

# Mediatique

**Department for Digital, Culture, Media & Sport**

Overview of recent dynamics in the UK press market

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## Important information

*Mediatique is a research and advisory firm working across the media and communications sectors. It may work or have worked for companies and organisations mentioned in this report.*

*The views, analyses and conclusions expressed herein are those of Mediatique and no other party, and should not be construed as representing, in whole or in part, the opinions of DCMS.*

*In preparing this report, Mediatique reviewed several public sources such as company financial accounts, academic studies, ONS statistical bulletins and Ofcom reports. We also conducted a number of interviews with members of the news industry and other stakeholders. The sources used by Mediatique in the compilation of this report are believed to be accurate but Mediatique takes no responsibility for the accuracy of information derived from third-party sources.*

*Data is correct as at March 2018, when the report was provided to DCMS.*

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## Executive Summary<sup>1</sup>

- Mediatique was commissioned by the Department for Digital, Culture, Media and Sport ('DCMS') to investigate the state of the press market, with particular reference to: (a) the historical dynamics that led to the present market configuration; and (b) current trends and what these might suggest about the sustainability of the industry as a whole.
- In this report, we consider the state of the market across local, regional and national titles to give a broad overview of business models, major players, frequency and means of publication, circulation and readership. This informs a detailed analysis of current trends, the challenges faced by publishers and the range of actions that publishers have taken in response to sustained threats to the industry.
- As of February 2018, the local/regional newspaper sector is made up of 1,043 local and regional titles<sup>2</sup>, of which 792 are published by the top 20 newspaper groups, representing 97% of the total weekly circulation of local/regional titles. The remainder are published by a long-tail of independent publishers, usually producing one (or very few) newspapers in a single area. In addition to the local and regional titles, there are 10 daily and nine Sunday UK-wide national newspapers.<sup>3</sup> Altogether, a total of 73.5m newspapers circulate in an average week: 31.4m are local/regional and the remaining 42.1m are national.
- This translates to a total print advertising expenditure of £1.4bn, rising to £1.9bn if digital advertising is included.<sup>4</sup> Net circulation revenue (i.e. print cover sales less a share to retailers), while harder to quantify owing to lack of agreed industry-level data, is estimated to have totalled £1.7bn in 2017.<sup>5</sup>
- The press industry has been under sustained threat for the past decade. Circulation has been under pressure for 20 years and the declines have accelerated in the 2000s and 2010s. In 2007, total print advertising expenditure totalled over £4.6bn and net circulation revenue £2.2bn, meaning today's aggregate advertising expenditure and net circulation figures equate to about half of their 2007 value, demonstrating the remarkably heavy losses sustained by newspaper groups on both fronts from declines in readership.
- The main changes are summarised in a series of 'snapshots' from 2007, 2012 and 2017 (see Figure 1, page 6). Local and regional newspapers have been particularly hit by the revenue challenges, given their reliance (by definition very high for groups with a significant number of 'freesheets') on advertising, and particularly on classifieds, where the internet's impact has been overwhelming.
- The dramatic changes have been fuelled by shifts in consumer behaviour and facilitated by technological innovation (access, distribution, devices), particularly among younger demographics; just 14% of 16-24-year-olds report using newspapers for news, compared to 63% using the internet, where competition is much greater, content is readily available and generally free and there is a much lower propensity to pay.
- It is worth noting that the press is just one part of the overall news ecosystem which includes broadcasters (TV and radio) at both national and local/regional level, news aggregators (e.g., Yahoo, Apple) and a range of digital natives (e.g., BuzzFeed, Huffington Post).
- However, the rise in use of the internet and mobile, specifically search and social platforms such as Facebook and Google, and the growth in digital more generally, have hit newspapers particularly hard when compared

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<sup>1</sup> Data in this executive summary is derived from sources fully annotated in the body of the report.

<sup>2</sup> Of these, 982 are measured by the Audit Bureau of Circulation.

<sup>3</sup> For the purposes of this report, we have not considered special-interest national publications with sub-weekly frequency (e.g. *The New European*, published by Archant, or *Asian Voice*, published by the ABPL group).

<sup>4</sup> AA/WARC. Expenditure is gross of sales commission (15%); net advertising revenues accruing to newspapers is net of sales commission.

<sup>5</sup> Circulation revenues throughout this report exclude a margin to retailers, estimated by Deloitte – on behalf of the NMA – at 28% in 2015. Mediatique's methodology for calculating circulation revenues is discussed in Annex 2 of this report.

to the larger news ecology. It has had a substantial impact on the traditional revenue streams of newsbrands (circulation revenue, print display advertising and classified).

- Newspaper groups have attempted to counteract revenue declines with a range of strategic responses, including scale-building, cost-cutting and diversification. The press industry, and in particular the local and regional press, has as a consequence witnessed a period of significant consolidation. Consolidated groups can use scale to compete more efficiently by spreading overhead costs and investing strategically. Margins have reduced markedly (from in excess of 30% for some local and regional groups prior to the 2008 recession to margins in the teens at best for most of those titles that are today in profit); many other titles – e.g., *The Guardian* and a number of local and regional titles in less populous areas – make a financial loss.
- Cost-cutting has focused on back-office efficiencies, pooling resources centrally and using digital-first/digital-only strategies to minimise distribution costs while maximising reach. For local and regional newspapers, especially those owned by the largest groups (e.g., Trinity Mirror, Newsquest, Johnston Press), there has been more pressure to close titles in regions outside cities, consolidate titles regionally and in some cases set up common content hubs to serve many titles. There has also been a reduction in frontline journalism – from an estimated 23,000 full-time positions industry wide in 2007 to around 17,000 today.
- Scale-building and cost-cutting have been necessary for many titles in order to survive. For others, particularly those at local and regional level (which are much more vulnerable to downturns in the advertising market), these remedies proved unavailable or ineffective: there have been 136 local and regional title closures in the face of these pressures since 2012.
- At such a juncture, newspaper groups are increasingly focused on revenue stream diversification which, for the most part, has focused on digital. However, this poses its own issues. Despite efforts to open up new digital revenue streams (e-editions, paywalls, reader contributions, programmatic advertising, digital marketing services), these have not yet come close to recouping the revenues lost from changes to traditional print consumption. This phenomenon can be summarised as exchanging ‘print pounds’ for ‘digital pennies’ online, where, despite enhanced reach, yields for newsbrands are much lower when compared to print.
- The reasons for this are threefold: there is a low propensity among consumers to pay for news online; newsbrands are heavily reliant on platforms (such as Google and Facebook) that do not share data that might prove newsbrands’ audiences are worth a premium to advertisers (thus constraining digital advertising); and, finally, the scale of competition for eyeballs and attention is vastly greater, meaning news content from publishers must compete with huge amounts of other material.
- It is worth asking how well-equipped the newspaper industry is to reverse the current trends and become robustly sustainable. There are no signs of a reversal in the declines in newspaper sales, nor in the concomitant drop in both circulation and print advertising revenues. At the same time, and despite much experimentation, legacy newsbrands continue to struggle to deliver the digital growth capable of compensating for declines in their core analogue businesses.
- The question of sustainability is very important, given the contribution newspapers make to the creation of original journalism and the role they play in informing citizens. We estimate that legacy newsbrands are responsible for around 50% of all original news journalism in the UK, bigger than broadcasting and online put together. As doubts are raised about the potentially corrosive effect of ‘fake news’, hate speech and cyber bullying enabled by the digital platforms, newspapers (and other news media) may become more rather than less critical. However, their ability to continue to invest may be tested by the inexorable pressures still bearing down upon them.

	2007	2012	2017
Number of Daily National Newspapers	10	11	10
Number of Local and Regional Newspapers measured by ABC	1,303	1,086	982
Newspaper Advertising Expenditure (£m)	£4,625m	£2,651m	£1,432m
Newspaper Digital Advertising Expend. (£m)	N.A.	£284m	£487m
Share of advertising market, by media <sup>6</sup>			
Average Daily Circulation, National Newspapers (Weekday)	11.2m	8.8m	6.1m
Average Weekly Circulation, Local/Regional Newspapers	63.4m	43.9m	31.4m
Circulation Revenues (£m) <sup>7</sup>	£2.2bn	£1.9bn	£1.7bn
Number of front-line journalists employed by newsbrands <sup>8</sup>	c23,000	c19,000	c17,000
Broadband penetration (HHs)	52%	76%	83%
Smartphone penetration (Adults)	0%	39%	76%
Tablet penetration (HHs)	0%	11%	58%
% UK adults who used the internet to access social networks <sup>9</sup>	N/A	48%	66%
% UK adults who used the internet to read online news <sup>10</sup>	20%	47%	64%
% of UK adults for whom newspapers are the main source of news	27%	13%	9%
% of UK adults for whom the internet is the main source of news	4%	21%	37%

Figure 1 – The press industry in 2007, 2012 and 2017

Sources: Mediatique; AA/WARC; ABC; Newspaper Society; Ofcom; ONS

<sup>6</sup> Source: AA / WARC; newspapers excluding digital advertising and TV excluding AVOD revenue. Gross of sales commission.

<sup>7</sup> Mediatique estimates; see Annex 2 for details on our methodology for the estimation of circulation revenues.

<sup>8</sup> Mediatique, updated from calculations established for Ofcom, in its submission to the Leveson Inquiry (see: [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0030/54597/annex6.pdf.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0030/54597/annex6.pdf.pdf)); see Annex 2 for details on our methodology for the estimation of the number of front-line journalists employed by newsbrands.

<sup>9</sup> Source: ONS, *Home internet and social media usage: 2017*.

<sup>10</sup> Source: ONS, *Internet access – households and individuals: 2017*.

## 1. Introduction

### Background

- 1.1. The importance of an independent and widely consumed press sector in ensuring the functioning of modern democracies is difficult to overstate.
- 1.2. While only part of a broader news media ecosystem that encompasses broadcast TV, radio and online platforms, the national, regional and local press<sup>11</sup>, in both print and online versions, continues to play a critical role in producing original journalism and shaping the public debate. It does this by:
  - providing a plurality of views on current issues and reporting on matters that are deemed to be in the public interest;
  - setting the policy agenda for government at local and national level and informing the news agenda at other media outlets;
  - contributing more resources to newsgathering in the UK than other media – both in terms of financial investment and number of ‘front-line’ journalists<sup>12</sup>; and
  - reaching the vast majority of the UK population on a regular basis.<sup>13</sup>
- 1.3. In the past two decades, however, the newspaper industry – and the provision of news as a whole – has gone through considerable changes, fuelled by shifts in consumer behaviour and preferences, and by technological innovation (distribution and devices, in and out of the home), particularly among younger age groups.
- 1.4. Consumers are now able to access news via multiple means from a wide variety of sources (often at no cost). Increasingly, news is also mediated by social and search platforms, which – despite the availability of tools and practices to help publishers monetise their content on their platforms – do not necessarily compensate the original producers of much of the news journalism surfaced online. While the UK newspaper industry is still of a significant size, traditional consumption – via print products – has declined as users migrate to online propositions.
- 1.5. These changes have severely impaired newsbrands’ traditional revenue streams (circulation, print display advertising, and classified). New opportunities arising from digital technologies have not compensated for the losses suffered in print revenues. Circulation declines have had two impacts – a drop in unit sales that cover price increases have not fully offset; and a decline in advertising revenues reflecting lower readership. While all key newsbrands have developed an online presence, it has proved difficult to find sustainable paid-for models as robust as those of the analogue past. Moreover, digital advertising yields a fraction of the per-user income newspapers formerly generated via its print readers.
- 1.6. The severe nature of the challenge is illustrated by the drop in press revenues: total press advertising expenditure (excluding digital) has declined across the national and regional/local press by 70% in the last 10 years, from £4.6bn in 2007 to an estimated £1.4bn in 2017.<sup>14</sup>
- 1.7. The industry has responded by a range of cost-cutting measures (including changes in pagination and format, consolidation of printing contracts, efficiencies in back office services) and in some instances has closed titles outright, with the loss of back-office and (some) frontline journalism jobs. Many newspaper publishers report they have been able to lower frontline costs by replacing retiring (expensive) journalists with younger, lower-

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<sup>11</sup> At times in this report we will refer to the local, regional and national press by the short name ‘newsbrands’ to distinguish them from other market participants such as ‘digital natives’ (e.g., *BuzzFeed*) and platforms (e.g., Google and Facebook).

<sup>12</sup> See section 2 for further details.

<sup>13</sup> In the year leading up to September 2017, 90% of GB adults 15+ read at least a newsbrand either in print or digitally, according to the National Readership Survey (see: <http://www.nrs.co.uk/latest-results/facts-and-figures/newspapers-factsandfigures/>).

<sup>14</sup> See section 3 for detailed data on newspapers’ revenues currently and over time.

paid employees. These changes have been most pronounced at the regional and local level, where the revenue challenges have been acute. Despite this, the sector has resisted deep cuts<sup>15</sup> in frontline journalism even as it sought to lower average salaries and reduced non-frontline staffing levels. This may change in the near term.

- 1.8. Faced with this particularly adverse set of dynamics, it is worth asking whether the press industry is equipped with the right set of strategic tools and financial resources to sustain its critical contribution to public service journalism and to continue to serve its fundamental democratic role.
- 1.9. In a speech given in Manchester on 6<sup>th</sup> February 2018, Prime Minister Theresa May announced a review into the sustainability of the local and national press industry in the UK<sup>16</sup> in the light of the challenges publishers are facing today and will face in the future. The review will be conducted by Dame Frances Cairncross, supported by an advisory panel of industry experts, and is due to be completed within a year.<sup>17</sup>
- 1.10. Prior to the formal launch of the review, the Department for Digital, Culture, Media and Sport ('DCMS') commissioned Mediatique to investigate the dynamics that currently characterise the press market. DCMS intends to ensure Government's thinking around this subject is informed by an independent assessment of:
  - the state of the market at the local, regional and national level, in terms of the numbers of news publishers and individual titles, the frequency and means of publication, circulation and reader numbers;
  - the dynamics that led to the current market configuration, and current trends in relation to consumption of news, print circulation, market structure, and revenues;
  - the different business models currently being deployed by local, regional and national news publishers both in the UK and globally, the real and perceived barriers to press sustainability in local, regional and national markets, and opportunities for further innovation for the news publishing industry, including examining best practice and new business models.

### Methodological note

- 1.11. The data used in this report has been collected using four main methods:
  - **Desktop research:** we have reviewed a number of publicly available sources, including reports published by the DCMS, Ofcom, various academic institutions, and industry reports. We also reviewed data from the ABC, NRS, BARB, RAJAR and comScore, and other available consumer research relevant to the topic. Sources of the key data are provided in the footnotes in the report.
  - **Interviews with key stakeholders:** we have interviewed members of senior management at around 30 organisations with an interest in the national or local news press market; the objective of the interviews was to ascertain views of the challenges facing the industry and how operators are responding strategically.<sup>18</sup> With particular regard to members of the press industry, our sample is made up of a wide variety of publishing and distribution strategies, political leanings, and business models. We opted

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<sup>15</sup> Full-time newspaper journalist jobs have indeed declined over the past decade (not least to reflect title closures); however, despite the worsening climate for print since 2012, we estimate that the number of frontline positions has only dropped by around 2,000, to 17,000 between 2012 and 2017. See Annex 2 for more details on our methodology for the estimation of the total number of front-line journalists 2017.

<sup>16</sup> A summary of the scope of the review is available at the following link: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/679671/Summary\\_of\\_review\\_scope\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/679671/Summary_of_review_scope_.pdf)

<sup>17</sup> A list of the panel members and their background can be found at the following link: <https://www.gov.uk/government/news/chair-appointed-to-lead-review-of-press-sustainability-in-the-uk>.

<sup>18</sup> See Annex 2 for more details on the interviews.

for semi-structured interviews, due to the varied nature of the sample of organisations interviewed, which thus required a certain degree of flexibility in the themes explored with each interviewee. An indicative list of topics covered in our interviews is provided in the Appendices.

In order to encourage full disclosure on the part of interviewees, we have elected to keep the nature of the responses confidential, and to maintain the anonymity of the organisations that we have spoken to in relation to this project. The condition of anonymity that we have granted to interviewees prevents us from listing all the organisations included in our sample; however, we can confirm that our interviewees included:

- publishers of national and/or local and regional newsbrands;
  - publishers of digital native newsbrands;
  - marketing associations/trade bodies;
  - regulators;
  - academics;
  - digital intermediaries.
- **Case studies:** we looked in detail at some representative newspaper titles and their operations, to establish key features of the industry on a more granular basis. This allowed us to extrapolate from available information to inform the wider cohort across all national and regional titles. The approach also permits us to identify strategies being developed by individual publishers to determine whether these might have wider applicability (e.g., paywalls, registration walls, digital marketing services).
  - **In-house resources:** we have previously conducted various research projects related to the newspaper industry, including assessing the size of editorial resources for each of the main news provision markets in the UK – radio, TV, newspapers and online – and estimating the number of frontline journalists working for newspaper groups. We have updated this work to account for recent trends and, more broadly, applied our own market analysis, data and forecasts as appropriate.

### Structure of the report

1.12. The report is structured into sections, as follows:

- **Section 2** provides a description of the current structure of the press market in the UK and its place in the broader news and advertising ecosystems; we also present an overview of the consumption of news in the UK;
- **Section 3** provides a more in-depth analysis of the dynamics characterising the national and local press markets, starting from a reflection on the main drivers of change that have emerged in the past decade and looking at trends in advertising, circulation and subscription revenues. Section 3 also contains a comparative analysis of the UK market with respect to trends affecting markets across the world. We also consider the implications for the sustainability of newsbrands and print journalism;
- In **Section 4**, we look more specifically at the key challenges faced by newsbrands, whether generally across the press sector or more specially at local, regional and national level or in relation to business models (e.g., freesheets versus paid-for circulation). The evidence presented in this section was largely collected via our interviews;

- In **Section 5**, we analyse the strategic responses already adopted by industry practitioners in the face of disruptive commercial dynamics and reflect on the applicability of each of these to the wider industry; and
- **Section 6**, finally, contains key conclusions.

1.13. For a list of key terms, and their meanings, readers are referred to the Glossary in the Appendices.

## 2. Current market structure and players

### Newspaper market structure and main ownership / business models

- 2.1. A key categorisation of the press industry in the UK is the distinction between national and local/regional press. Within those two categories there are, broadly speaking, four main dimensions that can be used to describe the press market in the UK, based on: (a) business model (free versus paid); (b) distribution model (print only, print first, digital first and digital only); (c) ownership model (proprietor, publicly listed, ‘trust’); and (d) cohort (quality, mid-market and popular, as defined by the industry data provider the Audit Bureau of Circulation, the ‘ABC’).<sup>19</sup>
- 2.2. In July 2017, a total of 73.5m newspapers circulated on average every week<sup>20</sup>; about 42.1m copies (57%) were national titles,<sup>21</sup> compared to 31.4m (43%) local or regional titles. The total advertising expenditure on newsbrands (print and digital) in 2017 was £1.9bn, with print advertising representing 75% of that (£1.4bn).<sup>22</sup>

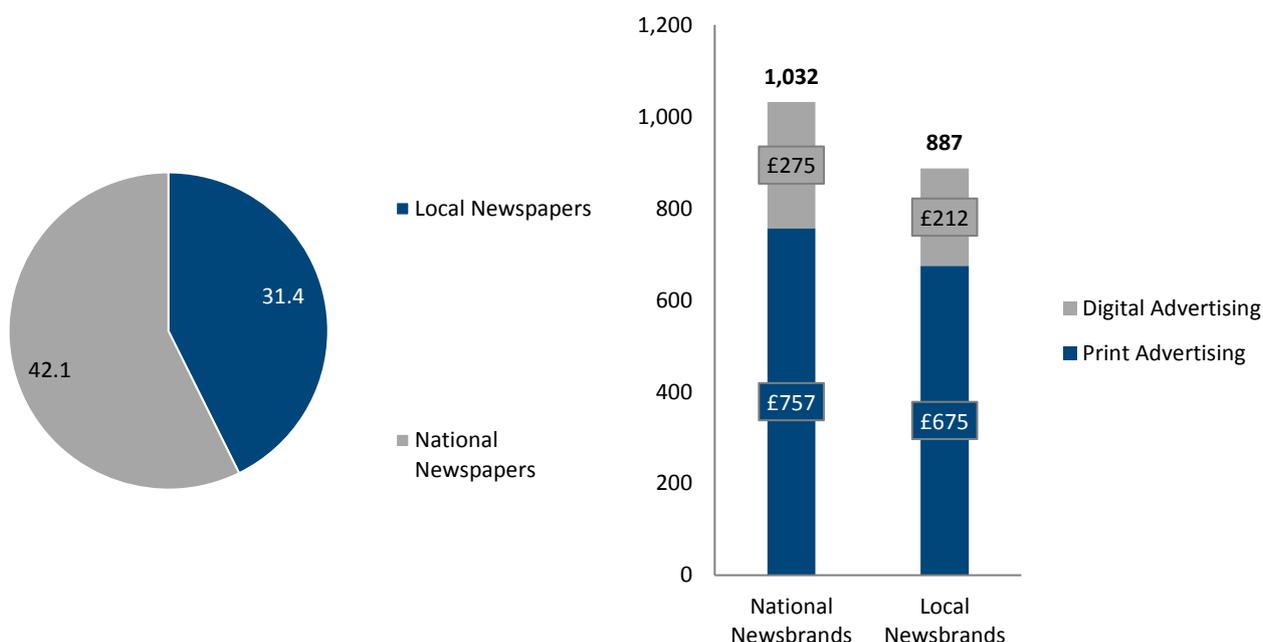


Figure 2 – Breakdown of weekly newspaper circulation, July 2017, and newsbrands advertising expenditure (£m), 2017  
Sources: ABC; AA/WARC

### Local and regional press

- 2.3. As of July 2017, the ABC reported a total of 982 local and regional newspapers being printed in the UK; that figure does not include the newspapers whose circulation is not measured by the ABC. We identified a further 61 titles, bringing the total to 1,043 titles.<sup>23</sup>

<sup>19</sup> The ABC “delivers industry-agreed standards for media brand measurement across print, digital and events” (see: <https://www.abc.org.uk/>).

<sup>20</sup> Source: ABC.

<sup>21</sup> This number does not include special-interest national publications with sub-weekly frequency (e.g. *The New European*, published by Archant, or *Asian Voice*, published by the ABPL group).

<sup>22</sup> Source: Advertising Association/WARC (see: <http://expenditurereport.warc.com/FreeContent/AA-WARC%20FY2017.pdf>).

<sup>23</sup> This number was calculated by cross-referencing the total number of local and regional newspapers identified in 2015 by the Centre for the Study of Media, Communication and Power at King’s College University (see: <https://www.kcl.ac.uk/sspp/policy-institute/CMCP/local-news.pdf>) with Mediatique’s own research on the number of local and regional titles that have closed or launched in the period between 2012 and 2017. It is possible that some print titles are not included in this number – e.g. small community newspapers with limited circulation.

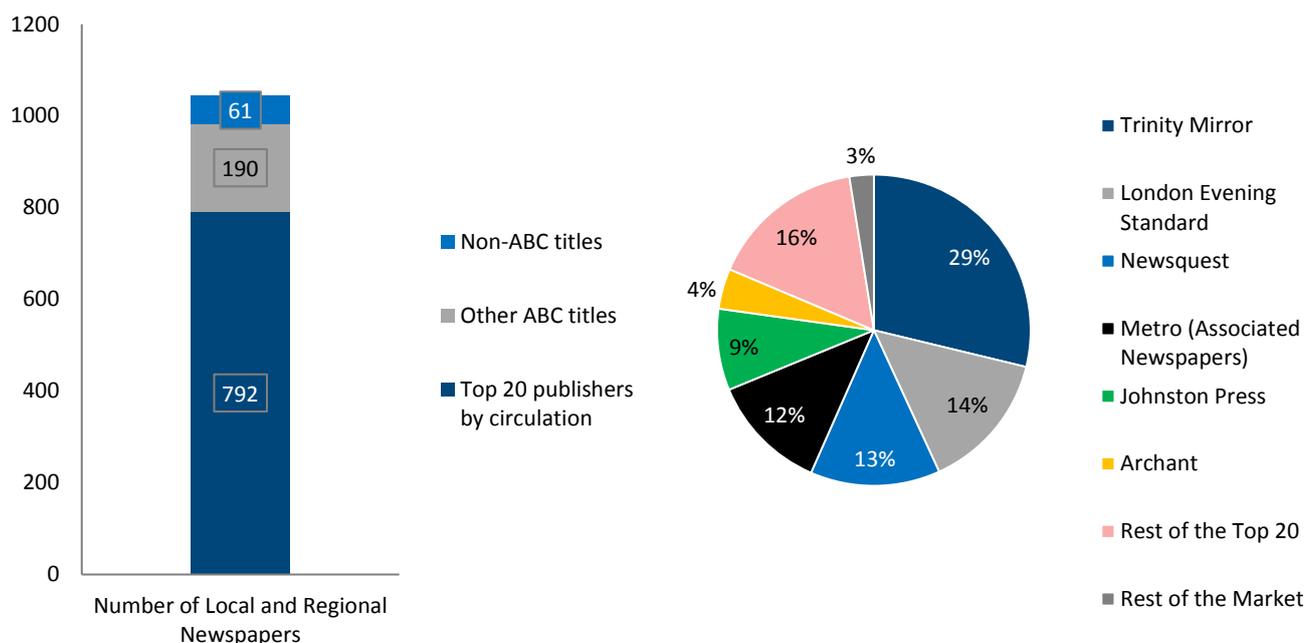


Figure 3 – Total number of local and regional newspapers and market share by circulation, July 2017

Sources: ABC; Mediatique

- 2.4. The local and regional press is characterised by a relatively high level of market concentration. In July 2017, the top 20 newspaper groups collectively published 76% (792) of all the local and regional titles in the UK, and accounted for 97% of total weekly circulation<sup>24</sup>, with the top six groups alone accounting for 81% of the weekly circulation of local and regional newspapers in the UK.
- 2.5. Of the 1,043 local and regional newspapers we identified, about 77% (737) are published weekly or even less frequently. A total of 605 local and regional newspapers (58%) charge a cover price, with 42% (438) of all titles being distributed for free. Despite being in the minority in terms of number of titles, the paid-for daily and Sunday local and regional newspapers delivered around 70% of total local and regional newspaper circulation in July 2017, as shown in Figure 4 below.

<sup>24</sup> As calculated by the ABC; thus, this calculation excludes newspapers whose circulation is not measured by the ABC and includes 'bulk' copies.

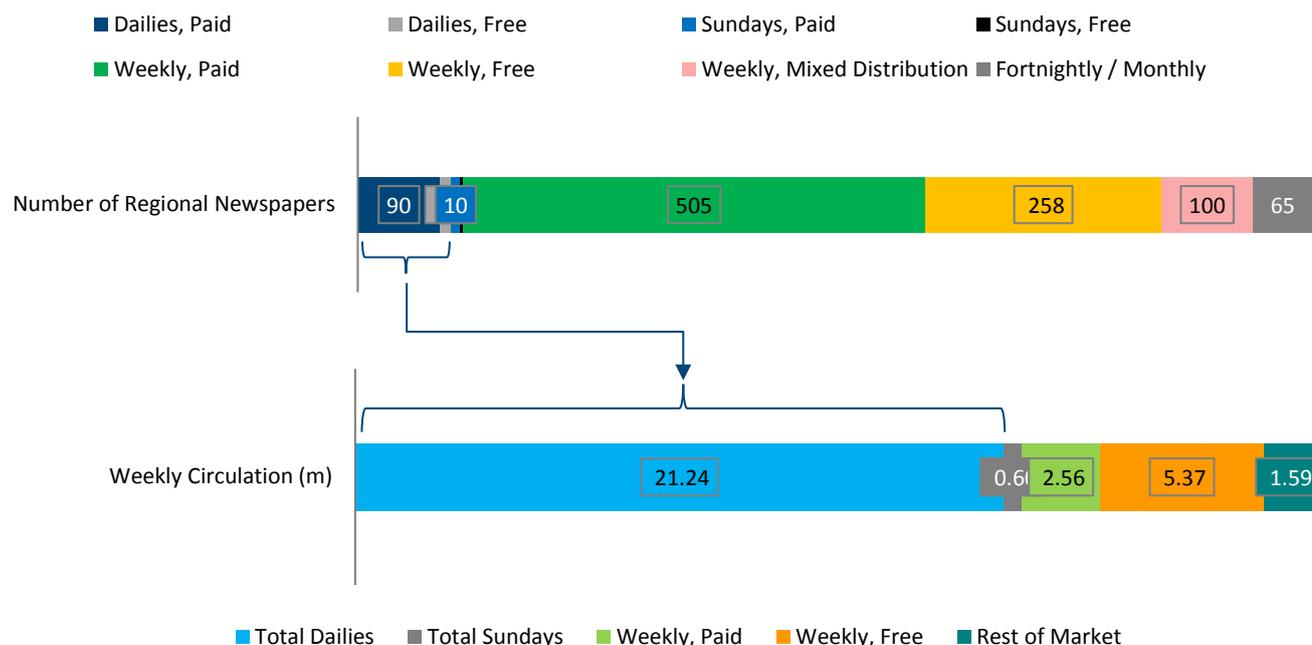


Figure 4 – Breakdown of local newspapers by frequency and distribution model, July 2017

Sources: ABC; Mediatique

2.6. The tables below list the top 10 daily newspapers, free weekly newspapers and paid weekly newspapers by circulation.

Daily Local Newspapers	Location	Newspaper group	Daily Circulation	Model
<b>Metro</b>	Multiple <sup>25</sup>	Associated Newspapers	889,440	Free
<b>Evening Standard</b>	London	ESI Media	883,003	Free
<b>City AM</b>	London	City AM	90,741	Free
<b>Press &amp; Journal</b>	Northern Scotland	DC Thomson	48,208	Paid
<b>Express &amp; Star</b>	West Midlands	MNA	47,669	Paid
<b>Manchester Evening News</b>	Greater Manchester	Trinity Mirror	39,422	Paid
<b>Liverpool Echo</b>	Liverpool	Trinity Mirror	38,474	Paid
<b>Belfast Telegraph</b>	Belfast	Independent News & Media	36,403	Paid
<b>Courier</b>	Dundee	DC Thomson	35,813	Paid

Figure 5 – Top 10 local daily titles by average daily circulation, Jul-Dec 2017

Source: ABC

<sup>25</sup> Metro is distributed in Bath, Birmingham, Brighton, Bristol, Cardiff, Derby, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Nottingham, Newcastle and Sheffield.

Weekly Local Newspapers	Location	Newspaper group	Weekly Circulation	Model
<i>Manchester Weekly News</i>	Greater Manchester	Trinity Mirror	235,545	Free
<i>Champion Series</i>	Merseyside/West Lancashire	Champion Newspapers	164,303	Free
<i>Waltham Forest News</i>	East London / West Essex	Newsquest	97,230	Free
<i>Hackney Today</i>	London	Hackney Council	91,762	Free
<i>Wirral Globe</i>	Wirral	Newsquest	85,064	Free
<i>Norwich Extra</i>	Norwich	Archant	57,487	Free
<i>Midweek Visiter</i>	Southport	Trinity Mirror	56,518	Free
<i>Rotherham Record</i>	Rotherham	Regional Media	51,926	Free
<i>St. Helens Star</i>	St. Helens	Newsquest	49,751	Free

Figure 6 – Top 10 local free weekly newspapers by average weekly circulation, Jul-Dec 2017

Source: ABC

Weekly Local Newspapers	Location	Newspaper group	Weekly Circulation	Model
<i>Sunday Life</i>	Belfast	Independent News & Media	32,892	Paid
<i>Isle of Wight County Press</i>	Isle of Wight	Newsquest	23,006	Paid
<i>Kent Messenger</i>	Kent	Iliffe	20,800	Paid
<i>Newcastle Sunday Sun</i>	Newcastle	Trinity Mirror	20,155	Paid
<i>Barnsley Chronicle</i>	Yorkshire	Barnsley Chronicle	19,855	Paid
<i>Rotherham &amp; South Yorkshire Advertiser</i>	Yorkshire	Regional Media	18,772	Paid
<i>Hereford Times</i>	Herefordshire	Newsquest	18,460	Paid
<i>Sunday Herald</i>	Scotland	Newsquest	18,387	Paid
<i>Scotland on Sunday</i>	Scotland	Johnston Press	16,289	Paid

Figure 7 – Top 10 local paid weekly newspapers by average weekly circulation, Jul-Dec 2017

Source: ABC

### Ownership models – Local and regional press

2.7. At local and regional level, we identified four main types of publishers in terms of ownership model:

- **Consolidated, publicly traded companies:** this includes Trinity Mirror (29% market share by circulation<sup>26</sup>), Newsquest, a subsidiary of US listed company Gannett Inc. (13%) and Johnston Press (9%), which taken together represent 52% of the total number of local and regional titles and 51% of the total circulation of local and regional newspapers in the UK. Each of these groups control a wide variety of titles located all across the country, of varying size, frequency and distribution model;

<sup>26</sup> Source: ABC, July 2017.

- **Mid-size, multi-regional, privately owned publishers:** this includes Archant (4% market share by circulation) and Tindle (2%), accounting respectively for 61 and 88 local newspapers distributed across a number of UK regions.<sup>27</sup> These two groups are significantly smaller than the larger groups mentioned above, but still account for significantly more than the categories below. The type of titles published by these groups varies widely, although Tindle does not publish any daily newspapers, and the daily newspapers published by Archant tend to be in smaller cities;
- **Family-owned, regional publishers:** this includes publishers such as Iliffe, which now owns Kent Messenger (1% market share by circulation<sup>28</sup>), the MNA (2%), and Bullivant Media (1%), each of them controlling between 10 and 30 local newspaper titles, largely localised in one region or part of the UK. Titles published by groups in this category tend to be more homogeneous – typically weekly in frequency, with a fair balance between paid and free titles; and
- **Small, independent publishers:** this includes the remaining publishers of local and regional newspapers in the UK, each of which publishes one or just a few titles, typically covering one city or small area. As seen in Figure 4 above, however, these groups account for a very small proportion of the average weekly circulation in the UK.
- **Trust ownership:** while used extensively the past to protect local, regional titles in the event of a sale, there are now very few examples of the trust model operating in this segment (e.g., *Maidenhead Advertiser*).

2.8. In addition to the ownership structures described above, it is worth distinguishing two further models represented in the local and regional newspaper market:

- Large-circulation freesheets distributed in the largest cities – namely, *The Evening Standard*<sup>29</sup> (14% of total regional press circulation<sup>30</sup>) and *Metro* (12%). Both titles are owned by publishers of national newsbrands<sup>31</sup>; and
- Local council-run freesheets, typically published on a quarterly basis, which are intended to inform citizens of local government activities, and which carry advertising.

#### Local and regional news websites

2.9. In addition to publishing printed products, most local and regional publishers make their news content available online on dedicated proprietary websites. By definition, these are available anywhere in the world although their focus means that usage is largely confined to local residents and the diaspora. There is no single data source data for the total number of local newspaper websites available in the UK<sup>32</sup>; not every newspaper has a website and there are a number of digital-only sites:

- In recent years, publishers have launched local ‘digital-only’ newsbrands; the Centre for the Study of Media, Communication and Power counted eight such websites in 2015<sup>33</sup>;

<sup>27</sup> Source: ABC, July 2017.

<sup>28</sup> Source: ABC, July 2017.

<sup>29</sup> *The Evening Standard* dropped ‘London’ from its name in March 2018, following a re-design.

<sup>30</sup> Source: ABC, July 2017.

<sup>31</sup> *The Evening Standard* is owned by ESI Media, publisher of *The Independent* (online only since February 2016), while *Metro* is owned by dmg media (formerly Associated Newspapers), publisher of *The Daily Mail*.

<sup>32</sup> The Newspaper Licensing Agency, owned by publishers, collects copying fees on behalf of more than 1,000 websites but this includes ‘duplicate’ entities and a number of digital-only websites.

<sup>33</sup> Examples include: *Get Reading*, *KentLive* and *SomersetLive*, now all under the ‘InYourArea’ umbrella launched by Trinity Mirror; or *The Oldham Evening Chronicle* which, after ceasing publishing as a daily newspaper, relaunched as online-only.

- Furthermore, there has been a proliferation of hyperlocal news websites in the past few years, with Local Web List counting c700 websites operating across the UK.<sup>34</sup>

- 2.10. Consumption of material online from local and regional newsbrands varies by group.<sup>35</sup> The largest groups manage to reach significant portions of the UK online population, with Johnston Press delivering about 1.2m unique daily browsers in the six months to December 2017<sup>36</sup>, and the Trinity Mirror Regional Network reaching around 4.7m unique daily browsers in the six months to September 2017.<sup>37</sup> By comparison, the Kent Messenger Network – whose total average weekly newspaper circulation is around 2% of that of Trinity Mirror and 7% of that of Johnston Press – reached an average of 161k unique daily browsers in the last six months of 2017.<sup>38</sup> *Cumbria News*, meanwhile, delivered an average of 66k unique browsers between January and June of 2017.<sup>39</sup>
- 2.11. For the vast majority, local news websites are free at the point of use. This can be explained by a number of factors: many of the corresponding newspapers are free in print form as well; more broadly, consumers have a demonstrably lower willingness to pay for news online – in particular when it comes to local news – than in print. However, a major obstacle to the development of a pay model for local news online has traditionally been the lack in technical expertise and the prohibitive cost required to set up the technology which would permit online subscriptions or similar pay models.
- 2.12. Setting up a news website, maintaining it, updating it regularly and managing its design and functionality – let alone dealing with issues around security, data capture, file hosting, and more complex tasks such as video hosting, placement of banners, registration and log-in and paywall erection – are not insignificant tasks. Addressing them requires a certain level of skills which are likely beyond those of a traditional newsroom and may also require significant investment, even if the cost of some technology has gone down in recent years. Larger publishers have broadly been able to exploit their economies of scale to build and develop their digital infrastructure; however smaller publishers – and in particular independent newsbrands – have faced higher barriers to entry in the digital news marketplace. Experiments conducted by local and regional newspaper publishers to make news content available behind a paywall have been limited<sup>40</sup> and at times unsuccessful, even if some have been able to increase their digital advertising revenues, directly and via ad exchanges (see section 4 for further analysis of the challenges around charging for news content).<sup>41</sup>

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<sup>34</sup> see: <http://localweblist.net>.

<sup>35</sup> Most local and regional newspaper groups do not report online readership figures at group level, and the ABC does not report the number of unique browsers for several of the largest individual local newspaper websites, which makes comparing online audiences for local and regional groups particularly challenging. We have used anecdotal data to illustrate the different sizes of online audiences of selected groups; however, it is not possible to draw general trends from the data available publicly.

<sup>36</sup> Source: ABC; this number includes unique monthly browsers for the national newsbrand *i* (see: <https://www.abc.org.uk/Certificates/48655989.pdf>)

<sup>37</sup> Source: ABC; in October 2017, ABC ceased reporting online reach figures for Trinity Mirror Regional Network.

<sup>38</sup> Source: ABC (see: <https://www.abc.org.uk/Certificates/48651783.pdf>).

