The British Newspaper Industry

The Future of the Regional Press

John Hill

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palgrave
macmillan

In loving memory of John Hill (1935–2015)

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Introduction

This work has one main intention: to survey the present state of the British newspaper industry, particularly the regional sector. It also has two subsidiary aims: to analyse how this situation arose and what might be done to stabilise the future. While primarily intended as supplementary reading for business studies students intending to join the media industry, journalism students and media studies students, it would also be useful for print executives wishing to make the transition to general management.

This book is broadly divided into five parts:

1. Chapters 1–5 chart the background and history of newspapers in Britain.
2. Chapters 6–10 detail the present state of the industry.
3. Chapters 11–13 introduce the concepts of strategic management.
4. Chapters 14–17 set out the aspects of modern newspaper management.
5. Chapters 18–21 introduce rarely used techniques for newspaper management and to assist in forming a possible future.

Throughout I have sought to find and include techniques and practices the use of which has been rare in newspaper management, but which have been effective in other parts of industry or commerce.

What is deliberately lacking is any undue concentration of the journalism content aspects – there are a sufficient number of books and academic papers which set out the case for the importance of the editorial function in newspapers. What is attempted here is an effort to rebalance the relative importance of not only the revenue-producing functions, but also the critical role which will need to be played at a strategic level by the most senior management cadre in the future.

As disciplines, strategy formulation and implementation have not been applied in the overwhelming majority of British regional newspapers because they were not considered to be necessary for the profitable operation of the enterprise, and in practice this was true – that is, until disaster struck, and by then it was already almost too late. Newspapers were simplistically considered to be almost entirely an editorial vehicle; whatever was good in a journalistic sense was bound to be good for the newspaper as a product. The revenue-producing functions were relegated to a less considered position, even though advertising alone produced, on average, 80 per cent of total revenue for regional newspapers.

So successful had newspapers been over a protracted period that they had become what are known as *machine bureaucracies*: very good indeed at what they had always done, but finding change very difficult to manage. This resulted in an inability to forecast, analyse and react in a timely manner to the changes taking place in their environment. This sclerosis was to be a very large factor in the decline of the newspaper industry.

Chapters 1–5

One of the first questions which need to be asked concerning the local press is why it has persisted for so long in a basically unaltered state. It has been argued that the press were the first to make available to the newly literate population the information which enabled community. Readers came to see the newspaper as a protector of their rights, a champion of the social and political freedoms that they increasingly experienced. Of equal importance, the local press reinforced the community spirit which was developing rapidly as economic prosperity extended across the general public.

The local newspaper was and is the voice of readers' concerns and the champion of their standards. It is for these reasons that local newspapers began to be perceived as benign influences by the communities that they served. The local elite, who had for so long sought to shape the opinions of the population, found that their influence was passing to newspapers, over whom they had no control.

The development of the newspaper industry is commented upon in Chapters 4 and 5, and the growth of problems from both inside and outside is listed and their significance noted, both when they occurred and at later dates. Irresponsible behaviour on the part of some sections of the organised labour force created strong reactions

from newspaper managements, some of which have persisted to the present day.

Chapters 6–10

In the second part, which comprises Chapters 6–10, the present state of the local media industry is reviewed and the concepts of both grand and detailed strategy are introduced, while an attempt to categorise the main environmental pressures is also made. The decline of the industry is recorded and the possibilities of future action are outlined.

The growth of alternative media is documented in Chapter 8 and the damage done to both newspapers and the postal service is noted. In Chapter 9, which provides an introduction to anticipation of the future, techniques such as scenario writing and STEEPV are advocated. In the final chapter in this part, Chapter 10, 'Transitioning to a New Order', attention is paid to strategic groupings and mobility barriers.

Chapters 11–13

The third part concentrates on strategies, both generic and operational, referring back to strategic groupings and strategies for a turbulent future. Particular attention is paid to the strategic options likely to be available for both print and digital news sources. The influence of communities on the strategy formulation process is considered, especially for single product organisations.

Chapters 14–17

The fourth part of the book is concerned with the mechanisms of local media and how these may have to change in the future. Special regard is paid to the print functions as these are the most complex of all media. Marketing principles for both the newspaper as a product and for the advertising which it carries are dealt with in Chapters 16 and 17.

Chapters 18–21

The final part introduces concepts which are thought to be important: resource partitioning (Chapter 18) and value activities (Chapter 19). The final two chapters attempt to knit together all that has gone before into a narrative which seeks to explain not only what has happened in the past, but also the circumstances which drove those events.

Strategic management

There have been few books that have dealt with the *strategic manage-ment* of newspapers and, to a limited extent, other local media. As research for this book progressed, it became clear that much if not all of newspaper management thinking was, and is, conditioned by past experiences, so it is vital to recognise the part that these events play in constraining present-day decision-making. Without a full under-standing, there would be a danger that there might a repetition of past mistakes, or that outcomes would be radically different from those that could be anticipated without knowledge of the background. In the words attributed to George Santayana: 'Those who cannot remember the past are condemned to repeat it.'

This book aims to provide a wide-ranging background for actual or prospective media managers. It should be thought of as supplementary reading rather than as a main text. It is designed to provide explanations and general settings, and to give some light and shade to the business of media management.

One of the central problems when attempting to assess the problems facing today's media, particularly the long-established media, is to evaluate the arguments being promoted from every side. Much of the debate is taken up by special pleading on the part of various sections of the media industry, the most vociferous of which have been journal-ists, whose expertise in preparing and presenting their case has often assumed the theme that they are owed a special status and that their importance is such that every step to safeguard their future should be taken by any right-thinking society.

What is overlooked in this and the similar arguments which are advanced is that the media in all its forms is not about those who are employed within it, but rather the audiences at whom its outputs are targeted. It seems that very often it is these audiences who are usually the last to be considered when media organisations set out to determine their strategies.

Hyper-local media

The recently emergent movement to encourage what are known as hyper-local media has concentrated on the ability of the Internet to concentrate on small communities. Unfortunately, the medium of the Internet is no more capable of attracting widespread participation in the creation of considered news stories by the general public than are the larger footprint newspaper or radio concerns. In general these hyper-local start-ups are

under-funded, under-staffed and often under-qualified, lacking both the resources and expertise to promote sufficient growth to make the ventures sustainable in the long term.

It is fashionable to ascribe the decline of the newspaper industry to the superiority of the Internet and to proclaim that within X years, newspapers will have disappeared entirely. The truth is that newspapers have been the authors of their own fate, their management and marketing policies having proved to be seriously inadequate when their environment changed. Sustainability is – and will remain for the short-term future at least – the major problem for the whole of the media. Newspapers are the most extreme example of what will happen when products are heavily subsidised by revenues other than those generated directly by the product. Advertisers were forced to fund the majority of the costs associated with the production of newspapers, and when cheaper advertising alternatives presented themselves, they were welcomed with enthusiasm by advertisers, who had long resented the continuously escalating prices they were asked to pay to access the readership which the newspaper's circulation offered.

This volume sets out to present a coherent description of not only the social and economic environment in which local media (particularly newspapers) must function, but also the mechanisms which operate within newspapers to accomplish the primary task of producing a timely, relevant source of news. The national newspaper sector has been ignored for the very good reason that while the titles in the national newspaper business are larger, the number of titles in the local segment, consisting of regional evenings and weeklies, is several magnitudes bigger and has a local impact that national newspapers cannot hope to equal.

The local media sector of the media business is the one which has most direct relevance to the maintenance of the democratic principles which govern most developed nations, and has most day-to-day contact with the communities of which each nation is constructed. This confers an importance upon the existence of local media which greatly exceeds either its scale or scope. As the main organ of regional communities, local media, especially newspapers, have a critical role to play.

This work concentrates on local media in Britain and while there are similarities with community media in the United States, the differences are so critical as to make valid comparisons problematic. Perhaps the most significant difference is in the field of attitudes to political partisanship. In Britain it is rare for local newspapers to take anything other than an apolitical stance, and it is expressly forbidden by the licence conditions of radio and television stations. In the United States local

newspapers are happy to take political stances in support of candidates of one political party or another when they seek local government posts.

In common with a few other industries, media careers usually begin with entrants being employed because they have training in a specialist skill. As they advance through their organisations and their career paths open up, they find themselves being required to deploy generalist skills for which they have not been trained. This often results in a perspective biased towards the disciplines of their original specialism and can result in defective decision-making. It is hoped that this work might be useful in helping these managers to better understand the complex business world in which they find themselves.

1
The Persistence of a Local Press: A Folk Memory?

One of the continuing puzzles surrounding the media industry concerns the continuing loyalty which large sections of the general public appear to be displaying towards newspapers, particularly their local newspapers. Despite the fact that the Internet has now been in existence for 25 years and could have been expected to have demolished in large part what had become an arthritic sector, the British local newspaper industry, at least in the UK, while wounded, is still alive.

In the majority of countries in the developed world, the longer a medium has been established, the greater the influence it can command. As newspapers have been around for much longer than any of the newer media, they have the most to tell us regarding the status, history, organisation and longevity of newspapers in Britain, particularly the local press. In the face of the widespread arrival of electronic media (principally but not only the Internet), the traditional news media have survived, depleted but largely intact. Many of their readers have displayed a degree of loyalty which has come as a surprise to many commentators.

Why has this benign influence persisted?

The question which must be asked is as follows: is it possible that the actions of newspaper publishers reporting political and social events in the eighteenth and nineteenth centuries would have had such a profound effect upon the general public in the first few years of the twenty-first century? At the beginning of the eighteenth century, the nation was dominated by a combination of the aristocracy and the landed gentry, which controlled Parliament through the control of a very limited and corrupt franchise, directed economic power through the ownership of

land in what was a principally rural economy, and provided leadership of both the armed forces and the Anglican Church. This concentration of power ensured that the running of the country remained in the hands of a very small number of people.

It was in this socially stifling environment that the Industrial Revolution began to distribute wealth to, amongst others, the men who were destined to become newspaper publishers. In the beginning, newspapers were subject to efforts to control them through restrictive laws, patronage and rising press taxes; however, these were doomed to fail as Britain became a leading trading nation and the first to industrialise. The increased wealth accumulating to what was now a middle class empowered them, and this was recognised by the 1832 Reform Act, which extended the franchise to the male middle class, but still excluded women and the working class. The existence of this folk memory, which characterised the arrival of local newspapers as a driving force in the eventual enfranchisement of Britain's working classes, is not beyond the realms of possibility. As the victims of injustice, the British middle and lower classes are bound to have had a deep sense of grievance, giving a long existence to the folk memory.

The *middling sort* emerge

During what James Curran[1] has described as the 'long eighteenth century' starting in 1688, marked by the arrival of William of Orange and ending in 1832 when the first Reform Act was passed, the dominance of the aristocracy and the landed gentry began to disappear from the British social and political scenes, to be replaced by the merchants and industrialists who were taking maximum advantage of the opportunities afforded by the industrialisation of Britain. They were what Sir Roy Strong[2] referred to as the *middling sort*, having more standing than the peasantry, but significantly less than members of the Establishment. The critical element was that they had accumulated sufficient resources to invest in the new manufacturing and service industries. It was to be from this emergent middle class that many newspaper founders came.

It was during this time that at least half of the remaining population had no political rights whatsoever; they were generally regarded by the Establishment as the illiterate hoi polloi and were not considered fit to have the vote. However, change was to come from three directions. The first was from the Napoleonic Wars, when the small British army of fewer than 50,000 professional soldiers swelled to almost 300,000, making it the largest organisation of British men ever assembled in a

national cause. The discharge of these men from the army when their military service was no longer needed provided a latent threat to the established order, and this was recognised by politicians. The second was the series of Education Acts, which began to permit the education of the masses as much to provide literate manpower for the growing industries, as in the government's most pressing interests to help prevent the uprising of the masses. The third was the passing of the Great Reform Act in 1832, which Lord Grey, the Prime Minister, spoke of as being designed to 'prevent the necessity for revolution … reforming to preserve and not to overthrow'. The outcome of the Great Reform Bill was not to institute universal suffrage, but rather to cement the middle classes within the political scene.

Newspaper launches surge

For the general population, it was now clear that change was possible. They could see that the stranglehold of the elite on the politics of the nation had effectively reduced and that universal franchise would be possible in time. Increased literacy had made it possible for everyone who had access to a newspaper to know what was happening in the corridors of power. As an indication of the surge in demand for news, Figure 1.1 below shows the percentage of newspaper titles launched in the country, especially following the wars against Napoleon. While the vast majority of the population were disenfranchised, they could exercise influence either through the middle classes, who had seats in
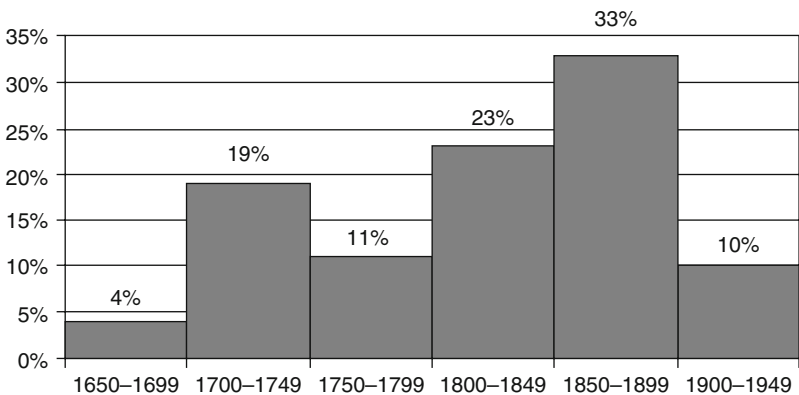
Figure 1.1 Percentage distribution of newspaper launches (1650–1949)

Parliament, or through the various *Corresponding Societies*, which were calling for universal suffrage.

It was from this time that local newspapers began to occupy a special place in the sentiment of the population. It was through newspaper columns that readers could see what was happening in the political world that they could not yet influence, let alone control. They were, for the first time, being informed, and in a context which differed from that of the national newspapers, in the sense that the latter were suspected of being in the pocket of the old elite, which in many cases they were.

Local newspapers were the net beneficiaries of the feelgood factor which surrounded the progress of democracy in the nation. This resulted in a deep-seated trust of local newspapers developing in local communities, a level of confidence which may have continued to exist up to the present day. In many ways this was gratitude on the part of the general population for the part the local press was playing in the establishment of a sense of entitlement in the working class. Without this loyalty, the local newspaper industry would have largely disappeared as other news media appeared on the scene.

Freed from the restrictions imposed by the landed elite classes and becoming wealthier as the economic effects of the Industrial Revolution spread downwards, a sense of community began to grow, reinforced by the local newspapers operating as a vehicle for the broadcast of the minutiae of local life. The sense of belonging that this fostered added to the perception of self-worth which the increasing demand for wider suffrage was engendering.

Irrespective of the accuracy or otherwise of the folk memory theory, there is no doubt that there is a strong attachment between communities and their local newspaper. It is their voice and their notice board, and it constantly reinforces their identity, something which other forms of media fail to do as effectively.

2
Communities and Their Media

A member of the general public reading, listening to or viewing an avalanche of seemingly expert opinion could be forgiven for believing that the newspaper industry is on the brink of total collapse and that the rest of the media, with the exception of the Internet, is likely to follow. The evidence would seem to suggest that, while the readership of newspapers has clearly fallen, this smaller audience is likely to display a much higher degree of allegiance to their local newspaper, presumably because, for them, the newspaper is a journal of record of the community, not only archiving the events, threats and opportunities that have occurred, but also providing a voice for discussion and dissent.

In this regard, the local media could be taken to be a significant force for community cohesion by cataloguing the myriad activities taking place within the community. Even within small communities there is a richness of activity that provides a source of news which is of interest within that society, but of little relevance elsewhere. A major motivator for the creation of communities is the individual's need to belong not only to the community as a whole, but to any local organisation that has an appeal.

Baumann and May in *Thinking Sociologically* state:

> The backbone of any community [is] the web of communication between its members in a network informed by territory. As such, the distance at which such daily 'communicative interaction' could stretch drew the boundaries of community.[1]

In order for the community and its constituent parts to function efficiently, communication is vital, and this is where the local media have such a critical role to play. While individual organisations, such as churches and clubs, have direct contact with their members, no such facility exists for

the community as an entity or for the lower levels of local government. An application for planning permission affects not only the person seeking approval but also a substantial number of neighbours. The extension of licensing hours for a pub may mean the creation of a nuisance through rowdy behaviour late at night. The media bring this level of information to the community, and by doing so strengthen democracy by empowering dissent where needed and support where required.

Viable communities

When communities are large (for example, provincial cities), the viable community units are normally a district of the city based around a neighbourhood shopping centre (the reason for this effect is detailed in Chapter 4). The resulting suburban newspapers carry out the same function as the other local newspapers, but, because of the centralisation of administrative decision-making outside the community, may not have easy access to news relating to local government, where decisions are often made in the overall interests of the city rather than that of any particular community.

Nonetheless, for all local newspapers, the task remains the same: to inform and in some instances to persuade. In the case of national newspapers, the emphasis is rather more on the exercise of persuasion, as their owners almost always support particular political parties and are often purchased for this reason alone. Whereas local newspapers are usually apolitical, even prior to General Elections, national newspapers make no secret of their preferences.

It is perfectly sensible to argue that a symbiotic relationship exists between a community and its media. In the case of a local newspaper, the association is information-centred, while for a national newspaper, it tends to be political. However, for each of these links, the motivating force appears to be the relevant community: the geographical community for local papers and the political community for national papers. Without the requirement on the part of each community to be informed, the newspapers would not exist, and without a continuing requirement, the printed press would be redundant.

Newspapers as a main medium

As the longest established medium, newspapers have experienced most of the opportunities and threats to which media are, or have been, subject. Bearing this in mind, for the purposes of this work, it is felt best to treat the newspaper industry as a foundation of the local

media scene, even though its influence has declined and is declining. Throughout most of the history of newspaper publishing, newspapers have been subject to forces exerted from various quarters, either from governments, in the form of Licensing Acts, from the courts, seeking to establish the boundaries of the laws of libel or privacy, or from commercial interests, wishing to obtain for themselves some of the profit and perceived influence that newspaper publishers appeared to have available to them. It did not take long for the newspaper industry to segment into the two main categories of publications that exist today: local and national newspapers.

The point at which the difference became apparent was when transportation, in the form of an extensive railway network, became available, enabling newspapers printed in London and containing up-to-date parliamentary and other reports to become available in most of the large provincial centres at much the same time as the local newspapers were receiving stories from their own London-based reporters or agents. It soon became clear that these proto-nationals had a significant advantage in their access to news sources in and around the centre of power and influence in the capital, an advantage that the provincial newspapers would be hard-pressed to match.

As the sales of national newspapers increased, they gained the significant advantages of the economies of scale that increased circulation brings. Local daily newspapers, lacking the corresponding economies of scale, became more dependent upon the sale of advertising space to enhance their profitability. To support local sales, provincial publishers optimised the local content of their reporting and, as a consequence, the differences between the two types of newspaper became more distinct.

Competition was intense between national newspapers for dominance, first in London, which was (and is) the largest centre of population, and then in the remainder of the country. It was clear from the earliest days that it would be necessary for these newspapers to differentiate themselves by appealing to different readerships, and the easiest of these to reach were the supporters of the various political parties. This is substantially the position today – there are few national newspapers that do not promote the merits of one political party or another, some on a continuing basis and others from time to time.

Local media in Britain are largely apolitical

Whereas national newspapers compete nationwide, provincial newspapers are restricted to the geographical extent of the community they seek

to serve. This means that there are only tens of national newspapers in comparison with the hundreds of local newspapers. It would be counter-productive for local newspapers to take consistent political stances; they merely need to report and comment upon the matters that affect the community they represent. The generally apolitical nature of local news-papers is seen to best serve the interests of the whole community, where a partisan attitude might well alienate at least some part of the readership.

Obviously there is overlap within both the national and provincial readerships where readers of a national newspaper also read a local newspaper, but require different information from each. The readers of a local paper are concerned with knowing how they will be affected by local decisions, whereas these same people use the national newspaper to discover how their lives will be influenced by both macro-economic and macro-political events. As members of this *political* community, to the extent that they favour a political party, individuals concern themselves rather more with national affairs; as members of the local community, their agendas are much more parochial.

This dichotomy has the effect of largely determining the content of both types of newspaper. Newspapers are viewed as resources by their readers and the evidence is that those readers wish to have publications whose role is clear. Local newspapers that have attempted to maintain general political coverage other than that which had a strong local con-nection have had only limited success inasmuch as the content may have served to confuse their readers' preconceived categorisation of the newspaper. Those newspapers, mainly evenings, that had pursued this strategy had, in many cases, perceived a threat to their circulations from national newspapers and attempted to resist this by incorporating the content that until then had differentiated them, principally national political reporting. The results were not always what was wanted.

The three levels of newspaper publishing

At its simplest, the newspaper circulation pattern in Britain can be said to have three levels: the first is the local weekly newspaper, which can be either suburban or rural; the second is the evening newspaper that overlies the circulation areas of a number of suburban weeklies; and finally there are the national newspapers that compete nationwide. There are a few provincial morning newspapers whose circulation area is usually more extensive than that of an evening newspaper, and there are one or two, mainly in Scotland, that, because of the distance involved and the con-sequent lateness of delivery, undertake the role of an evening newspaper.

Whereas the identity of both the weekly and evening newspapers is largely determined by the communities they serve, that of the national newspapers is quite complicated. In addition to their political affiliations, national newspaper managements are eager to attract a particular readership, which may be of interest to advertisers, and so there is a clear division within nationals. Those publications eager to attract the readership of the better-off are upmarket, or quality, newspapers. Newspapers which are happy to cater for the needs of the vast majority of the population are known as popular or red-tops. There are a few centre-ground newspapers catering very successfully to the nation's middle-market.

It is not sufficient to categorise the community as proactive, making clear its needs and desires, and the newspaper as reactive, supplying only the information for which it has been asked. Nor are the opposites totally true, although before the advent of electronic media, newspapers were the main source of information and the senior managers could determine what the newspaper's contents would be. In the period before the arrival of effective competition, newspaper managers developed a series of mindsets that were to create serious problems several decades later. The first was to develop a magisterial attitude that was manifest in a decision to depend entirely upon their opinions alone and not to seek any advice as to content. The second was to consider themselves in competition on price with the national newspapers circulating in their area and, as a consequence, to consciously reduce their cover prices.

The failure to research

The first of these attitudes resulted in a marked reluctance to research readers' attitudes to the content of the newspaper, and this created a situation in which adverse trend information was not available at an earlier enough point for the damage to be repaired inexpensively. In those circumstances, the only information available to the newspaper's management was circulation data, which always lags behind the readers' decisions to purchase or not.

Research in the United States by Houthakker and Taylor[2] has shown that there is a significant difference between the short-run and long-run elasticities of newspapers. The short-run figure of 0.10 shows that own-price elasticity is relatively inelastic and would indicate that at the time the research was conducted, there was no ready substitute for the newspaper. As time goes on, either substitutes become available or readers are prepared to compromise in their demands. This goes some way towards explaining why the long-run figure has grown to 0.52.

This research was carried out in 1970, long before the Internet began to offer an alternative to newspapers as sources of information, so present-day figures are likely to be strikingly different. There is some slightly more recent data from Angus Deaton's book *Economics and Consumer Behaviour* (1980),[3] in which the *income* elasticity of demand index for newspapers is given as 0.10, which shows that newspapers were regarded as 'inferior goods', but only just so. At present, this index has been calculated to be 0.46, signifying that newspapers are now more 'inferior'. A characteristic of *inferior* goods is that they are more easily substitutable than *normal* goods.

Substitutes become available

While the earlier research was on own-price elasticity and the later work was on income elasticity, the broad effects are similar as far as substitutability is concerned and show that when substitutes for newspapers as a source of information began to become available, newspaper readers were lost. Because the newspapers' managements did not have an effective intelligence system in place in the form of qualitative research, they could not distinguish what was the cause of their circulation decline and what was the effect.

The time taken for readers to find an acceptable substitute confused the picture even more and meant that the newspaper managers had extreme difficulty in measuring the effects of any remedial measures they launched as their initiatives would have been diluted by this elasticity lag. Without recognising a need to know what readers thought, senior managers were making life unnecessarily difficult for those subordinate managers charged with maintaining and, where possible, growing newspaper sales.

The second inherent problem was (and is) the general concept that local newspapers are in direct competition with national newspapers, and as a result the cover prices of local newspapers have been artificially depressed. This is manifest rather more in the daily newspaper sector, and especially among the evening newspaper sector, than for weekly newspapers, but the reduction of evening newspaper cover prices clearly has an effect on the prices charged for weekly newspapers, many of which are part of the groups that own evening newspapers.

Dependence on advertising grows

The situation today is that newspapers are generally sold for less than their cost of production, thus making them dependent upon other parts

of their revenue streams for the necessary subsidy. This long-established concentration on price competition on the part of publishers is based on the assumption that a newspaper is what economists describe as an *essential* product. In the case of newspapers, the numbers of newspapers being read in households did not significantly change when incomes increased, which would have happened had the products been regarded as luxury goods.

Evening newspaper publishers had begun to be concerned about the numbers of national newspapers being offered within their circulation areas and endeavoured to resist both by keeping their cover prices as low as they could and by attempting to carry more national stories in order to bring their newspapers as close in content to the nationals as they could. As was noted earlier, this may have served only to confuse the identity of the newspaper in the minds of its readers. The local weekly newspaper was obviously operating at the parish pump level, the national newspaper was clearly both political and comprehensive in its news coverage, but the evening newspaper appeared to many readers to be an aspiring mini-national newspaper, thus setting up some degree of confusion in what had been until then a clear differentiation of news media.

Evening newspapers lost the largest percentage of sales of all types of newspaper, and this is attributable in some part to the managements' decisions to carry more national-type news. The consequence of more national news was that there was less space devoted to local news, further adding to the perception of evenings being mini-national newspapers. There is no concrete evidence that this strategy actually created an increase in sales, nor does it appear to have slowed the rate of loss. While it is possible that it was a combination of adverse factors that resulted in the large loss of the circulations of regional evening newspapers, it is increasingly clear that they were no longer providing what a large number of readers wished to read.

Weekly newspapers differ

The situation with weekly newspapers is different. Local weeklies are not generally perceived to have a role to play in the dissemination of national news, except in those rare instances where local events have created national consequences. The role of weekly newspapers is customarily accepted as that of chronicling the parish pump level of news and any deviation from this will create uncertainty. It is this very parochialism that helps reinforce the community identity. Such

an identity is a synergy of the minutiae of life within the society, and the reporting of such is the task of the local weekly newspaper. Currently there is no other organisation equipped to carry this mission through in terms of both the necessary range and depth than a newspaper.

Another factor which has added to the decline of newspapers generally and the larger circulation newspapers in particular has been their managements' drive to reduce costs, especially editorial costs. This is another example of newspapers, as organisations, being prisoners of their history. For practically all of their existence, they have been extremely profitable. Following the initial offer of newspaper shares to the market, a constant pressure began to be exerted from the markets, especially from market analysts, to maintain profit margins, and this is often only possible by reducing costs when revenues fall.

Syndicated feature material and news-agency stories are less expensive to obtain than staff-originated versions, and there has been a general move towards carrying more feature material and less hard news in pursuit of reduced costs. The downside of this strategic decision is that because of the decreased news coverage, the newspaper is perceived by many readers to no longer fit their needs and those of the community, and as a result circulations fall.

The decline in the popularity of newspapers of all types has been attributed to the inexorable rise of the Internet. In practice, newspaper circulations have been falling for over 40 years, long before the Internet became a serious force in the dissemination of news and advertising. There appears to be no way of escaping the conclusion that newspapers began to fail to satisfy the needs of their readership; the problem is to determine whether it was the newspaper or the readership that changed. One strong possibility is that the standard of living of the population in general was improving dramatically over the 40-year period shown in Figure 2.1.

One consequence of such a development is that these comparatively wealthier people become more discerning when they are seeking to purchase goods or services. The increase in disposable incomes at constant prices over the period indicates a real improvement in the average family's wealth and with it comes a heightened sense of financial security. What in the past would have been regarded as an adequate good or service was no longer acceptable as the money now existed to afford a more suitable alternative. With newspapers, the option of spending more to obtain a better version of the product is not an option. Mass-market products come with no choice – the product you are offered is standard.
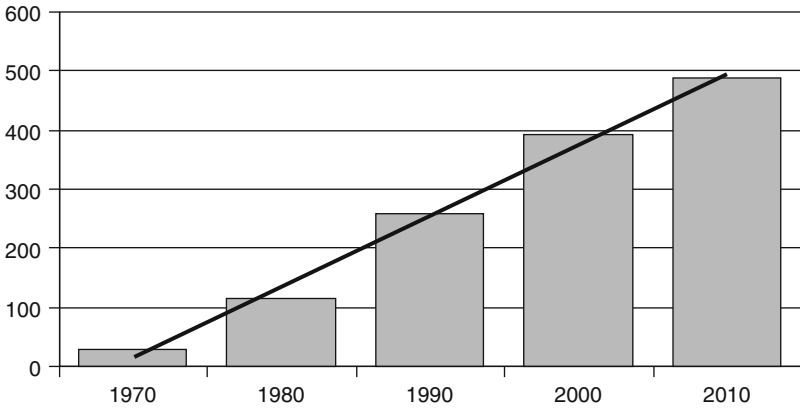
Figure 2.1 Disposable family income at constant prices

Finding a substitute

The other option is to find a substitute newspaper, and this also poses problems. With both evening and weekly provincial newspapers, there are usually no alternatives as the circulation areas cannot normally sustain more than one title of each type. Newspapers published outside the area are generally of little interest to the individual communities whose interests centre on the community itself. National newspapers usually have alternatives, but as their content is politically centred and each one can take a slightly different viewpoint on current issues, it is not always easy for readers to find an acceptable substitute. This may account, at least in part, for the differences in short-run and long-run elasticities of newspapers reported by Houthakker and Taylor[4] given above.

Another consequence of newspapers' strategy of restricting their cover price increases is that the extremely low price of a newspaper could well be working against the interests of the product by projecting an image of cheapness. Where there is a tendency to equate low price with low quality, the newspaper will have created a mindset that may be very difficult, if not impossible, to change.

An associated problem is that of the newsagent's bill. Many families settle their newsagent's account on either a weekly or monthly basis. Included in this is likely to be the newspapers and magazines they have on order, and the charge levied for delivery. Magazine cover prices have been increasing at a faster rate than those of newspapers, so that the amount owed has been growing to a point where many families are seeking ways to either reduce, or stabilise, the bill. Many families have chosen to reduce

the number of newspapers they have delivered in any week rather than reduce the number of magazines they read. This is a paradoxical situation in which the low price of each individual newspaper issue works against the long-term interest of the product.

Newspapers and the Internet

Amongst those with only a superficial knowledge of the newspaper industry, there is a compulsion to attribute the decline of newspapers entirely to the activities of the constituent parts of the Internet. It has been claimed that young people have deserted community newspapers and have emigrated to the new medium. In fact, the young have never been frequent users of newspapers for the very simple reason that they do not have either a strong community identity or much of an interest in local matters. The attraction for them is usually the glamorous adult world they have just entered and the beguiling possessions that may be theirs in the future. Local affairs pale into insignificance by comparison.

Newspapers do not become of importance to the young until they, as adults, have a stake in the community, usually when they marry and set up home. At this point, they will become acutely aware of just how much they are contributing in the form of taxes on one hand and the changing value of their home on the other. As they have children and begin to concern themselves with the amenities their children need in the form of good schools and the facility for leisure activities, their involvement with the community will grow.

Interests change as families mature

Hand in hand with the growing sense of community identity will be the need for the level of local communications that the local media provide. There are three life cohorts which are the leaders in community integration: they are *families with young children*, *families with teenage children* and *empty-nesters* (see below), which are the family units whose offspring have left home. These are the groups that form the bedrock of local newspaper readership. They become the irreducible core of a newspaper's support inasmuch as they are the most invested in the community and make most use of community facilities. Their interest in news relating to the community is acute in the sense that they would also lose, either directly or indirectly, should the community sustain a loss of any significance.

For those who own, or are purchasing, their homes, the price of property is important as it normally represents the largest individual

part of their wealth. For families with children of school age, their main preoccupation is their children's education and they are concerned to know exactly what is happening or is likely to happen within local schools. These families' need for information is catered for most comprehensively by local newspapers; no other medium has the facility for collecting and encapsulating the information in the volume that the community requires. Research conducted for the Newspaper Society and published in a report entitled *Local Matters*[5] has demonstrated that these three groups most feel that they are a part of the community. They individually claim to 'feel a part of – be well integrated into – the local community'. The responses are those shown in Figure 2.2 below.

The first three groups, *First Jobbers*, *Young Singles* and *Pre-Family Couples*, have much less sense of belonging to the community than do the next three, all of which have, or have had, children. The *Young Families*, *Teenage Families* and *Empty Nesters* have shown in concrete form their commitment to the community by establishing their families there, and as a consequence are the core of local newspaper readership and are prime candidates to be the focus of a newspaper's promotional efforts. These are the groups who have an enduring interest in the fortunes of the community and in the media who report and comment upon the decisions that affect them.

As can be expected, not all of the individuals or family units display the same level of commitment to the community, but what is remarkable is that half of all the individuals questioned in the Newspaper Society research regarded themselves as 'well-integrated' into the community.
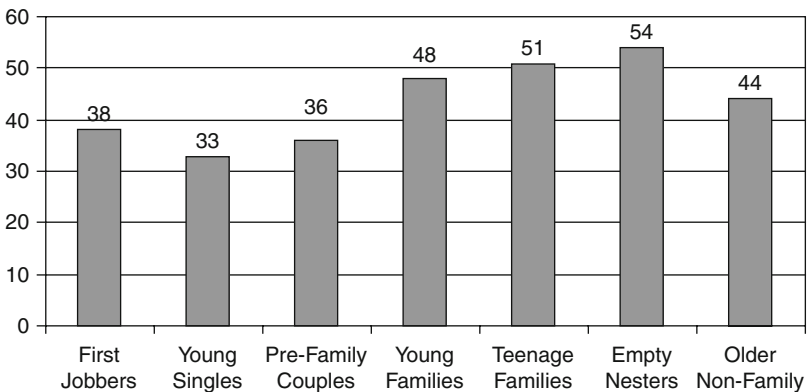

Figure 2.2   Percentage of households that are 'well-integrated'

If we assume that there are 50,000 such family units, each one with the potential to regularly purchase a local newspaper, then the readership potential of the core group in this community is 25,000 copies.

This method of measuring the potential of newspaper readership within any community is dependent upon the quality of the newspaper's content in attracting and retaining readers. If the product does not satisfy the needs of the community, then the potential as estimated here will not be achieved. Equally, where the content is of high quality, the circulation of the newspaper is likely to be greater than would be expected from the committed core groups alone. The true value in establishing the precise size of the groups is in having a benchmark against which to measure promotional activities. While this chapter has concentrated on describing communities in the context of newspapers, there are parallels with other media in terms of their relationships as providers of information or entertainment for their communities.

3
Communities: What They are

People in advanced society generally belong to more than one community; these can vary from geographically distinct locations or religious groups through to common interest associations of all types. There are situations wherein communities will nest, as in the case of a church congregation within a town, some of whose members are also members of the town band. There are professional associations which pay little regard to location, but are nevertheless a strong community in and of themselves – examples are doctors, lawyers, etc.

For the purposes of this work, it is location or *place* which is of the greatest interest, and it is the size of the *place* which largely determines the information resource that is best suited to cater for its needs. For example, small towns are usually best served by weekly newspapers or community radio stations, while large towns or cities are best catered for by medium-sized daily newspapers or local television stations together with several radio stations. Overshadowing all are the national television and radio stations, and national newspapers and magazines.

Necessary preconditions for commercial media

For a commercial medium to be successful, there are several preconditions which must be met. The first is that the area of influence of the medium must be sufficiently large to generate enough revenue, either copy sales or advertising or both, to sustain the medium. The second condition is that if the main reliance is to be on advertising, then a propensity to advertise on the part of businesses must exist, and the final condition is that there should be a sufficient number of readers, viewers or listeners of the type required by the advertisers. Where any of these conditions are not met, the medium is not likely to be sustainable.

It is *place* which appears to be the main contributor to a sense of identity in members of a community, and it is local media which do the most to reinforce this by providing a steady stream of information about the community. The feeling of belonging is important to individuals. As Bernice Martin has commented in the context of a materially prosperous society: 'What it gives is affluence and a new possibility of freedom and individuality; what it takes away is natural social rootedness and automatic structures of belonging.'[1] A local community is a grouping of individuals who share a neighbourhood; in the main, they did not create the community, but they do subscribe to the general feelings about it.

Meyrowitz (quoted by Fitzgerald in *Culture And Power*)[2] suggests that the electronic media have subtly altered the identity of place by broadening the horizons of members of a community; aspects of group identity that were dependent on a physical place are now conditioned by influences from outside the geographical place in which the group's members live. It remains to be seen whether or not this is necessarily of benefit to communities if it resulted in the disintegration of the cultural bonds which have provided much of the strength of communities. It will be argued that changes brought about by the electronic media possibly affect only a section of the community and even then the effects are likely to be transitory.

The three basic forms

A local community divides into three basic adult forms: the first is that of pre-marriage adults, the second is married couples with children and the third is married couples whose children have left home. The first group, who do not yet have domestic responsibilities, generally exhibit eagerness to find out more about the world outside their immediate surroundings. They have no deeply held attachment to the community at this point, but their interest grows as they decide to marry and set up home. Then the cost of housing, utilities, standards of pre-natal and natal facilities, schools, etc. becomes of importance, and this continues until their children leave home. By the time the couple are once again on their own, they will have become fully integrated into the community.

This phenomenon is best illustrated by data provided in the Newspaper Society's *Local Matters* research document (shown in Figure 3.1 below), which provided a comprehensive survey of community attitudes in the UK. This research explored in detail the composition and, of greatest importance, the attitudes of communities served by local media of all types, especially the newspapers that were the centres of their
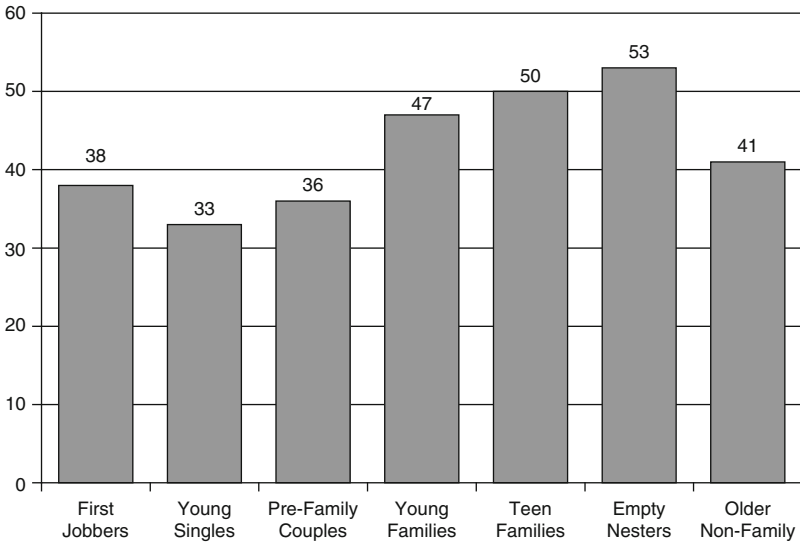
Figure 3.1   Commitment to the community (%)

communities. This work, when allied with sociological perspectives, has provided some valuable insights into the relationships between members of a community and the media which serve them.

Attitudes to local media

One of the more important questions asked in the *Local Matters* research concerned the respondents' attitudes to their local media. The attitude profiles of the community as a whole and the 'well-integrated' section of the communities share considerable similarities (see Figure 3.2 below), which would seem to indicate that residents across the age cohorts consider that they are well-served by their local newspapers, radio and television companies. The figures on which the graph is based are the percentages of each cohort which answered in the affirmative to the question 'do you regard yourself as well-integrated?'. The trend lines of each profile are almost exactly parallel, signifying a consistent commit-ment to their community and to the media, which helps form the com-munity culture. While this concentration on British media culture and its history may appear to be restrictive, there are identifiable counterparts in other advanced democracies and it is only the chronology that may not
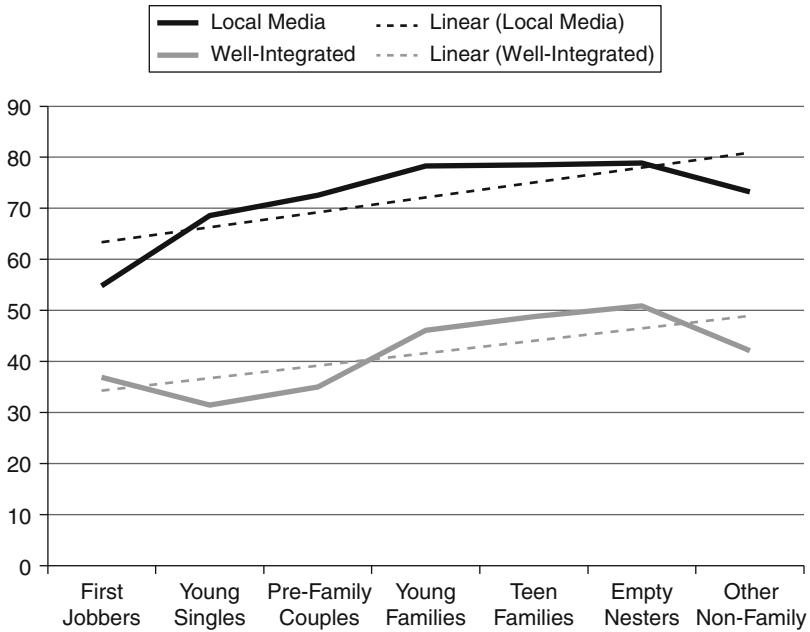
Figure 3.2   Attitudes to local media (%)

be synchronised in every case. The general thrust of virtually all media histories was the continuing struggle of administrations to control what they considered to be a barely manageable force confronting their preferred version of law and order. This has been the case in every liberal democracy in which power has had to be wrested from an elite.

This aspect of community culture applies mainly to the politically aware sectors of society that are most likely to wish to influence the decisions of government, and whose main source of political information is gained from nationally distributed newspapers and magazines, as well as television stations with wide coverage. The more local the media, the narrower their focus of interest in political matters until a point is reached where local government decisions replace those of national government as far as local residents are concerned.

The elite ignore the new media

James Curran in *Media and Power*[3] has drawn attention to the roles of the elite sections of society who, prior to the emergence of Britain

as a trading nation, had controlled many of the real levers of power, Parliament, the army and the established Church, and had considerable influence over the press. Much of the driving force of the wealth creation of the Industrial Revolution came from what Sir Roy Strong has referred to as *the middling sort*, those who had the resources to invest in the new manufacturing and service industries. These new rich began to establish newspapers to consolidate their positions in society and this happened quickly once the Industrial Revolution had started.

While long-established newspapers supporting the favoured views of the elites continued, they were becoming the minority in terms of coverage as the newly educated population sought out increasing amounts of information. This resulted in a series of moving coalitions as the old regime sought to retain influence over the new newspapers. At a local level, there was little interest in attempting to influence local politics, except when elections loomed, and so most local newspapers adopted an apolitical stance which has been maintained ever since. It is reasonable to regard national newspapers as political vehicles, whereas local newspapers are essentially social in nature. Curran,[4] quoting Lasswell,[5] pointed out that the media have three important social functions: surveillance, correlation and transmission. While national newspapers, and the other wide-coverage media, function on a broad canvas, the scope of local media, while narrower, is nonetheless important, especially in the surveillance and correlation stages.

Newspapers and the sense of belonging

In terms of community cohesion, there is very little doubt that it is local media which contribute most by being *journals of record*, presenting the minutiae of local life and helping produce the rich tapestry of experience which assists the sense of belonging upon which strong communities depend. This is a role which is best carried out by the print media, as only they have sufficient space available to cover the scope of community life. Radio and television both suffer from time constraints in the presentation of local news – as these are both basically entertainment media, there are severe financial restraints on the amount of local news they can afford to carry.

It is reasonable to assume that local media are the basic building blocks of the national media scene. Community is a social construct; it comes about because people choose to live in and identify with a particular place. Of the four forces which bear on every adult – social, economic, political and technological – it is the social aspect which

has the greatest effect on the behaviour of members of the community. Economics have an effect on where people can afford to live within the community, and on the amount and quality of the goods and services they can afford to consume.

Political influences generally come from national government, in which case it is distant, inasmuch as its deliberations have to be transmitted by a third party, such as newspapers, radio or television. While the proceedings of local government have usually been more easily accessible in the past, the continuing trend in the developed world is to centralise law-making or, by creating much larger unitary authorities, to move most participation away from local people. Social intercourse is totally in the hands of the residents in the community; they have a hand in forming the groups they want and in maintaining their existence.

The final item, technology, has never been within the control of local communities. People can purchase the equipment which makes use of the new technologies, but they can only choose from the ranges presented to them by the manufacturers or licensed by the relevant authorities.

As the world around them becomes more complex, people are becoming increasingly unable to influence their environment to any significant degree. The response of central government to this growing complexity is to centralise power, thus removing a measure of autonomy from local communities. The rationale most often offered for this policy is that this enables more efficient (and effective) use of resources through a bureaucracy. The effect of this transfer of power away from local communities is to inculcate a strain on the implicit and necessary agreement of the governed to accept the rules imposed by the governors, where the governed may not fully comprehend the benefits of a one-size-fits-all policy.

Bureaucrats and community boundaries

An anomaly which often clouds the ability to define and analyse local communities is the habit of local government bureaucrats of defining communities on the basis of administrative convenience rather than by assessing to which community the residents themselves believe they belong. Over the years, there are several methods of defining the boundaries of a community, one of the most used of which was called the Law of Retail Gravitation, commonly called Reilly's Law after W.J. Reilly,[6] who first publicised it widely. This law was important in determining community size because it concentrates on where community

members purchased their goods and services, and by comparing the number and size of the retail outlets in neighbouring towns, it is possible to estimate the point at which people will prefer to shop in one town rather than in another. By this means, it is feasible to draw an approximate boundary around a particular community.

Since the advent of large out-of-town shopping centres, this method is no longer as accurate as it once was, but remains useful in providing a rough first estimate. A more accurate method is to identify the community boundary by conducting a series of face-to-face interviews in the areas where the boundary is thought to lie. This has the disadvantage of being expensive unless it is combined with other research. In truth, such accuracy is unnecessary for any medium other than those operating at a local or hyper-local level, such as weekly newspapers and local online news operations. Media with larger footprints, such as daily newspapers, local magazines, and radio and television stations, are not concerned with the locations of individual community boundaries, but rather with the total size of the audience they can offer to advertisers, and in this regard bigger is considered to be better. As we will see in Chapter 4, it was the embedded belief that a larger sphere of influence was all that really mattered, which was to lead to the cascade of problems that were to afflict the media in Britain.

Communities change

A point that has often been overlooked both by local government and the individual media is that communities gradually change both in terms of size and composition. The most recent example is that of large out-of-town shopping centres, with extensive parking facilities and heated and covered shopping streets; these attract custom from a wide area, thus reducing the revenues of retailers in the existing towns. Where the loss of business is sufficiently severe, it can result in the closure of shops and the consequent loss of local taxes which are needed to sustain the services provided by the local authorities.

