siapera, 2011) with the third logic (that playing a key role in
16 this junction) being the “*social logic*”, which is a necessary logic when connectivity is intensified
17 by using Web 2.0.
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29 Figure 1 shows that news is generated and belongs to a socially, technologically and
30 economically connected system, where different forms of journalism coexist with a variety of
31 networked information, thereby enabling a more nuanced understanding of news consumption
32 and production. The changes initiated by networked and digitized technology imply significant
33 modifications for the news value chain. Therefore it is no longer advisable or sustainable to
34 implement “*defensive*” or responsive strategies (Porter, 1985) in news production, nor simple
35 implement reproductive “*cloning*” tactics (Erdal, 2009) (for example replicating online versions
36 of printed material).
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56 The traditional information and communication cycle is broken into a variety of possibilities,
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3 such as the means by which news: “*may be reported, analyzed, debated, corrected and*
4 *reinterpreted in a manner not previously observed*” (Notess, 2004). The participatory practices
5
6 enabled in the social era not only brings stakeholders, journalists and community audience, a
7
8 more personalized version of the news, but it also enables them to take a more active part in the
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10 re-definition of journalistic practices.
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17 Hermida (2012) notes that Web 2.0 and social media have reinforced the value of the community
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19 audience to the media, however, and despite the myriad of participatory practices, other
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21 emerging studies confirm that participation in the processes of news production have been
22
23 severely circumscribed, and are still dominated and controlled by news journalist professionals
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25 (Domingo et al, 2008; Harrison, 2009; Hermida and Thurman, 2008; Hermida, 2012; Lewis,
26
27 2012; Singer et al, 2011).
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34 Furthermore, some examples of social era enabled participation demonstrate that the
35
36 involvement of community audience members is not always oriented towards informational
37
38 aspects of the news; they may also include more culturally specific or private stories. For
39
40 example, Jönsson and Örnebring (2011) note that community audience members are mostly
41
42 empowered when creating popular culture-oriented content and personal/everyday life-oriented
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44 content rather than news/informational content thereby suggesting that synergy between
45
46 community audience members and journalists are still relatively static or asymmetric. Regardless
47
48 of the debate it is important to note that without mentioning the enhancement of successful
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50 involvement of community audience in news production, it is possible to over emphasize the few
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52 proactive senders from the large disperses of receivers and the passive audiences (Anderson,
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54 2011; Loosen and Schmidt, 2012).
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3 In order to legitimize the initial social era framework in the first part of our research
4 investigation we have developed three research questions. We aim to answer these questions and
5 theoretically make a contribution to supply chain theory through our focus on consumer
6 participation and involvement in news value chain activity. The three research questions are as
7 follows:
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16 *RQ1: (Computational logic) How does computational logic in the form of digital connectivity*
17 *enhance the value of community audience supply chain for local and global news?*
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21 *RQ2: (Communicative logic) Can a communicative logic such as the informed authority of the*
22 *digitally connect news provider combine to achieve distributed credibility in the public sphere*
23 *(the social trust)?*
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26 *RQ3: (Social logic) Does participation, contribution and increased connectivity to news content*
27 *increase readership?*
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31 The second part of the investigation focused on exploring supplier perspectives of value
32 activities and co-creation in the social era.
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35 36 37 38 3.0 Research method 39

40 The first phase sought to answer the research questions and aimed to position the framework with
41 respect to news consumption in the social era. Although there are differences in the size and
42 demographic composition of a community type between UK and US newspapers, both use the
43 same segmentation categories (rural, urban, suburban) to differentiate their product/service
44 offering in the social era. Therefore the US categories could be translated directly to the UK;
45 because both define a community type as a differentiated market segment, by which news firms
46 could target and position their physical/digital products. In the second phase of data collection
47 we conducted a series of fifteen in-depth interviews with three UK local news firms. Each type
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3 of data will be specifically used to position the consumption perspectives and advance the
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5 production perspectives of the framework.
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10 3.1 PEW database – community types and news consumption 11 12

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14 The Pew Internet and American Life project has been conducting nationally representative
15 random digit telephone surveys² on general and specific aspects of Internet users since early in
16
17 2000. The project and the results, surveys and reports constitute an extensive, consistent and
18
19 over-time resource for beginning to understand the range of, influence on, and output from the
20
21 Internet on news production and consumption. PEW local news consumption practices vary by
22
23 community type. By community type they focus primarily on geographical location and the
24
25 ways residents in large cities, suburbs, and rural areas compare in their levels of interest in local
26
27 news, the topics they are most interested in, and the sources they rely on to learn about those
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29 topics. In Table 1 we describe the sample among the three community types with differences by
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31 age or gender, and the type of net user regarding the frequency of access to technology.
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40 _____ *Insert Table 1 here* _____
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43 The advantages of using the PEW dataset was that it provided the only comprehensive “neutral”³
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45 dataset we could find available on local news consumption patterns in the social era. Most of the
46
47 UK data source that we consulted were either focused at the national level, or were produced by
48
49 the news industry (compromising its neutrality). We used the PEW data to examine the
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53 ² The data we analyzed had been obtained through telephone interviewing using stratified regional random sampling
54 and random digital dialing conducted by PEW Associates. The survey was administered from January 12-25 (2011)
55 among a regionally-representative sample of 7,561 adults age 18 and older on landline and cell phones. PEW
56 confirmed that the survey had an overall margin of sampling error of plus or minus 2 percentage points. Further
57 information on the database is available at <http://www.pewinternet.org/datasets/january-2011-local-news/>

