

How to Ensure the Future of Newspapers: Change with the Times

Craig Barragry – Western Michigan University
craig.t.barragry@wmich.edu

Abstract

The newspaper industry is in danger: not a shocking statement, but one that has to be made. Poor financial decisions, coupled with decreased readership and advertising revenue, have left the tradition print media newspaper struggling to survive. With the ever-increasing readership of newspapers online and more people turning to one of many around-the-clock news outlets on television, who wants to wait for their news?

Rather than putting their heads in the sand, the newspaper industry needs to change with the times while they still can. The days of print media are soon to be gone, but they can transition to internet distribution now and preserve their good will. While the revenue is nowhere near that of print media, the internet has many more opportunities to reduce overhead, reach new readers around the world, and speed up the distribution of news. In order to survive going forward, newspaper companies need to brace for an all-digital future.

State of the Industry

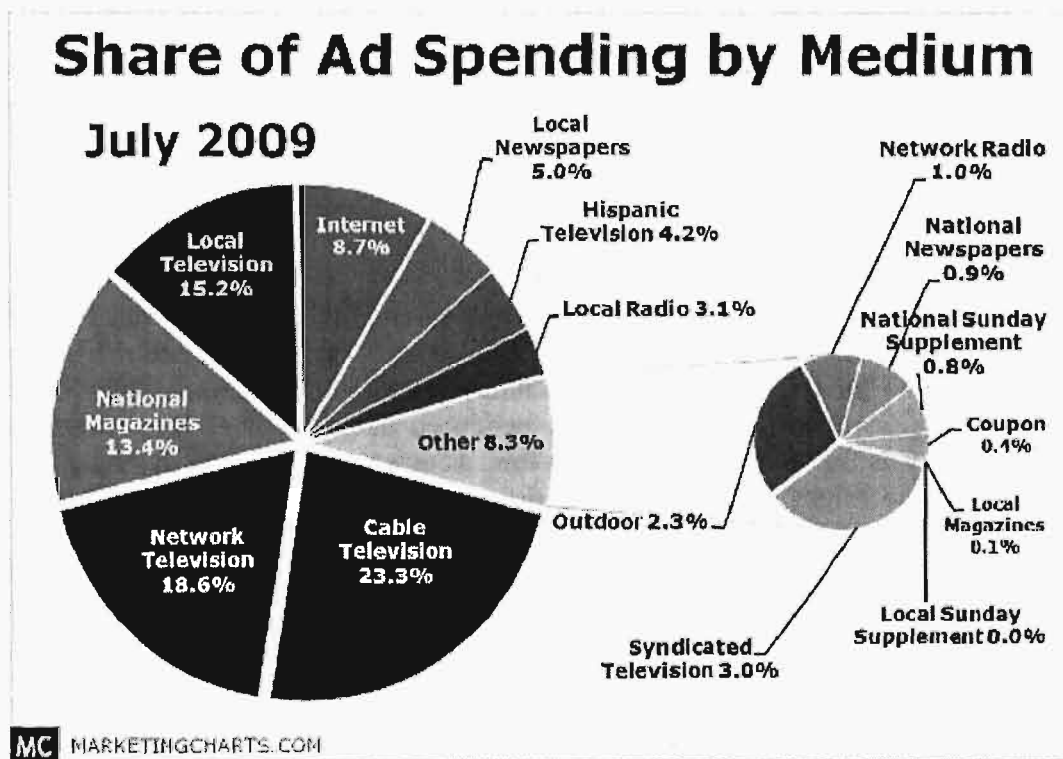
The newspaper industry is like the ancient Roman Empire. With the innovations in printing presses and other production methods with Industrial Age, the industry grew as the Roman Empire grew with each land conquered. The newspaper then entered a golden era of high circulations and reduced costs in the mid 20th century, much like Rome enjoyed Pax Romana under Augustus Caesar. Today, though, the newspaper industry cannot maintain its edge against around-the-clock news outlets and internet news; Rome could not protect itself against its more aggressive and powerful invaders. Perhaps this analogy hyperbolizes the significance of the newspaper industry. But, the rise and fall of the newspaper industry does reflect that of the Roman Empire in the sense that the newspaper industry was too slow in realizing that the need for print media would be greatly reduced, and perhaps someday even obsolete, just as the Roman Empire was not prepared for invaders.