Even before the advent of shopping centres, changes had constantly been taking place. Where multiple stores opened outlets in one community rather than another, there was gain for one and a countervailing loss for the surrounding communities. These had been gradual changes – the advent of out-of-town centres were a step change which bore heavily on the existing retailers who had the misfortune to offer goods of the type stocked by the new centre's stores. Lacking the facility to have similar volume discounts, the existing retailers suffered badly.

The loss of the smaller independent retailers had a direct and serious effect on local newspapers. Local retailers spent their advertising monies with the media, which concentrated their circulations in the areas from which the store drew most of its custom. The multiple stores which replaced them needed more customers and these had to be drawn from a much larger area than was available through the local media. In this way, a great deal of the smaller newspaper's revenues was siphoned off by the larger circulation daily newspapers centred in other towns and cities. As the news content of these larger newspapers concerned the whole circulation area, there began an erosion of the sense of identity of the smaller communities. This process was accompanied by an increasing tendency by local authorities to centralise services in the pursuit of economies, and consequently extending the distance between the community and those services, provided threats (in the words of Lasswell) 'to the value position of the community, or its component parts'. It was local newspapers that drew attention to these threats and forced the authorities to justify their decisions, and provided the facility for the community to react.

James Carey[7] argues that mass communication draws people together and affirms the underlying continuity of things. This echoes Alexander's[8] contention that that mass communications help people to visualise society, feel connected to it and make sense of its processes through a shared set of understandings. Local media, particularly newspapers, provide the most pertinent information for the community and are therefore the most effective in reinforcing the community's value position.

Communities are ever-changing functioning systems of interdependent parts that resemble a living thing. While their changes are rarely dramatic, they are progressive and, over time, are capable of significant transformations. These adjustments most often take place around the periphery of the core concerns of the basic family units that constitute the majority of community members. The character and concerns of these family units is of conservatism, maintaining those elements of life that are regarded as being of greatest value to both themselves and the community to which they belong.

Belonging, as described by Miller,[9] is premised on being connected to the world primarily through people (community), the past or traditions (history) and locality (place). Of course, people also belong to a nation, but a heightened sense of national identification is likely to arise only in times of national emergency. It is the community identity which will occupy the minds of individuals and family units for much of the time. This underlines the social importance to communities of local media, and which will sound an alarm bell if they were to disappear by either design or default.

4
The History of a Crisis:
Internal Factors

The situation in which the media industry finds itself has not arrived as suddenly as some commentators imagine. The traditional industries, principally the print media, have been established for a considerable time, in the case of the newspaper industry for over 150 years (while the first newspapers were established 400 years ago, the business became an *industry* when the first trade association was formed with the foundation of the British Newspaper Society in 1851). The newer, electronic operations such as television and radio are more recently established and, understandably, have entered the cycle of decline considerably later than their print counterparts.

For newspapers, the decline has been underway for almost 40 years. As the largest local medium, both weekly and daily newspapers had the vast volume of both copy sales and advertising revenue that made them a target for competitors. However, even before direct competition became significant, newspapers had begun to experience difficulties because of the business model they had become accustomed to using. For this reason, we have to track back to the end of the nineteenth and the early years of the twentieth centuries; during this period, advertising was beginning to be offered to newspapers in increasing quantities, and while the advertising rates were still very low, it would have taken more willpower than the publishers possessed to resist the urge to raise the charges as far as they would go. This turned out to be a very long way indeed.

Both the First and Second World Wars, and the Depression that occurred between them, slowed temporarily but did not stop the relentless rise of advertising revenues. The eagerness of manufacturers to re-establish their products in the market after 1945 meant that newspaper publishers experienced another golden age of very large advertising

revenues and very attractive profits. This had the unfortunate effect of inculcating a belief that it was vitally important to encourage a larger circulation by holding down the cover price of the newspaper and raising the price of advertising space, therefore effectively subsidising the product. This policy was pursued despite the evidence that, at that time, newspapers were considered an essential good and were considerably less sensitive to price increases than the publishers imagined.

Advertiser resentment grows

The advertisers, especially in regional newspapers, became increasingly resentful of their role as milch cows, but at the time their options were very limited indeed. This was ignored by newspaper managements, whose shares were, by then, at least partly owned by large investors whose interests were safeguarded by market analysts who virtually control the sentiment which governs the value of shares. The analysts' primary duty as they see it is to ensure that the publishing companies, whose shares they supervise, maintain or preferably increase in value by building profit. The advertisers were to be the vehicle for this by being required to pay increasingly large advertising rates.

By the last decades of the twentieth century, regional newspapers in Britain especially had reached a situation where 80 per cent of their revenues came from advertising and only 20 per cent came from copy sales. The national newspaper sector was only slightly better, with 60 per cent of revenues coming from advertising. This over-dependence on advertising caused newspapers to be extremely vulnerable to any unexpected changes in the advertising market, and this was to come some years later, coincidental with, but not caused by, the Internet. There had been a series of alarms during the years, the most serious of which was the appearance of free newspapers, which remained a threat for some time, but which subsequently failed when the economy took a downturn in 1991. With no income from cover prices, the free newspaper publishers could not weather the drop in advertising revenues and almost all of them failed.

The print media's slow reaction to electronic innovation

The arrival of first commercial radio, which had been pioneered in the USA, and then television, had a limited introduction in Britain before the Second World War. Upon its re-introduction, commercial television provided a spur for innovation as the grainy black and white moving

images encouraged viewers to require more from their traditional news providers. By seeking to use technological innovation in the form of better screen definition, the television companies soon made it clear that they intended to take a proactive role in supplying their audiences with both news and entertainment, leaving the print media in a reactive state of mind, unwilling to do anything other than match, where they could, the improved visual quality of the television pictures.

The print media had generally adopted the view that their television competitors, with what they regarded as 'merely' an improved lines per inch transmission output, were not yet sufficiently far ahead to constitute a serious threat. Newspaper managements felt compelled to only slowly improve the coarseness of their half-tone photographs. When printing on newsprint which was of relatively poor quality, it was only possible to utilise the relatively crude 45–65 dots per inch, whereas magazine publishers who used better-quality coated paper and comparatively finer half-tone screens of 85+ dots per inch could achieve much better quality output. At this time, both types of publisher perceived little threat from their electronic competition.

Colour television arrives

What was to really upset the UK print media's apple cart was television's introduction of colour broadcasting, which started with BBC2 in the UK in 1964 and was completed by 1967. Realising that they now had been seriously outpaced, newspapers rushed to find any way they could to provide full colour, especially for those manufacturers who seized upon colour advertising on television to promote their products.

A few publishers had applied some foresight, recognising that colour television was on its way. The best example was the Thomson Organization's *Sunday Times*, which launched a colour supplement in 1962, thus offering advertisers a print alternative to the colour advertising which it realised would shortly be available on television. This decision was prompted by the Parliamentary Television Advisory Committee, which in 1960 recommended the introduction of colour television. It is indicative of the growing recognition of the threat facing them that the colour supplement was brought to the market in less than two years, but it was an offline product not printed on the printing presses used for the newspaper itself. It was not until 1986 that the first full-colour newspaper *Today* appeared in British newsagents.

The adoption of full-colour newspaper printing started earlier in the USA. The first publication to use it extensively was *USA Today* in 1982,

and this was followed very quickly by a large number of US metropolitan daily newspapers. Colour television had become the norm in the USA by the early 1970s, and the loss of readership of newspapers, which had begun with the introduction of television just after the Second World War, began to accelerate. It was this factor that later propelled newspapers to consider colour reproduction of photographs.

One of the main reasons why this took so long to accomplish both in the USA and in Europe was the size and expense of the task. Newspaper presses are large, heavy and expensive machines, usually located in imposing buildings in the very centre of their communities. The colour presses which the newspapers would need were, if anything, larger, and in the majority of cases the room to fit them into the existing buildings did not exist. This necessitated new buildings which would almost certainly have to be away from town centres. So, in addition to the cost of a full-colour printing press, there would be the construction costs of a purpose-built headquarters.

For US newspaper publishers, who had suffered less economically from the effects of the Second World War compared to those in Europe, these costs were more affordable. This explains, at least in part, the lag which had developed between the US and UK newspaper industries. But of greater consequence was the gap which had arisen between monochrome newspapers and full-colour television. Colour transmission was launched in 1969, but was only fully rolled out nationwide in 1976.

The main problem for commercial TV companies was the small number of colour television sets which were bought by the general public – it was 1976 before the number of colour sets exceeded monochrome sets. This meant that the advertisers, on whom the revenues of independent television companies depended, did not have total nationwide coverage for their expensive full-colour advertising.

Newspapers awaken to the threat

For newspapers, this was a respite they could not have expected to experience. The BBC with its colour service provided competition on the news front, while ITV with more attractive advertising would be a considerably greater threat to newspapers' revenues, so the rush to offer full colour to advertisers got underway. Meanwhile, in the rest of Europe the introduction of colour transmissions paralleled that of the UK, with most launches taking place in either 1967 or 1968.

As newcomers facing the entrenched power of newspaper publishers, the independent television companies had to conceive of ways to translate

their viewing figures into persuasive arguments to convince advertisers and their agents to use their services. Inspection of their newspaper competitors had shown them that newspapers depended heavily upon their sales figures, relying, as they did, on retailing their newspapers through third parties, newsagents, so the publishers did not even know who bought their products. Recognising this as a major weakness, the television companies made a virtue of necessity by producing reams of meaningful information. They produced demographic breakdowns of their audiences and organised viewing diaries showing what programmes were watched by representative samples and for how long. This information endeared the stations to the advertising agents, especially when compared with the reluctance of newspapers to provide anything other than basic sales figures.

We are profitable: why change?

Throughout all of this, the newspaper companies continued to make very large profits, thus engendering a belief that whatever threat appeared on their horizon would eventually turn out to be empty. There seemed to be no good reason to abandon policies which had served the newspaper industry well for 100 years. In retrospect, it is hard to believe that this view should have been so general and should have lasted so long throughout the industry, from the most powerful national newspaper to the smallest local weekly. A possible explanation is that the newspaper industry had been stable in the sense that change, when and if it had happened, had been both simple and gradual and, importantly, newspapers could rely upon the very high capital costs involved in setting up rival operations. This meant that adaptation could be both considered and slow. There were no step changes or sudden crises, so there was no need to put in place mechanisms to deal with them.

More critically, there was very little in the way of management education; it was simply not felt necessary. The top management was often provided through the editorial progression ladder for the reason that success for a newspaper was considered to be a large circulation, which depended on the content provided by the Editorial department and from which it was believed every other benefit would flow. This very often resulted in little attention being paid to the other services provided by newspapers, such as advertising. For as long as circulations kept rising, there were very few problems; difficulties only began when advertising began to gently decline as the commercial television stations started to drain off some of the manufacturers' consumer advertising which had formerly gone to newspapers.

The affliction from which newspapers suffered was *group-think*, in which not only was there to be one (and only one) acceptable view of the environmental circumstances, but where to question this view could often be regarded as heresy. The standpoint was entrusted to a group of managers at the very top of the organisation who could be trusted to maintain the validity of the policy throughout the firm; they became *mind-guards* responsible for discouraging dissent.

In the group-think setting, there was little likelihood of the introduction of a programme of business education of managers in order to detect, analyse and resolve the problems surrounding the print industries. A few management consultants were employed to provide top managers with advice, but in the main most newspapers managed without this. As a result, few attempts were made to assess the environment and seek to identify both opportunities and threats. Business schools were making attempts to interest managements in training their managers to gauge these factors, but the take-up was very small. By the late 1980s, there were no more than a small handful of Master's level graduates in Business Administration throughout the entire British newspaper industry. It was not until a really serious threat appeared in the form of the Internet that advanced management education was taken seriously by newspapers.

The first home-grown threat

However, there was to be another threat to the local newspaper sector that was to come from within the industry. In the early 1970s, a few regional newspaper groups were sending their senior and middle-grade executives to the USA, where it was believed that there was a great deal to be learned. One of the lessons that impressed these managers was the impressive growth of free distribution newspapers, which US newspaper companies were using to fill in gaps in their circulations or extend their household coverage. These free newspapers contained very little, if any, editorial matter; they were solely advertising vehicles which were used by retail and other outlets to distribute vouchers which offered discounts on particular goods or services. In this they replaced door-to-door leafleting at a smaller cost.

On returning to the UK, the managers attempted to interest their directors in the concept of free newspapers as a method of competing with other regional newspapers or of filling in those areas in which sales of the paid-for product were weak. This proved to be out of the question as most newspaper owners did not wish to start a marketing war in

what was a cosy relationship with their neighbours, where circulation boundaries were scrupulously observed. Nor were the publishers interested in supplying free newspapers to those households that did not purchase the paid-for product.

Managements reacted as they did because they did not wish to upset the newsagents on whom their final link in the supply chain depended. So sensitive were the newsagents that they refused to tell the newspaper companies where they were delivering the newspapers, so there was a very good chance that they would react negatively if free newspapers were available in their sales area. Discouraged by the attitudes of the traditional publishers and knowing that spare production capacity existed within the local newspaper industry, many of these managers collected sufficient funds to set up their own free distribution newspapers and entered into competition with their former employers.

Consequential to the all-pervasive view that only a large readership mattered, newspaper managements poured resources into restraining the cover price of newspapers, seeking to transfer the obligation to address rising costs to the newspaper's advertisers by means of higher rates. This policy was maintained in the face of falling circulations and despite a rising chorus of complaints from advertisers. It was inevitable that the maintenance of this strategy would lead to a large-scale transfer of advertising revenues to the free newspapers. The attitude taken by many traditional newspaper managers was that readers would soon tire of the poor journalistic quality of the free newspapers, entirely ignoring the fact that these publications were designed not for the reading public, but for the advertisers who were no longer willing to pay the prices demanded by the paid-for newspapers.

From small beginnings (fewer than 150 titles in the very early 1970s), the free newspaper industry grew to 1,000 titles by 1980, when it formed its own trade body, the Association of Free Newspapers. Free newspapers prospered until the recession of the late 1980s, when their dependence on only one revenue stream – advertising – left them vulnerable when business expenditures dropped dramatically. They are no longer a major force in the media industry.

High entry barriers no longer existed

The free newspaper revolution had exposed a vulnerability in the newspaper doctrine that the newspaper industry was protected by high entry barriers; the publishers had ignored the basic fact that free newspapers offered better value in their advertising, and that the free newspapers'

distribution areas could be tailored to suit the needs of advertisers. These factors were to be a recurring problem over the years. What the free newspaper revolution signified was that newspapers were no longer a safe haven protected by high barriers to entry – for example, the very high cost of printing presses and auxiliary technologies, and the expense involved in employing highly skilled workers. Such was the degree of misunderstanding on the part of some managements that they persisted in the belief that the future decline of the free newspaper sector was as a result of their efforts rather than the consequences of a declining economy.

It is arguable that many of the problems which beset newspapers in the final years of the twentieth century did spring directly from the obtuseness of top managements and the serious lack of training of the critical middle management layers. The very essence of print publishing is the fact that it is a twin-track business, for as long as the cost of providing the content (particularly the editorial matter) is not met by the revenue from copy prices asked of the reading public, the greater the subsidy which must be provided by other parts of the business, principally advertising, will need to be.

Newspapers, especially local newspapers, required increasing revenues from the advertising they carried until a point was reached where some groups began to seek alternatives to the newspapers which were carrying their advertising. This came to a head in the Midlands, where a group of estate agents decided to publish their own newspaper containing their advertising, thus, in effect, making their advertising cheaper and enabling the properties they were selling to be advertised for longer. In order to fully understand why this happened, it is necessary to appreciate that estate agents do not own the properties they are seeking to sell; they are simply agents. They agree with the property owner the amount of money that can be spent on advertising, and this is spent buying space in the estate agents' advertisement. Should the property not sell quickly, the owner has the choice of either finding more funds to purchase more advertising or to leave the property unadvertised, but still on the books of the estate agent.

What is important in this relationship is that the owner wants the property to sell as quickly as possible, but the estate agent wishes to have as large an advertisement as feasible consisting of all the properties for which they have an advertising allocation. The larger the advertisement, the likelier it will be that prospective house sellers will be persuaded to place their properties in the hands of that estate agent, who appears to be most successful. So, despite first impressions, the objectives of the two parties are not aligned.

For as long as the situation is tolerable for both parties, it will remain unchanged; however, when there are external changes of a sufficiently significant nature, change becomes inevitable. There were two such changes at this time: the first was the relentless rise in the cost of advertising, while the second was the weakening of the housing market. The estate agents were in an impossible position: the advertising allocation was purchasing less advertising space, which meant that the agents were attracting fewer of what houses there were for sale, thus directly affecting their turnover. The rising cost of newspaper advertising meant that there was less promotion behind such sales and the resultant delay in sales had a direct bearing on the estate agents' cash flows.

By launching their own publications, the estate agents felt they could reduce the cost of advertising and protect their margins. The prospective house sellers who were forced to rely on the expertise of the estate agents did not care where their properties were advertised provided that their costs did not rise. The newspapers lost most as property advertising represented a very large part of their advertising revenues, although because of the complicated nature of the advertisement make-up, the profit margins were considerably smaller than was at first apparent, a fact that the estate agents were later to discover. The importance of the appearance of a dedicated publication was that it was the first example of backwards integration directly affecting newspaper publishing.

Property advertising is important to readers

The departure of property advertising from local newspapers was a body blow from which they never fully recovered. One of the largest provincial newspapers reduced its property advertising rates by a staggering 90 per cent in a vain attempt to retain business. What newspapers had failed to recognise was that carrying property advertising added vastly to the readability of a newspaper. As the largest individual expense that a family is likely to incur, a source of information on what price similar houses are fetching is of continuing relevance. It was yet another example of newspapers' unwillingness, or inability, to attempt to calculate the consequences of either threats or opportunities.

It is tempting to excuse the failures of newspapers to realise what was going on around them by pointing to the changing environment. There is certainly no doubt that the markets in which newspapers functioned had changed from stable to dynamic. A stable environment was one in which newspapers had existed for decades, and which did not provide them with a reason to install fast-response management structures, the

need for which they were confident would be unlikely to arise. For this, newspaper managements could be excused. But they cannot be excused for failing to understand the dynamic environment into which they had moved; the signs of a dynamic environment are when unexpected events take place. The examples given – the advent of free newspapers and the defection of property advertising – both demonstrate an inability to foresee consequences. In the first, managements had first-hand information from their employees, who had seen these publications in action, while in the second, it was the blinkered pursuit of advertising revenue without a thought for the value of property advertising for the reading public that was the cause of the failure.

While it is undeniably true that newspaper managements have been largely the authors of their own fate by failing to fully appreciate the changes which were taking place around them, it is important to recognise that the processes of change can require not only dramatic reconstructions of the political structures within organisations, and the power structures that flow from these, but also the economic frameworks which control the allocation of funds internally. As Pugh[1] observed in his *London Business School Journal* article, it is often those problems which are clearly most in need of change that resist change the most.

This has been the case for newspapers, having been what are known as *ultra-stable* organisations where success was the norm for many years. Structurally, newspapers have developed into *machine bureaucracies* in which they have taken a long time to do well what they have always done and are extremely reluctant to agree to change willingly. Newspaper organisations that have been established for a long time (and most have) are thickets of vested interests, some of which are overt, but most of which are hidden in a jungle of implicit understandings within the firm.

The implementation of change in newspapers was therefore several magnitudes of difficulty greater than in newer industries, which have retained the agility of their earlier management history. It is entirely possible to understand the position of strategic managers, who know that they are to be judged by market analysts whose main interest is in protecting the value of the shareholding of their clients – who will, almost certainly, be from outside the media industries and therefore may not comprehend the intricacies of newspaper publishing. None of this excuses newspaper managements for being so slow to protect an industry which is of value to the society it serves. They are guilty of sins of omission in that they failed to take action before the costs of inaction had grown to the level that the industry could no longer afford.

5
The History of a Crisis: External Factors

Newspapers have been used throughout this work as an exemplar of a developed – probably the most developed – medium and, where useful, comparisons have been drawn with other media. In the previous chapter, the emphasis was on newspapers' relationships with elements of their environment. In this chapter, the focus will be on relationships within the newspaper structure, especially the rise of political power, and the effect these had upon how newspapers were managed. A newspaper has two main contributors of content: the editorial function and the advertising department. The department responsible for translating this content into the final product is the production department, which hands on the completed newspaper to the distribution staff for transmission to the newsagents, who in their turn sell the newspapers to the public.

Labour unions first flex their muscles

Each of these groups has exercisable power within the newspaper structure, which they can deploy to help persuade the managements to their point of view. Of all the groups, it was the production workers who had the most real power and were to use this power most frequently over the years. The first time this power was publicly demonstrated was in 1906, when a general printing company, not a newspaper, that was a member of the London Master Printers Association (MPA), of which all the Fleet Street newspapers were also members, gave notice of the termination of their employment to workers who were members of the London Society of Compositors (LSC).

The LSC then threatened to call a strike ballot of all London compositors. This so alarmed the newspaper proprietors that they withdrew from the MPA and set up their own organisation, the Newspaper

Publishers Association, in July 1906. The labour unions had found a weapon that they were destined to apply ruthlessly in the future. None of the other sections of the newspapers' employees had anything close to the power of the production workers, who could bring the printing of newspapers to a standstill, resulting in an irretrievable loss of revenue.

Newspaper proprietors recognised very early that this could develop into a much more serious threat as the production labour unions, which were the most organised of the newspaper labour force, reinforced their demands with the threat of a withdrawal of their labour, which would either slow or stop the production of the newspaper. Managements began to cast about for ways to reduce this threat by becoming less labour-intensive, replacing men with machines, and so transitioning from being a labour-intensive business into capital intensity.

A direct consequence of the newspapers' transition to capital intensity is that the technology acquired was asset-specific, inasmuch that it could not be used easily for any purpose other than that for which it was purchased. Oliver Williamson[1] used this term to describe a supplier–buyer relationship in which the supplier becomes bound to the buyer, and the converse is also true. In the case of newspapers, there does not appear to be (in Williamson's words) this idiosyncratic relationship, but one was to develop in the form of the print unions, who in the course of the twentieth century sought and, with the assistance of sympathetic governmental regulation, for some time succeeded in becoming the monopoly suppliers of labour to newspapers. The newspaper companies owned the capital equipment, but the unions held the power.

The emergence of opportunism

The work of Oliver Williamson, which was touched upon earlier, extended well beyond asset specificity. His main thesis concerned the fact that economics (he was an economist by profession) is 'rather more a science of contract than a science of choice'. He takes the view that firms are primarily cost-economising and not profit-maximising entities. There are four factors that Williamson uses to explain his theory. The first is 'bounded rationality' which he takes to mean that 'economic actors are *intendedly* rational but only *limitedly* so'. The second is *opportunism*, which he defines as 'self-interest seeking with guile'. The third is *asset-specificity* and the last is *governance* or, alternatively, *private ordering*, which is where the parties themselves devise contracts and settle disputes rather than have these resolved by outside bodies such as courts.

Where these four factors come together, bounded rationality ensures that planning cannot be totally effective because none of the parties can know the future, and in any event are unwilling to commit themselves. Opportunism destroys trust and any hope of having situations formally arbitrated, being replaced by what is referred to as private ordering, where the parties themselves resolve disputes. This broadly represents the situation in which newspaper organisations found themselves.

The print union chapels (see below) were to come to care nothing for rationality; they were prepared to take virtually any opportunity to improve their terms and conditions, and refused to do anything other than to deal directly with each individual employer and enforce their demands with the threat of withdrawal of their labour as their trump card. In these circumstances, there was no alternative for the employers other than to make such accommodations as they could with the unions. The overarching ambition of the newspaper print unions was to become the monopoly suppliers of labour and for a number of years in the mid-twentieth century, they actually achieved this by persuading the government of the day to agree to a 'closed' shop, where the only production workers who could be employed were those approved by the unions.

This created a paradoxical situation in which the production workers employed by the newspaper managements had become a supplier and the newspaper organisation had become a hapless buyer. Of such potency was the threat to bring production to a standstill, with all that this meant in terms of the irretrievable loss of revenue, that managements had no choice other than to comply. For as long as the unions' national officials were in charge of overall policy, the demands made were at least tolerable to the newspaper proprietors, but because the unions operated a local branch hierarchy system known as chapels, it was possible for radical members to seize control at the branch level and to press their demands with that particular management. The national officials could attempt to persuade the local chapels to adhere to nationally agreed decisions, but if they failed – and they most often did – there was no alternative other than to make the dispute official if they wished to display solidarity.

The rise of the father of the chapel

By the 1960s and 1970s, the loss of control by the union national leadership was total. While they were prepared to advise moderation, the *fathers of the chapel* (FoCs), as the branch officials were called, were

prepared to ignore their leadership and throw rationality out of the window in pursuit of their latest claim. This was opportunism at its most extreme. Formal negotiations on wages and conditions were carried out at the national level between national union officials and the trade bodies representing national and provincial newspaper proprietors.

When the agreements reached did not meet the expectations of the FoCs, industrial disputes would result, ranging from 'withdrawal of goodwill', through 'working to rule', which required union members to obey the rules that the union set down, to 'withdrawal of labour', which in effect forced a complete stoppage. These guerrilla tactics were designed to obtain benefits equivalent to those the members felt they had not obtained in the national agreement.

Such was the degree of militancy in the print unions and so regular were their demands for increased wages, shorter hours and a string of other benefits that newspapers were forced to increase advertising charges well ahead of increases in the retail price index, a situation that was not lost on advertisers, who resented having to pay more, as we saw in the previous chapter. As the composing element of the production operation was the most labour-intensive, the newspaper managements concentrated in finding an alternative to the slow Linotype machines used for mechanical typesetting.

The necessary technology was found

This was found to be the optical typesetting available with the new computers, which were cleaner and easier to use the hot-metal Linotype machines. The new computers had the *qwerty* layout of the keyboards of normal typewriters and it was soon clear that they were capable of being used by female typists who could replace the highly paid male Linotype operators – except that the unions would not permit the employment of women in the production process under any circumstances.

With FoCs virtually beyond the control of national print union officials, it became clear that any attempt to introduce new composing technology would be doomed to fail. Newspaper managements, especially those in regional newspapers, were desperate to find solutions to the print union blackmail that was forcing up their costs, which in turn they were having to pass on to the advertisers. The unions had almost complete control over two areas of production: typesetting and the printing press. Computer technology was within sight of providing an answer with computerised photocomposition, but the problem of the printing press remained.

Managements knew that they had sufficient secretarial staff to produce an emergency newspaper if this became necessary, but the printing press was an entirely different matter. These could only be operated by trained press crews, although the degree of over-manning insisted upon by the unions meant that the crew size was much larger than was necessary. The print unions knew that the printing presses were the most effective pressure point – as long as they controlled the presses, they controlled the industry.

Oklahoma City had the answer

The answer to this part of the problem was found across the Atlantic, in Oklahoma City. It had become clear to newspaper managements that a radical solution to their problems would be needed and that their policy of peace at any price would only lead to their demise. Contact was made with the Southern Newspaper Publishers Association based in Atlanta, Georgia, which had set up a newspaper press training operation called the Southern Publishers Printing Institute (SPPI) in Oklahoma City. Many US newspapers were experiencing, or were expecting, similar problems to those occurring in Britain. Prominent amongst these was the *Washington Post*, whose unions were demanding considerable concessions from the newspaper's management. The US proprietors had arranged for the establishment and equipping of SPPI so that managers could be trained to use printing presses in the event of an all-out strike.

This was precisely what British publishers required and from 1973 onwards, a succession of senior and middle-managers were sent to Oklahoma City in conditions of great secrecy. This was vitally necessary as, if the news had been broadcast, there would have been an extreme reaction from the less-responsible parts of the union membership. While it is difficult to establish precisely how many British managers attended courses at SPPI, it is believed that there were a sufficient number to allow the printing of most, if not all, regional newspapers in a limited number of printing centres. While this would almost certainly mean smaller numbers of pages for every newspaper, it would mean that newspapers could be produced during a nationwide strike by production workers.

In the event, the newspaper publishers were destined not to need this solution. During the 1970s, British unions increasingly ignored the government's pleas for moderation in wage demands and in May 1979, this had the effect of sweeping Margaret Thatcher's Conservative government into power, which had the stated aim of curbing the powers of the unions and of dismantling the collectivist state by privatising

the nationalised industries. In the case of newspapers, two events had caused to public sympathy to swing away from the print unions.

Publishers strike the first blow

The first event, in 1976, was the decision of the Bailey-Forman family, proprietors of the *Nottingham Evening Post*, to take advantage of the new technologies by enabling direct input of editorial matter by the journalists themselves rather than have the copy typed by a journalist and then re-typed by a compositor. This struck directly at the union's claim to have the sole right to compose copy, and resulted in a strike which led to the dismissal of the compositors. Despite considerable support from other local trade unionists, the strike eventually failed. This gave heart to other provincial publishers, who realised that defeat was not inevitable.

The second event was the 11-month shutdown of both *The Times* and the *Sunday Times* in 1978. Long regarded as the Establishment bible, the closure of the Thunderer, as *The Times* was known, resonated throughout the upper echelons of political life and helped to form Margaret Thatcher's decisions with regard to the unions and what was perceived as their abuse of power. Her two Employment Acts in 1980 and 1982 ensured that unions would be responsible for not only their own acts, but also the acts of their members.

Whereas previously wildcat action could be initiated by individual chapels confident that their headquarters would make the action official in attempt to retain some measure of control, after these Acts were passed, the union headquarters would have to be very careful not to break the law and risk sanctions. Support for wildcat actions was no longer automatic, although this was not recognised as a fact of life by some sections of the militant wing.

The Dead Horse Agreement

As an indication of the grip that the unions, most especially the composing unions, had on the newspaper industry, there was what had come to be known as the Dead Horse Agreement. The senior executives of the National Graphical Association had long recognised that changes in technology would sooner or later force a change in working practices. This view was fought against tooth and nail by the branch officials, who were determined that any change which threatened their members' well-being would be resisted, unless they were offered what they considered to be adequate compensation.

The branch officials knew better than anyone that new technology would not only de-skill their members but would mean that because the new technology was much more efficient, fewer compositors would be needed. The closed-shop agreements meant that, at least for the time being, they could block the employment of trained typists, who would probably be women. It also meant that when a vacancy for a compositor arose, the newspaper's management was forced to choose from a list provided by the union which might contain the names of unemployed compositors dismissed from other newspapers or the favoured relatives of existing members of the union.

Concerned that more and more completed advertisements were being received from advertising agencies that contained typeset material that may, or may not, have been set by union members employed outside the newspaper industry (for example, in advertising agencies eager to use printing type the newspaper might not be able to furnish), the unions instituted a scheme whereby all advertisements not composed within the newspaper had to have a stamp showing that it had been composed by a union member.

Where, for any reason, an advertisement did not have a stamp, the unions insisted that the copy be re-set, then proofed by the newspaper's proofreaders, all amendments re-set and re-proofed, and when the re-set advertisement agreed in every particular with the original copy, the re-set advertisement was thrown away and the original agency advertisement was used. No one appears to be sure why this was called the Dead Horse Agreement – the balance of opinion is that when the union was told that the newspaper proprietors were up in arms about the proposals, one of the senior officials commented that they would be 'flogging a dead horse'.

How the unions lost the game

Matters came to a head in 1983, when Eddie Shah set up a newspaper printing plant in Warrington and decided to use non-union labour. When he declined to be moved by threats, his building was surrounded by up to 4,000 pickets at a time, who threatened to break into the building until they were rebuffed by large numbers of riot police. What made this dispute such a turning point was the fact that the violence offered to the police by some of the pickets was, for the first time, televised and served to cause the unions to lose any sympathy that the general public may have had with them.

Of more importance was the fact that the Warrington dispute and the union participation in what was seen to be an unlawful act resulted

in the court-ordered seizure of the assets of the National Graphical Association, which was considered to be a main participant in the dispute. This was the point at which the print unions' grip was broken. To return to Oliver Williamson's model, while rationality remained bounded, opportunism on the part of the print unions was now severely restricted and, of paramount importance, private ordering had been replaced with court ordering, whereby arbitration was available through the law courts. Asset specificity remained, but would be eroded by new technologies.

In general, production departments require relatively high skill levels, although the introduction of computerisation in both typesetting and the plate-making aspects of printing has reduced the level of skill required. In many ways, this rush to computerise and automate on the part of publishers was a direct result of the print unions' willingness to use their ability to create industrial chaos in pursuit of better wages and conditions for their members. Such were the losses sustained by both the national and provincial newspaper sectors that ways had to be sought to reduce the very real industrial power of print workers.

By the end of the 1970s, computerised typesetting was widespread in the provinces, although it continued to be resisted by newspapers published in London. Provincial publishers were of the opinion that they could replace compositors with typists and thus remove the threat to production. In the event, these measures were not needed as events elsewhere were changing the whole industrial scene. The first was the overnight transfer of Rupert Murdoch's newspapers to Wapping, leaving a substantial number of militant print workers without jobs. The second and, as we saw above, perhaps even more earth-shattering event was the violent picketing of Eddie Shah's Warrington newspaper print works by thousands of print workers determined to stop the production of his newspapers. The violence witnessed during the picket shocked the nation to such a degree that eventually laws were passed to prevent similar situations arising in the future.

In truth, the losers in all of this chaos were the unions themselves, as their leaders had become as much victims of the power of the individual branches as were the publishers. For as long as these branches, or chapels, could bring the total operation of any newspaper to a standstill until their demands were met, they would (and did) escalate their pressures. The publishers determined that this situation could never recur and the campaign to remove the power of organised labour was underway.

Enter the Internet

Just as newspaper proprietors had brought their domestic differences with the labour unions under control in the early 1980s, the first cracks appeared in the formerly unassailable position of newspapers in the media hierarchy. The pressures did not come from the traditional media, but from a newcomer – the Internet. Apple is generally credited with producing the first *commercially* successful personal computer, although there are many claimants to this title from Altair, DEC, Intel and others. The first programmable computers began to be widespread in the 1960s, but it was the introduction of the Apple II in 1977 and the Apple II Plus containing Basic in 1979 which led directly to the explosion of interest in personal computing.

The Internet reputedly came about following the realisation that the electro-magnetic pulse which results from a nuclear explosion would do considerable damage to radio communications in and around battlefields. Its beginnings were as a US military project named ARPANET, which linked computers; it received its name somewhere around 1969 and went public in 1989, when PC owners flocked to use its facilities. Eager to exploit the possibilities of this new medium, there was an explosion first of talented individuals utilising the World Wide Web initiated by Tim Berners-Lee and subsequently by software companies set up to design new uses for this potentially wealth-creating opportunity. It was their efforts that provided the communications software, which was to enable email, search engines and all the other facilities which have led to the rich web of ideas and information exchange available today.

Unfortunately, as with all far-reaching innovations, it was not possible to forecast the consequences of this new and powerful force. Its proponents argued that it was a force for good as it would permit access to all of the world's knowledge, or it would provide what became known as the *wisdom of the crowd*, which proposed that if enough people expressed a view on any particular subject, then the right answer would emerge. But in any event, the argument went, knowledge should be free! This was later extended by some to encompass the dictum that all knowledge should be free. In those heady early days, this euphoria was accepted by many; it was only when the Internet settled down into an early-mature phase that it became clear that not all of the world's knowledge could be made available to everyone, as much of it remained unproved and some of it was unprovable. In any event, there was so much available that it was possible to drown in data.

While it has largely died down, the proposition that information should be freely accessible to all at no cost still provides problems for intellectual property rights owners. Many idealists do not see, let alone agree with, the fact that information which has had to be researched, written up and published in one form or another can have a value attached to it which the authors are perfectly entitled to protect. To contend otherwise is tantamount to condoning theft. This was the view taken by media owners when individuals and groups hoovered up information from news sites and transmitted it on their own websites. These operations, which became known as aggregators, enjoyed a short period of success until they were threatened with legal action by the information owners.

The real outstanding success of the Internet was in the communications area, where emails not only delivered messages faster than the postal authorities, but at a smaller cost. Currently more than 90 per cent of Internet users use the email facility to send and receive communications. Internet shopping grew exponentially and is now used by over 70 per cent of Internet users, incidentally creating dedicated delivery organisations which were both faster and cheaper than the traditional parcel delivery operations. In every direction, the Internet had created a myriad of organisations focused on the new industry, which is what the Internet effectively was. It placed low-cost facilities in the hands of individuals to enable them to compete in a market which they could not otherwise have entered.

For everyone who gained from the advent of the Internet, there were also those who lost out. In the media field, those organisations that depended on advertising revenues to sustain them found that either the retailers that had formerly provided their revenues were losing trade to online competitors and could no longer afford to advertise or that advertising websites, such as property specialists, were offering an alternative service to the public, especially property owners.

It was the media closest to their communities, particularly local newspapers, which suffered the greatest losses during this period. These publications were very dependent on the four large classified categories of situations vacant, articles for sale, property and motors, which were precisely those which attracted the new Internet-based sales organisations, because the people offering the goods for sale were easily identifiable and their charges were known. It was slightly different for those organisations seeking personnel: on employment websites, the vacancies could be published within a matter of hours rather than the days which were needed by the print media. While the new round of competition

centred on service rather than price, this was to the disadvantage of the newspapers, as all of their former advertisers had crystal-clear memories of the years when the newspapers charged whatever they felt the traffic would bear for their advertising.

Commercial organisations have very limited options when they seek to compete: they may either compete on price or on service. For many years, newspapers had done neither and were now paying a very heavy price as a result. It can be argued that they were forced to demand high prices in order to maintain the profit margins demanded of them by the market analysts who safeguarded the shares of the investors who had purchased the newspapers' shares. It can equally be contended that this pressure on margins meant that they could not afford to offer the level of service the advertisers wished to have. Whatever the reason, newspapers found themselves in a very poor position when the Internet tsunami arrived.

6
The Present State of Play

Any examination of the strategic alternatives available to organisations within the media industry must first define the boundaries and characteristics of the firms which make up the industry and then seek to explain not only what qualifies them to be categorised within the industry, but also their degrees of differentiation. Following the work of Robert Pitkethly[1] (see below), the market is represented by concentric rings: the outermost ring represents the common strategic environment for all businesses, the central ring the industry factors which affects the media industry and the innermost ring the media organisation under analysis.
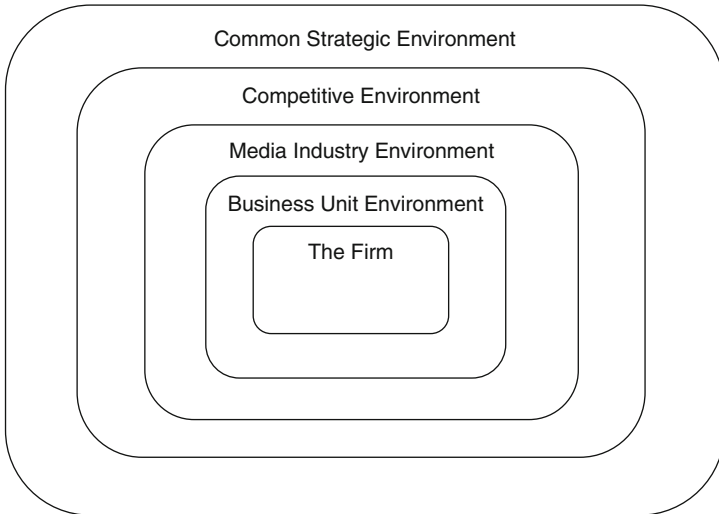
Figure 6.1   The Pitkethly diagram

The outer band represents those factors which directly affect all commercial organisations: the legal framework within which they must work, the tax regime to which they must subscribe and those constraints which they should observe in order to be *good* competitors. The industry factors represented in the central band consist of the amount of competition and, significantly, the behaviour of those competitors. Good competitors are considered to be those whose strategies are designed to compete sensibly. Poor competitors often respond irrationally to perceived threats and by doing so can engender reactions from the rest of the industry sector that can unsettle the market.

Were the first embracers of the Internet poor competitors?

Increasingly, technological advances create unexpected pressures from new entrants. The best example of this are the direct and indirect threats posed to existing media by Internet entrepreneurs. With no entry barriers worth considering, not only in terms of content quality but also in terms of offering cheaper advertising, these organisations could (and did) wreak havoc in the traditional newspaper industry. While the effect of their arrival displayed all the characteristics of poor competitors from the established newspapers' standpoint, in fact all they were doing was taking advantage of their almost non-existent cost base.

Within a very short time, the traditional newspapers' reliance on their very expensive production plant and well-paid employees to ward off prospective publishers was seen to be not only a hollow defence but also as something of a financial burden. The nimbler electronic publishers made dramatic inroads into the newspaper market not just because they were offering a new service which had the appearance of offering the audience more, but also because the newspaper industry was slow to react. Group-think and a stubborn belief that people valued newspapers held sway in many newspaper boardrooms. What escaped them for some time was that while people value news, they do not necessarily value newspapers.

News-heavy to gossip-rich

The media industry consists of a spectrum of organisations which extend from news-heavy national newspapers on one hand through to lightweight gossip magazines on the other. This range of media alternatives makes it possible to categorise them by their content as an aid to formulating appropriate strategies, but it is important first to define

all the media we choose to examine as being first and foremost service organisations, which can be grouped within the services industry sector. The single most important characteristic of a service is its intangibility: whereas a product can be seen and touched, a service can only be experienced. It is most often both created and delivered at the same time, as in the case of a haircut – in this case, the hairdresser provides a service literally on demand. Generally services cannot be stored for later use; they must be consumed when required.

The exceptions to this are those parts of the news media which provide hard-copy versions of their output, for example, newspapers and magazines. It has been argued that these media, having originally launched print products to overcome their initial problems of not having any other method of contacting their widespread market and of the large amounts of time needed to distribute their printed products, appear to have merely continued out of habit. A countervailing argument has been that information and its implications often take time to absorb, and a medium which permits reference-back makes for more efficient communication. To this extent, news media are either *experience* or *credence* services inasmuch as previous use has proved to be satisfactory or not (experience service), and even after the service has been bought, but not yet consumed, as in the case of unclaimed insurance, it may not be possible to decide whether it is satisfactory (credence) service.

The basic functions of the media

There are three functions which media companies can offer: information, entertainment or persuasion. This latter function has almost entirely moved to the Internet in what has become known as the blogosphere – the home of the latter-day pamphleteer. The relatively small amount of persuasion that remains in the traditional media is usually in the politically committed national press and news magazines.

The character of individual media is largely defined by the admixture of information in the form of news or items of entertainment which do not have the substance or time criticality of news stories. National newspapers and serious news magazines lie at one end of this spectrum and celebrity gossip publications at the other. Each medium has its own core community and while there is some degree of multiple connections, these groups are usually sufficiently distinct to permit categorisation based either on geographical location, demographics, profession, leisure pursuits or social class.
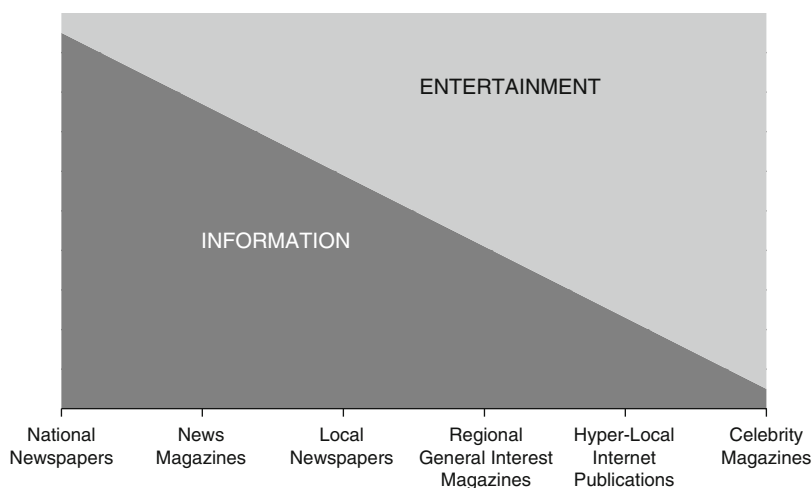
Figure 6.2　Information/entertainment ratios in local media

Communities of interest

The least complicated of these communities of interest are those usu-
ally served by local newspapers, magazines, radio or television stations,
where the footprint of each medium overlies the community bounda-
ries. In order to minimise wastage, the less the footprint overshoots this
boundary, the more efficient will be the transmission of the medium's
content to the target audience. While the principal interest of members of
the community is in their own well-being, an additional concern is
their identity within the community, which is sustained, or amended,
by the information in the form of news items which bear directly on the
community of which they are members.

The sense of belonging, which is so essential for the adult members
of settled families, is the essential glue which binds communities, and it
is the free flow of information filtered and directed by the news media
which the community uses to strengthen this bond. Families use news to
assess the importance or otherwise of the events which are likely to bear
upon the family as a unit or on the assets which represent the family's
wealth. Communities depend upon the news media to provide them with
some indication of the relative importance of the events which are about
to affect them. Interpretation is becoming of greater significance as the
world in which communities exist becomes more complex.

Gemeinschaft and *Gesellschaft*

The German sociologist Ferdinand Tonnies (1855–1936)[2] hypothesised that groups of people consisted of two types of human association: *Gemeinschaft*, which is usually translated as community; and *Gesellschaft*, which is taken to be society or association. *Gemeinschaft* is considered to be a more cohesive social entity (Tonnies regarded family or kinship to be perfect descriptors of *Gemeinschaft*), whereas *Gesellschaft* describes a group which are motivated largely by self-interest. Tonnies was at pains to point out that these groupings are not mutually exclusive and that other shared characteristics such as place or belief systems could also be major contributors to *Gemeinschaft*.

Pahl[3] reinforces this view by stressing the fundamental nature of locality in the study of community. The importance of Tonnies' concept for media companies is that it permits a deconstruction of communities along other than simple demographic lines. It may also go a long way towards explaining why the Internet has proved to be so overwhelmingly popular, especially with those in the *Gesellschaft* category. From the media companies' viewpoint, especially those providing news, it is the *Gemeinschaft* group which is of most interest, and while the attitudinal research which is necessary to measure this characteristic is scarce, it does exist in the media industry.

A major attribute of residents displaying *Gemeinschaft* characteristics is a high degree of loyalty and commitment to the community in which they live. However, individuals with this trait usually live within families, so it is the family unit which becomes the main focus of a media company's attention, and as it is the adults within families who set the tone for the family view of their community, it is the family units who become the primary targets for any form of promotion. An example of this is the research published as *Local Matters,*[4] which was conducted on behalf of the UK Newspaper Society (see Chapter 5), which represents local and regional newspapers, and surveyed weekly newspaper readers throughout the country. In response to the question 'Do you feel you are a part of the local community?', more than 43 per cent of the *young families*, *teen families* or *empty nesters* (families whose children have now left home) replied in the affirmative. This is a strong indication that these family units could qualify for inclusion in the *Gemeinschaft* group and, at worst, could provide a strategic target for goal setting.