58 ³ The Pew Charitable Trust is an independent non-profit, non-governmental organization, founded in 1948.
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3 influence that the social era could be having on the way different community types and age
4 groups were consuming their local news and participating in news production. The analysis we
5 conducted consisted of basic descriptive statistics and cross-tabulations.
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10 11 12 *3.2 Field interviews*

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14 To establish both current and a future value chain perspective of local news firms, as seen from
15 the point of view of the major companies in the industry, research in the form of interviews was
16 undertaken. The personal interview method was deemed most appropriate way to achieve this
17 method most effectively, as it facilitate the collection of detailed, holistic information and
18 knowledge in an exploratory style. Furthermore, it enables close interaction with interviewees so
19 as to explore and to develop new topics that might arise during the interviewing phase (Friedrich,
20 1990). The field research was conducted with news organizations in the Manchester area from
21 May to August 2013. A total of 15 in-depth interviews were accomplished, each averaging 60
22 minutes.
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38 Five women and 10 men composed the sample. An effort was made to include executives with
39 senior management experience from diverse functions including news, features, digital
40 operations, advertising, and editorial, marketing and sales. They reported an average of 17 years
41 working experience (from five to 36 years) and six years with the current organization from three
42 months to 13 years). The entire sample had management responsibilities with six occupying the
43 highest (director) position in their units.
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56 This city has been considered to be representative (Graham et. al., 2014) to draw conclusions
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3 about local news value chain strategy. The local news media in Manchester has been an integral
4 part of its culture and economy for many generations and has been described as the only other
5 British city to rival to London in terms of the number of people employed in local news
6 production (Williams, 2010). It is the second largest centre for the creative and digital industries
7 in Europe and it has the second largest local news industry in the UK (Midgley, 2010).
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18 Although there are limitations with the empirical data we have collected and analyzed here, it
19 provided the means by which we could theoretically position and then advance (without bias) the
20 analytical framework and concepts. Further, as Glaser and Strauss (1967) suggest it facilitated
21 putting together: “*independent pieces of information to get a better fix on something that is only*
22 *partially known or understood*” (p. 10).
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30 The 15 interviews were semi-structured, with six guiding questions about perceptions of the
31 changing value chains of newspaper industries. After transcriptions of the interviews, there was
32 a process of selecting coding from raw data (Newman, 2003). The first draft of coding was
33 checked by tree experts that evaluated a sample of the material revised. This feed-back from
34 experts generated three drafts. The final table of categories for coding (see Table 2) was
35 structured into 3 dimensions –the three logics, according to the conceptual framework- and
36 categories.
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4.0 Results

This section is focused on answering the three research questions linked to our conceptual framework. The answers to these questions will enable the development of theoretical knowledge on the consumption aspects of the conceptual framework (the transformation of local news consumption in the social era).

4.1 Community type, location, age and news consumption

All consumers in the urban, rural and suburban location types are considered by PEW (presented in Figure 2) to be engaged with local and national news (with the same percentages, around 70%), while rural consumers have a much more closer interest in local news (76%). When exploring how closely people follow news (using the variable age), this reveals that the youngest cohort (aged 18-29) is less interested in following the news compared to those aged more than 65 years. We can also see a trend in the data from Figure 2 that as a consumer gets older their interest in news, generally, and local issues, specifically, is increasing.

Insert Figure 2 here

Figure 3 indicates which local news issues are followed most closely, by particular age groups, for example, the younger cohort source news topics that are mostly related to leisure and nightlife, while adults and elder consumer's appear more interested in "local crime" followed by "community events" and "tax issues". Topics such as "local housing" or "local traffic" are the least interesting according to the PEW sample.

Insert Figure 3 here

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3 Figure 4 shows which news sources, consumers rely on for most of their coverage of local news
4 topics. Interestingly, the trust of consumers in online or purely social sources of local news, is
5 very low, less than 10%. For rural news consumers they seem more reliant on print sources for
6 their news consumption, confirming the informative authority of the traditional news media. For
7 news linked to community events and leisure places there are no significant differences in
8 relation to the trust of an online and/or social media source when compared to traditional
9 sources, although percentages for both are very low.
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22 *Insert Figure 4 here*
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26 The figure also indicates that consumers still perceive traditional news media sources to be the
27 more credible and therefore they are the more widely used by the community. For elderly people
28 (the over 65s) the TV and print newspapers are the media they tend to use to consume news; the
29 use of online media news sources is generally low in comparison, except the use of search
30 engines, which surprisingly is as high as the radio and word of mouth as a source of news
31 consumption. Younger people dominate the use of social media as a source of news and
32 information about a topic. In particular, there is a high use of Twitter, amongst those news
33 consumers who are aged less than 30 years old. For them the use of search engines is as frequent
34 as consuming news through their TV or sourcing a news topic using word of mouth sources.
35 Both print and online newspapers also equally inform them.
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51 All three community types use the TV as a news source (Figure 5). Interestingly, however for
52 rural consumers word of the mouth is more frequently used as a source of news (even more than
53 printed newspapers), while for urban and suburban consumers the use of search engines and
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3 social media sources, such as Twitter, is higher than the use of print newspapers. The online
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5 versions of traditional media (newspapers, radio, TV) are rarely accessed by news consumers in
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7 the PEW study (20%).
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16 Suburban residents are more likely than any of the other groups to actively participate in the
17
18 local news environment, followed by residents of large cities (Figure 6). About half of suburban
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20 residents (53%) have participated in some way in sharing or creating local news or information,
21
22 and 45% of large city residents have taken some action that classifies them as local news
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24 participators. In comparison, about 33% of small city or rural residents have participated in one
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26 of these activities.
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36 37 *4.2 Consumer participation in the social era value chain*

