

Media & Content Industry: Newspaper publishing case study

Study commissioned by IPTS

Paris, 13 December 2011, Andra Leurdijk, Mijke Slot, Otilie

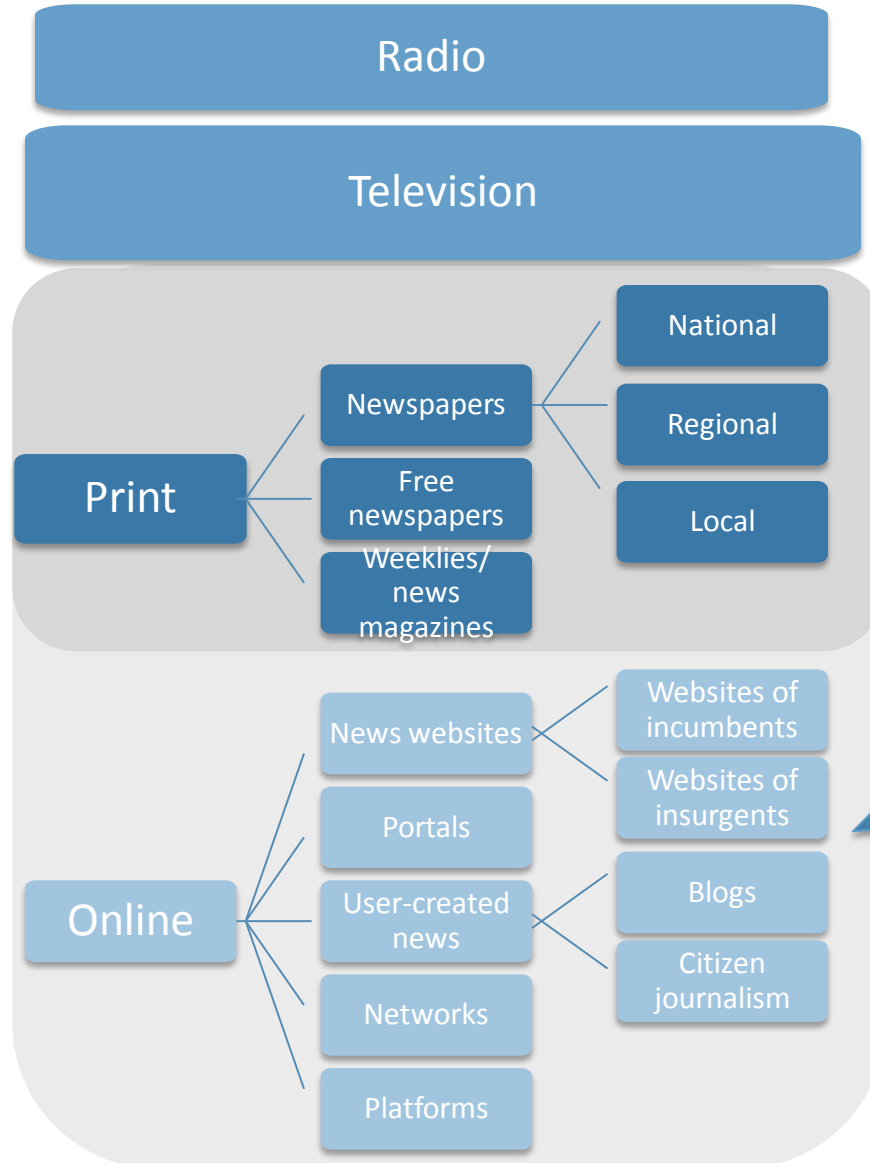
Nieuwenhuis



Main questions

1. What are **the main economic developments** in the newspaper publishing sector?
2. How have digitisation and the internet affected the **value network and business models** in the newspaper publishing sector?

The news sector



Online news production only partly included in Eurostat statistics on MCI

Characteristics of newspaper publishing sector: market structure

- ✓ Cost structure: high first copy costs (production/printing/distribution), rapidly declining average copy costs

Editorial costs	15-30%
Printing	15-25%
Distribution	20-25%
Marketing & overhead	15-20%

- ✓ Strategies of control: economies of scale and scope, scoops / quality / lifestyle, copyrights

Source: TCITP 2009

Characteristics of newspaper publishing sector

Revenue structure of the two-sided newspaper industry

Selling...