While the method described above sets the outer boundary of the primary target group, the following graph in Figure 6.3 shows which of the research divisions can be pursued most profitably. These figures,
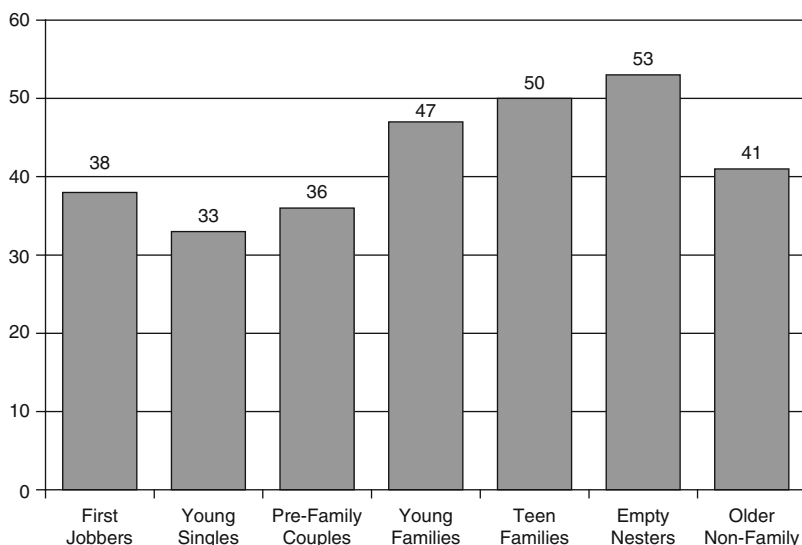
Figure 6.3 Community commitment in family units

which are percentages of each sector universe, set out the amount of commitment which is displayed by community cohorts and which are more likely to respond to the tailoring of content or to the design of promotional activities. This method of assessing market potential, while flawed to the extent that it may under-estimate the actual figure as there is almost certainly some carry-over from the *Gesellschaft* category, at least provides an initial evaluation on which to base a strategy. This putative potential target is vitally important in the current situation where the competitive position in the media marketplace is changing almost daily.

The *Gesellschaft* concept is very useful when seeking to understand the remarkable growth of the Internet. It is attractive to dismiss the Internet as a passing phase enabled by the introduction of personal computers, but this is very far from the reality. The desire to have the world of knowledge at one's fingertips is very much a *Gesellschaft* feature of people who are less concerned about the community in which they live, and more about their personal needs and desires. This group should not be confused with those three research categories (*first jobbers*, *young singles* and *pre-family couples*) who have not yet begun to acquire assets which they are concerned to protect, or have not yet established a place in the community as a householder or parent.

People in the *Gesellschaft* category are considerably less local in their interests and use the Internet as a communication tool for national and international topics. The young, while giving the appearance of displaying no interest in local affairs, could well be displaying an eagerness to explore worlds to which they may not have had access before the Internet. They could be described as being in a state of transition, being likely to move to the *Gemeinschaft* category when they have established a place in the community.

Achievable potential within a community

By commissioning straightforward attitudinal research using this sociological typology, it is practicable to estimate a media firm's achievable potential within a community, but it is not possible to identify these individuals as being in either category. Happily, they exist within families, and it is families that are easily identifiable. In a community of 100,000 homes, it is possible, using the figures quoted above, that there are a possible 43,000 *Gemeinschaft* households. This gives a top limit target against which progress can be measured. As the acceptability of content is perhaps the main driver of reader interest, this measure could prove to be a powerful tool.

Strategic issues

The foregoing hypothesis is merely a part of the necessary strategic analysis which must precede the construction of a set of strategies for any media company. Following the work of Pearce and Robinson,[5] it has been decided to use their definition of strategy as being: 'Large-scale, future-oriented plans for interacting with the competitive environment to optimize the achievement of organization objectives.' They provide a useful set of criteria to enable a distinction to be made of those factors which should be regarded as strategic issues. They are:

1. those that require a top management decision;
2. those that involve the allocation of substantial amounts of company resources (i.e. people, physical assets or money);
3. those that are likely to have a significant impact on the long-term prosperity of the firm;
4. those that are future-oriented;
5. those that have multi-functional or multi-business consequences;
6. those that necessitate the consideration of factors in the firm's external environment.
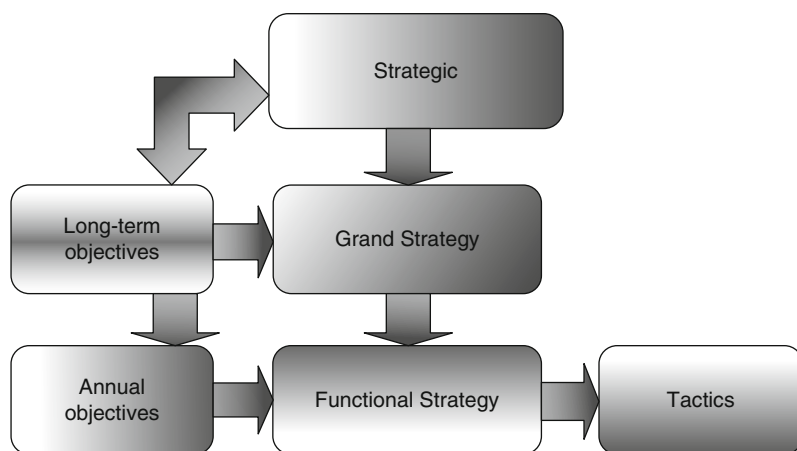
Figure 6.4   Strategy formulation model

All media firms, whether traditional or innovative, must satisfy basic questions concerning their mission. What are they setting out to do and do they have the necessary resources to do it? The resultant company profile is a summary of the firm's *performance capabilities* based on the available resources, whether actual or accessible. In order to be future-oriented, each of the categories of financial, human and physical assets should be projected forward and the trends noted. SWOT (strengths, weaknesses, opportunities and threats) analysis is useful at this stage.

Pearce and Robinson[6] separate the external environment into two related segments, operating and remote, where the operating part is the day-to-day competitive forces acting upon the firm either assisting or hindering the firm's objectives. The remote segment consists of those elements which are common to all the competing firms in the media sector. The authors suggest the implementation of PEST (Political, Economic, Social and Technological) analysis at this point.

Formulating a grand strategy

Once the strategic analysis is complete, the range of possible choices will become evident and the overall grand strategy will begin to form. The first level will be the answer to the question *what is possible?* The second is w*hat is desired?* One of the most frequent mistakes made when attempting to formulate a strategy is to attempt to start with what is desired, without paying

any regard to what is possible. At best, this can only result in a series of false starts, with considerable wastage of time and effort, and, at worst, with a complete disaster from which the firm may never fully recover.

Figure 6.4 above gives some idea of the steps and mechanisms which can be followed while formulating a strategy. The criteria on the left, long-term and short-term objectives, can be regarded as aspirational, marking the general outlines of the organisation's aims. The centre line represents the nuts and bolts of the planning process, starting with analysis and ending with a functional strategy leading (on the right) to the tactics which will require to be employed.

The most basic question that needs to be asked of any business is: *what is your objective?* It is important not to confuse the company's objective with its *mission statement*, which is most often a declaration of lofty intent with regard to what the firm sees as its social responsibility. To be of greatest use, an objective should describe in clear terms what the senior management desires in terns of market share, profitability, return on investment or any other concrete measure they decide to insist upon. Without this clearly stated and universally known state-ment, it is possible that the firm will descend into management drift, where the lack of direction will result in a lack of purpose.

Constructing a detailed strategy

The first step in preparing to construct a strategy is the detailed descrip-tion of the company profile, which has three elements:

1. An assessment of resources available either within, or readily avail-able to, the firm:
   (i)   financial (is there sufficient funding available for future needs?);
   (ii) human (are there sufficient employees of the required level of skill to deal with future demands?);
   (iii) physical (is there sufficient space, plant and machinery available for future needs?).
2. Inherent strengths and weakness in the management structure (how well are the departmental managers trained and do they update these skills sufficiently often?).
3. Examination of the firm's credo with regard to its fitness for purpose in the current competitive climate.

In order to achieve an objective which is of the greatest possible use, it must be unprejudiced, and this is best managed by a review team

comprised of a selection of departmental representatives from all management levels, who can be asked to participate in particular sections of the task. It may also be necessary to hire the services of outside experts, especially when impartially assessing the skill levels of both employees and managers.

The age of an industry affects its mindset

Henry Mintzberg[7] has pointed out that the age of an *industry* will often determine its structure. The older the industry (not just the organisation), the more formalised its behaviours and the more difficult it becomes to change these. In general, the older the organisation and the industry sector of which it is a part, the more bureaucratic and resistant to change it becomes. In the media industry this is most evident in newspapers, which is the oldest sector in this field, and this characteristic is least noticeable in local Internet publications, which are new and usually smaller in terms of staff and inferior in terms of profitability, but have the valuable ability of being agile when they need to change course.

While this lack of flexibility is most often caused by the fact that the organisation has had to deal with challenging events many times in
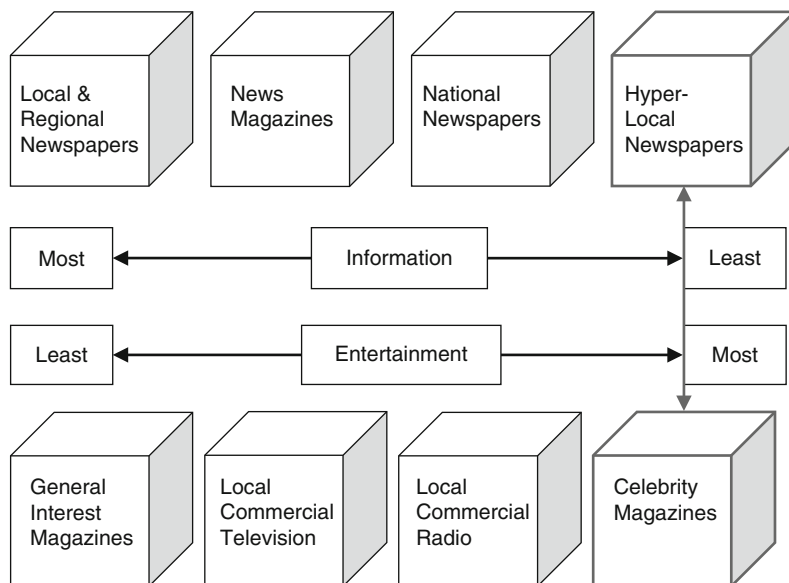
Figure 6.5 Detailed model of types of content

its history and has found satisfactory solutions, these have entered the lexicon as 'the way to do things'. This will only change when a similar, but different, problem arises for which a new solution needs to be sought. In every organisation there are both formal and informal power structures: in the formal structure, the decision-making processes are overt and clearly understood by all participants, while in the informal structure, although the processes are not covert, they are rarely fully understood by those who are not fully involved. They normally come about as a method of avoiding delays in the formal power structure.

Figure 6.5 above sets out to show the relative positions of local media as providers of either principally information or entertainment. The decision to provide either has a series of consequences that will determine both the structure and most of the strategic decisions which will need to be made in order for the medium to be a success. In practice, media that provide most by way of information are likely to be forced to employ the most staff in order to ensure a steady supply of the kind of information needed. Those supplying entertainment are almost always forced to depend upon outside sources to provide their content.

With newspapers at one end of the spectrum and hyper-local Internet publication at the other, it is illuminating to construct a matrix using not just the information/entertainment vector together with the old/new. There is a case to be made for yet another dimension to be added – that of make or buy.

Starting with local newspapers, which normally generate much of their editorial material from in-house sources, national newspapers, which make extensive use of news agency material, and proceeding to national news magazine, which, while using considerable amounts of their own material, also commission stories from expert sources, it becomes evident that the amount of bought-in material directly affects the characteristics of each. General interest magazines normally have only a small part of their content generated by their own staff and most (particularly photographs) have freelance origins. By combining these three elements into a three-dimensional matrix, it becomes possible to see not only how the main media differ from each other, but also (of possibly greater importance) just how much the boundaries begin to overlap as competition increases.

Advertising as an information source

What has been ignored so far has been the importance of advertising as an information source. Most observers of the media scene think of

advertising merely as a source of revenue alone, whereas readers, viewers and listeners use the information that the advertising provides to build their knowledge about goods and services that they may need either currently or in the near future. When assessing the make or buy factor, it is useful to point out that there is a trade-off that media managers must address and that must find a satisfactory solution if sustainability is to be achieved – that is, the amount of both editorial content and relevant advertising that will *satisfice* the audience.

In general, those media which provide the most in-house-generated material have the highest costs inasmuch as their staff must be paid on a continuing basis irrespective of the amount of material they can produce. The benefit of directly employed staff is the ability of the management to control the quality of the published, or broadcast, content. Bought-in material, while involving lower costs, is usually not unique in that it is available to any medium willing to pay for it.

The more local the medium, the more likely it becomes for the content to be generated in-house. While weekly newspapers are inclined to use correspondents to provide village notes, these are not normally paid-for. The larger the circulation or broadcast footprint of a medium, the more likely it is that it will have to commission stories from *stringers* or freelance sources who are not on the medium's payroll, but who receive payment for each story accepted. This method of obtaining stories from distant sources reduces costs in terms of both staff time and travelling expenses. Only national newspapers and national broadcasters have been able to afford to maintain a staff of journalists based in overseas capitals; other media have to rely on buying material from news agencies.

Generic strategies

Porter[8] has provided a useful approach to defining precisely where individual media are located in strategy terms within an industry, and this is the one we propose using in the initial analysis. It is crucial to first underline that the media industries need to have twin-track strategies: one aimed at the consumers and the other at the advertisers. While these are distinctly different target groups, the objectives required of each must not be in any form of conflict, as the number of consumers directly affects the amount that can be charged for advertising, and the advertising revenues determine the amount (and quality) of information or entertainment that can be offered to the consumer.

For the purposes of this work, we intend to treat the media business as a strategic group inasmuch as it is a collection of dissimilar participants

offering substitutes that are sufficiently close in content or purpose to affect the others. The content can either be information, in the case of news, or advertising. Of the two, it is advertising which exerts the greatest force and has the greatest effect throughout the industry.

Michael Porter offers three overall strategies that embrace the situation of media companies today: overall cost leadership, differentiation and focus. It is clear that for some of the individual media businesses, especially the electronic media, the product has no direct cost to the consumer, while for others, particularly local and regional newspapers, the product cost has been held at an artificially low level for marketing reasons. By holding down the product cost to the consumer, it was thought that it would encourage sales, which in turn would justify higher advertisement rates.

Enter the moving image

It was to be within the advertisement arena that the critical battles were to be fought. The first stage was the growth of the commercial television sector, which concentrated on attracting national advertisers, thus directly confronting the national newspaper and national magazine markets. Initially only these national advertisers could afford the high rates and the concomitant production costs for the commercial messages. The moving images provided by television were glamorous in comparison with the black and white static images on the printed page, and television advertisements were even more attractive when colour television became available.

This advance forced the print media to introduce full colour in order to be able to match in part the possibilities offered by television. Some larger groups who already had colour magazine supplements managed to retain some national advertising, but the overall response to the threat from the commercial television companies was patchy. The marketing people at commercial television companies knew that they could not quote the number of copies sold, as could newspapers, so they launched viewership surveys as an alternative. This was particularly well-received by the advertising agencies as they were accustomed to having their requests for detailed information greeted only by a circulation figure for the publication in which they were interested. Regional newspapers were not as badly affected as the national press, as the advertising they were asked to carry needed to provide the local address of stockists of the advertised goods seen on television.

Commercial television succeeded in the early stages not by differentiating their product (although the high entertainment content of their

offering already did that), but by the differentiated service they offered. They had no overwhelming cost advantage and, even if they had, it would have carried very little weight with the marketing staffs of both the manufacturer and the advertising agency, whose only concern was to shift merchandise in the most effective and efficient method possible.

This incursion into what had been the comfortably profitable world of newspapers revolutionised the competitive arena in media. For as long as the barriers to entry into the print world were high, the incumbents had little to fear; they knew that high fixed costs and low unit costs of production would preclude any serious competition. Their reliance on the very expensive entry barriers which had made newspapers a rich man's sport had caused them to ignore threats from new entrants, who did not have the same affection for the traditional way of doing things. This blinkered view of the environment was to be repeated again and again in the media industry – as with the Bourbons, 'they have learned nothing and forgotten nothing'.

Prior to the arrival of commercial television, newspapers had little in the way of direct competition, being protected largely by the high entry barriers. Although it went unrecognised at the time, the effect of the arrival of commercial television was to signal that the formerly secure position of newspapers would dramatically alter. Whereas in the past the number of entrepreneurs prepared to invest large sums of money in newspapers was limited, now it was clear that the mighty newspaper industry was vulnerable to some degree, and those with available capital began to turn to the commercial television sector to invest.

Strategy, as a science, made its appearance in the wake of the Second World War as industries in both Europe and the USA strove to gear their operations away from a war footing and back to a peacetime one. The thinkers who led the field were too numerous to mention, but all of them provided or enabled coherent plans. As has been noted elsewhere in this work, the newspaper industry, especially in Britain, regarded the new ideas as interesting, but not much more. It was to be many years before they perceived its validity for them.

Porter[9] in his five forces analysis framework listed the major directions from which competition could come. In addition to rivalries among the *existing competitors*, there are threats from *new entrants*, as we have seen with commercial television companies, and pressures from both *suppliers* and *buyers*, but perhaps the greatest threat to media companies comes from organisations that offer acceptable *substitutes*. Attention has already been drawn to the need for twin-track strategies in media organisations, even those that do not charge for their product. It is just

as critical for a free medium to encourage viewership or listenership as it is for print media to sell copies, as without a sufficiently large audience, it is difficult for a media company to attract advertising.

The five forces were produced for the generality of businesses; however, media companies differ inasmuch as they need the five forces analysis conducted on both the product and the advertising that supports the product. The constraints that face prospective entrants to the field are different in almost every case. In the case of the electronic media, radio and television, a government licence is needed to operate, except for satellite stations broadcasting from outside a national boundary, which can transmit their signals with relative impunity. The print media generally do not have licensing problems; their problems centre on obtaining and publishing content of an adequate quality, and on being able to attract and hold the highly skilled journalists capable of providing this.

Entrants

There have always been new entrants into the media arena. The supposed power which ownership of a newspaper, magazine, radio or television station is thought to bestow is largely illusory, but this does not prevent wealthy individuals from seeking to have a stake in an industry which they consider will provide them with status. The number of opportunities to purchase parts of the media can change from time to time, none more dramatically than following the arrival of the Internet, where licences were not needed, as with radio and television, and the cost of entry was extremely small. Wealth was no longer a requirement to gain a foothold in what was seen to be a golden opportunity, and so there was a rush of more or less qualified entrepreneurs.

This was not the first time there had been a direct threat to the newspaper sector of the media business. Free newspapers had made their appearance some years before, their presence having been noted by middle-grade newspaper managers whose companies had approved their visiting the USA to observe their newspapers. As detailed in a later chapter, these managers had paid particular attention to what were called *shoppers*, publications which contained only advertising and which were distributed free of charge. This was the first serious attack on newspapers and was defeated only when the national economy dipped and advertising revenues fell dramatically, and the entrepreneurs, who were largely the middle managers who had been to the USA and who lacked sufficient capital to weather the economic storm, largely folded or sold out to the traditional newspaper groups.

Rivalry

The media environment in Britain, as we have seen, was only rarely the scene of active competition. Generally the existing media had settled down to a state of unarmed truce, where newspapers did not attempt to encroach upon their neighbour's circulation areas, and the radio and television stations were secured by the government's licencing rules. In the main, it was a peaceful scene, apart from (as noted previously) the alarms and excursions of the freesheet entrepreneurs.

Having successfully fought off, as they saw it, the free newspaper threat, an aura of infallibility descended on the regional newspaper business, which was to be cruelly, and deservedly, ripped away by the Internet, which may partially explain the tardiness of the traditional newspaper business to react.

Substitutes

Substitution has developed into one of the most threatening of all the dilemmas which face traditional media. In the current digital environment, original sources of information and entertainment can quickly be replaced or replicated through innovative media such as iPads and iPhones. These newer media have various constraints inherent in their technologies with regard to the optimum amount of copy or video material, or in the require-ment of their users to have instant access to news. Many newspapers now operate a digital version of the news they print in their newspapers; while this is generally the same as in the hard-copy version, the loss of readership in the paper and its replacement electronically means that the latter is a substitute, although it comes from the same source.

Suppliers

Threats to media companies by their suppliers are relatively rare, princi-pally because there are generally more suppliers than there are organisa-tions using their products or services. Where there are readily available alternatives, the chances of suppliers being able to enforce credible threats are extremely limited.

Buyers

The only area in which buyers can bring pressure to bear is in the advertising on which publications are reliant. This is illustrated in a

later chapter in the case of estate agents. It is tempting to conclude that everyone who subscribes to digital services falls into the *Gesellschaft* category, although this is not believed to be the case. In general, digital output is geared towards the busy reader who needs only to know the headline story and some of the detail. This is the *what* of the story, but there is rarely anything of the *why.* This moves digital newspapers into direct competition with local commercial radio stations, which also suffer from space and time restrictions. Commercial television stations have large footprints, which mean that what is important to the residents in one part of their broadcast area may not be nearly as interesting in another, so they have never had much localism in their business models; rather, they are more concerned with garnering revenue from national advertising agencies and manufacturers of fast-moving consumer products.

Substitution in the media industries is basically about exchanging sources. Despite much talk about co-creation, citizen journalism and empowerment, the overwhelming majority of news material continues to be produced by professional journalists, whether employed directly by media companies or in news agencies.

7
Newspapers in Decline

Newspapers in the majority of developed countries have sustained considerable damage to their revenues, profits and paradigms over the past 20 years or more. It is easy to see the extent of the detrimental effect to both revenues and profits, but considerably more difficult to accurately assess the effect on the set of beliefs and assumptions which together make up an organisation's paradigm. The paradigm anchors the cultural web of control systems, rituals, power structures (both formal and informal) and the myths which permeate the image an organisation has of itself.

The longer an industry has been established, the more the paradigm is embedded as the trusted way to reduce uncertainty, and this often results in the view that to question the paradigm is somehow to display if not treasonable intent, then at least a questioning of the authority of the organisation. An unquestioned paradigm makes change difficult, and at best will both delay and prolong the process of necessary change, with all the expense in terms of both money and opportunities that delay inevitably causes. The current newspaper paradigm had precisely this effect upon an industry moving into decline.

The decline of the newspaper industry has been underway for approximately 40 years, starting much earlier than the Internet's abrupt arrival on the media scene in the early 1980s. Up to that point and for some years afterwards, the profitability of newspapers remained high and there appeared to be no reason to question the thought processes which had served the industry well for so many years, by which time the opportunity to repair the damage inexpensively had passed.

In 'End-Game Strategies for Declining Industries', Katherine Rudie Harrigan and Michael Porter[1] have identified four of the reasons for decline:

1. Changes in lifestyle, tastes or needs.
2. Technological changes fostering substitute products at either lower cost or higher quality.
3. The shrinking of the customer group.
4. The rising cost of complementary products creating an increased packet cost.

When analysing the newspaper industry, it is important to bear in mind that, by and large, for the first 150 years of its existence, the newspaper industry, with the exception of the national press in Britain and the large city newspapers in the USA, was free from direct competition. Much of the current academic teaching and writing on business studies is focused on competitive strategies and is of limited use in the case of newspapers. This has meant that the majority of newspaper managements have been unaccustomed to having to consider direct competition and, as a consequence, much of the strategic planning for newspapers in the current situation, which for the first time involves competition, has had to be from first principles.

When analysing the decline of newspapers, it is necessary to begin in the 1980s, when circulations began to fall. The reduction in copy sales for the first few years was not sufficiently large to cause alarm with the advertisers, and nor did it create unease in newspaper managements as the advertising revenues were not only holding up, but were actually growing. In this atmosphere of complacency, there seemed to be no need to investigate why copy sales were falling.

Improved standards of living a factor?

At this point, there does not appear to be much evidence that the loss of readership was caused by any sudden deterioration in the product itself, so it would be reasonable to conclude that it is in the marketplace that the reason for the decline is to be found. Harrigan and Porter offer changes in *lifestyle, tastes and needs* as one reason for decline, and it is accepted that this could be a first-choice possibility in the case of newspapers as the decline was comparatively gentle for the first few years. For every effect there needs to be a cause, and in the case of newspapers the cause seems to be the increase the standards of living of the general population.

As people become wealthier, they also become more discriminating; they are less inclined to tolerate goods and services that do not fit their needs, and are more disposed to seek alternatives which do. In the case of newspapers, it is known that at one time a newspaper was regarded as an essential good, principally because acceptable substitutes were rare or non-existent. It would appear that as comparative wealth grew and adequate substitutes, first radio, then television and finally, over time, the Internet, emerged, the effect was that the loss of readership began to accelerate, resulting in the position we see today where newspaper circulations both in Britain and the USA are shadows of their former selves.

It is therefore reasonable to attribute the early stages of the decline of newspapers to the effect of lifestyle, tastes and needs. The second phase is clearly attributable to the technological advances, as noted by Harrigan and Porter,[2] which fostered the design and production of substitute products which seriously threatened the survival of newspapers as sources of information. Computers had been a fact of family life since the mid-1980s, where they were used to carry out simple tasks, but the advance that revolutionised the scene was their linking together, which happened in a series of stages during the 1980s until the Internet, as we know it today, became operational by 1985.

Emails led the way

The first widespread use of computers was for emails. The first was sent in 1972 between academics and was seized upon by both individuals and commercial organisations when wide-area networks became possible. The potential of the Internet created an explosion of ideas directed at finding substitutes for the traditional media, and this is the point at which newspapers found themselves in trouble. The substitute services with which they were in direct competition had virtually no setting-up costs; they did not need expensive typesetting equipment, large printing presses or a distribution network to get their product into the hands of their readers. Nor did they have the expense of employing professional journalists to find and write the news items, as they could simply rewrite stories which appeared either in newspapers or on radio or television.

This parasitic behaviour was robustly attacked by the newspaper companies and the news aggregators after an initial defence that *news should be free* found their life becoming considerably more expensive. The newspaper companies, having won, or at least drawn, one battle, were to comprehensively lose the next and more important battle – the battle for advertising.

Advertising is the single most important part of a newspaper operation. It represents between 60 and 80 per cent of revenue, and the volume of advertising determines the number of page the newspaper will contain, so the smaller the product size, the fewer the number of news items contained and, as the price of the product remains unaltered, the poorer the value for readers. The problem for the proto-publishers was that a very large amount of the advertising revenues was going to the specialist advertising sites and not, as they had hoped, to the online news publications.

As you sow, so shall you reap

Was this the sequence of events that afflicted newspapers in the second phase of the decline? Or had it been the consequence of the unthinking escalation of advertising charges over the years in order to subsidise an artificially controlled copy price? Whatever the cause, the effect was devastating for the newspaper industry. The advertisers were being wooed by Internet operations offering cheaper advertising directed at their target customer groups. As such, the advertisers were still paying for publicity, but now it was to the Internet companies rather than to the newspaper. As search engines became more sophisticated, they could rapidly find sources for the kinds of goods or services which the customer wanted.

A popular response from publishers was to offer a digital version of their newspapers containing the advertising which at one time was carried exclusively in their print edition. Such a confrontational stance on the part of newspapers was designed to take full advantage of the fact that in the print version of the newspaper, they had an effective publicity vehicle in which to promote the digital form. However, the problem that this creates is that energetic promotion may drive readership away from the hard-copy product, which is significantly more profitable than the electronic version.

Fewer or less often?

Of the two remaining factors noted by Harrigan and Porter, the one which best fits the present situation of newspapers is the *shrinking of the customer group*. At first glance, it seems obvious that the loss of circulation is most directly the result of fewer people purchasing newspapers, but there is another factor: that of frequency of purchase.

If people are purchasing newspapers less often rather than fewer newspapers each day or week, then the household penetration may be higher than the data would lead us to believe. However, there is another element which may affect this last factor, the last of Harrigan and Porter's four reasons for decline: the increase in cost of complementary goods or services.

This element relates to the idiosyncratic way in which newspapers are offered for sale to households. A large majority of newspapers have been sold through and delivered by newsagents, who also sell periodicals. It is usual for families to pay for their delivered publications on a regular basis (weekly, fortnightly or monthly). In each of these packages, there are likely to be newspapers and magazines, of which the unit cost of the newspapers is a fraction of the unit cost of the magazines. When prices rise, as they have been doing, the largest monetary increases are for the magazines and, when economies are required, it is often the cancellation of some of the daily newspapers rather than the loss of a less frequent, but expensive magazine. The effect is a loss of a sale, although the cause is the rise in the price of a complementary product; while this is clearly not what Harrigan and Porter had in mind, it does illustrate the point that complementary products can embrace elements of a purchased bundle.

To return to the shrinking of the customer group, it is useful to note once again the dichotomy of the *Gemeinschaft* and *Gesellschaft* divisions. In the past, it has been accepted that *Gesellschaft* embraced only the young; however, recent research into mobile telephone usage has begun to show that the social networking sites, while still used most by the 18–24 age groups, are being increasingly accessed by the 25–34 and the 35–44 groups. While the 18–24 category are most often the *first jobbers* and *pre-families*, these last two groups will almost certainly be members of the *young families* and *teenage families*. If it is the case that the 25–44 age group is changing its behaviour, then this can only be at the expense of the 44+ group. So it may well be that the potential customer base for newspapers is shrinking as a direct result of the growing appeal of the innovative Internet services.

Possible courses of action

For a declining industry, Harrigan and Porter propose four possible courses of action grouped into two distinct strategic directions. In the first of these groups, which can be broadly categorised as retreat,

is harvesting, in which profits are maximised and expenditures are reduced to as close to zero as possible, while the second is divestment, in which every part of the operation which it is possible to sell is offered to the market. Both policies are destructive to the confidence which any organisation needs from both its employees and its suppliers, who are quick to look for other opportunities.

The other grouping which can best be described as advancing policies is made up of two strategies: *leadership* and *niche*. The leadership option is of limited use in the newspaper industry mainly because of its emphasis on the larger or largest firms seeking to operate partial control over the market. Only in the national newspaper field is there one coherent market with several competitors which might be persuaded to leave the shrinking marketplace either by persuasion or coercion. However, as national newspapers usually have strong political affiliations, if not direct connections, the options of ceasing to publish would be considered unacceptable. Neither persuasion nor coercion is likely to succeed in an arena which values the access which political allies can give.

Persuasion could be exercised by offering to share production or other facilities, and coercion by customer-centred technological advances which the competitor cannot afford to replicate. For the regional newspaper section of the industry, a leadership policy does not work as there is a series of small marketplaces with usually only one dominant newspaper.

The amount by which the national newspaper market is declining in the UK is graphically demonstrated in Figure 7.1 below, in which it is clear that whatever has affected the newspaper market has been universal in the sense that it has directly influenced all publications in the national newspaper market, as all have suffered steep declines in copy sales.

The second of the *advancing* strategies is *niche*. For a long time, a niche strategy was regarded as an admission of failure, an initial step towards liquidation. Properly managed, a niche strategy can be used to stabilise regional newspapers' market positions within an admittedly smaller market segment. Unfortunately, smaller is to be the watchword of the newspaper industry for the foreseeable future. The mass-market era of newspapers has finally finished and the industry now has the opportunity to enter a period of specialisation by customer type. In the case of a *Gemeinschaft/Gesellschaft* dichotomy, this would be with those readers who have demonstrated an attachment to the community that the newspaper serves.
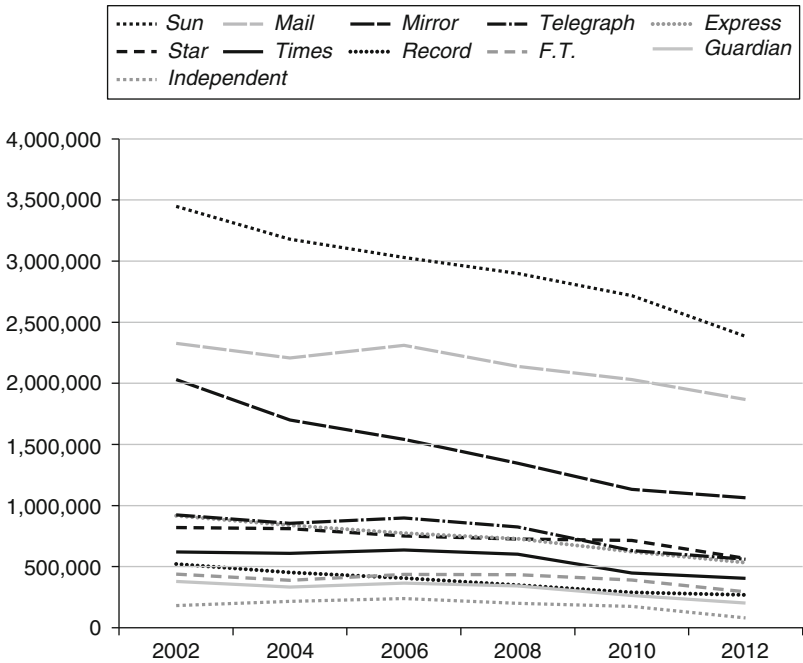
Figure 7.1   The decline of national newspaper sales over ten years

Niche simplifies focus

Such a decision forces changes to the structure of the business. No longer is there a need to seek to provide for all the community; the focus can be on the *Gemeinschaft* category and on its needs. In place of general news items, the focus can be on the detail of events which concern the well-being of the community. While this may seem to be a trivial change of direction, in reality it enables marketing of the product directly to that part of the audience which becomes the stable niche which the newspaper needs.

Crucial to the success of a niche strategy is the viability of the niche; it has to be of a sufficient size to provide adequate copy sales to attract advertisers and for those advertisers to have a propensity to advertise in sufficient quantities so as to enable the profitable operation of the newspaper. Another critical element in a successful niche strategy is that of promotion of the product. Newspapers, especially regional newspapers,

have considered that the marketing of their product was not essential; there was a belief that the fact that they existed as a source of information was enough to attract readers. Those days are now very much behind us – there are simply too many other sources of information available for the average community resident.

If we assume for a moment that the *Gemeinschaft* category is the main component of the new niche, then what is clear is that with the older members disappearing at the top end, it is vital to encourage the younger cohorts in order to maintain the niche width. Newspapers managements will need to put in place continuing promotion programmes designed to reinforce the message of the importance of the product to the community. In order to be of importance, the newspaper should seek to carry out those functions which other media cannot perform, or cannot perform adequately, for example, to take the time and trouble to explain what events and decisions will mean to their community.

On the commercial side, a focused target group of established home-owners is of interest to advertisers who no longer will need to pay for wasted circulations to those younger members of the community who are not currently potential customers, and who may not be so for some time to come. Moving to a niche strategy does preclude a premium price, at least until the niche is stabilised, but what it does do, in combination with an active promotion programme, is to help give the impression of the price of advertising becoming constant, as the price rises very slowly, if at all, while the publication gives the appearance of bursting into life.

Avoiding past mistakes

In the early stages of niche planning, it is essential to restrict the size of the niche as far as possible in order to make it difficult for competitors to out-focus the re-vamped publication. Because of the history of newspapers, it is all too simple to seek to broaden circulation both geographically and demographically in an attempt to increase influence. To choose to do so would be to open the door to competitors, who might see an opportunity to establish a foothold in the respective market. By restricting the niche size, it restricts the chance of an intending competitor launching and sustaining a profitable out-focusing operation. When considering strategies for a move to niche operation in order to stem the decline of sales, there are several factors which should influence the final decision. The first of these is an assessment of the probable niche size. While the *Gesellschaft/Gemeinschaft* division looks the most likely

to be effective in most cases, it is crucial to conduct market research to establish a figure.

How long will the niche last?

The next factor of consequence is the question of how long this pocket of potential is likely to exist. If the members of this cluster are likely to reduce in number and not be replaced, or replaced at a rate that will not sustain the niche size over a long period, then the use of a niche strategy becomes problematic. The product differentiation of a niche product may well be easier than that for a general newspaper inasmuch as the target area is known, for example, those who are interested in the community in which they live. While it may appear that this should be a main concern for any regional newspaper, when a niche group is identified, it is possible to provide a much more focused and more in-depth content than would be possible in a publication which has a wide focus.

Exit barriers

One problem that affects all newspaper publishers faced with a declining market is that of exit barriers. It may well be that there are publishers who simply cannot afford to pay the price of getting out of the business, either because they cannot find buyers for their assets at what they regard as a fair price or because their financial, legal and social commitments are such that they do not have the resources to leave, so they must remain, uncomfortable in what is becoming an increasingly hostile environment.

What is certain is that the changes that have so seriously affected newspapers are not limited to newspapers alone; with most to lose, newspapers have lost most, but other traditional media have also sustained some damage. The newspaper industry is the longest established of the traditional media and has experienced the greatest negative repercussions from the changes in the social and business environment. The next longest established medium is radio, and data published by Ofcom in its 2012 *Communications Market* report has shown a steady weekly reach of just under 90 per cent of the population over six years, and a weekly hours per head figure which has also been steady at around 20 hours. It is their commercial revenues which have reduced most, falling from £512 million in 2006 to £456 million in 2011, having dropped to £432 million in 2009.

By contrast, television industry revenues rose substantially in the seven years from 2005 until 2011, from £10.5 billion to £12.3 billion.

Once subscription revenue is deducted from these totals, the advertising-only revenue figures dropped from £3.68 billion in 2005 to an average level of £3.5 billion each year for the next five years, before rising slightly to £3.57 billion in 2011. Complicating the picture was the official arrival of the recession in 2008. The effect of the recession was not evident in the television advertising market until the following year, when the total fell to £3.11 billion, marking the most recent low point for the industry.

Why the effect on TV advertising revenues should have been delayed for a year probably has more to do with the manner in which advertising time is bought than for any other reason. Television advertising has become the strategic mainspring of manufacturers' marketing planning and is decided upon well in advance. Radio advertising tends to be used as a tactical device used to counter particular market conditions. Despite the disparities of both volume and advertising cost, the radio market lost most, falling by just over 17 per cent from its peak, whereas the television industry lost just over 13 per cent of its peak figure.

The recession does not appear to have had much effect upon British national newspapers, which continued to decline at much the same rate as they had for over a decade beforehand. From this it is possible to assume that their main problem was coming from another quarter: the Internet. The problem of knowing which of the factors (loss of readers or loss of advertising) drove this downward spiral remains difficult, if not impossible, to establish. On balance, it would appear that while newspaper circulations had been falling for 40 years, the decline was comparatively gentle; only when the Internet alternative to newspaper advertising became available to advertisers was a fierce additional twist applied.

Providers of news

Another factor which was alluded to earlier is the differing characters of the newspaper as a provider of information in the form of news, with television and radio being primarily providers of entertainment. Reference has already been made to the suggestion that the decline of newspapers began when their product no longer met the needs of the audience at which it was directed. While the inward-looking attitudes of newspaper managers may have helped to provoke this situation, there is some likelihood that the general public were beginning to rely less on newspapers as their main source of information and more initially on radio news and eventually on television news broadcasts. It may well have been that it was not that newspapers were doing a bad

job, but merely that their audiences no longer needed what they were being offered.

What had begun as newspaper managers failing to pay strict attention to what their readers wanted rather than whatever it was that they (the managers) were happiest supplying developed into a substitute news source in the form of radio news broadcasts, which had the advantage of being more immediate than newspapers could ever hope to be. The attractiveness of television news, which could add movement and subsequently colour, inevitably meant that radio in its turn would be replaced as a primary headline news medium.

The position today is that the majority of the general public obtain most of their news from television, with radio in second place and newspapers in third position. An increasing number of people are getting their news from the Internet, although in some cases this is from newspaper websites, created by people who are also providing copy for the print newspaper.

8
The Growth of Alternative Media

Both the US and British radio industries started at approximately the same time in 1922. As a result of the significantly different size of each nation, the US radio industry grew fastest: the number of broadcasting licences issued by the US Department of Commerce rose from 30 in 1922 to 556 in the following year. In the UK, the number of licences was severely restricted and eventually ended with radio broadcasting in the control of the British Broadcasting Company, subsequently the BBC. This was entirely consistent with the political policies of the government of the day, which was to exercise firm control of what it recognised could become a powerful medium.

The UK government decided that it would finance this public service, thus ensuring that its control was absolute. The US authorities in their tradition of free enterprise were happy to free the newly licensed radio industry to operate commercially and this led directly to the situation where practically every community in the USA had its own local station.

Rather than have a multitude of stations, the British pattern meant that national programming was the order of the day, which suited the government, simplifying, as it did, the exercise of control. However, for technical reasons, it was not possible to transmit the same content to different areas at the same time, so, in the beginning, the BBC was a series of local radio stations. It was not until the early 1930s that it became possible to have simultaneous transmission to all BBC listeners and the service became truly national. It was not until 1967 that the BBC proceeded to provide local content once again when it launched Radio Leicester as the first part of the BBC local radio network.

In the USA, the radio industry was experiencing problems of a different kind. While most of its output was entertainment in the form of recorded music, news broadcasting was starting to occupy more airtime in response

to a public desire to be better informed. This raised problems with newspaper owners, who found that the wire services such as Associated Press, United Press and International News Services were supplying the radio stations, and newspaper managers believed that this was undercutting their products. The wire services resisted pressure from the newspaper companies, which was just as well because the newspaper groups began to purchase radio stations within their areas of influence. The next major development was the 1933 decision of the radio stations to largely cease providing their own news and to rely on the news services of NBC and CBS.

Radio revenues continued to rise at a steady rate, from $40 million in the late 1920s to $80 million during the Great Depression, and this continued right through the Second World War. In many ways, this era represented the golden years of the US radio industry, which was destined to begin to come to an end immediately after the end of the war, when television stations were licensed. By 1948, there were 34 television stations operating in 21 different cities.

The Second World War provided a boost to radio listener figures both in the USA and in the UK as the populations sought news of the progress of the Allies. Although the broadcasting schedules in UK were severely restricted (the BBC service did not begin until six o'clock in the evening), it was regarded as being of vital importance to the maintenance of morale in a country which was being subjected to total war. The fledgling British television service had been closed down following the outbreak of war, so newspapers and radio were the only sources of news for the general population. As radio had the immediacy which newspapers lacked, it soon became the news source of choice.

Immediately after the war ended, the BBC set about reinstating the National Service, which was re-titled the Home Service. Recognising the growing importance of entertainment programming, the BBC launched the Light Programme and, in the following year, the Third Programme to cater for serious drama and classical music. These changes remained in place until 1967, when the stations were re-named Radio Four for the Home Service, Radio Three for the Third Programme and Radio Two for the Light Programme. To counteract the popularity of pirate radio stations, Radio One came into being. This structure remained in place until 1967 when the Regional Service was replaced with 20 Local Radio stations.

The BBC reacts to the pirates

The formation of Radio One had been a direct reaction to the arrival of the pirate radio stations in the 1960s, led by Radio Caroline, which was

broadcast from a ship in the North Sea outside British territorial waters. By the time that the BBC had managed to get around to doing something about addressing the demand which the pirates had identified, there was an audience of between 10 and 15 million listening to the pirates. The BBC had lobbied hard for the introduction of the Marine Broadcasting Offences Act of 1967, which was designed to stymie the stations operating outside of British territorial waters and, later, for the 1990 Broadcasting Act, which allowed the Department of Trade and Industry to act against land-based pirate stations. Nevertheless, the problem of illegal activity remains even in the present day.

Commercial radio was launched in 1973, the new stations being licensed by the Independent Broadcasting Authority. They were all locally owned and run, and offered a broad range of content from news and entertainment. Only one station was licensed for each town or area, except for London, where Capital Radio provided entertainment and LBC offered news and information. By 1988, there were 89 local commercial stations throughout Britain; now there are over 250 stations in the sector, garnering over £456 million in revenues in 2011, down from £512 million in 2006. This may be a contributory reason why many local stations have joined larger groups in recent years; only 15.7 per cent of analogue licences are now independent. The BBC continues to have the largest share of listening with figures around 55 per cent over each of the last six years.

Community radio

Community radio has failed to attract much revenue other than grants from organisations such as local authorities or the National Lottery. The mean income of these stations has fallen from £84,000 in 2008 to £60,250 in 2011. It remains doubtful whether these operations would continue to be viable were it not for the fact that they depend largely on unpaid volunteers to provide the labour. Ofcom records only two stations which had reported incomes in excess of £250,000 in 2011. The hyper-local nature of community radio has ensured that they are unlikely to be self-sustaining over the short to medium term, as there is unlikely to be a sufficiently large local advertising market on which each can draw.

One of the principal problems of the hyper-local concept as promulgated in Britain is the failure to provide firm guidelines with regard to the definition of a community. Nesta (formerly the National Endowment for Science, Technology and the Arts) invites intending

organisers of hyper-local publications to consider serving areas of any size from a single postcode upwards. This appears to totally disregard the realities of what constitutes a community inasmuch as it ignores the social relationships which are the mainsprings of any community. An arbitrary decision on a hyper-local boundary may condemn the publication to being too small to have enough of a news hinterland to sustain a news stream or too large, which may result in it providing news and information which may not be of interest to much of the intended readership.

It is difficult to envisage what continuing role hyper-local publications will play when the novelty of being a publisher has worn off for the volunteers who launch the publication or station, and there is a continual need to seek finance. This can be an arduous enough process even for hardened professional media managers, and it can be very stressful for those for whom there are no financial rewards. Hyper-local publications largely replicate the role of local newspapers and other media, and when they come face to face with established and experienced competition, they have no alternative but to circumvent this by seeking to out-focus the established media if they wish to prosper.

Just as the immediacy of radio news broadcasting supplanted news reporting in newspapers, forcing newspapers to adopt an emphasis on providing in-depth comment rather than headline reports that had been superfluous by the radio version, this was to happen to radio itself when overtaken in audience esteem by the live sound and vision reports of television newscasts. The accelerator of technology was now established as a main driver of change in the media business, and its effects were to be seen as each new medium overtook its predecessor. Radio had overtaken newspapers in the provision of news, television had overtaken radio in the attractiveness of its news provision and, in its turn, television has had to give way to the supply of news on mobile devices, which means that the general public now can access the latest news wherever they happen to be.

The arrival of each new direct competitor forces other changes on the incumbent media. Just as newspapers had to provide detailed background information to the stories which radio broadcasts were carrying, the introduction of car radios caused radio stations to become extensive users of recorded music to such a degree that it became a staple of their output, thus converting them into predominantly entertainment media. Television began its life as an entertainment medium and, while its news coverage has always been extensive, it never became the dominant part of its output.

In the UK, the Independent TV network began with the first station in London in 1955, which was 15 years after the first commercial television advertisement was broadcast in the USA. The BBC continued to be funded by the public purse, although it was generally accepted that the television licence, which all television owners were obliged to have, provided some part of the BBC revenues. In return for the subsidy, the BBC was banned from broadcasting advertising.

The charges for advertising on television vary with the popularity of the programmes in which they appear. The highest recent asking price for a 30-second advertisement on British television was £250,000, which pales in comparison to a similar length slot during the 2013 Superbowl American football game of $4 million. A 2008 report from Zenith Optimedia claims that television advertising revenues have fallen by 29 per cent over ten years caused by the pressures on budgets created by the economic conditions. When expressed as a percentage of all revenue, advertising in the UK television industry continued to drop from 32 per cent in 2007 to 29 per cent in 2011 according to Ofcom's *Communications Market* report in 2012. Of even greater importance for television companies is the fact that Internet advertising revenue overtook that of the television industry for the first time in 2009, becoming the nation's largest advertising sector.

Television viewing

In terms of viewing minutes in 2011, the UK, with 242 minutes per person per day, came third, with the US rising to 293 minutes per day in first place and Italy in second place with 253 minutes. As the number of channels available to viewers increases, audiences tend to fragment, resulting in the share of audience for most of the popular channels eroding over time, which is what one would expect to happen due to resource partitioning. In the USA, where there are 500 high-definition channels alone, the top channel CBS has just seven per cent of viewers' hours and the top five channels have only 27 per cent of the US television audience. The top five channel figure for the UK is a 54 per cent audience share, with BBC1 as the most-watched channel, with ITV1, Channel 4, BBC2 and Channel 5 following in that order.