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39 The PEW data tends to indicate that people who live in large cities rely on a wider combination
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41 of platforms for their news and information than other community types and are more likely to
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43 get local news and information via a range of digital activities, including Internet searches,
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45 Twitter, blogs and the websites of local TV stations and newspapers. Urban dwellers were also
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47 those least tied to their communities in terms of: how long they lived in the community and how
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49 many people they know. For instance, they were the least interested of all groups in information
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51 about local taxes. At the same time, those who live in large cities, along with suburban residents,
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53 are the most likely to be digital “*news participators*” who email local stories to others, post
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3 material on social networking sites, comment on news stories online, or contribute to online
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5 discussions on message boards. Also along with suburbanites, they are more likely to get news
6
7 via mobile devices. Additionally, they are the most likely to rely on local TV news for their
8
9 information about breaking news, weather, crime, politics, and traffic.
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16 Those who live in suburban communities are more likely than others to rely on local radio as a
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18 platform (perhaps because of relatively longer commuting times); they are more interested than
19
20 others in news and information about arts and cultural events; and they are particularly interested
21
22 in local restaurants, traffic, and taxes. Like urban dwellers, they are heavy digital participators
23
24 who comment and share the news. These suburban residents rely mainly on the internet for
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26 information about local restaurants, businesses, and jobs. They look to television news for
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28 weather and breaking news. They are the most likely group to participate in news co-creation.
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35 While those who live in rural communities generally are less interested in almost all local news
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37 topics than those in other communities. The one exception is taxes. They are also more reliant on
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39 traditional platforms such as newspapers and TV for most of the topics we queried. Not
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41 surprising they are least likely of all the groups to keep up with local information. Further, they
42
43 are the least likely group to participate in news co-creation.
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49 In spite of the differences in community type younger people dominate the use of social media
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51 and online news sources whatever the type of community, with the older generations still
52
53 preferring traditional sources of news coverage. The PEW dataset shows that urban populations
54
55 tended to be much younger than those of other types of communities. One-third of urban
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3 residents were aged between 18 and 29 years of age, compared with two in 10 or fewer in each
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5 of the other types of communities. While we also uncovered that more than four in 10 large city
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7 residents are “*Generation Y*” (ages 18-34), which is significantly higher than the proportion of
8
9 young adults living in other types of communities.
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12 13 14 15 16 17 *4.3 News supplier perspectives*

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19 The qualitative analysis of dimensions and categories, according to the table 2, reported the
20
21 results by three issues on the influence of the social era on news value chain strategy. Thus, data
22
23 were divided up into three sections from the interviews emerging themes. First we report our
24
25 findings on the production and value chain influence, second we present our findings on the
26
27 future production activity of three news firms in the Manchester area and third about the Social
28
29 era transformation of the news supplier and strategies developed by the firms.
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32 33 34 35 *4.3.1. Production and value chain influence*

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37 Traditionally newspapers had a monopoly in supplying the majority of news content to local
38
39 communities in the UK. The local televisions and radio stations bought the bulk of their content
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41 from the newspapers who exercised monopoly control over the value of the news product. In
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43 spite of the emergence of social era technologies, their applications were largely ignored.
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49 It was clear from 2008 onwards that the newspaper control over local news content was breaking
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51 down. Local newspapers, in particular were experiencing unprecedented “*value erosion*”
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53 together with a rapid depreciation in the value of their assets. However not long after the
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3 emergence phase of the social era (identified as post 2010), one newspaper, the News Chronicle⁴
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5 instead of taking it as a threat, strategically embraced social technologies and explored its
6
7 strengths for current/future news production. There was consensus among our sample, that news
8
9 firms were now producing content across all media platforms of the business including: the print
10
11 newspapers, online websites and one firm even had their own local TV news station. Similarly
12
13 the radio and television operations linked with our three newspapers had also all developed a
14
15 strong online presence focused on brand identification, interactivity and some degree of
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17 connectivity.
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24 To counter “*value erosion*” (in the social era) a News Chronicle executive revealed they were
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26 relying on their brands, focusing on developing their non-print activities alongside the core
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28 newspaper brands, and continuing to invest in social technologies and their TV station. They
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30 attempted to shift the reputation of the brand from a newspaper company towards that of a
31
32 multimedia business. The Chronicle marketing director revealed:
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37 *“The social era has facilitated a dramatic reduction in distribution and story creation costs,*
38 *while eliminating or outsourcing some of the departments which are not part of its core*
39 *production activity (for instance, photography).”*
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43 All three firms were utilizing social era technologies as a means by which to interact with
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45 customers, recognize potential consumers’ interests, and address these interests through a variety
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47 of media platforms. Furthermore they predominantly suggested that they run several surveys
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49 online and then apply the information collected, customize their editorial content and
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51 advertisements, and use a cross section of platforms to promote themselves. In spite of running
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53 several experiments with digital printing technology, which would facility the possibility of
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58 ⁴ We used pseudonyms for confidentiality purposes.
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3 printed newspaper customization, none of the three news firms had plans to deploy such
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5 technology in the short run.
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10 The financial director of the Earth Herald explained that they had definite plans to build their
11 digital income: *“Our plan is to see digital income increasing from 5 to 50% of total income by*
12 *2020. We expect this to come not only from increases in classified and display advertising but*
13 *also from sales of subscriptions to print and tablet application bundles. We expect significant*
14 *rises in digital content for mobile devices. Smart phone incomes will come from advertising*
15 *revenues, task-oriented ecommerce environments and micropayments.”*
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27 There was a general consensus among the newspaper executives that they were all transforming
28 their value creation strategy: *“from attention to trust”*. The creation of attention, which has been a
29 pillar of the printed newspaper value chain, for instance, had now lost its relevance, as many
30 respondents felt that news events are often faster distributed via new platforms than traditional
31 ones. The use of Twitter for example rather than through traditional media channels such as
32 news print. On the other hand, trust could be understood as a scarce resource. While distributing
33 information via the web is much easier and faster, the abundance of offerings creates costs that
34 can verify and check the content of a story therefore creating an opportunity.
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48 The technical director at the Evening Post explained that their strategic aim was to transform
49 themselves: into a *“trusted data hub”*. He explained this as follows: *“successful media*
50 *companies of the future have to build an infrastructure that turns them into reliable data hubs,*
51 *able to analyze even very large and complex datasets internally and to build stories on their*
52 *insights.”*
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4.3.2. Future news production strategy