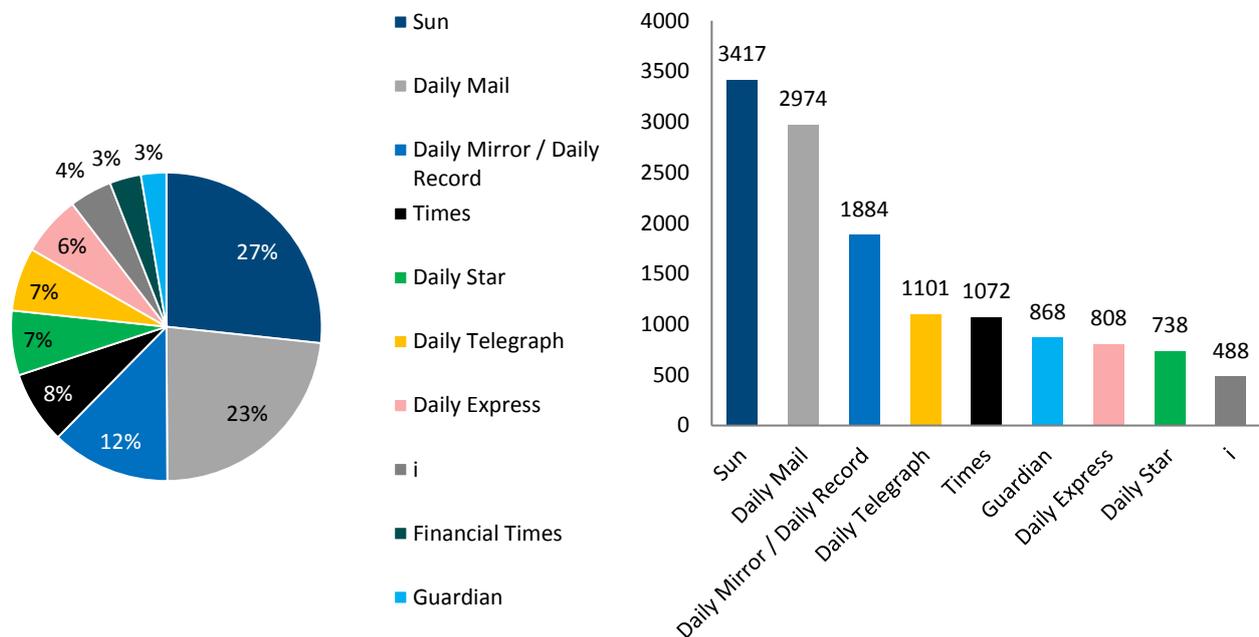
<sup>39</sup> Source: ABC (see: <https://www.abc.org.uk/Certificates/48390325.pdf>).

<sup>40</sup> See section 5 for a list of the most notable examples of paywalls erected on local newspaper websites.

<sup>41</sup> A number of local paid titles offer their 'e-edition' for sale through their websites, namely an HTML5 or pdf version of their newspaper, which is therefore not optimized for PC, tablet or mobile reading. There is no data on how successful the sale of 'e-editions' has been to date.

National press

2.13. At the time of writing, there were 10 daily and 9 Sunday UK-wide national newspapers.<sup>42</sup> On an average weekday, 5.7m national newspapers were sold in the UK in December 2017; between October 2016 and September 2017, dailies reached on average 11.3m adults, 21.5% of the UK 15+ population.<sup>43</sup>



**Figure 8 – National weekday newspapers’ share of the market by circulation\*, and readership\*\***  
 Sources: ABC; NRS  
 \*December 2017; \*\* October 2016-September 2017

2.14. Despite having sold traditionally more copies than their daily counterparts (and for some titles this is still the case – most notably *The Sunday Times*), national Sunday newspapers sold just short of 5m copies in the average week of December 2017; however, in terms of readership, the difference with dailies was smaller – 11.1m, or 21.1% of UK adults, compared to 11.3, or 21.5% for dailies.

<sup>42</sup> For the purpose of this report, *Metro* – which is available in multiple cities across the United Kingdom – is not considered as a national newspaper. Some national titles – such as *The Daily Mail* and *The Sun* – have Scottish variations, but as they share significant editorial resources with their London counterparts, these titles are not treated as separate regional newspapers.

<sup>43</sup> Average Issue Readership (AIR), as measured by the National Readership Survey (NRS).

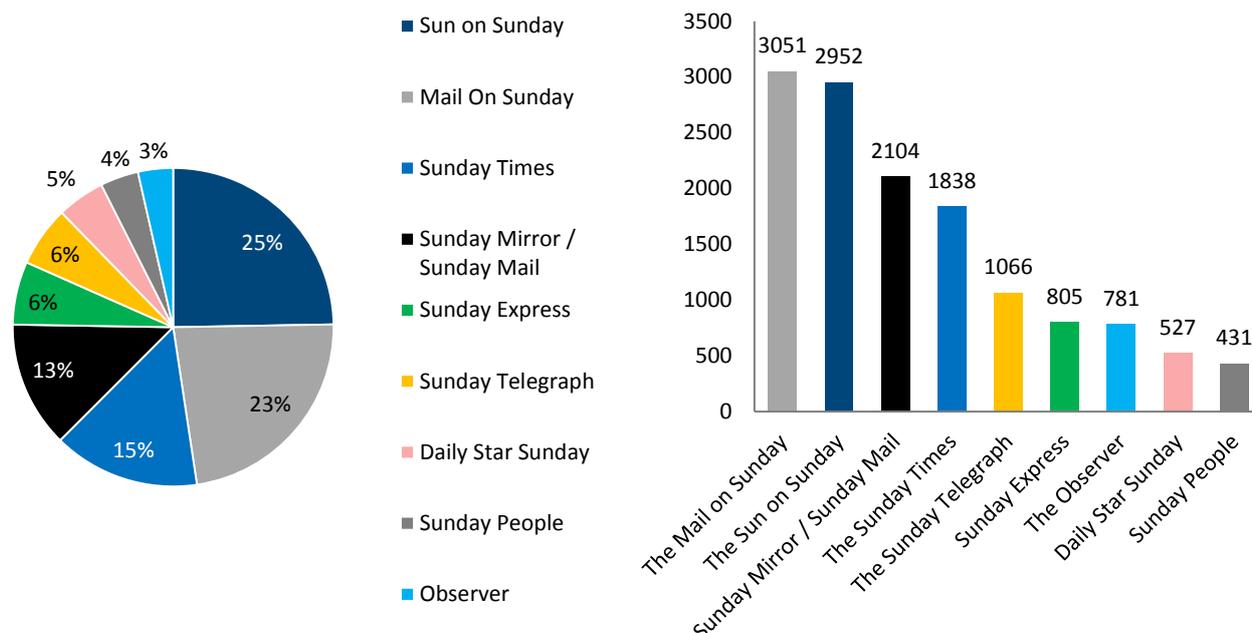


Figure 9 –National Sunday newspapers’ share of the market by circulation (Dec 2017) and readership (Oct 2016-Sept 2017)  
Sources: ABC; NRS

2.15. Excluding bulk circulation, there are no national daily newspapers available for free in the UK. The classification of the national press most commonly used is the one devised by the ABC: quality, mid-market and popular titles; the difference is often reflected by the cover price of titles within each category.

National Newspaper	Publisher	Cover price (weekdays) <sup>44</sup>	Daily Circulation <sup>45</sup>
<b>Quality</b>			
<i>Daily Telegraph</i>	Telegraph Media Group	£1.80	393,310
<i>Financial Times</i>	Nikkei	£1.60	191,436
<i>Guardian</i>	Guardian Media Group	£2.00	151,625
<i>i</i>	Johnston Press	£0.60	257,221
<i>Times</i>	News UK	£2.70	446,204
<b>Mid-Market</b>			
<i>Daily Express</i>	Northern & Shell*	£0.65	364,933
<i>Daily Mail</i>	Daily Mail and General Trust	£0.55	1,394,385
<b>Popular</b>			
<i>Daily Mirror</i>	Trinity Mirror*	£0.70	721,114
<i>Daily Star</i>	Northern & Shell*	£0.30	391,509
<i>Sun</i>	News UK	£0.50	1,480,337

Figure 10 – National daily newspapers by quality cohort

Source: ABC; Mediatique

\*Trinity Mirror acquired the publishing assets of Northern & Shell in February 2018

<sup>44</sup> March 2018; prices for the Scottish variations might vary.

<sup>45</sup> December 2017; source: ABC.

### Ownership models – National press

2.16. In terms of ownership model, the national press presents three main categories:

- **Consolidated, publicly traded publishers:** this includes Trinity Mirror, News UK (a subsidiary of News Corporation), DGMT, Johnston Press (the *i*) and Nikkei (*The Financial Times*). These publishers tend to have multiple national publications – if not in the UK, across multiple territories, or a combination of local and national titles in the UK;
- **Privately owned publishers:** this includes the Telegraph Media Group, ESI Media – inasmuch it publishes the Independent, now a digital-only publication and – until its acquisition by Trinity Mirror in 2018 – Northern & Shell. These titles are owned by individual groups or families – e.g., Lebedev Holdings Ltd in the case of ESI Media, or the Barclay family in the case of Telegraph Media Group;
- **Trust ownership:** the obvious relevant example is the Guardian Media Group, which is owned by the Scott Trust, a private company whose core purpose is “to ensure the financial and editorial independence of *The Guardian* in perpetuity”.<sup>46</sup> The Scott Trust manages an investment portfolio of about £1bn<sup>47</sup>, and its constitution requires it to reinvest all of its profits into GMG’s journalism.

### National news websites

2.17. The internet has proven a very effective distribution platform for national news, and indeed all national newspapers have an established online (including mobile) presence, which contributes to expanding traditional newsbrands’ reach among the UK population.

2.18. Between October 2016 and September 2017, across the main national newsbrands listed in Figure 11 overleaf, the average uplift in monthly reach generated by online consumption was more than threefold (329%), with non-print reach representing on average 71% of total reach.<sup>48</sup> Thanks to this online uplift, some titles with lower print circulation – *The Guardian* in particular – are able to reach much larger segments of the UK population, as shown in Figure 11.

2.19. Mobile (i.e., smartphone and tablet), in particular, has become the single largest contributor to national newsbrands’ reach in the UK, representing an average of 68% of national newsbrands’ reach; mobile-only reach contributes more than half (56%) of this.<sup>49</sup> Mobile also drives most of the traffic to traditional newsbrands’ websites, with smartphone and tablet combined accounting for 64% of all traffic.<sup>50</sup>

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<sup>46</sup> theguardian.com, *Who owns the Guardian? Our unique independent structure*, retrieved on 13<sup>th</sup> March 2018 (see: <https://www.theguardian.com/about/2017/nov/17/who-owns-the-guardian-our-unique-independent-structure>).

<sup>47</sup> The Scott Trust, *The Scott Trust Endowment Fund Performance Report*, 30 June 2017 ([https://uploads.guim.co.uk/2017/10/26/J396089\\_Scott\\_Trust\\_endowment\\_fund\\_v2.pdf](https://uploads.guim.co.uk/2017/10/26/J396089_Scott_Trust_endowment_fund_v2.pdf)).

<sup>48</sup> Source: NRS PADD; Sunday titles not included. *Financial Times* data not available.

<sup>49</sup> Most of the major newsbrands have collaborated with agencies and advertisers to sponsor an upgrade to the National Readership Survey aimed at producing hard data on consolidated reach and usage across print, online and mobile. Publishers Audience Measurement Company (PAMCo) will launch in the first half of 2018. We look in further detail at this in section 5.

<sup>50</sup> Source: WAN-IFRA, *World Press Trends 2017*.

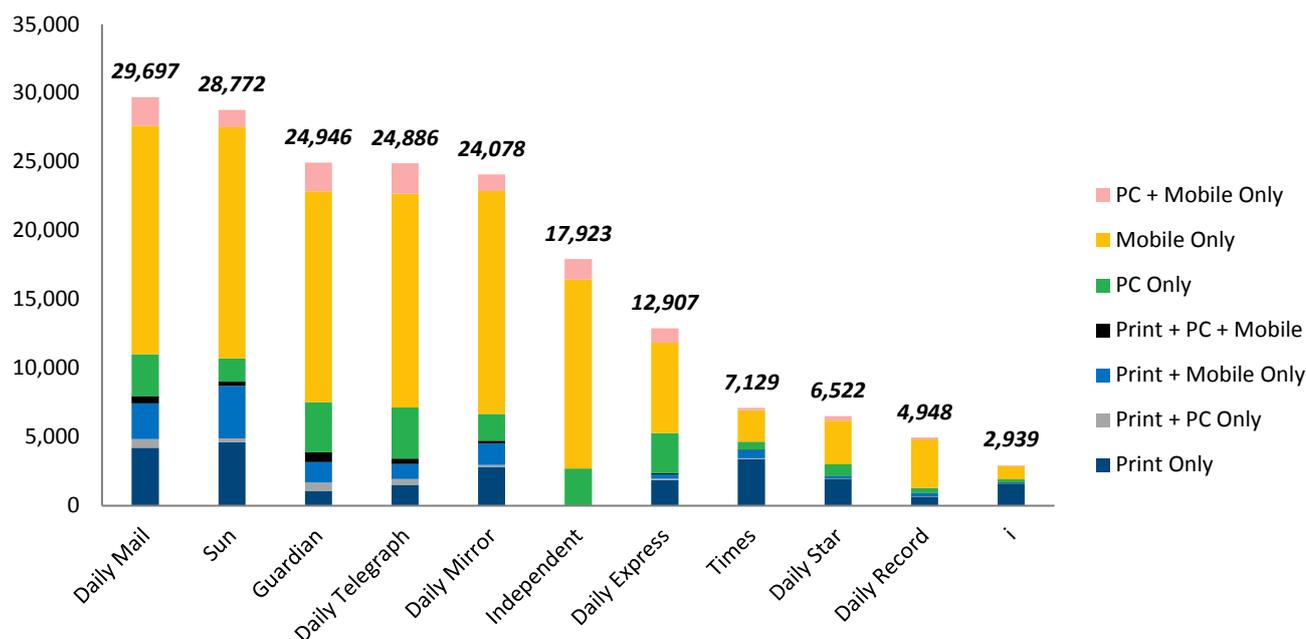


Figure 11 – Traditional national newsbrands’ average monthly reach, print + PC + mobile, Adults 15+

Source: NRS PADD, Oct 2016-Sep 2017

2.20. Most traditional newsbrands’ websites and apps offer their news for free; the only three exceptions at national level are *The Times* and *The Financial Times*, which apply a ‘hard paywall’ – i.e. a paid subscription is required to access any content<sup>51</sup>; and *The Daily Telegraph*, which uses a combination of free content and premium content available behind a paywall.

2.21. Their wide online reach has made it possible for traditional newsbrands to recalibrate their digital strategies. These are discussed in detail in section 4; however, it is worth mentioning the notable case of *The Independent*, which in March 2016 ceased publishing its print newspaper and has been a digital-only newsbrand ever since.

2.22. In addition to offering their news content on their websites, all national daily newspapers offer e-editions of the newspaper for consumption on PC or mobile / tablet. The e-edition is usually available to all print subscribers of a given title, however all newspapers also offer a stand-alone subscription to the digital version. *The Independent*, which no longer publishes a print newspaper, offers a ‘daily edition’ of its digital newspaper comparable to print titles’ e-editions.

2.23. In the digital news ecosystem, however, traditional newsbrands do not only compete among themselves, but more directly engage with other sources of online news, namely:

- Broadcasters’ news websites (e.g., BBC News, Sky News, ITV News, LBC);
- ‘Digital natives’ (e.g., BuzzFeed, Vice News, Huffpost);
- International news sites (e.g., *The New York Times*, *The Washington Post*); and
- News aggregation services (e.g., Yahoo, MSN).

<sup>51</sup> *The Financial Times* used to apply a ‘metered paywall’ – i.e. a specific number of articles per week were available to the reader for free before a subscription or membership was required. Interestingly, *The Financial Times* seems to allow at least some of its content to be accessible for free to people coming to its site from Google, Facebook and Twitter (see: <https://digiday.com/uk/financial-times-balances-reach-return-driving-subscriptions/>).

2.24. As we illustrate in Figure 12 below, digital natives still lag behind the largest traditional newsbrands in terms of online reach, while the BBC enjoys a moderate advantage<sup>52</sup> over all other online news websites. Note that News UK’s reach is amplified by the return to a ‘free’ revenue model by *The Sun*.

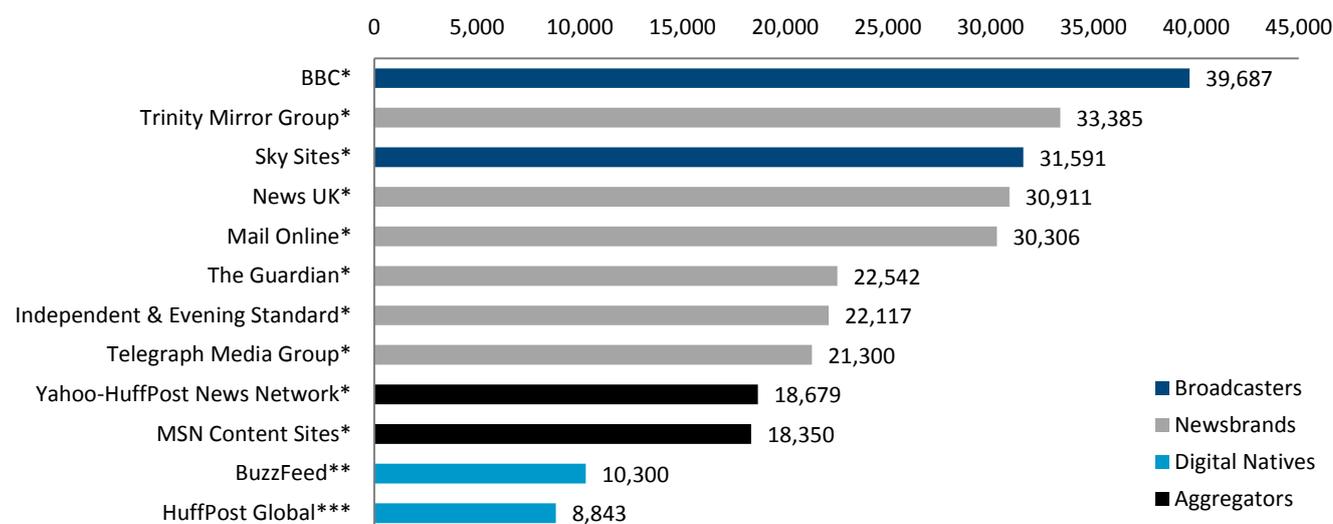


Figure 12 – Unique monthly visitors for selected broadcasters, newsbrands and digital natives (000s)  
Sources: \*UKOM, December 2017<sup>53</sup>; \*\*ComScore, via Business Inside, October 2017; \*\*\*UKOM, January 2018

2.25. It is worth noting here that the reach and usage of newsbrands online notwithstanding, the vast majority of publishers are not able (so far) to generate as much revenue from the competitive online space as in their print heartland, whether through the inability to charge or through commoditised advertising inventory. This challenge is the critical one for newspapers, as we will argue in detail in sections 4 and 5 of this report.

### News provision – TV and radio

2.26. As we refer to above, the press is one part of the overall ecosystem which underpins the way in which people in the UK are able to get their news.

#### National news - TV

2.27. Most of the investment in national news programming on TV is attributable to the public service broadcasters, with the BBC leading the way. At £323m, news and current affairs programming represented 11.1% of total network spend by PSBs in 2016, and 12.4% of total first-run UK originations spend. Furthermore, news and current affairs programming represented about 58% of total first-run UK originated hours in 2016.<sup>54</sup>

2.28. Compared to a relatively stable level of national news provision from PSBs over the past 10 years (see Figure 13 below), the supply of national and international news on non-PSB 24-hour channels has increased, notably following the launch of Al Jazeera English in 2006 and RT UK in 2014. Sky News meanwhile remains the longest running 24-hour news channel in the UK, first on the screens in 1989.

<sup>52</sup> UKOM data for the BBC excludes users who only use the BBC to watch or listen to content on the iPlayer.

<sup>53</sup> BBC excludes iPlayer and BBC WorldWide websites.

<sup>54</sup> Ofcom, *PSB Report 2017* (see: [https://www.ofcom.org.uk/data/assets/pdf\\_file/0016/103921/annex-c-output-spend.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0016/103921/annex-c-output-spend.pdf)).

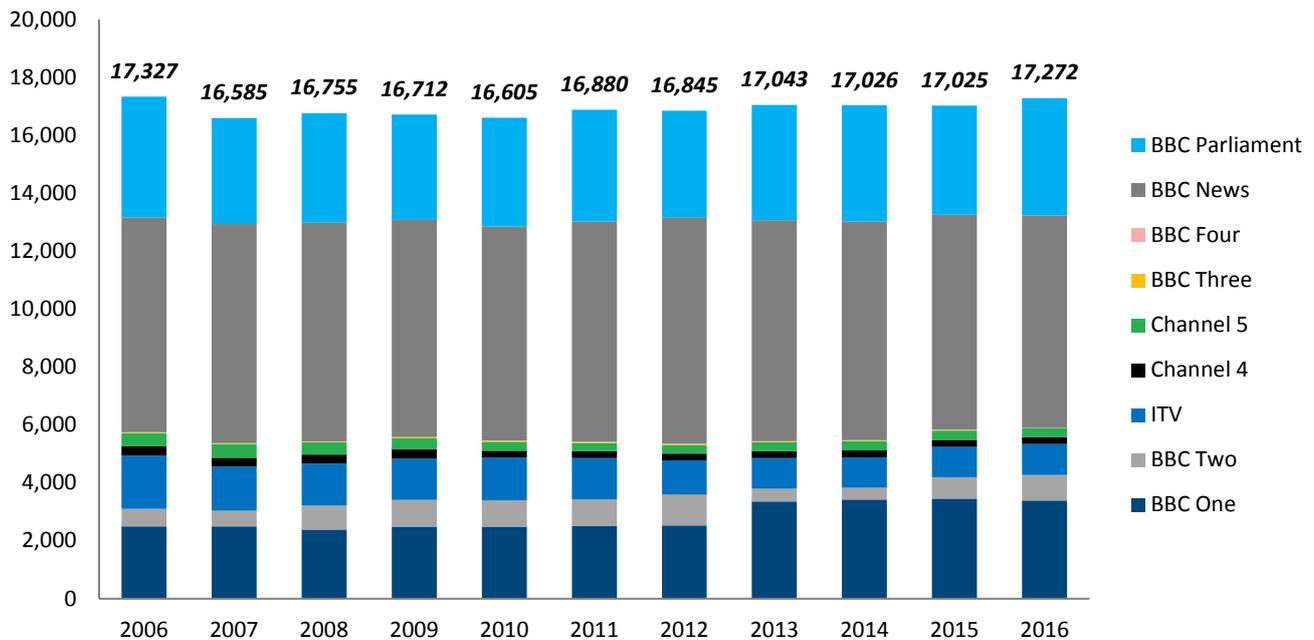


Figure 13 – PSBs’ volume of UK/national news, hours  
Source: Ofcom PSB Report 2017

2.29. In terms of investment, expenditure on national TV news in the UK (in real terms) has declined across PSBs, from £247m in 2011 to £231m in 2016. Non-PSBs have made up the difference, such that total national news expenditure was flat between 2011 and 2016 (see Figure 14).

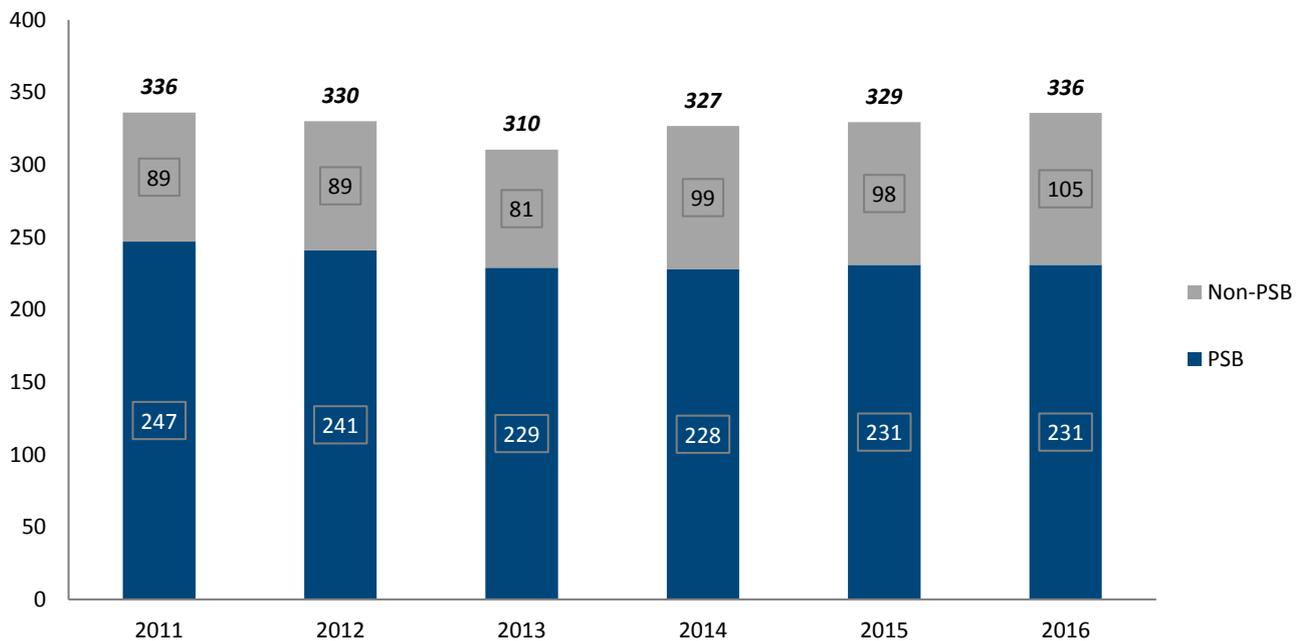


Figure 14 – Total UK TV national news expenditure, £m  
Source: Ofcom Communications Market Report 2017; Ofcom PSB Report 2017

2.30. As shown in Figure 15 below, the average weekly reach for national and international news programming on BBC One was 53.8% across the whole UK population in 2016, while 28.3% of people turned to ITV for their news at least once a week in the same year. Sky News obtained the highest reach for its news programming out of the non-PSB channels.

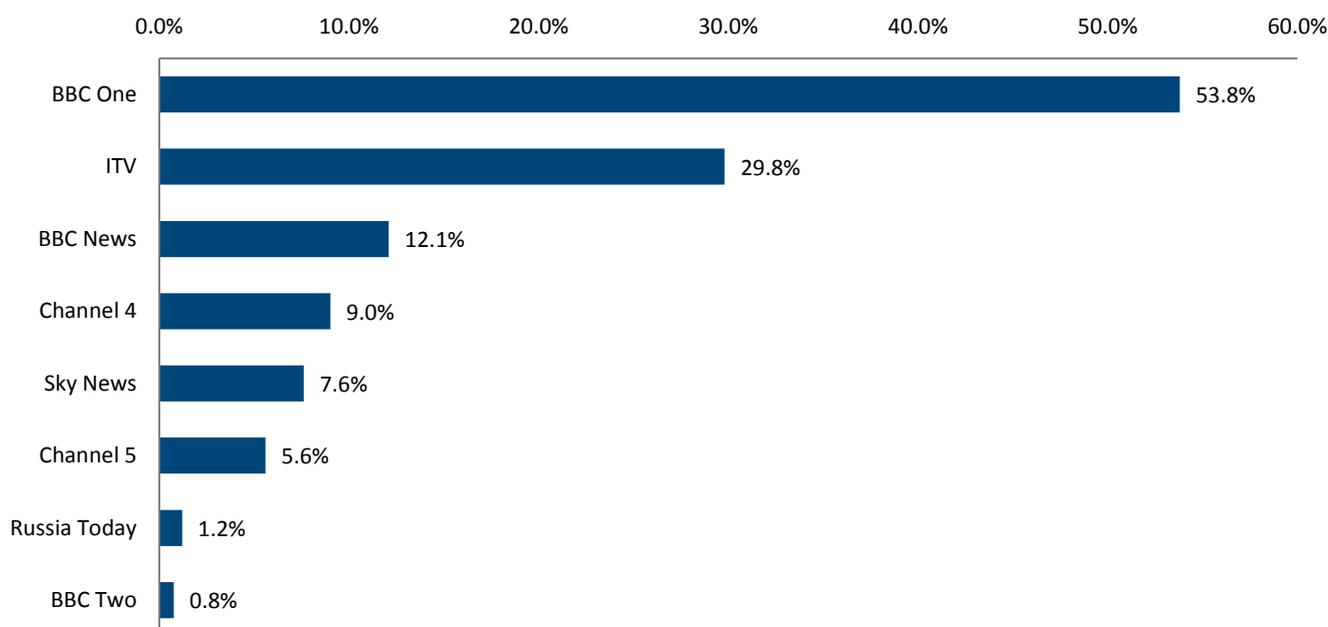


Figure 15 - Average weekly reach of news programming of the PSB channels, all individuals

Source: Ofcom PSB Report 2017; BARB

National news - Radio

2.31. Just as in TV, the BBC is a key provider of national and international news on its radio services. The table below summarises the key news and current affairs requirements applying to national BBC radio news services in 2016-17, and the corresponding provision level.

BBC Radio Service	News Requirement	Provision Level (2016/17) <sup>55</sup>
<b>BBC Radio 1</b>	1 hour of news in daytime each weekday, including two extended bulletins <sup>56</sup>	1 hour 6 minutes
<b>BBC Radio 1Xtra</b>	1 hour of news in daytime each weekday, including two extended bulletins <sup>57</sup>	1
<b>BBC Radio 2</b>	16 weekly hours of news and current affairs, including regular news bulletins	18
<b>BBC Radio 4</b>	2,500 hours of news and current affairs programmes	3,364
<b>BBC Radio 5 live</b>	75% of output <sup>58</sup> that is news coverage	75%
<b>BBC Radio 6 Music</b>	6 weekly hours of news	6
<b>BBC Radio Asian Network</b>	24 weekly hours of news and current affairs	24

Figure 16 – Summary of BBC national radio services’ news requirements and provision level, 2016/17

Source: BBC Annual Report 2016/17

<sup>55</sup> Source: *BBC Annual Report 2016-17* (see: <https://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc-annualreport-201617.pdf>).

<sup>56</sup> BBC Radio 1 is also required to provide regular bulletins during daytime at weekends.

<sup>57</sup> BBC Radio 1Xtra is also required to provide regular bulletins during daytime at weekends.

<sup>58</sup> Measured on a programme by programme basis.

2.32. Meanwhile, all commercial radio services – local and nationwide – are required to provide regular national and international news bulletins. These bulletins are by and large provided by Independent Radio News (IRN) and produced by Sky News. According to IRN itself, its bulletins reach 27 million listeners across all commercial radio stations it serves. Furthermore, there are three dedicated national news services on Digital Audio Broadcasting (‘DAB’) frequencies: LBC, talkRadio and Share Radio.

Local and regional news - TV

2.33. There are three main sources of regional news TV programming in the UK, underpinned by the regulatory framework set up by the Communications Act 2003 and the regulatory arrangements in place for the oversight of the BBC:

- The regional news quotas applying to the 14 English regional variations and 3 national variations of BBC One, as well as the news requirements applying to BBC Alba and S4C<sup>59</sup>;
- The regional news quotas applying to the 15 Channel 3 (ITV) regional services; and
- The 29 local TV stations across the UK, all of which have regulatory local news commitments and have been licensed by Ofcom since 2013. On average, each local TV station showed 805 hours of first-run local news in 2016, compared to 734 in 2015.<sup>60</sup>

Local and regional news - Radio

2.34. The BBC is the largest provider of local and regional radio news, as a result of the news obligations applying to its local and regional radio services (as detailed in the table below).

BBC radio regional news obligation	Relevant Quota	Provision Level (2016/17) <sup>61</sup>
<b>BBC Local Radio (England)</b>		
Weekly hours of original, locally made programming per station <sup>62</sup>	85	108.9
<b>BBC Radio Scotland</b>		
Weekly hours of news and current affairs	43	60
<b>BBC Radio Wales</b>		
Weekly hours of news and current affairs	24	35
<b>BBC Radio Cymru</b>		
Weekly hours of news and current affairs	16	26
<b>BBC Radio Ulster/Foyle</b>		

<sup>59</sup> In 2016/17, BBC Wales supplied 272 hours of daily, weekly news and current affairs programming to S4C.

<sup>60</sup> Source: Ofcom’s *Communications Market Report 2017* (see <https://www.ofcom.org.uk/research-and-data/multi-sector-research/cmr/cmr-2017/uk>).

<sup>61</sup> Source: *BBC Annual Report 2016-17* (see: <https://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc-annualreport-201617.pdf>).

<sup>62</sup> BBC Local Radio has a general commitment to local news however it has no set quota for news programming.

<b>Weekly hours of news and current affairs on BBC Radio Ulster</b>	27	44
<b>Weekly hours of news and current affairs on BBC Radio Foyle</b>	8	25

Figure 17 – BBC radio regional news obligations and provision level, 2016/17

Source: BBC Annual Report 2016/17

- 2.35. Local commercial radio stations are required to provide regular local bulletins throughout daytime. According to Radiocentre, the marketing body for the commercial radio sector, over half (54%) of daytime news output in 2016 featured local news.<sup>63</sup> In total, Radiocentre estimates that commercial radio stations provide on average 6 and a half hours a week of news and sports.<sup>64</sup>
- 2.36. Finally, there are 227<sup>65</sup> community radio stations in the UK. Community radio represents a very small proportion of the broadcasting market – around £11.6m, or about 1% of the total radio market – and each of them provides on average a total of 89 original hours of content per week. There are no local news requirements applying to community radio licences.
- 2.37. As shown on the map at Figure 18 below, there are seven counties in the UK which are served by more than 10 local radio stations (Lancashire, Greater Manchester, Birmingham (and West Midlands), Greater London, Kent, Hampshire and West Sussex. All of these areas are also served by a local TV station.

<sup>63</sup> Radiocentre, *Action Stations – The Public Value of Commercial Radio* (see: [http://www.radiocentre.org/files/Action\\_Stations\\_2016.pdf](http://www.radiocentre.org/files/Action_Stations_2016.pdf)).

<sup>64</sup> *Ibid.*

<sup>65</sup> Number for 2016, as reported by Ofcom in its *Communications Market Report, 2017*.

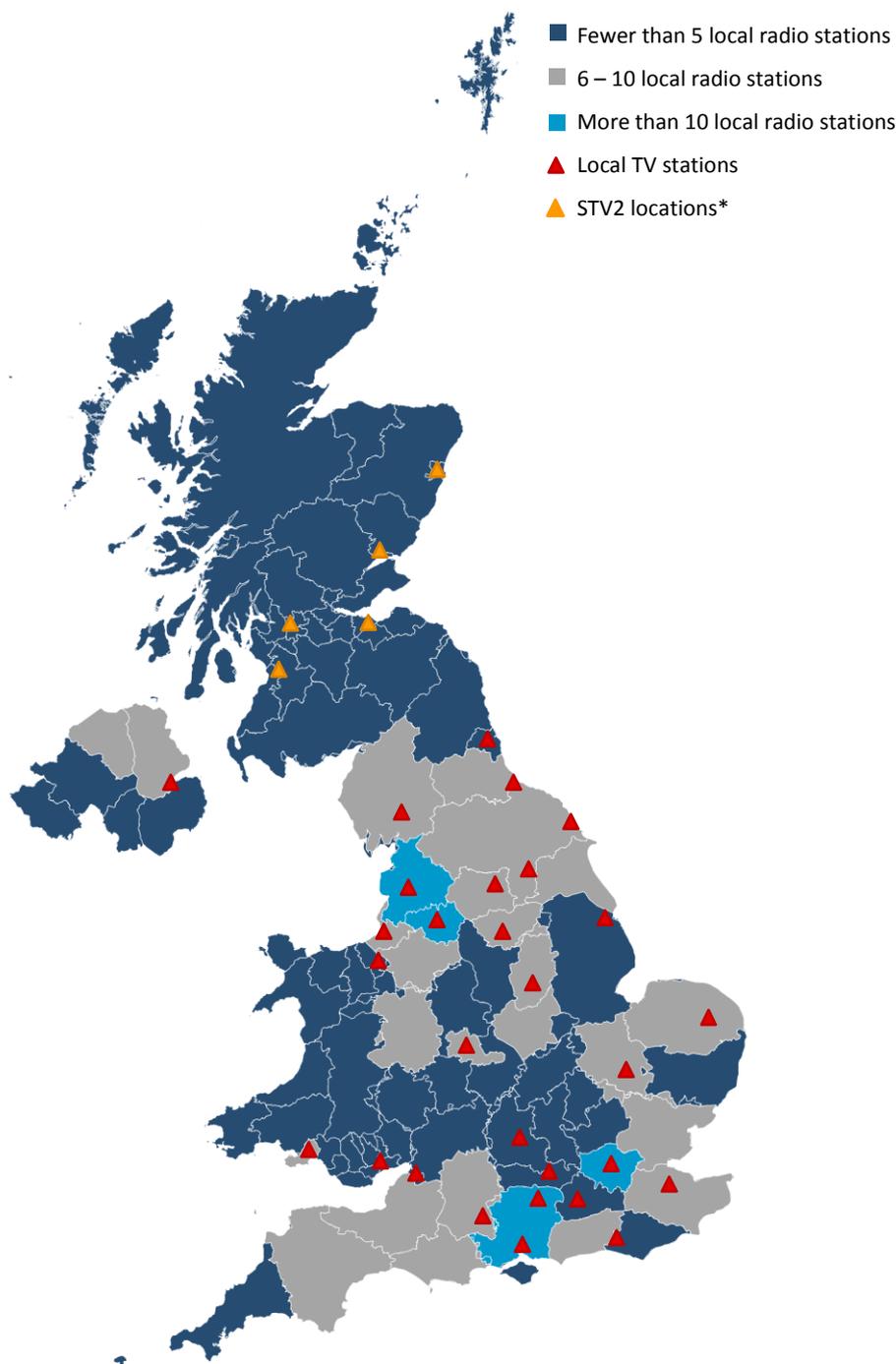


Figure 18 – Local radio stations and location of local TV stations

Source: Mediatique, Ofcom, includes BBC regional radio services and Ofcom licensed local radio stations as well as Ofcom-licensed local TV stations.

\* STV2 consists of a network of five local TV stations all owned by STV plc, each of which is subject to its individual local programming commitments.

- 2.38. Northern Ireland, Scotland and Wales all have relatively little local radio coverage although Belfast, Derry and Swansea fare better on this measure than their other counterpart districts. All three nations are served by at least one local TV station.
- 2.39. Apart from Essex and Kent, the counties outside Greater London are sparsely provisioned, although this could be misleading, given that radio stations based in London tend to be receivable in these areas and provide 'local' coverage.

2.40. Based on our analysis of local and regional news (across newspapers, TV and radio), we have constructed a map of news availability, below. It is worth noting that:

- All households can receive a 'regional' BBC and ITV news service broadly relevant to their area; any household with broadband (fixed or mobile) can also receive news services online from newspaper publishers, TV and radio broadcasters and digital natives.
- Around half of the UK population live in area served by one of 29 local TV licences broadcasting on digital terrestrial TV ('DTT').<sup>66</sup>
- In addition, nearly all households are reached by the national FM radio services of the BBC and commercial operators, and most can also tune in via DAB if they have the right tuner or can listen to digital radio stations via digital TVs or online.
- Local and regional radio services, on DAB and on analogue, are variously available depending on the reach of local and regional transmitters. National newspapers are sold throughout the country, while local and regional titles are distributed locally, often for free.

2.41. Using data from a number of sources, we portray here the picture in different parts of the country.

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<sup>66</sup> Reach may be augmented via satellite in certain regions; data on the incremental households reached in this way is not available from Ofcom.