...newspapers to readers



43%

Note: percentages of global market

...audience attention to advertisers



57%

Source: PWC (2009); OECD (2010)

Characteristics of newspaper publishing sector

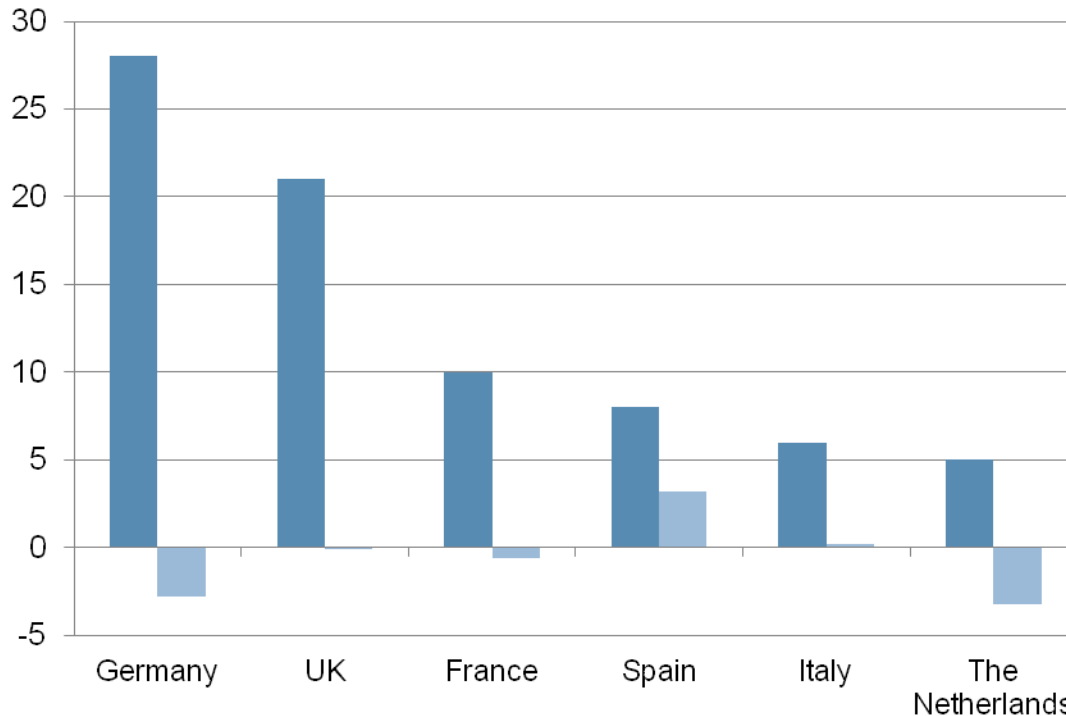
- ✓ Cultural and linguistic barriers make news consumption **geographically limited** (with few exceptions, e.g. Financial Times)
- ✓ Most EU countries have **large regional and small national markets**, except UK & NL
- ✓ **Less concentrated** than other sectors in the creative industry. However: during 80's/90's **concentration increased**. Newspaper publishers have become part of major media conglomerates, which are active in **different countries** and in **different media sectors**.

Major Newspaper Publishers in EU (in circulation)

Company	Headquarters based in	Revenues / employees in 2010	Other activities
WAZ	Germany	1,98 bln € / 17,000	Magazines, Online, Radio
Ringier	Switzerland	858,4 mln €(2009) / 8,129 (2008)	Magazines, Online
Schibsted	Norway	13,79 bln NOK / 7,500 (2011)	Online, TV, Film
Axel Springer	Germany	2,893,9 bln € / 11,500	Magazines, Online, Radio, TV
Bonnier AB	Sweden	4.24 bln USD / 10,820 (2011)	Books, Online, Radio, TV, Film
Sanoma	Finland	2.761.2 bln € / 20,000	Magazines, Books, Online, Radio, TV
Mecom	UK	1.414.8 mln €	Online
Lagardère	France	7.966 bln € / 28.510	Magazines, Online, Radio, TV, Books

The European newspaper publishing sector:

Share of EU member states in the total value added of newspaper publishing in EU27 in 2007 and average growth 1995-2007(%)