The operations director at the Earth Herald explained that when the company obtains a piece of information from the consumers, it is not normally utilized unless it meets stringent editorial and legal requirements. However a shift in practice is occurring and there is increasingly more freedom to draw on information otherwise obtained on the Internet. Communication and interactivity over the internet is now more practical, hence serving the consumers and customizing online content has become more sensible. For example, the company ran a successful virtual campaign with local community groups and residents in order to stop the closing of a local hospital.

One local television operation linked with the News Chronicle were expanding into mobile technology, tablets and distributing news in Google Drives, as well trying to more effectively harness “social era” tools. They are trying to develop an online brand identity with the aim to build superior and high quality news media products. However the monetization of digital operations is still very much in their infancy: “... *they seem to be just breaking even at its best*”.

The News Chronicle were also beginning to develop a series of hyper-local “free” newspaper experiments across six zoned areas of the city, with local residents being their chief reporters and supplying news content for publication in a weekly “free” newspaper. It was felt across the board, by all the executives we interviewed that their companies were very much still in the experimental stage of utilizing technology to change the nature and involvement of consumers to their products. When the uptake of these technologies and practices becomes more established they will then build some form of monetized activity/business model to improve their practice.

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5 The Earth Herald is experimenting with new news reporting models and they had jointly created
6 with a community radio station, a dedicated crime-reporting lab. The value chain aim was to
7 build brand identity with younger age groups in their reader community and also to cut the costs
8 of crime reporting. They explained that their reporting strategy question was simple: Could a
9 digital platform for the reporting of crime improve one community's understanding and raise the
10 level of conversation and community participation? To answer this question the newspaper and
11 radio station jointly trains up journalism students and local residents in crime reporting using an
12 online training platform.
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26 The platform they have developed tracks every criminal case in the city region from "*crime to*
27 *conviction*", using primary source documents, social networking and original reporting to build
28 one of the nation's most comprehensive public resources on violent crime. Local residents are
29 encouraged to supply as much data as possible on the cases (including the identification of
30 suspects). The blueprint for this experiment is the "*Homicide Watch*" platform operating in the
31 US. The virtual crime platform at the Herald is specifically designed to guide young reporters
32 through the steps of crime reporting, prompting them to gather data and record and publish their
33 activities, building a comprehensive resource that far exceeds what traditional crime reporters do.
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48 The experiment is primarily designed to encourage users to submit material to help with
49 convictions and crime detection. This is an experiment that both the radio and newspaper feel
50 fully embodies the "*civic participation*" ideology, designed to catalyze on the one hand, the
51 development of a user-driven copy that is co-created with young or student journalists and on the
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3 other to expand the market reach (brand identity) of both the radio station operations and its
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5 parent newspaper firm.
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10 4.3.3. *News supplier strategy and consumer participation*

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12 The results show that the social era has enormously impacted upon all the news organizations
13 primary activities in the value chain. Not only it has eroded value, but also has potentially
14 created value. Our interview results indicate that although the news organization is moving
15 towards co-creating value with its consumers through Internet mechanisms such as blogs and
16 discussion forums, virtual campaigns and user generated content submission facilities, but it is
17 still the news supplier who dominates the social relationship and in reality there is a limited
18 amount of content creation. For instance, none of the three newspapers we interviewed had more
19 than 20% of editorial content supplied by users. The content contribution of consumers is
20 tailored to the newspaper's value proposition and according to their market demand. The Earth
21 Herald were the most progressive in building a civic participation platform focused on
22 local crime reporting clearly targeted on developing relationships with younger consumers.
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39 5.0 Positioning the theoretical framework: consumer perspectives