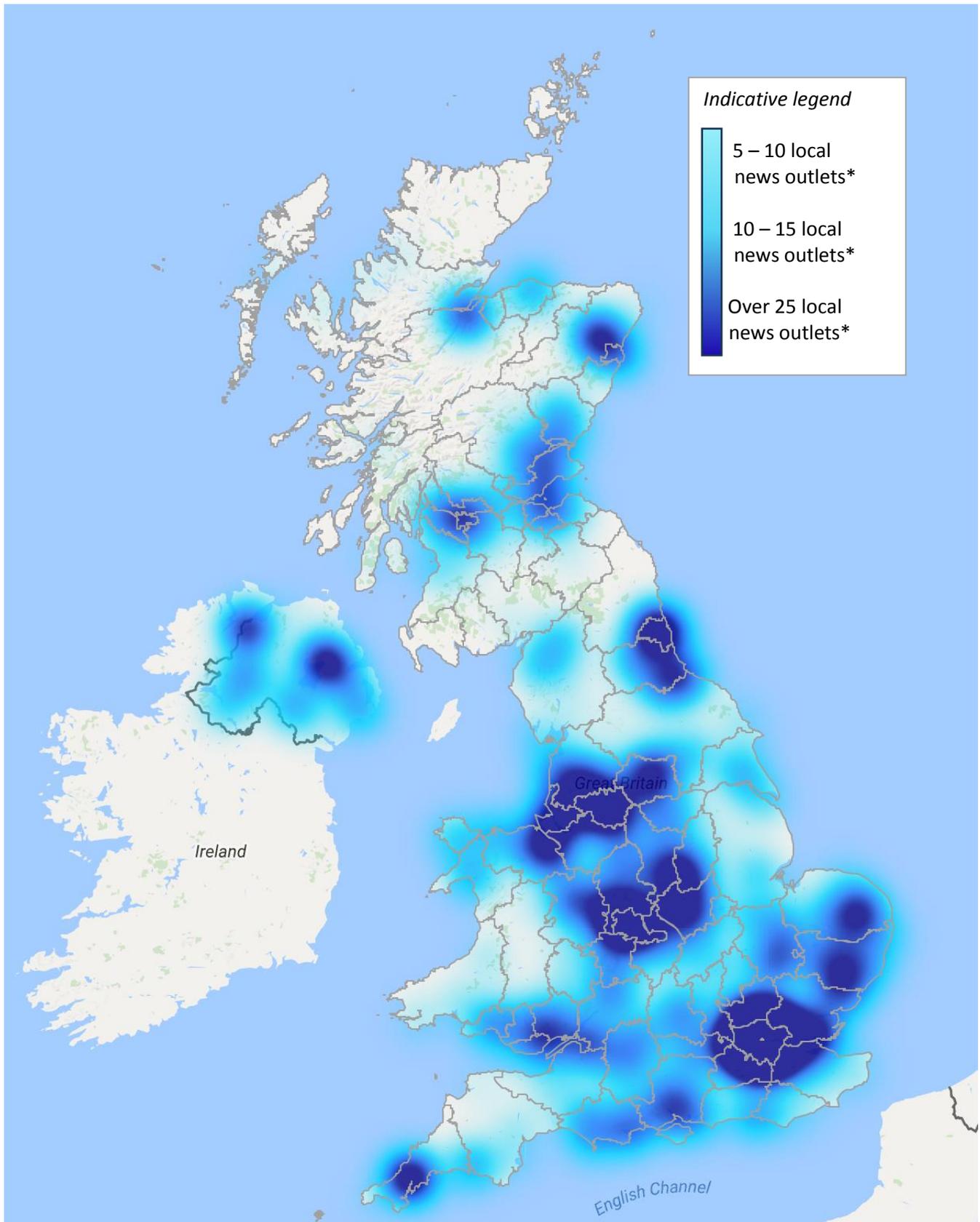


Figure 19 – Heat map of local news provision: TV and radio stations, local/regional newspapers (daily and weekly)

Source: Mediatique, Ofcom, BBC, Centre for the Study of Media, Communication and Power.

\*Denotes local TV station, local radio station or local newspaper (daily or weekly).

- 2.42. The map above includes the location of local TV stations (including regional variations of STV2); radio stations licensed by Ofcom<sup>67</sup>; the 41 BBC stations serving English counties; the BBC stations serving Northern Ireland, Scotland and Wales; and the local/regional daily and weekly newspapers.
- 2.43. The presence of a local commercial radio station does not necessarily contribute significantly to news output, depending on local format. However, the BBC radio presence routinely constitutes delivery of local news. Likewise, since 2013 local TV stations have made local news and current affairs TV programming available to consumers; however, this has been relatively limited in scope and overall consumption of news via local TV channels remains low.
- 2.44. The data on the map were plotted at their central point. For daily newspapers, this was to the level of electoral borough and for TV and radio stations to the town or city served. This means there may be areas which are covered by, for example, a radio station, but which are not represented that way on the map. In other words, the density of 'hot-spots' relates solely to the number of different news media available in a given area and should not be taken to correspond directly with coverage (or lack thereof) in those areas.
- 2.45. Due to the scale, areas with little provision may only show up very faintly. However, this should not be taken to mean there is no local news provision here, merely that there is less of it than in more densely coloured areas. The best coverage across multiple media can be seen, unsurprisingly, in the major conurbations of the UK, with London, Birmingham and Manchester particularly well-covered by a variety of print, radio and TV media. Additional 'hot-spots' include Middlesbrough and Newcastle (which benefit from overlap in services due to their proximity), Norwich, Cornwall (as a county), Belfast, and Aberdeen.
- 2.46. Areas of potential concern are mid-Wales, the north-east coast of England, and the strip between northern England and central Scotland. The map suggests there are gaps of news provision in these areas.
- 2.47. It should be noted that Wales has long had fewer local news outlets (as defined here) compared to other areas; and those with higher provision such as Manchester and London have seen significant closures in recent years despite their status (linked, of course, to population density) as 'hot spots'. We look in further detail at how provision of local and regional news in particular has changed since 2012, in section 3: 'Current dynamics'. We also discuss the future trends in section 4: 'Key challenges'.

### News consumption

- 2.48. Every year, Ofcom conducts research into the way people in the UK consume news across the four main media discussed above: print newspapers, television, radio and online. As shown in Figure 20 below, television is the main source of news for UK audiences in terms of use, while the internet is the fastest growing source. In 2016, 29% of UK adults said they use printed newspapers 'nowadays' for their news – this is broadly consistent with the newspaper reach figures cited by us earlier in this section.

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<sup>67</sup> This excludes Absolute Radio (UK), Talksport (UK) and Classic fm (UK) as these 'as-national' services are not subject to the same local news requirements as regional stations. Absolute Radio has separate licences for its two regional services, Absolute Radio (Greater London) and Absolute Radio (West Midlands) which are both counted in the heat map in their own locales.

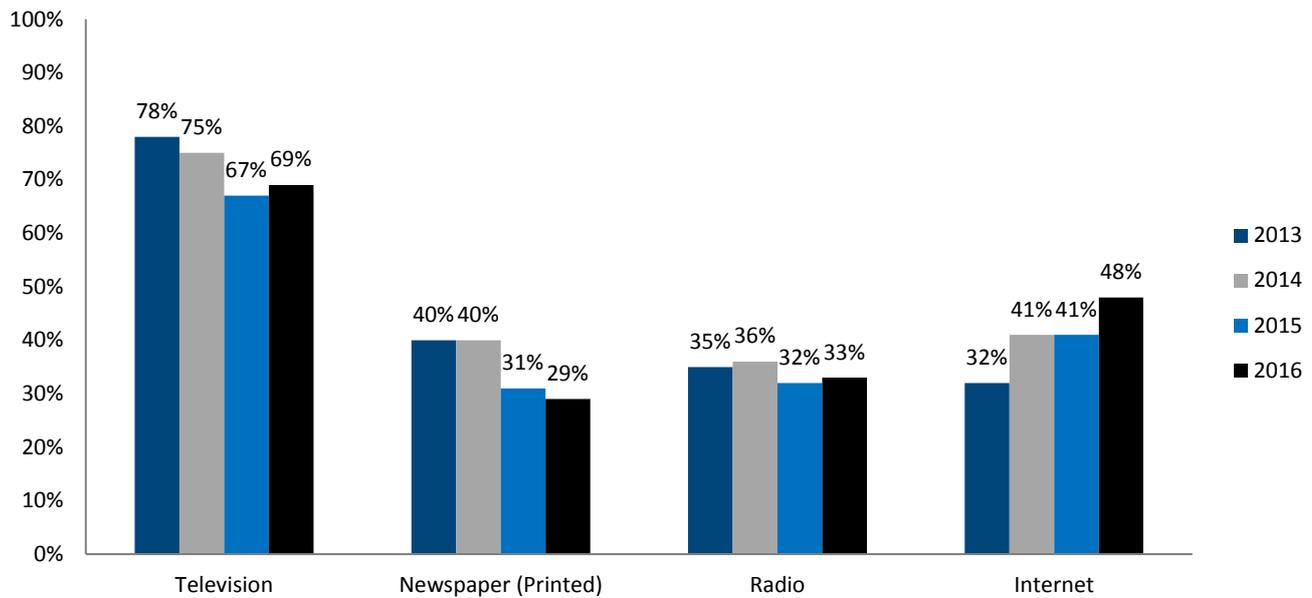


Figure 20 - Use of four main platforms for news 'nowadays', % of adults in the UK  
 Source: Ofcom - News consumption in the UK: 2016<sup>68</sup>

2.49. Younger people in particular are much less likely to get their news from printed newspapers; the proportion of people aged 16-24 who read printed newspapers is lower than the rest of the population (14%). At the same time, people in the same age group are more likely to get their news from the internet – 63% compared with 48% among the overall population.

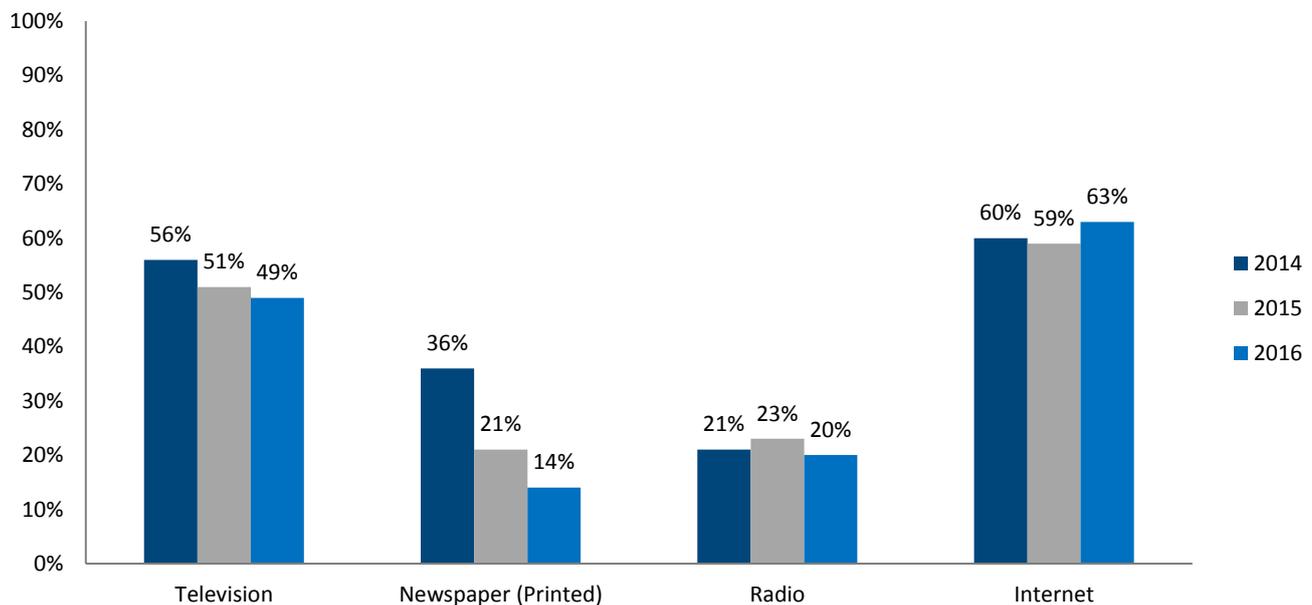


Figure 21 - Use of four main platforms for news 'nowadays', % of 16-24 in the UK<sup>69</sup>  
 Source: Ofcom - News consumption in the UK: 2016

<sup>68</sup> Indicates the percentage of respondents that indicated any of the categories in the chart to the question: “which of the following do you use for news nowadays?”. The question for newspapers was changed in 2015 to specify ‘printed newspapers’ (see: [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0016/103570/news-consumption-uk-2016.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0016/103570/news-consumption-uk-2016.pdf)).

<sup>69</sup> Indicates the percentage of respondents that indicated any of the categories in the chart to the question: “which of the following do you use for news nowadays?”. The question for newspapers was changed in 2015 to specify ‘printed newspapers’. Data for 2013 not comparable. (see: [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0016/103570/news-consumption-uk-2016.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0016/103570/news-consumption-uk-2016.pdf)).

2.50. Ofcom data also shows that there is significant overlap between different sources. Of all UK adults, 57% use at least two sources for their news. Only 1% of UK adults relied solely on newspapers for their news, as shown in Figure 22 below. On average, UK adults used 3.8 sources across platforms in 2016, a figure that has remained relatively constant since 2013.

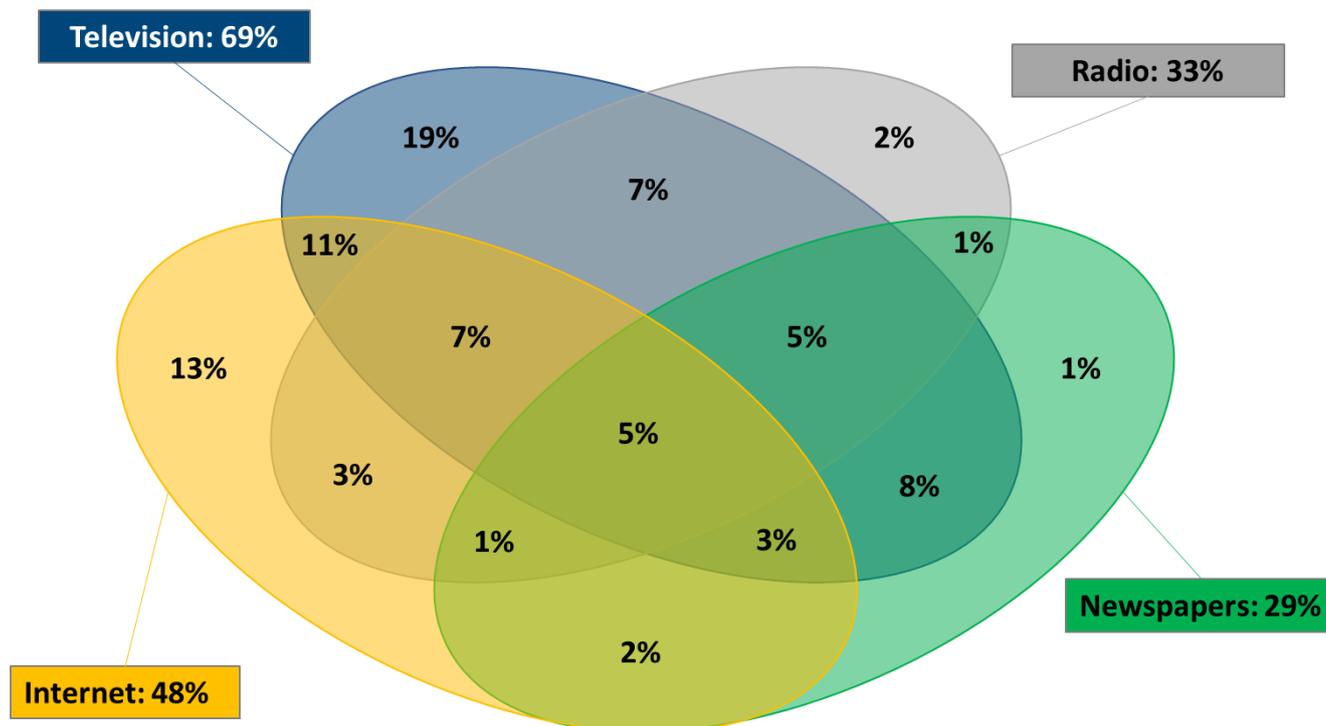


Figure 22 - Extent of news consumption across the four main platforms, % of adults in the UK  
 Source: Ofcom - News consumption in the UK: 2016

2.51. Ofcom calculates a ‘share of reference’ metric by asking people which news sources they use nowadays and the frequency with which they use them.<sup>70</sup> Over the past four years, the share of references attributable to newspapers has decreased from 13% to 9%, mostly in favour of the internet. However, this might mask some growth in the share of references of newsbrands’ websites and apps.

<sup>70</sup> As explained by Ofcom, “each reference is then factored according to frequency of consumption, and summed to create a total number of news references. The share (%) of each source or provider can then be calculated based on this total number” (see: [https://www.ofcom.org.uk/data/assets/pdf\\_file/0016/103570/news-consumption-uk-2016.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0016/103570/news-consumption-uk-2016.pdf)).

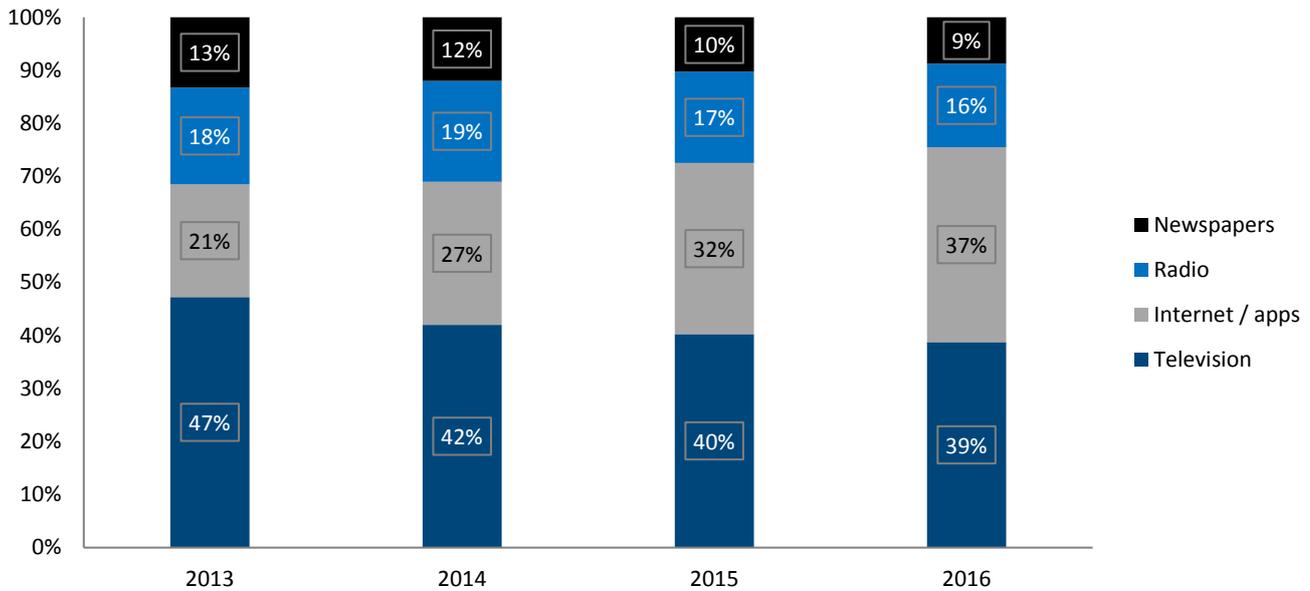


Figure 23 – Platform share of reference  
Source: Ofcom - News consumption in the UK: 2016

2.52. Given these issues of interpretation, it is useful to compare the cross-platform audience reach of retail news providers across the same period of time<sup>71</sup>, as shown in Figure 24 below, which shows that the cross-platform reach of the largest traditional newsbrands – indicated with an asterisk in the chart – has remained relatively stable since 2013. Furthermore, the chart below shows that traditional newsbrands and publishers are capable of reaching larger audiences than some individual broadcasters at cross-platform level.

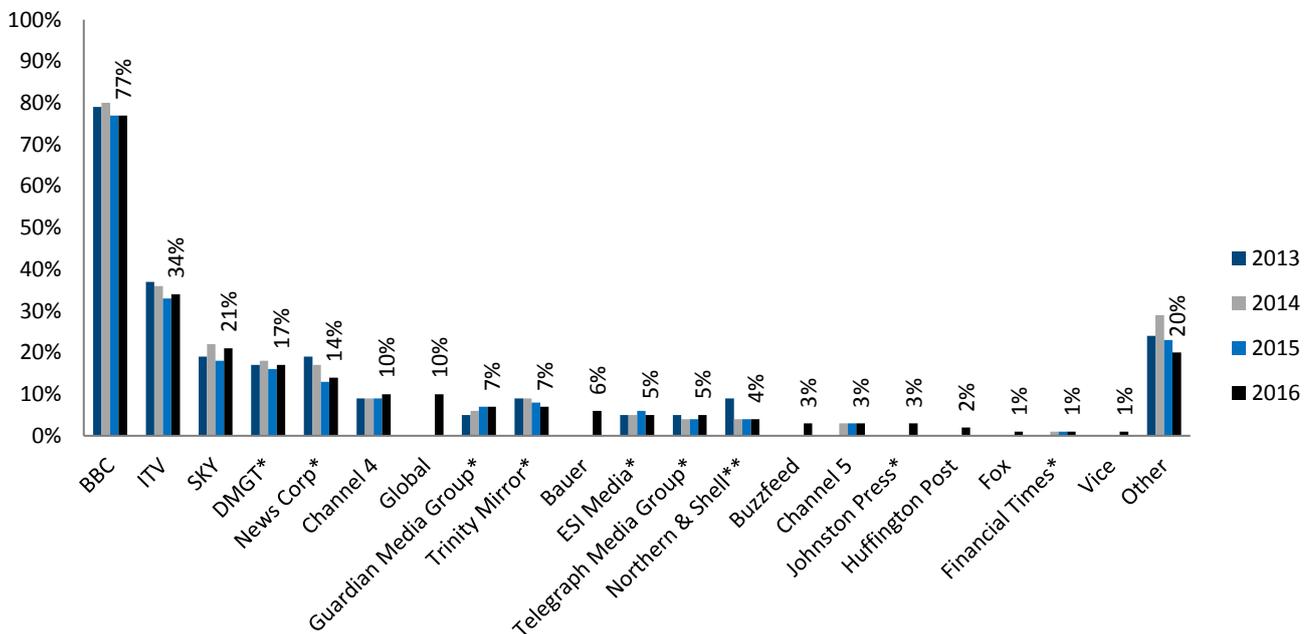


Figure 24 - Cross-platform audience reach of retail providers used nowadays for news, % of UK adults  
Source: Ofcom, News consumption in the UK: 2013-2016<sup>72</sup>

<sup>71</sup> With caveats, as (a) the list of sources presented to survey respondents may have changed over the years, and (b) the ownership of certain news sources may have changed from one year to the other.

<sup>72</sup> Based on the responses to the question: “which of the following do you use for news nowadays?”. The cross-platform reach decrease for Northern & Shell – indicated with two asterisks in the chart – between 2013 and 2016 reflects the sale of Channel 5 to Viacom in 2014.

Local and regional news consumption

2.53. Despite the fact that newspapers lag behind other media in terms of use for news consumption overall, the picture is slightly different when it comes to local news. As shown in Figure 25 below, 17% of UK adults accessed local news using printed local newspapers, more than radio or online in 2016, although this figure was lower than in 2015 (21%). This suggests that printed newspapers still play a very important role in the dissemination and consumption of local news.

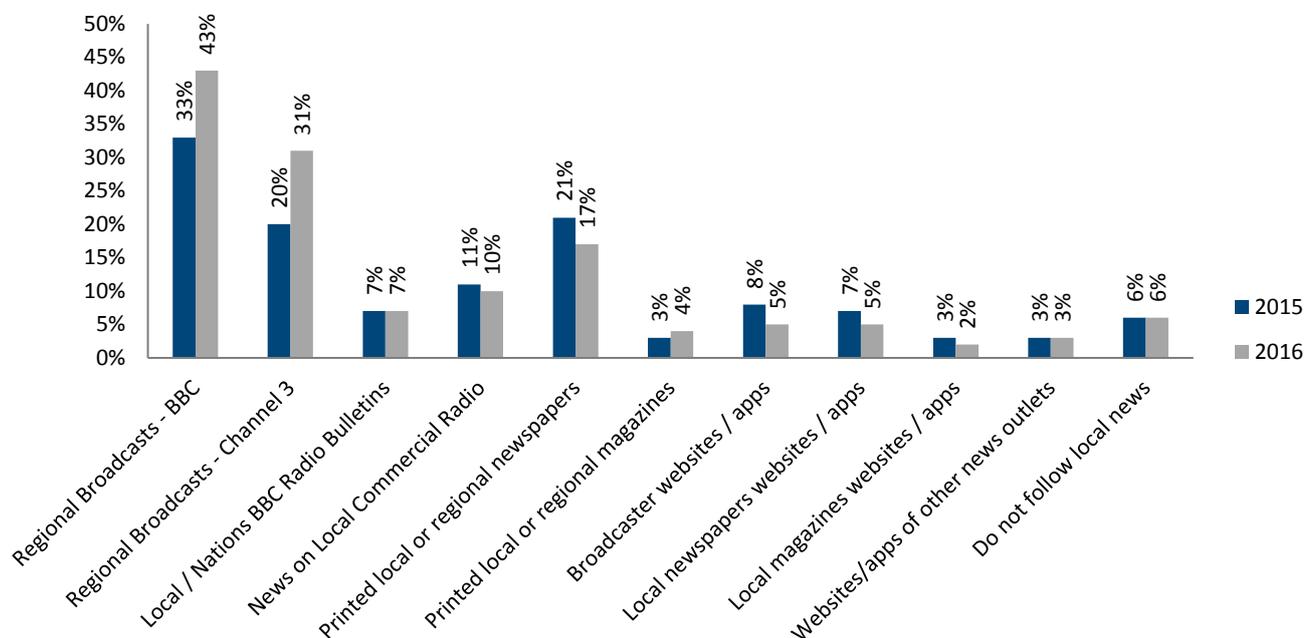


Figure 25 - Use of platforms for local news 'nowadays', % of adults in the UK  
 Source: Ofcom - News consumption in the UK: 2016

**The role of digital intermediaries in the consumption and dissemination of news**

2.54. With the rise in popularity of social media platforms and search platforms, people’s reliance on so-called ‘digital intermediaries’ for their access to news – and, on the other hand, newsbrands’ reliance on these platforms to distribute their content – has become a major talking point in the news industry.

2.55. According to Ofcom, in 2016 42% of the UK adults who used the internet used social media to access news, while 36% used search engines.<sup>73</sup> Both of these figures are higher than any single news source other than the BBC in terms of cross-platform reach, but lower than the proportion of UK online adults that used website or apps of TV and radio companies (48%)<sup>74</sup> (see Figure 26 below). Furthermore, according to Ofcom, 9% of UK adult online users solely relied on social media for their news consumption.<sup>75</sup>

<sup>73</sup> Ofcom, *News consumption in the UK 2016*.

<sup>74</sup> *ibid*

<sup>75</sup> *ibid*

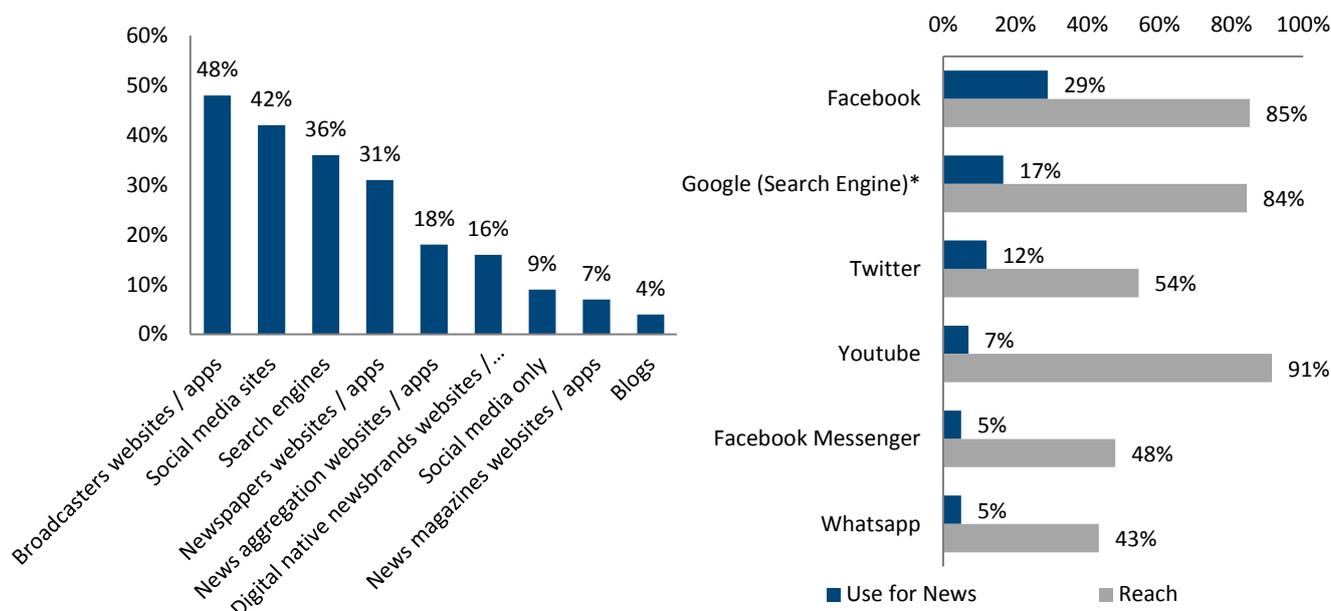


Figure 26 – Use of online newsbrands by category\* (left) vs use of digital intermediaries for news\*\*

Sources: Ofcom, News consumption in the UK 2016<sup>76</sup>; Reuters Institute, Digital News Report 2017; UKOM, UK Digital Market Overview - Dec 2017

\* % of UK adults who use the internet for news; \*\*Reach calculated by dividing the monthly number of visitor per online property by the total unique online visitors / viewers in the UK in December 2017 (around 47.9m)

2.56. At the same time, there is anecdotal evidence that suggests that publishers’ online traffic is increasingly driven by third-party platforms. For instance, a recent report by the Reuters Institute for the Study of Journalism at the University of Oxford (‘Reuters Institute’) looked at the source of traffic to news websites and suggests that social media and search combined made up about 35% of that traffic on desktop and laptops, although this varies significantly across newsbrands.<sup>77</sup> Furthermore, this may change in the future due to the announced changes in the Facebook newsfeed which might cause in lower visibility of newsbrands on Facebook – thus resulting in lower traffic from social. <sup>78</sup> Changes to search are also likely to have an impact – e.g., the phasing out of the ‘first click free’ function on Google, under which providers formerly had to supply up three ‘free’ articles a day before being taken behind a paywall, in order to appear favourably in searches. As we will explore in section 4, these trends have implications on the ability of publishers to monetise their content online.

<sup>76</sup> The % of people in the UK who used Google (search engine) to access news in 2016 (14%) was adjusted to account for the proportion of people in the UK who do not have access to the internet.

<sup>77</sup> Reuters Institute, *Mapping Online News Discovery for Computer Users in the UK*, 2017 (see: [http://reutersinstitute.politics.ox.ac.uk/sites/default/files/2017-09/Mapping%20Online%20News%20Discovery\\_0.pdf](http://reutersinstitute.politics.ox.ac.uk/sites/default/files/2017-09/Mapping%20Online%20News%20Discovery_0.pdf)).

<sup>78</sup> In January 2018, Facebook announced changes to its newsfeed that would result in a prioritisation of friends’ posts, to the detriment of posts by public pages, including publishers and brands. This is likely to have a negative impact on the referral traffic to online newsbrands from Facebook (see: <https://newsroom.fb.com/news/2018/01/news-feed-fyi-bringing-people-closer-together/>).

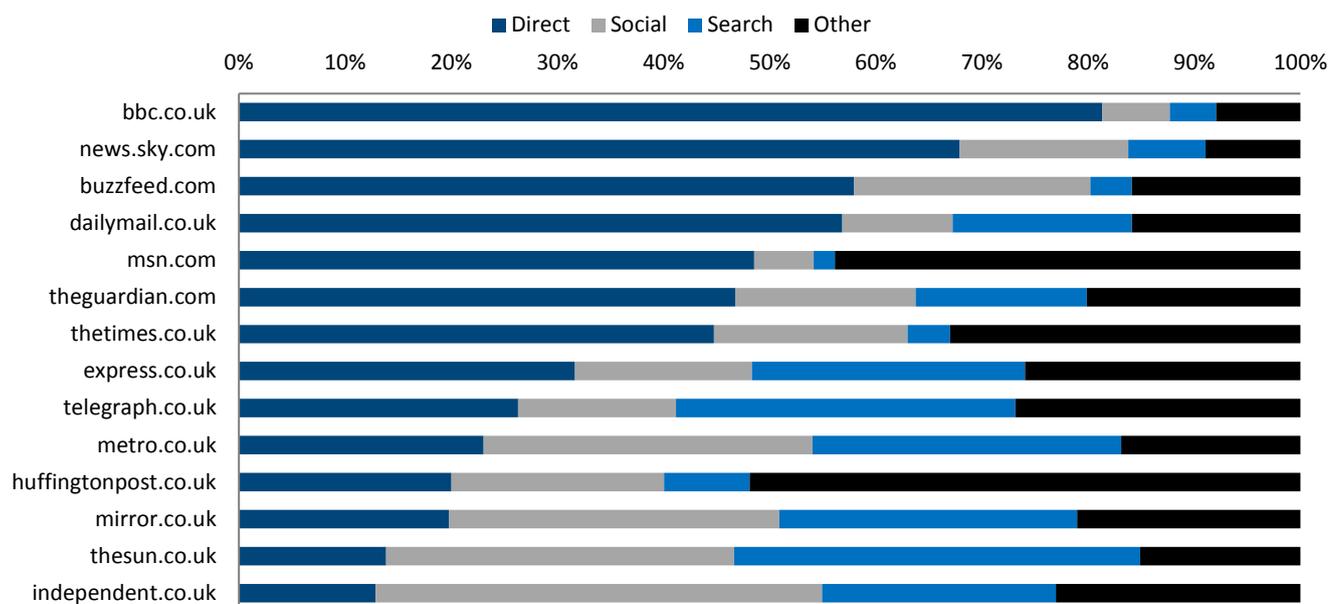


Figure 27 – % of online traffic by source, desktop and laptop only, selected newsbrands, 13 March until 10 April 2017  
 Source: Reuters Institute, Mapping Online News Discovery for Computer Users in the UK, 2017

### Contribution to editorial investment

- 2.57. We have drawn a broad portrait above of news provision and consumption in the UK. In the next section, we review recent trends and how these have affected newspaper publishers. We then consider the implications of these trends on the ability of the sector to sustain its commitment to original journalism in the future.
- 2.58. First, it is worthwhile recalling the importance of press journalism to the news ecology in the UK today. Building on data first gathered by us for Ofcom<sup>79</sup>, updated on behalf of the BBC for 2013<sup>80</sup> and reviewed again for the present report, we calculate that traditional newsbrands continue to contribute the biggest single share of all editorial content costs among the three providers – publishers, broadcasters and digital natives.
- 2.59. We estimate<sup>81</sup> a total editorial investment of £925m by newsbrands on print editorial content, compared to £1.35bn reported to Ofcom by Mediatique for 2011 and around £1.1bn reported to the BBC by Mediatique in 2013 – a drop of around 15% since 2013 and representing around 28% of newsbrands’ core revenues, compared to 25% in 2013.<sup>82</sup>
- 2.60. All told, newspaper publishers are responsible for 50% of all frontline journalism costs (based on our definitions) in the UK. While the ratio has dropped (from 57% in 2013 and 65% in 2011), it is still a significant indicator of the importance of newspaper budgets for the creation of original journalism.

<sup>79</sup> See: Mediatique, *A Report for Ofcom (Annex 6 to Ofcom’s advice to the Secretary of State for Culture, Olympics, Media and Sport) – The provision of news in the UK*, June 2012 ([https://www.ofcom.org.uk/data/assets/pdf\\_file/0030/54597/annex6.pdf.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0030/54597/annex6.pdf.pdf)).

<sup>80</sup> See: Mediatique, *The provision and consumption of online news – current and future*, December 2014 ([http://www.bbc.co.uk/corporate2/insidethebbc/howwework/reports/provision\\_consumption\\_of\\_online\\_news](http://www.bbc.co.uk/corporate2/insidethebbc/howwework/reports/provision_consumption_of_online_news)).

<sup>81</sup> See Annex 2 for a discussion of the methodology used to calculate editorial expenditure by media.

<sup>82</sup> ‘Core revenues’ are advertising revenues net of commission and our estimate of net circulation revenues, excluding digital membership / subscription. These amounted to £3.3bn in 2017. The 2017 editorial expenditure numbers are in line with declines in sector revenue over time and have been checked with publishers and other media owners. In line with discussions with publishers, we estimate that frontline journalism has been partially protected from the full force of revenue reductions in recent years. This may not be a sustainable strategy.

Total editorial investment in 2013: £1,840m

Total editorial investment in 2017: £1,835m

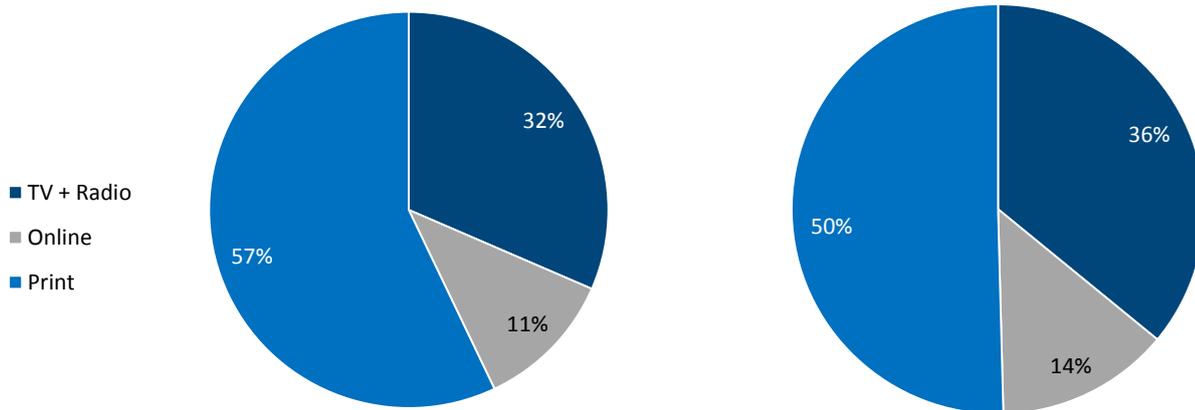


Figure 28 – Contribution to total editorial investment by medium, 2013 (left) vs 2017 (right)

Source: AA/WARC, Internet Advertising Bureau, Ofcom, Mediatique analysis, interviews

2.61. Future declines in revenues, if they incite like-for-like reductions in expenditure, will have a large impact on the creation of news in the UK. Moreover, as newspaper publishers lose ground to digital natives there is every expectation of the problem worsening. Digital natives do not contribute significantly to editorial resources, even though they are likely to have siphoned advertising income away from traditional publishers. If less is spent on content, circulation declines could accelerate further, and fewer users may engage with newsbrands online. A vicious cycle may beckon.