Ofcom reports that the general trend in almost all markets is a sustained reduction in viewing as viewers turn to new channels and new ways of watching content. What has been evident in the recent history of the media has been the effect of a new medium upon its predecessors. In almost all cases, the consequence is most evident in the medium which is closest in purpose to the newcomer – for example, the launch

of a new entertainment medium will principally affect the other entertainment media, and similarly with the information media.

What we have seen with the most recent forms of new media was the arrival of the first two-way medium, the Internet, which began as a communications medium and rapidly developed into a polymorphic system which infiltrated the existing information and entertainment media. Prior to the Internet, there were three main methods of communication: by letter, by telephone or, if urgency required it, the telegraph. While all three were two-way in the sense that reply using each was possible, the most immediate was the telephone, but not everyone had the facility of a domestic telephone.

The damage to postal services

One of the greatest losers as a direct consequence of the introduction of the Internet has been the national postal services of many developed countries. Figure 8.1 below shows the relative size of mail volume per head of population in 17 countries in North America, Europe and the Far East.

The postal service was the most frequently used of the communications media and the volume of mail reflects two main factors: the first is the distances involved in countries such as the USA, Sweden and Canada, where the distances are large, and the second is the state of
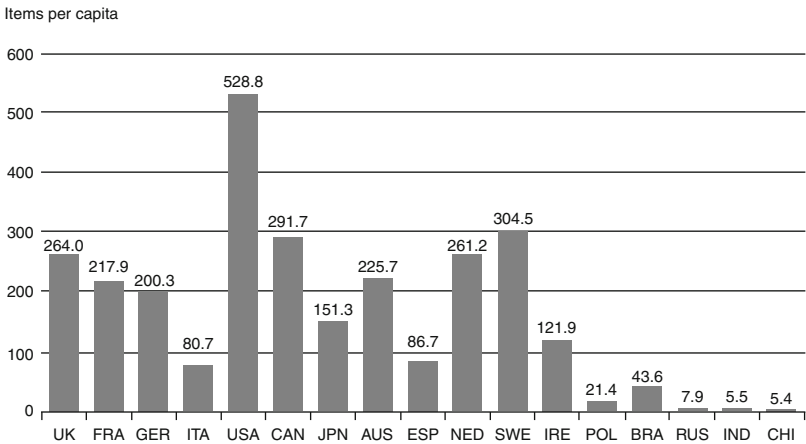
Figure 8.1 Mail volume per head of population (2011)
Sources: UPU postal statistics database, regulatory reports, operator's annual reports, Ofcom analysis.
Note: population figures from US Census Bureau (end of year estimates from mid-year values).

social development, which in countries like Poland, India, Russia and China is perhaps less advanced.

It is likely that the countries which are currently using their mail services less will move *en masse* to the Internet-enabled methods of communication when the infrastructures for those systems are in place. In the meantime, parcel systems will continue to be required for those items which cannot be reduced to electronic bits for transmission. Private parcel delivery systems are replacing the established postal services in many countries. This process is being aided in the UK by the swingeing increases in postal rates in an attempt by the government to reduce the amount of subsidy it pays to maintain the current service level. This is evident in Figure 8.2, where the increase in revenues con-trasts sharply with the substantial decrease in volumes.

Having made a substantial mark on the postal system through both texting and email, the entrepreneurs of the new medium moved to
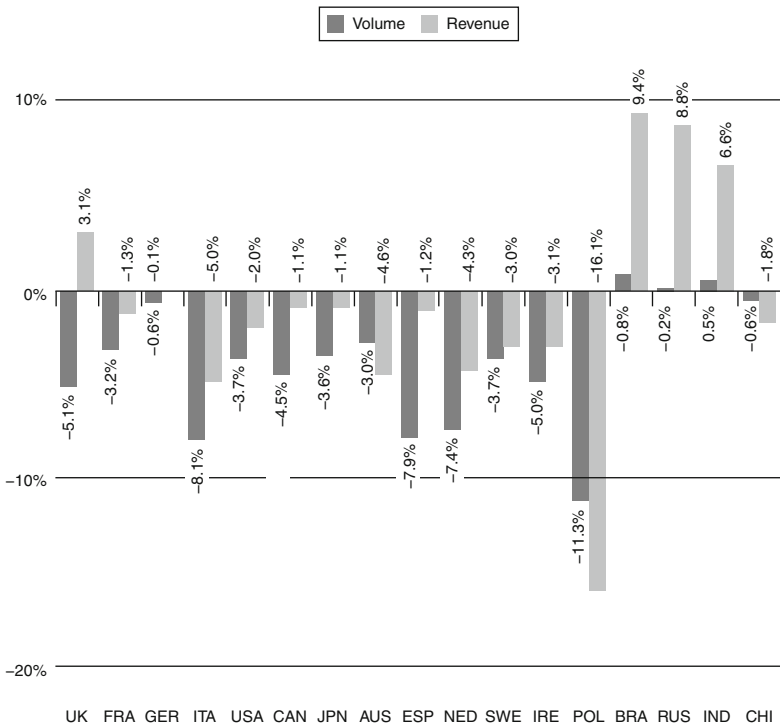
Figure 8.2   Year-on-year changes in mail volumes and revenues (2010–11)

extend their operations into both the information and entertainment fields. On the information front, much was made of the ability of anyone not only to access information but also to provide information for others to read. It was an easy step to move to the provision of opinion and there was the arrival of both *blogging* and *tweeting*, where anyone with a point of view could express it in much the same way as the old-time pamphleteers. As with all unfettered sources of expression, it remains difficult to maintain what would be regarded by the majority of the general public as a reasonable standard of behaviour.

At present in the UK, at least, any civil transgression of, for example, the libel laws must be adjudicated by the courts unless a prior settlement is reached. The effect of this has been to send a warning that laws extend to all actions, whether cloaked in the cyber world or not. Britain's Attorney General has recently felt it necessary to warn that unrestrained criticism, even if unintended, of court decisions or procedures could well attract court sanctions.

'News wants to be free'

A favourite mantra of the proponents of new media was that *news wants to be free*. Not only is this disappearing from the lexicon as the silliness of its reasoning became evident, but its proposers were often merely providing a reason why they should, without payment, use news items which had been originated by other people. As the main victims of this practice were the newspapers, it required strong action to ensure that it was stamped out.

As an indication of how far the Internet has affected other businesses, there is the growing tendency of people to research the items they wish to buy in retail stores, but to actually purchase the items online. It is yet to be seen how badly this will affect the number of retail stores on a nation's high streets. The decline of bookshops is an example of how the introduction of an e-reader together with a large library of e-books can force these specialist stores out of business.

Such is the complicated and interdependent nature of the local business scene that the loss of one part of the retail machine has a knock-on effect on others. The bookseller who is forced to close his doors can no longer provide employment, rent or local taxes, nor does he need to advertise in the local media any longer. The furniture retailer who has a reasonable stock of bulky items may well have plenty of customer traffic, but insufficient sales revenues, as the actual sales are made on the Internet.

The final cost of this tendency will take some time to be calculated, as the loss of local commercial activity directly affects the level of local taxes which largely fund the services which local authorities are obliged to provide. Loss of commercial taxes means that additional personal or sales taxes will be required to make up the difference. Retail sales over the Internet remain a small part of the overall retail activity, but it is increasing in activity levels as more specialist retailers use the facility of this additional medium to reinforce their high street presence.

E-banking has gained some momentum, and even more notoriety, in recent years as the retail banking sector strived to reduce bank customer footfall, and therefore staffing levels, in pursuit of lower costs. The problems grew when bank accounts became subject to sustained attack by hackers intent on stealing large amounts of money. This had the effect of making a few bank customers begin to be wary of Internet banking, even though the banks went to extreme lengths to safeguard their systems. These illegal activities became the stock in trade of criminal gangs, both domestic and foreign.

Ofcom research has revealed that six in ten Internet users continue to bank online. Approximately two-thirds of these are prepared to enter their personal details, although this cannot be taken to mean that they are necessarily happy with the security of the systems they are using, but rather that a lack of interest is the main reason for their attitude. As more depositors experience breaches of security, the degree of wariness is sure to increase.

There are now few commercial activities that do not have an Internet counterpart and the necessary logistic infrastructure which enables a woodcarver in China to deliver a boxwood *netsuke* to the UK within eight days of the order being received. In every facet of modern life, the Internet has emerged as an attractive addition to traditional processes. It has now become possible to obtain all one's requirements online and to pay for them there as well. Currently just over half of the people who shop online, who probably number eight out of every ten, say that they have no concerns about the security of the system. How destructive of face-to-face social intercourse this will eventually be is difficult to estimate at this point in the progression of the Internet, but it may engender a degree of isolationism which may drive the elderly further from the security of a caring society.

An indicator of the amount of harmful activity on the Internet is the fact that three out of every ten Internet users have had a virus on their home personal computer in the past 12 months, and a further 30 per cent who have received emails that have directed them to a

website which asks them for personal information. Four per cent have experienced some kind of misrepresentation of goods on the Internet and two per cent have been victims of identity theft. As we have seen in Chapter 6, with the transformation over time of the *Gesellschaft* into *Gemeinschaft* as the requirements of family life begin to be determined by factors other than self-interest, it may well be that the Internet, in all its multitudinous forms, will lose much of its novelty and settle down to being just another range of time-saving techniques available for use by the general public.

By 2012, some 79 per cent of the UK's population had access to the Internet through either personal computers or laptops; this figure was exceeded by those who had access to the Internet through other devices such as smartphones and tablets. According to Ofcom's *Communications Market* report, owners of these newer devices use them for email (51 per cent), Internet surfing (44 per cent), social networking (42 per cent), taking photographs or videos (37 per cent) and listening to music (35 per cent). Smartphone users who visit particular sites most frequently tend to be young (16–34), female (59 per cent) rather than male (41 per cent), and 69 per cent are in the ABC1 socio-economic group.

The amount of time PC and laptop Internet users spend online each month is also growing. In 2012, the figure was 24.6 hours, more than double the total time spent in 2004. The amount of time seems to have levelled out in the last few years as owners of the newer devices use these in preference to their PCs and laptops. In almost every age grouping, males spend more time online than females. Google, Facebook and YouTube are the most popular websites in the UK, leading the fields of search engines, social networks and entertainment sites respectively. Facebook is the clear leader in the social network field with two-thirds (64 per cent) of the entire online audience visiting it in March 2012. Time spent on video-sharing sites grew substantially by 43 per cent from March 2011 to March 2012. It is only the time spent figure on the site which has risen; the number of its unique audience stayed flat over the same period. The value of retail sales online has grown by 44 per cent in the two years up to 2012, compared with an increase of four per cent in high street sales.

The degree to which the Internet is used for the purchase of goods or services has been detailed by Britain's Office of National Statistics in its 2010 report *Social Trends Spotlight on: e-Society.* In the majority of the categories cited, men take the leading role, except for clothes, food or groceries, books, magazines and newspapers, together with medicines, where the decision-making power remained with women. These reflect

the areas of direct domestic responsibility that women had prior to the advent of the Internet.

Consumers in the UK spend more on online shopping than any of the 17 countries with which Ofcom compared it. In 2011, the value per head of e-commerce was £1,083, an increase of 14 per cent over the previous year. The reasons for this very large figure in the UK have been attributed to both the high take-up of credit cards and to the extensive history of mail order and catalogue shopping. Of the online retailers, the leaders are Amazon, with 18.5 million unique visitors per month, and eBay, with 16.8 million; these have much larger audiences than Tesco, with 7.9 million, and Argos, with 7.4 million. Only the latter operations have a high street presence.

9
Anticipating the Future

Once the Second World War was over and economies began to return to something that approximated the norm, there was a period when the countries of Europe demanded more in the way of goods and services than manufacturers, who had been on a war footing, could provide quickly. There followed some golden years where manufacturers could sell everything they could make and long-range planning was not seen to be vital. It was not until the late 1950s and early 1960s that business forecasting began to be seen as a major component of business management and was taught in business schools.

In the early stages of the discipline, it was thought that mathematical techniques of time-series analysis and regression analysis would best serve the needs of business, as indeed it did during the relatively stable decade of the 1960s. This state of financial peace was overtaken first by the unilateral ending of the Bretton Woods Agreement on currency stability by the USA in 1971 and then by the dramatic rise in oil prices in 1973. It was then that the purely mathematical techniques which had been extensively used were shown to be unable to deal with discontinuities and new processes were sought. The 1970s became the decade of the futurologists, the leaders of which were seen to be the Stanford Research Institute and Hermann Kahn of the Hudson Institute.

In order to help deal with uncertainties, it was considered by futurologists that it would be better to try to set out a possible range of alternative futures so that contingency plans could be made to deal with whatever happened. Unfortunately, what happened was that following the certainties of the mathematical techniques of the 1960s and the optimistic claims made for the futurological methods of the 1970s, the 1980s was to be the decade of pessimistic forecasts and, more tellingly, a worldwide recession. This had the effect of turning business managers'

thoughts away from long-range planning towards the mundane business of survival. As a consequence, many organisations reverted to planning only for the short term, if at all.

Scenario writing gains acceptance

In addition to largely destroying management confidence in what they had believed to be the certainties of business life, the events of the last years of the twentieth century started the search for some method of anticipating the discontinuities which had so bedevilled planning in the past. Spyros Makridakis[1] has pointed out that forecasting presents a paradox. In order to be accurate, forecasts must be general in terms of the events being predicted and vague in terms of the time at which the events could occur. However, in order to be useful, forecasts must be specific and precise. Makridakis defines the task of the forecaster as being the need to present a wide range of alternatives which can be neither specific nor precise so as to avoid inaccuracies. Because most of the techniques necessary in forecasting have to accommodate a considerable degree of uncertainty, this forces qualitative, as opposed to quantitative, analysis. Scenarios are one of the most frequently used procedures when setting out the range of futures which are needed to give a comprehensive forecast.

The three elements of a strategic plan

It is not possible to divorce the goals of an organisation from numbers in the real world, so this means that there have to be three stages in any strategic plan. Initially the objectives are expressed as real numbers, sales, revenues, etc. The second – and by far the most complicated – stage is to provide the detailed alternatives and explanations as to how these are to be achieved, thus becoming the strategic plan. The final stage is the translation of these back into finite numbers to enable measurement of the effectiveness of the plan and its implementation.

What sounds simple and straightforward is very far from this when applied to single organisations and can be extremely complicated when used to help explain an industry (which is what this work sets out to do). To help establish some common ground, it is decided to integrate Philip Kotler's[2] useful description of strategy:

> Goals tell where a business wants to go; strategy answers how it plans to go there. Every business must tailor a strategy for achieving its goals. The strategy must then be refined into specific

programs that are implemented efficiently and corrected if they are failing to achieve the objectives.

Put at its simplest, any organisation can have any of three goal alternatives:

1. To retrench in the sense of reducing its level of activity while remaining profitable – in short, to survive.
2. To defend its current position within the marketplace.
3. To seek to grow its operations.

However, no organisation is entirely master of its own fate, and this is particularly so for those who depend upon the goodwill of the public, as is the case for the media industries. The factors which best control the fates of individual media vary in accordance with the objectives which the media have set themselves. Those media which offer principally news, such as newspapers and news stations on radio and television, are at risk from technologically advanced methods of transmission to the end user, and entertainment media (for example, television stations) to the changing tastes of their audiences.

Scenarios are based on probability

Scenario writing, which is regarded as the most sophisticated forecasting technique, depends heavily upon environmental analysis and this in turn is a multi-stage process that can call upon a range of methods: for example, Issue Analysis, Gap Analysis, Analogy, Consensus, Simulation and Cross-Impact Analysis, Alternative Futures and Divergence Mapping. Scenario planning consists largely of qualitative (or soft) information marshalled on the basis of probability and informed by a detailed knowledge of the environment in which (in this case) the media are obliged to function.

There are two main analysis methods: STEP (social, technological, economic and political) and STEEPV (which adds ecological and personal values to the acronym). And it is the STEEPV method that will be used in this work. It is vital to understand that it is expert opinion and conjecture which lie at the heart of scenario writing. At this point, it is useful to have a definition of 'expert' in this context: an expert belongs to a small community of people who currently study, work on and dedicate themselves to the subject matter. The preparation of scenarios requires the exercise of and the creative synthesis of many kinds of information. It is crucial to remember that scenarios are neither

forecasts nor plans of action – they are plausible coherent stories about the future and they can be told in any way the presenter chooses.

Scenario planning starts with a good understanding of the organisation's history and how the present position was reached. For this work, this was set out in Chapters 4–6, but it must be remembered that each organisation under review will have differing admixtures of elements and thus differing characteristics. The goals of a newspaper organisation will differ from those of a local commercial radio station, which in turn may differ from those of a regional television organisation; further, a newspaper serving a large city may well have different objectives from those of a rural weekly newspaper. In order to be most effective, scenarios should be written for the particular medium being reviewed. By attempting to provide an overview for an industry, there is the danger that it may well generalise the usefulness of the work out of existence. As such, it is important that the interested reader uses the techniques to help provide a more detailed picture of their particular medium.

STEEPV

Any review of a medium's environment begins with an investigation of the social context. As this work is approaching the subject from the viewpoint of the community, this is entirely apposite and will enable an outline metric to give an indication of scale of each medium within the whole.

Social factors

The first task is to list all the factors which might affect, or might be affected by, the social structure of any community. The basic building block is the family unit, whose main preoccupation is the creation, protection and preservation of the next generation. It does not matter whether these are dual- or single-parent families; their reason for being remains the same. These family units are gathered into communities, which can be either geographical, common-interest or socio-economic.

With such deep-seated motivation, there would appear to be very little basic change possible in the actions and attitudes of families as units; however, there is room for change in the make-up and attitudes of communities, or the family units making up these communities. This is perhaps best seen in the loosened association with organised religion on the part of the general public, although there are other examples of changes in attitudes, such as less respect for the professions and for those in authority.

Enveloping every individual is a need to belong, first to a family and later to a community or series of communities. This basic social need, while weakened by increasing wealth, which gives a degree of independence to individuals, persists within communities. It has been determined that the basic unit of a community is the best one to use in order to adequately monitor the make-up of the media industry. It is proposed that only three broad descriptions of this factor will be used:

1. Communities will remain largely unchanged.
2. Communities will disintegrate.
3. Communities will strengthen.

A probability rating is attached to each of these factors together with an assessment of the impact of each of these were they to happen. The following list demonstrates this:

	Probability	Impact
1. Largely unchanged	High	Low
2. Disintegrates	Low	High
3. Strengthens	Medium	Medium

As can be seen, this is a relatively unsophisticated process, depending as it does on the subjective views of one or more insiders who have some familiarity with the subject area. Dealing as we are with aspects of an industry and not (as is usual) with a firm operating within a competitive environment, the scenarios need to be broad-brush in order that each of the constituent scenarios has a common foundation. It is proposed that generalised scenarios will be given, adapting them where necessary to the particular circumstances of each medium.

Technology

The next factor in terms of importance in the STEEPV sequence is technology, which has developed into the most significant issue in the case of newspapers, which have been seriously affected by the advent of the digital age. Most of the elements which make up the media industry had been relatively stable with regard to development for some decades: newspapers and magazines continued to use a well-tried printing process, and while incremental advances were made, the basic system remained largely unchanged. Their marketing channels continued to use third-party retailers whose main task

was to ensure that the newspapers and magazines were available to the end users.

For television, the major advantage of the digital revolution was that it became possible to multiply the number of stations, which had become very difficult while using the crowded analogue transmission spectrum. Another advantage was the ability of stations to offer catch-up television facilities, which meant that viewers were no longer restricted to the programming schedules of the stations, but could view programmes at more convenient times. Digital transmission of television programmes in the UK is higher than other counties covered in the Ofcom international report, perhaps because the digital switchover was obligatory if viewers wished to continue to receive the main TV stations.

Perhaps as a side-effect of the TV switchover, DAB radio has proved to be extremely popular in Britain, with some 63 per cent of all listening taking place on digital channels. There is an undoubted advantage in having DAB, as the reception is much better. Overall, radio listening in UK has changed very little: in 2006, the weekly reach was 89.8 per cent of the population and this rose slightly to 90.8 per cent by 2011. In the commercial radio segment, revenues rose by 4.1 per cent over the 2011–12 period to reach a total of £456 million.

There is very little point in attempting a summary of the present situation of the Internet as this remains a work in progress. There are now so many uses of the Internet that a detailed analysis is virtually impossible; however, there is some advantage in viewing the technological advances from the information/entertainment classification and dividing this further into commercial/non-commercial categories. Table 9.1 below, which is derived from the Ofcom report on the communications market, shows the percentage of times the relevant site(s) had been accessed in the week measured in the report.

By this measure, the greatest number of sites accessed was entertainment sites (the distinction between information and entertainment sites has been made by the author) or sites principally used for entertainment purposes, for which there was some cost, whether levied directly or indirectly. The second were commercial information sites for which a charge was made and the third were entertainment sites for which no charge was imposed.

The variety of these sites is a direct consequence of the technologies which have accompanied the birth of the Internet. Many of the uses today could not have existed prior to the inauguration of this all-embracing technology and the accelerating introduction of new facilities, and while there is still some way to go before the Internet can be said to have completed its

Table 9.1 Website access

	Information		Entertainment	
	Commercial	Non-commercial	Commercial	Non-commercial
Sending and receiving emails	99 per cent			
General surfing and browsing			89 per cent	
Purchasing goods and services	88 per cent			
Banking	64 per cent			
Using social networking sites				64 per cent
Downloading for personal use				62 per cent
TV/video viewing			57 per cent	
Downloading info for work use			47 per cent	
Watching video clips/webcasts			44 per cent	
Local council/government sites			40 per cent	
Playing games				41 per cent
Downloading music/films/clips			40 per cent	
Find health information		39 per cent		
Downloading info for college		38 per cent		
Instant messaging	32 per cent			
Real-time gambling/auctions			21 per cent	
Listening to radio			19 per cent	
Adding content to internet				20 per cent
Streamed audio services				10 per cent

initial growth and development stages, there is already sufficient evidence to permit some sensible guesses as to the future shape of facilities.

Economic

In an economic recession, the majority of the media suffer decreases in revenue. While these vary in magnitude, they are of sufficient size to

be significant, mainly because of the basic inability of media to do anything other than publish, broadcast or otherwise communicate events as they happen or advertising when the client wishes it to be published. Whereas manufacturers can store their over-production and wait for the market to become more favourable, this is an option denied to the media, which are in the 'today' business.

The media business requires high levels of skill from its employees and this imposes serious constraints in terms of the fact that, first, it is a high-cost factor and, second, that media companies are often obliged to carry large numbers of these expensive employees during low activity periods in anticipation that they will be needed when the organisation becomes busier. Whereas in better times, employers could carry the costs of this unused labour, this is no longer the case; as skills and knowledge have become more job-specific, employers now differentiate between general skills, which are often acquired in the general business world, and specific skills, which can only be acquired either within the industry or that specific medium. This attitude influences the value of the individual to the employer.

In situations of financial stringency, it is usually advertising which first feels the effects of cutbacks and it is those parts of the media which have a serious dependence on advertising revenues that feel the greatest consequence. Those sectors of the media that have more than one source of revenue are usually less affected than those that have only one, and in the past this provided some form of shelter for those who levied a charge for their product, for example, newspapers and magazines, whereas media that gave their product away for nothing, for example, television and radio, had no fallback revenue source.

The arrival of the Internet turned this situation on its head. Not only did the Internet allow sellers to have direct contact with potential buyers, but this was now less expensive than had been the case when the medium was the gatekeeper to the buyers and charged for access. Control of the supply of news and comment, which had been largely the preserve of the print media and radio and television, was also freed by the Internet and as a consequence print sales dropped alarmingly, which in turn further affected the advertising revenues, thus giving another spin to the downward spiral.

The position of those parts of the media, particularly newspapers, that had depended heavily on the revenues from the advertising they carried was now particularly dire. The revenues they commanded from the price they charged for their product represented only a fraction of that which they needed, and the price they charged was so low that it was difficult, if not impossible, to raise prices to a survival level within an acceptable period. The only alternative was to reduce costs at approximately the same pace as advertising revenues were lost.

The major cost in any service industry – and the media are essentially service industries – is labour and this means reducing the quantity, quality or both of the information and entertainment inputs. As has been pointed out earlier, a reduction in either the size (that is, the number of pages) or the editorial/advertising ratio soon becomes glaringly obvious where the price remains unchanged. Fewer pages mean poorer value from the readers' viewpoint. It is argued that readers have grown accustomed to a changing number of pages either throughout a week, in the case of a daily newspaper, or a month in the case of weekly or monthly publications. However, an unchanging price and low number of pages over an extended period can only contribute to a perception of reduced or reducing value and an eventual loss of sale.

Ecological factors

When the original concept which was then entitled STEPV was extended by Holroyd and Loveridge in 1973 to include ecology, thus becoming what is now STEEPV, it was intended to embrace a wide range of relationships between the object under analysis and its environment. It is obvious that as the media industry, with its spectrum of participants, has been grouped for the convenience of the author to investigate the current phenomena rather than for any other reason, any analysis of ecology should be conducted with individual media in their geographical or demographic locations.

Political factors

The media have always been of particular concern to governments of all persuasions. A good example is that of British governments over the years, where, despite a succession of Royal Commissions on the Press and various other investigations at a parliamentary level, no effective curbs have been introduced. Aware of the situations they had created for themselves, governments across the world have made certain that the newer, and just as effective, media such as radio and television had licensing and other restraints imposed from the beginning rather than risk a repetition of the freedom that newspapers had gained for themselves.

In the case of the advent of the Internet, governments appear to have adopted a policy of doing everything they can to propel their nation towards a digital super-highway, which they are certain will bring long-term economic benefits. However, the growth of the Internet has been so fast and wide-ranging that no matter how much governments may wish to have effective controls in place, it would now appear to be too late. Responsible users are not, and will not be, the main problem; it is the

irresponsible and downright malevolent who will constitute the greatest danger to the rights of the law-abiding majority, and it is the law, and the government standing behind it, which will be required to hold the ring.

Values

As with ecological factors, values have to be analysed starting from the viewpoint of the family unit, the community or a combination of both. People value characteristics from a variety of perspectives, depending on whether or not they are viewing these as sources of entertainment or information. As before, there will be influences from both the demographic and geographical aspects.

Constructing the scenarios

From this point onwards, it becomes a question of constructing the bare bones of the scenario portfolio in the form of three broad descriptors of each factor and their possible impact on the outcome. If we take the alternatives listed earlier in this chapter, and apply probability and impact (if this were to happen) values, then we might see the following scenarios:

Social
1. Communities will remain largely unchanged.
   Probability: High
   Impact: Low
2. Communities will disintegrate.
   Probability: Low
   Impact: High
3. Communities will strengthen.
   Probability: Medium
   Impact: Medium

Technology
1. Technological innovation will plateau for the near future.
   Probability: High
   Impact: Low
2. Technology will continue to grow at a slower pace.
   Probability: High
   Impact: Medium
3. Technology will continue to grow at a faster pace.
   Probability: Medium
   Impact: High

Economic
1. Economy improves significantly.
   Probability: Low
   Impact: High
2. Economy improves slowly.
   Probability: High
   Impact: Low
3. Economy remains unchanged.
   Probability: Medium
   Impact: Low

Ecological
1. Communities become increasingly aware of ecological factors.
   Probability: Medium
   Impact: Low
2. Communities display minimal interest in ecological factors.
   Probability: High
   Impact: Low
3. Communities display hostility to ecological factors.
   Probability: Low
   Impact: Low

Political
1. Governmental support for the digital super-highway grows.
   Probability: Medium
   Impact: Medium
2. Governmental support for the digital super-highway decreases.
   Probability: High
   Impact: Low

Values
1. Traditional family values remain substantially unchanged.
   Probability: High
   Impact: Low
2. Traditional family values weaken.
   Probability: Low
   Impact: High
3. Traditional family values strengthen.
   Probability: Low
   Impact: Low

The purpose of building scenarios in this manner is to isolate those factors which have a strong likelihood of occurring and this provides a first-line filter; if the probability is medium or high, then the next stage

is to consider what the impact would be if the event were to actually happen. In this way, it is possible to begin to rank the threat (or opportunity) levels of each, and from this to write the scenarios.

High probability in the short-term future

It is thought that communities will remain largely unchanged and that innovation in the shape of technology will either plateau or continue to grow. It is believed that the economy will improve slowly and that communities will display a minimal interest in ecological factors. Once the digital super-highway is well advanced in the private sector, governments will reduce their commitment to the idea. Finally, traditional family values will remain substantially unchanged.

In every area, with the exception of technology, the high-probability factors listed above will have high probability but low impact. In the event of the growth of technology ceasing its former breakneck pace, the impact would be low, as the innovators consolidated their positions by implementing their advances. If, however, this advance did not cease, but merely slowed, then the impact upon the media industry would rise to medium as the media market would continue to come under attack on new fronts.

The purpose of this chapter has been to take a helicopter view of the media industry and the threats which it faces. It is very important to stress that in an industry as disparate as the media, such a perspective can only offer a general commentary which is totally unsuited to the kind of detailed planning for which specific, business-centred scenarios conceived for a particular business are so useful. However, one thing we can learn even from this cursory examination is that it is technology which is the key driver of change in every aspect of the media business.

10
Transitioning to a New Order

Merely to conceive of a strategy is not sufficient of itself; it is also important to see that the strategy and the structure of the organisation in which the strategy is designed to work fit each other. Mintzberg, Quinn and Ghoshal[1] liken the relationship between these to the interdependence of two legs when walking. When considering a change in strategy to achieve an objective that differs substantially from the one formerly pursued and for which a structure had been designed, it is crucial to analyse in detail the situation in which the organisation, or in this case the industry concerned, started and the major influences which are making or have made the change to strategy and structure necessary.

Newspapers were first into the media business by bringing information to the general public in the form of news stories. Advertising followed as commercial organisations began to attempt to widen their markets by taking advantage of the opportunity to draw their products to the attention of this new audience. The role of newspapers became one of being gatekeepers inasmuch as they controlled the content contained in their newspapers; this was a state which was to pertain for almost 200 years, until the newer media of radio and television entered the fray. Other media, principally magazines, had challenged the newspapers' role, but none had the authority which the newspaper proprietors had, by then, secured.

With the arrival of the electronic media, radio and television, it was thought that much of newspapers' power would be lost, but this ignored the fact that both radio and later television were both entertainment media essentially, or at least were perceived as such by the general public. Newspapers continued to reign supreme as the principal sources of information until television reporting provided more immediate coverage of events, thus forcing newspaper news into a supporting

role of providing background material for the more important stories. This changed the structure of newspapers from a closely controlled collection of reporters who provided solely the facts of the story to either full-time or freelance journalists who were responsible for presenting rounded commentary on the likely effects of the proposed measures.

In many respects, this signalled the beginning of the decline for newspapers as the single most powerful news medium in developed societies. This role was assumed by television news and their news magazines, often with fierce competition between stations to have the earliest comprehensive coverage of breaking news stories. Television had become the news source of first recourse and was destined to remain in that position throughout the subsequent years of innovation in the media world. However, the inauguration of televisual news as the premier news provider, far from being the end of newspapers' problems, merely marked their beginning.

The Internet, which did not and does not provide a great deal of direct news competition for newspapers, had provided entrepreneurs with a method of contacting customers more directly. They were no longer required to contact potential customers only through the advertising columns of a newspaper; now they could avoid the costs of advertising by creating their own website. This directly affected the classified revenues on which newspapers depended, and subsequently this was extended to cover houses for sale, employment notices and motor car sales. These were now not only cheaper to access than newspaper advertising, but also offered greater control from the advertiser's viewpoint – in place of having to wait days for a change of advertisement copy to be published, the amendment could be made right away on the advertiser's website and simultaneously published to the world.

Because of the serious over-dependence on advertising as the main revenue source for newspapers, the loss of advertising had a disastrous effect upon the their profitability, and as labour costs are high in newspapers, where practically every task has a high skill content, it was not long before savings had to be made in the shape of redundancies. As Doeringer and Piore[2] have pointed out in the past, in crisis conditions core staff are retained longer than peripheral workers, whose loss will be felt less, and this turned out to be the case in newspapers. As the less skilled and, as a consequence, less highly paid staff were declared redundant, the unit costs of the production of content rose and the increased workloads of the remaining staff grew to a point where the quality of their output began to suffer. This in turn reduced the perceived value of the product in the eyes of the purchasers, adding yet another twist to the spiral of decline.

Newspapers are not chocolate bars

Many of the courses of action which might be available to other manufacturers were denied to newspaper proprietors. They could not, for example, reduce the size of their product as chocolate manufacturers have been known to do rather than raise their price; publishers could not afford to dramatically reduce the number of pages in the publication and still maintain an unchanging price. The option of lowering the quality of the content was not an alternative, as any detectable loss of reliability in the reporting of events which the readers could check would lead to an immediate loss of the trust that newspapers needed to maintain. Nor could the frequency of publication be radically altered without the danger of seriously altering the standing of the newspaper in the community. Regardless of the direction in which newspaper managers sought answers, there seemed to be little alternative to either succumbing or joining the rush to the Internet.

For many newspaper managements, the future appeared to lie in electronic publishing, and websites began to appear, making what use they could of what remained of the goodwill attaching to the print edition. Generally these were free and provided some part of the news stories contained in the printed version. The basic idea was that people seeing some of the story on the Internet would purchase the newspaper to read the remainder. This did not work as well as the publishers had hoped and did not produce any worthwhile revenue. At the same time, traditional publishers found that their news stories were being replicated by unscrupulous online publishers on the patently nonsensical slogan that 'news wants to be free', which required threats of legal action to cause these behaviours to cease.

Having discovered that the general public were not being persuaded to purchase the print editions as a result of seeing the online snippets, publishers then began to institute paywalls in which the public would have to pay to access all, or part of, a newspaper's content. In this way, at least some part of the costs of finding, encapsulating and publishing news stories would become recoverable through the charges that newspaper companies would make. Most publishers retained their print editions for two reasons: the first was that not everyone was happy with reading the stories on a screen, which was particularly the case for older citizens, for whom newspaper reading was a deeply ingrained habit; and the second was that advertising appeared to work better in print from a memory retention point of view.

To understand why this should be the case, it is important to know that advertising is regarded as information by potential customers. If

a need for the product or service being advertised does not exist, then the information in the advertisement is of no interest to the reader. It was fashionable at one time to castigate advertisers, and the capitalist system which fostered them, for creating desire for goods that readers did not need. Inherent in this assertion was the fact that the critic alone was sufficiently strong mentally to resist the wiles of these persuaders and so felt it their duty to protect the rest of society.

When deciding to purchase any good or service, consumers have a set of favoured sources who they know from experience are likely to stock the product and price ranges in which they are interested. The suppliers at the top of these mental lists are those which the customer will contact first as they know from experience that they will be most likely to have a suitable product. It is in these retailers' interests to secure their position in the list by constantly reminding their potential buyers both that they continue to exist and that they have a constantly refreshed range of goods or services in which the customer may be interested.

Most digital news consumption is from legacy sites

There is a growing body of evidence that the relatively crude method of measuring news consumption through digital sources has been seriously over-estimating the effectiveness of digital contact. It is now believed that up to 92 per cent of the total time spent on news consumption is on what are known as legacy platforms: newspapers, magazines, radio and television. Although no parallel research exists for advertising, it is possible that in the sense that advertising is information for those potential customers who need the product advertised, the total time-spent figure would exceed current convictions.

It is beginning to appear that the 'dying business' tag that has so bedevilled the local media industry needs to be examined rather more closely than has happened in the recent past. This will be of possibly most benefit to the battered local media, who may have their confidence restored, at least in part. An international management consultancy has recently published some research from the US which calls into question the accepted wisdom that Internet news sites are overwhelmingly dominant in terms of the number of viewers they attract.

In a recent address to the World Congress of the International Newspaper Manager's Association, a senior executive has revealed that in terms of time spent consuming news, only eight per cent of news was obtained through digital platforms. This turns the received wisdom that digital has taken over the world on its head. The legacy platforms

of television (41 per cent), newspapers and magazines (35 per cent) and radio (15 per cent) together provide the overwhelming percentage of news in the USA. If we can assume that the situation in the rest of the world's developed markets is similar, or is likely to become so, then the outlook for traditional news media is considerably brighter than has been forecast.

All newspapers had to do was to BE

The confusion which has so seriously affected traditional forms of media springs, at least in part, from their unwillingness to formulate strategies. What passed for strategic planning in many organisations was merely profit target-setting. The paradigm – that set of beliefs and assumptions which governs organisations – was so deeply ingrained in newspapers in particular that it was felt that there was no perceived need to burden executives with additional responsibilities. The soporific effects of continuous success had obviated the need to do anything other than 'be' – in short, to continue to keep doing what had always been done. So for the majority, there was no intended strategy and, as a consequence, no realised strategy that would have presented some warning of impending disaster. There was no strategy – only a warm and comforting paradigm.

The result was that when a strategy was needed, there was no expertise within most media companies that could provide it. The paradigm which had been formed in success and legitimised in sustained achievement ossified the decision-making processes and actively prevented the kind of analysis which the changing circumstances demanded. In order for strategy as a process to take its place in the plans of regional as opposed to national media, it will be necessary for local managements to almost totally alter their procedures for planning for the future. Whereas it had been sufficient to merely extrapolate past figures to give approximate, but sufficient, revenue and volume targets for the near future, in the forthcoming periods it will be necessary to initiate techniques such as zero-based budgeting in which every single element needs to be costed and needs to be justified afresh for each year's budget so as to provide detailed, and accurate cost estimates.

The requirements for re-ordering

It is becoming increasingly apparent that the re-ordering of the media industry which now seems to be possible will need to be accompanied by a root-and-branch re-organisation of practically all the traditional

management philosophies and techniques which have held sway for many decades. The factors which are most likely to affect the transition in either a negative or positive sense are listed below:

- The over-dependence on advertising.
- The production costs of small circulations.
- Customising the product/digital printing.
- Streamlining distribution.
- Alternatives to the newsagent.
- Alternatives to newsprint.
- Sources of content.

While each of these factors is examined in the following chapters, it is important to note that key to the effectiveness of each is the order in which they will be applied and that it may be necessary to revisit these as the transition moves from stage to stage.

Strategic groups and mobility barriers

It is a matter of some importance that there is recognition of the significance of strategic groups in the media industry, most particularly the local media industry. For the sake of simplicity, it is proposed that we regard local newspapers (whether weekly or daily), local magazines, radio and television as constituting a strategic group – in fact, the current dominant strategic group at a local level.

The corollary of the existence of strategic groups is the existence of mobility barriers that either prevent or make difficult proposed moves to a different strategic position. As McGee and Thomas[3] have emphasised, mobility barriers, behaving in exactly the same way as entry barriers, act for the strategic group within the industry and not for the industry as a whole. In the case of this local strategic group (LSG) of newspapers, magazines, commercial radio and television, the focus is on the supply of both information and entertainment to a defined audience. The admixture of information and entertainment varies from medium to medium, with newspapers providing principally information and television supplying entertainment for the most part.

To proceed by disregarding the Internet is to ignore the elephant in the room. Yet, as we have seen, the impact of digital platforms on the consumption of news content has been surprisingly small and plants a seed of doubt that the Internet will ever develop into a serious contender to the legacy platforms for news.

The situation for advertising is altogether different. The digital platforms have wreaked great havoc in this area, particularly in the newspaper sector, where they have captured a vast amount of the classified revenue which was formerly in the sole possession of the newspapers. As we saw earlier, the ill-founded dependence of newspaper managements on revenue from advertising meant that when classified revenues disappeared, so too did a very large portion of the profitability on which the whole newspaper operation depended.

The options for traditional media

The options available to traditional media are few in number and in effect boil down to only three. The first is to prepare to become niche players by determining to remain in business, but at a severely reduced level, reducing costs and maintaining quality where possible. The second is to seek to sustain the credibility of operations by aggressively maintaining quality and looking for every opportunity to justify an increased price for the product. The third and last option is to cede the battlefield and retreat to whatever combination of print and digital publishing appears to be available.

Any of these moves requires the ability to cross mobility barriers as each strategic position is already occupied by a publication of one type or another. A strategic decision to transit to a niche policy may be a dawning realisation that there may be no other option if the situation has deteriorated to such a point that there are not sufficient resources available for any other course of action. Traditionally, local media occupied distinctly different marketing silos: either information in the case of newspapers and magazines or entertainment in the case of radio and television. The technical aspects of print and broadcast provided mobility barriers for print to broadcast or vice versa, and widely different skill sets for any move from or to information or entertainment. There were of course some areas where skills were easily transferable, but these tended to be in support areas such as advertising sales, general administration and human resources departments. In the main operational areas, training and experience, together with custom and practice, all contribute towards diversities which cannot be easily or quickly replicated.

Barriers are changing

The advent of digital publishing has dramatically altered the mobility barriers which existed in the local media markets. In the place of the

two sets of content silos, information and entertainment, there was now a third, the Internet, in which entertainment (except for computer games) was virtually non-existent. However, a new category, communication, has made a strong appearance in the digital media.

Before addressing the question of mobility barriers, or indeed any of the other problematic areas which a medium will experience when seeking to strengthen its position in a competitive marketplace, it is necessary for the management apex of each business to select an objective which is within its abilities and resources, both human and financial. This decision does not, in itself, represent a strategy, but merely where they wish the business to be. The required strategy is a plan which is designed to guide the organisation from where it is to where it wants to be.

It is vital to understand that this is not the first action which must be undertaken; the preliminary step is to conduct a sober audit of the production, human and financial resources available to the business unit. Without this restrained assessment, there is always a tendency to believe that the organisation is capable of rather more than would appear likely. In his Model of User Involvement, Eason allocates the first part of his model to an examination of the feasibility of the proposed action of which the resource audit forms a critical part, leading to the selection of a quantifiable objective. Only then should the involvement of the organisation's employees begin.

Before attempting to decide which generic strategy should be attempted by the business unit it, is helpful to use the Miles and Snow[4] typology to determine into which category each firm fits. There are four main divisions: *defenders*, *prospectors*, *analysers* and *reactors*. Their characteristics are as follows.

Defenders are eager to maintain the status quo and are usually determined to maintain their competitive advantage of being a low-cost contender. As this is their main strategy, they concentrate on efficiency in their operations and so structure takes precedence over strategy in their policy-making. This internal focus can result in a disregard of those factors changing in their business environment until a point is reached when the repair required is considerably more difficult and expensive than if earlier intervention had taken place. In research conducted by the author in the UK, it was discovered that some 62 per cent of media businesses demonstrated the main characteristics of defenders.

Prospectors inhabit the diametrically opposite position, in that they concentrate on being aware of changes in their market so that they can take advantage of opportunities as they arise. Their emphasis on flexibility is paramount and as a result they show great reluctance to

commit large amounts of capital in case it should be required for sudden ventures with potential. Structure is of less importance than strategy for a prospector firm.

Analysers are archetypal wait-and-see firms. They prefer to depend on others to make the running in matters of innovation. They are risk-averse to a limited degree, needing the assurance of the experience of others before they are prepared to take the plunge. In the case of media firms, where there is rarely more than one medium of any type in a location, any experience gained by one organisation is highly unlikely to be exactly replicable in any other location which does not have the same (or very similar) conditions. Analysers can be said to favour structure over strategy to a greater degree than defenders.

Reactors act only when it appears to them that they have no real alternative. They spend little, if any, time considering their medium- or long-term prospects and, as a result, are obliged to have to run very hard indeed to attempt to make up the time lost as a result of not attempting to be fully aware of their environment and the signals that were available. Strategy plays no part for them; they are all about structure.

The internal focus of those organisations that concern themselves more with structure than with strategy makes it difficult for the strategic apex of the firms to conduct a thoughtful review of the first (feasibility) stage using Eason's model. Their history has been so closely coupled to cost savings and efficiencies that it is often difficult for them to consider policies which may involve investments in areas in which there appears to be no short- or medium-term advantage.

The outcome is that in the media industry, prospectors are most amenable to change. Defenders, while reluctant to lose any advantages they may have with regard to minimising the price of their product or service or their market position, are usually prepared to consider alternative ideas which may serve to protect their position. Analysers, while often giving the appearance of being unwilling to take any steps until the proposed changes have been proved to be if not successful, then at least workable by other media companies, are sometimes in a position where they are not always masters of their own fate and are forced by circumstance to wait for unarguable proof. Reactors are precisely that – they do not contemplate change until there are no alternatives remaining.

Clearly it is less of an uphill task to persuade a prospector to undertake the transition to a new strategic objective than it would be to convince a reactor, and the implementation of the former would be considerably less of a task than would that of the latter; the feasibility stage of the transition exercise should take this into account when

attempting to determine the length of time the complete plan will take. It is often assumed by media firm managers that because they have convinced themselves that their objective is in the best interests of the organisation, the staff will also take this view. This is often very far from the truth.

Every organisation is made up by a variety of constituencies, each of which has its own agenda and will view proposals through a lens of self-interest. Some of the objections, or lack of enthusiasm, will be as a result of a lack of information, the vacuum being filled by rumour and speculation. It is therefore of paramount importance to see that the maximum amount of information is presented as early in the proceedings as possible. However, some of the resistance will be to the perceived loss of status, skills or informal power.

In every organisation there are usually at least two power hierarchies. The formal power structure is enshrined in the management chain stretching from the supervisor to the directors. The informal power structure has no concrete form and consists of a communication system in which things get done outside the formalised management organisation. These usually come about to circumvent the delays and bureaucracy which can hold up production, a critical factor in media organisations which operate to deadlines.

11
Generic Strategies

When defining precisely what is meant by strategy, there is a wide range from which a choice can be made. In this instance, it has been decided to use Pearce and Robinson's[1] designation as *a large-scale future-oriented plan for interacting with the competitive environment to optimise the achievement of an organisation's objectives*. Authors provide a checklist to enable identification of those factors which should be regarded as strategic issues:

1. Those that require a top management decision.
2. Those that involve the allocation of substantial amounts of company resources (i.e. people, physical assets or money).
3. Those that are likely to have a significant impact on the long-term prosperity of the firm.
4. Those that are future-oriented.
5. Those that have multi-functional or multi-business consequences.
6. Those that necessitate the consideration of factors in the firm's external environment.

All media firms, whether they are traditional or innovative, must satisfy basic questions concerning their mission. What are they setting out to do and do they have the resources with which to do it? When complete, this results in a company profile and is a summary of the firm's *performance capabilities* based on the available resources, whether actual or accessible. In order to be future-oriented, each of the categories of financial, human and physical assets should be projected forward and the trends noted. SWOT analysis is of use at this stage.

Pearce and Robinson separate the external environment into two related segments, operating and remote, where the operating part is the

day-to-day competitive forces acting upon the firm either assisting or hindering the firm's objectives. The remote segment consists of those elements which are common to all the competing firms in the media sector (see the discussion relating to Pitkethly in Chapter 6). The authors suggest the implementation of PEST analysis at this point.

Once the strategic analysis is complete, the range of possible choices will become evident and the overall grand strategy will begin to form. The first level will be the answer to the question 'what is possible?' the second is 'what is desired?' One of the most frequent mistakes made when attempting to formulate a strategy is to attempt to start with what is desired without paying any regard to what is possible. At best, this can only result in a series of false starts, with considerable wastage of time and effort, and, at worst, with a complete disaster from which the firm may never fully recover.