Source: TNO based on Eurostat

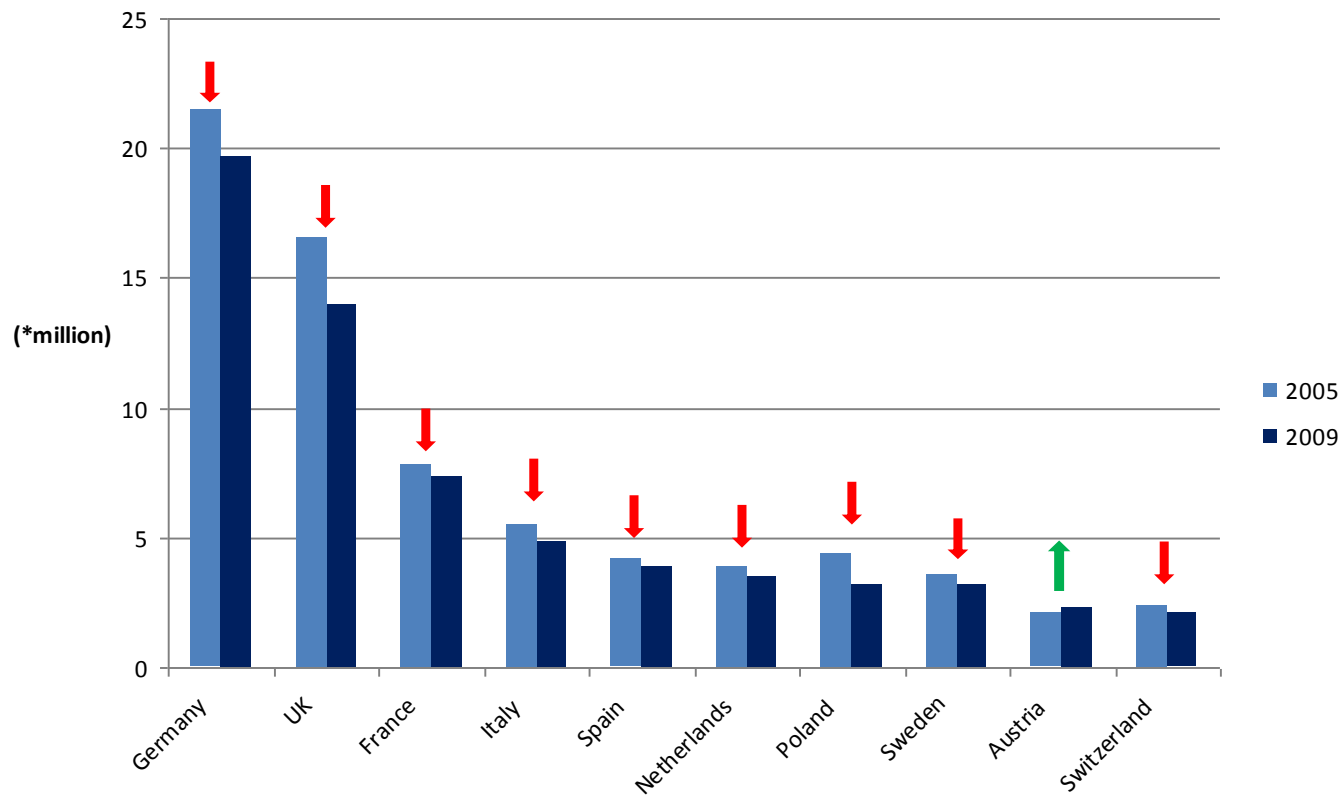
■ Share
■ Growth

✓9,000 companies &
302.3000. employees

2007	Germany	UK	France	Spain	Italy	The Netherlands	Other EU countries	Total
Absolute figures x billion €	4,45	3,33	1,58	1,27	0,95	0,79	3,49	15,898

Market developments: decline in circulation

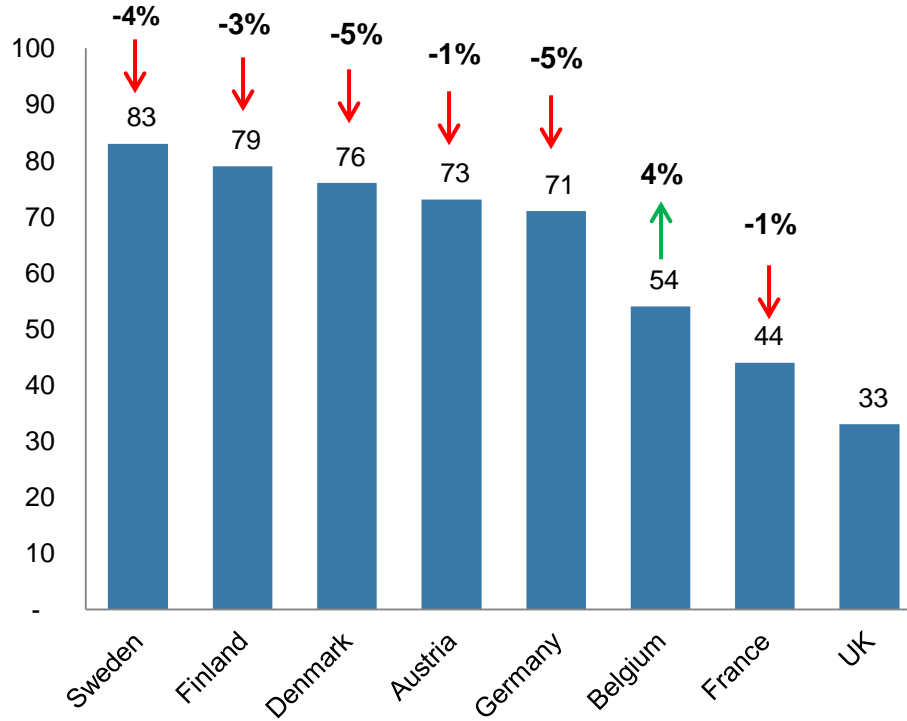
In EU countries with largest paid for circulation, 2005-2009, in millions



