

Newspaper Trends and Issues

By John Zarwan

Perhaps no print medium has had a tougher time over the last decade than newspapers. Fewer people read newspapers, and those who do spend less time with them. Newspapers find it increasingly difficult to compete with other media, as they are unable to provide the immediacy and breadth of coverage available elsewhere. For example, Quebecor Media, owners of Sun Media Corporation, Canada's largest national chain of tabloid and community newspapers, announced in late March a major shake-up and an ambitious shift to a engage the public in its digital strategy. Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor Inc., said experimentation and change are essential for media organizations to succeed in a world buffeted by new technologies. "I think there is no other future for conventional media . . . than to migrate to this model."

Newspapers have traditionally been the primary medium for local advertisers, but increasingly these advertisers have alternatives. The rising cost of paper and distribution continues to increase advertising costs. Globally, but particularly in North America, newspaper revenue, the number of papers, circulation, and readership have all declined. The decline in newspaper readership predates the Internet but has accelerated in the last decade as readers increasingly go online for their news.

But newspapers continue to retain some significant advantages. They have a high degree of familiarity, loyalty, acceptance, credibility, and respect, although the latter is declining. Newspapers are distinguished by their depth and range of content. They are local, and cover local events in a way that more distant media cannot. Their archive is a key asset. Newspapers have been very durable. They have shown an ability to evolve their offerings: adding colour; targeted direct market products; flexibility; versions; specialty products; free publications; and Web-based products. And, perhaps most important, they remain very profitable. Even with decreasing circulation, margins remain healthy – 20% or more, and rising. This enables them to continue to leverage their assets and fund investments in new business development and acquisitions.

Canadian newspapers haven't been hit as hard as their counterparts to the south. The number of newspapers has been relatively stable, down from 120 in 1980 to about 100 today, with only 7 papers folding in the last 15 years. Circulation also has been relatively stable, declining from a peak of 5.8 million in the early 1990s to about 4.9 million today and essentially flat for the last 7 or 8 years. Similarly, advertising expenditures have been basically flat since 2000 at \$2.6 billion.

Nevertheless, as newspapers get more than three-fourths of their revenue from advertisers, these trends matter a great deal. Advertisers will follow readership, and advertis-

ing remains one of the central challenges facing the industry, as it loses share to other media.

Newspaper advertising is made up of national, local and classified ads. All three are under attack. Local and regional businesses are consolidating into national ones. As a result, traditional newspaper retailers are losing their own market positions to retailers such as Wal-Mart that, to date, have not used much newspaper advertising. Classifieds, the highest margin category, are being siphoned away to less expensive or free on-line sites. In addition to well-known sites such as Monster, Workopolis (itself owned by three newspaper publishers) and Craigslist, less obvious companies are moving into classified. eBay, for example, has become a major player in the classified market, dwarfing newspaper listings.

Nevertheless, there are a number of bright spots. First, newspapers have begun a number of niche publications and special-interest publications, including supplements targeted at ethnic groups. A fast-growing area that has been successful among younger readers and commuters is the free quick-read daily tabloids, of which there are eight in Canada. Canada also has a vibrant community newspaper market, with more than 800 editions and a total circulation of more than 12 million. Finally, online has been a bright spot as newspapers begin to figure out how to monetize their advantage online.

Newspapers are clearly migrating to the web. Although all research shows the majority of newspaper readers are still turning to the traditional print edition, it is clear that the shift away from paper to computer screens is steadily increasing. Second, the Internet allows the reader a variety of sources – some of which come from traditional news outlets – far beyond what print can provide. People do not want to wait for their news, and they do not want it to be out of date.

Despite the non too distant dream of replacing the newspaper with a single, ultra-portable electronic device that readers could use to download the day's headlines, thus eliminating the need for newsprint, ink, presses, mailroom equipment and distribution costs—more than half of a publisher's operating expenses—it is not easy to duplicate the ease and convenience of print editions. Witness the success of the free tabloids.

No medium disappears quickly, and it will be a long while before the newspaper does. While newspapers will not go the way of buggy whips or shaving brushes, certainly not within the next decade, it is clear that the future of the news business is digital and electronic editions will one day surpass the newsprint editions. **CP**

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