### 3. Current dynamics in the regional and national press market

- 3.1. The press sector has gone through a process of evolution and even upheaval over the past ten years, as circulation and readership declines have led to sharply lower revenues, particularly from advertising. Users continue to migrate to new platforms; and even when they engage with newsbrands online, the yields for publishers are much lower than in analogue print. At the aggregate level, Deloitte, in work commissioned by the NMA, estimates that one print reader is worth eight digital users.<sup>83</sup>
- 3.2. The challenge to newspapers was exacerbated by the dual impact of the 2008 recession and the meteoric rise of mobile delivery. The newspaper industry had circulation<sup>84</sup> and net advertising revenues<sup>85</sup> of about £6.1bn in 2007 (and around 25% of total gross advertising expenditure in the UK); by 2017, total core (circulation and net advertising) revenues were just £3.3bn, including digital advertising<sup>86</sup>. Excluding digital, expenditure on newsbrand print advertising had plummeted to just £1.4bn, or 6% of total advertising expenditure.
- 3.3. The present press sector has been much transformed from its characteristics of the pre-internet era. The pace of change has accelerated since 2007, particularly from the double-edged threat of digital, which has not only encouraged users to migrate to new online services but also diverted advertising income (classified and then display) away from traditional print. The timetable below provides a summary of the main events occurring over the past 20 years in the UK press industry.

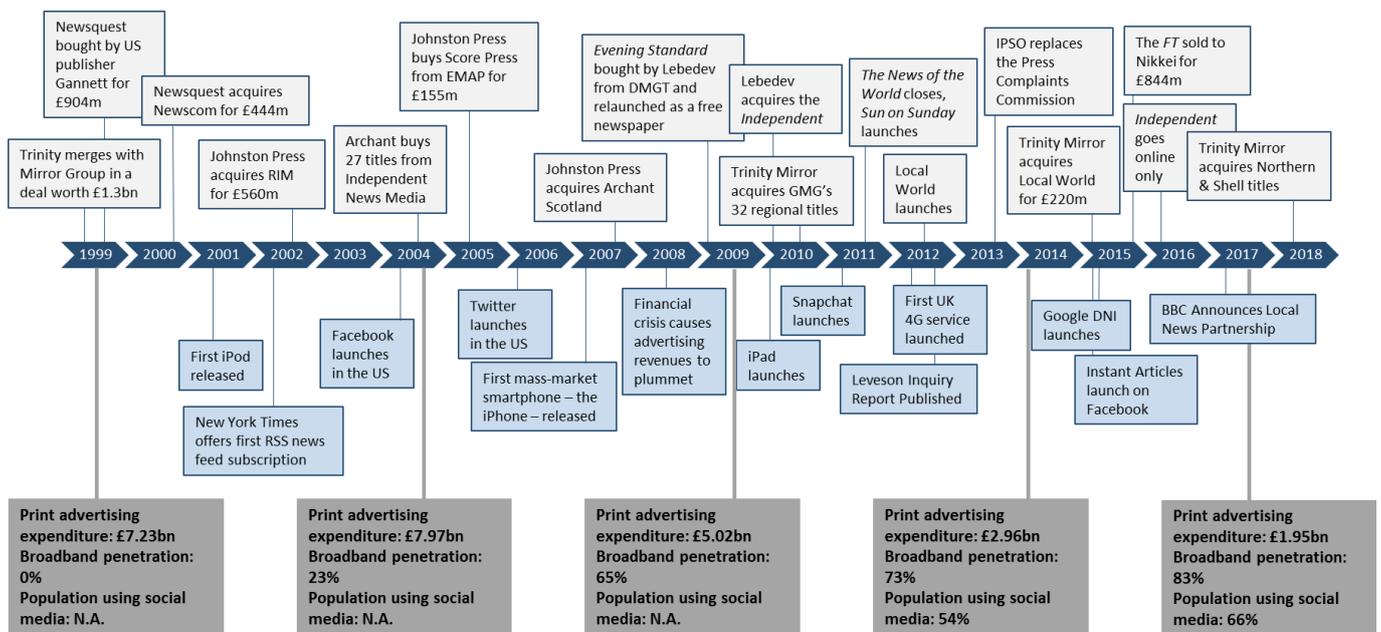


Figure 29 – Timetable of key events in the press industry, 1999-2019

Sources: NMA, Ofcom, O&O, Advertising Association, ONS, Press Association, press reports; print advertising expenditure includes magazines

<sup>83</sup> Specifically, Deloitte estimated that the industry’s average annual revenue per print media user was £124 in 2016, compared to £15 per digital media user. See: Deloitte, *UK News Media: an engine of original news content and democracy*: [http://www.newsmediauk.org/write/MediaUploads/In%20the%20Spotlight/NMA%20Economic%20Report/Final\\_Report\\_News\\_Media\\_Economic\\_Impact\\_Study.pdf](http://www.newsmediauk.org/write/MediaUploads/In%20the%20Spotlight/NMA%20Economic%20Report/Final_Report_News_Media_Economic_Impact_Study.pdf).

<sup>84</sup> Excluding the FT.

<sup>85</sup> Expenditure (as reported by AA/WARC) is gross of commission; revenues accruing to the newsbrands is net if commission (we have assumed a 15% commission fee rate consistent with industry practice).

<sup>86</sup> Excludes digital subscription / membership revenues.

Drivers of change

Take-up of digital technologies

3.4. Over the past 10 years the media industry has been characterised by a significant acceleration in the take-up of digital technologies, disrupting traditional media business models and transforming the way in which media is consumed. Today, roughly nine households in 10 have access to the internet in the UK (fixed line and/or mobile), while two-thirds of households have access via mobile devices.

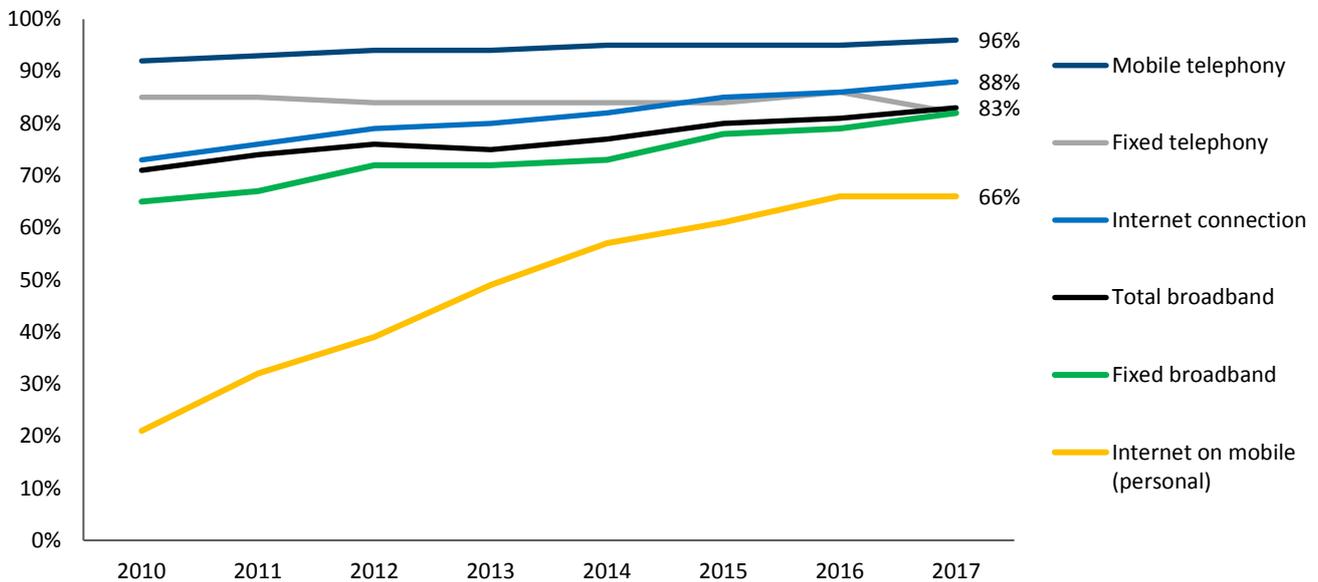


Figure 30 - Penetration of distribution networks (% UK households)  
Source: Ofcom CMR 2017

3.5. As connectivity among the population increased, so did the take-up of internet-enabled devices. Today, more than three quarters of the UK adult population has a smartphone, slightly less than two thirds a laptop<sup>87</sup>, and more than half (58%) a tablet.

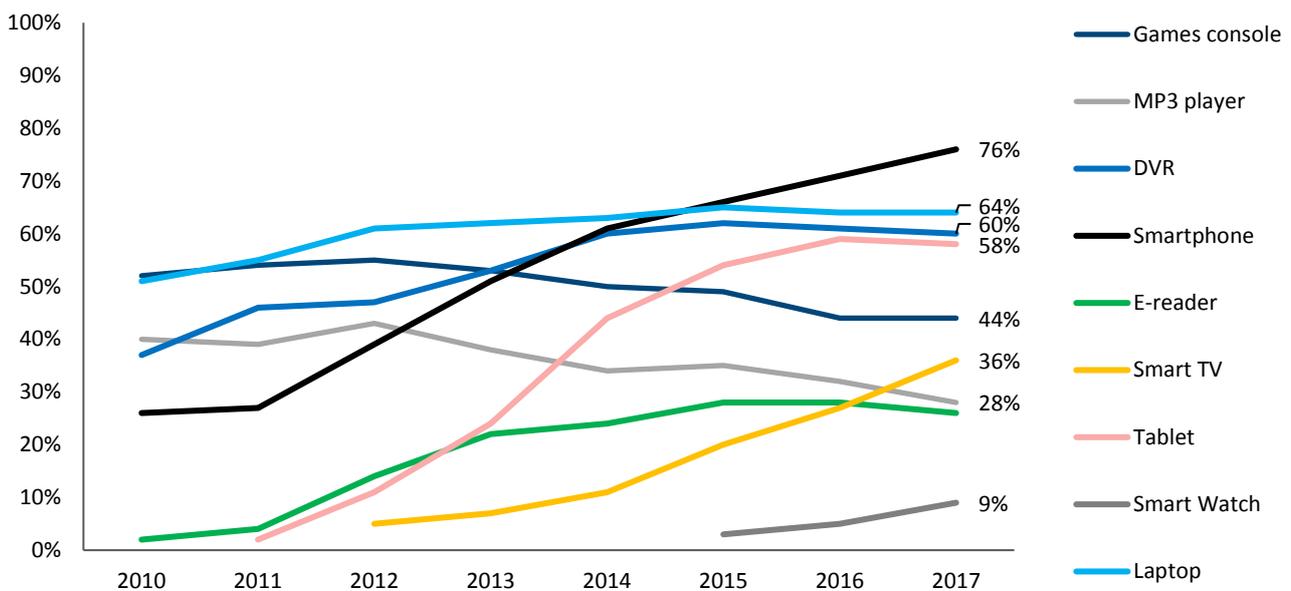


Figure 31 - Penetration of connected devices (% UK adults 16+)  
Source: Ofcom CMR 2017

<sup>87</sup> Desktop computer ownership was 28% among UK adults in 2017 (source: Ofcom CMR 2017).

3.6. By enabling consumers to access content in new, different ways, and conversely by allowing innovation in the distribution and aggregation of content, digital technologies have affected all traditional media markets, although none in as a transformational fashion as the press. This is for two main reasons:

- From a technological perspective, even in its early configuration the internet provided a relatively good substitute for print journalism generally and very easily substituted for certain classified services (property, automobiles, travel, recruitment): little investment was required to convert the content from print to digital – certainly not the type of infrastructural investment required for video and, to a lesser extent, audio. At the same time, it only required relatively readily accessible technology
- From a market perspective, it had a two-fold effect:
  - it greatly expanded consumer choice, both in terms of news sources and classified advertising; and
  - it allowed newsbrands to expand their reach and target audiences they would have not served otherwise, and therefore monetise these new audiences.

3.7. As digital technologies became more widely and cheaply available, the substitutability aspect of the internet over the press began to prevail, leading to the decline in traditional newsbrands’ circulation (and consequently revenue).

### The advertising landscape

3.8. The impact of the internet on the media market is clearly detectable when looking at the evolution of advertising. As shown in Figure 32 below, over the past 10 years internet advertising (which includes search, display and classified) grew by a factor of 3.5, from around £3bn to £10.6bn in 2017. Meanwhile, press advertising (defined as a combination of newsbrands and magazine brands) declined from £7.6bn in 2007 to £2.7bn in 2017, a 65% reduction. Newspaper advertising on its own fared even worse from £4.6bn to £1.4bn between 2007 and 2017, a drop of 70%.

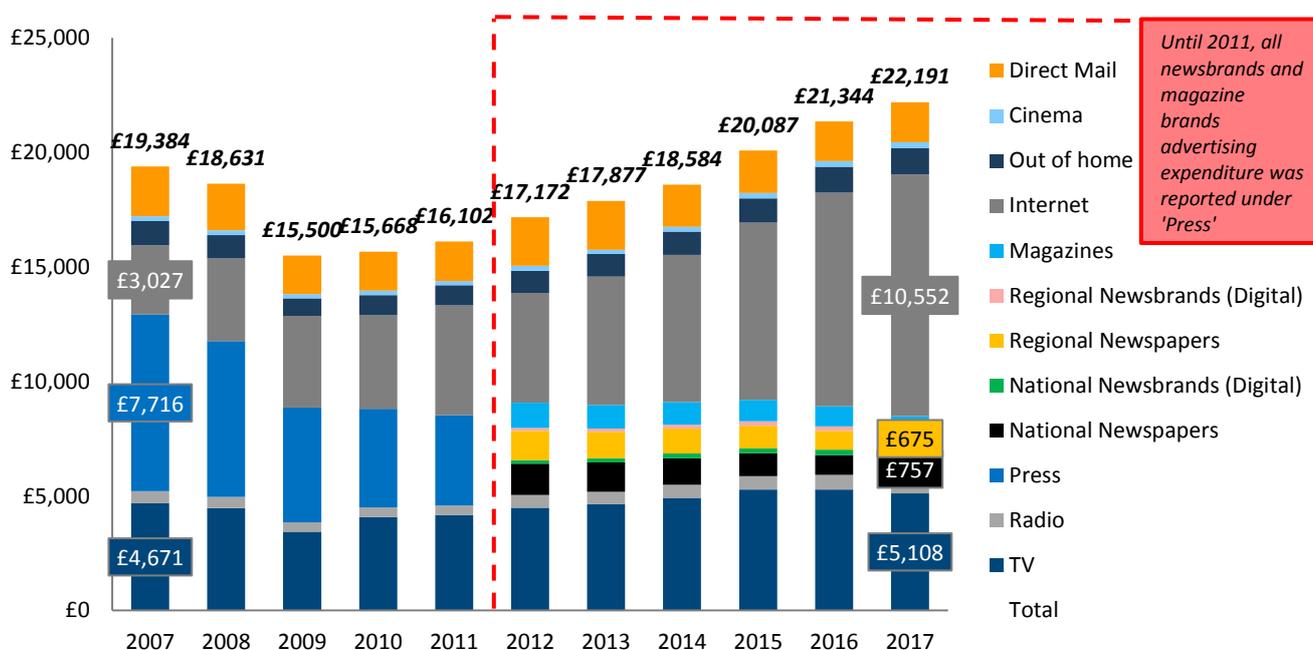


Figure 32 – UK advertising expenditure by medium, £m (current prices)  
Source: AA/WARC, 2007-2017<sup>88</sup>

<sup>88</sup> TV includes broadcasting VOD; Magazines include digital magazine brand advertising; Radio includes digital radio advertising.

3.9. Indeed, mainly driven by the decline in press advertising<sup>89</sup>, overall ‘offline’ advertising expenditure has dropped by £5.7bn over the past 10 years, which has been more than offset by the £8.5bn increase in online advertising expenditure.<sup>90</sup>

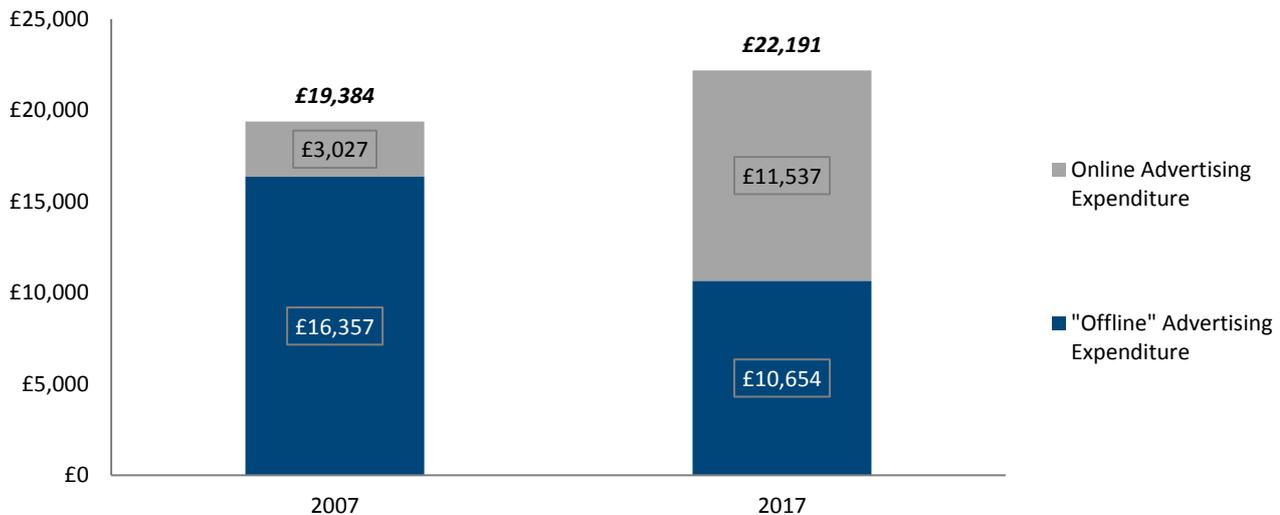


Figure 33 – Online advertising expenditure vs ‘offline advertising’ expenditure, £m  
Sources: AA/WARC, 2007-2017; Mediatique

3.10. As a result, the internet has also almost tripled its share of total advertising expenditure over the same period, from 16% to 48% (52% if we include broadcasting VOD advertising and digital advertising for radio, newsbrands and magazine brands). Meanwhile, press advertising has gone down from 40% to 12%, with print newspaper advertising making up around 6% of total advertising expenditure in the UK in 2017.

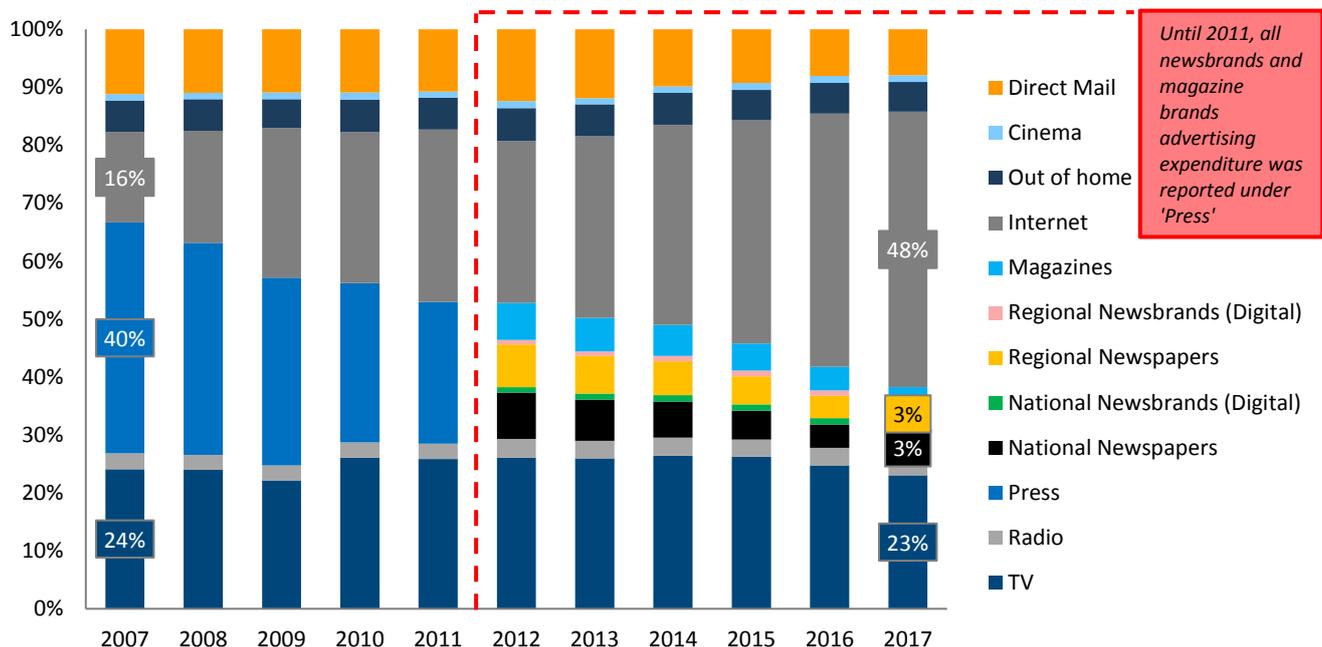


Figure 34 – UK advertising expenditure by medium, %  
Source: AA/WARC, 2007-2017<sup>91</sup>

<sup>89</sup> Press was the only category of advertising expenditure to be lower (in nominal terms) in 2017 than in 2007, other than direct mail (-22%). The decline in direct mail advertising expenditure represented 8% of overall ‘offline’ advertising decline. Direct mail has also been buffeted by the challenge of the internet, particularly the growth in email marketing.

<sup>90</sup> Here, online advertising includes broadcasting VOD, as well as digital advertising expenditure for radio, magazine brands and newsbrands.

<sup>91</sup> TV includes broadcasting VOD; Magazines include digital magazine brand advertising; Radio includes digital radio advertising.

3.11. The earliest sign that the internet was going to heavily disrupt the traditional newsbrands’ business model was the rapid growth in online classified advertising, at the expense of the press. Exploiting the unbundling of content facilitated by the internet, new entrants were able to take advantage of the more efficient connections between buyers and sellers offered by the very nature of online communication, and have provided more innovative services that were, crucially, free at the point of use. Classified, including recruitment, had helped the local and regional press in particular deliver operating profit margins in the late 1990s and early 2000s in excess of 30%; these ‘easy’ income streams were the first to dissipate with the onset of digital disruption.<sup>92</sup>



Figure 35 – Online classified advertising expenditure, £m  
 Source: Zenith Advertising Expenditure Forecast, June 2017

3.12. The impact of the trend was particularly harsh, therefore, on local and regional newspapers, for which classified advertising had come to represent a larger proportion of total advertising revenues than for national newspapers – in part explained by the high number of free weekly publications.

3.13. Enders Analysis estimated that in 2010 classified advertising was 56% of total advertising revenues for regional newspapers, compared to 14% for national titles.<sup>93</sup> Indeed, a study in 2013 by O&O estimated that classified advertising expenditure on regional newspapers fell by 63% between 2007 and 2012, and at a faster rate than display advertising expenditure, as shown in Figure 36 below.<sup>94</sup>

<sup>92</sup> Johnston Press, for example, delivered operating profit margins of 34% in each of 2003 and 2004; by 2016, this had dropped to around 16%.

<sup>93</sup> Enders Analysis, *Competitive pressures on the press*, 6 October 2011 (see: <http://webarchive.nationalarchives.gov.uk/20140122160758/http://www.levesoninquiry.org.uk/wp-content/uploads/2011/11/Presentation-by-Claire-Enders1.pdf>).

<sup>94</sup> O&O, *Research on local advertising markets*, May 2013 (see: [https://www.nesta.org.uk/sites/default/files/research\\_on\\_local\\_advertising\\_markets.pdf](https://www.nesta.org.uk/sites/default/files/research_on_local_advertising_markets.pdf)).

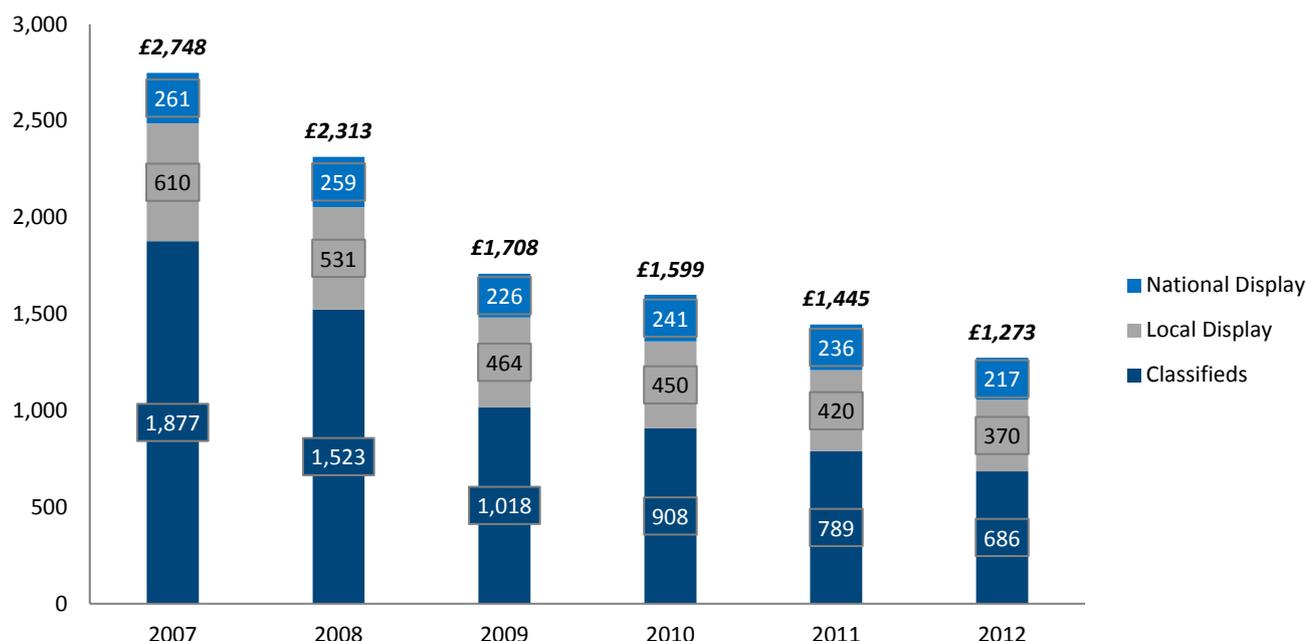


Figure 36 - Total UK regional newspaper advertising expenditure, 2007-2012  
 Source: O&O, Research on local advertising markets, May 2013

Other external factors

3.14. The internet (both fixed line and, from more recently, mobile) meant increased competition for newsbrands in the manner in which people consume news and had implications for their business models. At the same time, external factors such as the 2008 financial crash and a prolonged crisis of public trust in the media were being played out and had their own impact on newspapers.

- **The financial crisis of 2008:** From the turn of the century, local newspaper closures, declining circulation and consolidation were all evident, albeit at a much slower pace than what we have seen in the past ten years. With healthy profit margins – especially for local newspaper publishers – these trends were generally manageable, and consolidation was an effective strategy to achieve efficiencies and counter the losses caused by lower circulation. Also helpful was the ability to increase cover prices to offset circulation declines. With the financial crash however, publishers lost this leeway when total advertising revenue dropped for the first time in many years and remained suppressed until 2011. Publishers required investment in innovation and/or consolidation to recover, and yet publishers’ ability to access capital was severely hampered, making it difficult to do so.
- **Declining trust in media:** it is often observed that, in the past decade, the traditional media sector has experienced one of its most serious crises of public trust, possibly fuelled in part by the financial crisis itself. The data here is mixed with Ipsos MORI reporting that 27% of UK adults trust journalists to generally tell them the truth<sup>95</sup> while Edelman Trust Barometer data suggests that 61% of UK adults trusted ‘traditional media’ in 2018. This is a 13-point increase with respect to the previous year,<sup>96</sup> potentially reflecting recent concerns about news delivered via platforms as opposed from traditional newsbrands. Furthermore, there is no clear indication that there is a direct relationship between overall trust in media and news consumption. What appears more evident, particularly in the wake

<sup>95</sup> Ipsos Mori, *Ipsos MORI Veracity Index 2017* (see: <https://www.ipsos.com/sites/default/files/ct/news/documents/2017-11/trust-in-professions-veracity-index-2017-topline.pdf>).

<sup>96</sup> Edelman, *Edelman Trust Barometer UK Findings 2018* (see: <https://www.edelman.co.uk/magazine/posts/edelman-trust-barometer-2018/>).

of the ‘fake news’ phenomenon characterising the public debate around the news media industry<sup>97</sup>, is that trust is:

- *Subjective*: different people will have different levels of trust for different sources, depending on their age, social background, or political leanings;
- *Multidimensional*: there are multiple criteria for assessing trust in a single news source, and the same person might value different attributes in different sources. For instance, as reported by the Reuters Institute, audiences value BBC News for its accuracy and its ability to make readers understand the issues, but less so for having strong viewpoints; conversely, *The Guardian* might not rate as highly as the BBC in those two attributes, but its readers value its ability to manifest its viewpoints clearly<sup>98</sup>;
- *Predominantly a problem online*: possibly due to the rise of social media, which have enabled a proliferation of news sources of varying degree of partisanship and professionalism – both from a skillset and from a deontological point of view – the level of trust in online media tends to be lower than that for traditional media.<sup>99</sup>

## Circulation trends

### Local and regional newspaper circulation

3.15. The fall in print advertising revenues described above has been driven primarily by a steady decline in newspaper circulation, which has affected the press industry almost in its entirety over the past 10 years. Between 2007 and 2017, the average total weekly circulation among local and regional newspapers has fallen by 51%, from 63.4m to 31.4m. However, this is in part also driven by title closures.

3.16. To exclude the effect of title closures, it is useful to compare the average circulation per newspaper title for each of the main categories of local newspaper, as shown in Figure 37 below. Overall, local newspapers average circulation decreased by 34% over the past 10 years, while daily local newspaper circulation fell by 31% on average.

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<sup>97</sup> It is worth noting that ‘fake news’ is not one of the areas of focus of this report.

<sup>98</sup> Reuters Institute, *Digital News Report 2017*, p.23.

<sup>99</sup> The Edelman Trust Barometer found that in 2018 trust in online-only media was 45%, compared to 61% for traditional media, and that social media are trusted by even fewer people (32%); similar results have been obtained in research conducted by KPMG (see: <https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2017/06/media-tracker-may-2017.pdf>) and Ofcom (News Consumption in the UK 2016), as well as in a study conducted by YouGov in relation to local news (see: <http://www.localmediauk.org/News/yougov-local-press-most-trusted-source-for-local-news>).

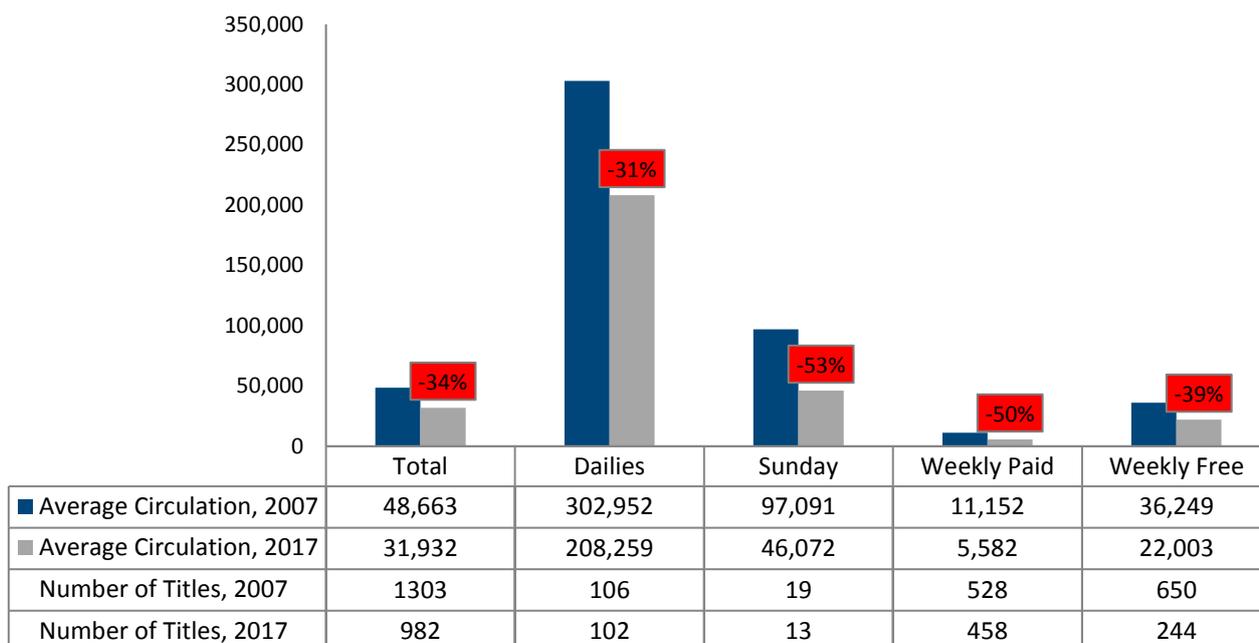


Figure 37 – Local newspapers average circulation by type, 2007, 2012, 2017

Source: ABC

National newspaper circulation

3.17. Similar trends can be seen with respect to the national press. Weekday (Monday to Saturday) national newspapers went from selling 11.5m copies a day in January 2008 to selling 5.8m copies in January 2018, a 50% decline.

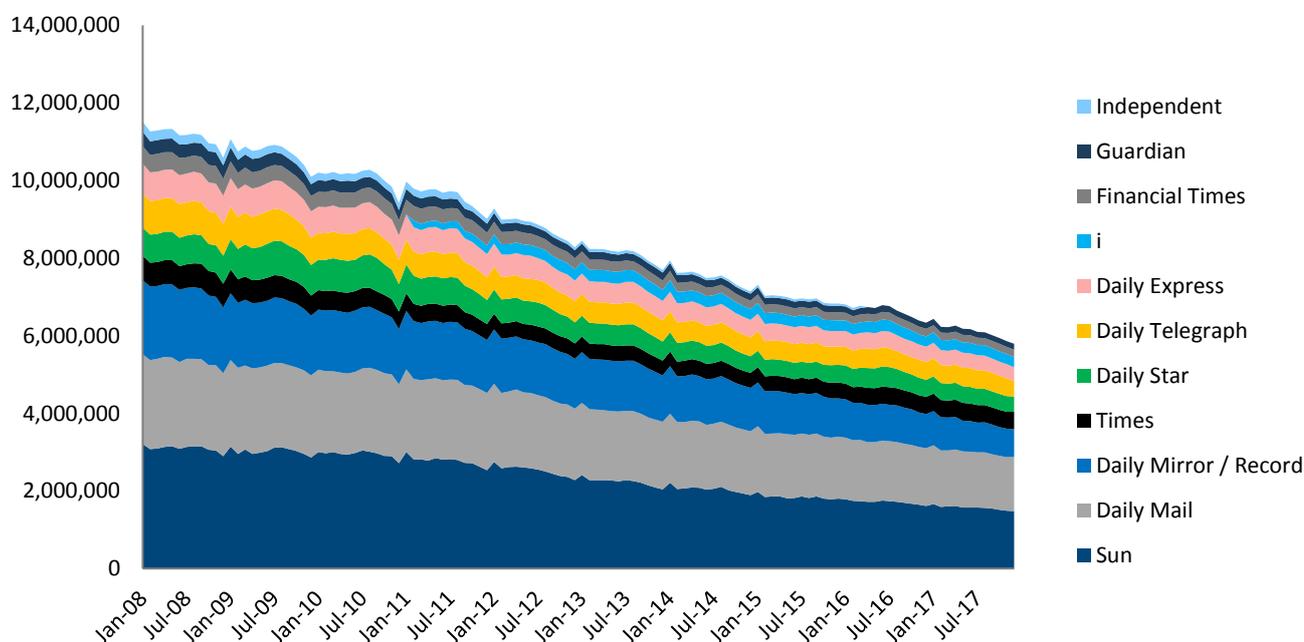


Figure 38 – Average daily circulation, weekday national newspapers

Source: ABC

3.18. The fall in circulation was even steeper for Sunday national newspapers, which went from 11.2m copies per issue to less than 5m in 10 years, a 56% reduction.

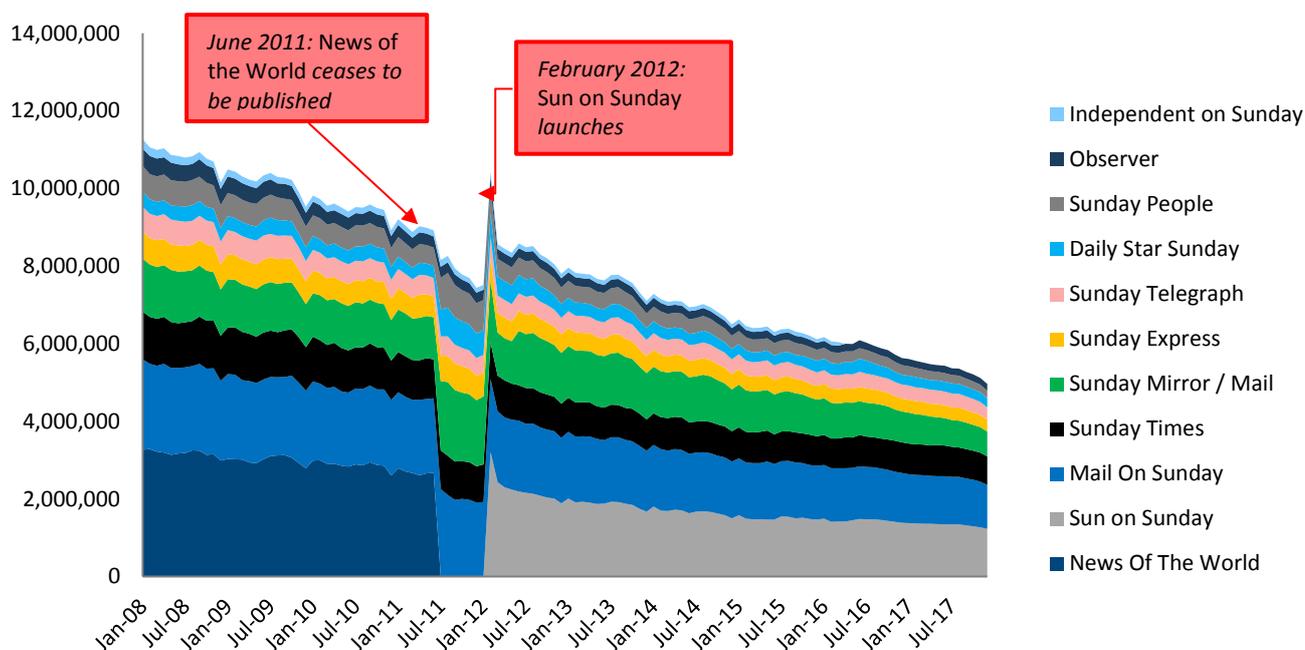


Figure 39 – Average daily circulation, Sunday national newspapers

Source: ABC

National Title	10-year circulation decline (weekday)	10-year circulation decline (Sunday)
<i>Sun/Sun on Sunday</i>	-54%	-62%
<i>Daily Mail/Mail on Sunday</i>	-40%	-40%
<i>Daily Mirror/Sunday Mirror</i> <sup>100</sup>	-62%	-60%
<i>Times/Sunday Times</i>	-30%	-22%
<i>Daily Star/Daily Star Sunday</i>	-46%	-60%
<i>Daily Telegraph/Sunday Telegraph</i>	-56%	-46%
<i>Daily Express/Sunday Express</i>	-52%	-44%
<i>Financial Times</i>	-58%	N/A
<i>Guardian/Observer</i>	-60%	-31%
<i>Sunday People</i>	N/A	-73%

Figure 40 – 10-year decline in national newspaper circulation by title, %

Source: ABC; Mediatique

3.19. Circulation declines for national titles over the past ten years (as show in Figure 40) have been dramatic. Best performers have been *The Sunday Times*, which fell by ‘only’ 22% in the period, and *The Observer*, down by ‘only’ 31%. This may reflect their ‘quality’ positioning, and the fact that popular titles offer content more easily substitutable online.

