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## **On Digital Distribution's Failure to Solve Newspapers' Existential Crisis:**

### **Symptoms, Causes, Consequences and Remedies**

*Neil Thurman, Robert G. Picard, Merja Myllylahti and Arne H. Krumsvik*

Newspapers' online experiments have not reversed their falling fortunes. Despite the decreases in print circulation suffered by newspapers in developed countries, and two decades of investment in digital distribution, many newspapers still have a larger number of readers for their print products than for their online editions via PCs (see, e.g., NRS, 2017a). The effects of these undersized online audiences are exacerbated by the fact that readers of digital editions are an order of magnitude or two less attentive than their print counterparts (Thurman, 2017). The result is that newspapers receive by far the greater part of their audience attention from their print channels (ibid.). This distribution of attention helps to explain print's continued delivery of high proportions of newspaper revenue (Pew Research Center, 2016: 14).

This chapter examines some of the symptoms and causes of the crisis facing newspapers via analyses of their finances and audience measures. The consequences of the crisis, and whether there are any realistic remedies, are also considered, both in relation to journalism as a product and to the institutions, such as newspapers, that have traditionally produced it.

We start with an analysis of the financial performance of multiplatform news publishers in Australia, Europe and the USA, which leads us to conclude that digital distribution is not reversing newspapers' decline, and raises questions about the support for journalism in the long term. Next, some of the consequences of the declines that have already taken place are discussed. Moving from consequences to possible remedies, the chapter focuses on two areas. Firstly, media policy, and secondly, journalism as a product: what news should be produced and how it should be delivered. Another strand of the chapter concerns audience measures. They are used to help explain newspapers' continuing dependency on print revenues, and are understood, depending on their constitution and use, as both a party to the crisis and as an able assistant in its alleviation.

### **Symptoms**

News publishers are reporting strong increases in their digital revenues (see, e.g., Fairfax Media, 2017). We must, however, be careful how we interpret such claims and skeptical about the ability of 'digital-first' strategies to transform the fortunes of struggling news outlets. As this section illustrates, increases in news publishers' digital revenues must be seen in the context of their total revenue and, if we are interested in the sustainability of the journalism that they produce, we must disentangle the performance of their news and non-news businesses.

Although the circulations of newspapers in some Western economies have been in decline for decades—they peaked in 1984 in the United States (Chittum, 2014) and

around 1990 in Canada (Communications Management Inc., 2011: 6)—revenues from print held up for longer. In the US, for example, income from print advertising peaked around the turn of the millennium (Perry, 2012). Falls in the revenue of newspapers in the Anglosphere early in the twenty-first century accelerated as a result of the global financial crisis of 2007–8 (Perry, 2012; Pew Research Center, 2015: 27), prompting some newspapers to start to engage in “major transformation[s]” (Sabbagh, 2011) involving a renewed focus on digital distribution.

Although there had been a long history of newspapers experimenting with online editions, dating back to the 1980s (see, e.g., Finberg, 2003), the moves made following the Great Recession were more fundamental, justified as being essential to newspapers’ survival. For example, in 2011 Andrew Miller, chief executive of the UK’s Guardian Media Group, committed his titles to a “‘digital-first’ strategy” because, he said, “doing nothing was not an option” (Sabbagh, 2011). The story was similar in Australia where, by 2012, with their print revenues in crisis, Fairfax Media and APN News & Media also launched digital-first initiatives (Myllylahti, 2015: 194). In May 2016, Fairfax Media’s chief executive, Greg Hywood, said that it was “inevitable” that the publisher would stop printing weekday editions of the *Age* and the *Sydney Morning Herald* in the near future (Hayes, 2016).

The idea behind digital-first strategies is to lessen news publishers’ reliance on print as a delivery platform, making digital reporting, in the words of the New York Times Co.’s *Innovation Report*, “the top priority” (The New York Times, 2014: 82). The report advocated a rapid digital transformation in order that the *New York Times* could compete in a crowded, well-funded and innovative digital marketplace (3) and claimed that digital-first was more than a “buzz-phrase” and was taking “hold across the industry” (83).

Three years on, in February 2017, the New York Times Co.’s chief executive, Mark Thompson, stated that the company’s digital growth was “unprecedented” (Ember, 2017) and, in another report, claimed that its digital revenue “towers above that of any news competitor” (The New York Times, 2017). Yet, at the same time, the report admitted that “for all the progress we have made, we still have not built a digital business large enough on its own to support a newsroom that can fulfil our ambitions” (ibid.).