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41 The framework explores the impact that the social era's interactive tools have on participatory
42 process in the news value chain. We have examined the convergence between the computational
43 logic - the characteristic of the computer- and the communicative logic -characteristic of the
44 media itself (Siapera, 2011); and the social logic (enabled through the networked capabilities of
45 the digital society). Our framework attempts to provide an economically connected system,
46 where different forms of journalism coexist with a variety of networked information, thereby
47 enabling a more nuanced understanding of news consumption.
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3 In answering the research questions with the PEW data we found the following. Exploring
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5 *research question 1* and the implications of computational logic coupled with existing literature
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7 has illustrated that the combination of the “*local*” and “*global*” news content is one of the
8
9 biggest concerns in contemporary news consumption patterns. As Web 2.0 makes global news
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11 gathering more and more possible a dependency on global topics emerges; however, local news
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13 helps people to locate themselves in the communities in which they live. Operating in between
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15 the local and the global is relevant for the feeling of belonging and the connection to a
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17 community.
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24 As stated by Radcliffe (2012), even if local news or content services are online: “*they are*
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26 *pertaining to a town, village, single postcode or other small, geographically defined*
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28 *community*”. The value chains that relate to media convergence have promoted the convergence
29
30 of content, which may or why not, overlap, complement or move together (Carpenter, 2010). The
31
32 challenge is to connect the community audience with both local and global issues, enhancing the
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34 knowing of the community, which links together the shared domains (interest, needs and
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36 expectations) of news audiences.
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43 *Research question 2* examines communicative logic and its relation to *informative authority*.
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45 While examination of informative authority alone reveals that the news industry has been
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47 polarized, either focusing on the positive side based on trust and non-subjective information
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49 conveyance; or on the negative side, on content restriction and market influence. However
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51 shifting focus to examine both communicative logic as well as informative authority in the social
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53 era enhances credibility of a news provider is a way that demonstrates public trustworthiness:
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55 “*newspapers have the position of trust in the minds of the public*” (Meyer, 2008).
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6 This public credibility (Kiousis, 2001) also depends on community ties. One of the main
7 concerns today with Web 2.0 and the interconnection that it provides is that credibility tends to
8 be a “*connected phenomenon*” heavily dependent on the social links and a sense of community.
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10 Social connection shapes the standards of judging information/news as credible or of its quality.
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12 Furthermore, credibility is also “*shared*” among connections and may influence the decision of
13 news consumption.
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21 This credibility that is shared is termed “*distributed credibility*” by Burbules (2001). The idea of
22 distributed credibility suggests that the reliability of judgments about the truth of information -
23 and even more so judgments about usefulness, relevance, interest, or worth: “*cannot be assessed*
24 *outside the nature of the online communities of which one is (overtly or tacitly) a part, nor of the*
25 *communities producing and legitimizing the information found online*” (ibid.: 447). So, the
26 informative authority of the news provider needs to be combined with the distributed *credibility*
27 in the public sphere, the social trust. This combination provides more opportunities in relation to
28 news circulation and, therefore, news profitability for the newspaper industry (Meyer, 2004).
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43 *Research question 3* has explored the social logic as it relates to news consumption in the social
44 era. The PEW data also confirmed the position of Meyer (2008, 2009) that: “*the newspapers that*
45 *survive will probably do so with some kind of hybrid content: analysis, interpretation and*
46 *investigative reporting in a print product that appears less than daily, and is combined with*
47 *constant updating and reader interaction on the Web*” (: 66).
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57 *5.1 Advancing the framework: supplier perspectives*
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3 The production/value chain interviews reveal that news content in circulation must not be
4 different from conversational content. Gillmor's (2004) asserts that news success can be
5 measured through "*news conversation*", that is news which is suitable for understanding in social
6 interactions. Furthermore Domingo et al., (2008) states that a more reciprocal relationship
7 between reporters and their community audience is needed, suggesting that news should be a
8 two-way rather than a one-way conversation (Gillmor, 2004; Kunelius, 2001). So, considering
9 turning the news into fuller conversations, with the use of diverse participatory formulas, may
10 enlarge the news spread towards a global debate and, therefore increase circulation and
11 community relevance.
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27 In a Web 2.0 participatory scenario the user can draw on many combinations and interpretations
28 of the news presented. Interpretation in this way may surpass the reporting (Donahue et al., 1972;
29 Gladney, 1990; Hindman, 1998; Janowitz, 1952; Johnstone et al., 1976; Reader, 2006; Schaffer,
30 2007; Tichenor et al., 1980). Consequently, as Graham and Greenhill (2013) advocate the news
31 media needs to deal with its strategic evolution from being a news product supplier into
32 becoming a multimedia content service provider, where the user participates in the different
33 stages of the news process.
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46 *5.2 Theoretical contribution*

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48 Table 3 summarizes the emerging themes and patterns of the empirical data which contribute to
49 value chain theory. In spite of the limitations of positioning/advancing the framework with US
50 consumer and UK supplier data (which restricted the generalizability of the findings), the work
51 purposively fitted theory/data together. From a consumer perspective, we have extended
52 understanding of co-creation and consumer participation to incorporate the influence of social,
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3 communication and computational logic on value activities. What is emerging (Table 3) is a
4 very complex picture of levels of consumer participation (by community type and age) in the
5 social era value chain, with different communities and age groups influencing whether there is a
6 high or low level of consumer participation in local news value activities.
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15 _____ *Insert Table 3 here* _____
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18 While from a supplier perspective, we have advanced current strategic and marketing theory on
19 value co-creation to the operational level and its supply chain implementation. Further, in this
20 case we highlight the cultural and process barriers that exist within news firms that are
21 preventing them from fully exploiting the opportunities (outlined in the theory) from consumer
22 participation. Our news suppliers are very much at the experimental stage: implementing co-
23 creation and civic participation projects in non-core value chain activities. However these
24 projects seem to lack long run financial sustainability. The Earth Herald's crime reporting lab
25 seemed to be building much stronger brand presence in the community (compared to the other
26 experiments) but again it was an experiment where its future still remained uncertain.
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44 6.0 Conclusion and implications for further research