Source: WAN (2010)

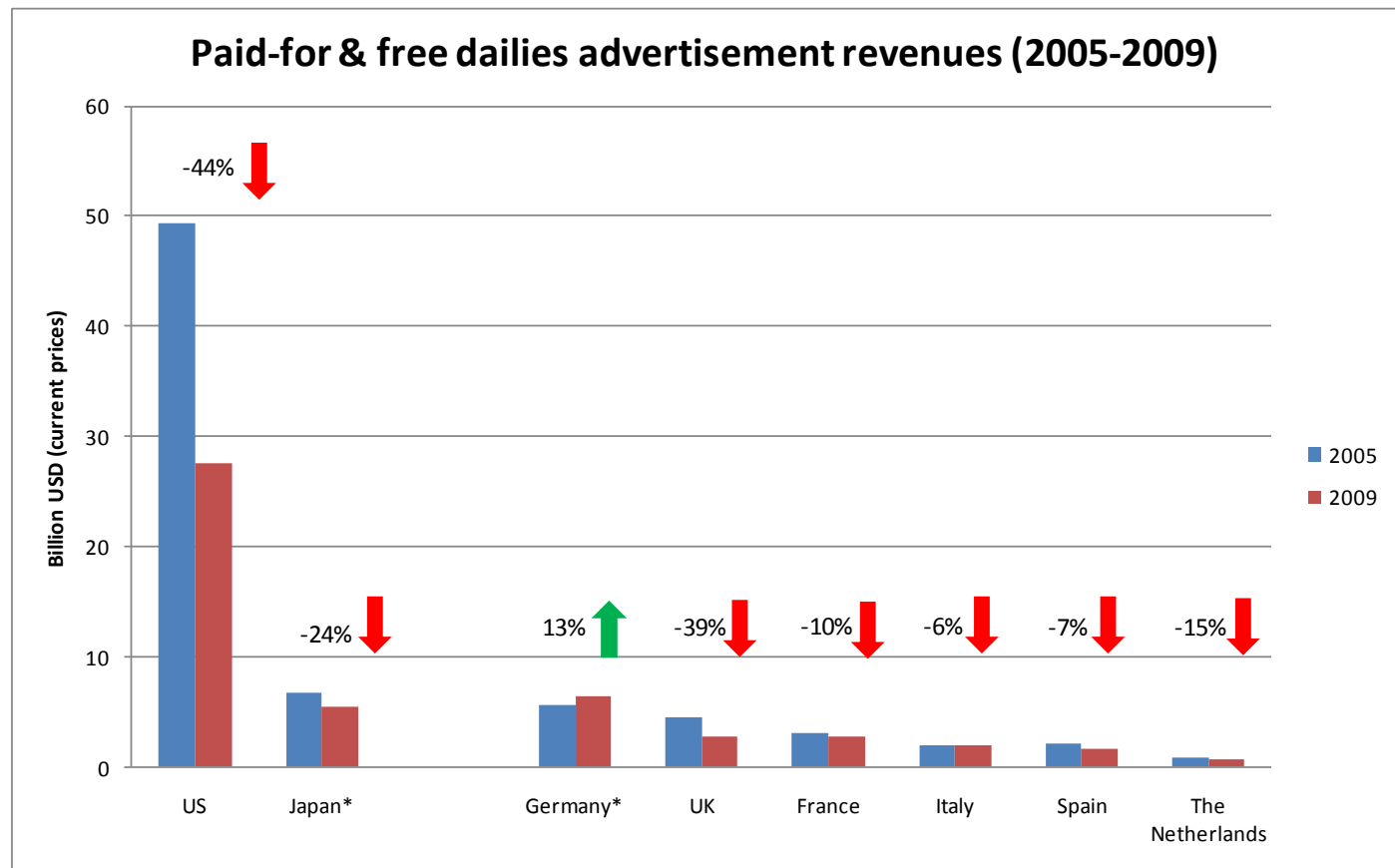
Market development: decline in print news consumption

Daily newspaper reach in European countries, % of adults (decline in 2009 compared to 2005)



Source: OECD (2010), WAN (2010)

Market developments: decline in advertising revenues



Paid-for & free dailies advertisement revenues (2005-2009). (Data source: WAN, 2010). (* Most recent data = 2008).