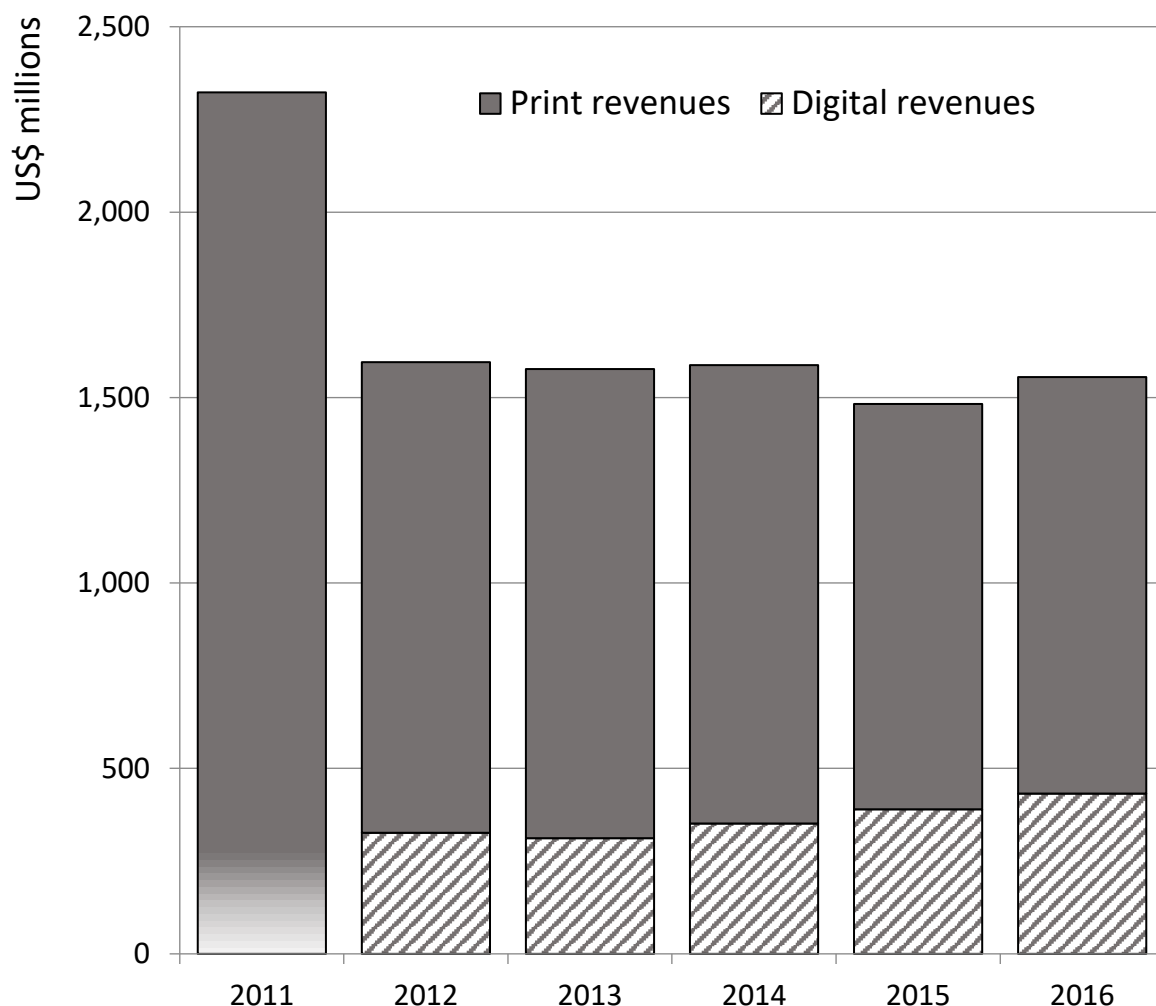
In the same month, Fairfax Media published its half-year financial results on the other side of the world. Although the Australian company’s chief executive, Greg Hywood, announced a strong increase in digital revenues, this was driven mainly by its digital real-estate listing service, Domain. Somewhat surprisingly, the company also announced an about-turn in its publishing strategy, revealing that it was planning to continue to print its daily publications “for some years yet” (Fairfax Media, 2017: 3).

Such statements by the New York Times Co. and Fairfax Media indicate that digital-first may not have been as transformative as some had initially hoped. In this chapter, we analyze the New York Times Co.’s and Fairfax Media’s print and digital revenues from 2011 to 2016 in order to gauge the extent of their digital transformations in financial terms. There is no publicly available historical data about their digital revenues outside this period. The two companies operate in different markets—in the United States and

Australia—but are comparable as they are both primarily news publishers and both have implemented digital-first strategies, including paywalls.