<sup>100</sup> Includes Daily Record and Sunday Mail circulation.

### Circulation revenues

- 3.20. The decline in circulation across the newspaper market has had a significant impact on print advertising revenues. In the past, when circulation was declining at a lower rate, publishers were able to manage the impact of lower sales volumes on circulation revenues by raising the cover price of their paid-for newspapers without further accelerating the rate of decline in circulation.
- 3.21. However, it is now widely accepted that publishers no longer have as much leeway to contain circulation revenue losses, for two intertwined reasons:
- **Greater competition:** as newspapers compete for audiences with an increasing number of news sources across several platforms they have become more substitutable with cheaper – often free – news services, mainly online;
  - **Demand elasticity:** it is argued that the lower ‘average price’ for news faced by consumers as a result of growing supply of free online news, combined with repeated price increases over recent years<sup>101</sup>, has pushed newspapers in the more elastic segment of the demand curve – that is to say, consumer demand is now more susceptible to price changes than in the past, meaning that raising newspaper cover prices would more likely accelerate the downward circulation trend.
- 3.22. There is no standard source for circulation revenues across the local, regional and national press. Publishers have changed cover prices over time, while some have transitioned to ‘free’ from paid-for models and closed titles, making granular estimates difficult.
- 3.23. Based on historical circulation trends and on changes in newspaper prices, we estimate that total industry print circulation revenues (after accounting for a retail commission of 28%)<sup>102</sup> declined by 24% in the past ten years, from £2.2bn in 2007 to £1.7bn in 2017.<sup>103</sup>

### **Online readership trends**

- 3.24. The copious circulation losses experienced over the past decade have generally been compensated by growing online readership for traditional newsbrands. As the chart in Figure 41 below demonstrates, on average, national newsbrands have increased their overall cross-platform readership – i.e. accounting for consumption on mobile or PC as well as print – by an average of 51% over the past four years (see the grey line in the chart). This has occurred despite an average of 24% decline in print readership.

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<sup>101</sup> National daily newspapers’ prices are on average 89% higher than they were in January 2007 – a significant real-terms increase if we consider that the RPI grew by 36% over the same period.

<sup>102</sup> We use the figure of 28% to estimate the retailers’ share of circulation revenues as cited in the 2015 Deloitte study on the economic contribution of the UK news media industry, commissioned by the NMA (see: [http://www.newsmediuk.org/write/MediaUploads/In%20the%20Spotlight/NMA%20Economic%20Report/Final\\_Report\\_News\\_Media\\_Economic\\_Impact\\_Study.pdf](http://www.newsmediuk.org/write/MediaUploads/In%20the%20Spotlight/NMA%20Economic%20Report/Final_Report_News_Media_Economic_Impact_Study.pdf)).

<sup>103</sup> See Annex 2 for a discussion of the methodology used to determine circulation revenues.

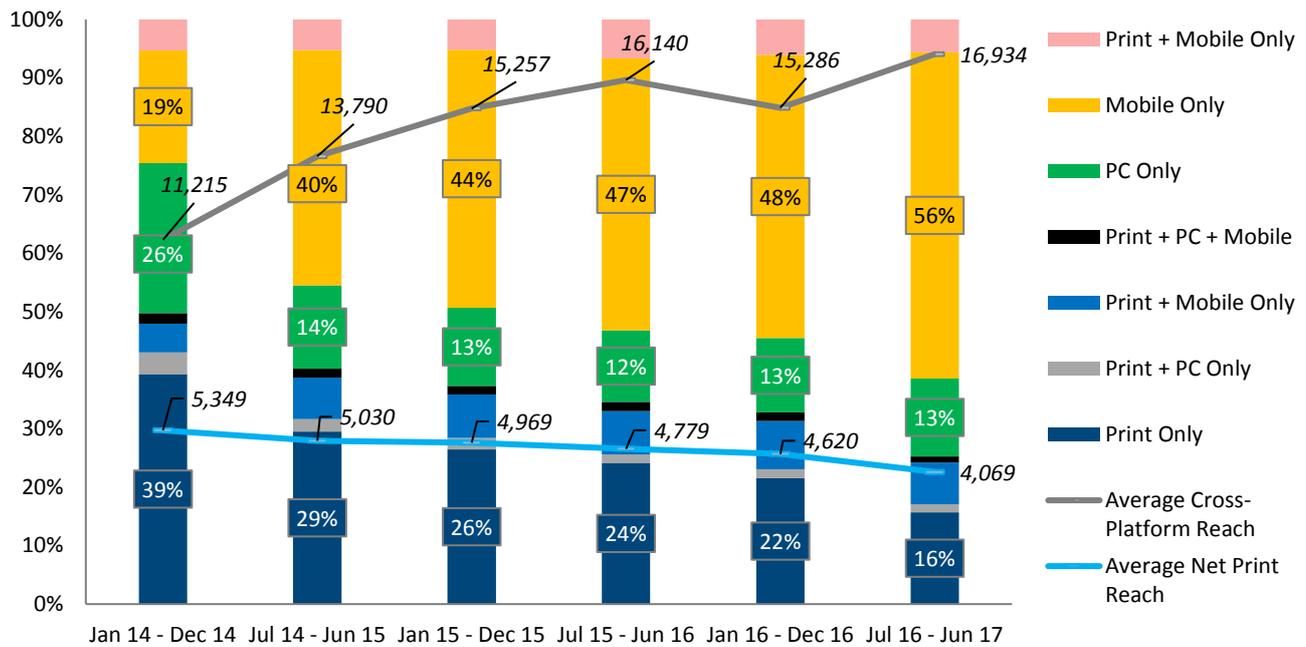


Figure 41 – Average national newspapers cross-platform monthly reach by platform

Source: NRS PADD

3.25. Figure 41 also suggests that much of the growth of the past few years has come from mobile consumption of news – either through the website or through an app. This is symptomatic of an overall trend among online users; according to UKOM, mobile made up 73% of total online minutes in December 2017, and 25% of adults in the UK accessed the internet exclusively on mobile.<sup>104</sup>

3.26. Traditional newsbrands are in fact an important part of UK internet users’ everyday consumption, particularly in mobile. As shown below, in December 2017 six of the top 20 online properties by unique monthly visitors were newspaper publishers. In particular, Figure 42 below shows that newsbrands fare relatively better on mobile, delivering a relatively higher reach on mobile than they do across the whole online population (except for *The Guardian*). This confirms the popularity of smartphones and tablets for news consumption.

<sup>104</sup> Source: UKOM, UK Digital Market Overview - Dec 2017 (see: [http://www.ukom.uk.net/uploads/files/UKOM\\_Digital\\_Market\\_Overview\\_Dec\\_2017.pdf](http://www.ukom.uk.net/uploads/files/UKOM_Digital_Market_Overview_Dec_2017.pdf)).

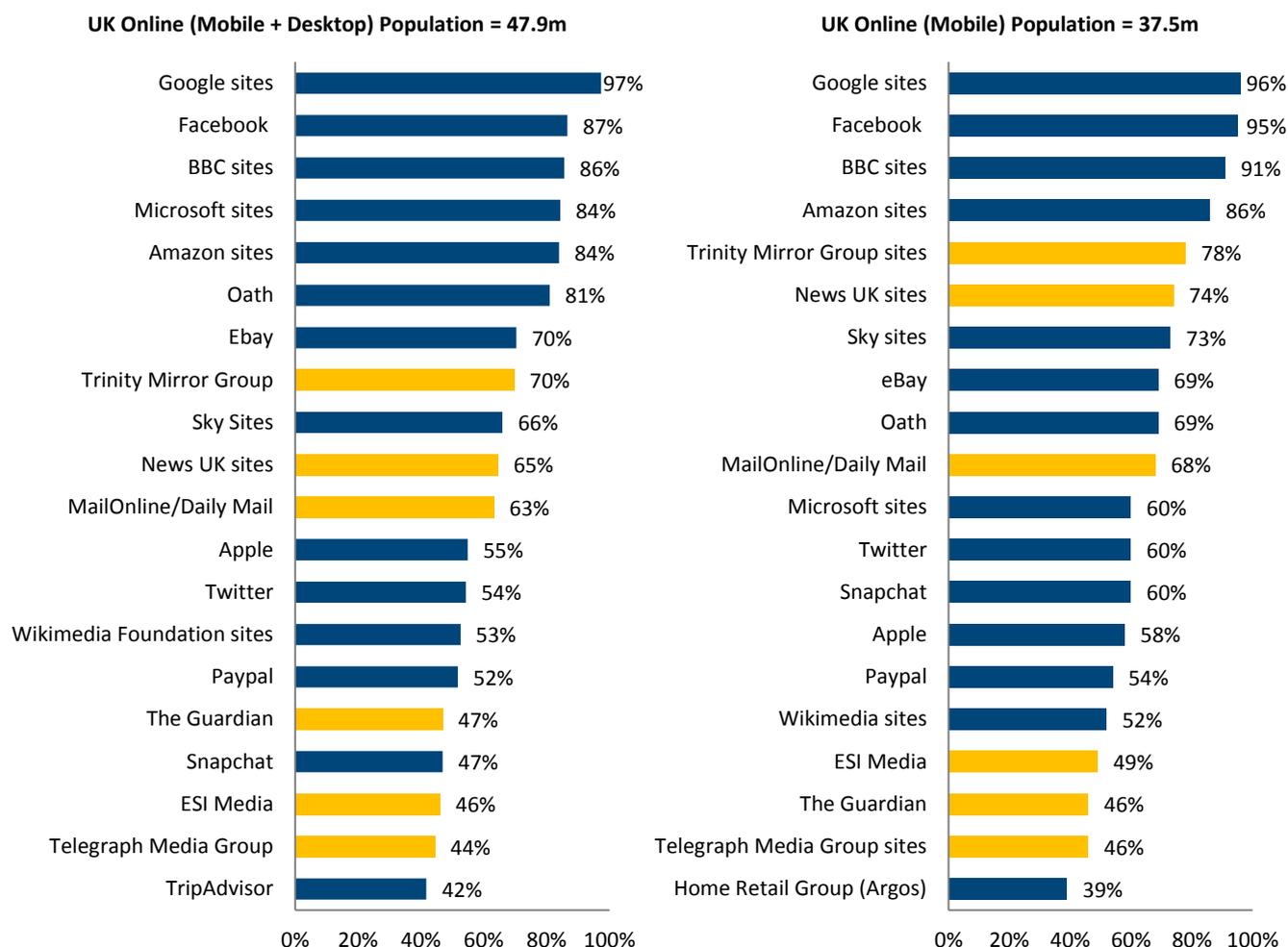


Figure 42 – Top 20 total online destinations by reach total UK online population\* (left) vs mobile destinations\* (right); Source: UKOM, UK Digital Market Overview - Dec 2017; \*desktop 6+, mobile 18+; \*18+; mobile includes tablet and smartphone; newspaper groups are highlighted in yellow

- 3.27. This period was also characterised by significant growth in both ‘social’ and ‘search’ more generally, as the revenue gains accruing to Facebook and Google, particularly since 2012, attest.
- 3.28. Furthermore, traditional newsbrands have proven able to reach younger audiences through mobile, despite this demographic’s low likelihood buying or engaging with printed newspapers. Indeed, data from June 2017 shows that traditional newsbrands’ online reach among 18-24s is slightly higher than the overall population reach – with the exception of *The Daily Express* and *The Times* (see Figure 43 below).

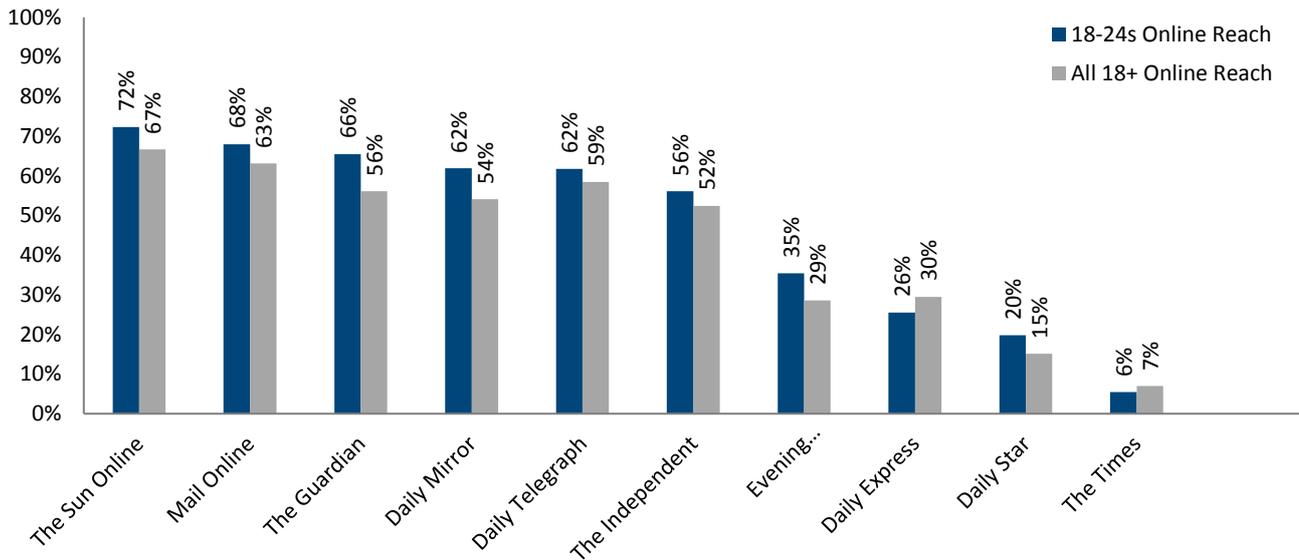


Figure 43 – Online reach for selected newsbrands, % of relevant online population  
 Source: UKOM, 18-24s and traditional news brands, June 2017<sup>105</sup>

Advertising expenditure trends

3.29. As we have seen, newspapers at both local and national level have seen drastic reduction in their circulations, which has however been compensated – in terms of reach, at least – by fast-growing online browsing. However, the inevitable fall in print advertising expenditure arising from drastically lower circulation has not been met by an equal – in absolute terms – growth in digital advertising expenditure, as shown in Figure 44 below. Indeed, even after accounting for the contribution from digital advertising, expenditure on the national, local and regional press advertising was £1bn less in 2017 than in 2012 (note all figures here before 15% commission on gross expenditure).

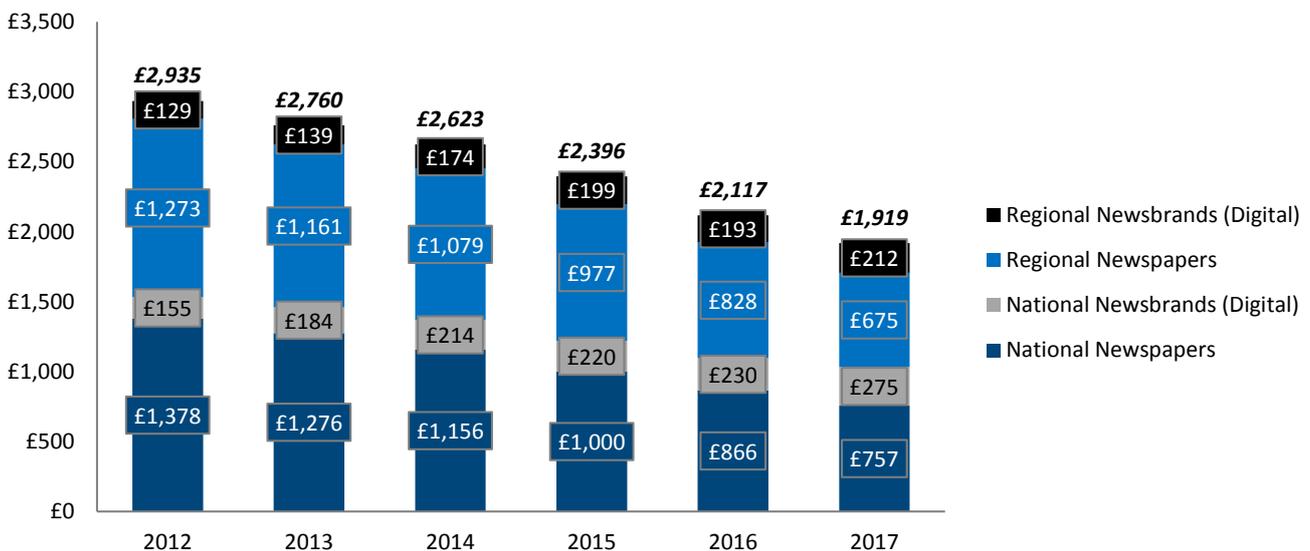


Figure 44 - UK advertising expenditure by medium, £m (current prices)  
 Source: AA/WARC, 2012-2017<sup>106</sup>

<sup>105</sup> See: UKOM, 18-24s and traditional news brands ([http://www.ukom.uk.net/uploads/files/18-24s\\_and\\_Traditional\\_Press.pdf](http://www.ukom.uk.net/uploads/files/18-24s_and_Traditional_Press.pdf).)

<sup>106</sup> Data for newsbrands digital revenues is not available prior to 2012.

3.30. In fact, over the past five years, newsbrands have seen a decline in advertising expenditure of £1bn (roughly equally split among local and national). Meanwhile, newsbrands’ digital advertising has grown by 60%, from £284m in 2012 to £487m in 2017. As a result of declining print advertising expenditure, digital advertising has become a larger share of total advertising expenditure on newsbrands, albeit still a minority (25%).

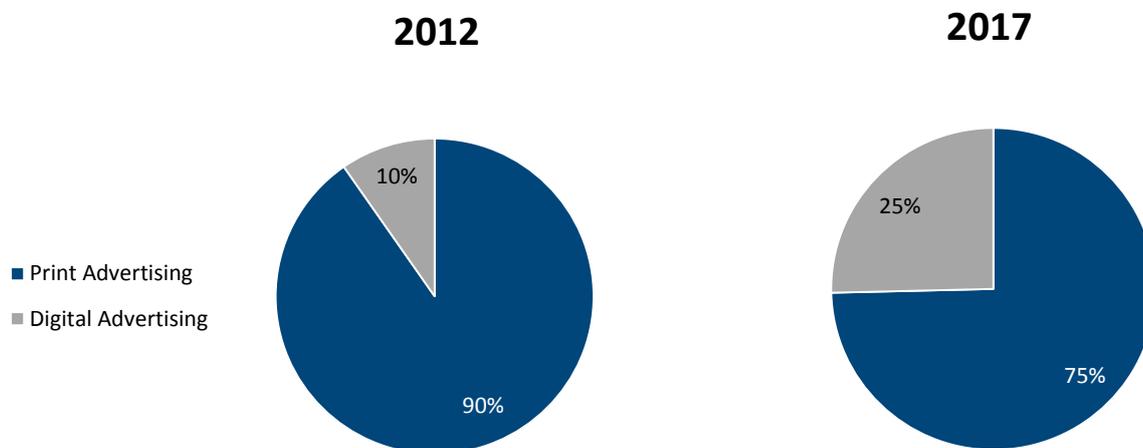


Figure 45 – Print advertising vs digital advertising as a % of total advertising expenditure on newsbrands  
 Source: AA/WARC, 2012-2017

3.31. The rapid decline in circulation and the change in the demographic make-up of the newspaper-reading consumer, now typically older, has resulted in lower print advertising rates across the industry. These lower rates have ended up hurting even those titles that are growing in circulation such as *Metro* and the *Evening Standard*.

**International perspective**

3.32. These trends are not unique to the UK press market. Globally, total newspaper advertising expenditure has declined by 48% between 2006 and 2016, and it has gone from representing 28% of total advertising expenditure to about 11%.<sup>107</sup> Recall that the newspaper advertising in the UK in the same period declined by 63%, to constitute a market share of 8%. Global print circulation, meanwhile, is growing, but this is entirely driven by the experience in South-East Asian countries, where circulation has grown by 40% in the past 5 years.<sup>108</sup> In Europe, daily print circulation has seen a decline of 20.5% between 2012 and 2016.<sup>109</sup> Directionally speaking, dynamics in the UK market mimics the overall global dynamics in terms of print still the single largest source of revenue for newsbrands, but in decline, with global print revenues representing 91.6% of total revenues in 2016, down from 95.1% in 2012.<sup>110</sup>

3.33. These global trends are explained by dynamics that affect the press industry all across the world, including macro trends such as the rising take-up of digital technologies and the growing competition from online and social media. However, there are certainly differences in the way and the extent to which these affect the

<sup>107</sup> Source: Zenith, *Advertising Expenditure Forecast*, June 2017.

<sup>108</sup> Source: WAN-IFRA, *World Press Trends 2017*.

<sup>109</sup> *Ibid.*

<sup>110</sup> *Ibid.*

newspaper industries in different territories, based on a number of factors - e.g., a country's cultural and historical predisposition to rely on newspapers to get the news, the degree of press freedom and the extent of any regulatory framework, as well as economic and financial factors. A more appropriate comparative analysis of the UK press market is therefore one that looks at territories with similar characteristics.

3.34. One approach is to look at markets with a comparable (+/-30%) total daily circulation per thousand adults in 2016 (latest year available).

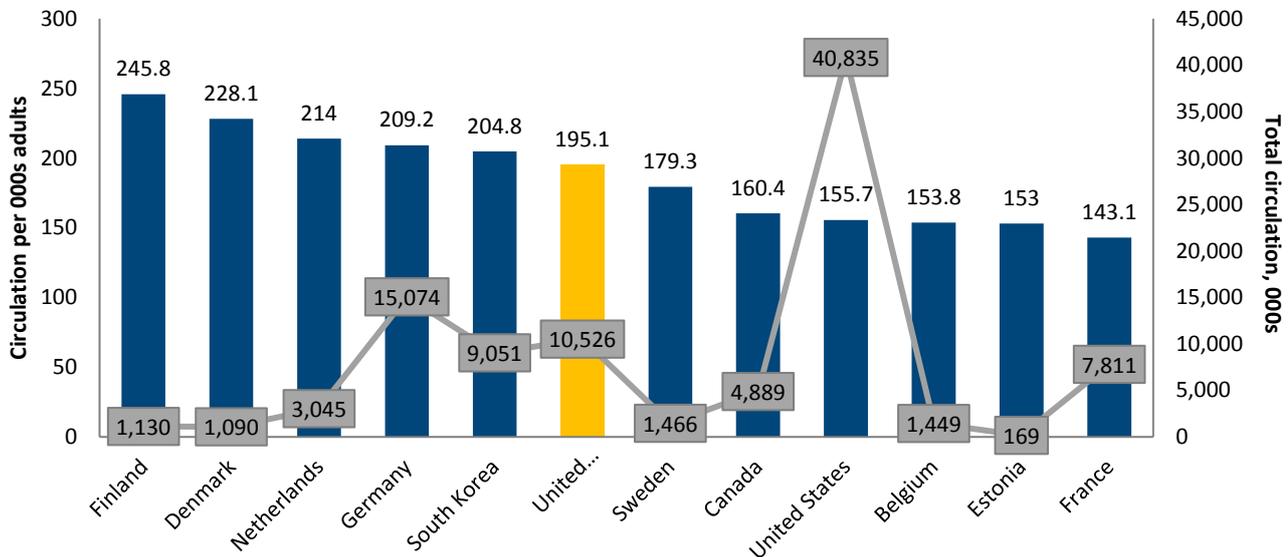


Figure 46 – Total dailies average circulation per thousand of adult population, selected countries, 2016, 000s<sup>111</sup>  
Source: WAN-IFRA, World Press Trends 2017

3.35. Across these twelve markets, daily newspaper circulation declined by 21% between 2012 and 2016 – a trend in line with the UK's own (-18% across all daily – national and local – newspapers); if we exclude Sweden, whose rate of decline was by far the fastest in the past three years, the overall average decline was 19%.

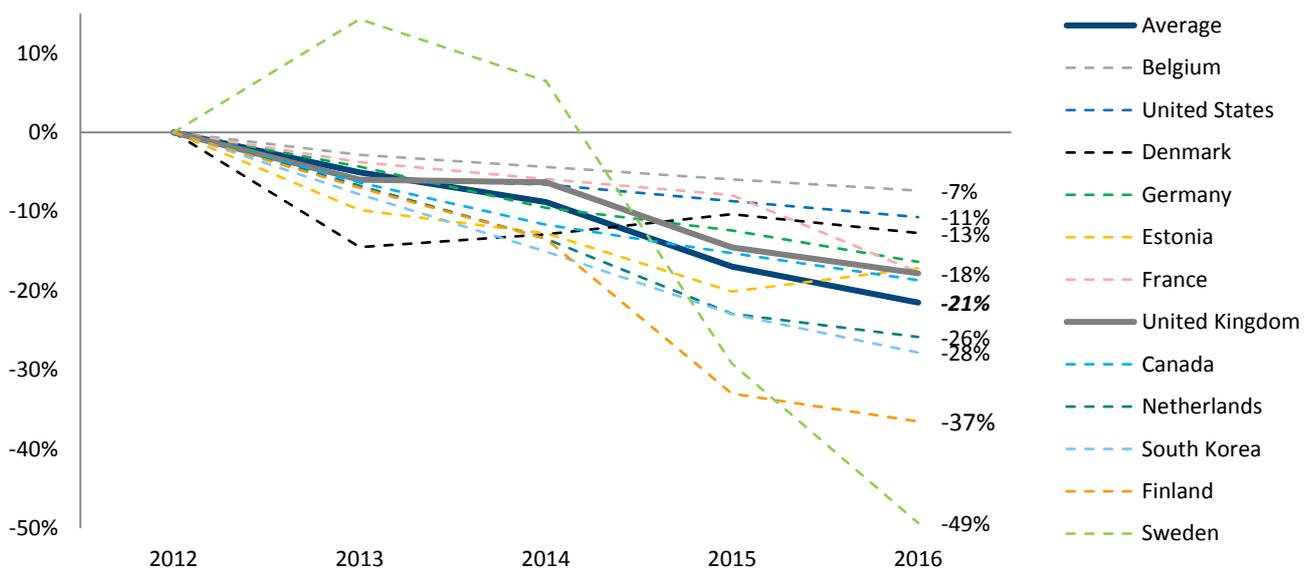


Figure 47 - % change in total dailies average circulation with respect to 2012, selected countries  
Source: WAN-IFRA, World Press Trends 2017

<sup>111</sup> Includes paid-for titles and free titles; includes national and local titles; calculated taking the average of the total daily circulation in a country across 2016 and dividing it by the total adult population in the same year.

3.36. These trends are reflected in a decline in newspaper advertising expenditure, down on average by 28% over the same five-year period across the 12 territories considered here, vis-à-vis a 10% average growth in total advertising expenditure.<sup>112</sup> As a result, the average proportion of total advertising expenditure attributable to newspapers in those countries has declined from 24% to 16%.

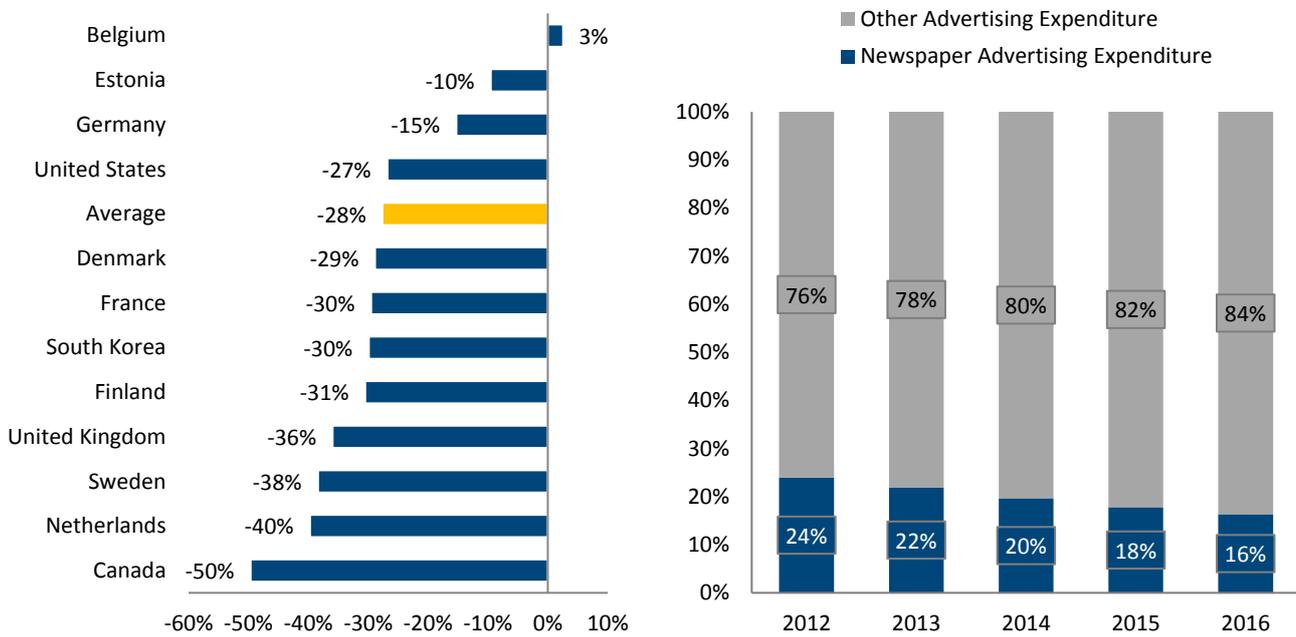


Figure 48 - % change in press advertising spend, 2012-2016 (left); press advertising as % of total spend\* (right)  
Source: Zenith Advertising Expenditure Forecast, June 2017; \* average across 12 selected countries (right)

3.37. Among the twelve countries considered, however, the UK ranks as the lowest in terms of proportion of adults who pay for online news: 6%, compared to an average of 12%.<sup>113</sup>

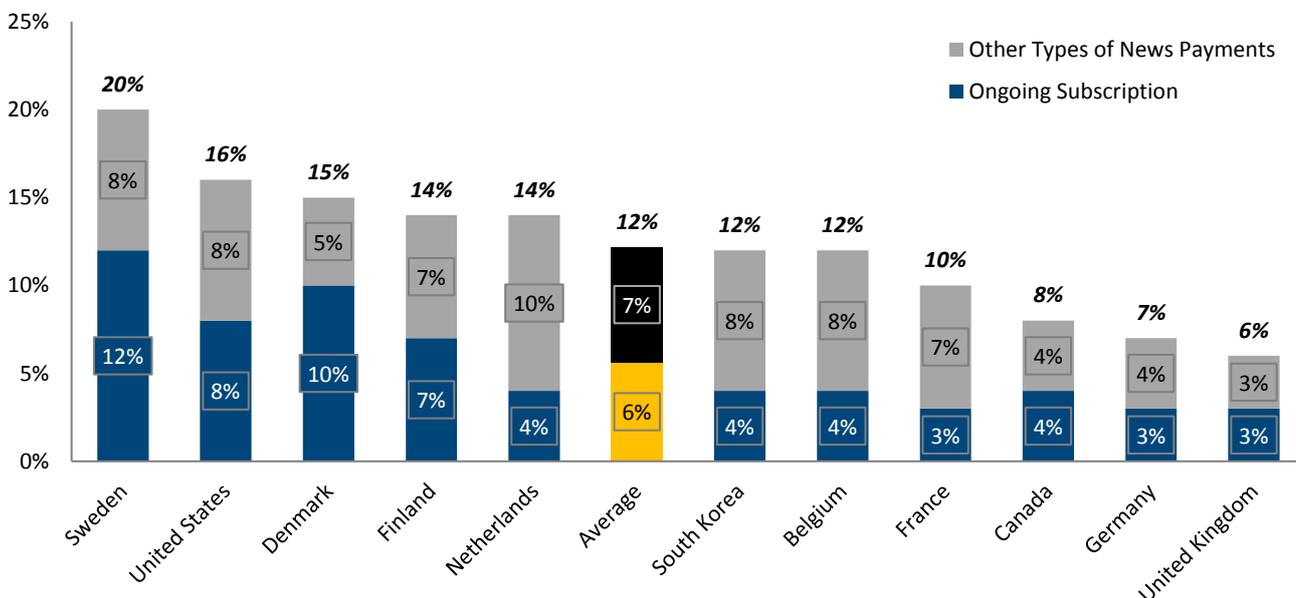


Figure 49 - % of adults who paid for online news in the last year  
Source: Reuters Institute, Digital News Report 2017

<sup>112</sup> The only exceptions in those regards were: Belgium, where newspaper advertising expenditure rose by 3% between 2012 and 2016; and Finland, where total advertising expenditure declined by 11% over the same period.

<sup>113</sup> Source: Reuters Institute, Digital News Report 2017; data for Estonia not available.

3.38. These observations on the international comparisons are useful in confirming that macro trends (particularly the impact of the internet, mobile, search and social media) are discernible in all territories. A closer consideration of a direct cohort of the UK also underlines similarities that confirm current dynamics and direction of travel. There are two areas where the UK stands out – its low propensity to pay for news online; and the share the internet advertising takes of the total market, which exceeds 50% in the UK, higher than anywhere else in Europe, and higher even than in digital-heavy countries such as South Korea and the US.

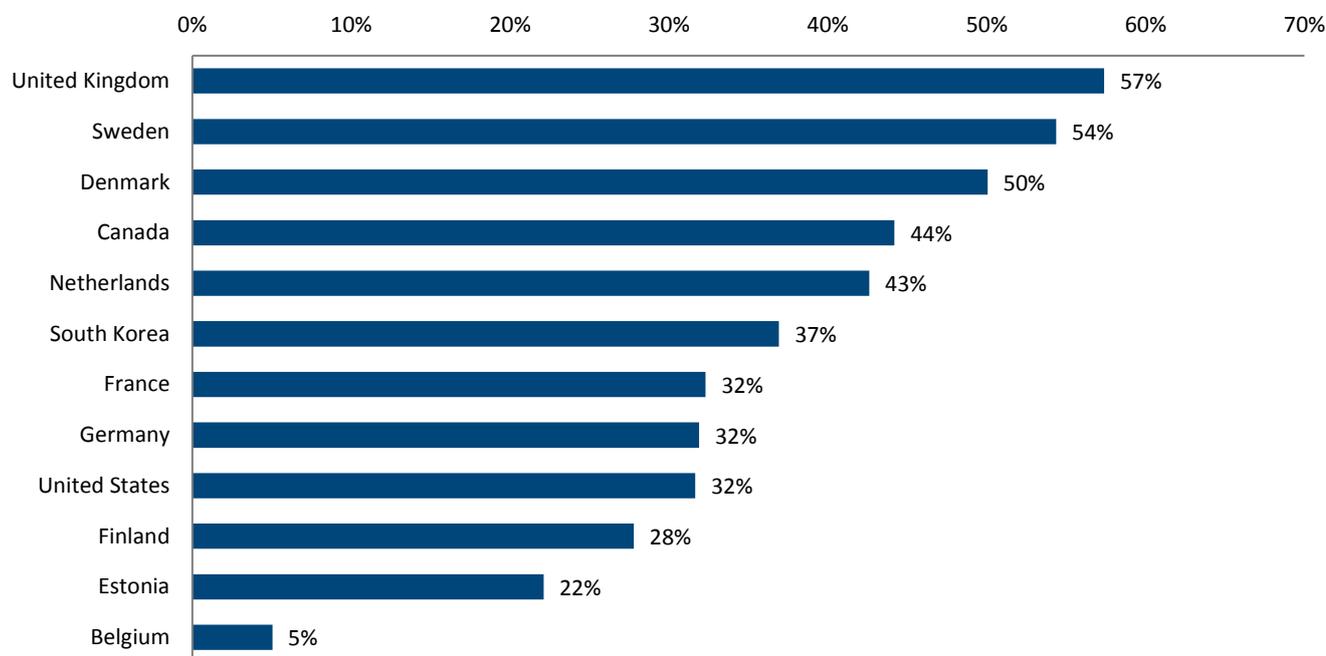


Figure 50 – Internet advertising expenditure as a % of total advertising expenditure, 2016  
Source: Zenith Advertising Expenditure Forecast, June 2017

**Supply-side responses**

3.39. The pressures on revenues that we have described so far were addressed, broadly speaking, by three strategies: scale building; cost reduction; and revenue stream diversification. In the rest of this section, we discuss the first two of these three, with a particular focus on their implication on the market structure and trends. We explore diversification in greater detail in section 5.

Scale building

3.40. The press industry, and in particular the local and regional press, has witnessed a period of significant consolidation. The table below lists the most significant newspaper group acquisitions and mergers that took place over the past two decades.

Year	Acquisition / Merger	National / local titles
1999	Trinity merges with Mirror Group	Combination of national (Daily Mirror) and regional titles
2000	Newsquest acquires Newscom	Local
2002	Johnston Press acquires RIM	Local
2004	Archant buys 27 titles from Independent News Media	Local
2005	Johnston Press buys Score Press	Local

2007	Johnston Press acquires Archant Scotland	Local
2007	Midlands News Association acquires Guiton Group	Local
2007	Newsquest acquires SMG	Local
2010	Trinity Mirror acquires GMG's 32 regional titles	Local
2012	Local World launches (includes titles from Northcliffe and Iliffe)	Local
2015	Trinity Mirror acquires Local World	Local
2015	Newsquest acquires Romanes Media Group	Local
2016	Johnston Press acquires the <i>i</i> from ESI Media	National
2017	Iliffe Media acquires Kent Media Group	Local
2017	Newsquest acquires NWM Media	Local
2018	Trinity Mirror acquires <i>The Daily Express</i> and <i>The Daily Star</i>	National
2018	Newsquest acquires CN Group	Local

Figure 51 – List of key acquisitions and mergers in the local and national press, 1999-2018

Source: Press reports; Mediatique

3.41. Consolidation allowed newspaper groups to build scale to:

- Improve efficiencies by spreading overheads across a larger number of titles and revenue units;
- Pool resources and optimise distribution and investment decisions;
- Compete more effectively online with larger national and international players.

3.42. At local and regional level, the intense M&A activity witnessed in the past ten years has not materially affected what was already was a relatively highly concentrated market: as measured by the ABC, the top 20 publishers have gone from accounting for 96% of total average weekly circulation in 2007 to 97% 2017. Meanwhile, the top five groups have gone from a market share by weekly circulation of 72% to 77% over the same period of time. Indeed, in terms of the number of local and regional titles<sup>114</sup>, the top 20 publishers have gone from accounting for 88% of titles in 2007 (1,151) to 81% in 2017 (982). These trends are mostly explained by the decline in circulation generally affecting the industry, and by title closures (see below).

Cost reduction

3.43. On the cost front, newsbrands have focused on three areas:

- **Distribution and printing:** the internet offers an extremely cost-efficient distribution technology for news, especially in the light of rising newsprint costs. With lower print newspaper demand, several publications have turned to a digital-first or, in some cases (e.g., *The Independent*), digital-only strategy which aims at maximising reach while minimising distribution cost.

Furthermore, although there is no market-wide data to back this up, anecdotal data seems to suggest that publishers have turned to formatting, pagination and frequency to address the issue of rising distribution and printing costs. Some recent but significant examples include the change to tabloid format undertaken by *The Guardian* in January 2018; the shift to from daily to weekly of local

<sup>114</sup> These figures only account for the titles measured by the ABC.

newspapers *The Gloucestershire Echo* and *The Citizen* in September 2017, and the cut in bulks by *The Daily Telegraph* in December 2017;

- **Rationalisation of back-office function and efficiencies:** mostly as a result of consolidation, newspaper groups – particularly at local level – have striven to optimise their use of resources by rationalising back-office functions (e.g., accounting, sales, human resources); investing more strategically and efficiently in new technological solutions (for example, being able to pool resources from multiple revenue streams to improve technology around optimised engagement, data collection, and distribution); and avoiding duplication in content and functions. At least one publisher – Johnston Press – has created a central investigative journalism teams that support local newspapers on a case-by-case basis.<sup>115</sup>
- **Title closures:** We estimate that, between January 2012 and February 2018, a total of 136 local newspapers shut down, while 67 newspapers launched over the same period. In addition to these, 14 titles were launched but subsequently closed within the period. The number of titles closed per year has increased, from 15 in 2012 to 45 in 2017.