When considering the adoption of a new strategy for a media organisation, it is essential to establish just what kind of strategy is in operation currently. In long-established industries, while the objective is usually well known, normally because it is expressed in concrete terms, the method by which this is to be achieved is generally lost in the mists of day-to-day detail. Generally what remains is an emergent strategy, which has been moderated to such an extent by perceived 'opportunities' that it no longer resembles the original intention. This is not to say that strategies should not be amended, but to suggest that these incremental changes should not be instituted without the same amount of care and consideration which would be given to a major strategic change.

Porter[2] offers three generic strategies: overall cost leadership, differentiation and focus. In a highly competitive environment, overall cost leadership and its effect on price mean that there is an automatic competitive advantage for the low-cost leader. In the media industry, low price has tended to be of less consequence than differentiation, where the drive has been to offer a product which is superior in content terms in ways that the consumers will value. The final strategy, focus, has a much narrower aspect inasmuch as it addresses the concentration of an organisation on a particular segment of the market.

Overall cost leadership requires the application of sustained capital investment in updated plant to ensure that production costs are kept low, as well as close management of the workforce within a highly structured organisation. In the current straitened circumstances in which newspapers find themselves, sustained capital investment is unlikely. Differentiation requires strong marketing abilities on the part of the

firm and excellent cooperation from the distribution channels. While marketing skills with regard to the choice of content have always been good in newspapers, the need to continuously promote the product has often been overlooked. Focus in the media industry demands that one or both of these characteristics are channelled into one specific part of the market. In reality, focus requires rather more concentration on differentiation, if only because serving a part of the total market compels attention to be paid to the specific needs of that segment, whether this is geographically, socially, financially or demographically distinct.

What is possible?

The following illustration (repeated from Chapter 6) gives some idea of the steps which can be followed in formulating a strategy. The criteria on the left – long-term and short-term objectives – can be regarded as aspirational, marking the general outlines of the organisation's aims. The centre line represents the nuts and bolts of the planning process, starting with analysis and ending with a functional strategy, leading (on the right) to the tactics which will need to be employed.

The most basic question that needs to be asked of any business is: *what is your objective?* It is important not to confuse the company's objective with its *mission statement*, which is most often a declaration of
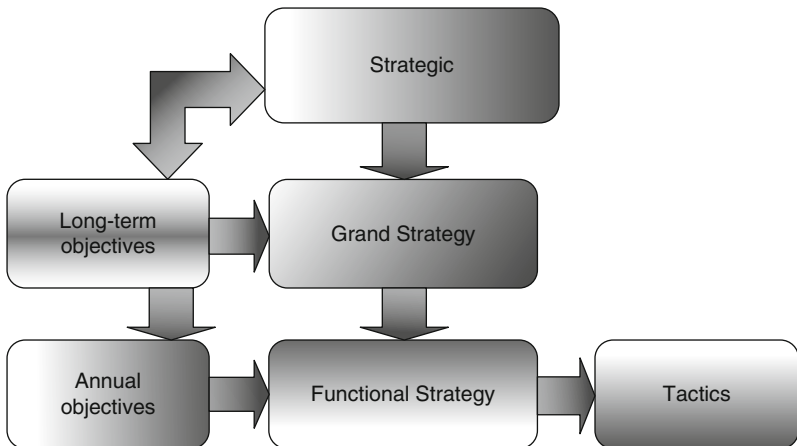
Figure 11.1   Strategy formulation model

lofty intent with regard to what the firm sees as its social responsibility. To be of greatest use, an objective should describe in clear terms what the senior management desires in terms of market share, profitability, return on investment or any other concrete measure it decides to insist upon. Without this clearly stated and universally known statement, it is possible that the firm will descend into management drift, in which the lack of direction will result in a lack of purpose.

The theory of the formulation of strategy, which is now less than 50 years old, has developed two main concepts: the *broad* concept set out by Andrews,[3] which includes goal-setting, and the *narrow* version proposed by Ansoff[4] and later expanded by Hofer and Schendel, which separates these functions. This was later echoed by Eason in his User Involvement model. Clearly it is not always possible to determine one set of features without reference to the other, as the desired goals might not be achievable in terms of resource availability, core competences or the unanticipated arrival of substitutes, as in the case of the Internet, which has dramatically altered the permanence of the status quo.

It was an economist, Alfred Marshall, who proposed that Charles Darwin's theory of evolution could be used to explain why some organisations survive and others fail. Whereas the organisms about which Darwin wrote cannot change their essential characteristics, the organisations which exist today are capable of necessary change, although some do not take advantage of this capacity, thereby condemning themselves to permanent reactivity and ceding their future to their rivals. This would be a rare occurrence in the media business, where even the most lethargic organisation would be unlikely to reject change when faced with possible extinction.

It is not always simple to determine the point at which any media firm should begin the transition to a new strategic position, but for those for whom their over-riding concern is efficiency, it is a reasonable assumption that structure has taken precedence over strategy and the refining of their processes has become all-consuming. They are what Mintzberg[5] describes *machine bureaucracies*: content to keep doing what they do well, although there may be increasingly evident reasons for change.

Of the four types of organisation defined by Miles and Snow,[6] research has shown that only one firm in 20 is what they describe as a *prospector*, actively seeking opportunities to further their business, more concerned with strategy than with structure and with retaining as many liquid financial reserves as possible. The remainder are either fully fledged machine bureaucracies or have most of the required characteristics of an established hierarchy and a well-established paradigm. It follows that

the process of opening up an organisation to new ideas is considerably easier in one which is closer in attitude to a prospector than to a hide-bound machine bureaucracy.

The media strategy has to be twin-track

Up to this point, we have dealt with local media organisations in general. However, as we saw earlier in this work, these are made up of two distinct types: those which supply information and those which offer entertainment. When attempting to determine how to relocate a strategic objective, it is necessary to distinguish the needs and desires of consumers for these subject matters. In relation to information, their need would be for clear, concise reporting of events that affect the readers and viewers, with at least some commentary of the consequential effects that these events might have. In the case of entertainment, the content should simply be that – entertaining – covering those areas of life around which most leisure activities are built.

The principal group of entertainment media in local media industries are television stations, both public service and commercial. The second group are local radio stations, which again comprise two types: public service and commercial. All of these businesses are faced with the problem of supplying varied content which must attempt to satisfy a large part of the stations' audiences and very little of which can be generated within the organisation. As such, the *make-or-buy* question for these stations largely resolves itself to *buy* only. Of course, there is some local content, which is usually insisted upon by the licensing authority as a condition of the broadcasting authorisation.

This degree of control over both television and radio stations in matters of where, when and what broadcasting can take place contrasts starkly with the freedom which newspapers and magazines enjoy in most developed countries, in which the print media have been established for many years. In the UK, despite several high-level enquiries, including Royal Commissions on the Press, the government has been unable to extend its control over newspapers, although the final outcome of the recent Leveson Inquiry is not yet clear as the newspaper industry are fighting a bitter battle over the question of the illegal acquisition of private information by the staff of some national newspapers.

It now appears that many commercial organisations stand accused of precisely the same 'hacking' activities for which newspapers have been found responsible. This has made it difficult for the authorities to proceed against the newspapers in an attempt to bring about some degree of control,

without including the other offenders, many of whom appear to be in the professions. It now appears that there is probably little prospect of effective controls on the newspaper industry in UK for the foreseeable future.

Areas of influence

The major constraint on local media, whether print or broadcast, is their geographical area of influence. For television and radio stations, this is determined for them by the licensing authority, which decides on the output power they may use, thus determining their audience size. For newspapers, the controlling factor is rather more oblique and is established by the unique constraints of newspaper finances. As revenues from advertising for newspapers are up to four times those coming from newspaper sales, each time a copy of the newspaper is sold in an area from which it is not possible to obtain advertising, the newspaper company sustains a loss. This has the effect of limiting newspaper sales area only to those geographical areas where advertising can be sold and so becomes a self-restraining mechanism.

Only in those nations with recently established newspaper industries and a government determined to control all of the media is it possible to over-ride democratic processes and set up comprehensive regulations. Before the introduction of the Internet, this was feasible; now it is considerably less so with the widespread use of hand-held devices of many types. Only in the most repressive regimes is it possible to approximate the degree of control which was possible at one time.

For radio and television stations, within the usual broad requirements with regard to content, there are other specific requirements which vary from country to country. Most apply to fair representation of differing viewpoints, although this clearly does not apply in the more restrictive administrations. In some countries, the promotion of political points of view is permitted as advertising on radio and television; in others, the total amount of money that can be spent by (or on) the promotion of a particular candidate in an election is limited. Especially in elections, television coverage is seen by politicians as being by far the most effective medium and there is considerable competition to secure a place on the televised forums which have become increasingly popular with candidates.

Three types of strategy for the media

There are three distinct type requirements for strategies in the media industry. The first is that for nationally distributed newspapers, magazines

and broadcast companies. The second is for large (although less than nationally distributed) newspapers, magazines and broadcast organisations, and finally the very local versions of these three media. As existing organisations with established markets, media companies do not have complete freedom to re-set their strategic policies as they would have to if they were new entrants; they have mobility barriers, as described by McGee and Thomas.[7] These are the equivalent of entry barriers that a new organisation faces when entering a market.

The difference is that whereas a new entrant can avoid at least some of the problems facing it by modifying its offering to the market, the incumbent media company must seek to maintain the level and quality of service and content for the continuing market upon which it must depend whilst making the transition. At its most simple, competition operates at three levels – on price, on differentiation and on service – and it is on these factors that any assessment of media organisations should begin.

As was noted earlier, a basic tenet of newspaper managements, certainly in some developed countries, is that the cover price of newspapers should be kept as low as possible in order to encourage and protect maximum readership levels, and hence optimum advertising revenue levels. While this was most evident in newspapers, it did not apply as markedly to magazines for two interesting reasons. The first concerns the life cycle of publications: when viewed over an extended period, the aggregated circulation graph of these gives the appearance of a smooth curve rising and falling in a gentle fashion. In reality, each segment of the curve is made up of a sequence of steep sales curves for each of the publishing periods.

The overall lifetime profile for a leisure-interest magazine is conditioned by the reader cohort that it is designed to attract. With regard to the second reason, magazine publishers are quite prepared to sacrifice a reader cohort and as readers pass from one cohort to another as they age, the readership falls. It is the general policy in many magazine companies not to attempt to resurrect readerships, but rather to allow one to disappear and to replace it with another aimed at what they have come to identify as an audience with longer-term potential. This has the benefit of allowing the publisher to adjust the cover price of the publications upwards to essentially a new potential market.

Newspapers do not have this degree of opportunity to adjust their cover prices; the readership cohort of a newspaper lasts for a much longer period of time and, in any event, with a price level measured in pence, any increase is seen to be a larger percentage rise. Yet another problem rests in the fact that many readers choose to have their newspapers and

magazines delivered by a newsagent and to settle the bill either by the week or by the month. When the price of any one publication in the customer's selection rises, this directly affects the total bill and customers may seek to reduce this where possible. Cancelling a periodical is a major step, whereas deciding to cancel some or all of the daily deliveries of a daily newspaper and electing to purchase copies from a street seller provides a controllable means of reducing the bill.

Magazines purchased by households generally contain leisure interest content which readers are reluctant not to be able to access, whereas newspapers and news-interest weekly periodicals often have content which runs over several issues, meaning that the reader remains informed even if some issues are missed. Once the continuity of daily delivery of a newspaper from a newsagent is broken, it is extremely difficult to restore, so that newspaper sales figures sustain a permanent loss. The effect of a lower circulation has a direct bearing of the advertising rates that newspaper managements can levy, and so there is a closely coupled double effect on newspaper revenues.

Inevitably only content quality matters

It is the quality of content which determines the success or failure of any medium and it is the expectations of the audience which condition the eventual outcome. An audience which requires little background material that provides an explanation of the story is likely to be satisfied with not much more than a headline; the more that those readers are involved with the event, the possible consequences or the individuals involved, the more they will be concerned to learn as much as they can. It is for this reason that the reduction and, in some cases, the elimination of sub-editors in newspapers has had such a serious effect upon sales. Theirs was the task of ensuring that the headline and the opening paragraph attracted as many readers as possible. Without their expertise, the publication is reduced to an almost totally reactive role, which often conveys the impression that nobody cares to sell the story – or the alternative, which is that the story is not sufficiently interesting.

These are the types of management decisions that determine the structure of a firm and, as a direct consequence, set the boundaries of the range of strategies which that firm may follow. McGee and Thomas[8] have defined mobility barriers as being of three types that are obstacles to the easy transition to another strategic position: market-related strategies, industry supply and cost characteristics, and competence characteristics of individual firms. The authors point out that these are similar

to Porter's differentiation and cost strategies. Mobility barriers are a reflection of decisions previously made by managements and establish the range of key strategies that are available to them.

Identifying strategic groups

In the media industry, it is often difficult to establish a clear-cut pattern of strategic groups, as there is sometimes a considerable amount of replication of the type of content, although not necessarily of the content itself. It is for this reason that the criterion for selection has been the market served – local communities – rather than any other division. This choice includes local newspapers (both daily and weekly) and commercial television and radio stations. As we saw earlier, it is possible to separate these into media which provide principally information in the form of news and those which offer entertainment.

The gulf between the information and entertainment roles constitutes the largest mobility barrier at this level of strategic grouping. The transformation of an organisation that generates a large percentage of its content into one which buys-in content from specialist firms offering entertainment material involves the abandonment of the market-related identity for which it is known, the setting-up of relationships with new content suppliers and finally undertaking the provision with a sufficient level of competence. There is little doubt that the costs in terms of both money and time would make this unviable. A move in the opposite direction, from an entertainment to an information provider, would encounter the same problems, albeit in the reverse direction.

Another and in many respects even more difficult problem to overcome is the perceptions which the community has of the local media. As they will have established views of each medium and the degree to which they have come to depend on each of these, they are unlikely to take kindly to attempts to radically change what they have come to value. While this can be thought of as a public relations problem, it is important to recognise that it will only be resolved by the investment of time and money.

To a limited extent, many of the problems that we have seen in the dramatic changes proposed above are echoed in the move to online publishing. Leaving aside the question of whether or not an online publication can be made profitable, the same three strategic criteria apply:

1. Is the move sufficiently market-related?
2. Are there any problems of industry supply and/or cost characteristics?
3. Are there likely to be any competence issues?

It is the first of these criteria that is likely to be most easily achievable by media already in the field of the provision of information, as online publications are principally information sources, as are both the print and online media. In this regard, it is possible to reduce the potential number of organisations capable of making the transition to newspapers and news magazines only. There do not appear to be problems of industry supply for organisations that are already in the business of collecting and providing news items, nor are there competence issues, as news journalists can equally well write for online as for print publications.

The more local the focus of any publication, the higher will be the degree of attractiveness for the community. With print publications, the opportunity to sample the product has extended to virtually the whole population. This is not the case for online news publications – leaving aside the fact that not all households have access to the Internet, there is the problem that the Internet has a large number of competitors for the attention of members of a household, not all of which are concerned solely with news about the community. This problem will largely disappear over time as new, cheap devices appear which can access the Internet and which will supplement the computer for members of the household.

Is the Internet a headline medium only?

There is one problem which might restrict the popularity of online news sources and that is the growing recognition that this is essentially a headline medium, which is excellent for flagging the existence of reports on a news event, but is less effective for broadening the details. In order to satisfy the news needs of what has become known as the *hurry-up* generation, which requires a flood of news items covering breaking events and is not so concerned with knowing the whys and wherefores. Digital-only publications are at a disadvantage in that they can hold the attention of their readers for a relatively short period of time, thus making the effectiveness of the accompanying advertising more problematic.

This is one reason why local newspapers that have launched a digital edition have a better chance of redirecting readers to the print edition in which the headline story will be expanded upon. There also appears to be a move on the part of some digital-only publishers to explore the possibility of initiating a print version once the problem of the very high investment needed has been resolved. It was thought at one time that

traditional publishers could cooperate, but after their experiences in the early days of the Internet when digital publishers wrongly claimed to be capable of producing readership for the print media, newspapers have not been persuadable.

How possible will line extension be?

A combined print and digital publishing organisation has considerable advantages over single-output operations. In the first place, a print operation extending into digital already has a hard-copy production investment, which is a sunk cost, and an existing cadre of experienced staff producing a stream of news items. A digital operation seeking to move in the opposite direction – i.e. into hard-copy printing – faces a problem in terms of finding the necessary production facilities. As the alternative to purchasing the necessary printing and ancilliary facilities, it would be crucial to contract production to a printing firm which has experience of newspaper production.

However, this solution in turn creates other problems. If the contract printer already produces other publications, the prospective customer will be obliged to accept whatever production schedule slots are available, regardless of whether this suits the distribution patterns of the new publication or not. It also means that the digital publisher is ceding a vital part of the operation to a third party, which may adopt an opportunistic attitude at some later date.

The imbalance of the necessary investment between print publishers, which are considering moving into the digital field and digital publishers which are contemplating a move in the opposite direction is of such magnitude that very few organisations that are not already in the print business will be able to justify the expense. The low cost of setting up a digital publishing operation has the consequence that it attracts a great many *me-toos* and this increases the competition for both readers and advertising revenue. The resulting fragmentation of the marketplace sets a limit on the potential profitability of any of the digital publications, and seriously deflates the value of each, thus making viable amalgamations very unlikely.

A seemingly insurmountable obstacle for the smaller digital publishers is their dependence on what have come to be called *chimney-fire* news items – those relatively trivial stories that can be obtained as a result of a telephone call to any service organisation which is prepared to give a statement. These statements often pass unchecked as the editorial team in a digital operation is usually very small and the

opportunities to follow-up these stories rarely exist. In general, the quality of the editorial content of local digital newspapers is poor; there are some notable exceptions, but in the main these are from publications with several experienced journalists who have considerable knowledge of newspaper management and long-established contacts in the local community.

Is there a long-term future for digital newspapers?

Perhaps the longest-lasting problem which local digital publications face is that of obtaining revenue to sustain their operations. They are not large enough, nor is their editorial content of sufficient quality to justify any product charge to viewers, and their viewership is not large enough for them to levy a viable advertising charge, but the fatal factor is that the potential advertisers can easily (and cheaply) launch their own website. The local digital publication cannot do anything for advertisers that they cannot do for themselves. Only when the publication's viewership figures are of a sufficiently high level does it become attractive to advertisers.

The problem of advertisers being able to access the Internet has particularly affected the traditional newspaper organisations and can be fairly said to have led directly to the serious disordering of the traditional local newspaper business, particularly with the onset of intermediaries that directly targeted high revenue areas such as homes for sale, employment and items wanted or for sale. The loss of these types of advertising had a double effect: the most important was that they were generally charged at rates well above the average for other types of advertising in the same publication, so the publication had a high yield. Once these were severely curtailed, the number of pages in an edition, while remaining high in order to accommodate the lower charge advertising, generated considerably less revenue for the marginally fewer pages involved, resulting in similar costs and hence lower profits.

Within local communities, it is likely that the main providers of local information will be local print media together with local digital. Local radio is likely to follow the US pattern of depending upon large national advertisers or multiple outlets as the local retailers encounter increasing pressure from online stores offering low prices and fast delivery. Just how much communities will regret the loss of local outlets remains to be seen. In the meantime, the local newspaper and the local digital publication will continue to fight for survival.

12
Strategies for a Turbulent Future?

In the previous chapter, it was recognised that the majority of traditional print publishers have either undertaken, or have seriously considered, moves to online publishing to help defend their readership numbers and advertising revenues. The reality of the position today is that even the most effective local newspaper organisations that have launched into this digital world have had the greatest difficulty in gaining a fraction of their current print advertising revenues. The growth in this area has been disappointing and despite uneasy attempts to stimulate this area, there seems to be little appetite on the part of local advertisers to invest as much in advertising in online publications as they formerly had done in print publications.

This is probably attributable to two reasons. The first is that online publications can offer nothing more than the advertiser can provide for himself by operating his own website, while the second is that with the proliferation of online publications, the market with which the advertiser seeks to communicate is becoming increasingly fragmented and the impact of the advertising message so much less. The problem of fragmentation will only increase as a torrent of innovation contributes to the stream of prospective publishers drawn to the low set-up costs of this medium.

The only slight advantage an online publication has when compared to an advertiser's website is that advertisers generally do not have as regular, or as large, an audience as the publication, but the counter-argument is that this audience seeks general information, not necessarily the information contained in the advertiser's message. The content of these messages must be relatively simple in order to attract the passing attention of viewers who are there for another purpose. In this regard, advertising of this type closely parallels what is called display

advertising in print publications. An old *saw* in newspaper circles is that people go looking for classified advertising (i.e. specific items for which they have an expressed need) and display advertising goes looking for people (who may be considering a possible future purchase).

Online publications have had very little success in attracting classified advertising, apart from highly specialist sites offering property, motor vehicles and employment opportunities, and Craigslist, which offers general categories of items or services for sale. These and similar sites have led the emigration of advertising from traditional newspapers and thus have severely damaged the local newspaper scene, particularly in the UK.

The other main source of revenues for traditional publications firms has been the cover price charged for printed publications. This is not available for online publications, which have no way of charging for content other than by instituting paywalls that regulate access. This has worked reasonably well for national newspapers, especially for those offering specialised content such as financial and economic news. The smaller a publication's reach, the less available this is as a strategy, and it is virtually impossible for local publications, where the quality of content would be unlikely to justify the expenditure that paywall access would require.

Assessing the competition

For a traditional print medium setting out to maintain a position in the local community, the first consideration has to be an assessment of the relative strengths and weaknesses of its competition, not only that currently in existence but also that which may appear in the near future. These can be grouped into three classes:

1. circulation or reach;
2. content;
3. affiliation.

Circulation

For local newspapers in the UK, the readership scene continues to deteriorate, with regional dailies decreasing by an average of approximately ten per cent each year and weekly newspapers by just over five per cent. The policy being followed appears to be one of replacing lost print readership with online readers, although this does not seem to have been universally successful and it has signally failed in replacing advertising revenues lost from the print editions with that from online versions.

In the local media context, online websites operated by newspaper companies rarely exceed one-fifth of the size of the print version, despite many of these online sites having been launched several years ago and having had adequate time to generate acceptance. With access to all the news items originated by the newspaper's editorial function compared to the restricted news resources available to a less well-staffed online rival, it seems strange that the newspaper company should not have made more of the online version, unless of course it was simply a matter of maintaining a presence in that particular market preparatory to warding off any increasing threat from independents, which is the tactic many newspapers employed when they were faced with the challenge posed by free newspapers some years ago.

In comparison with local newspapers, the national press have had considerably more success in the pursuit of online readership. Mid-market newspapers have grown their digital membership to one-fifth more than their print version, and quality newspapers have achieved most of all, with about a 60 per cent higher online readership than for their print version. With the exception of the qualities, the newspaper market in Britain has not managed to replace lost print version readership with that of online readers and shows no prospect of doing so.

Allowing for the fact that the quality dailies were quick off the mark when responding to the overall digital threat which faced their circulations, they were also prepared to resource their online operations (especially website promotion) and they were willing to maintain a high level of expenditure over an extended period. By doing so, they took full advantage of the quality characteristics they had accrued; their reputation for the provision of first-rate information appealed to the very market segment their print version was designed to attract.

Neither the regional daily nor the weekly newspapers recognised the threat as early as the national newspaper managements did, and in any event they had none of the means in terms of finance or human resources to mount a determined defence. However, an added problem was that they were confident that as they had weathered the storm caused by the free newspaper challenge, they perhaps felt that they could afford to watch developments before there was a pressing need to act.

What many traditional newspaper managers failed to recognise was that it was not their actions which had created the downfall of free newspapers, but rather a sudden decline in the economy which adversely affected local advertising on which all local newspapers, both paid-for and free, depended. Whereas paid-for newspapers had

two sources of revenue – advertising and cover prices – the free newspaper proprietors had only advertising and, when that decreased, their only option was to reduce their newspaper distribution, which directly affected the effectiveness of the advertising and the attractiveness of what they had to offer from the advertiser's perspective. So it was not the paid-fors which defeated the free newspapers, it was the economy. However, this dangerous complacency persisted and may have been a major factor in conditioning the response of traditional newspapers in the regions.

Content

While generalisations can be misleading, there are several things one can say about the content of newspapers of particular types. The first is that the content of newspapers is designed for their target market because if it were not, then newspapers would lose circulation. Newspapers are losing circulation and have been doing so for a considerable number of years; from this, we may say that newspapers have either paid less attention to their core market than they should have done or, alternatively, that the core market has changed substantially in terms of its needs for the information that newspapers provide.

National newspapers at the quality end of the market generally provide considered content. Mid-market national newspapers offer rather more entertainment-type content. Regional daily newspapers tend towards considered content with a strictly local bias, while local weekly newspapers provide focused information concerning only the communities that they serve. The news scope of all the national newspapers, while circulating throughout the UK, concentrates heavily on the political, financial and entertainment industries concentrated in and around the capital. The news span of a regional daily covers not only the local area but also those actions and proposals made in the capital which have regional implications. The local weekly newspaper concerns itself only with the community in which it is based and the events within that community.

While the decline in newspaper sales varies wildly between titles, the general recent trend is for quality national newspapers to have lost four per cent, mid-market nationals six and a half per cent and the downmarket nationals nine per cent. What appears to be happening is that the newspapers offering the most considered content are losing least and those which have a larger percentage of entertainment-biased content are losing most. Regional dailies have sustained an average loss of just over ten per cent and local weeklies have dropped by 6.5 per cent.

It is possible to speculate that the closer the newspaper is to the concerns of its audience, the less it has lost in terms of copy sales. This in turn indicates that those communities with the strongest sense of belonging are those in which the media have lost fewest readers.

Affiliation

For the purposes of this work, it is important to draw a distinction between belonging to a community and individual identity. Belonging is only a part of one's identity, as are political or religious connections, a sense of belonging, which according to Miller[1] is premised on being connected to the world primarily through people (community), experiences and traditions (history) and locality (geography). However, in assessing the role played by the media in a local environment, it would seem to be of major importance. The strongest predictors of actual sense of community were: (a) expected length of community residency; (b) satisfaction with the community; and (c) the number of neighbours one could identify by first name. Other commentators also found a positive relationship between sense of community and the ability to function competently in the community.

Communities believe that the local media are important

In research commissioned by the Newspaper Society in 2008, it was found that almost 70 per cent of all respondents who read a local newspaper either daily or weekly stated that in their view, local media (that is, newspapers and radio) are important for the future of local communities. Fifty per cent of this frequent newspaper-reading category considered themselves to be well integrated into the local community. From this, it would seem that all the conditions set by Miller are catered for by local media. They carry news of local people and the community, they extend the experience of their readers through the community news stories they publish and their focus is on the community itself, the locality.

Local media synergy

Of major importance is the identification of the community with the medium itself. This has been manifest in the recent past by the outcry occasioned when a local print newspaper ceases publication, usually for financial reasons. It has been argued that alternative online news sources already exist and could provide a service. This argument ignores the sense of affiliation that has developed over time between the readers

and the original medium. It also ignores the fact that online publications have neither the editorial space nor the staff to fully replicate the service formerly provided, so what there is on offer is different from that to which the readers have been accustomed.

For a great many years, the fundamental imperative in newspaper publishing was to extend circulation as far as possible. The larger the circulation of a newspaper, the more the charge for advertising could be raised and the more profitable the organisation would be. This precept was concerned only with the well-being of the newspaper company and not at all with the advertisers who supported the whole enterprise. The organisations which most exemplified this characteristic were the regional daily newspapers. Disregarding the fact that the retailers, from whom most of their advertising was to come, were not capable of attracting custom from the entire circulation area of an expanded newspaper, the managements persisted in asking for higher advertising rates for their larger circulation.

In practice, this course of action had a double negative effect. It aggravated the advertisers who were being asked to pay more for no appreciable gain and who began to seek alternative means of advertising their goods and services, and, more seriously in the long term, it adversely affected the viability of the enterprise. At this time, some 80 per cent of a newspaper's revenues came from advertising and only 20 per cent from the newspaper cover price; consequently, every new copy sold registered a loss if it could not attract the 80 per cent contribution to unit revenue, and because the new circulation was usually on the outskirts of the circulation area, it was of little additional benefit to existing advertisers or to new ones. This was of little consequence to newspaper managements when the additional circulation, irrespective of where it was located, could count towards a higher advertising charge.

However, this became of great consequence when the effectiveness of the advertising did not increase at the same rate as the advertising price; this was the dawn of the advertisers' disaffection with those local newspaper managements that were pursuing this policy. For as long as there was no viable alternative to newspaper advertising for the vast majority of local advertisers, this situation had to be endured, but the resentment built steadily and the depth of feeling was finally manifest when the Internet provided alternatives.

No strategy evident

Throughout this period, in local and regional newspapers there did not appear to be any discernible strategy other than to facilitate the

maximisation of profit. Mintzberg and Waters[2] have expressed the view that strategies are generally either deliberate or emergent, or lie somewhere between the two, not being a perfect form of either. Newspaper managements appeared content to continue doing whatever they had been doing, with no regard for either the future or for the advertising on which they had come to depend so heavily. There was no strategic control for managers to exercise because in truth there were no strategies – for this, only the management apex was to blame. Their concerns were almost totally financial and few, if any, had the broad-based management training that media organisations required in order to handle the situation when change loomed. This is exemplified by the response of a very senior director of a newspaper company to a request for funds to commission readership research to the effect that in his experience, research merely told you what you already knew.

The result of the trance-like condition which permeated almost the entire local newspaper industry in Britain was that management training was regarded as an unnecessary expense in a stable industry which was providing extremely comfortable returns. For the same reason, business consultants were very rarely used and most of their advice was disregarded if capital expenditure was involved.

When change, in the form of the Internet, arrived, it did so with the force of a tidal wave. When the tide retreated, it took most of the local advertising with it, leaving the newspapers dazed and with no idea of what to do next. Their first reaction was to slash the advertising rates, which is what they had always done when faced with a threat, but advertisers were no longer willing to react to this form of blandishment. By the time this was realised by newspaper managements, there was direct competition from online companies specialising in those high-margin sectors such as property, employment and motor vehicles; these websites and others in the general field seriously depleted the advertising revenues of newspapers.

At the same time, newspaper copy sales began to drop, partly caused by the lack of the type of advertising which the readers found most useful and partly by the reduction in the number of pages each edition contained. The economics of newspaper publishing dictate that the number of pages is governed by the amount of advertising, so a decrease in advertising leads directly to a decrease in the number of pages and, as the price of a newspaper remains unchanged from day to day, the value received by the consumer is reduced.

This double blow of a decrease in both sales and advertising revenues forced newspapers into a totally defensive posture. So sudden and

severe was this occurrence that newspapers found themselves in an end-game situation in which not only did they have a minimal amount of time in which to prepare themselves, but where there was also a significant lack of market intelligence, which resulted from a paucity of continuing research. In circumstances where markets are shrinking, it is unusual not to have demand pockets that provide at least some revenue potential, but few newspaper managements had a functioning intelligence system in place to help them identify these.

Single-product organisations

Local newspapers are largely single-product organisations and as such have particular attributes which affect their ability to manoeuvre successfully in unstable market conditions. Single-product firms are those which have not experienced the need to diversify and whose revenues are almost entirely gathered from one product or one product group; Rumelt,[3] following Wrigley, has defined this figure as 95 per cent. Where there is some diversification and the main product constitutes 70 per cent, but less than 95 per cent, this has been defined as a dominant product firm.

Newspapers in general – and local newspapers in particular – are heavily dependent upon their major product to be successful, and in a declining marketplace, it is imperative to identify and concentrate upon all remaining demand pockets. Harrigan[4] has provided a brief but extremely useful graphic setting out the strategy options for organisations in declining markets.

Strategy options in decline	Has sufficient strength for demand pockets	Lacks sufficient strength for demand pockets
Industry environment is favourable for the proposed strategy	Leadership or niche	Harvest or divest quickly
Industry environment is not favourable for the proposed strategy	Niche or harvest	Divest quickly

For newspapers, these are stark choices. Leadership is unlikely to be a possibility when the newspaper is losing both copy sales and advertising. Harvesting is very much a short-term option as it very much depends on the ability of the organisation to reduce costs to a point

where it just falls short of strong resistance from either its employees or its customers. Divestment relies upon there being willing buyers of either the business as a whole or of the specialised equipment required to produce the newspaper, an unlikely event given the state of the industry. This leaves niche strategy.

The principal objective of a niche strategy is to identify a segment of a declining market that will either maintain a stable demand or will decline slowly. We saw earlier in this work that a strategy focused around the principle of *Gemeinschaft* gives a firmer, but narrower platform on which to base a niche strategy. We have already seen that the community-committed section of British society averages approximately 40 per cent and that these people are of the older generation, who have not embraced the Internet as wholeheartedly as have their younger cohorts. For this reason alone, this niche will decline and there is simply no way of knowing how many will be added at the bottom end of the *Gemeinschaft* segment. However, at worst, even the existing segment will last for a sufficient time to allow for the adoption of other strategies to be investigated.

Is niche the only option?

On balance, there seems to be no viable alternative to niche policies for newspapers that wish to remain in business. With this in mind, many firms decided to compete directly with the organisations which had removed, and were removing, large amounts of their advertising and copy sales revenues – the website firms. This has been talked of as a diversification, but in reality it was simply an attempt to stem the ebb tide of business; it was a replication of the tactics employed to defend against the free newspaper upsurge of a few years earlier.

The search for the demand pockets on which niche markets can be based usually occurs at either the beginning or end of a period of stable growth. In the case of newspapers, this is happening at the end of an extended era of highly profitable existence. The growth of competition during these golden days was severely inhibited by the high barriers to entry faced by prospective publishers. Carroll[5] advanced an alternative theory which asserted that the opposite would be true once a certain threshold level of market concentration was passed.

The argument revolves around the fact that large organisations have to produce products that appeal to mass markets, which makes it difficult for them to attract custom in peripheral market segments. This is not only the geographically based customer sector as discussed above,

but also embraces demographic, economic and cultural segments. This disadvantage provides opportunities for specialist publications to compete successfully within these niches. It has been the deep-seated drive to increase circulations on the part of daily regional newspapers in an attempt to shut the door on the entry of other generalist newspapers that has created the opportunity for specialist websites to enter and exploit these demand pockets.

British newspapers have not found themselves in the position of having to seek to operate on a niche basis out of choice; their markets had disappeared from underneath them and of the few alternatives available to them, if they wished to remain as viable operations, was to convert their mass-market newspaper into a niche publication targeted at the largest demand pocket available. Having been forced to remove themselves from their mass market, with all that entailed in strategic policies and a position of some strength in dictating what happened, newspapers found that they were in a defensive position which required them to know considerably more about both the market and their competitors than they had needed to know previously.

The major difficulties when launching a niche policy is to ensure that: (a) you are first publication into that segment; and (b) the segment is clearly defined so that it will be very challenging for a competitor to successfully out-focus your product. By tightening the concentration initially to the smallest viable level, it becomes possible to ward off competitors. While this policy of deliberately limiting the size of a publication runs counter to the policies of the newspaper when it existed as a mass-market product and is, as a consequence, not always easy for traditional managements to institute willingly, it has to be remembered that this stage of a niche strategy is only the first of what will eventually be a multi-stage process.

A niche strategy is demanding

Focused publishers have an imperative to clarify their core activity and to concentrate on that. For example, if it is decided that the niche strategy to be followed is one of providing a full record of the happenings in a community, then the resources of the firm needs to be concentrated on ensuring that as many sub-communities as possible are reported upon. As the resources needed are likely to exceed a small newspaper's ability to provide, much of the story input will have to be provided by the nominated members of the individual groups and sub-edited into a house-style by staff journalists. In this regard, a struggling print

publication will not differ greatly from its online competitor. Where it will diverge is in the comment offered in the editorial, which is a facility which independent online publications rarely offer.

Niche publishing carries with it the fact that circulations will be smaller than the original mass-market publication and, in addition to the penalty of smaller revenues in terms of both advertising and copy sales, there is the less evident cost of printing smaller numbers of copies on printing presses designed to be most efficient at higher volumes. This is a carry-over from the golden days of higher circulations when the mantra of reducing unit cost pervaded newspaper management thinking.

The cost of replacing these presses with newer presses designed for small circulations was well beyond the financial scope of all but the very richest organisations, and in the main these were undecided whether or not to harvest or divest their printed publication, so the investment of additional capital expenditure was not a priority. The traditional newspaper carried on using the traditional presses and continued to sustain losses.

As we noted earlier, external pressures from newspaper analysts added another problem for newspaper managers. Intent on maintaining, or growing, the returns for their clients, the analysts insisted on a reduction of operational costs, which, in the case of newspapers, is largely the labour cost, and as the overwhelmingly large number of employees in the media are highly skilled, these costs can only be reduced by laying off staff, which has a direct effect upon the quality of the newspaper's content.

The customer matrix

In order to facilitate decision-making, it is helpful to use a customer matrix, which is employed to determine the overall view on the part of those to whom the medium is targeted. The first task is to survey the use-value of the product, that is, the perceived utility of the information that the medium is thought to offer by its customers. The second is the perceived price-value being asked for the product. The importance of perception in these definitions cannot be over-emphasised; it is only the view of readers or users of the individual local media which matters. At this stage, the reasons for their decisions do not matter, only the results for both. When these are ranged against other local media, it can be seen to provide vital information which can be useful in helping establish the marketing aspects of a niche strategy.

Because all media consist of both information and entertainment, the questions must be asked for both aspects in all local media. This means that illustrating the customer matrix is complicated and represents a particular moment in time – that point at which the research questions are asked. An example of what is proposed is shown below.

The questions, of which there are four, are as follows:

1. How useful to you is the news information in this medium?
2. How useful to you is the non-news content of this medium (this includes puzzles, horoscopes, etc.)?
3. Does the news information represent value for the overall price you are asked to pay?
4. Does the non-news content represent value as a part of the overall price?

If we attach notional values to each of these questions, we will have the opinions of the community served by these media, and the relationships between each will be clearer. The aggregated figures for each medium are given below.

When this information is transferred into a matrix, the relationships between the information and entertainment elements of each medium become clearer, as do the positions of each medium in the community mind map.

In Figure 12.1, the four elements in each medium have been separately identified to enable closer comparisons to be made. For example, while neither radio or television has a direct cost on which to provide a comparison, the price use value of radio is thought to be marginally higher.

In general, both newspapers and the Web are seen to have a high information content of interest to local communities and middle-grade

Table 12.1 Aggregated responses

	Perceived Use Value		Perceived Price Value	
	Information	Entertainment	Information	Entertainment
NEWSPAPERS	4.7	2.1	4.9	2.4
TELEVISION	3.4	4.8	1.2	4.1
RADIO`	2.3	2.4	1.4	2.9
THE WEB	4.9	2.0	4.8	2.1
MAGAZINES	3.2	4.6	2.5	4.2
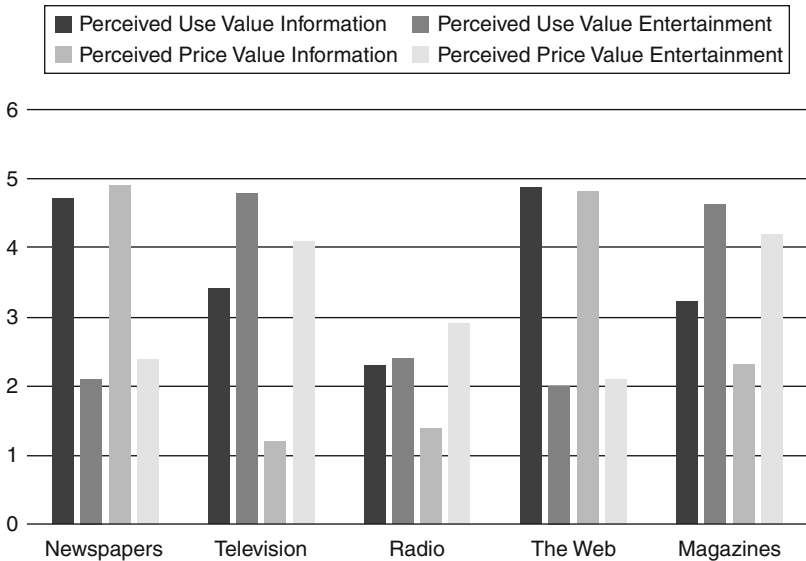
Figure 12.1 Profiles of local media

perceived prices. Both radio and television stations are regarded in this instance as having a lower use value and lower perceived prices. Magazines are perceived to have a high perceived price and a medium use value. While both the radio and television stations are free to view or listen to, the television licence cost adds to the perceived price as far as viewers are concerned, but appears to be disregarded. Equally, the perceived cost of the Web is seen to embrace the access costs of the Internet Service Provider. Television is the primary source of entertainment in the home and its perceived price is regarded as being low, even though there are fees to pay and some electricity is used. Magazines are thought of as being expensive, due mainly to their high unit cost, and so have both a high perceived price and a high perceived use value. As an entertainment medium, radio parallels television in having a small perceived cost and a high use value. The Internet sits in a central position, commanding a medium use value at a medium perceived price. Newspapers offer little in the way of direct entertainment and have a very low perceived price; their main strength is in the provision of information. It is again important to emphasise that the graphics used above are for demonstration purposes only. Each community will have

media which are uniquely suited to their particular environment and will require specific research in order to locate each within the community universe. Without this baseline research, it will not be possible to navigate a product into a different position in the matrix should this be deemed necessary.

Faulkner and Bowman offer a method according to which it is, in theory, possible to navigate a product within the media environment that surrounds it. Their Strategy Clock facilitates an improvement of the medium's competitive position. As we saw in the graphics above, media as information providers have a different profile from media as entertainment sources, so, as before, the Strategy Clock needs to be used in both dimensions. In general, a move northwards will improve the perceived use value (PUV) and maintain the perceived price (PP) at its original level. A move southwards will worsen the PUV level. A move to the east will reduce the PP, whereas a move to the west will increase it. If we refer back to Figure 12.2, it will be clear that a move to the northwest would improve both the PUV and the PP of the newspaper within its environment.

On the other hand, the position of the newspaper in Figure 12.1 indicates that because of its position in last place in the PUV measure, any
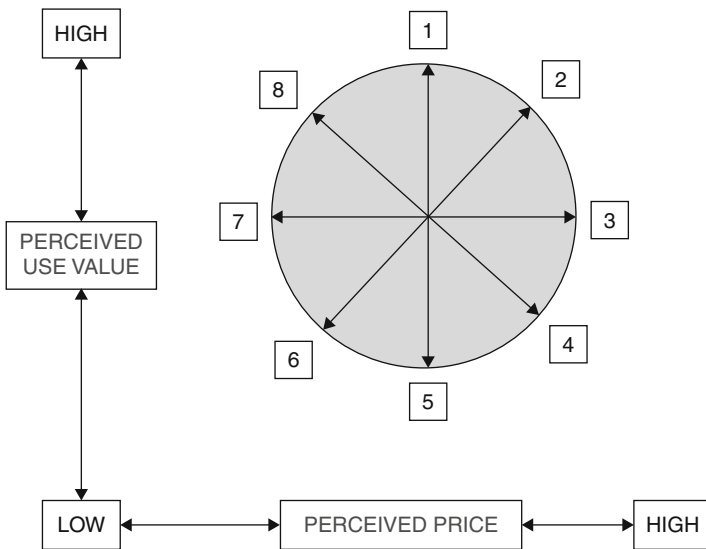
Figure 12.2 The Strategy Clock

attempt to improve the entertainment content would change the character of the newspaper as principally an information medium to such a degree that there might well be an adverse reaction from the core readership. By judicious applications of improvements, the navigation of the product to a better position can be brought about.

Effective strategy is about a concentration on giving the customer constantly improving value. In the case of newspapers, where information is its main raison d'etre, there is little point in diverting resources to building the entertainment content of the product to which the reader attaches very little value in comparison to its usefulness as a source of timely information. There are few successful commercial activities which do not centre on the enhancement of value.

13
The Mechanisms of Local Media

At first glance, all the major local media – newspapers, magazine, radio and television – appear to be (and to some degree are) significantly different. However, their internal structures and mechanisms for conveying information and entertainment to their audiences are remarkably similar. They must find, prepare and distribute their content in the most effective and efficient method possible. The most obvious points of difference are the amounts of content which they either make in-house or purchase from an outside supplier. In general, the print media of newspapers and magazines make much more than they buy, while for the broadcast media of radio and television, the position is reversed.

As was noted earlier, the main distinguishing characteristic is that those media that provide news targeted at a local community tend to originate the vast majority of their content, whereas those providing entertainment buy-in most of their published or broadcast material. The technologies used in each medium have some part to play in this dichotomy: the printing process used by newspapers is comparatively simple, although innovation is beginning to make inroads, whereas the technologies used to broadcast colour television programmes and the techniques used to make available catch-up and similar facilities for viewers are arriving in increasing numbers.

Both magazine and radio production fall somewhere between the extremes of the relative simplicity of newspaper printing and the complications of television, although there is little doubt that innovation cannot be delayed for long. The greater the amount of expensive technology utilised, the greater the costs of the expert staff needed and the greater the need to purchase less expensive programme material rather than attempting to create it in-house. Even the largest of the broadcasting companies, whether radio or television, commercial or

public service, now purchase a large percentage of their entertainment programming from outside sources. Similar processes are taking place for the news stories used by the local media. The medium currently closest to their communities are local newspapers and virtually all of their input is locally sourced, either by their own staff or by freelance reporters who are paid on a results-only basis. The next community-centred medium, radio, which features both commercial and public service sectors (the latter operated by the BBC), provide the bulk of their own local news items, employing their own staff. The medium which uses least timely local news is the magazine sector; their frequency of publication (either weekly or monthly) and their generally longer production times mean that they are rarely in a position to publish up-to-date news stories. Their readerships are accustomed to expecting background information rather than breaking news. It is for this reason that magazines, whether news and leisure-focused in terms of their content, either commission articles or purchase them from editorial service providers. The main drawback of the latter source is that these pieces do not have total exclusivity unless this is negotiated specifically.

Newspapers: structure and functions

Of all local media internal mechanisms, that of newspapers is the most complex. This is because newspapers retain most of their operations in-house: from the selling and production of the smallest classified advertisement to the printing and dispatch of the completed newspaper. Such a span of control not only complicates the management functions but also elevates the importance of time as a major factor in the successful publication of the product.

In his groundbreaking paper, George Stalk[1] highlighted the growing importance of time-based production by demonstrating that companies are systems with time connecting all the parts therein. This is particularly true of newspapers, whether national, provincial evening or weekly in their publication cycle, and is the major reason why, in this work, newspapers are the organisations against which the other local media are evaluated.

The time constraints on newspapers are evident; their readers expect the product to be available at a particular time, but the availability of both advertising and editorial content are an unknown, and this creates a series of time crises which can only be overcome by installing a comprehensively flexible system. One of the requisites of a flexible system is a highly developed information network within and across

departments of the newspaper. As a result of the long-established nature of the newspaper business, there are both formal and informal information and decision networks which can be used to manage crises in the production process.

At each stage in the following flow structure of a typical newspaper given in Figure 13.1 below, there are opportunities to identify the points at which time savings can be made or problems avoided. Each of the other forms of media follows some form of the newspaper workflow, although most are customised to suit the characteristics of the product or of the market.