Our analysis of the New York Times Co.'s annual reports between 2011 and 2016 reveals that the company's total revenue declined by 33 percent, despite a doubling of digital subscription revenues between 2012 and 2016. At the end of the period, digital contributed just 28 percent of total revenue (see Figure 1). Print revenues (including subscriptions) declined 11.5 percent between 2012 and 2016, while digital revenues grew 32 percent over the same period. Digital subscription revenues may have grown 100 percent, but digital advertising revenues declined 2.7 percent. Based on these figures, it is clear that the publisher is still heavily reliant on print in terms of its revenue.

**Figure 1:** Print and digital revenues for the New York Times Co., 2011–2016.

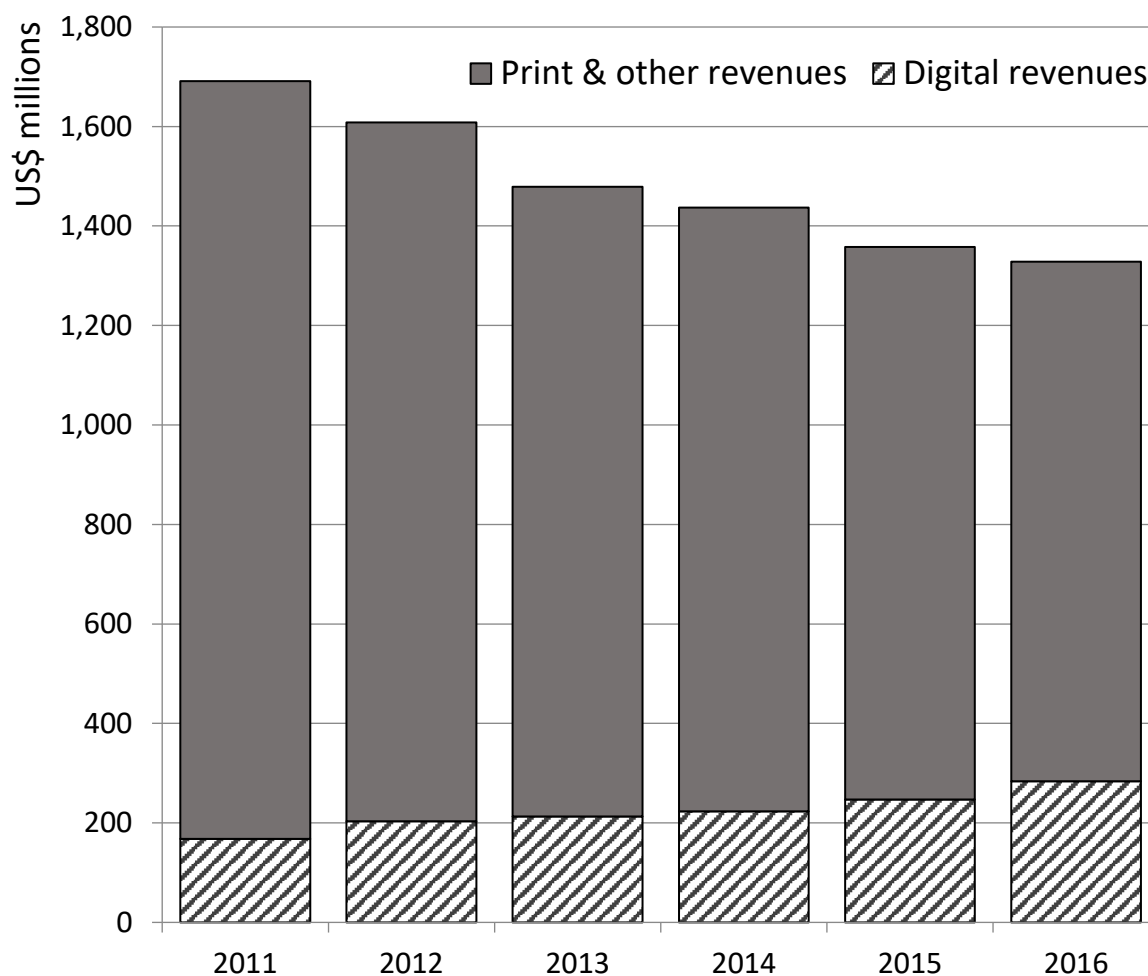


Note: Only the total revenue is shown for 2011, as in that year the New York Times Co. did not fully break down their revenue into its print and digital components.

Source: The New York Times Co.'s annual reports.

Fairfax Media suffered a 21 percent decline in total revenue between 2011 and 2016. Though digital subscription revenues grew 58 percent between 2014 and 2016, and digital advertising revenues by 24 percent, at the end of 2016 digital made up just 21 percent of Fairfax's total revenue (see Figure 2). These data clearly demonstrate that Fairfax Media is, like the New York Times Co., still heavily reliant on print revenues, which may well explain the 2017 change in its print publishing strategy.

