

External environment analysis for the newspaper industry media essay



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The Newspaper industry is going through a decline and is suffering through what could be its worst financial crisis as the advertising revenues are plummeting due to the economic downturn. Following the downturn in print media industry several newspapers either forgo their daily print for web or have cut the delivery of print version to 3 days a week, Major publication houses filed bankruptcy. The situation is alarming and same across Britain, US and Europe. The Decline of once great newspaper is not without cost, it means the end of certain kind of civic sensibility that was build on broad agreement about what is important and what is not. Is it the end of the Newspaper Industry?

The industry is in the midst of reconstruction buffeted by deep recession. That is battering crucial advertising revenue, structured challenges as consumer turns to free news and information on web. Before year 2000 newspaper industry was a cash cow and people working as journalist never worried about looking for another job. But then internet posed threats to the business model and forced industry to cut down on cost, profit margins and reduce work force. According to American Society of news editors employment in newsroom has fallen by 15% in last two years. Advertising has been shifting from print media to new media resulting decline in profits. Paid Circulation has declined while advertising revenue which makes bulk of the newspapers income has also declined. The traditional use of newspaper being delivered at home is changing.

Introduction of internet

2. 1 Effect of internet

Technology has not broadened the audience for news but has enabled well informed people to become better informed. Newspapers even have more readers than ever but problem is that “ fewer of them are paying”.

Consumer feels like a fool paying because they get fair selection of useful information free online. With the increasing online readership advertising brought a rising tide of revenue for aggregators, search engines there by affecting the revenue of newspapers.

2. 2 Industry Reaction

Business model which newspaper industry was following is not viable with intervention of technology. It was based on 3 revenue sources newsstand sales, subscription and advertising and now it relies only on advertising.

Henry Luce co-founder of time found this notion of relying on ad revenue is “ Morally abhorrent” and “ Economically self defeating”. Internet has broken newspapers monopoly of production and distribution. This change has made situation which resulted a business that is smaller, less profitable, competitive but also efficient and innovative. Every newspaper is trying to come up with business models and Strategies to handle issues like declining revenues and expansion of media choice to consumer.

Industry Condition

The news industry has to fight back with reinvention and innovation. They need to identify factor that may be critical determinants of threats and opportunity that industry is facing or may face in future.

3. 1 Industry Cost Cutting: Key to Survival?

Bill gates said “ who can afford to do professional work for nothing”. After Newspaper industry identified that their business model is disintegrating and is unbundling advertisement and content then they tried to make for it by putting their content onto free websites. Some publications drastically cut their print editions and focus on their ad supported websites. Newspaper Industry is now on the verge of being hanged and further rounds of cost cutting would not stave off the hangman. If they want to survive then they have to come up with cost effective revenue model. Some newspapers like financial times, Wall Street Journal came up with business model to charge certain content or certain user but they were unable to dictate there terms to the buyer as their micro payment model was unable to please buyers. Given that there were many options available to buyers and most of them free, the power of the buyers was high. One of the reasons for seller not having power was that they were not focusing on their core product which was content. Newspapers were unable to sell as they didn't had power and due to that aggregators were making money by knelling readers past ads. News folks say that aggregators are “ Parasites” that profit from their work. Newspaper managed to survive by careful combination of free and paid for content than by new technology.

3. 2 Declining Advertising Revenues, Recession, and Internet

Warren Buffet said that “ It is hard to make money buying business that is in permanent decline”. But people can make money if they capitalize on opportunity and identify threats to act accordingly. The news Market is likely to remain unstable, favouring different provider at different point in political,

economical and Technological cycle. Example: An American website aggregate news and opinion polls, it became essential reading during last year presidential race. Its popularity plunged 75% and rivals lost readers. In Britain journalists have more competition from government rather than local crowd. British authorities have created newsletter that carry advertisements and also annual budget for state owned website is far more than country's national newspaper.