The newspaper industry has set itself up to fail by trying to profit by cutting its most valuable resource: journalism. Many newspaper companies went through a period where consolidation and reductions ruled the day – not for sustainability, but purely for profits. Small branches were closed, coverage areas were tightened, and professionals were asked to find another job. Philip Meyer discusses this phenomenon: “The Cowles family of Minneapolis and Des Moines is an example. When it sold *The Des Moines Register* in 1985 to Gannett Company, the paper covered the entire state of Iowa and had a tidy 10 percent operating margin. Gannett’s finance people looked at the operation, saw no economic value in its statewide influence, and cut circulation back to the area served by advertisers in the Des Moines market. That saved money on the main variable costs, newsprint and ink. Two of five state news bureaus were eliminated. The operating margin went quickly to 25 percent.” Unfortunately, this trend didn’t stop even as readership decreased. Publishers congratulated

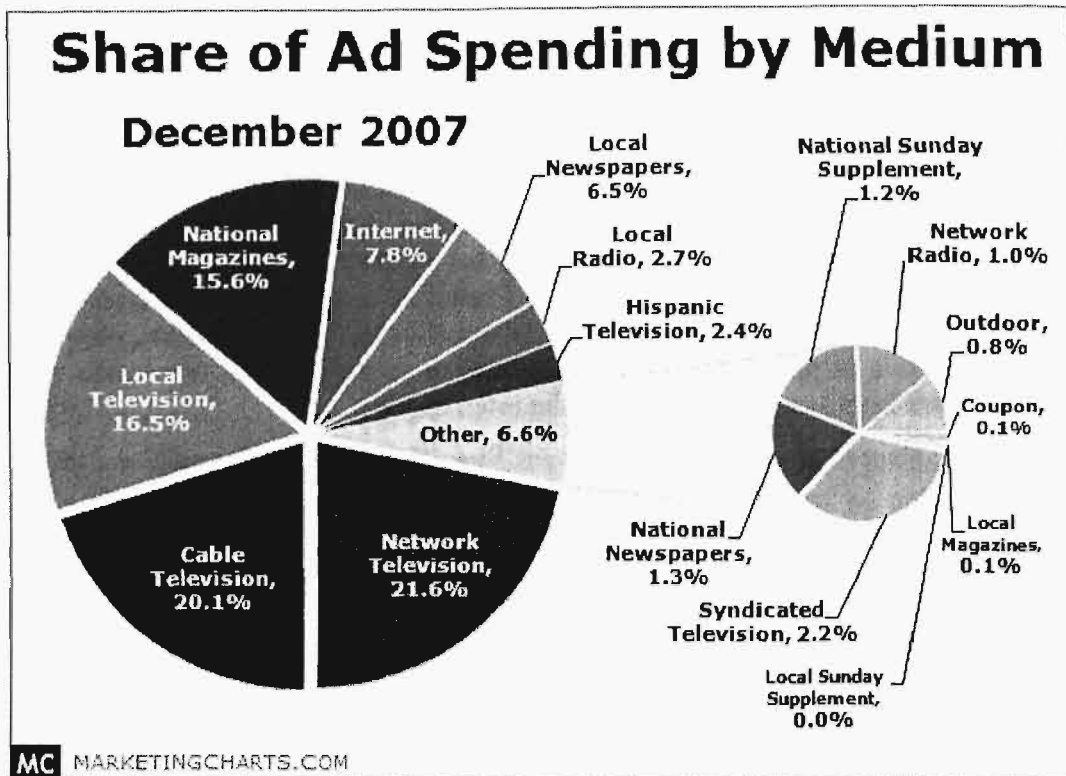
themselves for producing a lesser product while increasing advertising rates and subscription costs. (Meyer, 2004).

Part of the reason for the struggling newspaper is the reduced advertising revenue. Advertising revenue typically represents about 80% of the newspaper company's overall revenue. According to Nielson Online and AdAcross, print media represents only 5% of the overall spending on advertisements, as shown in Chart 1. Looking back only fifteen years, the pie has been subdivided by the introduction of the internet, which represents 8.7% of the advertising spending (Marketing Charts, 2010). Classified ads, which were a staple of print media, have now fallen off compared to specialty websites like craigslist.com, ebay.com, and cars.com. While this is just a snapshot of the overall spending, this represents a shift in advertising dollars from local newspapers to the internet.