**Figure 2:** Print and digital revenues for Fairfax Media, 2011–2016.



Source: Fairfax Media's annual reports.

Comparing the print and digital revenues of the New York Times Co. and Fairfax Media to those of other newspaper publishers is difficult. For example, US newspaper publisher Gannett has only revealed the proportion of its total revenue coming from digital since 2013, and the digital component of its advertising revenues since 2014. There is still no publicly available information about Gannett's digital subscription income. Gannett's 2016 annual report revealed that 26 percent of its total revenue came from digital (Gannett, 2017). Canada's Postmedia also releases incomplete data on its

digital revenues. Its 2016 annual report shows that digital made up 13 percent of its total revenue (Postmedia, 2016: 11).

Other companies, such as Germany's Axel Springer and Norway's Schibsted, report that digital revenues account for a much higher proportion of their total revenue—67 percent in 2016 for Axel Springer (Axel Springer, 2017) and “over 70 percent” for Schibsted (Schibsted, 2017: 8)—but have different corporate structures to those of the New York Times Co. and Fairfax Media. Although journalism is a “foundation” (Axel Springer, 2016: 19) of Axel Springer's business model, the company has been diversifying its holdings, divesting itself of some newspapers, such as *Hamburger Abendblatt* and *Berliner Morgenpost* (Eddy, 2013), making investments in established non-news digital businesses such as Airbnb (Axel Springer, 2012) and Uber (Hawkins, 2017) and founding a digital incubator that invests in early-stage, mostly digital companies such as ReachHero, which arranges product placements in social media, and Massagio, which delivers “high-quality massages on demand with just a few clicks” (Axel Springer, n.d.). Schibsted has a large holding of online classified advertising sites—36 sites in 30 countries (Schibsted, n.d.)—as well as owning a number of other digital service businesses in areas such as health.

#### *Explaining reach/revenue disparities*

The relative contribution made by digital output to the total revenues of the publishers in our sample that are reliant mainly on news businesses averages out at little more than a fifth: 21 percent at Fairfax, 28 percent at the New York Times Co., 26 percent at Gannett and 13 percent at Postmedia. As we have mentioned, it is common for many newspaper brands to have a larger number of readers for their print products than for their online editions via PCs (see, e.g., NRS, 2017a), but if we take mobile visitors into account then newspaper brands' digital visitors start to surpass their print readers in number. For example, on a monthly basis UK newspaper brands average 4.62 million print readers, and 3.43 million readers via PCs, but 10.48 million mobile readers (NRS, 2017b).

Why, then, is the reach that digital strategies can deliver so much higher than the revenues they can earn? One reason is the structure of the digital advertising business, with its many intermediaries—the digital advertising networks and data firms—taking a slice of the pie. Another is the vast inventory that digital offers, driving prices down through the law of supply and demand. Another is the difficulty, particularly on mobile, of incorporating advertisements into online editorial content. Yet another is consumers' reluctance to pay for digital content. However, these reasons do not, we believe, offer sufficient explanation for the revenue/reach disparity between print and digital.

A further explanation can be found in the levels of attention paid by print readers and online visitors, which differ by one or two orders of magnitude. For example, while the print editions of national newspapers in the UK are read for an average of 40 minutes per reader per day, those same newspapers' online editions are read for an average of less than 30 seconds per user per day, an 80-fold difference (see Table 1). It is reasonable to assume that there is a correlation between the attention an information product, like a newspaper, can attract from its consumers and the amount they are willing to pay for it. Products that hold consumers' attention for short periods are likely to be valued less highly than those that hold their attention for longer. Although few

publishers sell advertising based on the length of time readers spend with their brand (the *Financial Times* is one exception<sup>1</sup>), the cost of exposing an advertisement to 1,000 potential customers (the CPM cost) is much higher via printed newspapers than via websites. One estimate, by Morgan Stanley (2010: 26), put the average print newspaper CPM at around \$16.5, and the average internet CPM at around \$2.5. Such a difference would imply that the extra attention paid by print readers is already priced in to advertising costs. Some have argued for the costs of advertising to be more explicitly linked to attention. Bassett and Green (2015) proposed the metric of “Gross Attention Minutes”, which they defined as “Reach (Audience size) x Ad engagement (Av Dwell time per exposure/impression)”.

**Table 1:** Comparison of the time spent reading per day by online and print readers of 11 UK national newspaper brands.