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46 The news industry is undoubtedly in flux, and it is an on-going challenge for news managers to
47 keep up to date and abreast of social change in local communities and the rapid developments in
48 innovations and future technology. All of which are impacting on the evolution of their value
49 chain management. In terms of its policy impact our paper has demonstrated that the whole
50 strategic value chain ideology of the news industry needs to change radically; away from its
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3 largely transactional (and lack of trust) approach and, move towards much greater consumer
4 involvement and participation in high value creation, production and distribution activities.
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10 The shape of the dominant model is still unknown, but it will look very different from the one we
11 follow today. As Clay Shirky (2009) notes in his essay "*Newspapers and Thinking the*
12 *Unthinkable*," "*That is what real revolutions are like. The old stuff gets broken faster than the*
13 *new stuff is put in its place*" (: 1). At this moment of uncertainty and confusion, different groups
14 are experimenting with a wealth of new value chains designed to produce local news in the social
15 era.
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27 Traditional news suppliers need to re-establish their social influence in their value chain with
28 different community types and further enhance their connectivity. As the social era evolves,
29 there will likely be a period when many different value chains emerge. Though we have
30 tentatively (in this paper) begun to combine the three logics in Table 2 with supplier-led concepts
31 of value and co-creation activities, there is still a need for more detailed analysis of the links
32 between social, computation and communication logics and co-creation activities with news
33 suppliers. This initial framework needs more rigorous statistical validation and testing, before
34 valid generalizations can be made and practical recommendations given to the supply chain
35 community and other industry sectors.
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50 However, going forward, the news media needs to be deeply aware of how the underlying
51 content economy works. How do they define products in a marketplace of niches? Newspapers'
52 previous dominance was a matter of geography, and to some degree demographics, but not
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3 because of their product. News media companies of the future must operate using a different
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5 value chain model that necessarily addresses the endless waves of disruptive new technology and
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7 staggering competition while exploiting their “*social capital*” built up over generations as a
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9 monopoly supplier of local news.
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15 Communities are also rich repositories of information and knowledge, and often develop their
16
17 own innovative tools and practices for information sharing. Existing ways and means to inform
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19 communities are changing rapidly, and new news value chain systems are emerging where old
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21 distinctions like writer/audience and journalist/amateur have collapsed. We particularly believe
22
23 that if this firm is to sustain itself it needs to focus on tools that can help amplify the voices of
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25 communities often excluded from the digital public sphere and connect them with new
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27 audiences, as well as on systems that help us understand media consumption/production,
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29 augment civic participation, and foster digital inclusion. Across all of the community types the
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31 framework analysis, suggests the need to integrate consumers more into their supply chain
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33 design.
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41 The quest for a sustained value chain model designed to support local news media operations,
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43 whether commercial or non-profit remains elusive. A new day in which newspaper executives
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45 act boldly and in concert to save their industry is hard to imagine; they are risk averse and, by
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47 nature, too independent. Yet the power of the institutions they represent, institutions that can
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49 provide accountability and in-depth public service journalism, is profoundly important.
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55 Many of the social era value chain experiments reported in our paper are promising but do not
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57 have a track record sufficient to demonstrate that funding can be found to sustain them for the
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3 long term. Other ideas are being imagined, researched, discussed, and debated; some will surely
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5 be tested in real time. While nothing before us or on the horizon promises to replicate precisely
6
7 the depth and sweep of the daily newspaper, the search must continue. The absence of a
8
9 definitive answer means the complex reality for now is that the value chain will survive, with
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11 much uncertainty, both on the pages of the struggling local newspaper and in an online world of
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13 many value chain models and experimentation.
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19 The end game for the industry is not only to begin to define the new social era “*niches*” but also
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21 to ensure they can create and sustain financially viable value chains within them. The social,
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23 communicative and computational logics outlined provide a starting point for niche
24
25 identification. However, clearer mapping and integration of value chain processes is needed in
26
27 the social era if the news firm is to optimize its emerging market opportunities. Enhanced
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29 consumer participation within these processes of news creation, production and distribution will
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31 lead to greater differentiation and create opportunities to lower transaction costs and production
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33 risks.
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41 The local news market is now intensely competitive and its decline is accelerating, adopting a
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43 Darwinian evolutionary approach, we believe from the initial evidence that we have collected,
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45 that only the fittest are likely to survive in the social era. What does remain of the traditional
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47 local news industry is likely to be a much smaller scale of operation (than the current industry),
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49 and it is likely to be offering integrated (consumer) “*premium*” value chain offerings combining
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51 high quality niche products with online co-created services.
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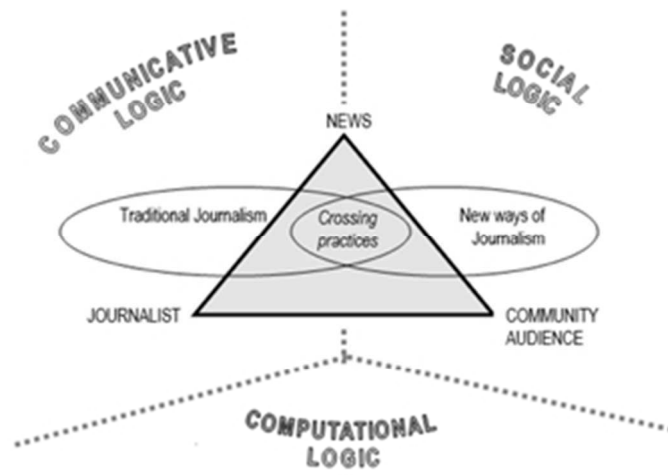