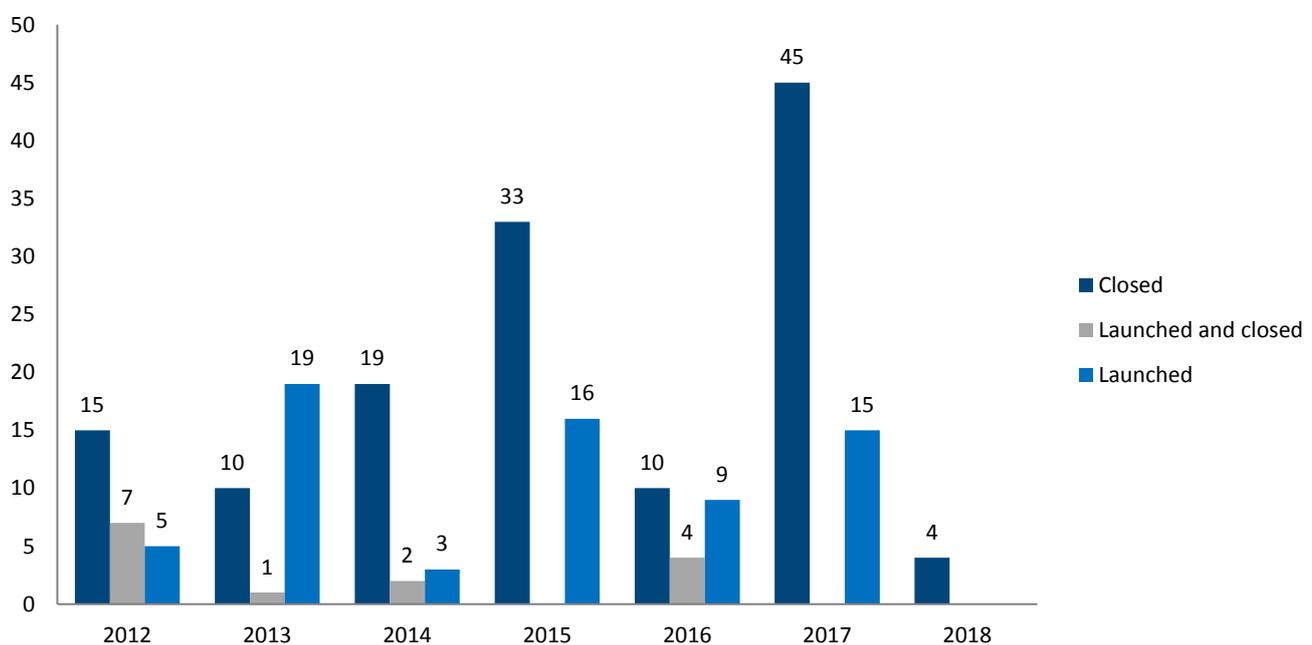


Figure 52 – Number of local newspapers closed and launched between January 2012 and February 2018  
Source: *Press Gazette*; press reports; Mediatique

3.44. The majority of the titles that have closed since 2012 were freesheets, due to the weakness in advertising revenues and the greater competition from online media. Only two daily local newspapers closed between 2012 and 2018, while three launched (and one launched but was subsequently closed); of all the local newspapers that closed, 90% were in fact weekly newspapers.

<sup>115</sup> Johnston Press, *JP Launches Investigations Unit To Deliver Hard-Hitting News*, November 2016 (see: <http://www.johnstonpress.co.uk/media/product-news/jp-launches-investigations-unit-deliver-hard-hitting-news>). In addition, the Bureau of Investigative Journalism, a UK-based not-for-profit company supported by corporate and private donations, is dedicated to working on investigative projects in joint venture with media partners. In the past, the Bureau has worked with newspaper publishers and broadcasters, including *The Telegraph* and *The Guardian*. It received a three-year grant in 2016 worth £662k from Google’s DNI to work on local and regional stories requiring analysis of large datasets – e.g., local government grants to private companies and housing investments.

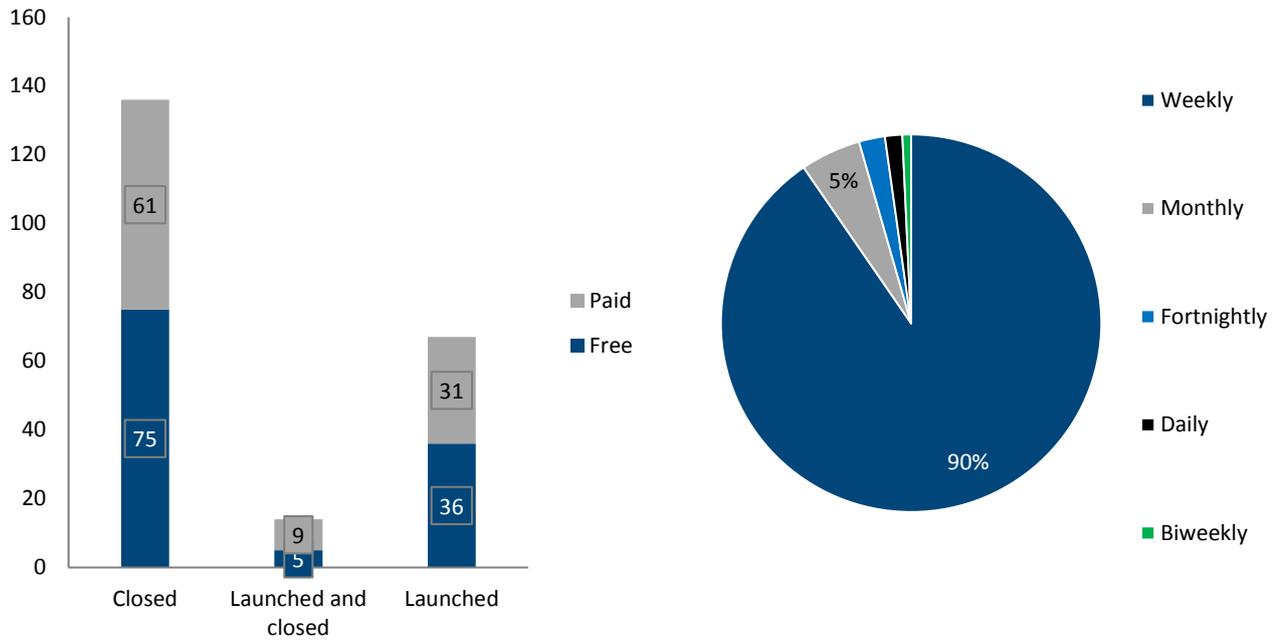


Figure 53 – Number of local newspapers closed and launched since January 2012 (left); % closed by frequency (right)  
 Source: Press Gazette; press reports; Mediatique

#### 4. Key challenges faced by the local, regional and national press

##### Implications of our analysis

4.1. Our analysis has permitted us to identify a range of challenges to which the industry has not necessarily been able to respond. Circulation has been under pressure for 20 years, and the declines have accelerated in the 2000s and 2010s. Younger consumers are far less likely to read a physical newspaper, or at least to pay for one (see Figure 54 below). As we saw in section 2, this younger cohort is more likely to use social media and other online platforms for news consumption, where content is plentiful and competition more intense. There is a relatively low propensity to pay – at least for general news – and high ad intolerance.

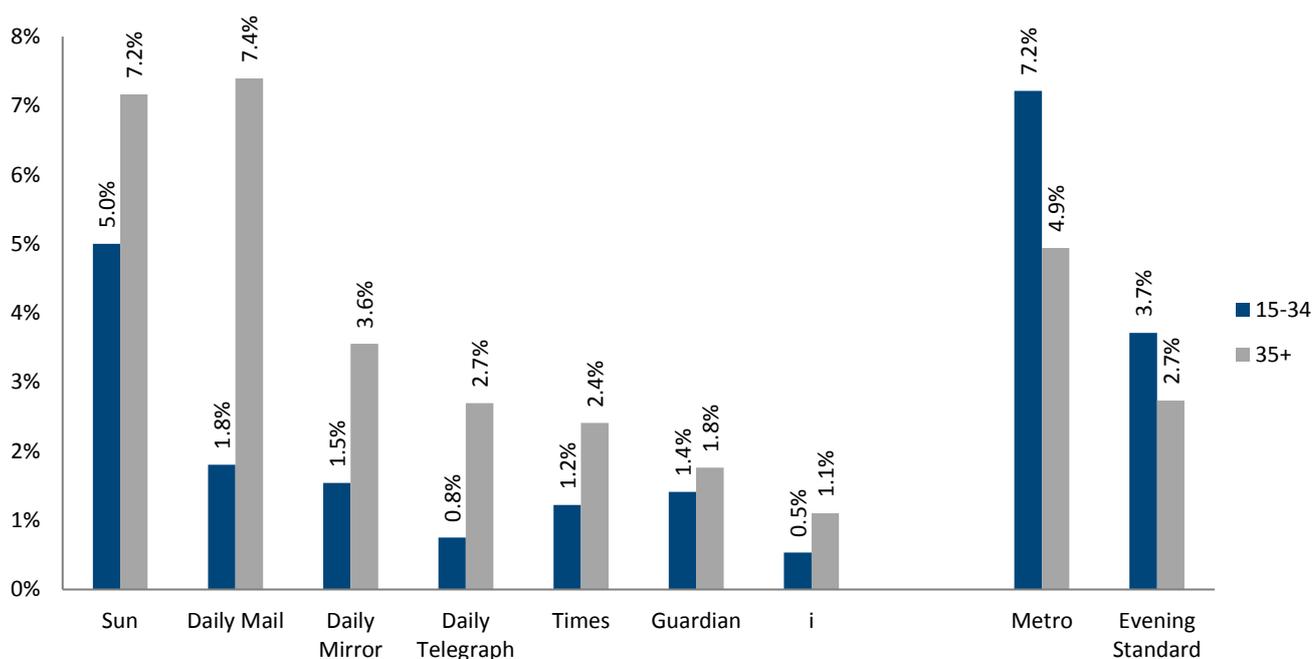


Figure 54 – Average daily reach of selected print newspapers by age group, % of total relevant population  
 Source: NRS PADD, October 2016-September 2017; Newsworks; Mediatique

- 4.2. The initial phase of online competition in news has given way to a much more pervasive challenge to legacy models – characterised by the growing share of news engagement that occurs via mobile, and the dominant role within mobile of the search and social giants, notably Google, Facebook and Twitter.
- 4.3. The industry has so far responded by consolidation and/or closures, seeking printing press synergies, introducing common content hubbing across multiple titles, reducing commitment to some categories of content (e.g., court and local council reporting) and changing format, pagination and periodicity. All publishers have invested online, introducing digital editions, bespoke online content or a mixture of the two. With few exceptions (*The Financial Times*, *The Times*, and *The Telegraph*), pay walls have proved difficult to erect and maintain and newsbrands are reliant, at least at the margins, on advertising income from programmatic trading via ad exchanges at commodity prices.
- 4.4. The number of employees working full-time as front-line journalists has fallen to around 17,000 today, compared to 19,000 in 2011 and around 23,000 in 2007.<sup>116</sup>
- 4.5. Profit margins vary significantly among publishers due to differing business models, scale, geographical extension, distribution strategies and ownership structures. Across the sector, however, profits have declined – and in some cases evaporated – in the last decade:

<sup>116</sup> The figures for earlier years are adapted from Mediatique’s report on news provision, commissioned by Ofcom, *op. cit.* A full discussion of our methodology for calculating the number of front-line journalism jobs can be found in Annex 2.

- The average operating profit margin across the industry has gone down from 12% to zero; 13% to 4% if we exclude the highest and lowest values for each year.
- In particular, leading local and regional newspaper groups such as Johnston Press – which has typically operated on much higher operating margins than the average – have gone from posting operating profit margins of c30% in the early 2000s to now reporting margins in the teens - often not enough to cover the very high pension contributions required to meet legacy obligations.
- Margins for the national press have been, on average, far less and more variable – reflecting in part a greater range of models and strategic objectives among these players. The trendline for these players, like their regional counterparts, has been materially downward since the early 2000s.

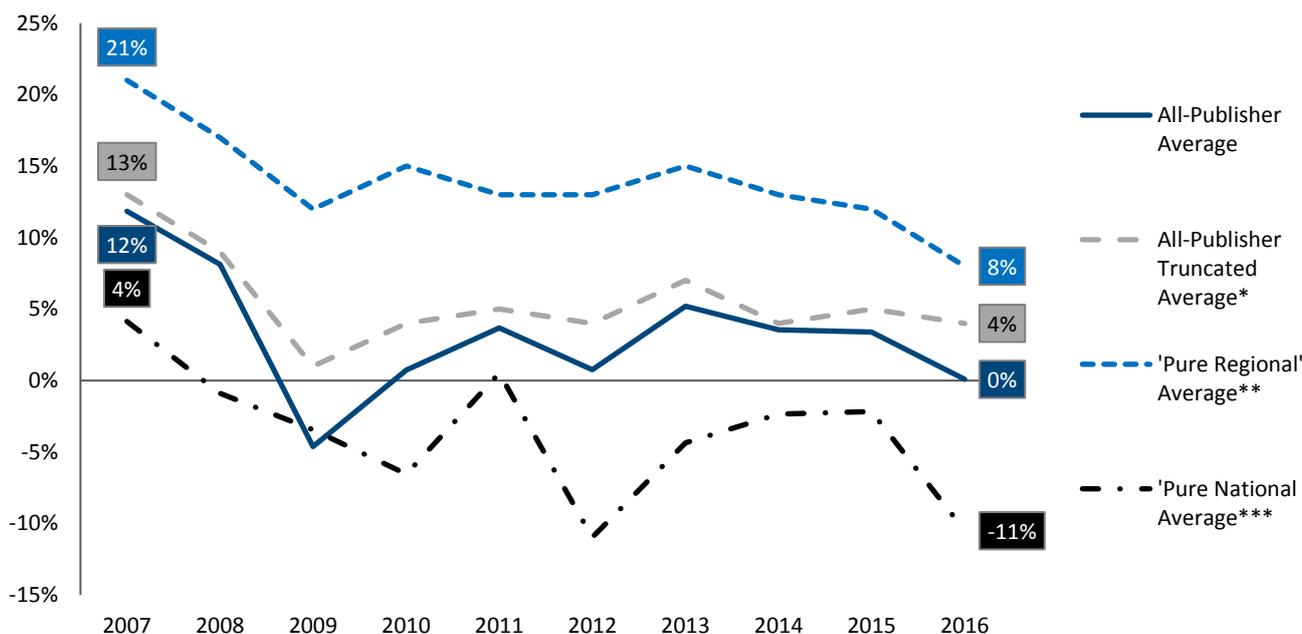


Figure 55 – Average profit margin for selected publishers, 2006 - 2016<sup>117</sup>

Sources: Annual reports; press reports; Mediatique

Selected publishers: Archant, DMGT, ESI Media, Financial Times, Guardian Media Group, Johnston Press, News UK, Newsquest, Northern & Shell, Telegraph Media Group, Trinity Mirror. ESI Media included from 2009 – 2016 only. Data unavailable for the years 2015 – 2016 for Newsquest and for News UK for the year 2016; \*indicates a mean calculated by removing the highest and lowest values for each year; \*\*'Pure Regional' includes: Archant, Johnston Press and Newsquest; \*\*\*'Pure National' includes: Financial Times, Guardian Media Group, News UK, and Telegraph Media Group.<sup>118</sup>

4.6. The key observation is that newspapers may find themselves in a vicious downward spiral, as circulation and readership continue to decline, cover price increases become counter-productive and advertising revenue drop in tandem. This outcome is driven by a number of key challenges; informed by our stakeholder interviews, we set these out in detail below.

### Lower propensity to pay for news online

4.7. The respite of online income, from payments or digital advertising, has been variably available to newsbrands. For example, despite much experimentation, local and regional press have largely failed to find a pay model online and continue to be dependent on advertising. Among the nationals, *The Times*, *The Telegraph* and the specialist *Financial Times* have had some success with paywalls, while *The Guardian* has

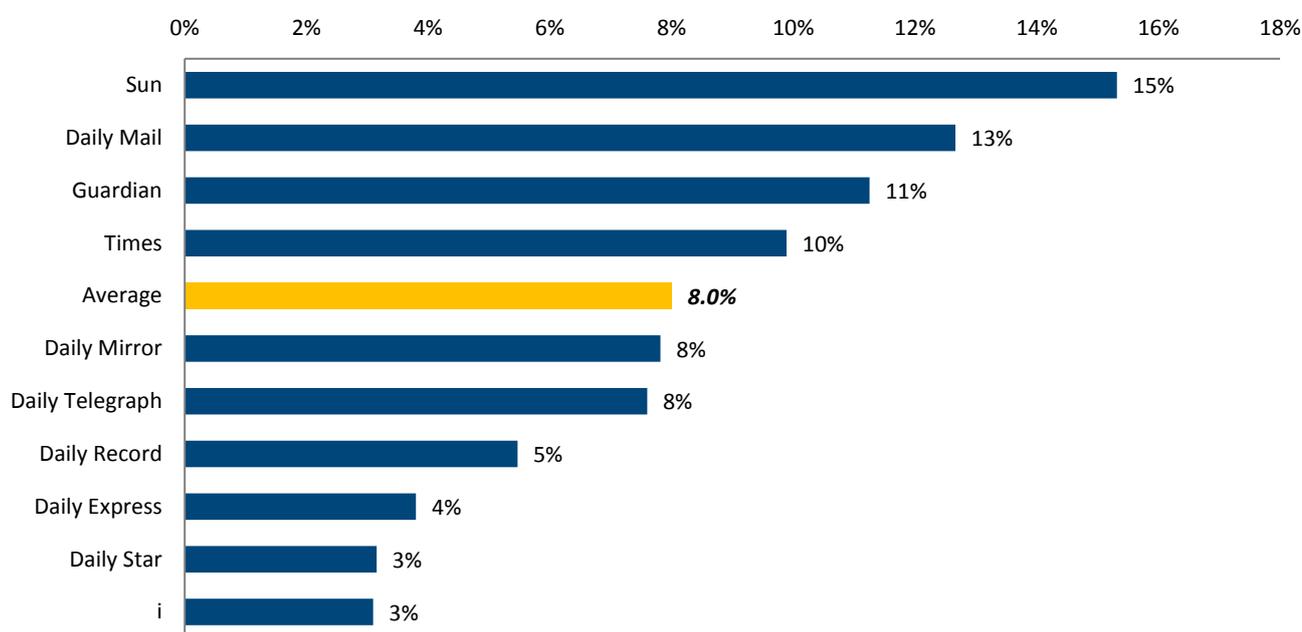
<sup>117</sup> Profit margins per company were calculated dividing total operating profit before exceptional items (where reported) by total revenues. Where unavailable on company websites, annual reports have been sourced from Companies House.

<sup>118</sup> See Annex 2 for the background data.

had a good response to its campaign to generate reader revenue online directly. However, pay models only appear to work for a minority of titles including specialist ones, such as *The Financial Times* and *The Economist*, or full-service titles such as the quality dailies. For the remainder, resorting to advertising (or new revenues streams altogether) may be the only solution. While there has been some limited improvement among the national titles in recent months, this is measured in lower rates of decline, rather than a return to growth. The advertising threat is structural, not cyclical.<sup>119</sup>

**Print pounds vs digital pennies**

- 4.8. Advertising continues to deliver much lower yields online compared to print. This is in part a function of commoditised inventory, sold via ad exchanges run by or through the platforms. Print ads can command significant prices (even if in the aggregate print is in decline); for much of its online audience, newsbrands are paid a fraction of the rate card of print. While companies do not wish to share commercial sensitive information, it seems relatively clear that digital advertising for newsbrands is difficult to generate in a market where two large players – Facebook and Google – so dominate.
- 4.9. The phenomenon of ‘digital pennies for print pounds’ is fuelled by the imbalance between newsbrands’ reach in print and via online platforms – which, as we have seen, has actually grown over time.
- 4.10. As we saw earlier, PC and in particular mobile allow traditional newsbrands to reach large segments of the population; however, there is little overlap between print and online readership; on average, according to the latest NRS PADD data, 8% of national newspapers’ net readership across print, PC and mobile accesses content from both print and online (see Figure 56 below). This means that the additional reach delivered via online distribution, while significant, is monetised at lower yields than typically generated via print.



**Figure 56 – Overlap between print and online readership for traditional national newsbrands’, Adults 15+**  
 Source: Mediatique; NRS PADD, Oct 2016-Sep 2017

- 4.11. The resultant differences between newsbrands’ digital and print advertising revenues and yield is explained at two factors:

<sup>119</sup> We return to the limited experimentation with paywalls in section 5.

- **Higher competition:** newsbrands’ content online faces significantly more competition for eyeballs and this competition comes from a large pool of players, which include other news websites as well as social media companies and other digital intermediaries, online shopping websites, blogs and many more. Digital advertising, and programmatic advertising in particular, is platform independent, and ‘follows’ the user wherever he or she goes online; this has had the effect of diluting the value of newsbrands’ inventory, making it impossible for them to charge the same rates online as they do on print;
- **Unbundling of content:** a newspaper is effectively an amalgam of news reports, features, opinions pieces and reviews bundled together and sold at one unique cover price. Online news consumption, on the other hand, does not require users to access all the content made available by a single newsbrand; it is therefore more likely that the amount of content consumed by a single newsbrand’s reader online is significantly less than on print – and therefore the amount of advertising that this reader is exposed to online is significantly less too. Because of the metrics used to track advertising exposure online, this results in lower overall yields for online advertising despite higher overall reach figures compared to print.

4.12. The difference in revenue per user generated on print compared to online has some implications on the future ability of traditional newsbrands to sustain current level of editorial investment, particularly in the case of newsbrands with a radically different composition of print and online audiences by age (see Figure 57 below), as well as different offerings across the two media.

4.13. A good example here is *The Daily Mail*; its print product is very different from its online proposition, *Mail Online*, and indeed its cross-over audience is limited. The latest NRS PADD shows that the overlap between *Daily Mail* (print) readers and digital *Mail Online* users is just 13% of the net reach across print and digital (see Figure 56 above). At the same time, *Mail Online* has a relatively younger audience (see Figure 57 below). *Mail Online* generates lower income per digital user than *The Daily Mail* newspaper generates for each print reader. Only by delivering much larger audiences via digital can DMGT hope eventually to earn as much overall in digital advertising as it traditionally generated in print.

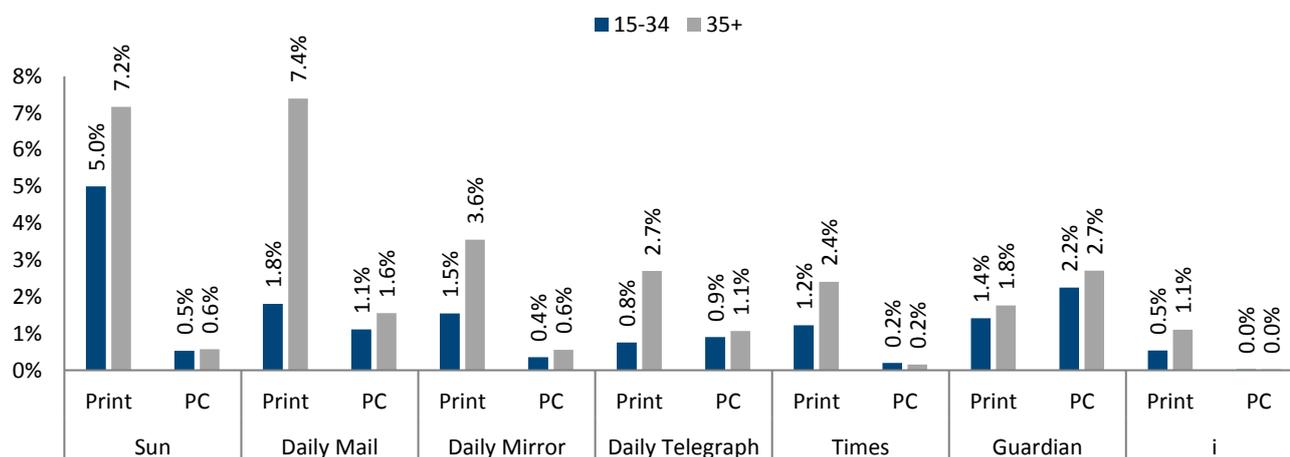


Figure 57 - Average daily reach of selected national newsbrands on print / PC by age group, % of total relevant population<sup>120</sup>  
 Source: NRS PADD, October 2016-September 2017; Newsworks; Mediatique

<sup>120</sup> Daily newsbrand website reach is relatively lower than on print, while weekly and monthly online reach are typically larger than print. As data on weekly or monthly newspaper reach by age group is not available, we have used daily reach in this chart; however this has little impact on the point made here, which looks at the relatively younger online readerships for national newspapers, as the ratio of younger readers to older readers (as measured by reach) remains relatively consistent even when looking at different time units for reach (i.e. weekly or monthly). See: Newsworks, *Titles at a glance* (<https://www.newsworks.org.uk/titles-at-a-glance>).

### Platforms' algorithms – lack of transparency

- 4.14. Publishers express concern about the balance of power between themselves and the social and search platforms. In particular, Facebook is viewed as exercising market power in relation to social media, as a gatekeeper with which all content providers need to contend. A recent change in the way Facebook delivers news feeds has had a deleterious effect on the level of advertising generated by many online services – not just legacy newsbrands but digital natives too. Indeed, those digital natives that had grown adept at generating visits and page views via Facebook – especially using provocative headlines (so-called 'click bait') – have seen significant declines in traffic. News operators complain that Facebook makes changes to algorithms and to other terms and conditions unilaterally and often with little warning, severely challenging revenue generation and broader business models around engagement. Facebook responds that it made the changes to improve the experience of users, who had been finding their social feeds unbalanced by posts from brands and publishers.
- 4.15. Newsbrands report fewer issues with Google, the other prime new-entrant platform. Indeed, many have been recipients of investments under Google's Digital News Initiative (DNI), which has provided funding for a range of innovations in search, navigation and content distribution. However, newsbrands point out that Google, like Facebook, benefits from access to news content (in Google's case surfaced as a result of searches conducted by consumers) and is able to monetise these searches without necessarily sharing income fairly with the providers.<sup>121</sup>
- 4.16. The reality is that the digital platforms collect, aggregate, deploy and monetise consumer data – and news providers (such as the legacy newsbrands and even digital natives) do not always have access to the underlying data or the ability to transparently share in revenues thus generated.

### Monetisation difficulties in digital

- 4.17. The implications of any imbalance between publishers and platforms could be avoided if newsbrands generated enough traffic through their own, data-tracked engagement with end users, where they might be able to make the case that their audience is worth a premium. Indeed, that has been the goal of most online news providers – encouraging direct engagement online, rather than through intermediaries.
- 4.18. In work provided by Lumen, the eye-tracking experts, specific advertising show on newsbrand websites was 80% more likely to be viewed than when the same ad was shown on a non-newsbrand site<sup>122</sup>. While there are no accepted metrics with which to value relative engagement, data such as these are illustrative.
- 4.19. However, newsbrands have had to concede that the platforms generate significant engagement on their own and have therefore accepted the revenue share approach used by Facebook and Google (a 70/30 split in favour of the content provider).
- 4.20. While it may seem attractive to use Facebook and Google to generate incremental advertising from traffic via search and social online engagement, the amounts delivered through 'programmatic' trading on social platforms and via search engines are in fact meagre. Moreover, the data that is associated with that traffic is not necessarily shared with the content provider. Newsbrands are aware that their impacts online are often sold on par with those of non-professional (perhaps even 'fake') content or manipulated in a market where robots generate click-throughs, where click-bait rather than engagement is rewarded and where two seconds of exposure rate as a page view.

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<sup>121</sup> These points, among others, were raised by executives at several newsbrands in the course of our stakeholder interviews.

<sup>122</sup> Newsworks, *Ads are 80% more likely to be seen on newsbrand sites*, 17 July 2017 (see: <https://www.newsworks.org.uk/media-centre/ads-are-80-more-likely-to-be-seen-on-newsbrand-sites.>)

- 4.21. Media buyers do indeed prefer the data-rich, interactive and tailored advertising associated with digital routes to market, in preference to the newspaper industry's measurement via the ABC and NRS PADD. But even these buyers are concerned about the potential for fraud in online exchanges (for example, 'hits' generated not by consumers but by robots), the growth of 'fake news' and the wastage that was not supposed to be a by-product of digital campaigns). In response to this, and to attempt to re-price engagement by trusted newsbrands, the industry has co-operated to develop a unified approach to print brand engagement across all platforms (PAMCo), an initiative we explore in greater detail the next section of the report.
- 4.22. In recent months, there has been a widespread articulation across the advertising value chain that the platforms cause a range of problems that advertisers are keen to avoid. Brand safety is a critical example – advertisers do not wish see campaign messages in close proximity to unacceptable content. This might include: age-inappropriate, hateful or outright 'fake' content. The criticisms against the platforms in this regard appear to be having a positive impact on traditional newsbrands (where trust scores have been rising). While it is still early, and data is inconclusive, it may be that consumers seek out trusted brands for news in preference to content surfaced via searches or through social recommendation. We look at some ways that this might be amplified in subsequent sections of this report.
- 4.23. However, even if online consumption of newsbrands rises, and advertisers are convinced to pay a premium to reflect higher levels of engagement with quality content and therefore greater value for advertisers, the challenges will continue to be acute. Put simply, the print model (advertising plus cover price) is extremely difficult to replace via digital means – all the more so given the dominant role played online by a few companies.

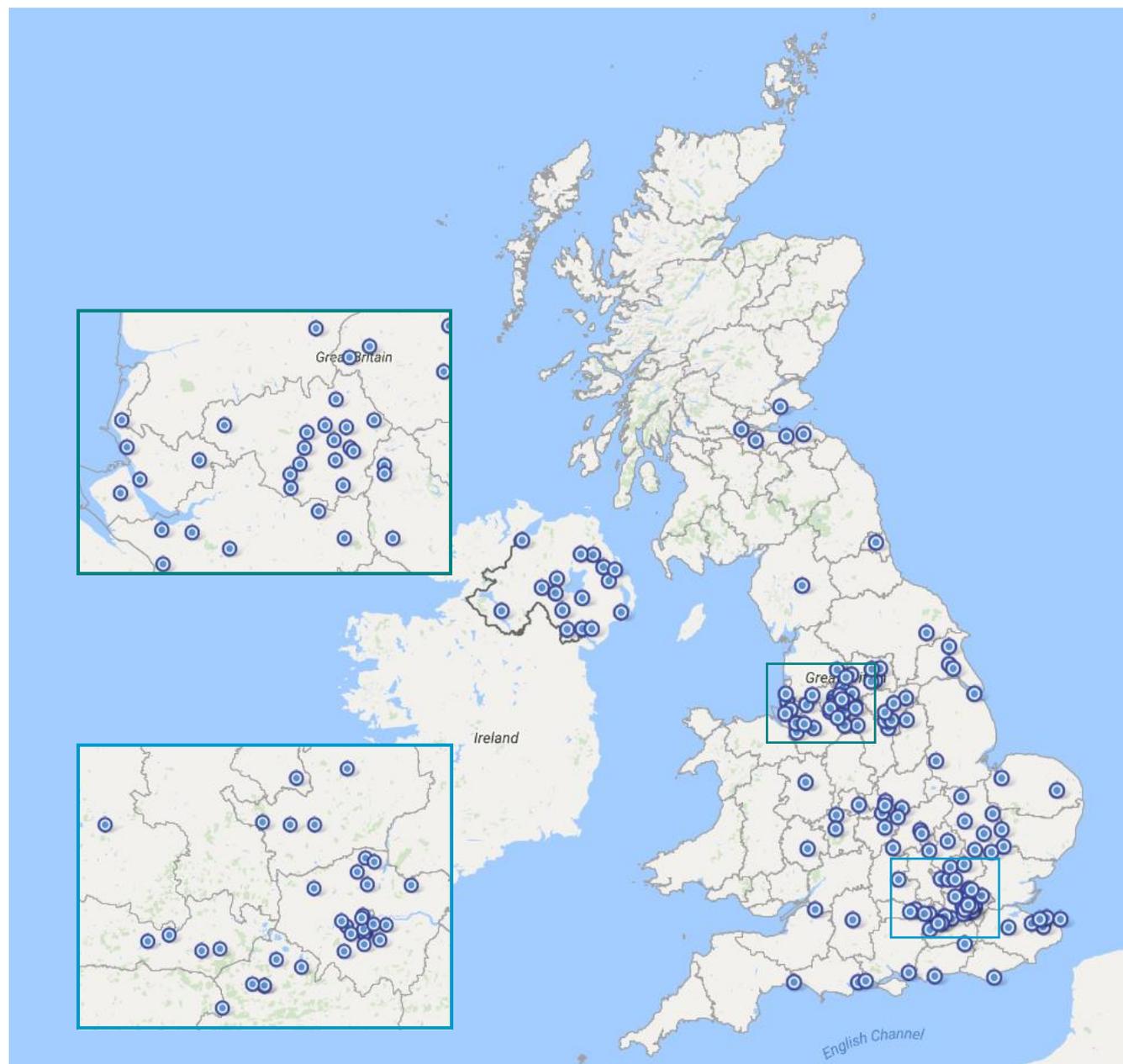
#### **Problems more acute for local and regional players**

- 4.24. The strategic and financial challenges we identify are more serious for the local and regional press. Many titles simply do not have the scale of audience needed to generate profitable income online. Moreover, the local and regional model is characterised by a reliance on advertising, with many more 'free' weeklies than there are paid-for dailies. The ability to offset circulation declines through cover price increases has become severely hampered.
- 4.25. Our many respondents among the local and regional press agree that large city newspapers, and their associated online services, may be able to withstand the competitive pressures best. Titles in smaller areas will struggle. In section 5, we look at some of the coping strategies being used in this context by local and regional newspaper groups – e.g., consolidation, mergers, content sharing, local ad exchanges, digital marketing propositions and diversification into other areas such as events.<sup>123</sup>
- 4.26. Newspapers – large and small – face further challenges in their quest to remain profitable. Circulation declines in the past could be to an extent offset by increases in cover prices. The ability to do so without losing paid-for readers seems to have dissipated. Display advertising held up reasonably well until the recession of 2008; since then, display trends have been negative (joining classified trend lines). Local and regional titles have a higher dependency on advertising revenues (classified and display) than national newspapers (although the gap has narrowed in the aggregate), and less success in targeting online users. As a consequence, they have been disproportionately affected.

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<sup>123</sup> The local and regional newspaper groups are also able to take advantage of the BBC's commitment to fund coverage of local councils and court proceedings, on behalf of newspaper industry. See section 5 for further details.

4.27. As we saw in section 3, there have been 136 newspapers closed across the UK since 2012. An additional 14 newspapers have launched and subsequently closed within the same timeframe. The map below charts the locations of these closures and highlights areas where closures have happened more frequently.



**Figure 58 – Location of local newspapers closed between January 2012 and February 2018**  
 Source: Press Gazette; Mediatique; press reports

4.28. Greater Manchester and Greater London saw the most closures of any individual county: 15 and 10 titles respectively. Neighbouring counties to both cities experienced the same effect (for example, Surrey lost eight titles and Cheshire and Merseyside a combined total of 11). Anecdotally (informed by our stakeholder interviews), this has been due to population shifts in commuter towns as younger demographics make up an increasing proportion of residents in suburban areas. These residents – who often work centrally in the main urban areas – appear less likely to buy local papers (a factor of both their age and the fact they commute by car into city centres).

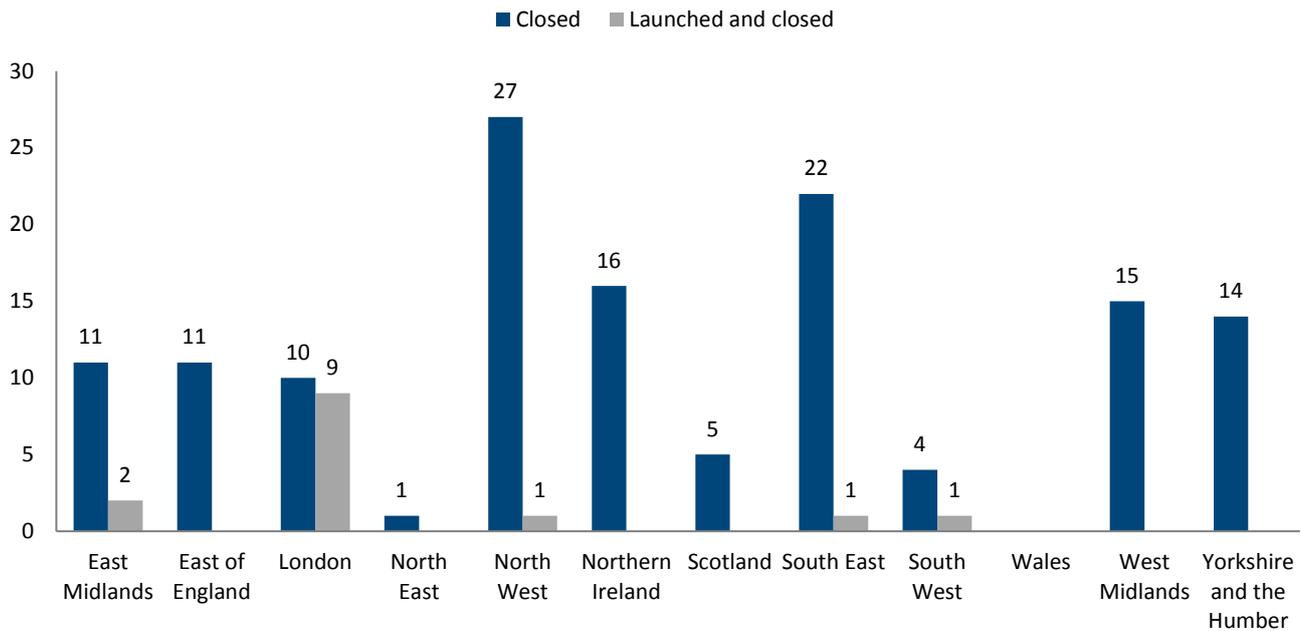


Figure 59 – Number of local and regional newspapers closed between 2012 and 2017 by region  
Sources: *Press Gazette*, Mediatique, press reports

4.29. However, it is worth noting that some of the areas that saw the highest number of closures were already well provisioned, as shown in the heat map in section 2. In that sense, it is worth looking at the proportion of total titles available in 2012 that were shut down by February 2018, as we show in Figure 60 below. Northern Ireland was the hardest hit by closures over the past five years, losing 25% of its local and regional titles, followed by Yorkshire and the Humber (21.2%). London and the South East, by comparison, lost about 11% of their local newspapers, despite being two of the regions with the highest absolute number of closures.