	Minutes	
	Online usage per visitor per day <sup>1</sup>	Print reading time per reader per day <sup>2</sup>
<i>The Mail</i>	2.00	43
<i>The Guardian</i>	0.68	39
<i>The Sun</i>	0.67	32
<i>Mirror</i>	0.35	37
<i>Record</i>	0.32	31
<i>The Times</i>	0.29	47
<i>The Telegraph</i>	0.29	53
<i>Star</i>	0.26	31
<i>Express</i>	0.20	39
<i>The Scotsman</i>	0.16	38
<i>The Herald</i>	0.15	50
<b>Average</b>	<b>0.49</b>	<b>40</b>

<sup>1</sup> Includes PC and mobile usage. The monthly figure for March 2016 (provided by comScore) was divided by 31 to arrive at an approximate daily figure. Data is for the UK audience. Numbers represent whole or fractions of minutes, not minutes and seconds.

<sup>2</sup> Source: NRS. Based on reading time for Monday–Friday editions (which is lower than for Saturday and Sunday editions). Data is an average for the period April 2015–March 2016 and for Great Britain.

Originally published in Thurman (2017).

So, looking at how audiences allocate their attention, rather than simply relying on reach, can help to explain newspapers’ continuing financial dependency on print. But could audience measures be more than a diagnostic tool? Might they also have been a contributory cause of the crisis? For many years,<sup>2</sup> newspapers reported their multiplatform audiences using different time periods. On a daily or weekly basis for

<sup>1</sup> Since 2015 the *Financial Times* has sold advertising space on a “cost per hour” basis (FT, 2015).

<sup>2</sup> For example, from at least 1996 until 2012 in the UK (Thurman, 2017).



print and monthly for online. This favored their digital editions, giving them a longer time period over which to accrue audiences—a benefit of particular import because of the relative infrequency with which online readers consume newspaper brands. For example, UK newspaper brands’ websites and apps are visited an average of just 5.3 times per visitor per month.<sup>3</sup>

By comparing their print and online audiences over different time periods, and by promoting a false equivalence between print and online readers, newspapers’ accounts of their own audiences have shown a preoccupation with audience size. The measures they favored had audiences for online dwarfing audience for print, whereas, in fact, the attention captured by newspapers’ print editions has far exceeded that achieved by their online editions. For example, of the time spent with UK national newspaper brands by their British audiences over a year, 88.5 percent is still in print with just 11.5 percent coming via their websites and apps (see Table 2).

**Table 2:** Proportions of the annual time spent with each of 11 UK national newspaper brands by their aggregated British adult audiences that comes via their print editions, via PCs and via mobile devices, April 2015–March 2016 (inclusive).

	Print	PC	Mobile
<i>The Mail</i>	78%	8%	14%
<i>The Sun</i>	98%	1%	2%
<i>The Telegraph</i>	90%	5%	5%
<i>Mirror</i>	92%	2%	6%
<i>The Times</i>	98%	0%	2%
<i>The Guardian</i>	75%	8%	18%
<i>Express</i>	96%	2%	2%
<i>Star</i>	96%	1%	3%
<i>Record</i>	95%	1%	4%
<i>The Herald</i>	98%	1%	1%
<i>The Scotsman</i>	93%	3%	4%

Source: Adapted from Thurman (2017).

A preoccupation with audience size can, says Leo Bogart, lead to “erroneous decisions in the management of media content” (Bogart, 1966: 47). In the case of newspapers, that preoccupation has resulted in a focus on building digital reach, including via low-quality ‘clickbait’ content, at the expense of investments in journalism that engages audiences.

Audience measures may have been a contributory cause of the crisis, but they also have the potential to assist its alleviation by providing news publishers with a better understanding of their customers’ platform and content preferences, issues we will return to in this chapter’s last section.

<sup>3</sup> Data is for June 2016 and covers the UK audience of the *Guardian*, *Daily Mail*, *Telegraph*, *Mirror*, *Express* and *Sun*. Source: comScore.

### *The sustainability of newspaper brands*

Our examination of the digital transformations and revenues of a range of publishers raises some important questions about the sustainability of newspaper brands in the Anglosphere. At one end of the spectrum, the New York Times Co. represents journalism as a business in a relatively pure form, very heavily reliant on selling news content to audiences and selling audiences for that news content to advertisers. Those foci, in particular on its subscribers, set it apart, we and the company believe, from many other media organizations (The New York Times, 2017). However, as we have shown, growth in the New York Times Co.'s digital revenues has failed to halt falls in its revenue overall, and, as of 2016, digital represented less than a third of its total income and was unable to support a newsroom of the size that the company feels it needs (The New York Times, 2017).

At the other end of the spectrum are Axel Springer and Schibsted, oft-touted as having made a 'successful' transition to digital (see, e.g., Burgelman, Siegel and Kissick, 2016 and Anand, 2007). With more than two-thirds of their revenue now coming from digital, we can see why they are feted by some in the business community. However, as we have shown, looking more closely at where their digital revenues come from reveals many of the sources to be ventures unrelated to news.