Each decision point is numbered and a detailed explanation is attached:

1. The initial page estimate is provided by members of the advertisement department, who have some idea of how much advertising they are likely to receive for the next edition. As the number of pages is determined by the amount of advertising, they are likely to be the only people who are capable of providing this information.
2. The advertising from advertisers who liaise with the advertisement sales staff is known as local direct and is not as likely to be booked as far in advance as…
3. …advertisements from advertising agencies, which usually represent the larger advertisers.
4. Those local events which are thought to warrant editorial coverage are listed in the editorial diary and will form the backbone of the news stories for the next edition.
5. Feature stories which may be needed to fill the space left unfilled by local coverage are ordered at this point. These are general interest stories, except when it is decided to commission coverage of out-of-area events which have a bearing on the local community.
6. Advertisements that are originated by newspaper advertisement staff for local advertisers are listed and special positions are decided. Complete advertisements from advertising agents are checked and registered.
7. The editorial content is compiled now and missing copy is registered and sought.
8. The advertisement layouts are finalised.
9. These are then marked-up with…
10. …the relevant editorial stories and pictures in the Editorial department.
11. The Production department is advised of the final size of the edition.
12. The order of the pages is advised by the Editorial department.
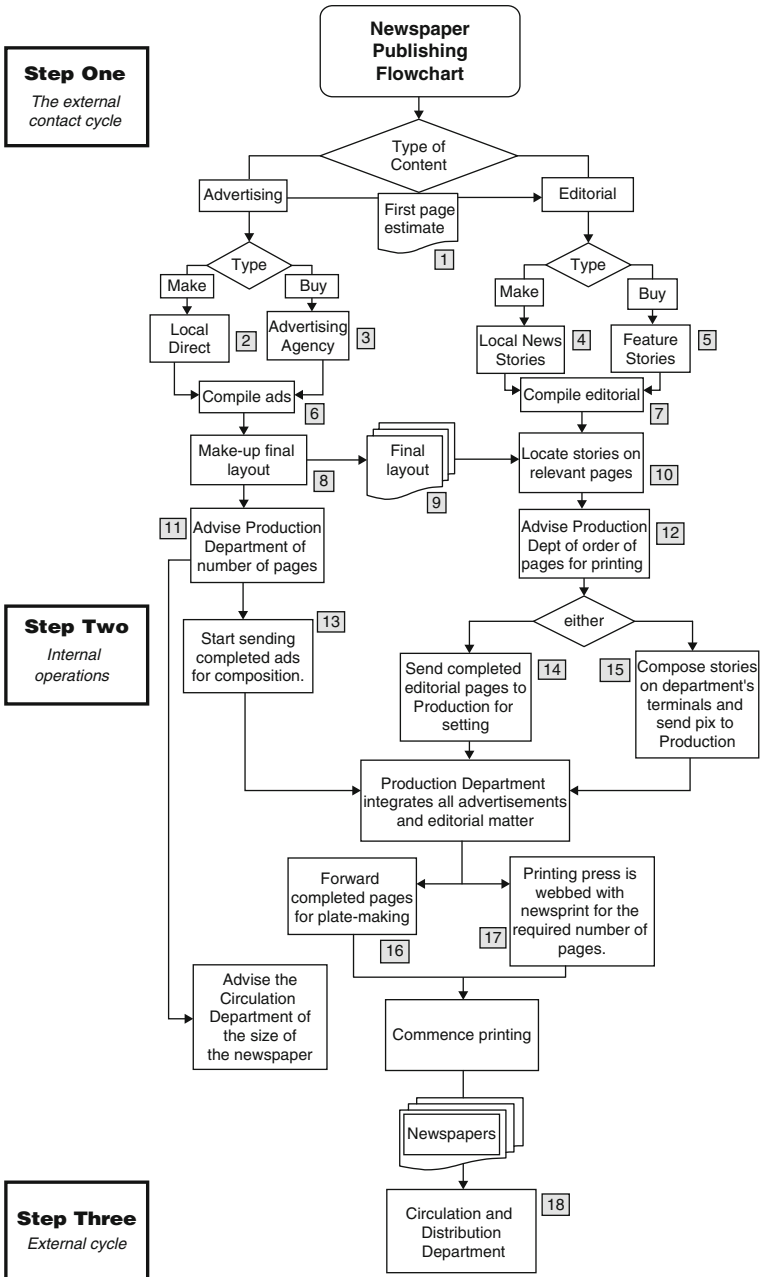
Figure 13.1 Newspaper publishing flowchart

13. Those advertisements needing composition are sent to Production.
14. and 15. Editorial stories for setting or that have been pre-set in editorial are forwarded.
16. Completed pages are sent for plate-making.
17. The printing press is webbed with newsprint for the number of pages required in this edition.
18. Papers are made available to the Circulation department for distribution.

The flowchart is divided into three steps which are convenient when seeking opportunities to enhance the product from the reader's perspective.

Step One, the external contact cycle, is largely concerned with the quality of inputs (both editorial and advertising). Both need to be as informative as possible – not only the headline and illustration, but also the body copy which describes the event or the product or service being offered. The principle which governs both types of announcement is that they should be written from the viewpoint of the reader, emphasising the benefits (or drawbacks) which can accrue from knowing of the news item or from purchasing the good or service.

Newspaper pages are normally organised in a particular pattern, usually with current news in the front, feature material in the centre and sports reports at the back. As all the pages have the advertisements sited first, it is important that the editorial part of the page should have a V-shape, with the widest possible opening at the top of the page, so that there is adequate room for headlines and photographs. To achieve this effect, the advertisements are built from the bottom of the page, with the largest advertisements in each of the bottom corners and the remainder built against the outside edges of the page.

Step Two, internal operations, is the stage at which the disparate elements that have been assembled into pages are presented to the Production department. Where the Editorial staff have the technical ability to set their own copy and to locate this on the relevant page, this obviates the need for the Production department compositors to become involved in the typesetting of the Editorial matter. However, their services are needed for the typesetting of the advertisements which use a larger range of typefaces and typesizes.

The over-riding consideration at this stage is that the entire product should be easily readable – not only the editorial stories and photographs, but the advertisements (both classified and display). The editorial matter is set to a pre-determined house-style which helps

establish the look of the newspaper and is readily identifiable on the newsagent's counter.

Step Three concerns the mechanisms called into use when the product leaves the Production department and is conveyed to the potential audience by means of the newsagent and street-seller network. The newspaper flowchart is the most complicated of all local media.

Magazines: structure and functions

Next in terms of degree of complexity are magazines. While magazines do not have the same volumes of *made* content as newspapers, they tend to carry a large number of bought-in long-form editorial stories and photographs. As the vast majority of magazine publishers do not have their own individual designated production facilities, but instead use the services of an outside printer, there is the necessity to institute a production editor function to streamline the flow of copy to the printing firm that is unlikely to be situated in-house.

The distribution of magazines is usually undertaken by wholesalers who replace the entire functions of a newspaper's Circulation department, with the exception of the Subscription department, which is normally retained within the publishing company. This places at least part of the sales intelligence information within the control of the management apex, a necessary function if an active marketing policy is required. The Editorial functions of a magazine are very similar to those of newspapers, except for the fact that their low requirement for made content means that they have very few staff reporters, instead commissioning freelance journalists and photographers to cover local events. Apart from an Editorial apex, the majority of staff are involved in administration or advertising sales.

As magazines use high-quality paper, this enables a much better print quality in the form of finer screened illustrations, their pre-production lead times are considerably longer than for newspaper printing, which is of an altogether lower standard. In practice, what might appear to be a less stressful production environment is usually almost as fraught as that of a daily newspaper, as a smaller staff is responsible for producing a large content at what is effectively arm's length.

Television: structure and functions

The terrestrial television industry in Britain is dominated by the public service BBC and a handful of large commercial organisations. The

satellite broadcast sector is overshadowed by Sky Television, which has provided shelter for a very large number of small independent broadcasters. By comparison with print media, the commercial television companies buy in the overwhelming majority of their programme content, particularly their entertainment and national news items; only local news is not generally contracted out. At one point, the BBC produced most of its output, only buying-in a few popular US entertainment series. Now the costs of television production are such that it is uneconomical for any broadcast organisation to produce for itself alone, so all output is designed to appeal to foreign broadcasters.

Television advertising is in much the same situation – most is either produced by, or through, advertising agencies and because the goods or services being advertised are unique to one or more markets, there are few opportunities to defray any of the production expense across markets. Some multi-national firms are attempting to overcome this problem by making several versions of the same film, re-voicing where necessary. There is comparatively little voice-over-slide advertising created for very local advertisers, so there is no requirement for a large sales force focused on local direct advertisers. Virtually all sales activities in the case of the British television industry on behalf of British broadcasters takes place in London.

Radio: structure and functions

Commercial radio stations in Britain, while organised in a similar fashion to the larger television companies, tend to have a greater dependence on local news sources and advertising, and thus a larger editorial staff and a local sales force. The majority of their advertising revenues from national advertisers are obtained through sales agencies that specialise in the radio advertising market.

The status of media staff

Because of the skills needed for the vast majority of the jobs in media companies and the financial stability of established firms in the industry, a belief had developed that these were *safe* positions and that they provided an escalator for promotion – for example, junior reporters starting their careers in a small weekly newspaper could look forward to progressing to a regional daily newspaper and from there to Fleet Street. Similar promotion routes existed in other branches of the media and were largely determined by the size of the group; the larger organisations could afford to attract and hold the best candidates.

During the years of stability in the industry, virtually all the jobs within the organisations came to be regarded as core; there were few unskilled positions and while the levels of required skills varied a great deal between departments, they would all be difficult to replace should the need arise. This situation changed dramatically as the industry fell on hard times.

Media managements of all types realised that cost-cutting would have to be undertaken and, as a first step, there was a need to classify their workforces into either *core* or *peripheral* workers, the former being necessary for the effective continued operation of the business, while the inputs of the latter could be easily replaceable. In times of financial stringency, as at the present time, managements seek a means of cutting costs while affecting the product as little as possible. This often means that the core staff have to be persuaded to remain in place, often through financial incentives, while the peripheral staff bear the brunt of most of the cost-cutting, either by a reduction in hours of employment or by being offered freelance status and paid only for what is published.

Not only was this a devastating development for the individuals who were now designated as peripheral, but it was also a serious blow for the reputations of the organisations involved. Far from attracting high-quality job-seekers, particularly for the insecure peripheral positions on offer, they began to find themselves unable to draw those who would be the future replacements for today's core employees. Such long-term damage would be exacerbated by the fact that for many newspapers, the sub-editing function, which was carried out by experienced journalists, had been abandoned.

For this reason alone, the mechanisms of the media in the future will be different from those of the recent past. The basic functions of media management is to direct and control, but with a reporting staff which is not employed directly, direction is problematic and, as time passes and the under-employed peripherals seek and find other, more secure employment, the number of these sources will dry up, leaving firms with a slowly decreasing core workforce and few replacement candidates available.

For many years, the media have depended on universities to produce a steady stream of journalism or media studies graduates. These institutions continued to accept these students even when it began to become clear that there would not be a sufficient number of junior positions available for them, and those who were at the bottom, weekly newspaper level would require considerable parental financial support for some years. It was then that the reality of the supposed glamour and status of the media came crashing down to earth.

Future mechanisms

In order to forecast the likely shape of media company managements, it is necessary to regard not what they wish to do, but rather what they are not capable of doing. Faced with a serious lack of advertisement revenue, they will have a much smaller vehicle in which to carry either news or entertainment. This will restrict the space that the print media will be able to run for any individual story, which in its turn will require a greater level of expertise to prune a news piece than to run it in its submitted form. However, increasingly the sub-editing function is being reduced in the cause of cost-cutting, leaving the publication at risk of appearing to be slipshod.

If the number of reporters does decrease any further, then managements may well decide to use the outputs of citizen journalists whose abilities are bound to be somewhat uncertain in the face of laws covering defamation, amongst other problems. With a fully operating sub-editing operation, this would be less of a threat, but without the safeguards which experience brings, this might turn out to be an expensive alternative.

14
Newspaper Production

While newspapers were in the ascendancy, the strategic objective of the majority of newspaper proprietors was to maximise their circulations in order to claim higher advertising rates from advertisers. A major plank in this policy was the desire to reduce the unit cost of each copy to a point where smaller competitors would have serious competitive disadvantages. It was for this reason that the printing press, which represented the largest individual capital investment, was made as efficient as possible at the request of newspaper owners.

An added factor was that large-circulation newspapers needed to have fast production to enable distribution to the bigger outlying areas they were hoping to cover. The printing press manufacturers, which were located mainly in either the USA or Germany, achieved these twin objectives at a price that the industry was prepared to pay, and newspaper owners installed these large, expensive, economical machines and settled back to continue to enjoy substantial profits.

The proprietors' calculations were based on the belief that circulations would either continue to rise or, at worst, would remain at their current levels. As it turned out, neither of these eventualities happened: circulations dropped and the presses which had been purchased to save production costs began to become a serious drag on profits for the following reason. When a newspaper printing press is first running at less than its designed speed, for example during start-up, the reproduction quality is very poor, but improves as the optimum speed is reached. The same loss happens when the press is slowed to a stop. For large-circulation newspapers, where the printing runs are long, the wastage as a percentage of the total run is acceptable. When the printing run is small, the wastage, which remains the same whether the printing run is long or short, forms a much larger percentage of the total run.

Lower print runs mean higher unit costs

When a newspaper loses circulation, the printing press has to be used for much smaller printing runs and operates well below the level of efficiency for which it was designed. This has a direct bearing upon the firm's profitability and adds to the losses sustained in copy sales and advertising. Yet another factor has been the intransigence in the past of the print unions, whose members man the presses and who had negotiated press manning agreements which were clearly far in excess of what was necessary. While many of these arrangements had been successfully re-negotiated by managements, there remained some degree of over-manning, particularly with the larger-circulation newspaper groups.

The days of the super-fast printing press which could print 100,000 copies per hour each containing up to 128 pages had now faded into the past. What was needed was a slower, cheaper, more versatile press which would need fewer operators, and this appeared in the form of digital presses which were offered by several companies, most of whom had deep roots in the photography business.

The economies of scale no longer apply

In the changed environment of the newspaper business, most of the labour-intensive working practices which had served the industry well for many years have had to be jettisoned in pursuit of reduced costs. The economies of scale no longer applied as once they did, with declining circulations and decreasing pagination inexorably forcing up the unit costs of practically every aspect of the newspaper production process. For the newspaper companies that had been the worst affected by the drive to protect profits by reducing costs, not only were there redundancies in the labour force, but also entire layers of management were cut.

The effects of these cutbacks differed from department to department. In the Editorial department, the numbers of reporters and sub-editors were reduced and remaining staff were given additional tasks. In the Advertisement department, not only were numbers reduced, but sales training, which had played such a central part in the success of some British newspapers from the 1960s onwards, was almost totally abandoned. The largest savings were made in the Production department: not only were the manning levels reduced on the presses, but the direct inputting of editorial copy by journalists who had written the stories had also reduced the need for compositors.

Cost saving has a long-term penalty

It would be reassuring to think that these savings were being made in pursuance of a coherent strategy. In fact, this was not always the case; mostly these were knee-jerk reactions to pressure from stakeholders to maintain profit levels and resulted in the loss of some parts of the baby with the bathwater, an effect that might not become evident until a new strategy would have to be decided upon. In the widespread panic which followed the realisation that the newspaper industry was sliding into the abyss, the only strategy – if strategy it was – was to survive for that day, week or month, and very little thought was given to the long term. As the fog of battle began to clear and the realisation grew that the industry might survive after all, managements began to cast about for possible strategies: the first priority was to seek a stable customer base, while the second was to assess that segment for potential for growth.

Niche rarely occurs out of choice

It is important to recognise that products do not become niche from choice. This is especially the case for those which have existed believing that size was everything – they were pitchforked into a niche because they lost substantial numbers of their former customers. In these circumstances, it is always a question of making-do-and-mending, of holding on to as many readers as possible while analysing which parts of this smaller audience have the capacity to grow. This clinging-to-the-wreckage phase consisting of undifferentiated promotion needs to be replaced as soon as possible by a campaign targeted at the largest segment with the greatest potential.

According to Brandt,[1] there are six major bases for determining what categories of segmentation are available:

1. demographic;
2. geographical;
3. usage rate;
4. benefit;
5. psychological and attitudinal;
6. lifestyle.

The applicability of these individual segmentation categories in the media industry depends largely upon the type of medium being considered. For example, an evening newspaper with a widespread circulation

area can use geographical segmentation, while this would be unnecessary for a weekly newspaper, whose distribution area would embrace only one community. Segmentation by demography is probably the most useful of all for newspaper managements as it permits classification of audiences by age, gender, income and similar factors which facilitate effective marketing. Usage rate segmentation is useful when identifying those who purchase the newspaper habitually compared with infrequent purchasers. The last three categories – benefit, psychological and lifestyle – are possibly of more use to magazines than newspapers, but should be borne in mind in circumstances when, as at present, step-changes in the market are likely.

Segmentation drives strategy

Just as Andrews[2] claimed that strategy follows structure, it can also be said that segmentation determines strategy in the case of the newspaper business, where the strategy that a newspaper is forced to follow is largely determined by the size and composition of whatever segment is available. It is therefore of some importance that the necessary resources are readily available when a strategy is eventually decided upon. It is critical that the idiosyncratic skill sets required for newspaper publishing are not discarded in the rush to protect profits by reducing costs.

Newspaper managements faced with the alternative of either harvesting or divesting are unlikely to be concerned with protecting resources which might turn out to be valuable in the long run, as it is unlikely that there would be a long run. A niche strategy would be likely to work best for a publication whose future was still in the balance and which had sufficient human resources with the necessary skill sets remaining. Candidates capable of instituting a coherent niche strategy would need to have sufficiently large core segment to make the exercise viable and an active marketing policy to attempt to grow that segment in order to make it less vulnerable.

15
Digital Printing

If the future of newspapers, and especially local newspapers, is to be niche marketing, which means one of small scale, then it is counter-productive to attempt to produce the printed productive on expensive-to-run machinery, particularly a press which was designed to produce long-run publications. A digital press is much slower than an off-set lithographic press and is much more controllable, mainly because of this lower speed.

One of the constant problems facing a traditional mass-market newspaper is created by the need to maintain a non-stop print run to avoid the wastage which happens on the run-up to or run-down from the optimum printing speed. This means that there is pressure on the distribution system to get the market serviced on a timely basis by what is always a limited amount of transport availability. This results in some parts of the circulation areas being supplied later than is ideal, running the risk of the loss of casual sales. With traditional long-run printing, it is not a viable proposition to divide the production runs into sections, as the run-up and run-down wastage would cost far too much, so a compromise solution is always arrived at and, as with most compromises, it is usually less than optimal.

A byproduct of the reluctance to interrupt the print run is the unchangeable content of each edition of the newspaper. The copy which is printed at the beginning is precisely the same as the last copy printed; no accommodations can be made for the content needs of particular market segments, whether geographical or demographic. As a consequence, the editorial aim has to be at the centre of the newspaper audience, leaving the peripheral segments to their own devices. This handicap limits the marketing activities of the newspaper to a general argument for the total product rather than for the particular segments that the newspaper wishes to attract.

A printing press purchased when the policy of newspapers was to increase circulations and to benefit from the economies of scale is an expensive white elephant in this era of smaller circulations. It does not have the flexibility which newspaper publishing in this century requires for survival. Fortunately there is an alternative production process which is beginning to come into use that will answer many of the problems that bedevil current printing problems: the digital press.

The flexibility of digital presses

A digital press is extremely flexible in that it will print not only different page content throughout the course of a print run, but it will also produce several different newspapers throughout the course of one press run. The implications of this ability reach well beyond the production department into the distribution section and will dictate a great deal of the marketing policy of the newspaper. This inherent adaptability operates at several levels: there is the facility to replace a news story or an advertisement at the full speed of the press, or a complete page if needed, or – and this is perhaps the biggest benefit of all for a company printing more than one newspaper – there is the ability to print a number of copies of several newspapers in sequence, so that it becomes the equivalent of several newspapers being produced on one press at the same time.

In practice, this means that in place of the distribution operation being dictated to by the non-stop requirements of the traditional printing press, it is the distribution operation which prescribes what and when the press delivers. This leads to a much more efficient and economical supply operation.

From the marketing perspective, the ability to change the content of an advertisement gives the opportunity to test various styles of advertisement in what was once known as split-run publishing. This enables particular advertisements to be supplied to selected geographical areas with considerable degrees of accuracy. By the same token, it will be possible to target news stories to specific areas of the community, thus permitting a degree of focus which simply cannot exist in long-run production.

While most of what we are proposing applies to the local end of the newspaper business, there are aspects which are of use to both national and the larger regional newspapers. The most useful of these is what has become known as distributed printing, in which the newspapers are transmitted electronically to distant digital printing presses and only as many copies as needed are produced there. This is possible because the

unit cost remains steady (although high), despite the length of the run, whether long or short. For newspapers keen to increase their foreign sales, this avoids the cost of air-freight from their home location.

For newspapers forced into pursuing a niche policy, the introduction of digital printing can be a method by which they can consolidate their position within the market. Whereas, in the past, niche policies were regarded as a tacit admission of failure, in the future, they are likely to be seen as a necessary stop-off point in the orderly decline of an information source that has acquired competitors which have provided effective substitutes.

Offsetting the capital cost

Existing newspapers will have continuing access to traditional (mainly lithographic) presses and will not be eager to invest in a new form of technology until they are totally convinced that they have no alternative. In general, their existing production facilities are capable of a higher rate of production than the publishers are likely to need in the foreseeable future, and are far from economical to use for short-run publications. One way to avoid the *devil-or-the-deep-blue-sea* dilemma of sticking with the expensive traditional equipment or purchasing a smaller, more adaptable digital press at a much higher cost is to set up a printing cooperative in which several newspaper publishers invest in a digital printing press and share the running costs based on the machine time that each publication requires.

This raises the possibility of conflict between the cooperating publishers, all of whom desire their publications to be as timely as possible when released to the market. As noted earlier, the current printing presses require that the printing of one publication completes before the next commences. Figure 15.1 below shows a typical sales graph for an evening newspaper distributed in an urban community.

To enable delivery of the early sales copies, printing must start sufficiently far in advance to ensure that copies are available in time. This also means that with the traditional printing presses, the first newspaper in the sequence may have to be produced a considerable time before it is needed for sale. If, by way of example, there were to be three newspapers, one of 20,000 copies, one of 30,000 and one of 50,000, and they were produced on a press capable of printing 50,000 copies in an hour, in theory the aggregate production time would be two hours.

However, in practice, there would be make-ready time for each newspaper in which the newsprint web would be reset to cater for the
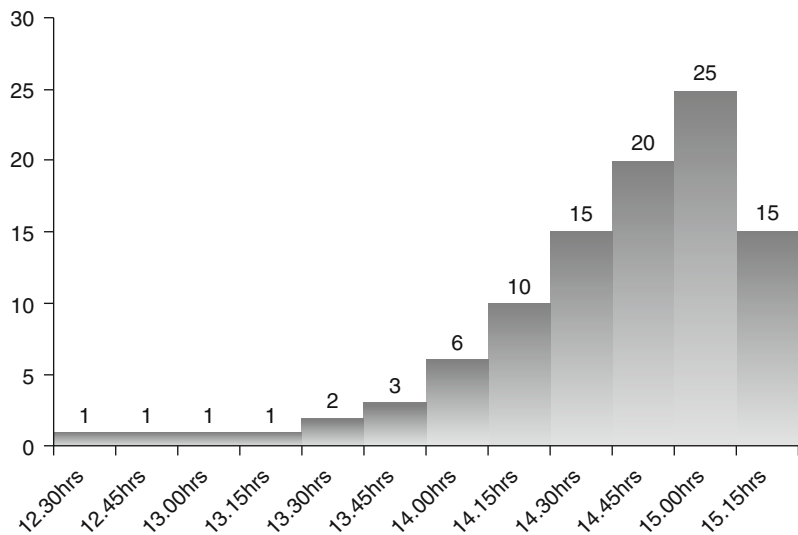
Figure 15.1   Newspaper sales graph per quarter hour

altered number of pages and the printing plates containing the new content would be locked into the press. In the case of the second and third newspapers in the sequence, this could amount to 30 minutes for each, increasing the total time from two to three hours. In effect, this means that while the total production time for all three newspapers is the same as the sales pattern for each, it is the early-day requirements of the second and third newspapers that determine the feasibility of this production pattern.

One disadvantage with a traditional off-set lithographic press running at 50,000 copies per hour is that copies are produced faster than are required to supply the market. This means that either the copies must be distributed to the retail outlets – news vendors and stores – neither of whom have an excess of storage space, or they must be stored by the publisher until needed. Figure 15.2 below shows the result of running the printing sequence with two 30-minute make-ready times and the effect this has on the publisher's responsibility to have the products distributed in a timely fashion. The result of supplying the market with only those copies needed to satisfy the current sales would be a 60,000+ copy stack of three types of newspaper being held for distribution by the publisher, which would have to be delivered within two hours in order to be available to the public when they wanted them.
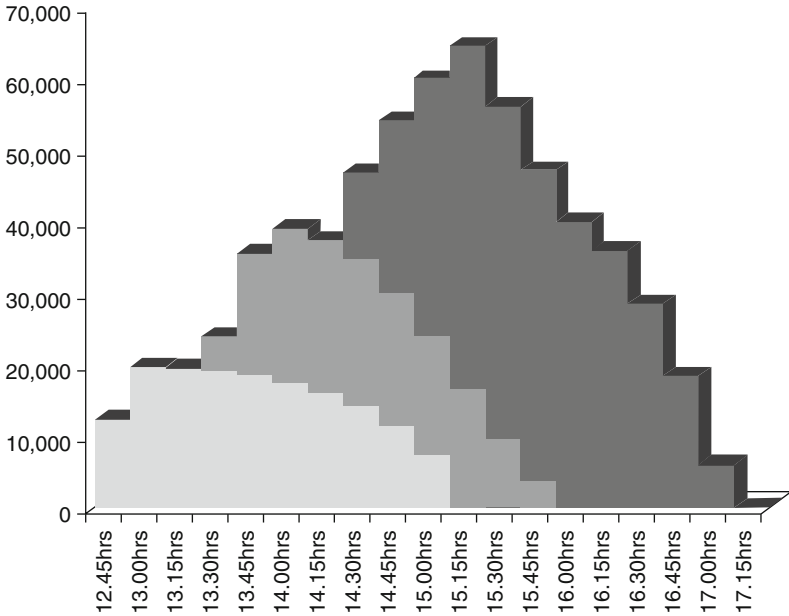
Figure 15.2   Copy stacking in traditional sequence running

The root cause of this situation is the inflexibility of the printing process, which requires a non-stop print-run to avoid the high costs of stopping printing at any point in the process. The cost of running down the press speed from that at which it was designed to operate, and subsequently returning to that speed from stop, can be very considerable. In principle, this problem can be avoided by using a digital press, which can alter the content at the full speed of the press, avoiding the difficulty of having to stop the press to change the printing plates. This in turn reduces the overall printing time.

Much of this theorising concerns the potential of digital printing rather than what is currently possible. The reality is that when first introduced, these presses could produce only 1,100 48-page tabloid papers per hour, but within 24 months, this had more than doubled to 2,700 copies per hour. If this pace of improvement was to continue, and there seems to be no insuperable barrier to this, then within five to seven years, a digital press with speeds just short of that currently available on off-set lithographic machines would be available.

Figure 15.3 below demonstrates the advantages that can be obtained by using a digital press running at 30,000 copies per hour compared with the 50,000 copies per hour off-set press shown above. Not only is there a saving in terms of overall production time, due to there being no need for make-up time between newspaper runs, but the number of copies which await distribution is 10,000 fewer. While this is only a minor advantage for newspaper publishers, the digital press confers greater rewards, the principal one being the ability to produce short runs of any of the group of newspapers. This facility means that it becomes possible to produce copies to cater for the needs of readers who require early copies of the newspaper.

Using the production data in Figure 5.3, it is clear that the first newspaper to be printed, if it starts at 12.30 hrs, has completed its production run by 13.10 hrs in the afternoon, which means that the editorial content will
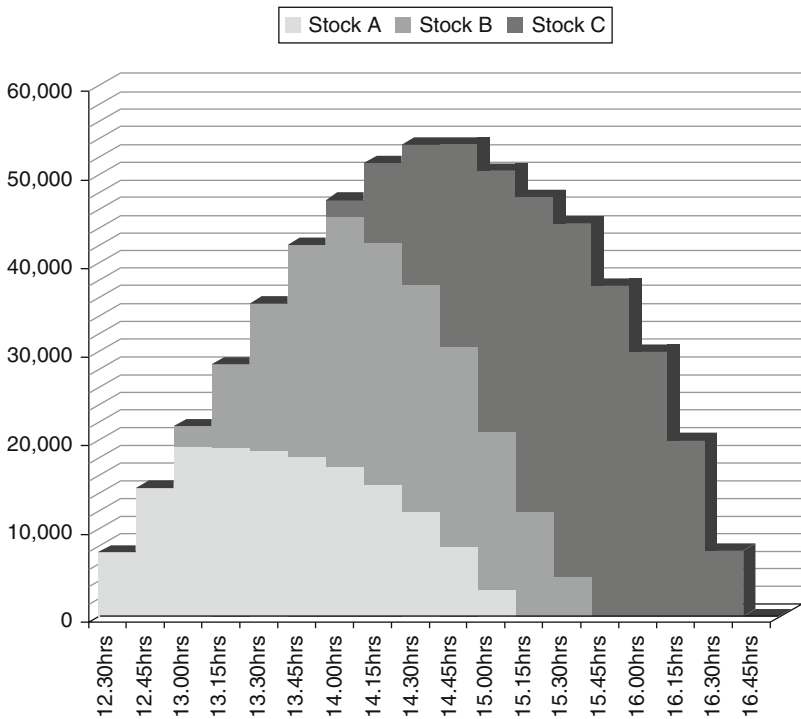
Figure 15.3　Sequence running on a digital press

be dated by the time the late purchasers receive their copies some three hours later. To a lesser extent, each of the newspapers suffers this fate, and this can be serious when competing with electronic news sources which offer constantly updated news.

Editions will be possible once again

What digital printing can facilitate is a return to the former edition-alised production, where several updated versions of the newspaper were available during the sales window. This was available because on the traditional letterpress machines, which preceded the current offset lithographic presses, it was necessary to replace the worn printing plates during the course of the printing run. Publishers made a virtue of this necessity by creating a series of editions. With a digital press, there is no requirement to wait for production opportunities, as all changes to page content can be made at the full speed of the press.

The main advantage of this full-speed capacity is that news items can be kept up to date and inserted on to the page at any point in the print run. This facility goes some way towards off-setting the electronic media's immediacy in the presentation of news. There are, of course, restrictions – the story being altered must remain exactly the same size as the original on the page to avoid having to remake the complete page, and the same is true for replaced photographs.

The advantages of having this capability, restricted though it is, are considered to far outweigh the disadvantages of having to precisely fit the amended copy into the space available. An example of what could be possible with digital printing is given in Figure 15.4 below. There are three newspapers involved, one of 20,000 copies (light grey), one of 30,000 (dark grey) and the third of 50,000 (mid-grey). The printing speed of the press is taken to be 30,000 copies per hour, the time units shown on the graph are quarter hours and the copies printed in that time are 7,500, which mean that the aggregate of 100,000 copies of the three newspapers are completed in an optimum time of three hours and 20 minutes.

No account has been taken of the time needed to change the newsprint web or for ink replenishment, but even then there appears to be sufficient time available to get three newspapers to their markets in a timely fashion. These are comparatively small-circulation newspapers and as such are capable of being produced on a relatively slow press, but one which can offer flexibility.
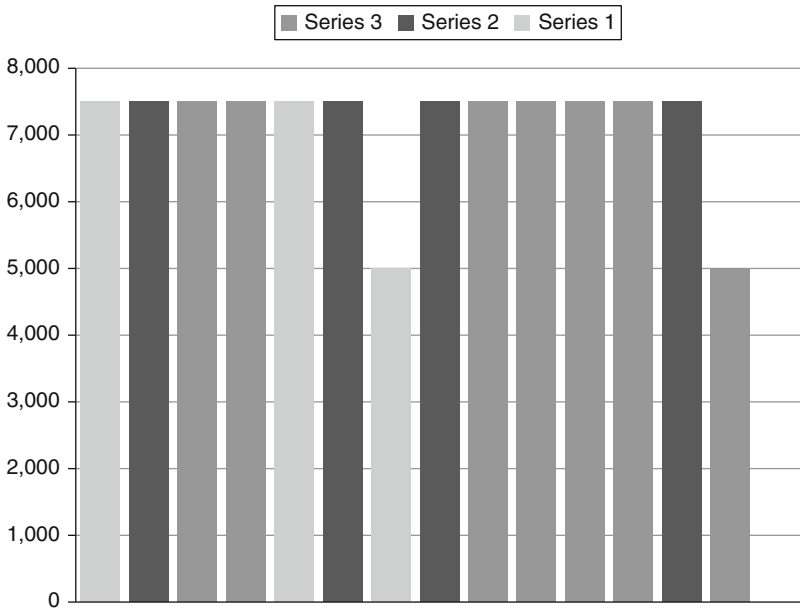
Figure 15.4   Split running on a digital press

Other spin-off benefits

There are other less obvious advantages with digital printing. One of these, which could have long-term beneficial effect, is the ability to change the copy contained within advertisements, which would permit dissimilar content for different branches of a retail group, thus allowing several messages for the price of one. An alternative would be the change of name for each of a group of retailers carrying a manufacturer's product advertisement, each version being directed at that part of the circulation which covered the retailer's area of influence.

During the era of large-circulation newspapers, local retailers could not afford the prices being charged for full-circulation newspaper advertising, yet that was all the newspaper could offer. With digital printing, it is entirely possible to offer part of the total circulation, with the remainder of the run containing either the newspaper's own promotional advertisements or other advertisers who wish to appeal to the remaining circulation area. In terms of administration, it would

probably be best to divide the circulation area into zones and invite the advertiser to elect which zones they wish to use, and charge them accordingly.

Digital printing offers a greater degree of marketing freedom for the newspaper publisher than has been available before. For both the product and the advertising service, it will be possible, within fairly wide limits, to set out to provide for the market what the market needs rather than what the publisher's plant and equipment are capable of offering. In the following chapters, the degree to which these production freedoms feed through to both marketing policies and the strategic direction of the newspapers themselves are detailed.

16
Marketing Advertisement Space

Despite the fact that advertising is the lifeblood of media in the developed world, there appears to have been an almost universal opinion on the part of senior newspaper managements that no particular effort need be made to sell advertising – it would be sufficient to merely make it available. After all, went the reasoning, how else other than by using newspapers could an advertiser inform its potential customers? At one time, this was a perfectly rational argument; there were no alternatives, at least none that were affordable for the majority of advertisers.

Even though in the 1960s a newcomer to Britain, the Canadian Roy Thomson, who had begun his media career by running newspapers in Canada and later in the USA and was accustomed to the highly competitive North American newspaper market, demonstrated just how profitable newspapers in Britain could become when advertising was actively sold, this lesson was largely ignored by the rest of the newspaper industry. Thomson imported two advertising sales experts from North America – Jim Alexander to advise on display advertising and George Pappas for classified – who set about renovating the sales departments of the growing Thomson stable of regional newspapers.

Thomson training revolutionises the newspaper industry

The results were not long in coming for the Thomson Organization newspapers in Britain. In place of leaving advertisers to their own devices with regard to the content of advertisements, the Thomson sales people set out to make the advertisements as effective as possible. Sales staff training, which had been virtually non-existent prior to Thomson's arrival on the scene, now became standard in every newspaper office throughout his empire. Trained Thomson people were sought by other

newspaper groups, but few were able to produce the level of results they had when working for Thomson papers. The reason was actually very simple: there was little understanding that the Thomson methods could not merely be applied in a cosmetic fashion, but had to be built on changed policies within the organisation.

What this signified was that the machine bureaucratic attitudes. which had grown over the years of little real competition, had pervaded the most senior layers of management. There was no genuine understanding of why Thomson was succeeding rather better than most, but, more significantly, the whole industry was returning very healthy profits, so there was no pressing need to emulate Thomson.

As a mark of the innovations which Jim Alexander introduced for the display advertising departments and which best exemplify the enhanced service quality of the sales effort was a booklet entitled *Selling in the Changing Sixties*. For the first time, this attempted to direct an advertiser's attention away from the haphazard use of advertising as a tactic to encourage immediate sales towards a strategic planning tool designed to make the best use of an advertiser's budget. By analysing sales, it was perfectly possible to produce a graph which showed the percentage of total sales for any given period of a year; by allocating the advertising budget following this pattern, both over- and under-spending are avoidable and the wastage of either opportunity or resource can be prevented.

Purchases are predictable

People buy goods and services in predictable patterns. For example, in the Northern Hemisphere, most furniture is bought in each of the autumn/ winter months of January, October, November and December. The percentage of total sales for each of these months has remained remarkably consistent over the years. If we take the 95 per cent probability limits for the largest sales month, December, the average of 9.59 per cent has shown a variation between 8.63 per cent and 10.56 per cent. This level of information not only permits a retailer to allocate advertising to fit the likely demand, but also to have a measure by which to judge the sales level.

The successful introduction of this concept required a considerable amount of initial work by the salesman, but this was more than compensated for by the fact that it was no longer necessary to have to sell one advertisement on each visit – now the visits were service calls in order to determine what was to be advertised. Much the same was happening with training in the classified departments: the tele-ad sales girls were encouraged to persuade the advertiser to use words which would make

the advertisement more effective and encourage a reaction from the readers. While this was regarded by some as a naked attempt to increase the number of words – and the price – of the advertisement, this was not its primary aim, which was to make the advertising work better.

These innovations moved the selling of advertising a very long way from the take-it-or-leave-it attitudes of earlier years and had a spin-off benefit in ensuring that in order to properly counsel advertisers, newspapers were obliged to collect, verify and make available data not only about their publication, but also about the circulation area of the area. It also saw the beginnings of formal readership research in the form of focus groups and quantitative research, which were used to inform the strategic direction of Thomson newspapers.

Rejected innovation

While the Thomson empire had succeeded in introducing new methods into its sales divisions, it was less successful in launching needed innovations into the areas of typesetting and printing, which were tightly controlled by strong labour unions. This obduracy was eventually to persuade Lord Thomson's heir, Kenneth, to disengage from the British newspaper scene and to divest the organisation of all commercial ties, including its holdings in North Sea oil and its travel companies.

The golden days of the Thomson newspaper ascendency, which had begun in the mid-1950s, lasted for just under 40 years, although, in truth, the end of the organisation's beneficial influence on the rest of the industry came with the enforced closure of both *The Times* and the *Sunday Times* in 1978. Aware that the print unions would fight every attempt to introduce modern working practices and equipment, it was as if the senior management had decided that there were less stressful ways and locations in which to make a living. Kenneth Thomson took the organisation back to Canada and re-targeted the group into the online publishing field of specialist magazines, where it is now one of the world's leading firms.

The Thomson effect was lost

The impetus that Thomson training had provided began to be lost in the disorder that resulted from the increasing militancy of production workers and the resistance of advertisers to the relentlessly increasing prices for advertisements that were needed to satisfy wage demands.

The focus of attention of most newspaper managements turned to trying to reassure their shareholders, or the market analysts, that the substantial profits that had been the norm would continue. But such comforts were not to last long, as we saw earlier, and the struggle to survive made its presence known.

Regional newspapers in Britain had come to depend heavily on the retail sector for much of the display advertising that provided a very large proportion of their revenues. But this was also changing dramatically – the small independent retailers were losing business to the large multiple groups, whose buying power meant that they could offer lower prices. In addition, the dramatic rise of supermarkets and their desire to become one-stop shopping destinations meant that they soon expanded from dry and tinned food to fresh and frozen meat, groceries, household consumables, clothing and pharmaceuticals. There appeared to be no limit to the range of goods and services that the supermarket giants could not supply.

The effect on the local retail scene was devastating. Specialist retailers were driven into oblivion; only those who offered goods for which a range of choice was important stood any chance at all in the market-place. For the others, who offered only commodities for which only price mattered, the outlook was bleak. The advertising revenues formerly provided by independent retailers simply disappeared as there was no need for the supermarkets to advertise – the general public knew where they were and, to a large extent, what they had to offer.

There were other aspects of the widespread introduction of super-stores that had direct consequences for communities. Because these large outlets needed to attract large numbers of people, which in turn required their potential customers to use their cars, there had to be large parking areas provided and the stores had to be sited on the edge of towns, where the necessary land was available, or in former indus-trial areas, where brownfield sites existed. This meant that the former shopping areas in the centre of towns were emptied of retailers as their pedestrian traffic was diverted to the new stores.

The next major development was the introduction of heated, cov-ered shopping centres with extensive built-in parking areas. Centred around a superstore was a collection of numerous other stores, which became a destination location capable of drawing custom from a much larger area than even the largest supermarket operating in a single loca-tion had managed. The rents charged by the developers were too high for local retailers to afford, so these shopping malls largely became multiple-only venues.

Basic forms of competition

Competition can exist in either one of two forms: it is either competition on price or competition on service. Prior to the introduction of the Thomson systems for both classified and display advertising, there was little in the way of service offered to advertisers by newspapers, and following the decline and demise of Thomson Newspapers, the service aspect of advertisement selling practically disappeared altogether; only in a very few newspaper centres was sales training continued. Gradually the selling of newspaper advertising reverted to being a matter of taking anything that was offered. The ideals of service were soon forgotten in the scramble for revenue at any cost, and this devaluation of advertising meant that there was a general commoditisation in which the cheapest form was thought of as being probably as good as the most expensive.

It is no longer possible to do what Roy Thomson had done, which was to import some experts and turn them loose on a market which had not been exposed to the concept of service. Now it is a question of identifying the core segments which make up the niche market, identifying those goods and services in which these readers have an interest, and directly marketing to those target suppliers. This requires detailed information on those readers, including just how much they are likely to be worth to the advertiser which attracts their custom. It no longer matters how big the circulation of the publication is – all that matters to the advertiser is how much the target group is worth and how much it will cost.

The concept of planned advertising, which Thomson introduced in *Selling in the Changing Sixties*, successfully moved the sales processes of the leading newspaper companies from a concentration on price alone to that of price and service. It is possible to suppose that, had Thomson Newspapers not decided to seek pastures new, the service element of advertisement selling would have grown in importance, but once Thomson's influence was lost, the original inertia returned to the media scene.

If newspapers are to operate successfully in niche markets, the service aspects of advertisement selling must predominate, as the prices charged for advertising space are likely to be higher for each thousand readers than for the original circulation. It is debateable whether or not planned advertising in its original form can be re-introduced, but certainly advertisers will sooner or later require more than merely an advertising rate card and a weekly visit.

Advertising's dual purpose

The dual purpose of an advertisement is to inform and persuade. The neccesary amount of either of these is dependent on whether the good or service is a convenience good, which can be taken to be one about which the potential purchasers have all the information they need in order to make a buying decision (for example, basic groceries such as sugar, coffee or tea), or is one where choice is important (for example, clothes or furniture). In relation to the first category, it is highly unlikely that the retailer would see the need to do anything other than make the product available; certainly it would be felt that the manufacturer or wholesaler should shoulder the responsibility for advertising the selling points of the product or service and, with in-store advertising, the fact that it was available in that location.

Manufacturers Consumer Advertising (MCA) is widely used to launch new products, to re-launch improved versions when needed and to reinforce product recognition in the general public. From time to time, manufacturers provide financial support to retailers for the purpose of publicising the fact that the product is now stocked in that particular retail outlet, and this happens most frequently in the case of newly introduced products. MCA most often uses the mass medium of television backed by magazine campaigns to yield the greatest coverage at the lowest unit cost. It is now rarely used in newspapers, except is specific circumstances, such as to cover gaps in the coverage of the other media forms.

Initially all that advertising – any advertising – can do is to attract the attention of prospective customers, and this depends as much on the appearance of the advertisement as on the content. Although a very large percentage of local retail business has passed into the control of multiple retail groups, and so out of the area of influence of the local media, there remain retail sectors in which the local media can directly assist store owners in constructing advertisements which will attract local consumers. These are stores offering goods for which choice is essential, such as furniture or clothing. These are generally more expensive items in relation to which making a bad choice could be regarded as a calamity and with which the purchaser would have to live for an extended period.

In general, these shopping items are those with which purchasers wish to reinforce their personal image. The two largest shopping items for most families are their home and their car, and these are the ones where most time is spent choosing the best or most affordable option from those

available. These are the most obvious identifiers which other people can see and which demonstrate the impression which the owners wish to create.

Convenience goods retailing (mainly food) has become the territory of the large multiple chains, which, by providing large parking areas, long opening hours, and heated, well-lit and competitively priced merchandise based on bulk-buying, have captured a very large part of the total food shopping revenues. Small independent general food retailers have largely been driven out of business and the multiples now compete directly with one another, almost always on the basis of price, as competition on the basis of service is almost impossible inasmuch as the customers provide much of their own service by finding the items they want, transporting them to the tills, packing them into bags and carrying to their cars. By making customers a part of the retailing operation, the stores have transferred some of their costs to their customers and have made it possible to compete on price even more effectively. These actions are not generally considered by customers as being transaction costs which off-set, at least in part, the lower costs of the goods themselves.

Customers' preferences

For shopping goods, a different set of procedures come into play. Customers, especially women, have a mental list of retailers which are likely to stock the items which they seek – this will include the quality of the goods, the range and the price. Stores which are most likely to have what the customer wants are higher in this list than are those about which the potential customer is uncertain or about which the customer knows nothing of any consequence. So, for goods retailers, it is vitally important to refresh a potential customer's reference list as often as possible, either by advertising or finding some other method of encouraging customers to visit the store and view the range of merchandise on offer.

Whereas in convenience goods stores the customer is expected to provide a significant amount of the service element, this is rarely possible to the same degree in shopping goods outlets. As the unit price for shopping goods rises, the amount of sales assistance needed also increases, as much to provide information about the product as to help persuade the customer to buy. In the lower price ranges where the goods are inexpensive, the emphasis is more on low price and, as a consequence, there is considerably less of a service element. In clothing

stores, the price competitors display everything they stock in racks on the main floor, with very few assistants in attendance; in comparison, the high-end clothing retailers offer sales assistance and other services in well-displayed showrooms.

In general, the more expensive the good, the higher the service element, and the lower the unit price, the higher the competition on price in the marketplace. There are exceptions to this rule in the case of what are called speciality goods, which are offered by retailers in categories for which the larger stores are unlikely to have sufficient turnover to justify offering them for sale – examples are cheese retailers, and expensive wine and spirits merchants. There are significantly fewer speciality stores and the larger the community which they serve, the greater the likelihood that the stores will stock expensive goods or offer expensive services.

As we noted earlier in this work, the Thomson Organization led the way in offering a service for smaller retailers who did not have the services of advertising agents by providing some level of copywriting and artwork services for those who advertised with them. This policy paid dividends for the Thomson newspapers, which enthusiastically embraced the system. Unfortunately, when Thomson withdrew from the British regional newspaper scene and the head-office support that had been so critical to the endeavour faded, so too did the desire to support the advertisers. It was not long before the newspapers, which by now had fallen under the control of different ownerships, dropped any pretence of offering a service level of any worth to advertisers. The regional newspaper industry reverted to discounted rate-card selling.