Figure 1. Conceptual framework based on three logics (Greenhill and Hernandez, 2014)

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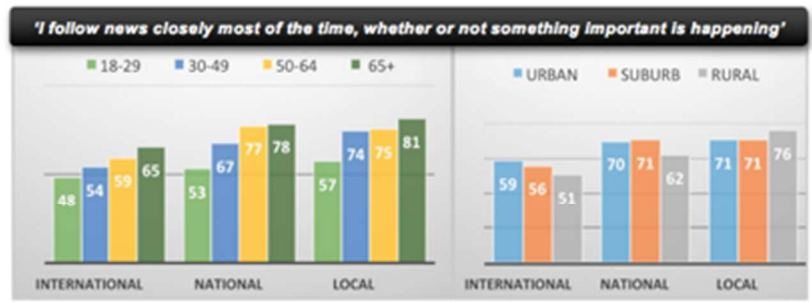


Figure 2: Percentages by age and location in the Following of the news (international, national and local)

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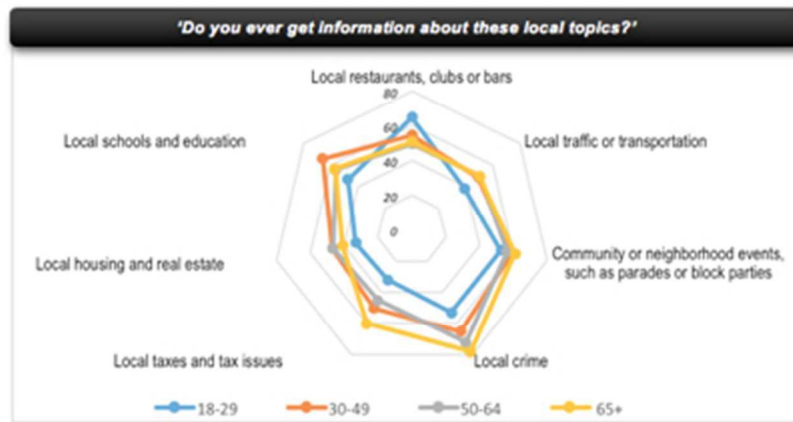


Figure 3: Percentages by age in the following of the local news in different topics

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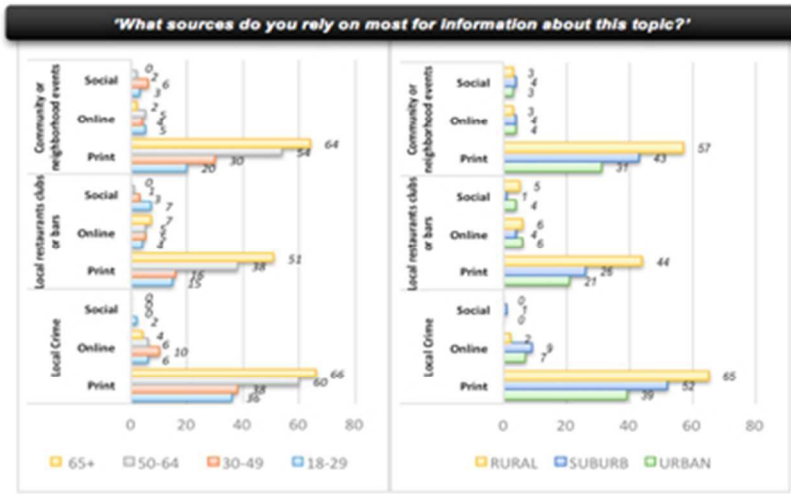


Figure 4: Percentages of credibility by age and location in the Following of the local news

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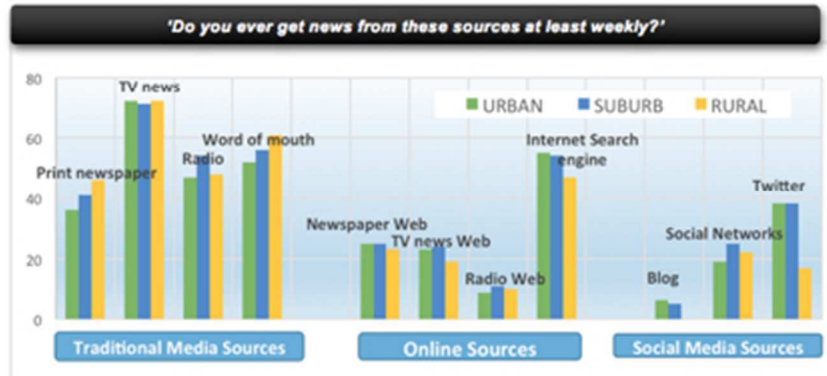


Figure 5: Percentages by location in the Following of the local news in different sources