There is nothing new about news publishers supporting themselves, or being supported, by non-news enterprises. After all, journalism, especially of the serious kind, is not always a profitable product. For example, some 'quality' British newspaper brands—like the *Times*, *Sunday Times*, the *Guardian* and the *Independent*—lost money for decades (see, e.g., Turvill, 2016), carried by owners with other sources of income. Such subsidies and support are no less necessary now, as other sources of income for newspapers are in decline. For example, the unbundling of classified advertising from the editorial content of newspapers following the emergence of cheap—or free—online alternatives, such as Craigslist and eBay, has decimated a revenue stream newspapers used to rely on—in the US for between a quarter and a third of revenue (Edmonds et al., 2013).

The issue, then, is not so much where the non-news revenues of the likes of Axel Springer and Schibsted come *from*, but rather where they go *to*. Although Axel Springer recognizes that “quality journalism [is] indispensable [...] for [...] society” (Axel Springer, 2016: 5) and says “journalism [...] always will be the foundation of our business model” (19), the question is how much will quality journalism, in the future, remain a visible monument to such companies' activities or instead become an artefact buried under new strata of digital businesses operating in different contexts.

The signs are decidedly mixed. Fairfax Media has announced plans to unbundle its successful real-estate listings portal, Domain, from the rest of the business in order to “maximise returns for [...] shareholders” (Ward, 2017) and has said that it will not “prop up or cross-subsidize newspapers”, running them “only as long as they are profitable” (Mathieson, 2013). Axel Springer's CEO Mathias Döpfner says that, as a publicly listed company, they cannot do journalism “out of nostalgia”. Unless journalism can have a “real, profitable business model” and make a “contribution to other businesses” without subsidies, it has “no future” he says (Doctor, 2015a).

This focus on financial return is an almost inevitable consequence of these companies' corporate structures. It would be naïve to expect shareholders at Axel Springer or Fairfax to support loss-making news brands. It is also naïve, as we hope we have shown, to interpret these companies' financial results, and the statements they make about their digital transformations, at face value. In particular, we must eschew the assumptions that digital distribution is halting, or reversing, newspapers' decline and that corporate institutions will, over the long term, continue to cross-subsidize journalistic activity. All this does not necessarily mean an end for journalism. For Döpfner it is a challenge: publishers need to make journalism something consumers desire, so that they will pay for "great storytelling ... information [and] entertainment" (ibid). We will return to some of the ways this challenge might be met a little later. First, however, let us consider briefly the wider consequences of newspapers' decline.

## Consequences

News is relatively resource-intensive to produce. But while the cost of journalism is high, the lack of journalism comes at an even higher cost. In societies where the media are unfree or weak, corruption is not revealed, people abuse power without being exposed and people's lives and opportunities are adversely affected (Waldman, 2011: 246–7).

On the supply side, media shadows emerge as geographical areas and particular issues—such as suburbs, local government, private enterprises and church affairs—are given lower priority or are overlooked by news media due to commercial or resource considerations (Nord and Nygren, 2002). There are further risks of decreases in the width, depth and quality of reporting, as resource-intensive investigative journalism seldom generates higher advertising revenues. In the current climate, scarce resources are more likely to be allocated to the creation of content that generates revenues quickly than to tasks such as fact-checking (Bakker, 2014).

Two further issues on the demand side exacerbate the consequences of the reduced resources (see, e.g., Doctor, 2015b) in editorial departments. First, social media, search engines and aggregators have become an important source of news for many, especially younger users, taking a key role as distribution channels for news media (Newman, 2016). Algorithmic selection and prioritization of content may expose users to a narrower range of news content and give higher priority to unreliable sources (Allcott and Gentzkow, 2017).

Second, an increasing proportion of the population rarely or never consumes news. Young people and those with lower levels of educational attainment and interest in politics are over-represented in this group. The proportion of non-newspaper users is increasing the most, but the proportions of radio and television audiences who do not consume news on those platforms are also increasing (Trilling and Schoenbach, 2013).

These two demand-side trends amplify the consequences of media shadows on the supply side, leading to questions about whether intervention is required in order to support public-interest journalism. This chapter now turns to explore two types of remedy: policy-based and product-based.

## Remedies

### *Policy-led innovation and entrepreneurship*

Due to the current crisis facing news institutions, discussions about media policy have, increasingly, focused on economic sustainability, motivated by concerns about the ability of legacy news providers to fulfil their established roles. A key question is whether incumbents should be subsidized or whether a different approach should be taken to supporting the development of sustainable public-interest journalism. With newspaper revenues continuing to fall and commercial cross-subsidies insecure, propping up legacy news providers from the public purse would require a blank check, something governments are unlikely to countenance.

