

## Journalism in the Digital Crossfire: Who Will Pay for the News?

Published : February 19, 2013 in [Knowledge@Australian School of Business](http://Knowledge@Australian School of Business)

With declining revenues and competition from online resources and social media, traditional newspapers and even digital news sites are in transition, according to new research from the Australian School of Business. The forms that news sources will take in the future is as yet unknown, but the ability to track user trends online will certainly shape their evolution and the survival of conventional newspapers is not assured. Local papers and specialist sites are expected to survive, but how will the civic role of news reporting be funded?



With mass redundancies, sharp profit drops and write-downs in the value of mastheads and media assets, 2012 will be remembered as a watershed year in Australian newspapers, providing a compelling demonstration of how the internet has dismantled a centuries-old publishing and business model. The effect of the internet is undeniable but the ultimate outcome is still far from certain.

The digital newspaper is a medium in transition, according to research from the School of Information Systems, Technology and Management at the Australian School of Business. In their research paper, *Understanding the Digital Newspaper Genre: Medium vs Message*, postgraduate student Anastasia Utesheva, professor Dubravka Cecez-Kecmanovic and lecturer Daniel Schlagwein argue that the digital medium, through the internet or apps, is giving readers more of a voice and hence more influence on news content. The paper is based on research and interviews carried out at an unnamed Australian media company by Utesheva during several months in 2011.

The printed newspaper in its present form has been largely unchanged for a century and was the original model for online newspapers. What Utesheva calls "the digital broadsheet" was essentially a case of lifting the printed newspaper and putting it online. It was a static product much like original newspapers.

But digital news has moved on since then and now makes better use of the technical capabilities of the internet, such as a facility for users to comment and blog on stories and to explore sites in a non-linear way. Editors can measure users' responses to individual items through clicks and comments.

Newspapers and digital broadsheets used to push content on to their readers. "[With that model] you create content and you push it out and you don't know what consumers do with it. Consumers had no direct input into the content," says Utesheva. Users are now increasingly "co-creating" news sites through their input.

"With the introduction of the internet and all of its capabilities - multimedia, videos, you can leave comments, you can speak to journalists and blog on forums - the audience actually has an active role in producing the newspaper online," says Utesheva. "They look through articles, they click on them, and we can track all of that so we see how people are consuming the news. And not only that, [users] can leave comments and the comments can sometimes drive the way the website looks, what type of content is published and what type of content [is pursued]."

The paper's authors argue that this is part of the medium's transition to an as yet undefined form. "The genre is further evolving towards a digital news genre that has little resemblance to the notion of a newspaper," they write.

The internet has extraordinary potential for the presentation of news. Along with the written word it can carry sound, video, interactive information graphics and photo galleries, and users can interact with digital news and customise it to meet their needs and preferences in ways that are impossible in print. But news sites still need to carry news, and journalists are still needed to produce that news. This is the dilemma for

news organisations. Who is going to pay for the journalism?

## Funding New Models

"You need to sort the business issue out, because you can talk until you're blue in the face about the content model but if it's not fundable then why keep talking about it?" asks Eric Beecher, a former editor of *The Sydney Morning Herald* and chairman of Private Media, publisher of the Crikey news website.

"So if it's funded by government through public broadcasting then that's fine because that's a business model, but if you're talking about the commercial sector then it has to be a commercial business model," Beecher says.

Journalism on its own rarely makes money. In the past, newspapers subsidised the journalism with advertising revenue, particularly classified advertisements. At Fairfax Media, publisher of titles including *The Sydney Morning Herald* and *The Age*, the classified revenues were known as "the rivers of gold", because anyone wanting to sell a house or a car or hire a worker took out a newspaper advertisement. They underpinned the publisher's handsome profits and paid the journalists' salaries.

But the classified ads have largely migrated to the internet and not much of it has gone to publishers' websites. Search engines and specialist classified sites have picked up the larger share of the revenue, leaving publishers with a hole in their income and a big problem.

Justin Diddams, media and telecoms analyst at Citigroup, says Australian newspapers are being hit hard by the loss of advertising because they got so much of their revenue - about 80% - from that single source. By comparison, in the US circulation income has traditionally made up 60% of newspaper revenue with advertisements comprising only 40%.

Newspaper circulations are also declining. According to analysis by Australian trade union and professional organisation, the Media, Entertainment and Arts Alliance, newspapers sold about 153 per thousand people in 1992, but by 2011 had dropped to about 103.

Weak retail sales and soft consumer confidence during the past couple of years have made advertisers more selective about where they spend their money, compounding the problem and accelerating the structural decline. What little advertising there is on news websites attracts nothing like the premium advertisers pay to appear in a newspaper. Diddams says advertisers in newspapers pay about \$25 per 1000 readers. For websites, which attract far less advertising to start with, the equivalent figure is between \$1 and \$10.