Strategies in response to declining readership and advertising revenues

- ✓ Free newspapers:

In 2000, free dailies entered the market in Europe, in 2004 circulation of free dailies was 15 million copies; by 2008 30 million copies

- ✓ From broadsheet to tabloid size newspaper

- ✓ Improving offer for consumers and advertisers with special sections and magazines



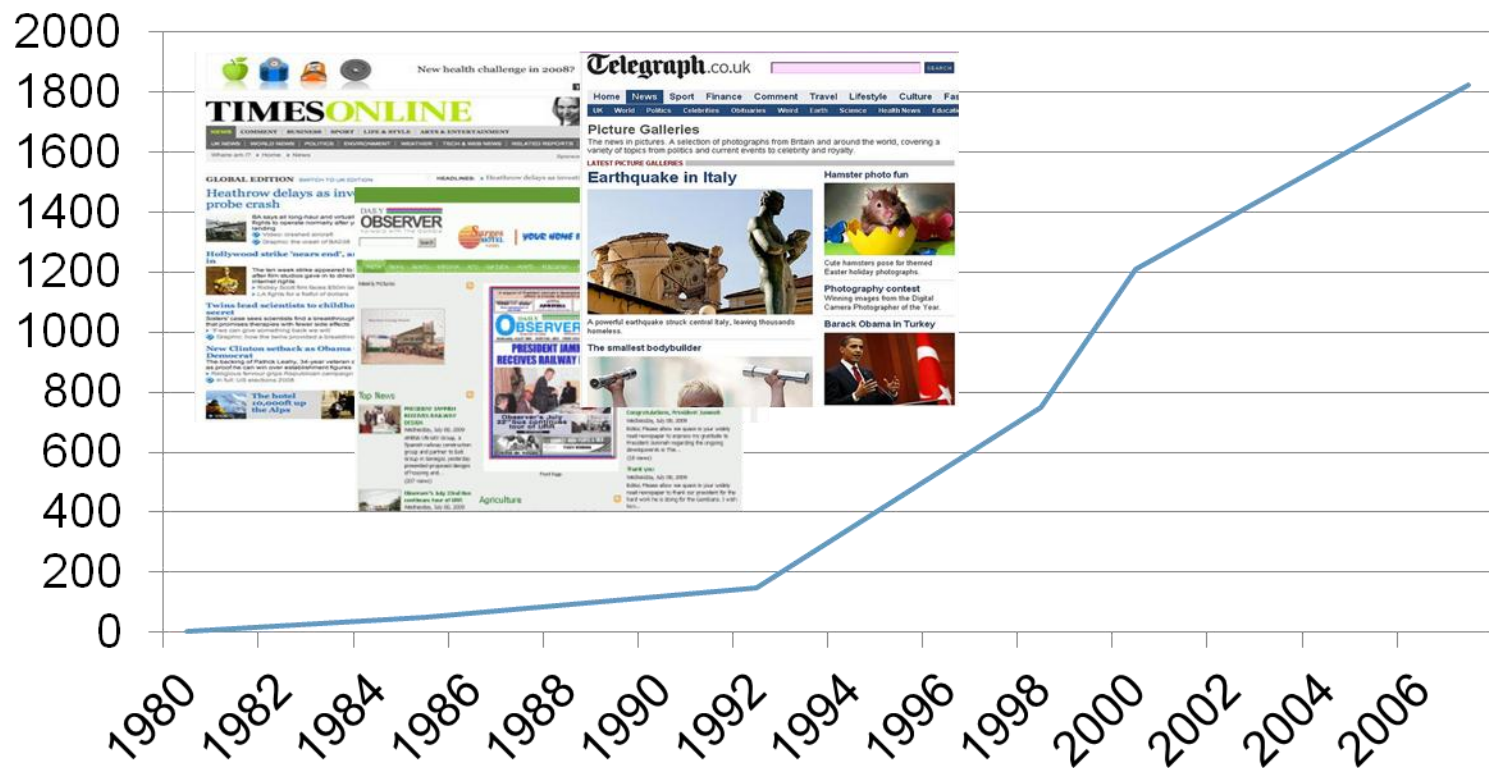
Impact digitisation & internet: production

- ✓ More efficient, faster production of news, more opportunities for research, for presenting news, for interaction with readers
- ✓ Lower entry barriers (lower costs for production and distribution) → Increased competition .