Beyond this budgetary impediment, there are other arguments against general subsidies. First, government intervention conflicts with liberal notions of freedom of expression. Second, there are competition and trade policy considerations, which may prohibit subsidies. Third, and perhaps most importantly, subsidizing incumbents could, from a theoretical perspective, limit innovation from newcomers. And because newspapers and radio and television broadcasters have been found to be significantly less innovative in product, service and process innovation than other service firms (Krumsvik, Kvale and Pedersen, 2017), subsidies directed their way may have an even stronger anti-innovation effect.

Media policy has, traditionally, tended to focus on deterring unwanted outcomes—such as monopolies or the dissemination of harmful content—rather than incentivizing innovation in the media industries. Indeed, it has been suggested that it is often “out of kilter with business interests”, impedes technology development and typically attempts “to solve yesterday’s problems” (Lund, 2016). Policy-based interventions in the crisis facing public-interest journalism require, then, something of a culture change in policy circles. We would argue in favor of such interventions as long as they enable innovation and entrepreneurship.

It is all very well talking about innovation in general terms but how best can journalism prepare for the future? In the next section, we take a product perspective on the problem, and suggest that news organizations need a better understanding of the public’s needs and desires in order to deliver value to their consumers.

### *The product perspective*

The challenges presented by changing technology, audience behavior and revenue require clear thinking and level-headedness. In seeking solutions, it is critical to determine whether the focus is on journalism or the institutions of journalism. Journalism represents practices designed to ensure veracity and accuracy of news and to treat subjects of news coverage fairly. These practices developed first in print, then news agencies and television, and they are now employed by professional journalists and by others working in a variety of digital forms. The institutions of journalism are the organized workplaces and labor settings in which journalism is practiced. These institutions have produced and distributed news and information for three centuries, with commercial interests being central to them for the latter half of that history.

Institutional determination of what is news and how it should be covered, presented and distributed has been significantly influenced by institutional interests, and these sometimes produce deviations from the best practices of journalism and from the information desired by news consumers.

Although there is some concern about journalism, most sustainability concerns are focused on the institutions of journalism. Journalism is evolving, finding effective ways to use digital opportunities, and changing to embrace the interactivity and new functionality provided by digital platforms. Journalism institutions and many journalists working in them have, however, embraced the idea that the challenge in the digital world is primarily how to monetize digital media and increase revenues. Only limited attention is being paid to the nature of the journalism practiced and the kinds of content provided. The latter is thought of primarily as a means of driving readership upward on various platforms in the wishful pursuit of advertising revenues. This institutionally focused strategy is designed to serve institutional interests rather than to improve the institution's offerings. Pursuing solutions to the revenue challenge masks a far greater challenge—the news product itself.

All products serve purposes, and their popularity and survival are affected by their usefulness, available resources, changing technologies, lifestyle shifts and social fashion. These factors have, over time, affected products as fundamental as salt (Kurlansky, 2003), complex products such as steam engines that endured for three centuries before being replaced by other forms of power production (Hills, 1989) and indulgences such as cigarettes that were glamorous and then reviled (Brandt, 2009). Products are reflections of the cultures in which they are produced, and products are not equally successful across cultures (Rapaille, 2006) because they are not equally useful or do not fit lifestyles, cultural values or individual needs.

Applying the product perspective to news involves understanding its necessity, the functions it serves for consumers and the requirements that news products must meet. These elements are essential for all product design (Ulrich and Eppinger, 2015). It is easier to apply product design principles to new products. It is difficult for existing firms with well-established products to adapt them over time because institutional history, culture and practices often conflict with needed innovation.

Determining the nature of news products requires significant consideration today. News is not organic. It is based on cultural and political values and the interests of those providing it. Determining its nature was less of a challenge when there were few options for consumers and monopolies or near monopolies existed in news and information in print and television. Even in those conditions, journalism research showed public disagreement with journalists and editors over what constituted news and how it was presented, a sentiment that continues (van der Wurff and Schoenbach, 2014). The public is not well served, for example, by procedural coverage of politics and public agencies and constant commentary; it needs broader understanding of issues and explanations of developments (Heider, McCombs and Poindexter, 2005). Horserace coverage of elections is criticized because it drowns out content that provides understanding about candidates' views of issues and their visions (Craig, 2014). News about crime focuses on salacious details of individual crimes, but rarely on its broader social implications (Graber, 1980). In nearly every category of news that has been studied—foreign relations, domestic social policy, education, health, etc.—research has

revealed problems associated with an overemphasis on event-centered and breaking-news reporting and with needs and desires for more explanation in news reports (Heider, McCombs and Poindexter, 2005; Dagnes, 2010). Nevertheless, the event-centered style has continued, because it fits institutional needs by making planning easier, reducing costs and reinforcing clear newsbeats. In today's high-choice environments for news and information, however, many readers and viewers have already moved away from legacy news providers and continue to do so.