Chart 1: Percentages of Advertisement Spending, Nov 2009 and Dec 2007
(Marketing Charts, 2010)



Source: Nielsen Online, AdAcross



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Circulation has dropped for most major newspapers over the years. The desire to pick up the newspaper for the news is declining amongst those with the means to acquire information – mostly for free – from the internet. In six months of ending in September 2009, nearly two-thirds of the largest national newspapers experienced declines of 10% or more in their circulation. This was the sharpest decline in years, as newspapers looked to reduce overhead (Ovide, 2009). One might argue that circulation is not an accurate measure of how many people read the paper, as many newspapers are now decreasing what is referred to in the industry as “junk circulation”, papers which are printed for free for schools and businesses. But, according to Newspaper Association of America, the percent of adults who read a daily paper has decreased from 58.6% in 1998 to 48.4% in 2007. With more readers finding alternative sources for their news, newspapers need to take advantage of their trustworthy reputations and loyal followings to sustain their readership.

This has led to decrease in jobs in the newspaper industry. With reduced circulation and advertising, companies have been forced to make job cuts to survive. “From June 2008 to June 2009, the Bureau of Labor Statistics puts the number of newspaper jobs lost at close to 50,000, which drops the industry's total number by 15 percent.” (Johansmeyer, 2009). Add to this that the long-term costs of journalists are hitting the newspaper companies the hardest right now, with companies owing millions in pensions to those who have retired from the paper years ago. Unfortunately, the future of the printed newspaper does not look favorable for job seekers.

Despite the need for daily newspapers to digitize, there are barriers to be overcome. First, newspapers need to reinvent themselves as predominately digital entities. Not only will the newspapers need appropriate pricing structures for their online products, but they also need to invest in the best outlets for their products. For example, Amazon offered the *Dallas Morning News* unreasonable terms to allow Kindle users access to the paper (Johansmeyer, 2009). Considering the cannibalistic nature of such a move for the *Dallas Morning News*, they need to see a lucrative return in giving the rights to their content to Amazon.

Over time, technology has transformed the news industry from a daily occurrence to a constant stream of information. With the popularization of the internet, people all across the country (and world) could access information instantaneously, and mostly for free. Websites can relay information to users with the click of a mouse, and users could check for updated news as desired. Some websites even notify users if news on a particular topic (*i.e.* President Obama) was posted. Users can also access more detailed information on a particular topic with ease compared to print media, which is more a snapshot in time. Internet news is much more interactive and conducive to someone who wants to do more research on an article or subject. Now, with mobile technology advancements, users can access the web anywhere in the world at any time to get the latest news. Plus, the barriers for entry into the internet news industry are insignificant compared to print media. You do not require the same capital investment upfront to get started, you can cover any geographical area with ease, opposed to print media restricting where distribution can be realized.

Also, the enormous growth of the around-the-clock television news has had a negative impact on the newspaper industry. Much like the internet, viewers can get the latest news of the day in minutes. Also, with most outlets utilizing “crawls” at the bottom of the television screen, they can transmit more information per second than any form of written media (digital or print).

Opportunity for Change

On the surface, it may seem that the newspaper industry stands no chance against such advanced media as internet and television. But, as is true in any business, a company must look to provide something unique that the customer cannot find elsewhere. While the internet provides fast content, there is an inherent distrust in getting news exclusively from the internet. Despite the majority of bloggers producing fair and honest content, some are out to get hits on their sites, no matter how irresponsible their claims may be. This is where the traditional newspaper outlet has an edge – trust. Though those under age thirty have grown up used to accessing the majority of their information from the internet, the idea of the morning newspaper is still fresh in the country’s mind. According to journalist Alan Rusbridger of the Huffington Post, “The explosion of new technologies, most of them web-based, has enabled our readers to challenge all that - to criticize us, to interrogate us, to expose us, to offer alternatives to us, to by-pass us altogether. Most of it boils down to one word: Trust. And - in this new world where you can get your information, much of it free, from any number of sources - it’s always seemed to me that we ought to think about trust rather more carefully than we used to.” (Rusbridger, 2006). Now is the time for the print

newspaper companies to move the majority of their content online to capitalize on their good names online.

In a study between the 2nd quarters of 2008 and 2007, respectively, there was a significant rise in newspaper website activity. As shown in Table 1, the unique audience increased from 59 to 66 million, the page views increased from 2.67 billion to 3 billion, and the visits per person per month increased from 7.82 to 8.08 between the two years. These numbers reflect the shift in comfort level with using a digital media instead of (or at least in addition to) printed media.