Impact digitization & internet: production

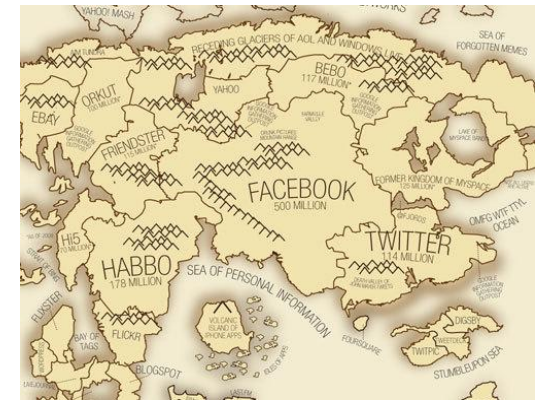
Number of online news sites owned by newspapers, 1980-2006



Source: Boczowski (2005); WAN (2001; 2008)

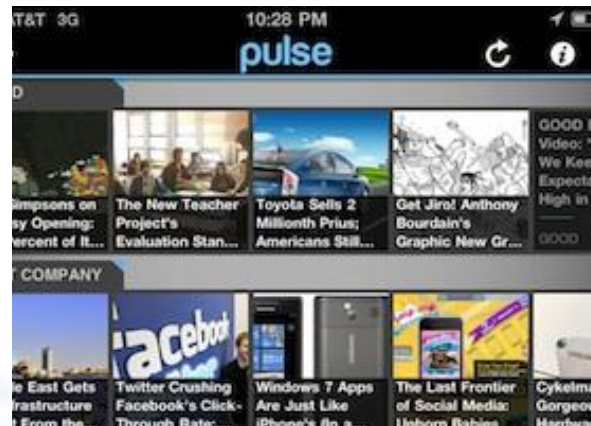
Impact digitisation & internet: **new services**

- ✓ New services and products
 - ✓ Online newspapers
 - ✓ Tablets, mobiles, smartphones
 - ✓ Social networks
 - ✓ User involvement (bloggers, Pro-AM)
 - ✓ More interaction with readers



Impact digitisation & internet: **aggregation**

- ✓ The largest online news sites of new news providers are **aggregators** like Yahoo and Google
- ✓ Similar trend on mobile platforms: Pulse, Zite, Flipboard (**aggregators & options for customizing & personalizing news offer**)
- ✓ Controversies over **deep linking** and copy rights
- ✓ Most aggregators **do not invest in original** news production



Impact digitisation & internet: **consumption**

- ✓ *Users as **producers**: Citizen Journalism and User Generated News*
- ✓ *Users as **distributors** and **marketeers**: distribute and share news on Facebook, YouTube etc.*



Impact of digitisation & internet: new business models

- ✓ The demand for and instant access to news is increasing
- ✓ Digital news consumption is more than making up for the decline in traditional news consumption
- ✓ But: online revenues are far from compensating loss in revenues from print advertising & circulation
- ✓ Some newspapers have re-introduced paymodels; still too early to determine their success



Main dutch 'pure internet player': Nu.nl

ONVZ zorgverzekeraar [Meer informatie >](#)

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Nieuw! Deze week Deze maand Dit jaar **Trefwoorden** **Mijn vrienden** [Toon alleen video](#)

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Gezondheid
Lifestyle & Fashion
Muziek & Boek
Media
Film
Games
Verkeer
Overig

Is duurzaam ondernemen de weg naar economisch herstel?
 www.verenigingachmea.nl
Klanten willen alleen nog duurzame kleding, zegt Karlien, eigenaar van een kledingwinkel. Is dat waar? Is duurzaam ondernemen de enige weg naar...
131 reacties | 194 clicks [klik hier om te reageren](#)

Best gewaardeerd

37 STEM **Goldman Sachs de vijand van het volk**
 xandernieuws.punt.nl
Het grote globalistische Goldman Sachs project -totale controle over zowel Amerika als Europa- nadert dus zijn voltooiing. De tentakels van de...
10 uur 15 minuten geleden door FreeAmind
Economie | 25 reacties | 77 clicks X NUunet

1 STEM **Wilders wil hypotheekrenteaftrek absoluut handhaven**
 www.nu.nl
Geert Wilders van de PVV wil de hypotheekrenteaftrek absoluut handhaven. Hij bevestigde dinsdag uitspraken in De Telegraaf

25 STEM **Politie zoekt vermiste Samantha Zeebregts**
 www.politie-rotterdam-rijnmond.nl
De politie is een zoektocht gestart naar de 15-jarige Samantha Zeebregts uit Spijkenisse. Het meisje wordt sinds zondagmiddag vermist. Volgens...