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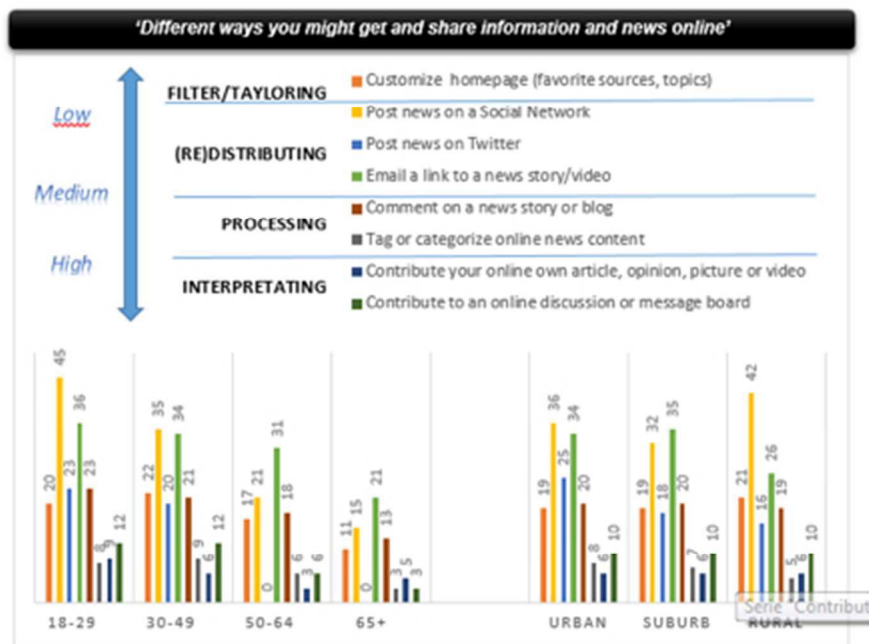


Figure 6: Percentages by age and location in three levels of online and social media use

Review

		COMUNITIY TYPES (by location)		
		URBAN	SUBURBAN	RURAL
<i>Total N=7561</i>		<i>N=2467</i>	<i>N=3876</i>	<i>N=1218</i>
AGE	18-29	26	21	21
	30-49	33	36	30
	50-64	25	28	25
	65+	16	15	24
<i>total</i>		<i>100</i>	<i>100</i>	<i>100</i>
GENDER	Male	54	47	41
	Female	46	53	59
	<i>total</i>	<i>100</i>	<i>100</i>	<i>100</i>
ACCEST TO TECHNOLOGY	Frequently Internet users	30	48	14
	Not a Net user	30	44	17
	<i>total</i>	<i>60</i>	<i>92</i>	<i>31</i>

Table 1: Distribution of the sample by percentages of age, gender and access to technology. Source: data from PEW Research (2011-2012)

DIMENSIONS	CATEGORIES	SUBCATEGORIES (Issues discussed)
1. Computational logic	1.1. <i>Digital connectivity</i>	- <i>Value of community audience</i>
	1.2. <i>Local and global news content</i>	- <i>Type of news content to local communities</i>
2. Communicative logic	1.2. <i>Informed authority</i>	- <i>Monopoly control</i>
		- <i>Checking the content</i>
	- <i>Requirements (editorial, legal)</i>	
	1.3. <i>The social trust</i>	- <i>Creation of attention</i>
		- <i>Distributed credibility (supply data)</i>
		- <i>Value erosion production chain</i>
3. Social logic	3.1. <i>Strategy for connectivity</i>	- <i>Invest in social technologies</i>
		- <i>Develop channels for connectivity and online interaction</i>
	- <i>Newspaper customization</i>	
	3.2. <i>Strategy for increase readership</i>	- <i>Micropayments</i>
		- <i>Digital subscriptions</i>
		- <i>Free-content</i>

Table 2. List of dimensions and categories for the analysis of the interviews

For Peer Review

	Examples of Value activities	Examples of Co-creation Activities	Observations/ Implications
Computational logic	Online Trust of news and social sources of local news, low, less than ten percent. Rural news consumers are more reliant on print sources.		Confirmation of the informative authority of the traditional news media.
Computational logic		Suburban communities and urban dwellers, are heavy digital participators who comment and share the news. Suburban residents rely mainly on the internet for information about local restaurants, businesses, and jobs.	There are clear indications that suburban communities rely on Computation (the Internet) for accessing local information.
Communicative logic	Younger cohort source news topics most related to leisure and nightlife; Late adults and elder more interested in “ <i>local crime</i> ” then “ <i>community events</i> ”, “ <i>tax issues</i> ”. All ages least considered, “ <i>local housing</i> ”, “ <i>local traffic</i> ”.		In these cases local news issues are followed most closely, by particular age groups.
Communicative logic		About half of suburban residents (53%) have participated in some way in sharing or creating local news or information, and 45% of large city residents have taken some	This example shows that co-creation is particularly significant for suburban residents than small city or rural residents.

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		action that classifies them as local news participators. In comparison, about one-third of small city or rural residents have participated in one of these activities.	
Social logic	One news company interviewed closely operates with the local communities and aims to transform itself into a dynamic, integrated, local media, company – as it moves from printed product (the United Press) to a multimedia service business		Acknowledging the value of social responsibility and the value that can be gleaned when working with communities is illustrated in this example
Social logic		Those who live in suburban communities are more likely than others to rely on local radio as a platform (perhaps because of relatively longer commuting times); they are more interested than others in news and information about arts and cultural events; and they are particularly interested in local restaurants, traffic, and taxes.	This example shows that suburban communities are specifically interested in socially oriented news and information i.e. the arts and cultural events; and they are particularly interested in local restaurants, traffic, and taxes.

Table 2. Examples of value and co-creation activities