Discounting had long been a major practice in the national newspaper sector. This came about because competition for readers and advertising revenue was much keener in an area which had stronger competitors and the available revenue was finite. The majority of national newspaper advertising came from advertising agencies and was of the MCA category, which was usually short-duration campaigns in support of the main television promotion; as the opportunity was short-lived, this forced a concentration on price, and hence discounts. The discounting of advertising rates eventually arrived in the regional press as parts of the customer base reacted to the constantly increasing rates and moved to the Internet.

17
Marketing the Product

Except for the national press sector, the newspaper industry has generally been less than effective in publicising its products to its potential audience. The only point at which it can be seen to doing anything at all are handwritten notices on contents boards outside newsagents' premises on the day of publication headlining the main story for that day or week. There has been little sustained attempt to justify why the newspaper should be bought on a continuing basis, or indeed why it should be bought at all. Some newspaper managements appear to have adopted the philosophy that it is sufficient for potential readers to know that the newspaper exists and that it is not necessary to keep telling them.

With the recent dramatic increase in competition in the media markets, it has been necessary for publishers to review the fundamental bases on which their strategies have been founded. In general, there are four directions in which media companies can pursue market opportunities:

1) *Market penetration*, which seeks to increase sales in existing markets by competing directly with other media companies. As noted earlier, it is rare for there to be more than one newspaper in any community, except where there are weekly newspapers competing with a larger evening newspaper, which in many cases are all owned by one firm. The absence of direct competition means that the main emphasis has to be on the retention of readers and on the reduction of *churn* in the readership.

2) *Product development*, which entails the media company launching new or improved products in its existing markets. In the case of newspapers, this tends to mean that emerging interest areas are identified

within the community, and suitable news and entertainment articles are provided to cater for these new trends. These developments require the newspaper to have a well-developed market intelligence system that alerts it to opportunities as they arise. This, in turn, almost certainly means the institution of a continuous market research process tuned into the needs of the newspaper's audience.

3) *Market development*, which is when the organisation seeks to replicate its products or services in a new marketplace. The important factor in this is that the outputs remain largely the same as in the original, so it can be characterised as more of the same. The benefit of following this approach is that the basic skill sets are the same, and so the transition into the new market can be simple and relatively inexpensive in terms of both strategic and tactical management.

4) *Diversification*, which requires a media company to move into an area in which it probably has little, if any, experience. Rumelt[1] notes that organisations are of four basic types:

   A. Single-product firms, which have not diversified.
   B. Dominant-product firms, which have diversified to a limited extent with the dominant initial product having more than 70 per cent of total sales coming from the initial product.
   C. Related product firms, which share some market or technological features with the existing products.
   D. Unrelated products occurs when firms acquire products which have no common features.

Any choice of A, B or C will require different levels of commitment from both management and staff. Any such decision might require not only simultaneous education in terms of the skill sets needed in the new business and a possible restructuring of the organisation's basic structure and finances, but also a very large effort in obtaining and analysing market intelligence in this new area.

The days when media companies, especially newspapers, had the option to choose any of the basic strategies are long since gone. All the alternative strategies are dependent upon an environment of growth. Slatter[2] draws attention to the product-market strategies needed where survival is the key issue and decisions must be of a surgical nature. Only when survival is assured can growth-oriented strategies be considered.

Derek Abell[3] offers three types of strategy categories. The first is the *focused* strategy, which emphasises effectiveness by fitting the product to the exact needs of one customer segment. The second category is

the *undifferentiated* strategy, which underscores efficiency and seeks to achieve the maximum return from the smallest possible input. In practice, this is what is practised today in newspapers where a standard product is offered to the entire market, thus maximising any economies of scale. The final category is the *differentiated* strategy, which seeks to achieve efficiency through a broad scope, and effectiveness by making the product fit the customer's needs as far as possible.

Newspapers in Britain employ a largely undifferentiated strategy inasmuch as they offer only one product to their entire market. Manufacturers of most consumer goods do not suffer from the constraints that the timely transmission of news requires. News cannot be stored – in order to maintain its immediacy, it should be broadcast as close to the occasion of its happening as possible. Nothing ages faster than news.

Sell what you can make

This factor has conditioned newspapers to embrace a policy of *sell what you can make* rather than the more accepted marketing concept of *making what you can sell.* While new printing technologies are becoming available that will allow the industry to supply segments of its market with products designed for those particular groups of readers, there is, as yet, no enthusiasm for their installation on the part of newspaper proprietors. Without the facility to differentiate and supply segments of their market, newspapers will remain stuck with an undifferentiated product and will cede to their competition the advantage of being able to out-focus them at will.

Critical factors in the success or failure of any commercial venture are the core competences that a business can deploy. Prahalad and Hamel[4] have provided three necessary characteristics before an attribute can be considered a core competence. Of these, only two can be considered fully applicable to newspapers. The first is that it should provide access to a wide range of markets; as local newspapers are concentrated in geographically defined areas, the news output designed for one local area will almost certainly not be totally suitable for another. The second is that the core competence should make a significant contribution to the perceived value to the customer. The final stipulation is that the competence should be difficult for competitors to imitate.

The more local the news coverage in a local newspaper, the greater the likelihood that it will be of more value to the reader, and the reverse is also true, so those evening newspapers whose main desire in the past

was to extend their geographical influence had weakened their offering to any individual reader and, as a consequence, sustained larger percentage falls in circulation than either national or weekly newspapers.

To demonstrate just how the newspaper business differs from the generality of manufacturing firms, it is useful to use the 4Ps of marketing theory, which are as follows:

1) *Product.* Usually, manufacturers set up their production lines to optimise their costs by placing their over-production into store until needed. This is not possible for a newspaper, which must anticipate the number of copies needed and produce these within a rigid time-frame irrespective of the size of the product, expressed in the number of pages. The content of each edition also changes, meaning that the news items cannot be replicated. Each edition of a newspaper is in effect a new product.
2) *Price.* Even though both the size and content changes from day to day or week to week, the price charged for the newspaper remains the same, meaning that the precise profitability of any specific edition is extremely difficult to determine even after publication.

These two factors are concerned with the acceptability of the product from the customer's point of view. The following two involve the strategic decision of where to locate the product and how persuasion is to be deployed:

3) *Place.* The location of all newspapers is largely determined by the community they seek to serve. A small rural community would only be able to support a weekly newspaper, whereas a city conurbation could, in normal circumstance, sustain a larger-circulation evening newspaper. A national newspaper could well have a presence in most parts of the nation.
4) *Promotion.* In the newspaper business, most promotional activity takes place in the national newspaper sector, mainly because there is more direct competition between titles than happens at the local or regional level, where it is rare to find more than one newspaper of a category in direct competition. This factor may also have bred a belief in the local and regional segments that this dearth of competition meant that promotion might not be essential to the well-being of the newspaper. Whatever the reasoning, promotion of the product has never been high on the agenda of local and regional newspaper managements.

All that most newspaper managements appear to do is to make their product available; very little overt effort is made to persuade the community to purchase the paper. This may well be that because it was never considered necessary in the past, the expertise to do this effectively simply does not exist within the company. Newspapers rely on newsagents, through whom they distribute the majority of their newspapers to deploy whatever persuasion is needed; this rarely consists of more than a handwritten contents bill outside the newsagent's premises, which is supplied by the newspaper's circulation staff in any case.

In effect, the newsagent can often be a barrier between the newspaper and its readers. So effective has this barrier been in the past that newsagents have been known to refuse to supply the newspaper management with the addresses of readers' copies distributed by the newsagent's delivery boys and girls, thus making it difficult for the newspaper to mount effective promotional drives even though guarantees had been given that new subscriptions would be placed with the newsagent. This situation did not become critical until copy sales began to fall and the newspaper managers found themselves in the position of not being able to determine whether it was because fewer households were buying their products or because they were buying them less frequently, or a combination of both.

Lack of information hampered segmentation

The critical importance of this level of information is apparent when the management sets out to decide whether or not to segment the market as a preliminary to designing or re-designing a market strategy which possibly included segmentation of the potential market. There are three stages involved in segmentation:

1) *Market definition*: readers and potential readers are grouped into suitable categories.
2) *Target markets*: once the groups identified in the first stage are analysed, a determination of which ones to target should be made. There are three options:

   - all segments having one product;
   - one product for a number of segments;
   - a product for each segment.

3) *Positioning*: in order for this to be effective, an understanding of the readers' perceptions of the product is required. This has to accompany a defined strategy for positioning the newspaper in the minds of readers.

One of the main misconceptions about positioning is that it is not about what changes you do to the product, but rather how you can influence the opinions of the target audience. In order to be successful, the strategy is almost entirely dependent on the attitudinal research which must precede any decision-making.

The structuring of positioning

Positioning is a level of expertise which may be beyond the experience of the majority of local newspaper managements and will almost certainly entail the hiring of outside consultants. Their effectiveness will depend on the amount of intelligence the newspaper has accumulated with regard to the current perceptions of both present and past readers. Without this base level of knowledge, any positioning exercise, while not certain to fail, will certainly limp along.

Ries and Trout[5] have written that positioning is the act of persuading potential customers to think about the product in a different way – what they described as re-tying the connections in the customers' minds. Left to their own devices, customers will settle upon an opinion that can vary from strongly in favour, through indifferent, to strongly opposed; it in the clear interests of the newspaper's management to influence this process as much as possible in the favourable direction. This begins with the newspaper having a clear view of itself and effectively communicating this view to its audience.

Being first in the field is not enough

Positioning experts advocate being first into the field as being the simplest way into a permanent position in the prospect's mind; however, this is not an option for newspapers or other long-established forms of media that have not felt it necessary to establish a positive position until now. Being first is, in itself, not enough if people do not know that you are. An outstanding example is that of Christopher Columbus, who, having discovered a continent, decided to keep silent, believing that this would be the best way to protect his discovery and the wealth that he was certain existed there. Five years later, the land was re-discovered by Amerigo Vespucci, who publicised the discovery and was well-rewarded by his sponsors. The continent bears his name to this day. Being first is not always enough – Vespucci succeeded by capitalising on Columbus's failure.

Positioning has often been considered to be simply a function of advertising. In the commercial world of serious over-communication,

in which the volume of market noise tends to drown out the quieter messages, the need for a technique which clarifies market messages is now more urgent than ever. While being first is generally regarded as best, Avis, faced with the reality that Hertz was the biggest player in the car-hire business, launched its classic 'we try harder' position statement, overtly recognising that it was smaller than Hertz, but that it offered a better service level. For newspapers in a similar position, for instance, when competing with the almost instantaneous news service provided by online news services, one approach might be to use the 'we seek to tell you more' slogan, which obliquely underlines the restrictions to coverage from which an online service suffers.

Any positioning exercise needs to be constructed in the context of the media market in which the target medium is located, and for this perceptual mapping is an extremely valuable technique. This mapping is similar in concept to Faulkner and Bowman's[6] customer matrix (see Chapter 12), this locates any medium along two dimensions: price and range width. Range width in the case of the media has little relevance, as practically all are single-product firms, unlike the majority of general manufacturing businesses, which have a number of products and for whom perceptual mapping was designed.

The customer matrix uses price and perceived use value as its main dimensions, which can influence the opinion held of a product with regard to performance, styling, build quality, etc. As the principal reason for the existence of all forms of media is to convey information, they are all throw-away media as the information they broadcast has a very limited life and there is rarely any important reason why they need to be stored. It is entirely possible to use any pairing of dimensions to highlight the areas in which the perceptions of the customers, or potential customers, are evaluated.

In Figure 17.1, the media mapped are purely hypothetical, but are considered to be fairly typical of a community able to sustain a range of news media. In this version, the dimensions are price and the product's effective life, otherwise the period during which it has a value in the consumer's view. The medium with the longest life is the magazine, the articles of which are not written as news, but rather as general interest pieces that are not time-sensitive. The medium with the shortest life is the news output of radio, which tends to be regarded as a headline-only news source. The other media shown here are mainly grouped in, or just above, the lower-right quadrant, indicating that they are regarded as being lower priced and having a relatively short effective life.
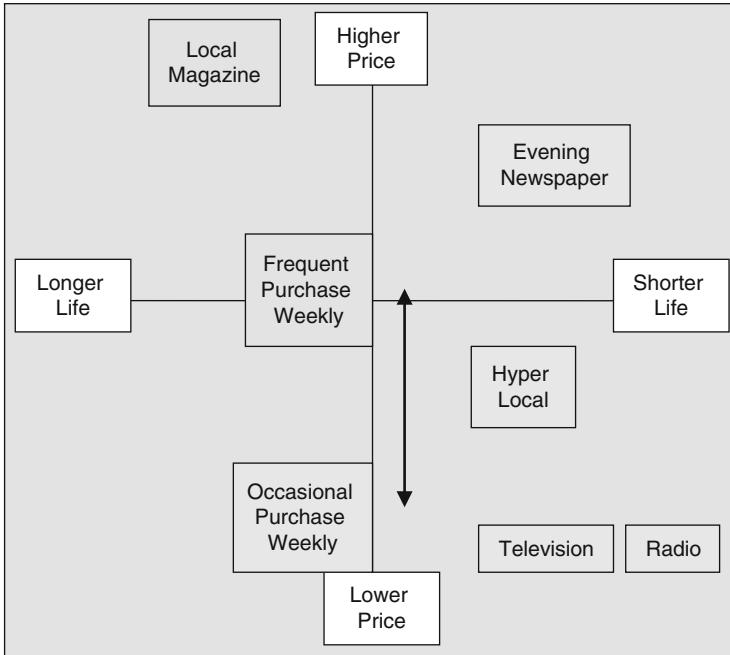
Figure 17.1 Matrix of message longevity and price

While Figure 17.1 has been created to show the generality of community news, it is crucial to note that research utilising focus groups, or similar sample techniques, should be used for all actual investigations on which strategy decisions are to be based. Mention was made earlier that perceptual mapping has the facility of using a series of pairs of dimensions to illustrate aspects of the range of customer opinions, for example, the relationship between the price charged for each product or service and the extent of the active life of the product (as shown in Figure 17.1), can reveal some intelligence on the possibility of increasing the product's price if this were considered to be necessary. Other aspects could be the evaluation of the local media in terms of perceived value when set against the volume and range of local news content, the range of methods of conveying news, either in hard-copy or electronic form, and the effectiveness of continuing promotional campaigns.

18
Resource Partitioning

The demographic theory of resource partitioning is particularly useful in any analysis of local newspapers, although less so in the case of national press in the UK or in any country that has a handful of large-circulation newspapers located in the political and economic capital, and a comparatively larger number of daily and weekly newspapers, each centred on a discrete community. The major differentiator between the two categories is that the national newspapers are perceived to have a strong political bias, whereas the regional newspapers are regarded as essentially apolitical. Most newspapers have been in existence for a sufficient length of time to have become legitimated, or taken for granted, by the population they were established to serve. Resource partitioning is most likely to occur in well-established, mature industries, which accurately describes the media industry.

Newspapers, particularly regional newspapers, pose distinct problems for media analysts attempting to explain why they are where they are. In the first place, it may appear obvious that they were established to serve a discrete community at a time when costs were lower and profits were easier to obtain. However, with the passage of time, those costs increased and profits became harder to obtain. In the second place, their financial fate is largely in the hands of advertisers whose propensity to buy advertising is neither guaranteed nor stable, and finally they have experienced (and are experiencing) catastrophic changes in their competitive environment emanating from the Internet.

The British newspaper industry has paralleled the US scene in seeing a reduction to a single title of large regional daily newspapers in practically all regional centres of population. These are generalist publications and are accompanied by small specialist newspapers, all coexisting within the one resource space. The term *resource space* is used

to describe the useable stockpile of assets that newspapers can access. These resources can be regarded as heterogeneous, being available to media circulating in the community.

Researchers such as Carroll and Hannan[1] and Dobrev[2] have discovered that specialist publications can thrive in environments where a generalist newspaper is dominant, and seemingly the more dominant the generalist, the greater amount of unoccupied space there is for the specialists. This appears to be directly contrary to the received wisdom which holds that the more dominant the generalist, the more difficult the task is for the specialist attempting to establish itself in the market. In their book *The Demography of Corporations and Industries*, Carroll and Hannan point out that large dominant firms do not appear to be capable of maintaining their dominance over extremely long periods. There is also some evidence that large firms frequently cannot prevent the entry of specialist firms, even during their most dominant phases.

In the particular case of newspapers, the publication with ambitions to become dominant begins its campaign to consolidate its position by setting out to serve as large a part of the community as it can, and this most often involves widening the content of the product to provide an appeal to a wider audience. This change involves risk, as does any change to a product that has been legitimated in the minds of its community. On becoming a generalist, the newspaper finds itself hostage to the requirements of scale, in which profitability is best achieved by lowering the unit costs of all inputs through increasing the scale of operations.

Evidence has begun to appear that the greater the amount of market consolidation, usually brought about by generalists securing their positions, the more specialist publications will be founded and lower their mortality rates will be. This theory flew directly in the face of the received wisdom of both economists and sociologists, who had claimed that dominant generalists would automatically create barriers to entry that would prevent the establishment of small specialist publications. In fact, the more dominant a newspaper becomes, the less able it appears to be to prevent the entry of specialist newspapers.

In the case of the British newspaper industry, another factor should be taken into account – that of the shrinking generalist newspaper. Formerly dominant publications have had their copy sales reduced to such a degree that their very survival becomes problematic. While the development has been underway for some time, its extent has only just been recognised as serious, having been thought to have been caused by the economic recession and therefore likely to recover over time. Many

theories have been advanced for this condition; the one which has received the greatest amount of support with industry commentators is that the flood of new technologies in the media business has made large newspapers obsolete.

Specialists have a strong defensive position

The specialist newspapers have experienced no such dramatic decline and are now considered to be in a much stronger defensive position than their generalist competitors. A general categorisation of resource partitioning has only two alternatives: temporal partitioning, which in the case of the media would distinguish, for example, between those seeking evening newspapers and weekly newspaper readers; or alternatively spatial partitioning, in which the evening newspaper is seen to be available each day and the weekly newspaper only on one day each week. In the case of newspapers, several other categories can be added. As we have seen earlier in this work, there are distinctions which can be made along the *gemeinschaft/gesellschaft* dimension and the degrees to which residents can be said to be attached to the areas in which they live, and are therefore responsive to information about those areas.

If the salvation of regional newspapers is to depend on the success of specialist newspapers finding a strong niche position in the environment, then there is little doubt that the current decline of generalist evening newspapers, and the resulting freed-up resource space, is undoubtedly an advantage. For a specialist publication in an established niche, there is some danger in undertaking a change in order to extend its area of influence if, by doing so, it will unsettle its current readership. Therefore, rather than seeing a general increase in the circulations of the current newspapers, we might well see a further increase in the number of specialist publications taking advantage of the increased available space.

Local media concentrate on locality

Newspapers can specialise along a variety of different directions; however, all newspapers, whether regional newspapers from the smallest weekly to the largest daily, concentrate on locality. The evening newspaper covers the broad urban community, with the individual weeklies serving parts of the area under the evening newspaper's umbrella. The other needs of the community are catered for by other, even more specialised media, for example, church magazines, publications covering the social scene and

other small group leisure activities. Some of these are print media and others are websites.

From what had been for many years a relatively stable, slowly changing environment, the local media scene has developed into a volatile setting in which each new technological innovation sends the industry in a slightly altered direction, which parallels the action of the small directional thruster jets of a space rocket. None of these innovations appears to have added much, if anything, to the resource potential of local markets; what they have done is to reconfigure the shape of the resource curve, so that in place of a steep-sided normal curve centred on the middle of the resource space (Series 1 in Figure 18.1), we now see a considerably flatter curve (Series 2 in Figure 18.1), but still centred in the resource space, indicating that the smaller space available to each media form functioning within the resource space may not have radically altered the composition of each audience, but only its scale. Each will be less dense, but otherwise it is likely that it will remain similar to the original population.

Without the benefit of extensive research, it is not possible to locate every medium's position within a resource space and, from this, to
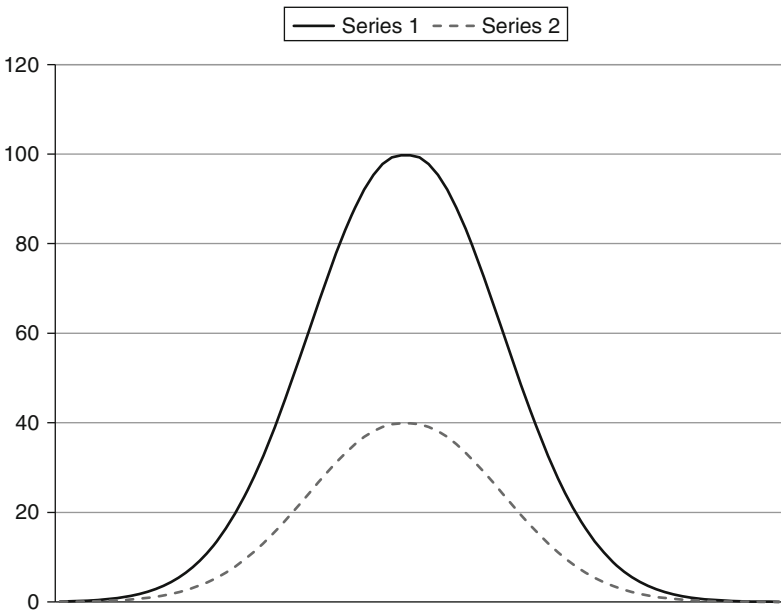
Figure 18.1   The resource curve

distinguish how their requirements differ from one another, thus making it possible to trace the extent of the overlap conditions and the resulting degrees of competition. It is extremely unlikely that specialist newspapers, particularly local weekly newspapers, would choose to directly compete with each other, and so competition will be with the generalist publication. Rarely will this competition focus on price, as any advantage a generalist will have in terms of the scale of economies is likely to be offset in attempting to persuade readers to purchase copies each publication day.

Competition has to be on service, particularly on comprehensive coverage of local events. Not only is this expensive to provide, but it also has the disadvantage of many of the stories covered in one part of the generalist newspaper's area being of little interest to readers in other locations. Just as Carroll and Swaminathan[3] reported in the case of the US brewing industry, small brewers are perceived as being craft-like producers using traditional methods, in comparison with the large corporate brewers, whose identity is thought to be as mass producers of beer by non-traditional means. This is a similar situation for locally specialised newspapers, which are considered to be more directly relevant.

Local media identity

This question of identity exists in the newspaper industry where a small local newspaper is seen to be more interested in the affairs of particular parts of the community than the generalist daily newspapers are. It is interesting to speculate on the future of all newspapers, both generalist and specialist, if the present trend of decreasing copy sales is to continue. For the purposes of this part of the work, it is proposed to ignore the effects of the Internet.

Currently in most newspaper centres, there is one dominant daily newspaper and a number of community-focused weekly newspapers. As the generalist newspaper becomes less dominant, there is greater opportunity for the existing specialist newspapers to expand their operations. However, this carries with it an element of risk for the specialists, who normally have depended heavily upon locality for their identity. What is more likely is that other specialists, who do not depend upon locality alone, will be created to take advantage of the retreat of the generalists.

If the decline of a generalist newspaper were to continue to a point where it became impossible to sustain the infrastructure necessary for a daily newspaper, then it would be obliged to become yet another specialist, and this has already happened in the case of a few British daily newspapers whose circulations dropped alarmingly. The vacancy

thus created would almost certainly be too attractive for one or other of the existing specialists to ignore, and the cycle of widening/scaling/ consolidating would begin again.

The first mover in this arena appears to have the best chance of long-term success provided that it already had a sufficiently commanding presence in the marketplace and, importantly, that it had a strong identity in its core area. Without these two prerequisites, any quick expansion would be almost certainly doomed to failure. The transition to generalist status forces a very basic change to the overall strategy of a successful specialist publication. Whereas the generalist largely depended on the scale of circulation to assist profitability, the specialist, with no scale to speak of, needed to concentrate on advertising revenues. The greatest disadvantage of this condition for the specialist is that a generalist charges less per thousand copies for its advertising than a specialist with a much smaller circulation can afford to insist upon.

This then creates a point where the newly created generalist must either restrain its need for additional revenue to fund its expansion or run the risk that the advertisers, on whom it now depends, will not pay any more than they know to be the original rate. If the new generalist has managed to build a fund of capital to see it through this hiatus, then it is likely to succeed. However, as was mentioned earlier, change is itself a risk for a legitimated newspaper, especially in the critical early days. If the newspaper's identity is strong, then the risk is lessened; if it is not, then intensive marketing efforts may have to be made to reinforce the perceptions of the target audience.

Media constraints

What is obvious is that the media industry is constrained to a much greater degree than virtually any other business. Whereas general manufacturers can choose to serve any market which can be reached profitably, media companies have their areas of operations dictated for them – for the television and radio companies by the conditions of their licences, and for the print media by the extent of the community they wish to serve. This level of constraint forces modifications to the generally accepted conventions which have been developed for the mainstream manufacturing businesses. Throughout this part of the work, newspapers will be the focus of the analysis as they are the most complex of all local media forms.

Again, taking newspapers as the example as they are considerably more complex in practice (although perhaps less so in theory), it is

useful to recognise that the *dominant design* for the transmission of information has long been ink on paper. As this was the most readily available technology when newspapers began, it is not altogether surprising that it should continue to have a strong, lasting role. Even the newest form of information media, the Internet, has had to conform to at least some of the forms created by newspapers and legitimated by readers, for example, narrower columns ranged across the page and headlines briefly describing the content of the story.

For those organisations contemplating expansion, it is useful to fall back on some of the long-standing techniques which have been used over the years. Igor Ansoff's strategic alternatives of action is one such technique and is of considerable utility for media managements considering changes of direction.

Ansoff's principles applied

The constraints experienced by the media extend to the strategic alternatives open to newspaper managements, and to a lesser degree by other media. A good example is that of the use of Ansoff's[4] principles in
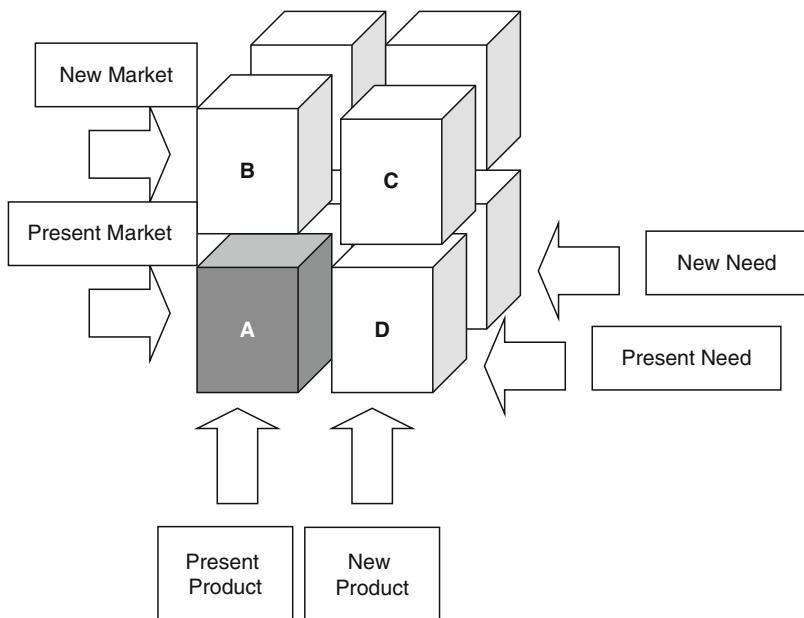
Figure 18.2 Three-dimensional Ansoff model

newspapers. This three-dimensional illustration shows the overall options available to organisations that have no constraints. They start with a present product in a present market with a present need (position A). They then have a selection of options: they can move into a new market (position B) with the present product, serving the present need, or a new product in a new market serving a present need (position C). The final position in the front rank (D) is that of new product serving the present need in the present market.

The rear rank of this eight-cube matrix sets out the situation of a new need arising and what would be possible for a newspaper seeking to cater for this situation. For an overall view of the difficulties likely to be encountered, it is useful to set out the three main categories as laid out by Ansoff:

1. Product, both present and new.
2. Market, both present and new.
3. Need, both present and new.

In the case of newspapers which have fewer constraints than govern-ment-licensed media when seeking to define where the initiative rests for each of these categories, it becomes apparent that the product is solely within the initiative of the media owner, obviously for the exist-ing product, but also for any new product which is contemplated. The market category involves not only the current publisher but also any existing media in the targeted area – if the defensive reactions of the established firms in the new market are likely to put either the profit-ability or the operational viability of the proposed publication at risk, then the newcomer may well consider the cost to be too high. The need category is entirely outside the area of influence of any media form; they may seek to satisfy the need, but under no circumstances can they create or modify it.

The present status of each represents the safe, known situation, compared with the risk inherent in the event of a new product, market or need. While it is not possible to allocate the precise degree of risk, we can obtain a common-sense approximate assessment by recognis-ing that there is less risk in launching an existing product into a new market (A and B in Figure 18.2) than in launching a new product into an existing market (D). The risk comes in the damage that might be done to the established product by the new product, especially if both are owned by one firm. If they are not, then such a launch might pro-voke retaliation.

Notional risk values

To give some idea of the degree of risk involved, it is possible to give a notional value to the risks involved in seeking to move from one position to another. For example, the decision to introduce an existing product into a new market could be given a risk value of 1, while a new product in an existing market may have a risk value of 1.5. A plan to introduce a new product in a new market involves two steps, either from A through B to C, or A through D to C. In the first route, the A–B step has been given a value of 1.5 and the B–C a value of 2; these values can be multiplied (2x1.5) together to give a risk value for the route of 3. The A–D step has a risk value of 2 as it is a new product in an existing market serving an existing need. The D–C step a value of 3 (the introduction of a new product into a new market is problematic at best), so the risk value of the route is (2x3) a total of 6 or four times the risk of the first route. From this, it would appear that there may well be less risk attached to retaining the present form of product in a new market as a first move. It is vital to remember that these are notional values.

New needs

The second part of this exercise involves the introduction of new needs. At this point, it is critical to refer back to the constraints that operate in the newspaper industry. In the vast majority of developed countries, local newspapers have been established for such a long time that few, if any, openings exist for new newspapers. For the same reason, there are few outstanding needs for either information or entertainment on the part of the population that cannot be satisfied, at least in part, by the existing media, provided always that they are aware that a need exists and are prepared to cater for it, which, unfortunately, has not always been the case for weekly newspapers in Britain.

The most glaringly obvious example is that of the explosion of facilities through various versions of classified advertising offered to both businesses and the general public to almost instantly publicise any goods or services they have to offer. While some doubts remain about the security of several of these sites, there is little uncertainty that they are here to stay. These sites compete directly with local newspapers; they offer very quick access to the readers and are cheap to operate. The difficulty they have is in making the potential readers aware that the site has information and products which might be of interest. For goods such as residential property or cars, the demand is sufficiently

high to justify websites dedicated to these categories, and so over time the potential viewers have come to know that these groupings exist on a constant basis.

For some parts of the population, instant access to news is important and while for some connection with a news-site is not critical, curiosity is a strong motivator. Some national newspapers in Britain have made a success of providing what amounts to instant news coverage for their subscribers.

Neither of these classes of Internet content can be said to fulfil a new need; they are doing, more conveniently for either the owners of the content or its agents, what has always been done. Search engines, which it is often claimed are fulfilling a new need, have most certainly speeded-up a customer's search for goods or services, but it is doubtful whether they can be described as responding to a new need. What can be fairly described as such is the whole range of social networking facilities which have grown around the ability of people to communicate quickly and at very low cost.

How much of a need – as compared to a desire – this manifests is difficult to estimate, but it is certain that for some, the quality of the content they generate is secondary to their wish to have an audience. This is often most evident with celebrities who wish to build their online following. However, it is of little importance; regardless of how much one would wish to cavil at the quality of the content, there is a case to be made for this to be regarded as a need.

It may appear pointless to question the status of these Internet incursions when faced with this phenomenon; however, it is of some importance in determining the suitability for a newspaper of a strategy which embraces a new need.

Dimensions of competition

There are four dimensions along which newspapers may effectively compete: the first is price, the second is service, the third is convenience and the fourth is fashion. The first two are of long standing and about which little need be said, while the third highlights one of the strengths (perhaps the major strength) of the Internet: the convenience for the general public of being able to find and order online goods and services, as well as the provision of very fast communication in the form of email and Voice over Internet Protocol (VOIP).

The last dimension, that of the creation of a fashion, while concentrated in the activities of younger members of the Internet community,

is replicated to some degree or in other parts in the Internet audience. The attraction of the *new* is difficult to measure with any degree of accuracy because of the high incidence of churn as the novelty value fades for the first adopters, who in turn are replaced by second and subsequent waves of adopters. Eventually innovations will provide alternatives and the total potential audience will migrate. It is for this reason that established newspaper firms should not be seduced into wandering into those areas that require a degree of experience and entrepreneurial skill that they may not have. As with most other sectors in the Internet rainbow, it is almost always the first movers who gain most, and newspaper organisations, which do not have both the inherent level of expertise and the financial resources to qualify them as potential first movers, are less likely to succeed in the face of competition.

Having provided notional values of the risk values involved in progressing from the front rank of present needs to the rear rank of new needs, which have been labelled E to H in Figure 18.3 below, the former one-step-at-a-time formula has been applied.

Once again, if we assume that the newspaper publisher starts with the present product in the present market serving a present need (shown in outline in Figure 18.3), a proposed move to the present product in a new market serving a new need (E) involves the requirement to modify
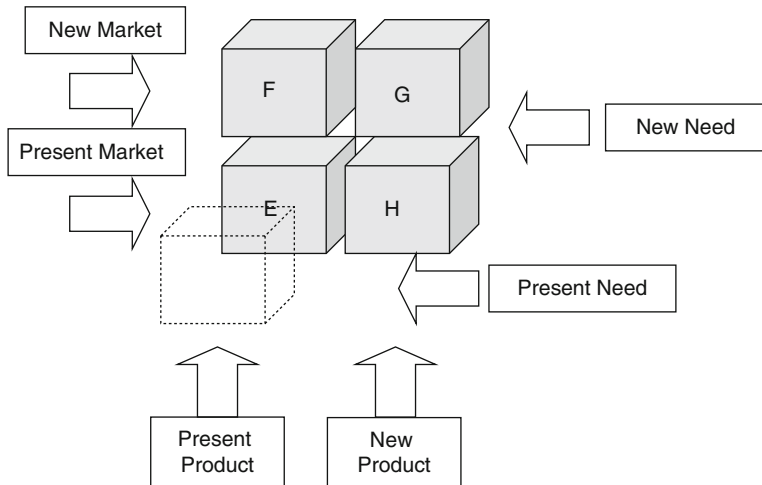
Figure 18.3   The positions of new needs, new products and new markets

the existing product to seek to satisfy the new market, together with an identification of the new need and how best to suit it. The move from A to E possibly carries no higher a risk value than that of the original A to D (see Figure 18.2 above), that is, 2.

The risks rise substantially when considering further moves in the new needs rank. Moving from E to F, for example, involves taking an existing product supplying a new need in an existing market into a new market. If we attribute a risk value of 3 to this transition, then A to F via E will have a total risk factor of 2 x 3 or 6. A final move from F to G, which consists of a new product in a new market serving a new need, will require multiplication of the A to F risk by 3 to make the total of 18 for the complete A to G move. The alternative route from A via D and C to G gives a total risk value of 15.

In both these examples, the destination has been as far from the origin as it is possible to get and, in the interests of clarity, the steps have been sequential, either vertical or horizontal. All change involves risk and while the values given here are purely notional, they may provide some measure of the scope and scale facing newspaper publishers seeking a way forward.

What might this mean for the future of newspapers?

If the days of the large generalist newspapers are indeed finished, or largely so, then the newspaper industry will have a very different complexion. The days of the mass media will remain the preserve of television stations, with a small number of specialist news magazines to provide detailed commentary. The weekly newspaper sector will continue to be, as it is now, the largest part of the print industry in terms of number of titles. If the evening newspaper segment continues to decline, it is possible that the freed-up resource space will be filled by weekly newspapers providing a high local content. Nature – and the media industry – abhors a vacuum.

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Value Activities

Many, if not most, authors tend to evaluate value activities from the organisation's perspective rather than from the viewpoint of the consumer. It is the reader of a newspaper who perceives any value in the myriad actions of the newspaper's staff in constructing each product. The newspaper's evaluation of value is of no consequence in the creation of a publication which the readers consider valuable. In short, it only matters if it matters to the reader.

The history of newspapers is generally regarded as being marked by an apparent disdain for the views of readers; however, this is less than fair to newspaper managers, who lacked the facility to interrogate a sufficiently large sample of their readership to yield a reliable survey result. By the time that reliable survey methods became available, the majority of newspaper senior managements were perfectly happy with their own assessments of what their readers wanted and, as such, their markets continued to be seriously under-researched.

It is important to note that the newspaper market changed only slowly in those days, and so managements felt reasonably secure in waiting to see how readers reacted to the newspaper initiatives, as indicated in copy sales. For as long as the market changed slowly this did not pose a large problem, but as change started to accelerate, this lack of contact with their customers proved to be very damaging. Newspapers knew they had to react – they simply did not know how.

Why and how do readers value newspapers?

To understand the relationship between residents and their local newspaper, it is necessary to trace the basic needs of all individuals and to assess the degree to which these are catered for by newspapers. It has been

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decided to use Maslow's *Hierarchy of Needs*,[1] despite the arguments that have raged regarding its efficacy. Maslow offers five categories of need:

1. Physiological, which are the basic requirements to sustain life, such as food, water, shelter and sleep.
2. Safety, which embraces an army to repel foreign forces, a police force to ensure civil order and the protection of property, and a medical service to ensure good health.
3. A sense of belonging, which originates within the family and extends to friendships in the community.
4. Esteem, which is of two types – esteem for others, and others' esteem for the individual together with a sense of confidence, a well-developed self-esteem and a feeling of achievement.
5. Self-actualisation, which comes down to making the maximum use of the characteristics and talents inherent in each individual.

Of these five categories, it is the middle three which newspapers can assist in reinforcing. Without the information which the local media provide, individuals are dependent on word-of-mouth reporting to gain any knowledge of what is happening in the outside world, and word-of-mouth can often be of questionable reliability. This is not a matter of great importance in the case of the first category, which is almost entirely centred within the individual or his or her immediate vicinity and for which information from an outside source is superfluous. The last category, that of self-actualisation, is something of which the individual will be fully aware without having to refer to the columns of the newspaper, the radio or the television screen. He or she will have a very clear idea of just how moral, creative, spontaneous, unprejudiced and realistic they are.

For the categories of safety, belonging and esteem, it is the information aspect of the media which is of prime importance to the individual. Court reports make it clear that malefactors are being apprehended and punished, thus protecting the community as a whole. News stories concerning the activities of the rescue services give an indication that lives and property are being protected. Military actions, whether at home or abroad, point to an active and aware defence force. All of these underline that the safety of the individual and the community is matter of concern to the authorities and helps in building confidence.

A sense of belonging starts within the family and then transfers to the community as each individual grows into adulthood and becomes increasingly aware that they are members of a community. Belonging

exists at many levels and at many degrees of intensity. For a young person, as a member of a family unit, the sense of belonging is as a subordinate member; however, when marriage is contemplated, then affection for the proposed partner gains in intensity and a transfer in the sense of belonging begins. Where newspapers have a part to play in strengthening this sense of belonging is with birth notices, school photographs, and reports of sports days, examination results and all the other minutiae of community life. The newspaper as a journal of record serves to highlight each individual's progress as a member of the community; it is concrete recognition of achievement.

For the esteem category, the mere fact that a newspaper has taken note of an individual's successes adds greatly to confidence building and a sense of achievement. It promotes both respect from others and, critically, respect *for* others. It encourages the individual to stand out from the crowd within a peer group, or the community in which he or she lives, and makes it easier to move to self-actualisation, the happy state in which an individual realises he or she has made the best of any talents or opportunities he or she may have.

Measuring value

It is tempting for managers of long-established media firms, particularly newspapers, to believe that they, with their years of experience, have a much better idea than anyone else concerning those factors which cause readers to value their products. This is almost never true, as the managers usually focus on the strategic assets in the organisation, that is, those factors, processes or methods which have been introduced to differentiate their product from those of their competitors. The only way to know if these differentiations are valued by the customers is to ask them, either formally, through surveys or focus groups, or informally, through social contact. Of these options, the former is clearly less prone to misunderstanding.

All local media are essentially one-way communication mechanisms, but each has a facility for some form of feedback from customers. In the case of newspapers, it is in the Letters to the Editor columns, while in commercial radio, it is phone-ins and with television, it tends to be 'vox pop' street interviews. In every case these devices are both rudimentary and imprecise, and of little significance in assisting policy decisions.

When constructing the research, the first step has to be discovering what the audience considers to be valuable to them. All local media offer information and it is the type of information required by each

cohort within the community which is of most particular interest to different media – for example, couples with school-age children will be concerned about educational facilities, the elderly about medical facilities and so on.

By embracing all the main local media in the research and by asking that these be given a numerical value for each of the questions, it becomes possible to rank each of the media for each of the questions. Because there is an upper limit on the number of questions that can be asked of volunteers, it is vital that these questions are as representative as possible; it is for this reason that focus groups are most useful, prior to the launch of the main research.

In the following example, six questions have been posed to the universe concerning local taxes (1), property prices (2), schools (3), medical facilities (4), crime levels (5) and community news (6). The respondents have been asked to indicate the level of importance to them of news of these subject areas on a scale of +5 for extremely valuable, down to −5 for those for whom these subjects are of little interest.

The importance of the ratings is to give an indication of the relative values of competitive media within a single marketplace. Each question is
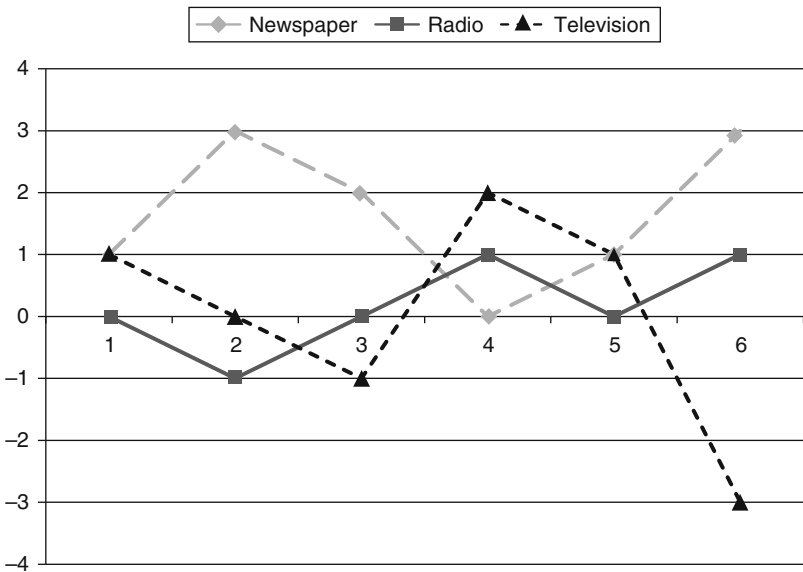
Figure 19.1   The importance of local media

designed to be read as the degree to which the reporting of these subject areas is valuable to the respondent. If the survey sample is sufficiently large, it will be possible to provide a profile for each individual cohort, from pre-marrieds to empty-nesters. This process will identify those areas where the quality of content can be improved in order to maximise coverage within the niche.

Much of the process outlined above is based on the work of Cliff Bowman and it attempts to define the uniqueness of newspapers as commercial undertakings. As products, they are sold at less than they cost to make, as social mechanisms, they provide a source of good-quality information about the community, and as journals of record, they chart the progress of individuals as members of that community. Each community, and the local media serving that community, is unique, and the value research is most valuable as a planning tool if it is conducted in each discrete community.

Value is an ever-changing concept

Value is an ever-changing concept in the eyes of the consumers who will form the judgements. An innovation introduced by one competitor will be, for a time, a *strategic* asset for that company, while for the others, it will be an *entry* asset, or a basic requirement necessary to compete. It becomes a zero-sum game: the innovation enhances the value of one competitor and lessens the value of the others, until they can imitate or improve upon the enhancement, at which point the value balance changes in favour of the new innovator.

Innovation in any industry causes the industry's competitive environment to become more dynamic, and this transition can be particularly difficult for media forms, particularly newspapers which have been what Mintzberg describes as machine bureaucracies, operations which are very efficient at what they do, but that find it practically impossible to contemplate radical change. As generally the largest player in the local media, newspapers which become machine bureaucracies have a deadening effect upon the whole sector, without the energising effect of innovation; the whole industry sector becomes listless.

Value and cost

There is little point in discussing the enhancement of value without an assessment of the costs and consequences attached. It is necessary to

begin with the strategy which is to be followed in a declining market, such as that of local newspapers. There are three alternatives:

1. Accept the situation and decline in influence and profitability, harvesting what is possible.
2. Attempt to stem the losses in copy sales and advertising, and identify a viable niche in the local market.
3. Actively seek to promote both revenue streams using marketing techniques.

The harvesting strategy, which at first sight appears to be the simplest to implement, has the potential to become uncontrollable at particular points in what is a volatile process; once cost-cutting measures begin to be evident to both readers and advertisers, it is very difficult to prevent an exodus turning into a torrent. This could make it impossible to obtain reasonable prices for the remaining unsold assets.

The process of active marketing signals to the rest of the market that the medium intends to survive and can help to provide breathing space while the work to find a viable market niche continues. At best, these signals can stop or lessen the outflows of revenues; at worst, they can serve notice on both competitors and the community that the demise of the medium cannot be assumed. This is a holding tactic only and must be replaced by an active strategy as soon as possible.

Having identified that a viable strategy exists, the marketing function can be concentrated on reinforcing readership within the niche segment and on actively promoting the potential to advertisers serving the community. This has to be a never-ending activity to help prevent fall-off in readership or to prepare the ground for, or justify, a price increase should this be considered necessary.

Innovation is the *sine qua non* and is the mainspring of a dynamic local media sector. Dynamic local media is one plank (but only one plank) in the launch platform to attempt to raise traditional media above the teeming masses of electronic media.

Value activities, value chains and VRIN

It is sometimes confusing to distinguish what is meant by the descriptions of value activities and value chains, especially in the case of media companies operating at a local level, where they rarely compete directly with each other. Value activities are those actions and processes which are performed to add value to the product or service, while a value chain is

an identification of those parts of the firm's activities that are strategically relevant in the search for differentiation or cost savings.

Value chain analysis, as written about extensively by Michael Porter, has greater applicability in those industries which supply mass markets and which compete directly with others in the same field rather than with publications and media companies which supply clearly defined regional communities and rarely, if ever, compete with one another. In many ways, it is unfortunate that this analysis is known as the value *chain*, thus giving the impression that there has to be a sequence of effects running throughout the entire productive cycle. This may well explain why this powerful tool is not much used in the newspaper and periodical publishing industries, where the whole production chain is short and largely self-contained.

Valuable, rare, inimitable and non-substituable (VRIN)

A recent addition to the range of operational techniques available to media managers are the VRIN conditions, which are such a vital part of resource-based theory (RBT). These conditions, which underline the fact that resources are *valuable*, *rare*, *inimitable* and *non-substitutable* (VRIN), are a source of revenues which can lead to super-normal profits if secured by the firm rather than outside suppliers.

