

Strategic analysis of the newspaper industry essay sample

[Media](#), [Advertising](#)



Abstract

The Newspaper Publishing industry is a segment within the Media industry and is made up of companies whose primary scope is to produce and print newspapers. The industry has experienced declines in both advertising revenues and readership since 2007. This decline has forced many in the industry to re-evaluate their strategy going forward. New strategies include the incorporation of online and social media as well as mobile ready electronic editions in an attempt to reach new subscribers as well as to keep current ones. Recent surveys show that this new strategy may be working as circulation revenues appear to be on the rise. This rise in circulation may be a sign that good things are yet to come for the industry and revitalization may be on the horizon. NEWSPAPER PUBLISHING INDUSTRY

A STRATEGIC ANALYSIS

The Newspaper Publishing industry is comprised of companies in which the primary scope of business is to produce and print newspapers. In recent years, the industry has experienced declines in its primary revenue sources of print subscriptions and print advertising. This decline has forced many companies to review its focus and to follow its subscribers to the digital and social media platforms. 5-Year History

The last five years have proven to be tough times for the Newspaper industry as it has experienced declines in both the advertising and circulation revenues. Because of these declines many newspapers in the industry have revisited their strategy in attempt to increase such revenues. These strategic changes began with the creation of websites and mobile

editions to make breaking news announcements. As their readership evolved technologically so did the industry. Because more readers are turning to social media to find out what is going so the industry decided to do likewise.

Many newspapers now have Facebook pages and Twitter feeds which they use to post stories and in some cases get feedback or information for other stories from subscribers. Three years ago, in response to a decline in revenues brought on by readers opting toward viewing stories for free online in order to avoid paying for print subscriptions, the industry has made a move towards charging readers to access their websites. The most recent change was made about two years ago when, in response to more and more subscribers turning to their mobile devices for news, many newspapers launched mobile friendly electronic editions featuring electronic copies of their print product. Industry Overview

The Newspaper Publishing industry is a segment within the media industry and is comprised of companies whose primary revenues are derived from the publication and printing of newspapers. Once a thriving industry it is now declining. Whereas, many companies have reduced staff, cut back on office space, or even shut down entirely. Others have sold entire business units within the company or shut down costly presses and opted to sub-contract printing to counter-act heavy losses. In his March 2005 opinion column ABC reporter Michael Malone wrote; " Newspapers are dead. They will never come back. By the end of this decade, the newspaper industry will suffer the

same death rate — 90-plus percent — that every other industry experiences when run over by a technology revolution.”(Malone, 2009)

Malone’s prediction has not entirely rang true however, as although its revenues are still declining many publishers and some investors are trying to breathe new life into the industry. Attractiveness. As shown in Table 1 below, IBISWorld. com estimates that the industry Earnings Before Interest and Taxes (EBIT) for 2014 will be around 4% of revenue compared to 11% for the media sector as a whole. Although this is a drastic increase over 5 years ago it is still lower than profits achieved prior to the industry crash in 2007.

(Ulama, 2014) With declining subscription rates and high operating costs overall as compared to the sector the industry would not appear to be very attractive to potential shareholders. A high barrier to entry also reduces attractiveness to potential investors wishing to enter the market.

Competitive strengths.

Newspapers are in direct competition with other media outlets such as television news broadcasts and the internet. Although there is some internal competition, newspapers have a competitive advantage over other outlets. One such advantage is that community newspapers are generally delivered in a small circulation area. Thus they can offer advertisers a specific market in which to advertise whereas television broadcast areas are generally much broader areas. Because of the ability to reach a specific audience newspapers can generally charge more for its advertising space. Newspapers also offer inserts such as sales circulars and coupons which give readers the ability to review options for saving money at their convenience.

This ability generally adds revenue on both the advertising and circulation ends without dramatically increasing costs to the newspaper company.

Driving forces. The key driving forces in the industry are: barriers to entry, changes in circulation demographics, changes in technology, and costs. High entry costs tend to reduce the likelihood of competition from new entrants to the market. Existing companies benefit from the ability to attract subscribers and advertisers based on name recognition. Some companies have entered into joint ventures to reduce costs to the individual papers and increase "barriers to entry." Currently, only approximately 25% of readers are between the ages of 18 and 34 years old. This number is down from a rate of 30.7% as little as five years ago which shows that the upcoming generations are less likely to read the newspaper than before. (Ulama, 2014)

By keeping up with changes in technology the industry can find ways to appeal to the younger generations and therefore increase readership. Finally costs can be a driving force to the success of the industry. Through the development of consortiums some members of the industry have been able to harness their purchasing power and reduce some costs. However, the cost of paper, wood pulp, and ink are the most volatile. Projections. Although the industry has made several key strategic changes over the last five years the industry still appears to be in an overall declining state. However, as shown in table 2 below, the Newspaper Association of America research shows that circulation revenues may be on the rise.

As this may be an indication of what is yet to come over the next five years; I am of the opinion that as advertisers begin to see a return in subscribers

they will be more willing to spend their advertising dollars in the industry and revitalization will occur. However, to keep this upward trend the industry must continue to evaluate their strategy and incorporate new technologies as they come and keep their products in the hands of the younger generation.

In conclusion; due to high costs, advances in technology, and an aging readership market, the last 5 years have proven to be very strenuous years financially for the Newspaper Production industry. Recent changes in strategy have enabled the industry to recover a small portion of lost circulation revenues but advertising revenues still lag behind. Continued strategic evaluation and changes may prove to be beneficial to the industry and a potential revitalization may be on the horizon.

References

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