Advertisers are asking themselves why they would use mass-market media such as newspapers and news sites when other avenues offer much better targeted options. For instance, why would a car company put an ad in a newspaper when by using the technology of online advertising it can target - and only pay for - people that have visited car sites and searched for new cars?

All of this leaves traditional media companies struggling and raises questions about how they will turn enough of a profit in the digital era to pay for the journalism that underpins them. Publishers have already started shedding staff. During 2012, Fairfax Media announced a redundancy program to cut 1900 staff - about one in five - over three years. News Ltd, publisher of *The Australian*, also initiated a significant redundancy program.

## Niche Not Civic

It's not impossible to make money from online news. Beecher's Crikey site produces original journalism and generates a modest profit. The site employs about a dozen journalists and editors and produces the specialist content that some readers are prepared to pay for - subscriptions account for about 60% of its revenue.

"We can make a small but reasonable profit on something like Crikey, but that's not going to replace *The Sydney Morning Herald*," Beecher says. "Can the *SMH* create a digital-only model? With 20 or 30 journalists they can, but not with 300 and not with all the overheads and infrastructure they've got."

Like others, Beecher sees the media fragmenting, with small specialist publications that employ a limited number of journalists surviving, but he has doubts about the future of mass-market publications. This has

consequences for the civic role of journalism.

"My concerns for the civic role of journalism as opposed to the commercial role is that there is no business model to fund covering the courts, or investigative journalism, or covering councils, or health journalism, or legal journalism, or social welfare - big chunks of the civic components of journalism in our society," he says.

David McKnight, senior research fellow at the Journalism and Media Research Centre at the University of New South Wales, describes newspapers as the "foundation" of news. "They constituted the ecology in which every other news organisation functioned and now they've been badly weakened," he says.

"In big newsrooms there were hundreds and hundreds of journalists beavering away every day and now there is maybe half that. This poses a real problem of accountability because the broadcast media always used to feed off and rely upon newspapers. The hollowing out of newspapers is the hollowing out of all news and it's not just about journalists' jobs, it's about the needs of society for a large regular supply of reasonable quality and accurate news about public events - not just politics, but all kinds of public events, courts, business, and so forth."

### **The Eyes Have It**

As important as civic journalism is in the functioning of a democracy, the appetite for stories about politics, social welfare, courts and the like is limited. By analysing online clicks and comments, editors can quickly and accurately measure what is attracting readers and what isn't, much more than they were ever able to with newspapers, where they would rely more on gut feel.

Why, then, would a site that is "chasing eyeballs" pursue expensive political or investigative journalism when a wire agency can supply at virtually no cost a gossip item about Kim Kardashian or Jennifer Aniston which will attract more hits.

"That has tended to make editors think that's what the public wants, so it has fed those trends for what you would call lighter journalism," says McKnight.

Indeed, a report titled [Journalism at the Speed of Bytes](#), by McKnight, Penny O'Donnell of the Department of Media and Communications at the University of Sydney, and Jonathan Este of The Walkley Foundation for Excellence in Journalism, canvassed the views of senior newspaper editorial executives about the influence of readers on online news.

Twenty-one of the 39 editorial executives said their editorial priorities had changed as a result of increased interaction with readers, including story choices and angles, the length of time a story runs and the prominence it is given, and the range of voices that get a hearing, according to the report.

There was also a wide discrepancy between what readers said they wanted and what they actually read online. "Several editorial executives indicated their focus group research had reported readers saying they were interested in politics, while, conversely, their online story tracking showed gossip, sex and celebrity stories generating far more traffic," the report states.

With the media becoming more fragmented, news sites and specialist publications - for instance, business sites - will pay their own way, but there are doubts about the sustainability of mass media. Beecher expects civic journalism to be left to the ABC, which as a government-funded media organisation doesn't need a commercial business model to support its journalists.

Diddams agrees that the media is becoming more fragmented with specialist media surviving, but he also sees a place for papers that provide local news, such as *The West Australian*, the *Illawarra Mercury* and the *Newcastle Herald*.

"I think those papers have a chance of continuing to exist in paper form or digital form because they service the local community that values local news," he says. "But is *The Sydney Morning Herald* localised enough for Sydney? Probably not, Sydney's a big place."

The problem facing metropolitan newspapers and news sites is that news has become commoditised. Much of what they provide is available elsewhere online.

"I think the biggest issue for newspapers is the content that's in them rather than the platform they're distributed on. If people felt that newspapers were providing them with something they couldn't get elsewhere, there would be just as many people buying them," says Diddams.

"Newspapers don't own or control the source of their content. A kid with a phone and an Instagram account can be as compelling a journalist as someone employed by a newspaper company. That's a challenging prospect for a platform that's historically had a monopoly over the provision of news and information."

---

This is a single/personal use copy of Knowledge@Australian School of Business. For multiple copies, custom reprints, e-prints, posters or plaques, please contact PARS International: [reprints@parsintl.com](mailto:reprints@parsintl.com) P. (212) 221-9595 x407.