While competition at a local level is restricted, it does exist, and it is of some importance to measure both the width and depth of those strategic resources which contribute to a customer's decision to purchase the good or service. To help determine this, it is necessary to assess just how *valuable* the resource or asset is to the customers, so there should be a revenue stream which is directly attributable to the asset. It is assumed that the assets are embedded in the production process, so it is often extremely difficult to establish which asset is responsible for the addition of value as there is often a bundle of assets bearing on the product.

The *rarity* of an identified asset has a considerable, but indirect, effect upon the value created for the customer. If a publisher possesses an asset which is not found in competitor firms and this asset creates a marked improvement in terms of either the product or the service, then it is reasonable to expect either superior sales volumes or superior margins in comparison with its rivals.

If assets are both valuable and rare, then these criteria make it possible to categorise them as *strategic assets*, provided always that they are not simple and quick to replicate. The longer it takes for competitors to provide acceptable versions, the more extended this period of *inimitability* becomes, as will the flow of revenues for the initial implementer.

Similarly, where the asset is *not substitutable*, the revenues will remain enhanced.

When attempting to apply the VRIN principles, it is critical to understand that the assessments of whether the asset is valuable or not is only for the consumer to decide and not for the media managers, who are usually concerned only with the revenues which result, and these are not always as significant as may first appear. Rarity, on the other hand, is considerably easier to see, although the longevity of the inimitability or of the substitutability requires a degree of foresight which may not be available to managers, in which case it is often more sensible to forecast a shorter respite period than is indicated.

20
The Current State of Play

In the media industry, which is, in essence, about the delivery of news, it is often difficult to evaluate the claims made by, or on behalf of, competing media. Perhaps the most certain way to evaluate consumers' preferences is to measure the effect of the introduction of the newer media upon the traditional organisations. Figure 20.1 below demonstrates the continuing dominance of television as a primary news
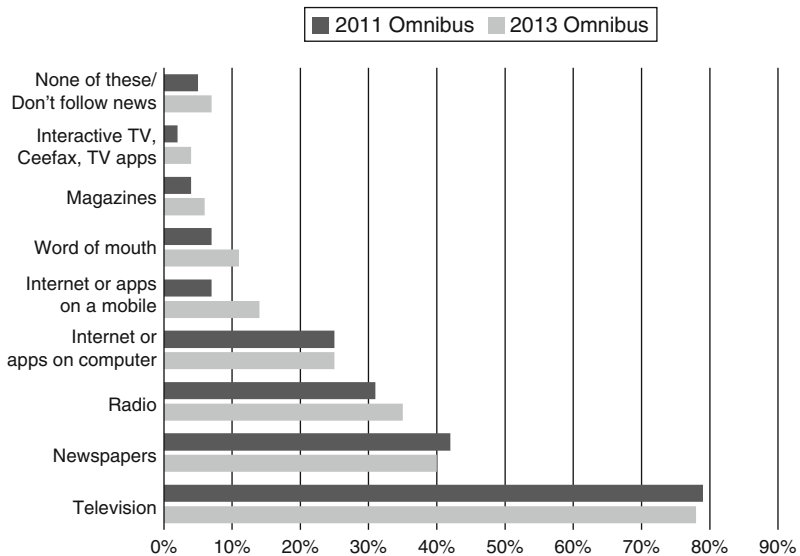
Figure 20.1 Platforms used for news nowadays

source, with the growing importance of the Internet and applications on both computers and mobile devices now becoming evident.

Whereas both television services and newspapers look to be losing some adherents, the percentage lost may, for technical reasons, not be as significant as it may appear at first sight. Of the long-established media forms, it is radio which seems to be making the most significant recent progress.

One question which is particularly difficult to answer is the degree to which the losses sustained by the established media are simply transfers to the newer devices, which have a very high novelty value, especially for the 16–24 and 25–35 age groups, for whom innovation in communication is particularly seductive. As noted earlier, it is their desire to experience more of what the world has to offer that drives much of the activity on the Internet, particularly in the social media sectors. These are the age groups for whom local affairs are not yet of consuming interest; neither are the news reports concerning them, nor the news media which broadcast the information.

Of relevance to this work are the profiles of a selection of media providing local news in the UK. As can be seen in Figure 20.2, by far the
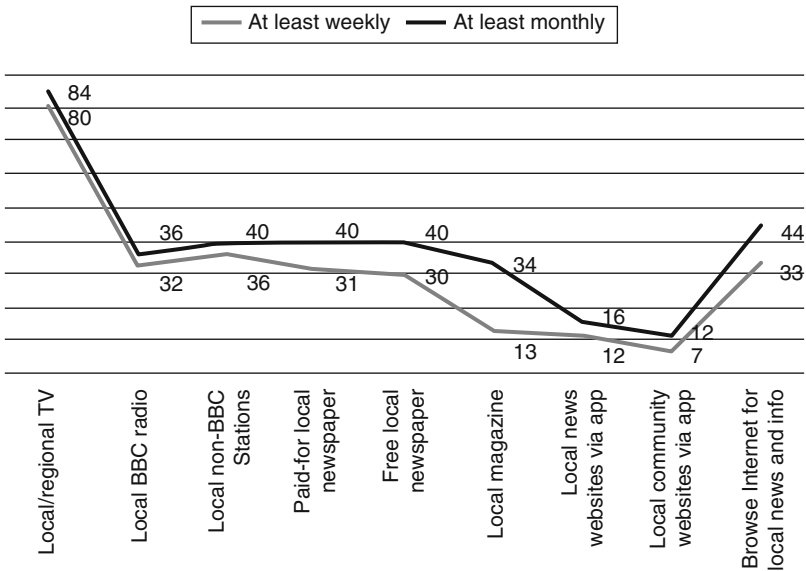
Figure 20.2 Local news consumption

most popular sources are television stations, both public service and commercial, whose output is consumed by 80 per cent of the adult (15+) population at least weekly, rising to 84 per cent over a month. In second place are those who browse the Internet for local news: 33 per cent over the course of a week and 44 per cent over a month. Local newspapers (both paid-for and free) have very similar weekly and monthly scores of 31 per cent and 30 per cent, and 40 per cent each for the monthly score. A significant side-point is the surprisingly high degree of duplicated readership, which is 50 per cent for weekly use and 62 per cent for monthly use of any local newspaper. Considering the fact that a free newspaper has no product or delivery cost, while the paid-for newspaper has both, it might be expected that the free newspaper would have a serious advantage.

Another piece of Ofcom research which is particularly eye-catching is that shown in Figure 20.3, which focuses on perception, to the degree that it measures the personal importance of local news delivered by a variety of media. Not shown on the graph is the score for *any paid-for local newspaper*, which is 40 per cent and which appears to coincide with
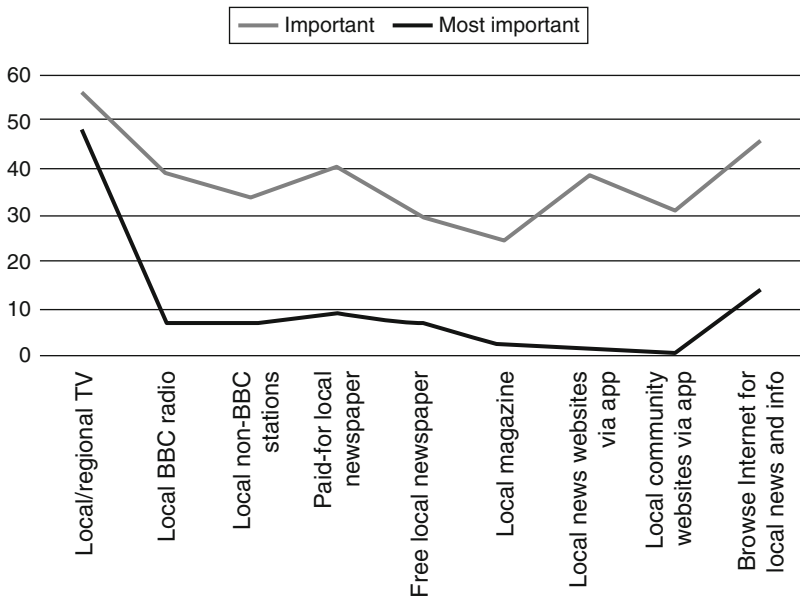
Figure 20.3   Personal importance of local news

the findings of the Newspaper Society research document *Local Matters* (see Chapter 3).

In perceptual terms, the Ofcom research provides some measure of the degree to which news sources are evaluated by the public which they serve. Figure 20.4 sets out the opinions of the general public regarding selected TV stations. While each of the TV news audiences varies and, as a consequence, no direct comparison is possible, it does give a strong indication of the perceptions of those audiences.

While BBC television news is regarded as being 'important' with a score of 69 per cent, it is closely followed by Al Jazeera with 66 per cent, Sky News with 62 per cent, ITV News with 60 per cent, Channel 4 with 58 per cent and Channel 5 with 40 per cent. From these figures, it would appear that there is a considerable degree of commitment from each station's audience. On the question of 'accuracy and reliability', the BBC with 67 per cent gives way to Sky News with 68 per cent, Channel 4 with 62 per cent, ITV with 61 per cent and Al Jazeera with 56 per cent, Channel 5 brings up the rear with 44 per cent.
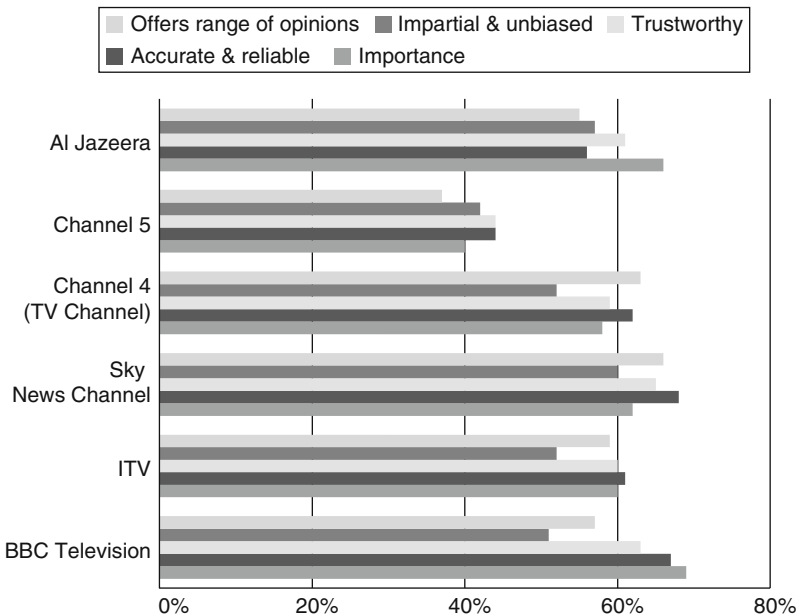
Figure 20.4 Attributes of television news sources

Trustworthiness

Of those television stations which are regarded by their audiences as 'trustworthy', Sky News is once again in first position with 65 per cent, followed by BBC News with 63 per cent, Al Jazeera with 61 per cent, ITV News with 60 per cent, Channel 4 with 59 per cent and Channel 5 with 44 per cent. What is somewhat surprising is the order of the stations when their audiences are asked about the degree of 'impartiality and un-bias' in the station's news output. The leader is Sky News with 60 per cent, then follows Al Jazeera with 57 per cent, ITV News and Channel 4 News with 52 per cent, and BBC News with 51 per cent, while Channel 5 is in last place with 42 per cent. The last remaining factor, that of measuring the ranges of opinions on offer, is extremely difficult to compare
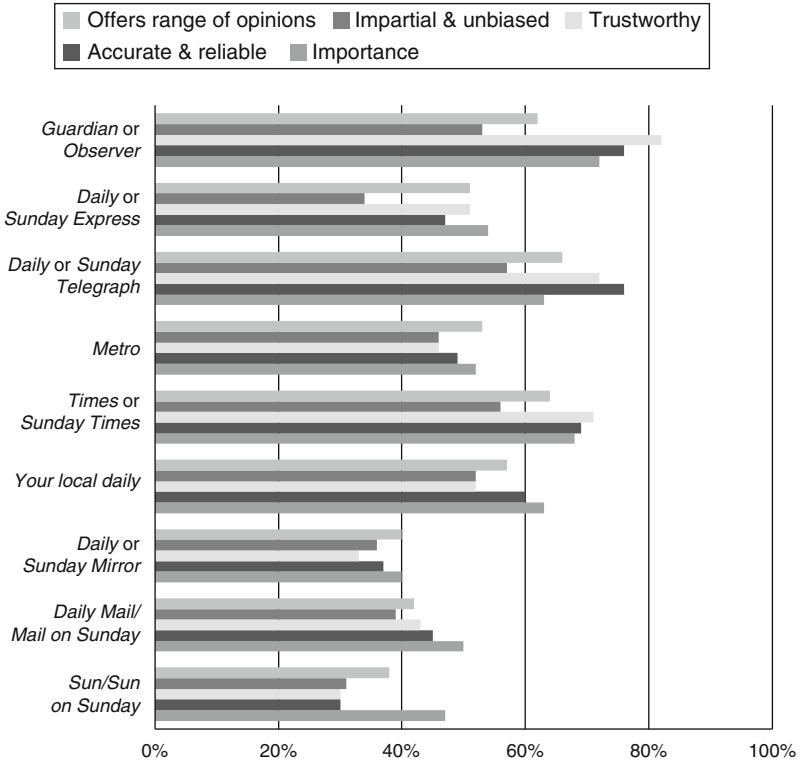
Figure 20.5   Attributes of newspaper news sources

as a number of the stations have regional news programming, which will broaden the range of subjects and opinions carried.

When examining the attributes of newspaper sources, Ofcom has used the same perceptual dimensions as for the television news sources. When asked about the the *importance* of their chosen newspaper, *The Guardian* and *The Observer* are in first position with 72 per cent, with *The Times* and the *Sunday Times* in second place with 68 per cent, the *Daily Telegraph* and the *Sunday Telegraph* together with 'your local daily' newspaper following with 63 per cent, then the *Daily Express* and *Sunday Express* with 54 per cent. *Metro* with 52 per cent is the only other newspaper to have a rating of over 50 per cent.

Trustworthy newspapers

The degree to which newspapers are regarded as *trustworthy* sources places *The Guardian/The Observer* in first place with a score of 88 per cent. *The Guardian/The Observer* and the *Daily Telegraph/Sunday Telegraph* share first place for *accuracy and reliability* with 76 per cent each.
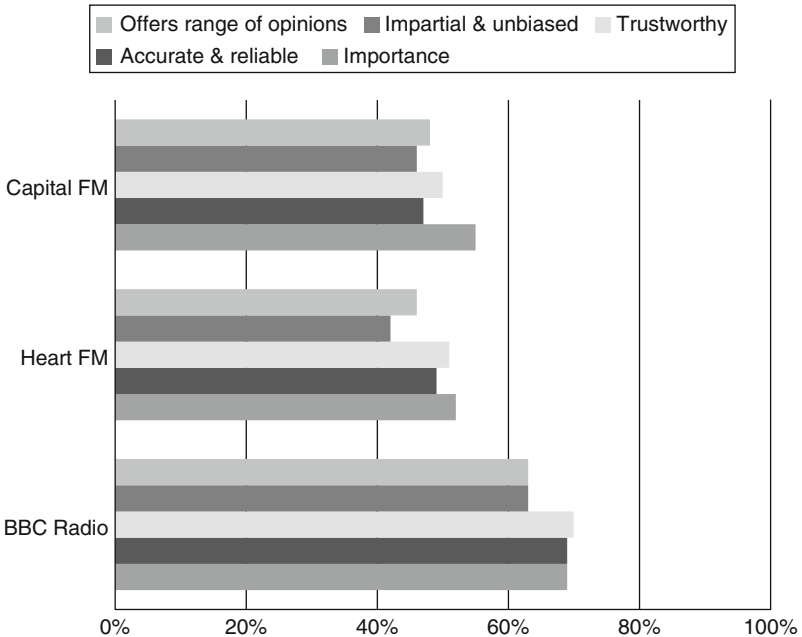
Figure 20.6   Attributes of radio news sources

By comparison, while for television news sources BBC News scored 63 per cent for *trustworthiness*, its BBC radio equivalent scored 70 per cent, and 69 per cent for *accuracy and reliability*. The BBC retains its substantial lead in all of the five main perceived categories, with the two quoted commercial stations are those which have bases over 50 per cent; all others have been ignored for the purposes of this analysis. As an interesting side-point, only four per cent of UK listeners use radio as a main source of news about their locality, which compares with ten per cent in Germany, six per cent in Spain and five per cent in France.

When seeking to reconcile these findings with the much higher percentages found in the perception ranges, it is important to remember that while the figures showing the attributes of media offering news are the *perceptions* of the users, they do not represent the opinions of anyone other than that perhaps small group, so the percentages are not directly comparable.

A similar situation exists with the percentages shown for websites and app news sources. Some 44 per cent of UK smartphone users have accessed general news sources, with just under half of those (21 per cent) using them regularly. A substantial number of smartphone users (39 per cent) have transferred their access from a PC or laptop. Figure 20.7 sets out the perceptual map of the attributes of website and app news sources.

Websites and news sources

For both *trustworthiness* and *accuracy and reliability*, BBC News and Sky News lead the field: Sky News, with 69 per cent for the former and 70 per cent for the latter, is slightly ahead of BBC News, with 68 per cent for the former and 69 per cent for the latter. Twitter has by far the highest score for the widest range of opinions, but has a very low score for either accuracy and reliability or trustworthiness.

Perhaps the single most important piece of information for the traditional media from all of this extensive Ofcom research is the 40 per cent of respondents who regard local paid-for newspapers and, to a lesser extent, local magazines as important to them. The apparent ubiquity of the Internet and the damaging effect that this has caused for the print media would encourage one to believe that the effect would be more severe. While by no means trivial, these injuries do not appear to have been life-threatening.

While it remains much too early to accurately project the possible trends of all the media including the Internet, one thing is becoming
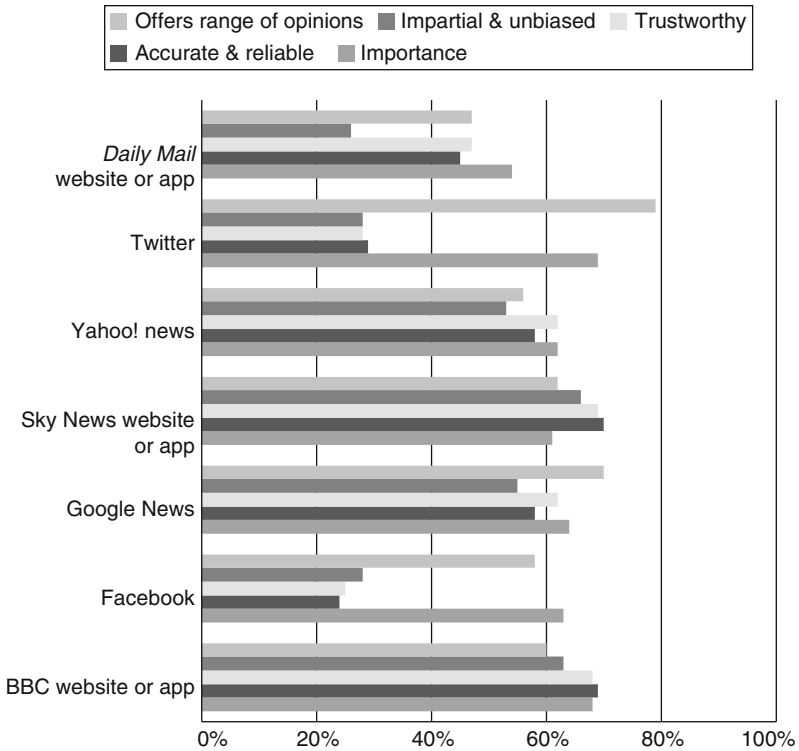
Figure 20.7   Attributes of website and app news sources

increasingly apparent: the total media scene seems to be stabilising and, while change will continue, this will be at a slower pace than has been the case recently. The electronic media of radio and television will go on being hedged by government regulation and the Internet will continue to be bedevilled by the need to provide constant novelty in order to satisfy the desires of its young audience. Newspapers and magazines, which represent the traditional end of the media spectrum, have always had a direct appeal to the settled and established sectors of the market.

The role of the entrepreneur

The media have always been attractive targets for entrepreneurs who wished to gain access to the power that ownership was thought to bring. It is for this reason that newspaper companies in particular have

commanded high prices when offered for sale. This situation changed dramatically when news websites became available at what were small fractions of the setting-up costs of print media. So low were these costs that a great many prospective entrepreneurs decided that this offered them an opportunity which they might not have again. What many did not fully realise was that their product, or service, would be subject to constant comparison not only with other electronic publications, but also with the traditional media.

These risk-takers mainly fell into two groups. The first of these were speculators, who, noting the enthusiasm with which the Internet was being received, were determined to show how fast an electronic news source could be made profitable. Their in-and-out philosophy meant that they would only remain committed only for as long as the prospect of high returns remained; once these looked as if they might fade, they cashed out and moved on to a new and more promising field. One outstanding characteristic of the speculator is the unwillingness to invest much additional funding into the business after the initial tranche. This conserves finance to take advantage of any other opportunities that might arise. It is by practising what is in effect *asset parsimony* that speculators maintain flexibility.

The second group of entrepreneurs are the experienced media managers, who, lacking the capital to set up a print publication, were eager to seize the opportunity to launch an electronic version. They had the advantage of understanding how the media business works and the mechanisms which offered the highest degree of efficiency and effectiveness. But perhaps their greatest advantage was that they knew that publishing in any form is a complex, difficult business that is very far from the glamorous, highly profitable business that it is often portrayed to be.

News media require access to relevant news sources, the ability to encapsulate the input from these sources into succinct reports, and the skill to arrange the order and positioning of these reports into the most effective sequence. It is often thought by the inexperienced that readers will devour every word published, but this is very far from the truth, as the vast majority or readers will scan what is available and will invest their time only in those stories in which they are interested.

With the exception of the web-based versions of the larger newspapers, both national and regional, online news sources are mainly small (in most cases very small) organisations that experience many of the critical problems that either prevent or inhibit their profitable growth. The first problem many experience is that their small circulation, which

is largely determined by the size of the community they set out to serve, may not be able to generate sufficient revenue, or profit, to secure the future of the enterprise.

Chandler and the growth of organisations

Alfred Chandler[1] set out his thesis that as organisations grow, they experience structural changes in *kind* rather than *degree*. His view is that there are four stages in a sequence, which are as follows:

1. That the structure of the firm is determined by its growth strategy.
2. That both the structure and the strategy develop in a particular sequence.
3. That structures are not adapted until inefficiencies force a change.
4. That the formulator of a strategy is rarely the creator of the structure.

While Chandler was addressing the totality of business, his comments can be used constructively in the media field to highlight the problems facing online news sources.

In the first place, if an online publication is to succeed, it has to be sited in a community of sufficient size with both the willingness and capacity to generate sufficient revenue to sustain the publication. This places an upper limit on achievable growth other than simple replication. There are few alternatives to seeking to improve usage rates within the community, and this is quite difficult to achieve in an audience in which there is no overwhelming perceived need to receive local news. In essence, an online publication will succeed best in a marketplace where existing media have failed or are failing. It is only in these situations that the newcomers will be able to proceed to an expansion phase, which is the gatekeeper to eventual success.

The development of a strategy is as much dependent on structure as the reverse. There is a case which can be made for both proceeding much as bipedal movement where each takes a turn at facilitating forward progress. Chandler has pointed to the fact that creators of the strategy are rarely the constructors of the structure, and this is particularly so in the case of publications, where the structure is determined by the needs of the product. This is usually the business of the hands-on management, whereas the formulation of a strategy to achieve a particular aim is often the sole responsibility of the top echelons of ownership or, more likely, finance.

Single-product concerns

Chandler found that *single-product* concerns (where more than 95 per cent of sales are accounted for by one product) and *dominant-product* businesses (more than 70 per cent but less than 95 per cent) tend to have strictly functional structures. These definitions embrace the majority of small news sources, including those on the Internet. This finding has been supported by both Wrigley and Rumelt, although their research was not primarily about media companies.

As single-product organisations, local media are restricted not only in terms of the geographical area from which they must garner their content (both news and advertising), but also in terms of the demographic profile of their audience, which directly affects the degree of interest in the content of the medium. A high proportion of unmarried young adults are unlikely to be as interested in community affairs as are young married couples, especially those with children. While time will ensure that the age cohorts will move relentlessly from non-potential to potential readers as their involvement with the community grows, there will be periods when low readership will directly affect the revenue-earning capacity of individual operations.

Because of their small-scale operations, these media forms are forced to adopt hand-to-mouth tactics designed to encourage survival rather than to encourage growth. Many, perhaps the majority, are likely to remain a-man-and-a-boy operations unable to break out of the circulation straitjacket imposed by the boundaries of the community it wishes to serve. If these micro-media enterprises do succeed, they will radically affect the composition of the entire media business.

The pattern is already begun to become evident inasmuch as the areas most affected by this hollowing-out are those in centres of markets. In the case of UK newspapers, it is the evening newspapers which have lost most, with the national newspapers and weekly newspapers having lost considerably less in terms of both circulation and advertising revenues. As noted earlier, the main reason for the decline of large-circulation evening newspapers has been the managements' single-minded efforts to drive up circulations so that their products could command higher advertising rates. As a consequence, the advertisers, upon whom the whole edifice depended, were being asked to pay larger amounts of money for increasingly smaller percentages of the total circulation. This myopia continued until an alternative presented itself in the shape of the Internet.

Stand-off damage

There has not been a simple substitution of printed news by online news provision; the damage done has been rather more oblique. By close-coupling the volume of advertising to the number of pages for each edition and by providing a bottom limit on the minimum number of pages that any edition must contain, as well as a top limit on the maximum number of pages that is determined by the production capacity of the printing press, the newspaper management was faced with a decision step process whereby there is less profit made when the advertising volume only just supports an increase in paging of two, four or multiples thereof in order to accommodate the additional advertising than when there is sufficient space available.

By targeting those advertiser groups who had felt themselves badly served in the past because newspapers loaded their advertising rates rather than raising the price of their publication, websites appropriated much of the high-yield advertising which had provided a great deal of the newspapers' profits. In addition to the direct effect that this had upon sentiment with the market analysts, who have such a large effect upon value of publicly held shares, it also severely restricted the ability of newspaper managements to maintain the costs, high standards and extent of news coverage. This set in motion the downward cycle of fewer advertisements/fewer pages/poorer-value perception for the unchanging product price/less in-depth coverage of events.

At present, this situation remains in transition; some newspapers have not yet lost all of the market presence that they may well lose before the market settles down into its final state, but what has now become clearer is that the period of maximum injury has almost certainly passed, and the consolidation phase for the survivors is beginning. With so many of the hyper-local news providers needing financial and sponsorship support, it would appear that their direct threat to traditional local newspapers is less than was feared at one point, but until the economic recession is finally over, it may not be possible to accurately assess the remaining threat.

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The Endgame?

As an industry declines, it does not appear to take long for the impression to grow that its disappearance is inevitable. The assumption is that when the highest point in the product life cycle is passed, the trend direction is always downwards. This causes some media managements to make preparations to harvest what they can or to divest themselves of the losing publication. While these may well be the correct courses of action, they are not inescapably the only courses. In any declining industry, there can be several appropriate endgame strategies.

As Kathryn Rudie Harrigan and Michael Porter[1] have pointed out in their *Harvard Business Review* article, the choice of a strategy is determined largely by factors outside the control of individual businesses. For example, a business facing high exit barriers will differ in its response to one facing low exit barriers. High exit barriers will force a firm to continue production for as long as the increasing cost of production remains less than the cost of exiting the industry and, as a result, the firm could experience pressures on profitability.

As an industry continues to decline, the economies of scale move into reverse, forcing the unit cost upwards. The fixed-cost element becomes a larger proportion of the cost total, which obliges media companies to reduce the staffing levels that normally make up a large percentage of the cost base. This loss of staff directly affects the quality of outputs which are a very large factor in the differentiation of the product or service, thus forcing the product towards an undifferentiated status which customers will inevitably evaluate on the basis of cost alone.

When assessing endgame strategies in the media industry, a significant problem is the oligopolistic nature of the business. In any community, there are a limited number of media outlets, which, until recently, has been caused either by high entry barriers or by government

licensing. Broadly the print media is constrained by the extremely high cost of setting up a publication. In addition to the capital expense of equipping a manufacturing facility and staffing it with trained staff, there are the substantial marketing costs of launching a product. Some capital expenditure can be avoided by contracting-out the printing and associated functions, but this is at the cost of the profit margin which the outside printer will require. Most magazine publishers use the contracted-out approach, as the product lifespan of periodicals is much less than that of newspapers. Lifespan is the total length of a publication's existence from its launch to its disappearance from the market.

The electronic media are closely policed by their country's respective government and while in the USA there are strict rules about frequency separation in radio, there are none on competitive activity, so that as many commercial stations are permitted as the community will support. This is not the case in the UK, where the only competitive activity permitted is between local commercial stations and national commercial operations, both of which are licensed. This applies to both radio and television. In both the UK and the USA, the broadcast transmitters are owned by third parties and are leased to the radio station. This means that exit barriers for the electronic media in the UK are not especially high, as the licence period is known and the costs can be depreciated on a prescribed basis.

Online publications

Online publications have entered the ground between the hard-copy and electronic media. They have none of the high entry barriers that until now have protected the print media, nor have they any restrictions imposed by governments other than the general rules of law that govern the activities of all publicly available media. It is possible to set up an online publication for less than £1,000 and to run it on a shoestring, and this is proving to be very attractive to proto-publishers. However, low entry barriers and virtually non-existent exit barriers are not always the boon they first appear to be. The first problem for the new business is to find an audience, and this involves the expenditure of both time and money on marketing the venture in the face of competition from other entrepreneurs with the same or similar target audiences.

The second major problem for thinly staffed online concerns is sourcing the editorial content. At one time, it was felt to be ethical to merely re-write stories that had appeared in established (usually print) publications, but this was greeted with hostility by the original publications and

usually resulted in the threat of legal action to protect the copyright. Even when established with secure sources of editorial content, the online publication, whether a newspaper or a magazine, is vulnerable. Because it is a micro-publication, it is vital that the target market chosen is sufficiently focused to ensure that it has an audience which is interested in the subjects featured, but there is always the danger that it will be out-focused by a competitor who seeks to serve a niche which is even smaller and of greater interest to the advertisers who support the publication or the subscribers at whom the publication is directed.

Online publications that succeed in avoiding these perils are those of existing publishers that have secure existing editorial sources and contacts within the advertising community. These line extensions have been most evident in regional newspapers, where most titles now have an online equivalent, and in specialised magazines. While many publishers express satisfaction with the progress that these are making, there seems to be a considerable reluctance to provide specific information on their profitability as stand-alone products. The absence of detailed information for the local and hyper-local segments makes it impossible to provide useful analysis of an increasingly important sector of the media industry, but could possibly indicate that the survivability of many of the newcomers is less than certain.

Magazines

The magazine industry is divisible into two distinct components. The first is the general interest division, which usually consists of those publications that set out to entertain by providing interesting stories, while the second contains special interest publications which are designed to appeal to specific communities of interest and contain much more by way of information concerning the particular concerns of the audience. In general, the editorial content of the specialist magazines tends to be of the long-form variety, as this caters better for the technical subjects which their readers prefer. Increasingly, long-form articles from well-established general interest print magazines are appearing in websites dedicated to long-form, which is thought to be as a direct result of the popularity of e-readers such as the Kindle.

The British newspaper industry has existed for over 170 years in what is virtually an unchanged form. The basic product remains one constructed of ink upon paper and while the production methods have been incrementally improved over the years, the fundamental process would be as recognisable to a newspaperman in 1836 as they are today.

As discussed earlier, the national newspaper sector has a pronounced political character, each title having elected to support one political viewpoint or another, whereas the regional newspaper sector tends to be apolitical, concentrating instead upon the issues facing the community each serves. What is of critical interest is the degree to which the industry will be forced to innovate in order to remain viable.

Forces acting upon newspapers

Just as with any other business, newspaper firms are subject to outside pressures that are either political, economic, social or technological. The degree to which these affect the different newspaper publishing sectors is determined largely by the perceived strengths of each. A weekly newspaper may appear at first sight to be less able to withstand these outside forces than will a national newspaper, but, in fact, the reverse is true. A weekly newspaper with a focused circulation and a concentration on the factors which directly affect the well-being of the community it serves is in a much stronger position to survive and prosper than a very large evening newspaper which cannot adequately concentrate its reporting on the day-to-day needs of its readers in any particular part of its large circulation area.

Political

Over the years, there has been remarkably little political interference in the realm of British newspapers, although there have been several Royal Commissions on the Press. Their deliberations have never resulted in restrictions of any type being enforced, although it is difficult to be certain that this was because there was no fault to find. There has always been a symbiotic relationship between newspapers (particularly national newspapers) and politicians, each needing the other to provide either information or, in the case of politicians, publicity.

Since the abolition of the Licensing Acts in 1695, no government has attempted to regulate newspapers, no matter how much they might have wished to do so, with the sole exception of the Defence of the Realm Acts, which came into force during periods of war, and the subsequent D Notice system designed to preserve the country's security. By comparison, the terrestrial electronic media of radio and television are closely regulated, even to the extent of ensuring equal broadcast time for political parties. A slightly different situation exists with regard to the Internet. In this case, the originator of the published material may

be beyond the reach of the authorities, especially when outside Britain, but the Internet Service Provider (ISP) is not. This places Internet content on the same basis as pamphleteers, where the printer can also be held as responsible as the author, or newspaper letters pages, where the newspaper is equally held to account.

By and large, governments do not care to have their citizenry influenced by organisations over which they have no control and usually can be counted upon to eventually exert some form of control. Another aspect is that of unrestrained blogging, especially where the content of such blogs is considered libellous. Governments generally go to great lengths to protect their rules of law. Provided always that newspapers themselves do not provoke the government into action, there would seem to be no reason why the present limited *laissez-faire* situation for newspapers should not continue unchanged into the future, although the recent hacking scandals have not helped the newspapers' cause.

Economic considerations

As with all goods and services, it is the total amount of disposable income available in any community that will determine the success or failure of commercial ventures. Taxation, whether direct or indirect, has the largest effect on disposable income and when the tax burden is perceived as being too high by taxpayers, they will actively seek to avoid paying any more than they have to, which will often mean that they will postpone purchases of non-essential goods. For newspapers, this means that the advertisers, on whom they depend, may reduce their advertising budgets and this, as we saw earlier, has a direct effect upon the profitability of those sectors dependent upon advertising. Large-scale redundancies are also a factor, but these tend to be of short duration as the majority of the displaced workers generally find alternative employment within a limited period.

Social aspects

Regional newspaper, especially small evening and weekly newspapers, have a unique position within their communities. By being journals of record, they help give an identity and a continuing sense of belonging to the communities which they serve. This has led many sociologists to think of newspapers as social mechanisms and to disregard the fact that newspapers are first and foremost commercial enterprises that cannot carry out the social function unless they are profitable. This makes the

lamentations of some regarding the preponderance of advertising in newspapers all the more pointless.

National newspapers have a social role only in a macro-sense inasmuch as they comment on matters that affect the whole nation rather than any particular region or community. As a consequence, they have considerably more power to influence political events than do regional newspapers, which can operate only at a strictly local government level. Generally, local newspapers are more accessible to local residents in the form of published letters pages than are national newspapers. These pages were the precursors of the now fashionable blog pages on the Internet and, to a degree, citizen journalism. Newspaper managements make a practice of carefully monitoring submissions for their letters page prior to publication to avoid the risk of expensive litigation.

Technology

The main effect of new technology on newspapers is from the Internet rather than from technology employed within the newspaper itself. The Internet has provided the facility for the very inexpensive publication of information, for example, residential property sales, situations vacant and other classified advertising categories. This has enabled Internet entrepreneurs to capture very large portions of the advertising formerly carried by newspapers. This is most evident in the USA, where, in 2005, online advertising accounted for almost $8 billion, having risen to this level from $600 million in 1997. Over the same period, newspaper advertising rose from $41 billion to $49 billion, which equates to an average annual increase of 1.2 per cent.

The situation in the UK is proceeding along approximately the same lines as that in the USA, where the meteoric rise of online advertising has begun to flatten significantly over the past five years. The attraction for many of the new online publishers is the comparatively low cost of setting up a website: whereas in the past the cost of establishing a publication (whether print or electronic) was a serious barrier to entry, the initial cost for websites falls on the common carrier, the ISP. The website provider, while providing the ISP with an income stream, must also find ways of promoting the site in competition with all the other websites offering a similar service.

This promotion problem does not exist for organisations that already have a marketing channel, such as newspapers and magazines. Not only are these publications already known to the audiences at which they are targeted, but the extensive advertising needed to attract attention can

also be carried at little (if any) cost within the publications. However, online firms must either depend upon search engines to make a connection with potential users or spend considerable sums on promoting their site in other media. A version which is now popular is the Google model in which sites can be linked on search pages and when a user clicks on to the link, an agreed charge is debited to the website operator. Because of low entry cost, there has been a rush of new websites, making the problem of differentiating between the product offerings much more difficult for the online user.

Strengths, weaknesses, opportunities and threats (SWOT)

Whereas in the past regional newspapers have been if not monopolies, then at least partial oligopolies, the avalanche of competitive media has been a particularly unwelcome change. For national newspapers, where there has not been the advantage of area dominance, their main strength has been their political stance, which has generated a loyal following. To analyse these situations, it is useful to employ the SWOT technique in which an organisation's strengths and weaknesses together with the environment's opportunities and threats are reviewed in detail.

Strengths

In essence, the greatest strength a newspaper has is the trust of its readers. This trust is generated over time through the editorial columns, where the public have come to rely upon the reporting of events as being a fair representation of the facts. By convention, the only place where a newspaper is expected to state its own views is in the leader columns. Any newspaper that violates this is in danger of losing the trust of its readers – a trust which, once lost, is extremely difficult to regain.

An indication of the importance of readers' attachment to a particular newspaper is the time taken to find a substitute. Research in the USA into own-price elasticity of demand for newspapers and magazines indicates that the short-run elasticity of demand is 0.10, whereas the long-run figure is 0.52, demonstrating the extraordinary length of time that readers require to find a suitable alternative. Because local newspapers are essentially journals of record concerned only with specific areas of interest, it is likely that there will be less choice available for readers who wish to change than for national newspaper readers, who will have other print media available which have the political perspective that they prefer.

It is important to recognise that the period between the short-run and long-run own-price elasticities of demand is a limited-time opportunity

for newspaper managements to seek out and repair the shortcomings in their products that caused the decline in the first place. Newspapers can only be strong if they are flexible, and willingness to change is the first requirement if flexibility is to be achieved.

Weaknesses

The basic weakness of the position of newspapers in the marketplace is essentially that it has become so accepted as a part of local life that it is virtually invisible as a social mechanism. Very little of what a newspaper does is new in the sense that it continues to do what it has always done, and in the perception of the general public this moves it out of the new and exciting and into the mundane. This is not to say that the mundane is not in itself valuable – it is, but only to those in society (for example, the middle-aged and the elderly) who have become comfortable with those parts of life with which they have become familiar. This is less so for the young, who search out new things and new ways of seeing.

Much is made of the fact that the young do not read newspapers, but then the young have never been avid newspaper readers; not until they set up house and have children are they really concerned about the affairs of the community in which they live. Once they have made a serious investment in the community, they become vitally concerned about the current value of their property and the education of their children. This is not to say that they have no other concerns – it merely draws attention to those that exist on a local level and are informed by local newspapers.

Opportunities

When considering the current position of newspapers, it is very easy to accept the fact that newspapers are operating in a mature market, where everyone who wishes to read a newspaper has had many opportunities to do so and, as a consequence, that these market opportunities are diminishing. This is not the case – market opportunities continue to exist and it could well be the case that newspaper organisations are so wedded to the printed word in a particular format that they are reluctant to consider other forms of delivery of news and advertising content. The fact is that the potential newspaper reader market is being constantly replenished by younger people establishing themselves in family units and producing children, thus becoming an established part of the community.

The opportunity to enrol these family units as readers occurs initially when they set up house. At one point, this used to be signalled by marriages being solemnised; however, with increasing numbers of couples

dispensing with the formality of marriage, it is more difficult for newspaper sales departments to identify potential readers. Any sustained effort made to contact these potential newspaper-reading families is usually well-rewarded in the sense that once the newspaper-reading habit is established within family units, it can last for anything up to half a century.

Both opportunities and threats to newspapers can be viewed as existing in the environment, whereas strengths and weaknesses are functions of the organisation itself. In the case of regional newspapers, the environment is the community itself, whereas with national newspapers, the environment is that part of the nation in which each newspaper chooses to compete for readers. This means that for regional newspapers, the market potential is more identifiable, in the sense that it is geographically bounded, than for national newspapers, where the target audience may be difficult to distinguish amongst the general population.

By far the greatest advantage, and hence opportunity, that regional newspapers possess is the fact that they are known to virtually all the population and, as was pointed out earlier, they do enjoy a measure of trust within their markets. Provided always that newspapers do not destroy this trust by seeking to reduce their costs by seriously lowering the quality or quantity of their coverage of the events in which their readership are interested, there would appear to be no reason why there would be a decline in the attractiveness of the newspaper as a product.

Threats

The greatest threat to the viability of newspapers is not the loss of copy sales, although this is a serious situation, but rather the loss of advertising revenues to the Internet and other media. So dependent have newspapers become on advertising revenues that they could not exist for long on copy sales revenues alone; this places them in a perilous position as the Internet is increasingly becoming a very serious competitor for the advertising of properties, situations vacant and cars.

In addition to this major threat, there is also the hazard resulting from the declining number of copies being sold. At first sight, it might appear that the marginal loss of revenues from the sale of products that contribute between 20 and 40 per cent of total revenues would not be of much significance; however, this is not the case to the degree that advertising revenues depend on the number of copies sold and thus the number of readers delivered to advertisers. Declining copy sales directly affects the effectiveness of the newspaper's advertising and at some time

in the future, a tipping point will occur when advertisers will become aware that they are paying more and getting less.

Options of action

It is the interlinked nature of the problems that face newspapers which makes an easy solution impossible. Falling circulations place pressure on profit margins, which in turn creates pressure from market analysts, who are intent on safeguarding the dividend income of their pension fund clients. This often results in cost-cutting campaigns within newspapers, reducing the total number of employees in what is a labour-intensive industry. Fewer employees, especially those directly concerned with the creative inputs of the content, can often result in poorer reporting standards, thus giving an additional downward twist to the loss of copy sales.

Running in parallel and directly linked to this is the advertising revenue spiral. Despite decreasing circulation figures, British newspapers have been largely successful in continuing to raise advertising rates. In fact, they had no alternative if they were to maintain profits, as they have only two revenue streams and what was not available from copy sales would have to be provided by advertising. This had the effect of forcing the advertising rates upwards beyond what would otherwise be justified.

The puzzle for most commentators centres on why it was that advertisers accepted this situation so tamely. One answer would appear to be that many did not recognise what was happening, while a second could be that others did not care. Local advertisers knew the price of their advertisement, but as the cost represented only a very small fraction of their total costs – in most cases it was under two per cent – this was not a matter on which they were prepared to waste much of their time. While this was not a matter of great importance when there was little in the way of competition for newspapers, it became important when they were faced with a clearly cheaper option: the Internet.

As has been pointed out elsewhere in this book, newspapers' dependence on advertising revenues, allied with their reluctance to increase cover prices for the product itself, engendered a take-it-or-leave-it attitude on the part of newspaper managements when dealing with advertisers. While the percentage of turnover spent on advertising was low, it was the never-ending procession of rate increases which were greater than the well-publicised increases in the cost of living indices which drew advertisers' attention to what the majority regarded as unjustified rises.

The result was that advertisers migrated to what they considered to be a cheaper medium as soon as one became available. The Internet offered lower transaction cost levels and this was irresistible for many. It also offered a more directly controllable promotional function which could be inserted or removed from a website with little effort, whereas a newspaper advertisement needed to be prepared well in advance and, once published, constituted an offer for sale.

Whatever the basic cause, the effect was to severely damage the ability of newspapers to operate viably within the market which they had once so dominated. Newspapers had become *machine bureaucracies* – they did very well what they had always done, but when change was required of them, they found it difficult to manage the degree of flexibility which their environment now demanded. In general, their reactions were both too little and too late; the apparent arrogance with which they had treated their advertisers when their market dominance was at its height had destroyed any trust that had once remained. It was ironic that the section of local commerce that led the exit from newspapers was estate agents that had for a long time agitated for lower advertising rates, although they were not themselves paying the advertising bills, but were simply passing these costs on to their property-owning clients.

For some time, many newspapers attempted to provide an equivalent online service for their advertisers, but this was never truly viable and was soon discontinued. By this stage, the news content of newspapers began to come under attack from what became known as *news aggregators* who offered an online news service. However, in truth, the overwhelming majority of the news items offered by this service were often either lifted directly from newspapers or were, at best, superficial re-writes of newspaper content.

There are only three types of organisations which make a practice of collecting news for onward transmission to their audiences: they are newspapers of all types, and radio and television stations (both commercial and public service). Of the latter, the BBC is the largest. Other news sites largely depend on these main news creators for the provision of the content that they offer to their viewers. At the beginning, newspapers were persuaded that such cooperation would assist them by encouraging readers to turn to newspapers for the fuller story. It did not take long for newspapers to discover that they were losing considerably more than they were gaining. So far has the pendulum already swung that newspaper companies are erecting paywalls, which require

readers who wish to read stories on news sites to pay for the privilege, and threatening news aggregators with legal action if they attempt to lift newspaper stories with or without attribution.

A brighter future?

Evidence is beginning to accumulate that newspapers are approaching the bottom of their circulation trough, and while it will be many years (if ever) before they begin to approach the circulation levels of a few years ago, recent research strongly suggests that while they will become rather more niche publications compared with the mass-market products they once were, they will remain a considerable force in society. The Newspaper Society conducted some research in 2008/9 which showed that local newspapers are depended upon by settled members of their communities – settled in the sense that they have a stake in their community when they marry and set up home, and become even more a part of the community when they have and educate their children.

As with all products and services in an unfettered economy, newspapers will succeed if a sufficient demand for them exists. This demand may spring from a variety of motivating causes: it could be from personal needs originating within an individual, from a small group situation (such as a family unit) or, in the case of the media, from a community. It is in this last category that the desire to belong to a larger group is most explicitly expressed. It is for this reason that community media in one form or another will continue to exist. The audience, which overwhelmingly will be settled rather than still finding their way in the world, will require the assurance that what they are being told is reliable. Print journalism continues to hold this reputation, which is why newspapers are likely to survive.

The greatest loser in the event of a complete breakdown of local media would be democracy itself; without the restraining effect of questioning by journalists, bureaucratic excesses on the part of both local and central government are, if not entirely probable, then certainly possible. These almost certainly will not be premeditated, but may occur as a result of incremental 'mission creep'. The very existence of a local group which has the facilities and the will to publicise misdemeanours on the part of either politicians or officials would act as a strong deterrent.

While newspapers have long had the primary role in safeguarding local democracy simply because they had the required space and time to devote stories, the roles of television and, to a lesser extent, radio as

headline media have flagged the presence of possible breaches. Online news media (with the exception of national newspaper websites) have not, as yet, had much of a role to play, and it would appear that in the case of local and hyper-local news sites, they will be unlikely to develop a significant presence into the foreseeable future. Thus, to lose traditional local newspapers may turn out to be something of a disaster.

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