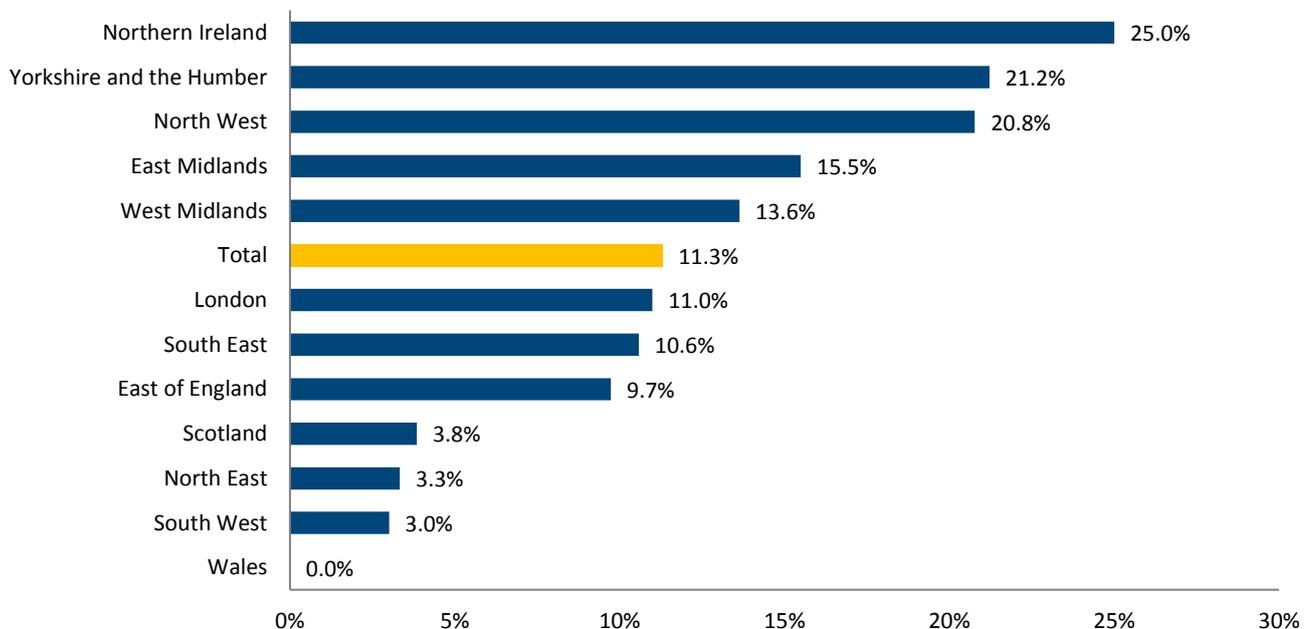


Figure 60 – % decline in the number of local and regional newspapers by region since January 2012  
Sources: *Press Gazette*, Mediatique, press reports

### Rising costs

- 4.30. The local and regional press has attacked its cost base (in the aggregate) in recent years, a process exacerbated by the wave of mergers in the period between 2003 and 2008, the impact of the recession and title closures. National closures have been limited – *The Independent* in 2015 and *News of the World* in 2011 (replaced by *The Sun on Sunday*).
- 4.31. The number of frontline journalists, as we have seen, has not been significantly reduced since 2008, with cost savings coming from outright closure, cuts in production jobs, efficiencies from new technology, synergies from printing arrangements, and changes to publishing schedules (e.g., a shift to ‘free’ from paid-for, and/or from daily to weekly). The concern now, expressed by a number of newspaper publishers, is that there is no further scope to cut costs without attacking frontline journalism.
- 4.32. Meanwhile, many newspaper groups have large pension contributions to make every year. In many cases, these are greater than total operating profit. CN Group, which recently announced an agreed sale to Newsquest, was in this situation.
- 4.33. We estimate that newspapers spent 25% of core revenues on frontline journalism in 2013, rising to about 28% in 2017; for some key players, the figure has risen as a by-product not of increased investment in journalism but rather declining revenues. Cutting expenditure on journalism, however, risks reducing quality further, leading to slumping readership, online engagement, advertising impacts and revenues. The industry – perhaps more so at local and regional level than nationally – may be at a pivotal point. We explore how they are responding in the section that follows.

### Digital natives facing pressures

- 4.34. It is worth a reflection here on the new entrants in news. There had been some expectation that the problems facing newsbrands might be avoided by digital natives, with no legacy base to protect (or to fund), lower costs of operation (cheaper journalists, no requirement to pay for newsprint, presses or physical distribution) and the ability to ‘harvest’ content from around the Web in addition to creating their own. Practitioners such as *BuzzFeed*, *Vice Media*, *Huffington Post* and *Vox* grew users and revenues impressively from the mid-2000s. Could they be relied upon to deliver quality journalism to an online audience (increasingly truly mass market)?
- 4.35. Even these digital natives have appeared to stall, however. *Vice Media* missed its revenue targets and is in discussions with funders.<sup>124</sup> *BuzzFeed* announced redundancies in the UK amounting to a third of its staff in December 2017, as part of a broader restructuring at parent level in the UK.<sup>125</sup> Since then, *BuzzFeed* has complained that changes made by Facebook’s algorithms (and its newsfeeds) have disadvantaged third parties unfairly.
- 4.36. For the digital natives, just as for the legacy newsbrands, there appears to be a singular threat – the dominance of the search and social platforms. Short of regulating these, what might the industry do, collectively, in the face of structural challenge? We now turn our attention to this question.

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<sup>124</sup> The Wall Street Journal, *Vice Just Had a Big Revenue Miss, and Investors Are Getting Antsy*, 7 February 2018 (see: <https://www.wsj.com/articles/vice-media-confronts-tv-woes-amid-leadership-troubles-1518003121>.)

<sup>125</sup> Press Gazette, *23 journalists facing redundancy at Buzzfeed UK as NUJ says cuts are ‘chilling’ for news industry*, 8 December 2017 (see: <http://www.pressgazette.co.uk/23-newsroom-staff-facing-redundancy-at-buzzfeed-uk-as-union-says-cuts-are-chilling-for-news-industry/>.)

## 5. Strategic responses available

- 5.1. There are a number of strategic responses that newspapers have undertaken or are able to undertake to address – at least to a degree – the challenges facing the sector. Informed by our interviews with stakeholders across the press value chain, we review these various measures here.

### Pivot to pay / subscription online

- 5.2. The sharp declines in circulation – a feature since the late 1990s but at an accelerated pace since 2007 – have been offset, at least partially, by an ability to increase cover prices; these have gone up by 89% for national titles since January 2007.<sup>126</sup>
- 5.3. Still, we estimate the circulation and subscription revenues across national, local and regional titles (not counting specialist title *The Financial Times*) continue to decline.
- 5.4. Meanwhile, the sector's ability to extract payment from consumers for online news has been evidently restrained. Despite a range of experiments in recent years – including hybrid free-pay propositions across mobile, tablet and online, for example – the vast majority of newspaper titles continue to make content freely available via the internet. As we saw in section 2, at national level the exceptions are *The Times* (which has long had a pay wall), *The Telegraph* (which has experimented with hard and soft walls) and specialist title *The Financial Times* – by the far the most successful digital paid-for newspaper title in the UK. *The FT* model is difficult to replicate, however, given the newspaper's specialism (financial news and analysis) and the degree to which its subscriptions are paid for on behalf of employees by companies.
- 5.5. Titles do offer a 'paid-for' digital edition on a subscription basis, either as a stand-alone or bundled with a print subscription; however, for newsbrands who have no paywall in place, the same content is also available online for free on their websites.
- 5.6. Newspaper publishers have watched with interest the recent success of US titles such as *The Washington Post* and *The New York Times*, which appear to be able to convert more readers to paid-for online subscription following the US election.<sup>127</sup> However, this may be a source of encouragement only for the 'quality' national titles, which in any event are already proposing either hard pay walls (*The Times*, *The Sunday Times*), hybrid models (*The Telegraph*, *The Sunday Telegraph*) or solicitation of reader contributions (*The Guardian*, with its regular call for donations from online readers). In this sense, it is worth citing the example of *The Sun*, which instituted a hard paywall in August 2013<sup>128</sup>, only to abandon this strategy and revert to a free model in November 2015 after it became clear that the subscription revenue could not compensate for the losses in readership and associated advertising revenues.<sup>129</sup> A summary of the key models offered at national level is provided below.

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<sup>126</sup> See footnote 101

<sup>127</sup> For example: [nytimes.com](https://www.nytimes.com/2018/02/08/business/new-york-times-company-earnings.html), *New York Times Co. Subscription Revenue Surpassed \$1 Billion in 2017*, 8 February 2018 (see: <https://www.nytimes.com/2018/02/08/business/new-york-times-company-earnings.html>).

<sup>128</sup> BBC News, *The Sun website paywall comes into effect*, 1 August 2013 (see: <http://www.bbc.co.uk/news/business-23524897>).

<sup>129</sup> Press Gazette, *The Sun scraps online paywall two years on in favour of 'blended revenue model'*, 30 October 2015 (see: <http://www.pressgazette.co.uk/sun-scrap-online-paywall-end-next-month/>).

National newsbrands	Online news distribution model	Pricing model <sup>130</sup>	Number of subscribers
<b>Times</b>	Hard Paywall	<ul style="list-style-type: none"> <li>▪ Digital Pack, £6pw</li> <li>▪ Sunday Digital Pack, £2pw</li> <li>▪ Included with most print subscriptions</li> </ul>	413,600 (185,200 digital only), June 2016 <sup>131</sup>
<b>Financial Times</b>	Hard Paywall	<ul style="list-style-type: none"> <li>▪ Standard Digital, £5.35pw</li> <li>▪ Premium Digital, £8.60pw</li> <li>▪ Print and digital, £14.50pw</li> </ul>	700,000 digital subscribers (500,000 from corporate and institutional subscriptions), November 2017 <sup>132</sup>
<b>Daily Telegraph</b>	Mixed <sup>133</sup>	<ul style="list-style-type: none"> <li>▪ Premium, £2pw</li> <li>▪ Premium   Digital Editions, £6pw</li> <li>▪ Included with all print subscriptions</li> </ul>	N.A.
<b>Guardian</b>	Membership scheme <sup>134</sup>	<ul style="list-style-type: none"> <li>▪ Supporter, £5pm</li> <li>▪ Partner, £15pm</li> <li>▪ Patron, £60pm</li> <li>▪ One-off contributions</li> </ul>	500,000 members + 300,000 one-off donors, November 2017 <sup>135</sup>

Figure 61 – Paywall and membership models implemented by national newsbrands

Sources: Companies websites; press reports; Mediatique

5.7. Examples of implementations of a paywall for local and regional newspapers are few and far between; some have tried but later abandoned these strategies altogether and see their online propositions largely as a means of maintain/developing brands and bolstering dwindling engagement via physical print; a case in point is Johnston Press in 2010.<sup>136</sup> The table below provides the most notable examples of local newspaper

<sup>130</sup> Excluding initial offers or any other special offers (e.g. student or corporate subscriptions).

<sup>131</sup> Source: News UK (see: <https://www.news.co.uk/2016/07/the-times-and-the-sunday-times-achieve-record-subscriptions-and-outperform-market-in-abc-figures-released-today/>).

<sup>132</sup> Source: Press Gazette, *Financial Times surpasses 700,000 digital subscribers and boasts highest readership in 130-year history*, 21 November 2017 (<http://www.pressgazette.co.uk/financial-times-surpasses-700000-digital-subscribers-and-boasts-highest-readership-in-130-year-history/>)

<sup>133</sup> The Telegraph offers one premium article per week for free to registered users (free registration).

<sup>134</sup> Content is all free at the point of use, readers are invited to join as ‘members’ to contribute to Guardian’s journalism and have access to member-exclusive events. Free access not included to the newspapers’ digital edition.

<sup>135</sup> Source: Digiday UK, *Inside the Guardian’s consumer-revenue operation*, 6 November 2017 (<https://digiday.com/media/inside-guardians-consumer-revenue-operation/>).

<sup>136</sup> In late 2009, Johnston Press trialled hard paywalls on four titles in England and two in Scotland, but reverted to a free model due to low subscription numbers (see: <http://www.allmediascotland.com/press/17808/paywall-trial-ends-at-johnston-press-scottish-pairing/>). As of May 2017, all of its newsbrands’ websites were free at the point of use (see: <http://www.thedrum.com/news/2017/05/31/johnston-press-merges-publishing-and-digital-functions-it-eyes-online-paywalls-buoy>). In September 2017, JP announced the introduction of a ‘metered registration’ model on three of its titles (*The Sunderland Echo*, *The Derbyshire Times* and *The Doncaster Free Press*), whereby readers can access a limited number of articles for free and without having to log in to the websites, after which registration will be required (see: <https://www.holdthefrontpage.co.uk/2017/news/johnston-press-pilots-metered-registration-on-newspaper-websites/>); see below in this section for more on registration.

websites that currently implement a paywall. Possibly the most successful case so far has been *The Herald*, in Scotland, which in July 2015 boasted about 17k digital subscriptions. In general, however, the interviews conducted for this work confirm the view that there is limited scope for a shift to pay models for online news at local level.

Local newsbrands	Online news distribution model	Pricing model <sup>137</sup>	Implementation Date
<b>Herald</b>	Metered Paywall*	<ul style="list-style-type: none"> <li>▪ Value Plan, £1.74pw</li> <li>▪ Premium Plan (ad-light), £2.49pw</li> </ul>	December 2011
<b>Press and Journal</b>	Metered Paywall*	<ul style="list-style-type: none"> <li>▪ Web Pack, £2.50pw</li> <li>▪ Web + e-Paper Pack, £4.50pw<sup>+</sup></li> <li>▪ Included with print subscriptions</li> </ul>	June 2014
<b>Northern Echo</b>	Metered Paywall*	<ul style="list-style-type: none"> <li>▪ Value Plan, £1pw</li> <li>▪ Premium Plan (ad-light), 1.80pw</li> <li>▪ Included with print subscriptions</li> </ul>	June 2015
<b>Irish News</b>	Metered Paywall*	<ul style="list-style-type: none"> <li>▪ Premium, £2.99pw<sup>+</sup></li> <li>▪ Premium &amp; e-Paper, £4.49pw<sup>+</sup></li> </ul>	July 2015
<b>Courier, Dundee</b>	Metered Paywall**	<ul style="list-style-type: none"> <li>▪ Web Pack, £1pw</li> <li>▪ Web + e-Paper Deal, £3.75pw<sup>+</sup></li> <li>▪ Included with print subscriptions</li> </ul>	November 2016
<b>Cornwall Reports</b>	Hard Paywall	<ul style="list-style-type: none"> <li>▪ Weekly subscription, £1pw<sup>+</sup></li> </ul>	January 2017
<b>Oban Times</b>	Mixed <sup>138</sup>	<ul style="list-style-type: none"> <li>▪ Weekly subscription £0.79pw<sup>+</sup></li> </ul>	February 2017

Figure 62 –Paywall models implemented by selected local news websites;

Sources: Companies websites; press reports; Mediatique

\*10 free articles; \*\*3 free articles; +discounts applying to longer subscription periods

- 5.8. Despite relatively scarce evidence of successful pay models online, many of our interviewees indicate we are currently at a turning point with regard to online news distribution models and may soon witness a general pivot away from a model relying primarily on advertising revenues and towards some form of pay model where opportunities to implement paywalls exist that would not endanger core business streams.
- 5.9. While it is true that there are limitations to the effectiveness of paywalls, and that only a small proportion of people in the UK pay for news online (6% according to the latest Digital News Report<sup>139</sup>), there seems to be a relative consensus around the idea that digital advertising alone will not be able to sustain the current level of investment in journalism. Furthermore, after a period of massive growth in use of social media and reliance of third-party platforms to access news, it appears that traditional newsbrands are attempting to use the

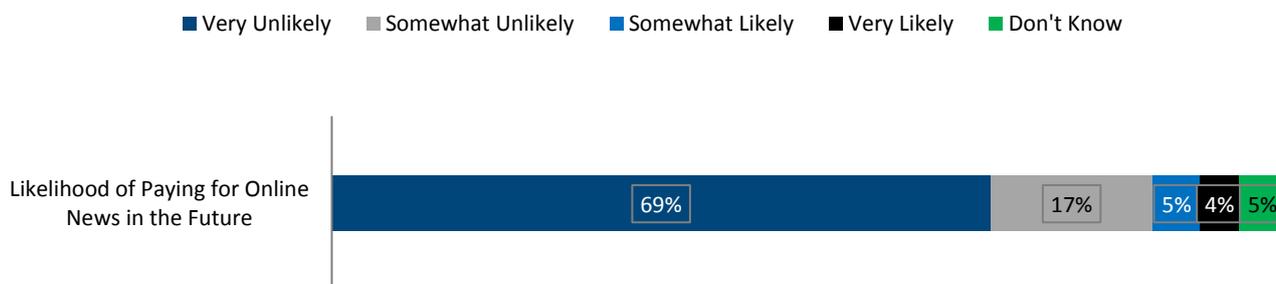
<sup>137</sup> Excluding initial offers or any other special offers (e.g. student or corporate subscriptions).

<sup>138</sup> Breaking news and other news content is freely available on *The Oban Times's* website, however 'premium' content is available only to subscribers.

<sup>139</sup> See Figure 49.

current crisis of trust in digital giants to generate awareness around the necessity to fund independent journalism in new ways; in that sense, the Guardian Membership campaign, but also some of the subscription campaigns run by the local newsbrands – e.g., *The Herald* or *Cornwall Reports* – echo these sentiments.

5.10. Despite these early efforts, we are still far from a mass consumer shift towards pay models for online news in the UK. According to the Reuters Institute, only 9% of people who currently do not pay for online news said that they were somewhat to very likely to do so in the next 12 months, while 69% said they are very unlikely to pay to access news on the internet (see Figure 63 below).



**Figure 63 – Likelihood of paying for online news in the next 12 months, % of non-payers\***  
 Source: Reuters Institute, Digital News Report 2017; \*people who did not pay for online news in the UK in the last year

5.11. Some of the people interviewed for this report referred to the BBC as a potential ‘brake’ to the establishment of an online pay model for news. They cited the availability of a publicly funded online news service as the reason why consumers would not engage with content behind paywalls, as there is a free alternative available to everyone. Indeed, 54% of those who do not pay for online news cited the possibility to get news for free among the main reasons why they do not do so.<sup>140</sup> However, this seems to be contradicted by research which suggests that people who consume free news from public media such as the BBC are not less likely to be paying or willing to pay for online news than those who do not.<sup>141</sup>

5.12. Furthermore, others pointed to the traditional newsbrands as partially responsible for conditioning readers into expecting to be able to access news online for free. When newsbrands launched their websites and started charging advertisers to place their banners around their content online, the substitutive effect of the internet over print was not yet as acute as it is today, and therefore the internet created opportunities for publishers to gain additional revenue at little incremental cost. By the time audiences started abandoning print in favour of online for their news and for classified advertising, it was too late for newspapers to reverse the strategy.

5.13. Finally, it should also be pointed out that there is also a strong belief among several members of the industry that UK citizens, and in particular those with lower means – e.g., young people – have a fundamental right to free public-service journalism. In that sense, the BBC plays a crucial, though not unique role. Several newsbrands have committed publicly not to erect paywalls;<sup>142</sup> for them, the answer to the question of sustainability lies elsewhere.

<sup>140</sup> Reuters Institute, *Paying for News* (see: <http://www.digitalnewsreport.org/survey/2017/paying-for-news-2017/>).

<sup>141</sup> Fletcher, Richard & Nielsen, Rasmus Kleis, *Paying for Online News – A Comparative Analysis of Six Countries*, 28 October 2016 (<https://www.tandfonline.com/doi/full/10.1080/21670811.2016.1246373>).

<sup>142</sup> E.g.: The Guardian (see: <http://fortune.com/2016/02/17/guardian-paywall/>); BuzzFeed (see: <http://variety.com/2017/digital/news/buzzfeed-jonah-peretti-paywalls-democracy-1202593489/>).

### Importance of registration and data

- 5.14. Digital ad dependency is of significance across much of the national, local and regional press. At the national level, all but three newsbrands offer advertising-funded news content online free at the point of use, as do nearly all local and regional titles.
- 5.15. In the light of growing reliance on third-party platforms for traffic and advertising revenues, user data has therefore become a key commodity that publishers are increasingly trying to control and exploit. User data can be used to inform newsbrands' content offering by allowing them to cater directly to users' needs; it can also be used to gain useful insights into their readers' habits and preferences, enabling publishers to target advertising that is more relevant to users or promote content to them that they will find more engaging. Data can also help identify any (even limited) propensity to pay, and to tailor paid-for offers accordingly.<sup>143</sup>
- 5.16. Furthermore, the growing use of ad blockers has had an impact on titles looking to monetise audiences (although the prevalence of these blockers is far greater on desktop than on mobile). Publishers seek, notwithstanding this practice, to generate as much usage as possible via their own websites and apps – where they can either charge a premium with advertisers for bespoke audience delivery or effectively aggregate data themselves, offering their own version of the programmatic trading offered by ad exchanges (e.g., via Google, Facebook, Twitter). For this, requirements are to convince users to register with the website and to designate the site as 'whitelisted' by the blocker where necessary.<sup>144</sup>
- 5.17. Registration is now a common feature on news websites, to the point that it has become an alternative to paywalls in certain cases. For instance, *The Daily Telegraph* offers one free premium article per week on its website to its register non-paying readers, while Johnston Press is currently piloting a 'metered registration wall' on three of its news websites (*The Sunderland Echo*, *The Derbyshire Times* and *The Doncaster Free Press*).<sup>145</sup>
- 5.18. Registration has been in part a reaction to the lack of transparency over consumer data collected by third-party platforms from content originated by newsbrands. The degree to which newsbrands have become reliant on search and social recommendations and referrals, and are thus receiving income that is effectively commoditised, reflects their lack of access to relevant data on consumer behaviour.
- 5.19. Publishers have called for great transparency from the social and search giants on the data they collect or the ability routinely to share the data with the platforms. Unsurprisingly, given the primordial importance of consumer data to the platforms' business models, these players have resisted such calls.
- 5.20. Publishers are exploring, therefore, a two-pronged data strategy: maximising their own data capture (conceivably to pursue their own form of targeted advertising) and continuing to push platforms to share consumer data. As a result, various questions are asked of users registering for access, including at a minimum email address but often information on age, gender and residence.

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<sup>143</sup> For instance, in the US Gannett has implemented a metered registration wall that uses reader data collected through registration to customise subscription offers (see: <https://digiday.com/media/hunt-direct-connections-publishers-turn-registration-walls/>). Google's DNI has also helped fund research and trials of software aimed at converting users to pay (see: <http://www.twipemobile.com/2017-google-dni-funding-our-7-favourite-projects/>.)

<sup>144</sup> Under the General Data Protection Regulation, at European level, publishers and platforms alike will need customers' permission before holding and using data. This may favour trusted websites over others, although it is assumed that the major social and search platforms will be able to secure permission in exchange for the undoubted value consumers ascribe to the relevant services.

<sup>145</sup> See footnote 136.

- 5.21. Associated with these endeavours, publishers are also looking at various forms of co-operation around data – for example, via a test project with advertising intermediary Group M to aggregate newsbrand impacts within a ‘brand safe’, premium environment.<sup>146</sup>

### **PAMCo and new user data sets**

- 5.22. More generally, and at industry level, publishers, agencies and advertisers are working jointly to introduce a new metric for newsbrand users/readers, effectively replacing the National Readership Survey (‘NRS’) with a reformed survey that tracks users on multiple platforms (print, mobile, online) and generates a de-duplicated reach figure and duration. The new approach, to be launched officially in 2018, is expected to provide individual publishers with the ability to aggregate both print readership data and standardised user data collected by publishers on their websites or apps either through the use of cookies or via registration and user tracking.<sup>147</sup> PAMCo data will also provide granularity on the reach of specific sections of the newspapers and websites (e.g. sports, politics).

### **Innovation and collaboration with platforms (including use of aggregators)**

- 5.23. Associated with data and advertising propositions described above are broader discussions being held between publishers and platforms in various fora to find more symbiotic joint approaches. Certainly, many UK newspaper publishers (e.g., Johnston Press, *The Financial Times*) have taken advantage of funds provided under Google’s Digital News Initiative (DNI) to innovate in areas like news content production and distribution.<sup>148</sup>
- 5.24. Other collaboration includes ties between publishers and Apple, via its Apple News service and various initiatives to promote ‘trusted’ content surfaced via search engines (notably Google’s ‘green tick’ to denote reliable sources), and the Facebook Journalism Project, aimed at helping publishers make optimal use of the use of various Facebook tools – e.g., Instant Articles, Live Video. More details on these collaborations between publishers and digital intermediaries can be found in Annex 3.
- 5.25. These initiatives fall short of the more radical requests emanating from some publishers, particularly calls to label trusted content more routinely, and ensure its priority within feeds on social networks and searches, greater transparency around the algorithms used to inform searches and the placement of advertisements, and systematic access to data gathered by intermediaries but generated from the consumption of content originated by publishers. These themes were commonly raised in our stakeholder interviews.

### **Recourse to the BBC Local Journalism Partnership**

- 5.26. The BBC Local Journalism Partnership, launched in 2017, is an agreement between the BBC and the News Media Association (‘NMA’) aimed at using BBC licence fee funding to support local journalism, with a specific remit over local authorities and public services<sup>149</sup>. The agreement involves:

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<sup>146</sup> Described in stakeholder interviews.

<sup>147</sup> <https://www.newsworks.org.uk/pamco>.

<sup>148</sup> Details on DNI and other initiatives of the social and search platforms are provided in the Appendices.

<sup>149</sup> BBC Media Centre, *BBC and the News Media Association announce plans for ground-breaking new partnership*, 12 May 2016 (see: <http://www.bbc.co.uk/mediacentre/latestnews/2016/bbc-nma-partnership>).

- 150 journalists funded by the BBC and employed by a range of qualifying news organisations<sup>150</sup> to cover local authorities and public services;<sup>151</sup> the reporting done by these journalists will also be made available to the BBC.
- Archival footage and audio news content produced by the BBC to be made available to local news media websites.
- A set of data journalism tools to be funded by the BBC and made available to its partners in the local press.

5.27. The Partnership was initiated to supplement investment in local journalism where this is lacking, as a result of cost cutting and closures. In December 2017, the BBC announced that the first 143 full-time journalists and two part-time had been named and contracted by around 60 news organisations in England, Wales and Scotland. These organisations will receive a share of (initially) c£8m year.

5.28. As reported by *HoldTheFrontPage*<sup>152</sup>, most of these contracts have been won by the largest publishers – namely, Trinity Mirror, Newsquest and Johnston Press, while four BBC-funded journalists will be based at hyperlocal websites. By region, Scotland will see the largest number of reporters employed under the Partnership (22), followed by the North West (19) and Yorkshire and Lincolnshire (16).

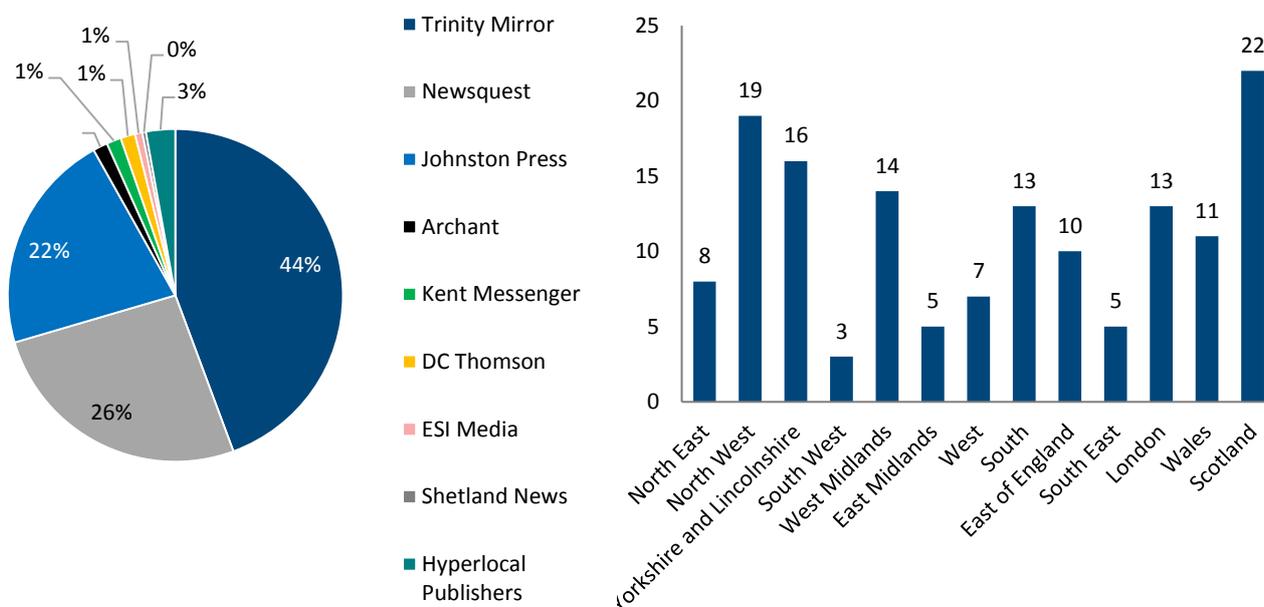


Figure 64 – Allocation of journalist under the BBC Local Journalism Partnership by publisher (left) and by region (right)  
Source: *HoldTheFrontPage*

<sup>150</sup> The two main criteria, listed on the BBC’s website, are that the organisation can demonstrate quality and a previous track record of public service journalism, and that content must be able to be provided in multi-media format including text, audio and digital format (see: <http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc-news-news-media-association-partnership-criteria.pdf>).

<sup>151</sup> The framework created by the agreement envisages that the number of BBC-funded journalists might increase to 200 in 2019.

<sup>152</sup> *HoldTheFrontPage*, *Big groups win lion’s share of BBC local reporting contracts*, 7 December 2017 (see: <https://www.holdthefrontpage.co.uk/2017/news/ldr-contracts/>).

## Consolidation and re-structuring

- 5.29. There are a number of more traditional strategies being followed or contemplated by newspaper publishers. Perhaps most obvious is straightforward consolidation and further corporate re-structuring, at the national and local, regional level.
- 5.30. In recent months, two significant mergers/acquisitions have been announced – the sale of *The Express* titles to Trinity Mirror, and the acquisition by Newsquest of the CN Group. This followed the purchase in 2015 of by Trinity Mirror of Local World, itself a consolidation vehicle to aggregate local and national titles, extract savings and maximise revenues.
- 5.31. All these moves are focussed on cost savings – e.g., reduction in back office staff, removing duplications, ensuring newsgathering efficiencies – and potentially at benefiting from scale advantages in ad sales and technology (particularly website and App innovations).
- 5.32. Remaining consolidation appears to us to be more likely at local and regional level than within the national press – with scope for transformational mergers involving one or another of the major regional publishers.<sup>153</sup> Smaller transactions are of course possible. The logic throughout is based on the assumption that only large population centres can support the newspaper/online combination that delivers audience and revenue; smaller areas are very likely either to see further closures or – where the editorial and cultural fit is strong – the incorporation of smaller titles within a bigger group able to confer synergies from the centre.<sup>154</sup>
- 5.33. Re-structuring will occur both as a result of further consolidation and organically. Some 200 titles have been closed in the local and regional press since 2005, of which 136 have occurred since 2012. Moreover, all publishers have sought to reduce costs since the recession – through a range of tactics and strategies, including consolidation of printing contracts, reductions in or changes to pagination and periodicity and alterations to distribution arrangements.
- 5.34. These cost-cutting programmes have largely targeted non-frontline operations – although this is unlikely to continue to be the case as revenues continue to decline. At the same time, there has been efforts to reduce payroll costs even for front-line journalists – e.g., by replacing expensive exiting employees with lower-paid entrants. While not necessarily appearing in the form of employment impacts, many publishers have changed editorial focus – e.g., away from expensive investigative journalism and toward entertainment and lifestyle – and in some cases introduced central content ‘hubs’, either for stories, sub-editing or sometimes both.
- 5.35. Indicative of the toxic combination of lower print revenues, relatively slow digital growth (for newsbrands) and the limits of further cost cutting, margins in the sector have declined. While the national press has always been characterised by a range of models and operating profiles (*The Guardian* remains loss-making; however, the rest of the quality and mid-market press remains in profit, if earning less), the local and regional press has been very profitable historically, and margins, while sharply lower, continue to be in positive territory. This may not, however, be sustainable, given that revenues continue to fall and cost cutting may be hitting limits before quality is so affected that revenue declines are accelerated. Moreover, most local and regional newspaper groups have large pension deficits to manage and some carried high debt – enough exposure, in some cases, to place even very short-term sustainability into question.

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<sup>153</sup> Competition regulators will be an important factor in the extent of future consolidation, as we touch upon at the end of the present section.

<sup>154</sup> This assumes current ownership and operating model remain in place; there are other options for smaller newspapers, as we explore further on in this section.

### Co-operation / efficiencies in ad sales, printing and distribution

- 5.36. Publishers continue to operate their own sales houses and may find there is still scope to co-operate further with regard to printing operations and the associated task of delivering physical copies to retail partners.
- 5.37. The idea of a single national sales house was raised and discussed at some length among key national publishers. The argument of those in favour was based on the assumption that structural challenges were unlikely to dissipate and that competition authorities might accept to need to allow sales house consolidation as has happened in other areas (notably TV and radio); these discussions were abandoned in 2017.<sup>155</sup>

### Marketing services for SMEs

- 5.38. A common theme explored by many local and regional publishers currently is their ability to meet local demand for marketing services, particularly among smaller enterprises. Major regional groups have either launched or are planning to launch dedicated propositions, covering all the advertising and marketing needs of their clients – print advertising, placement via ad exchanges, loyalty schemes and events.
- 5.39. These initiatives are likely to permit companies to enrich margins at the local and regional level; they are not, in and of themselves, a guarantor of commitment to editorial journalism, given that such services do not in fact require the provider to be in the content business at all.

### Adjacent revenue streams (e.g., advertorials, B2B, betting, travel, financial services)

- 5.40. Akin to marketing services, a number of publishers have diversified into adjacent areas – both at national and regional level. DMGT has an extensive range of non-newspaper operating units, including a number of profitable B2B services and a property website, Zoopla. Many national and local publishers are also active in specialist magazines and events management, building on their core news brands.
- 5.41. Wine, property, travel, dating and financial services are all areas where newspapers have been able to derive incremental revenue. Publishers also offer betting opportunities in co-operation with bookies and a range of games of chance – e.g., bingo. These continue to be relatively small, however, as a percentage of total revenues.
- 5.42. ‘Advertorials’ have long been a feature of the press sector. Their use in online propositions is growing, particularly through what is now called ‘branded content’ (material provided by the advertiser and/or agencies rather than created by the media owner) or ‘native advertising’. Supplements and special insertions are common throughout the press sector.
- 5.43. More recently, newsbrands have looked to take advantage of the growth in mobile platform penetration to address audiences using quality video content. While there is a perception that video can generate premium advertising, there are difficulties in marrying branding opportunities and the short-form content format usually associated with video provided by a newsbrand – e.g., an interview or news footage to complement text. In this sphere, newsbrands compete with organisations that have a natural advantage – broadcasters and online video specialists. For example, Sky News is very video-centric, as is the BBC News App on mobile (e.g., the Videos of the Day feature within ‘Top Stories’).<sup>156</sup>

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<sup>155</sup> Campaignlive.co.uk, *News publishers will regret failure of joint ad sales plan*, 20 July 2017 (see: <https://www.campaignlive.co.uk/article/news-publishers-will-regret-failure-joint-ad-sales-plan/1439769>.)

<sup>156</sup> Three publishers – News UK, Telegraph Group and Guardian Media Group – have jointly launched a video advertising proposition to permit advertisers to buy slots on a pooled basis across the relevant groups’ online services. See: telegraph.co.uk, *Newspaper publishers unite in video advertising deal*, 22 November 2017 (<https://www.telegraph.co.uk/business/2017/11/22/newspaper-publishers-unite-video-advertising-deal/>.)

### Alternative ownership and distribution structures

- 5.44. Current models – including publicly quoted company ownership and profit maximisation – will necessarily limit the strategic freedom publishers have to explore truly radical alternatives to the safeguarding of local and regional journalism in particular.
- 5.45. There are examples of community newspapers, kept alive by local, committed ‘citizen journalists’ or local blogs providing local insight without the need to deliver returns to shareholders. There may be scope for a model, moreover, that marries commercial and community characteristics. Some in the industry point to a ‘franchise’ model whereby central services are provided to local operators at a very low cost, allowing them to develop community newspaper websites/apps more efficiently.
- 5.46. The *Guardian* may show another way – soliciting donations specifically in order to sustain the creation of original news journalism, and to protect independence status against proprietor influence or the dictates of the commercial market.
- 5.47. However, the sheer size of the market – national, local and regional – suggests there is little hope that a charitable, community or franchise system can effectively safeguard the £925m of current content expenditure funded by newspaper publishers in 2017.

### The limits of self-help

- 5.48. Our consideration of key trends in the newspaper industry, and our review of the various means by which industry players might address the undoubted challenges they face, together suggest a difficult future. It may be that only some form of intervention (of a character yet to be determined) may be required.<sup>157</sup>
- 5.49. There are no signs of respite in the declines in newspaper sales, nor in the concomitant drop in both cover price and advertising revenues. At the same time, and despite much experimentation, legacy newsbrands continue to struggle to deliver digital growth capable of compensating for declines in their core analogue businesses. Pressures are building for newspapers – and in particular those operating at local and regional level – to make further deep cuts, affecting editorial jobs, to maintain commercial returns.
- 5.50. Common responses by legacy businesses in trouble (consolidation, diversification, further cost cutting) may not be enough, on their own, to reverse the trends. While some market operators see scope for further rationalisation and co-operation (in printing, distribution, content sourcing, ad sales) most now expect to have to attack core journalism more aggressively from now.
- 5.51. In any event, some of these coping strategies may not be acceptable to competition authorities, which continue to be informed by concepts such as consumer harm that may be defined by reference to market dynamics characteristic of an earlier time.
- For example, the concern that concentration of ownership in a single area would lead to monopoly pricing and constraints on innovation may not be warranted against a counter-factual of outright title closures in the absence of a merger. Moreover, Facebook and Google, with a share of digital advertising (display, search and classified) of c80%<sup>158</sup>, does not run foul of traditional approaches to consumer harm because they are ‘free’ and valued by consumers.

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<sup>157</sup> We have not been asked to consider public policy options, as these will be reviewed by Dame Frances Cairncross as part of her review.

<sup>158</sup> See: ft.com, *Google and Facebook dominance forecast to rise*, 3 December 2017 (<https://www.ft.com/content/cf362186-d840-11e7-a039-c64b1c09b482>.)

- A wider definition of 'harm' – extending to the impact on consumers of the failure of legacy news providers and the eventual disincentive even of the digital upstarts to innovate when faced with demands from shareholders to maximise returns – may be necessary.