THE HUFFINGTON POST

- ✓ 9000 bloggers
- ✓ 25 million monthly visitors, 15.6 million page views per weekday, 2011 (by comparison: NYT: 40 million monthly visitors)
- ✓ Engaged readership, high response rate in posted comments
- ✓ Business model: low cost content production through aggregation and blogging, sophisticated tools to drive visitors to its site and income from display advertising
- ✓ Controversies over payment for bloggers and deep linking

Strengths and weaknesses of EU publishing market

Value network	Strengths	Weaknesses
Production	<ul style="list-style-type: none"> • Large number of companies, titles, circulation • Strong online presence • In some countries: public support 	<ul style="list-style-type: none"> • Different levels of public support • 'Conservative' sector
Aggregation & Distribution		<ul style="list-style-type: none"> • Fragmented market • Lack of cross-border circulation due to linguistic and cultural differences
Business models	<ul style="list-style-type: none"> • European newspapers less dependent on advertising than US 	<ul style="list-style-type: none"> • Declining circulation, readership, advertising revenues • Online revenues do not compensate losses in print advertising & subscription

Opportunities and Threats for EU news publishing market

Value network	Opportunities	Threats
Production	<ul style="list-style-type: none"> • Benefits of scale through mergers and acquisitions, shared facilities (e.g. sales of advertisements for different titles and media) • Lower entry barriers • Cross platform production • Esp. English online news services have growth potential • Users contribute to production 	<ul style="list-style-type: none"> • Increasing competition from broadcast & online news providers • Less investment in original news production (esp. on regional level) • Loss of diversity (?)
Aggregation & Distribution	<ul style="list-style-type: none"> • Mobile platforms taking off • News Apps & e-papers • Cross platform marketing 	<ul style="list-style-type: none"> • Loss of control over value chain
Business models	<ul style="list-style-type: none"> • New pay models: donations, • Paywalls for extra and specialist services • New advertising options 	<ul style="list-style-type: none"> • Platform & hardware owners take substantial shares of revenues, mostly US companies