Journalism faces new economic conditions for production and distribution, new funding methods, more participatory audiences and more opportunities than in the past (Picard, 2014). This environment is challenging because journalism has never been a viable commercial product on its own. It has always depended on subsidies and financial streams from activities such as commercial printing and advertising, as well as on monopolies and exclusivity arrangements, to make it financially feasible (Picard, 2016).

Nevertheless, there are now more types of journalism operations than in the past. Never have we had such an array of journalism practice, primarily because the economics of digital environments are friendlier to news and information start-ups, and digital platforms support a variety of business models (Picard, 2011).

A fundamental challenge in the digital environment is that news consumers are shifting from single-destination sources to distributed media sources, increasingly obtaining their news from a variety of platforms and services. This is creating a shift away from traditional mass media markets to the serving of smaller audiences and individuals. Such a change requires news providers to pay greater attention to individual motives, needs and expectations, personal interests and tastes, individual lives and social contexts, and the locations and settings of individual media use. This requires news providers to have a much better understanding of their consumers than in the past, whether those providers wish it or not.

News providers today must understand what their platforms and services provide to customers and what customers like and dislike about them. They must consider how they can deliver better value, the functions they are performing for customers, the emotional and expressive needs they are satisfying, the problems they are solving for customers, how they can make customers' lives easier or more enjoyable and what customers' expectations are and how they can be exceeded. Accomplishing that requires deep consideration of value and value creation (Picard, 2010).

Fundamentally, this requires news organizations to shift from a goods logic to a service logic. The focus cannot be on creating a newspaper, newscast or online site that is available to customers but does not have customers at the heart of its thinking. There must, instead, be a customer-centric approach in which the organization helps customers to solve their informational and news needs. To be successful, news organizations must establish and maintain relationships with their news customers so that they can anticipate and solve their needs through a variety of interactions on various platforms.

These platforms and products should not be perceived as substitutes, however. Each must be valuable independently of the others and collectively they must provide greater value than the sum of their individual values. The purpose of multiple platforms and

products should not be merely to find new customers, but to increase and improve contact with existing customers.

There are no easy solutions to the challenges currently facing news providers. They must, therefore, have a heightened awareness of those challenges, commit to better servicing the long-term interests of news consumers rather than focusing on their own short-term needs and invest in improvements that meet those customers' needs.

## **Conclusion**

This chapter has considered the crisis facing newspapers in some highly developed economies, describing the decades of dwindling circulations and the post-millennial retreat in revenues, a trend that accelerated following the Great Recession. Newspapers' consequent digital-first strategies have failed to reverse their fortunes. The combination of undersized, inattentive online audiences and the particular characteristics of digital media and advertising explain why, by 2016, news outlets remained reliant on print for an average of around 80 percent of their revenues. With most of those outlets contracting, it is no surprise to see owners diversifying out of the newspaper business and ruling out cross-subsidies for journalism in the long-term. While the contractions that have affected newspapers in the past, and will affect them in the future, have, undoubtedly, resulted in the emergence of media shadows, to the disservice of democracy, we have some hope that this situation can be alleviated.

To come to this conclusion, we needed to separate the fate of newspapers as institutions from the fate of the journalism that they have, traditionally, produced. While we hope, and expect, that some newspapers will survive, it may be that other individuals and institutions are better adapted to produce the news products demanded in the digital age. Policy and regulation need to change to encourage innovation and entrepreneurship in the news business, whatever their source. And that innovation needs to be based around a better understanding of what audiences want and need from news. Better metrics will help—those that value attention, not just reach—and so will an increased appreciation of the public's desire for analysis, explanation and personalization, and of their platform and presentational preferences.

Newspapers are diminishing, unlikely to return to the levels of popularity and influence they once enjoyed. Journalism, however, does not have to follow the same trajectory. Indeed, it should not. These troubling times require an abundance of its best qualities.

## **Further reading**

Neil Thurman's (2017) article, "Newspaper consumption in the mobile age: Re-assessing multi-platform performance and market share using 'time-spent'", argues that newspapers should look beyond the number of readers they reach if they are to capture the character of multiplatform consumption, demonstrates how this can be done and analyses the results of doing so. The progress being made by news publishers in building digital revenues, in particular via subscriptions, is described in Myllylahti (2017). Robert G. Picard's (2010) *Value Creation and the Future of News Organizations: Why and How Journalism Must Change to Remain Relevant in the Twenty-First Century* argues that the fundamental value of news products needs to be reconsidered in the digital age, that traditional value creation is insufficient and that new value must be sought.

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