## 6. Conclusions

- 6.1 Our analysis has identified serious structural challenges facing the press industry, as UK consumers engage increasingly with online content across a range of connected devices; this has presented consumers with a greater array of content, led to a convergence of competition among news providers from different media, and led to significant new entry from news aggregators and providers. As a result, consumption habits have shifted significantly away from the printed press towards greater online engagement where the economics of newsgathering and monetisation of audiences are more challenging. These habits will persist and deepen, as younger connected cohorts grow older.
- 6.2 Online engagement suffers from reduced dwell time compared to traditional press, and online news providers face a more crowded and competitive environment for reader engagement alongside other forms of media, and new forms of news provider and aggregator. While most operators have forged significant traction online, meeting the changing habits of existing readers and also securing new audiences online, the ability to monetise audiences online is significantly more challenging than traditional press economics. Paid-for models are hard to establish and maintain except for a handful of specialist and quality-end titles (*The Financial Times*, *The Times*, *The Telegraph*) and have proven relatively rare among local and regional press.
- 6.3 Many UK players have been able to secure a viable global presence online – with national titles such as the *Guardian* and the *Daily Mail* securing significant traffic internationally, particularly in the US – although all such online traffic remains less lucrative than the traditional press and the economics of the press sector remain fundamentally challenged. Moreover, the local and regional press, particularly those serving areas that lack scale, are particularly at risk.
- 6.4 A continuing shift towards always-on connectivity and online engagement with media is inexorable, and online activity will continue to increase as existing users engage more online and late-adopters finally secure access to connected devices in and out of the home. This will drive a continuing decline in the circulation and readership of the printed press; perhaps leading to the closure of all print output in the very long term. We suggest, however, that a short to medium term outlook still maintains a role for the printed press – at least over a ten-year period; in part, this reflects the lack of full universal connectivity among all UK households and the convenient nature of physical press for readers and the newspaper-reading habits of an aging population.
- 6.5 The press sector has suffered a decline in its finances, as falling circulation and readership have caused significant drops in circulation and advertising revenues. Press operators also face an economic challenge from large international aggregators, search providers and social networks, who benefit from news to drive traffic to their own services, with little compensation flowing back to the original newsgatherer. Operators will need to assess their ability to offer free or syndicated news if this cannot secure sustainable revenues over time.
- 6.6 Although the UK press sector at present remains diverse, highly competitive and characterised by multiple models, operators and propositions, the digital challenge facing press operators is a major threat to their longevity and the sustainability of news provision more generally. There is unlikely to be a wholesale movement by large platforms such as Google or Facebook to become newsgatherers themselves, and therefore the press remains a crucial link in the value chain as originators of news.
- 6.7 Despite the challenges facing the press, it remains a major funder of news provision and plays a crucial role in public life and civic culture. The press is still an important source of newsgathering, investigative reporting, opinion, commentary and acts as a key conduit for information exchange and a forum for informed debate. It remains a major employer of journalists and commentators and is a key source of news for other news outlets and aggregators.

- 6.8 Press players are a part of a wide ecology of news incorporating TV, radio, online-only news providers, aggregators and social media. Increasingly news provision is a mix of media including audio, video and text.
- 6.9 However, the written word still has significant power in news provision. The challenges facing the press sector therefore have potentially significant implications for the overall provision of news in the UK. While increasing online engagement is often seen as a means to nurture citizen journalism and new approaches to news provision, large press operators are important entities to pool risk, to fund investigation and newsgathering, and to ensure exposure and impact.
- 6.10 Furthermore, the dangers of so-called 'fake news' are more serious in a world where the traditional press is existentially challenged, with the risk of fake news filling a vacuum left by more closures of press titles – or indeed, an outcome where citizens are left with no professionally produced news at all beyond the BBC.
- 6.11 The press sector continues to evolve as it attempts to deal with the structural challenges it faces from technology and the threat of alternative providers. Various players continue to experiment with pagination, frequency, cover price and their online revenue model (paid-for offerings, solicitation of donations, registration 'walls' to collect and monetise data). All players have sought to cut costs where they can, including via consolidation, and many titles (particularly local and regional) have closed. Further cost cutting is likely in key areas such as front-line journalism and further title closures can be expected, although there will be limits to such efficiencies if players are to remain a source of quality news. Indeed, there are risks, particularly in online engagement, of players chasing traffic at the expense of offering quality output.
- 6.12 As with most industries undergoing transition, current market outcomes include a hybrid mix of preferences, models, consumption categories and behaviours. Such a mixed economy is likely to continue, and we see little prospect of all press providers moving to a single consistent revenue model. Different models will suit the different target audiences, strategies and objectives of each operator, as well as the nature of their output.
- 6.13 Faced with the challenges of changing audience behaviour and the increasing role of platforms and aggregators as intermediaries, the press sector is likely to respond by seeking to enter into partnerships to offset the costs of newsgathering. In this context, we would expect newsbrands to seek mutually beneficial relationships with other press groups and with social and search platforms where this proves possible.

## A1. Annex 1: Glossary

<b>AA</b>	Advertising Association – providing industry standard data on market revenues
<b>ABC</b>	Audit Bureau of Circulation – industry joint body providing detailed data on circulation
<b>Ad blocker</b>	A programme, downloaded to a PC or mobile device, that can block the serving of advertising
<b>Ad exchange</b>	System to enable the buying and selling of advertising on a given (digital) platform
<b>Advertorial</b>	Copy published in a newspaper but constituting sponsored content supplied or paid for directly by an advertiser
<b>AIR</b>	Average issue readership – a key metric tracking number of readers of a publication, measured by the ‘NRS’
<b>AVOD</b>	Advertising (funded) Video on Demand – a model of providing content online for ‘free’ supported by advertising
<b>Algorithm</b>	Means of determining search results or the placement of advertising next to content without human intervention
<b>BARB</b>	Broadcasters’ Audience Research Board – industry joint body providing detailed, demographically categorisable data on TV viewing (including the BBC) and commercial impacts (viewing of commercial advertising)
<b>Berliner format</b>	A format of newspaper larger than a ‘tabloid’ but smaller than a ‘broadsheet’ – used by <i>The Guardian</i> between 2005 and early 2018
<b>Banner ad</b>	An online ad appearing above, underneath or alongside digital copy or video
<b>Bots</b>	Short hand for robot – referring to the use of automated programmes to generate ‘clicks’, visits, page views but through no human intervention
<b>Broadsheet</b>	A format of newspaper of roughly 24 by 30 inches, twice the size of a ‘tabloid’
<b>Bulk</b>	Copies of a newspaper distributed in ‘bulk’ to hotels, train stations, etc. – counting toward a title’s ‘paid circulation’ but available for free to the end user
<b>Branded content</b>	Effectively ‘advertorial’ – content that is produced by an advertising brand or agency rather than by the media owner to promote the relevant good or service
<b>Click bait</b>	Content with a compelling headline or title to encourage casual users to click through to the full content, thus generating advertising opportunities
<b>comScore</b>	An independent, commercially owned audience metrics company specialising in the tracking of online consumption
<b>Classified advertising</b>	Sometimes called the ‘small ads’, advertising associated with listings in areas such as recruitment/employment, property, travel
<b>CPT</b>	Cost per thousand – a standard for price for advertisers per 1000 ‘impressions’ or other measurement of aggregated audience
<b>DAB</b>	Digital Audio Broadcasting – the frequencies used by the BBC and commercial radio stations for digital broadcast (including both simulcasts of analogue stations and digital-only services)
<b>DCMS</b>	Department for Digital, Culture, Media and Sport
<b>Digital marketing</b>	Generic name for marketing via online means – e.g., social media, search, websites and Apps
<b>Digital native</b>	A company – i.e., including a ‘newsbrand’ – that distributes services solely via digital means (e.g., <i>BuzzFeed</i> )
<b>Display advertising</b>	Advertising using logos, video, text and other graphics to convey a brand message – e.g., as a ‘banner’ or ‘pop-up’
<b>e-edition</b>	A direct replicant of a print edition of a newspaper (or magazine) available online
<b>Freemium</b>	A business model denoting the availability for free (up to a specified level) of content normally behind a paywall (e.g., a certain number of articles a month before requiring payment)
<b>Freesheet</b>	A newspaper with no cover price, funded wholly through advertising
<b>IRN</b>	Independent Radio News – a news aggregator providing services to commercial radio operators in the UK, supplied by Sky News (part of Sky Plc)
<b>Listicle</b>	Jargon for an article, normally online, consistent of a list – e.g., 10 best restaurants or 10 best weekend breaks
<b>LNS</b>	Labour Force Survey – a survey of the employment circumstances of the UK population, undertaken by the ‘ONS’
<b>Local Journalism Partnership</b>	A programme funded by the BBC under which up to 200 journalists work for traditional ‘newsbrands’ to ensure coverage of local government and courts
<b>Mid-market</b>	General name applied to titles that are smaller in format than a ‘broadsheet but perceived to be less populist than a ‘tabloid’ – e.g., <i>The Express</i> , <i>The Daily Mail</i>

<b>Newsbrand</b>	A newspaper, magazine or digital native brand, typically (at least formerly) with a print product and an online variant
<b>Newsworks</b>	A marketing organisation tasked with making the case for the effectiveness of newspapers and ‘newsbrands’
<b>NMA</b>	News Media Association – a trade body representing national, local and regional newspaper publishers
<b>NLA</b>	Newspaper Licensing Agency – licensing the copying and access of content on behalf of copyright holders, the newspaper publishers
<b>NRS</b>	National Readership Survey – the current (soon to be replaced) regular survey of readers of newspapers (local, regional and national), used to inform the purchase of advertising; see ‘PAMCo’
<b>NRS PADD</b>	National Readership Survey Print and Digital Data – a fusion of print (NRS) data and online data from comScore
<b>Ofcom CMR</b>	Office of Communications, Communications Market Review – a regular publication providing a range of industry data and analysis
<b>ONS</b>	Office for National Statistics, a government agency providing data on a range of consumer, household, and employment activity
<b>Paid circulation</b>	The number of copies of a newspaper sold at retail level (including any ‘bulk’ sales)
<b>PAMCo</b>	Publishers Audience Measurement Company, responsible for a new multi-platform user measurement survey to replace the ‘NRS’
<b>Page impressions</b>	The number of times a web page (or elements of a web page) is viewed by a user
<b>Page views</b>	Used interchangeably with ‘impressions’
<b>Pagination</b>	The number of pages of a newspaper title, subject to shortening or extending depending on advertising demand
<b>PC</b>	Personal computer – any computer used in the home; more recently extended to include laptops
<b>Paywall</b>	The erection of a block to content online that is penetrable only upon payment
<b>Periodicity</b>	The frequency with which a title is published – e.g., daily, Sunday, weekly
<b>Popular</b>	Another name for tabloid newspapers, aimed at a wide circulation
<b>Pop-up ad</b>	A digital ad that appears over copy or video that can be moved or dismissed
<b>Programmatic</b>	Method of standardising the sale of ad inventory via automatic matching of audiences (using digital data) and advertisers (according to reach, frequency and coverage aims)
<b>Quality</b>	Another name for ‘broadsheet’ national titles, or applied to higher-quality local, regional titles
<b>RAJAR</b>	Radio Joint Audience Research – a joint industry body collecting detailed, demographically categorisable data on radio audiences – reach and listening – across the BBC and commercial stations
<b>SEO</b>	Search engine optimisation – a means of paying fees and/or adjusting content, labelling and markers to ensure better outcomes from searches by consumers
<b>Smartphone</b>	Any mobile phone capable of receiving services (including video) over IP via wireless or WiFi networks
<b>Tablet</b>	A device connectable to the internet (either via 3G/4G or WiFi) that constitutes a mid-point between laptops and smartphones
<b>Tabloid</b>	General name applied to titles that are smaller in format than a ‘broadsheet’ (around half the size) and more populist than a ‘mid-market’ title – e.g., <i>The Sun</i> , <i>The Mirror</i>
<b>UKOM</b>	UK Online Measurement, the industry body tasked with measuring online audiences in the UK, using data sourced from comScore
<b>Unique browser</b>	A term for an unduplicated user accessing a web page or content via a mobile App – often expressed monthly
<b>Viewability</b>	A term to denote whether an online message is viewed ensuring that an advert has had an impact
<b>VOD</b>	Video on demand – the delivery of content on a non-scheduled basis to users at a time and via a device of their choosing
<b>WARC</b>	A marketing agency providing detailed data and analysis principally for advertising practitioners
<b>Whitelisting</b>	The treatment of content labelled as acceptable, safe and/or accurate when surfaced online via social media or search

Note: terms in ‘quotation’ marks in a definition have their own entry in the glossary.

## A2. Annex 2: Additional methodological notes

### Interviews with industry stakeholders

Method: unstructured interviews

Target: national and local publishers, newspaper trade and marketing associations, regulators, academics, digital intermediaries, digital news publishers

Duration of interviews: 30-60 minutes

Nature of responses: confidential (key themes will be reported in an anonymised fashion to the client)

### List of questions

- What are the key trends around data and business models in 2017-18? Has your business models / are you witnessing business models shifting away from advertising and towards subscription or membership? Has your thinking about paywalls evolved in recent years / and if so, how? Have you experimented / are you aware of any experimentation with personalisation or curation?
- What are the key trends around costs in relation to newsgathering (as opposed to editorial/columnists)?
- Are you involved in / are you aware of any attempts by members of the industry to share newsgathering resources with other members as a cost-saving exercise?
- Are you involved in / are you aware of any attempts by members of the industry to share back-office resources with other members as a cost-saving exercise?
- Are big / strong legacy brands better equipped than smaller operators to respond to the next stages around personalisation, subscription / payment opportunities and data collection? What is the implication of that?
- Has the BBC / NMA partnership aimed at supporting local journalism worked so far? Are initiatives such as this one useful and effective at tackling the issues facing local and regional newspapers?
- What is the current state of play with regard to formal discussions between digital intermediaries (Facebook, Google, etc...) and publishers in relation to the sharing of data, prominence / providence (fact-checking), access to subscription mechanisms and revenue-sharing?
- What has been the impact on you / the industry of the rapid growth of search engines (especially Google) and social networks (especially Facebook), and what (if any) issues has such a rapid growth generated? Can you think of any regulatory mechanism which might address these issues?
- How can trust be dealt with in an era of digital disintermediation?
- To what extent – if any – has the ‘fake news’ phenomenon translated from the US to the UK – and what were the market dynamics in place to enable it and / or the safeguards in place to prevent / contain the phenomenon?
- What has been your recent experience with cost-cutting, closures and other re-structuring?
- Is it your working hypothesis that print is deemed to decline to such a degree that we will start to witness multiple closures of national titles? What do you think the timeframe for that is?

**Modelling assumptions**

Total number of frontline journalists in the UK

We estimate that the number of employees working full-time as front-line journalists has fallen to around 17,000 today, compared to 19,000 in 2011 and around 23,000 in 2007.

There are no standard figures on the number of journalists, particularly because of issues around definition (e.g., production versus editorial staff, support positions, freelancers, print-online jobs, public relations). The Reuters Institute, using the Labour Force Survey ('LFS') of the Office of National Statistics ('ONS') and other sources (including its own survey) reports that 44% of the UK's 60,000 journalists work for newspapers. Of these, around 17,000 are full time. We have checked this against the staff numbers reported by publicly listed publishers (around 23,300) of which around 60%, on average, are 'frontline' for a figure of around 14,000. If we assume that the listed companies are around 80% of the total market, this gives us a figure of just over 17,000.

	2012	2016
<b>Total jobs</b> <i>Publicly disclosed company data*</i>	25,720	23,306
<b>Proportion of market represented by companies disclosing information publicly**</b>	80%	80%
<b>Total jobs</b> <i>Implied sector wide</i>	32,150	29,132
<b>Total frontline jobs – listed companies</b> <i>Publicly disclosed company data</i>	15,432	13,984
<b>Proportion of jobs deemed 'front line'***</b>	60%	60%
<b>Total frontline jobs</b> <i>Implied sector wide</i>	19,290	17,480

Figure 65 – Newspaper employment and frontline journalists, 2012 versus 2016

Sources: Annual reports<sup>159</sup>; press reports; Mediatique. \*Includes DMGT, News UK, Archant, Financial Times, Johnston Press, Trinity Mirror, ESI, Telegraph Group, Newsquest, Northern & Shell, GMG. \*\*Mediatique estimate, based on ratio of total sector revenues accounted for by companies publicly disclosing data. \*\*\*Mediatique estimate, based on disclosed ratio of editorial versus sales, administration, support

Circulation revenues

There is no standard source for circulation revenues across the local, regional and national press. Publishers have changed cover prices over time, while some have transitioned to 'free' from paid-for models and closed titles, making granular estimates difficult.

In 2011, in a report prepared by Mediatique for Ofcom, we estimated the total circulation revenue for the industry to be £2,7bn<sup>160</sup>, gross of the distributors' share. We have then applied a 28% retailers' share on this figure to calculate the net circulation revenues accruing to newspaper publishers in 2011 (£2bn)<sup>161</sup>.

<sup>159</sup> For companies that are not publicly listed, we have used their annual returns available on Companies House's website (see: <https://www.gov.uk/government/organisations/companies-house>)

<sup>160</sup> See: Mediatique, *A Report for Ofcom (Annex 6 to Ofcom's advice to the Secretary of State for Culture, Olympics, Media and Sport) – The provision of news in the UK*, June 2012 (p. 71) ([https://www.ofcom.org.uk/data/assets/pdf\\_file/0030/54597/annex6.pdf.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0030/54597/annex6.pdf.pdf)).

<sup>161</sup> See: Deloitte (for the NMA), *UK News Media: an engine of original news content and democracy - A study on the economic contribution of the UK news media industry*, December 2016 ([http://www.newsmediauk.org/write/MediaUploads/In%20the%20Spotlight/NMA%20Economic%20Report/Final\\_Report\\_News\\_Media\\_Economic\\_Impact\\_Study.pdf](http://www.newsmediauk.org/write/MediaUploads/In%20the%20Spotlight/NMA%20Economic%20Report/Final_Report_News_Media_Economic_Impact_Study.pdf)).

From AA/WARC data, we know that print newspaper advertising expenditure declined at a CAGR of 10.9%. However, it is highly unlikely that circulation revenues declined at the same rate as print advertising. From interviews, we know that print advertising rates have gone down recently – meaning that the average advertising revenue per print copy has gone down. This is confirmed by the fact that print advertising has declined faster than circulation between 2011 and 2017. Therefore, even if all newspapers held their prices constant, print advertising revenues would have gone down faster than circulation revenues.

Moreover, we have reasons to think that print circulation revenues overperformed with respect to newspaper circulation trends overall:

- From interviews and from press reports, we know that most newspapers have raised their prices between 2012 and 2017. This may have accelerated the rate of decline of circulation – and therefore perversely affected overall circulation revenues; but it has at the very least mitigated the impact of declining circulation on circulation revenues.
- Furthermore, at least amongst national newspapers, the past five years have seen a reduction in bulk circulation. These copies were distributed free of charge to the consumer, and often paid for at reduced rate by distributors (e.g. gyms, hotels, airlines). As a result, bulk circulation ‘weighs’ less on circulation in 2017 than in 2012, meaning that *ceteris paribus* the average circulation revenue per copy distributed by newspapers must be higher in 2017 than in 2012.

Between July 2012 and July 2017, average weekly circulation (national and regional) declined at a CAGR of 7%.<sup>162</sup> As discussed above, it is likely that circulation revenues declined more slowly than that; however, there is no single, formal way of determining the relative speed of decline in circulation revenues compared to newspaper circulation, due to the complexity and variety of factors that may have determined trends in circulation revenues between 2012 and 2017.

Between December 2011 and December 2017, national daily newspaper prices have gone up by 62% on average (excluding *The Daily Star*, which had undertaken a price reduction strategy).<sup>163</sup> While the reality of the factors that affected the rate of decline in print circulation revenues is certainly more complicated, we have taken this number to estimate how much slower print circulation revenues declined compared to newspaper circulation between 2011 (our original estimate) and 2017. In other words, our central estimate assumes that newspaper circulation revenues declined at a CAGR that was 62% lower than the newspaper circulation decline CAGR (respectively, 2.7% and 7%).

The table below shows a sensitivity analysis around our central estimate.

Moderating Factor	-10%	-25%	-33%	-50%	-62%	-66%	-75%	-80%	
<b>CAGR</b>	-7.0%	-6.3%	-5.3%	-4.7%	-3.5%	-2.7%	-2.4%	-1.8%	-1.4%
<b>Circulation Revenues, 2011 (£m)</b>	£1,973	£1,973	£1,973	£1,973	£1,973	£1,973	£1,973	£1,973	£1,973
<b>Circulation Revenues, 2012 (£m)</b>	£1,834	£1,848	£1,869	£1,880	£1,904	£1,920	£1,926	£1,938	£1,945
<b>Circulation Revenues, 2017 (£m)</b>	£1,273	£1,332	£1,425	£1,476	£1,591	£1,677	£1,706	£1,774	£1,812

Figure 66 – Circulation revenues 2011, 2012 and 2017 – Sensitivity analysis

Source: Mediatique estimates

<sup>162</sup> Source: ABC.

<sup>163</sup> Sources: Press reports; Mediatique

Editorial investment

While there are no standard data sources on editorial investment, it is possible to build a reasonably robust picture by aggregating information and using data point proxies from the public accounts of listed companies, calculations from Ofcom based on PSB returns, information provided by the BBC and industry interviews.

For our work for Ofcom (as part of the Leveson Inquiry)<sup>164</sup>, we defined editorial costs as being all those associated with the production and direct distribution of news – e.g., budgets for the BBC included national, regional and local news but excluded administrative and clerical costs and any broadcast infrastructure costs not directly associated with news production and dissemination.

In 2011, using this definition and based on industry interviews, we estimated that broadcasters spent around £600m on core domestic news services (across the BBC and commercial players, in both radio and TV) and around £580m in 2013. For 2017, we estimate this to have risen, chiefly in line with increases at the BBC, to around £660m.<sup>165</sup>

We estimate online expenditure, including a proportion spent by newsbrands on their digital variants, BBC Online and direct costs of digital natives (on their UK propositions) to be £250m (compared with £110m in 2011 and £210m in 2013).

In the same period, editorial investment by newspapers fell from £1.35bn in 2011 to £1.1bn in 2013 to around £925m in 2017 – declining roughly at a CAGR of 6% between 2011 and 2017 - in line with the rate of decline in core revenues between 2012 and 2017 (advertising and circulation<sup>166</sup>).

The share of total expenditure on news in the UK represented by newspapers has fallen from around two-thirds of the total market in 2011 to 57% in 2013 to just 50% in 2017 - but is still higher than the other sources combined.

The share of ‘core’ revenues (subscription and advertising) represented by editorial investment has risen as revenues declined – from 25% in 2013 to around 28% in 2017.

Profit margins

The table below shows the profit margins of selected publishers between 2007 and 2016. In 2017, these publishers accounted for more than 92% of the total newspaper market by circulation<sup>167</sup>.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Archant</b>	11%	9%	7%	7%	4%	1%	7%	7%	8%	7%
<b>DMG Media</b>	6%	8%	-7%	8%	3%	-2%	7%	3%	11%	9%
<b>ESI</b>	N.A.	N.A.	-80%	-42%	-13%	2%	4%	2%	6%	4%
<b>FT</b>	-15%	3%	-12%	-6%	-5%	-13%	-15%	-3%	-7%	2%
<b>GMG</b>	19%	-10%	-19%	-46%	-20%	-48%	-24%	-21%	-20%	-43%
<b>Johnston</b>	28%	21%	8%	17%	15%	17%	19%	13%	15%	10%
<b>News UK</b>	9%	8%	3%	8%	10%	-1%	4%	0%	3%	N.A.

<sup>164</sup> See: Mediatique, *A Report for Ofcom (Annex 6 to Ofcom’s advice to the Secretary of State for Culture, Olympics, Media and Sport) – The provision of news in the UK*, June 2012 (p. 71) ([https://www.ofcom.org.uk/data/assets/pdf\\_file/0030/54597/annex6.pdf.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0030/54597/annex6.pdf.pdf)).

<sup>165</sup> This figure includes spend on regional TV news by the BBC and ITV / STV, and radio news expenditure by the BBC and commercial radio. It excludes BBC World Service and BBC Online.

<sup>166</sup> Excluding digital subscription / membership revenues.

<sup>167</sup> Source: ABC; Mediatique.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Newsquest</b>	25%	21%	20%	22%	19%	20%	19%	20%	N.A.	N.A.
<b>Northern &amp; Shell</b>	11%	9%	1%	6%	-3%	-1%	6%	-7%	-11%	-10%
<b>TMG</b>	3%	-5%	14%	19%	17%	18%	18%	15%	15%	10%
<b>Trinity Mirror</b>	20%	17%	14%	16%	14%	14%	13%	11%	13%	13%
<b>Average</b>	<b>12%</b>	<b>8%</b>	<b>-5%</b>	<b>1%</b>	<b>4%</b>	<b>1%</b>	<b>5%</b>	<b>4%</b>	<b>3%</b>	<b>0%</b>
<b>Truncated average*</b>	<b>13%</b>	<b>9%</b>	<b>1%</b>	<b>4%</b>	<b>5%</b>	<b>4%</b>	<b>7%</b>	<b>4%</b>	<b>5%</b>	<b>4%</b>
<b>'Pure Regional' Average**</b>	<b>21%</b>	<b>17%</b>	<b>12%</b>	<b>15%</b>	<b>13%</b>	<b>13%</b>	<b>15%</b>	<b>13%</b>	<b>12%</b>	<b>8%</b>
<b>'Pure National' Average***</b>	<b>4%</b>	<b>-1%</b>	<b>-3%</b>	<b>-7%</b>	<b>1%</b>	<b>-11%</b>	<b>-4%</b>	<b>-2%</b>	<b>-2%</b>	<b>-11%</b>

Figure 67 – Average operating profit margin (before exceptional items where reported) for selected publishers, 2007 - 2016<sup>168</sup>

Sources: Annual reports; press reports; Mediatique<sup>169</sup>

\*Indicates a mean calculated by removing the highest and lowest values for each year; \*\*'Pure Regional' includes: Archant, Johnston Press and Newsquest; \*\*\*'Pure National' includes: Financial Times, Guardian Media Group, News UK, and Telegraph Media Group.

<sup>168</sup> Profit margins per company were calculated as the percentage of reported total operating profit from reported total revenues.

<sup>169</sup> Where unavailable on company websites, annual reports have been sourced from Companies House.

### A3. Annex 3: Initiatives by digital intermediaries

#### Google – Digital News Initiative

Google's Digital News Initiative ('DNI')<sup>170</sup> is a partnership between Google and news publishers in Europe to support high-quality journalism through technology and innovation. The DNI is focused on three key pillars:

- **Product Development:** Google and news publishers have established a 'product working group' to enable a close, ongoing dialogue exploring product developments to increase revenue, traffic, and audience engagement; no clear metrics tracking the progress of this strand are provided, as it mostly involves stakeholder engagement and a platform for publishers to feed back to Google on its products (in particular, Accelerated Mobile Pages; YouTube Player for Publishers; and Project Shield).
- **Training & Research:** Google is investing in new training and development resources for journalists and newsrooms across Europe, and funding research into the changing media landscape. Here the main output is the Reuters Institute's Digital News Report, funded by (among others) Google; as well as the training offered by Google through Google News Lab.
- **Supporting Innovation:** Google is supporting and stimulating innovation in digital news journalism by creating an innovation fund; the output of this is the funding of a number of projects aimed at "news organisations of all sizes the space to try some new things, experiment and innovate in the digital space". More on this pillar is provided below.

The DNI launched in 2015 with 11 founding partners (including, for the UK, *The Guardian* and *The Financial Times*). Since then, Google has funded over 500 projects across Europe for a total of €110m out of the €150m committed over three years for the DNI Innovation Fund. It has so far conducted 4 rounds of funding, and a fifth is currently open for applications.

In the UK, the DNI Innovation Fund has supported 57 projects since its first round of funding. Regional and national newspaper publishers accounted for 21% of these projects; adding broadcasters, news agencies and magazine publishers the proportion goes up to 38%. Furthermore, regional and national publishers made up 1/3 of all 'large' projects (€300k and upwards) funded by the DNI (4 out of 12). In total, Google has funded projects in the UK for more than €10m since its inception. Among specific projects is a three-year grant (totalling £662k) to the Bureau of Investigative Journalism to promote original work with large datasets, specifically to inform stories at local and regional level.

In March 2018, Google announced that the DNI will evolve into a new project called the Google News Initiative ('GNI')<sup>171</sup>, focused on three objectives:

- Elevating and strengthening quality journalism;
- Evolving business models to drive sustainable growth; and
- Empowering news organisations through technological innovation.

The GNI is intended be global in scope, as opposed to just European. Alongside it, Google announced:

- A new product, 'subscribe with Google', aimed at facilitating subscription and sign-in to online news outlets via users' Google accounts and payment methods<sup>172</sup>;
- An expansion of its Product Working Group to include more partners and cover more topics;
- A \$10m grant to improve digital media literacy; and

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<sup>170</sup> See: <https://newsinitiative.withgoogle.com/dnifund/>.

<sup>171</sup> See: <https://newsinitiative.withgoogle.com/>.

<sup>172</sup> Launch partners in the UK are *The Daily Telegraph* and *The Financial Times*

- A \$300m commitment over the next three and a half years to continue to fund its partnerships, relevant product development and programmes.

### Facebook – The Facebook Journalism Project

The Facebook Journalism Project<sup>173</sup> was launched in January 2017 with the aim of establishing stronger ties between Facebook and the news industry. It focuses on three areas of work:

- **Collaborative development of news products:** this area focuses on “figuring out which new storytelling formats will help people be more informed”. Facebook, in tandem with publishers, will work to improve the tools it has made available to publishers – such as Instant Articles<sup>174</sup> and Live Videos – and develop new ones to enable emerging business models, with particular attention devoted to local news.
- **Training and tools for journalists:** this area focuses on providing further tools specifically developed with journalists and journalism in mind, as well as providing direct training to reporters and assisting publishers in their newsgathering process on Facebook by collaborating with other organisations to “provide practical and ethical guidelines in how to find, verify and publish content sourced from the social web”.
- **Training and tools for everyone:** this area focuses on promoting news literacy to help Facebook members make decisions about news sources they trust, and curbing news hoaxes.

Facebook uses its blog<sup>175</sup> to make all its announcements with regard to its new collaborations, new tools or changes to the way in which publishers’ content is distributed on its platform. Among the most recent ones, in October Facebook announced that it would test a subscription support feature<sup>176</sup> in Instant Articles, by supporting two types of paywalls – metered and freemium – and leaving 100% of the subscription revenues to the publishers. This was in response to a direct request from many publishers, who have identified subscriptions as a top priority in their working relationship with Facebook. UK partners for this test were *The Daily Telegraph* and *The Economist*.

### Apple – Apple News

*News* (or *Apple News*, as it’s commonly referred to) is a ‘native’ iOS app, meaning that it is among the ‘default’ apps that are automatically provided on Apple mobile devices (iPhones and iPads) since the release of iOS 9. Developed by Apple itself, it is a news aggregator where users can read news articles within the ‘ecosystem’ generated by the app (i.e. clicking an article to read it will not launch an internet browser, but rather the article will be shown in the layout provided by the app, with limited scope for customisation by the publishers). It is mostly centred around text, although it is also possible to watch videos.

Customisation is the key feature of the app; users can follow channels (i.e. publishers), topics (e.g., celebrities, food), and even individual stories. Based on the user’s selection and on user data sourced from this and other Apple apps (e.g., Safari), Apple News’s ‘homepage’ (referred to as *For You*) shows a number of stories from a range of

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<sup>173</sup> See: <https://media.fb.com/2017/01/11/facebook-journalism-project/>.

<sup>174</sup> Instant Articles is a Facebook product launched in May 2015 aimed at reducing page load time – which, particularly on mobile, can result in readers giving up accessing the content they wanted to access – and improving the user experience of Facebook on mobile. At the launch, UK partners were *The Guardian* and *BBC News* (see: <https://media.fb.com/2015/05/12/instantarticles/>). Publishers are allowed to sell advertising on Instant Articles and retain 100% of the revenues; all unsold inventory is sold by Facebook, which then retains a 30% share of the revenues. Due to poor performance in terms of monetisation and to the limited user data that publishers have been able to collect, The Columbia Journalism Review reports that half of the initial Instant Articles partners have stopped using it (see: [https://www.cjr.org/tow\\_center/are-facebook-instant-articles-worth-it.php](https://www.cjr.org/tow_center/are-facebook-instant-articles-worth-it.php)).

<sup>175</sup> See: <https://media.fb.com/blog/>

<sup>176</sup> See: <https://media.fb.com/2017/10/19/testing-subscriptions-support-in-instant-articles/>

publishers – including publishers that the user has not necessarily subscribed to – tailored on the user’s inferred or ‘declared’ interests. Users can also ‘unlike’ channels, which would result in stories by these publishers never to feature in the feed or suggestions of the user in question.

The section of the app called *Spotlight* presents content curated by Apple itself. The content shown in this section is not based on customer data, but rather it is sourced from publishers with which Apple has a partnership.

The *Following* section allows users to follow or unfollow channels/topics and decide whether to activate notifications for any of these (where the publisher allows it). This section also allows the user to browse all the content available in a ‘channel’ or under a topic. The curation in any given channel is done by the relevant publisher.

Users can save articles for later consumption, including offline (although videos cannot be seen offline); articles saved on a device are accessible from any other iOS device associated with the same Apple ID.

The design and formatting of the articles provided on Apple News is optimised for the app and device. Articles also load ‘instantly’, in line with the trend by the largest Internet companies to reduce mobile load times to improve overall mobile user experience (more on this is provided below). At the bottom of each article, the app suggests more articles from the relevant publisher as well as related stories from other publishers.

### Business models

Similarly to Facebook’s Instant Articles, Apple lets publishers sell their own inventory and keep 100% of the revenues, while unsold inventory is sold by Apple for a 30% cut.<sup>177</sup>

Apple News also allows publishers to offer paid subscriptions via the app itself; furthermore, users who already subscribe to a publication can access content behind the paywall also on Apple News. Subscriptions sold through Apple News are subject to Apple’s terms, which include a 30% share of the subscription price in the first year, and 15% in subsequent years. In 2016, the Telegraph Media Group was named ad sales partner for Apple News,<sup>178</sup>

Publishers’ approach to Apple News ranges from the ‘enthusiastic’ *Washington Post*, which entered into early partnerships with Apple<sup>179</sup> offering subscriptions via the app, and even producing some exclusive content for the app,<sup>180</sup> to much ‘colder’ publishers such as the *Financial Times*, which does not even feature on the platform,<sup>181</sup> In the middle, there are some wildly different approaches, evidence of the fact that Apple News, for all its intent to become a major aggregator for news, is still seen as a secondary distribution route by publishers; a quick overview of the UK newsbrands’ channels provide a few interesting examples, as shown in Figure 68 below. Indeed, similarly to the case of Facebook’s Instant Articles, publishers see scarce monetisation opportunities.

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<sup>177</sup> Google’s approach to faster web experiences – Accelerated Mobile Pages (‘AMP’) – is an open source protocol, and thus it is independent of proprietary ecosystems such as Facebook’s and Apple’s. As such, it does not limit the monetisation possibilities – although Google likely to be the largest to benefit from such an approach given its dominance over the online advertising market.

<sup>178</sup> Campaignlive.co.uk, *Telegraph named UK ad sales partner for Apple News*, 7 November 2016 (see: <https://www.campaignlive.co.uk/article/telegraph-named-uk-ad-sales-partner-apple-news/1414727>).

<sup>179</sup> Macworld.com, *‘Hey Siri, give me the news’ leaves beta, works with NPR, Fox, CNN, and Washington Post*, 18 January 2018 (see: <https://www.macworld.com/article/3249253/ios/hey-siri-give-me-the-news-leaves-beta-works-with-npr-fox-cnn-and-washington-post.html>).

<sup>180</sup> Poynter.org, *By making content just for Apple News, The Washington Post is hoping to offer a doorway to its wider coverage*, 10 May 2016 (see: <https://www.poynter.org/news/making-content-just-apple-news-washington-post-hoping-offer-doorway-its-wider-coverage/>).

<sup>181</sup> The FT withdrew its iOS apps in 2011 as it refused – and still does, even though its apps are back in the App Store – to give Apple a cut of its subscription revenues (see: <http://www.niemanlab.org/2017/08/six-years-later-the-financial-times-is-back-in-the-app-store-apple-still-wont-get-a-cut-of-subscriptions/>).

Channel	Available on Apple News	Carries Advertising	Offers Subscription via Apple News	Freemium	Full Articles	Offers Notifications
<b>Quality Newspapers</b>						
<i>The Telegraph</i>	✓	✓	✓	✓	✓	✓
<i>Financial Times</i>	✗	✗	✗	✗	✗	✗
<i>The Guardian</i>	✓	✗	✗	✗	✗	✗
<i>i</i>	✗	✗	✗	✗	✗	✗
<i>Independent Times</i>	✓	✓	✗	✗	✓	✓
<i>Times</i>	✗	✗	✗	✗	✗	✗
<b>Mid Market Newspapers</b>						
<i>Express</i>	✓	✗	✗	✗	✗	✗
<i>Daily Mail</i>	✗	✗	✗	✗	✗	✗
<b>Popular Newspapers</b>						
<i>Mirror</i>	✓	✗	✗	✗	✗	✗
<i>Daily Record</i>	✓	✗	✗	✗	✗	✗
<i>Daily Star</i>	✓	✗	✗	✗	✗	✗
<i>The Sun</i>	✓	✓	✗	✗	✓	✓
<b>Freesheets</b>						
<i>Metro</i>	✓	✗ (it seems to carry some advertorials)	✗	✗	✓	✗
<i>Evening Standard</i>	✓	✓	✗	✗	✓	✓
<i>City AM</i>	✓	✗	✗	✗	✗	✗
<b>Online News</b>						
<i>HuffPost</i>	✓	✓	✗	✗	✓	✓
<i>Vice</i>	✓	✗	✗	✗	✓	✗
<i>BuzzFeed UK</i>	✓	?	✗	✗	✓	✓
<i>BBC News</i>	✓	✗	✗	✗	✓	✓
<i>4News</i>	✓	✗	✗	✗	✓ (News clips)	✗
<b>Magazines</b>						
<i>The Economist</i>	✓	✗ (only ads available are for a subscription to The Economist)	✓	✓	✓	✓
<i>Radio Times</i>	✓	✓ (on main page, not around the articles – or so it would seem)	✗	✗	✓	✓
<i>BBC Wildlife Magazine</i>	✓	✓	✓	✓	✓	✓
<i>Vanity Fair</i>	✓	✓	✗	✗	✓	✓
<i>The Spectator</i>	✗	✗	✗	✗	✗	✗
<i>New Statesman</i>	✓	✓	✗ (not through the app at least, it would seem)	✗	✓	✗

Channel	Available on Apple News	Carries Advertising	Offers Subscription via Apple News	Freemium	Full Articles	Offers Notifications
<b>Local / Regional Newspapers</b>						
Manchester Evening News	✓	✗	✗	✗	✗	✗
Liverpool Echo	✓	✗	✗	✗	✗	✗
GazetteLive	✓	✗	✗	✗	✗	✗
WalesOnline	✓	✗	✗	✗	✗	✗
Birmingham Mail	✓	✗	✗	✗	✗	✗
Chronicle Live	✓	✗	✗	✗	✗	✗

Figure 68 – Availability of selected online newsbrands on Apple News, February 2018  
Source: Mediatique

What publishers get from Apple News

Apple News offers publishers four things that they have struggled to obtain in the online ecosystem so far:

- **Reaching new audiences:** with its notifications and curation features, Apple News can help deliver beyond the ‘digital converted’ – i.e. those who have a legacy relationship with traditional brands – and it can help publishers reach a generation of digital natives.
- **Prominence and curation:** through ‘follows’, notifications and curation / aggregation provided by the app, publishers hope to be able to reach the audiences that want to read them, which they might lose in the over-crowded online news market.
- **Direct relationship with the reader (through subscription):** there are advantages in allowing subscribe via Apple News: ease of payment; marketing (e.g., finding new subscribers); cross promotion of ancillary services (e.g., personal finance, sports betting, etc.).

Apple News is still a relatively nascent product; furthermore, it is far from being the only mobile news aggregator – although the fact that it is a ‘native app’ on iPhones and iPads certainly make it one of the most attractive ones for publishers to work with. Although data on use is not publicly available, some publishers – those who are most engaged with the app – report significant increases in the volume of the traffic they’ve experienced through Apple News.<sup>182</sup>

By virtue of its design, Apple News is likely to be capable to provide a more optimised environment for news consumption than social or search – although the lack of a coherent approach to it by publishers seems to suggest that such ecosystem would come at a prohibitive cost for the newsbrands to sustain.

<sup>182</sup> Niemanlab.org, *After a slow start, Apple News is emerging as a significant traffic driver for some news orgs*, 7 November 2016 (see: <http://www.niemanlab.org/2016/11/after-a-slow-start-apple-news-is-emerging-as-a-significant-traffic-driver-for-some-news-orgs/?relatedstory>).