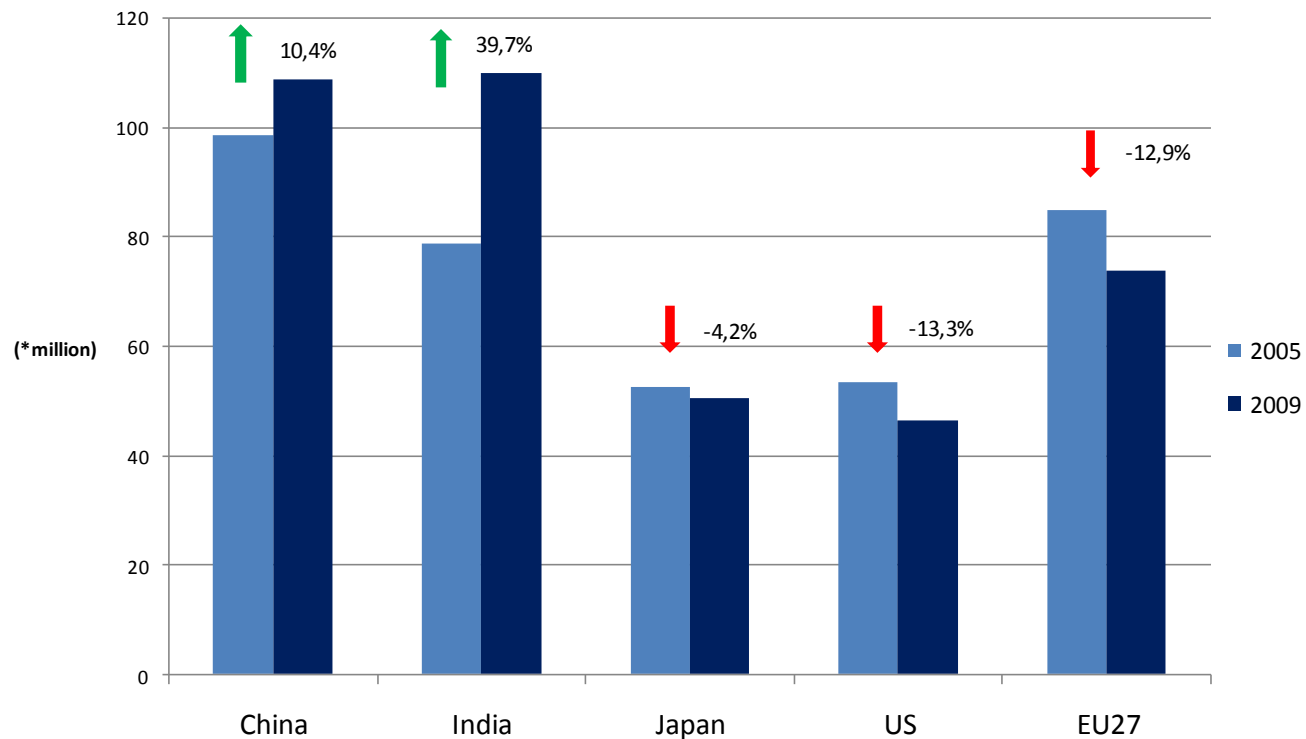
Conclusions / discussion

- › Legacy news providers still own brand, can combine print & online & mobile for cross platform production/distribution/marketing/sales
- › Profitable online business models still mostly lacking, recent take-off of mobile platforms might offer new revenue opportunities
- › Production, aggregation and distribution no longer controlled by same company. Main news aggregators are US companies.
- › Overall decline in revenues is serious threat to investments in original news production in some news genres, in smaller markets → alternative funding models required

Some extra slides

Competitiveness

*Total average circulation in China, India, Japan and US, million USDs
(2005 and 2009)*



But: structural downward trend in EU27, US, Japan

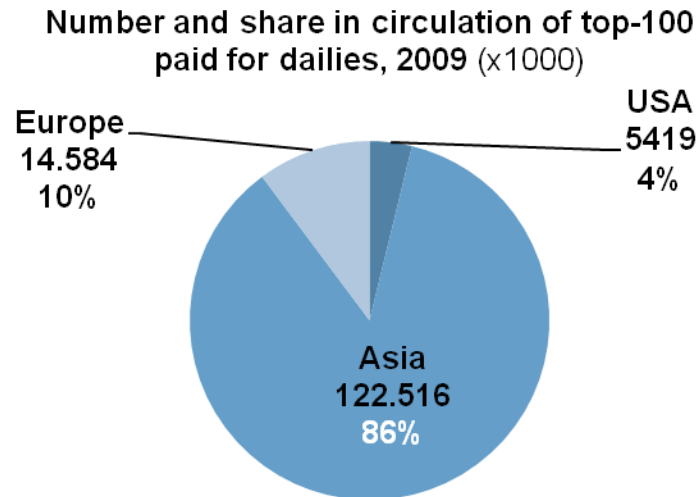
External trade in newspapers, journals and periodicals

for each EU country, x €1000 (2006)

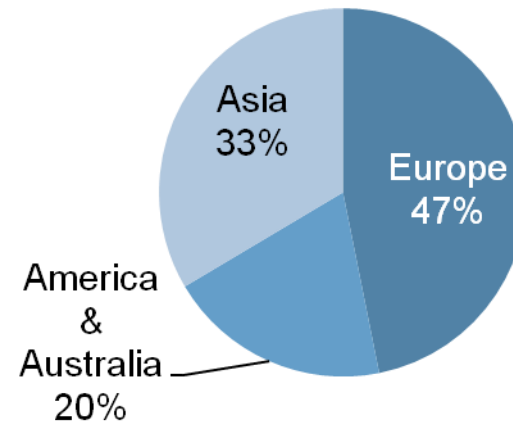
	Import			Export		
	Total 1000EUs	Intra-EU 27 (%)	Extra-EU 27 (%)	Total 1000EUs	Intra-EU 27 (%)	Extra-EU 27 (%)
BE	288553	97	3	170786	99	1
BG	4938	96	4	1791	70	30
CZ	96797	100	0	112627	81	19
DK	44110	54	46	63219	71	29
DE	324398	88	12	852628	74	26
EE	2179	64	36	14956	34	66
IE	137699	100	0	25681	97	3
EL	17638	83	17	10599	96	4
ES	159572	98	2	139480	67	33
FR	424794	91	9	403967	73	27
IT	183161	97	3	185712	75	25
CY	30522	100	0	4237	100	0
LV	10859	69	31	2394	70	30
LT	1722	52	48	19398	17	83
LU	29539	100	0	10906	100	0
HU	32550	97	3	6934	83	17
MT	6870	97	3	180	0	100
NL	91564	79	21	125562	87	13
AT	179487	96	4	48551	90	10
PL	24529	91	9	165497	70	30
PT	93417	91	9	3702	43	57
RO	11356	93	78	519	70	30
SI	22421	72	28	18913	16	84
SK	20167	98	2	49128	64	36
FI	56693	95	5	123656	42	58
SE	87420	91	9	26069	34	66
UK	250666	73	27	625902	68	32

Source: Eurostat

Impact of digitisation/internet on competitiveness



Unique visitors top-100 newspaper websites, 2009 (%)



EU news providers have strong online presence?

Source: TNO based on WAN (2010)