Table 1: Comparison of Online Newspaper Followers, Q2 of 2008 and 2007 (Marketing Charts, 2010)

Month	Unique Audience	Active Reach Percentage	Page Views	Pages per person	Time Per Person (mm:ss)	Visits Per Person
April-08	64,341,029	39.11	2,851,466,740	44.32	41:13	8.15
May-08	69,405,629	41.70	3,040,566,286	43.81	39:51	7.91
June-08	65,419,560	39.89	3,137,650,162	47.96	40:23	8.17
Q2 Average	66,388,739	40.23	3,009,894,396	45.36	40:29	8.08

Source: Nielsen Online Custom Analysis

Month	Unique Audience	Active Reach Percentage	Page Views	Pages per person	Time Per Person (mm:ss)	Visits Per Person
April-07	58,680,127	37.40	2,761,303,356	47.06	42:01	8.01
May-07	60,252,458	37.78	2,726,832,647	45.26	40:16	7.91
June-07	58,624,422	36.74	2,507,508,944	42.77	39:55	7.55
Q2 Average	59,185,669	37.30	2,665,214,982	45.03	40:44	7.82

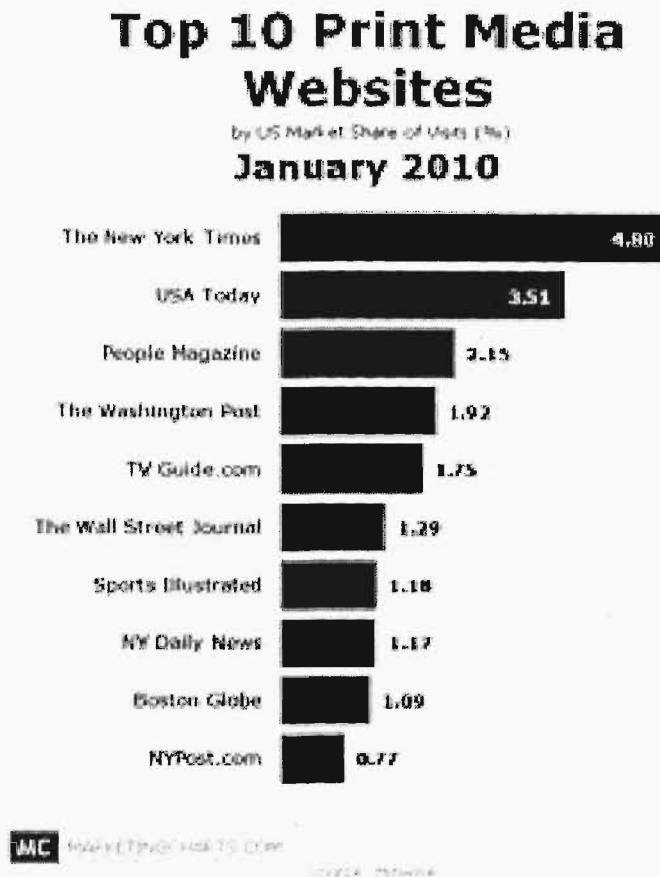
Source: Nielsen Online Custom Analysis

With an increased following online, newspapers can generate more advertising revenue. When companies pay for advertising, they want to get their name exposed to a large, targeted audience. Also, companies want to align themselves with reputable products. For example, you would not expect Fidelity to air commercials during episodes of the Jersey Shore. This would not match the target market or the reputable product they would want to associate with to sell financial solutions. But, the newspaper industry brings with it decades of good will that can be sold to potential advertisers.

What is being suggested here is certainly not original or radical; in fact, it is occurring organically. According to the New York Times, the readership of printed papers dropped 7% while internet newspaper followers increased 10.5% in the fall of 2008 (New York Times, 2009). Newspapers are realizing the value of the internet as a means to share their content, but how much of it is by choice? It appears to be a survival move, as newspapers struggle to maintain their name.

Clearly, the national media outlets have realized the value of moving to the internet to share their content. As shown in Chart 2, the New York Times leads all other print media with over 4.8% of the market share, though many other nationally-circulated newspapers and magazines have strong followings online.

Chart 2: Top Ten Print Media Websites, Jan 2010
(Marketing Charts, 2010)



Some newspapers are focusing on keeping a segment of the printed market. For example, the Atlanta Journal-Constitution (AJC) has a new “Unplug. It’s Sunday.” Advertising campaign in which they are encouraging readers to avoid reading their news online and instead read the Sunday edition of the AJC. The website promotes a more peaceful, educational look at the news; time to sit back and enjoy reading the paper (AJC, 2010). More newspapers, if they want to continue printing their papers opposed to posting them, need to develop creative ways to market their product, like the AJC. They need to specialize on specific topics (politics, local, sports, etc.) and give the readers something they can’t find elsewhere.

Conclusion

The newspaper industry needs to shift its mindset from the old school slash-and-dash ways to embracing the technologies that the general public has embraced and keep their focus on creating quality journalism that readers will embrace. The smart papers are already making this shift. If others don't follow, they will certainly make themselves obsolete.

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