Newspapers have to think about innovations as sociologically there has been a transition in audience. The share of youth having no news at all raised from 25% to 34%, they now prefer their iPhone, PDA's and aggregators for news. Publishers and editors are thinking of reinvention and innovation that will work, one example is NRC-Next a daily magazine which aimed directly at lost generation of rich young readers. They made it look and feel cooler so that readers feel that this is better. According to Pedersen VG Nett's MD they try to identify sexiest story of the day no matter how important it is in newspaper terms. VG Nett came up with innovative idea of co-operative journalism. They had dedicated phone line-2200 where anyone can transfer photos automatically from cell phone to their Server.

News industry has economical factors that affect its growth. One major factor is advertising only revenue model. Other factors such as aggregator making money and online advertising revenue fall in 2008 due to recession, failure of current micro payment system. Internet littered with failed micropayment companies like digicash, cyber cash and also some successful micropayment systems such as PayPal, iTunes. If newspapers can come up

with easy methods of micro payments then they can earn value for most of the content.

The future lies in technology and media integration. To compete with potential entrants and substitutes like aggregators, search engines, bloggers newspapers need to adapt digital technologies and come up with business model to provide public interest journalism and still get revenue. Spread of digital technology has enabled ordinary people to file pictures and report news directly. Now first photo of any big event comes first on net from an ordinary person not a journalist.

3. 3 Searching for New Business Models

The Players within the Strategic group need to adapt technology and internet based business model but at the same time they have to compete within the group and face the industry rivalry. They need to understand consumer behaviour to identify the target audience and also differentiate their product from the rest. Business strategies are varying in industry as guardian's strategy is to become international voice of liberal opinion so it is investing in stories of international interest like Iraq. While Daily wants to build a reputation of celebrity newspaper. Strategies can be based on consumer or product. Financial time attempted to fuse subscription model by making certain type of user pay on the other hand Wall Street Journal charges certain type of content for their e-papers. Some have Strategy of presenting day's sexiest news no matter how important it is in journalism terms. But still newspaper industry need to figure out micro payment model which is easy and works well for consumer.

3. 4 Industry Structure

Even in diminished state newspapers attracts rich businessmen who believe that there is money to be made after all. Boundaries between Products and customer segments are blurred in strategic group so can be a potential threat for players in the group. The value of core product i. e. content is not that important now because newspapers are focusing on advertising. The intensity of competition is so high that if any newspaper doesn't adapt technology correctly and doesn't come up with business model that is cost effective is out of the game. The bargaining power in the value chain is so low that newspapers have to work on low profit margins to thrive in price war. Professor Charlie Backett argues that it matters little whether which newspaper get more online readers, it is irrelevant economically. According to calculation made by digital deliverances crosbie it takes 16 online readers to make up for one lost print reader.

Industry Proposal and recommendations

To safeguard from chill winds of market newspapers need to combine digital media experience with traditional media to create a co-creation experience for consumer. Newspapers should come up with business models that provide interactive services and is based on efficient micropayment model. Also they should promote public interest co-operative model of journalism i. e. use professional journalism, citizen journalism and community feedback to its best. If we think about world with no professional journalism then the situation will be very alarming, how internet aggregator and bloggers will get their content. We may have to save newspapers from bleeding red ink for saving quality journalism to service community. Making newspapers non

profitable and tax free may help in keeping it alive. May be a structure that can help newspapers to share revenues with aggregator will help. What we are seeing is shift in the structure of media institution which understands importance of much more participatory media. In current scenario newspaper represent both a problem and necessity to society and now it depends upon media houses that how they take advantage of migration of traditional platform like newspaper to digital medium and also to preserve print media.

Future of Newspaper Industry

In future newspaper will definitely move towards digital technology and will challenge print version. May be future will lie in digital notebooks, kindle's, digital readers with integrated advertising and micropayment model in it. Revenues from newspapers' digital products will help combat the erosion of traditional newspaper revenues.