

# The news about news media.

## Part one: Bad news for newspapers and news magazines.



**A 2008 WeMedia/Zogby Interactive poll found that 67% of Americans think traditional journalism is out of touch with what they want from the news, and two-thirds are dissatisfied with the quality of journalism in their communities.**

**The survey is just one of many signs that the legacy news media are in bad shape. Newspaper and news magazines are losing audience and advertisers, and there's no turnaround in sight.**

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**T**here are serious consequences for advertisers. The traditional print news media were once effective reach vehicles. An ad in all of the three newsweeklies would reach half the influentials in the country. A single ad in a local daily newspaper could get the word to just about everybody in town.

Those days are long gone. Today, newspaper and news magazines are niche buys. They're effective media to reach older, educated, affluent audiences, with little or no spillover into younger demographics.

Publishers have slanted newspaper sections toward teens to try to capture the long-lost under-50 demographic. News magazines have become feature-story focused. Both are repurposing material online in a rear-guard holding action they seem to think will turn the tide.

But the tide will almost certainly swamp them. Pretty much as it did King Canute when he commanded the incoming waves to recede a millennium ago. Except maybe the publishers won't get their feet wet during their exercises in futility.

Ink-on-paper local daily newspapers have gone from bad to worse over the last few years. In a May, 2008 Nielsen study, only 11.3% of respondents named newspaper as their primary source of news. That put newspaper in fourth place after broadcast TV, cable TV and the internet.

A little over a month ago The New York Times ran an article headlined "Most Papers Again Report Big Declines in Circulation." The first decline they reported was their own: circulation down 3.9% in the last quarter of 2007 and the first quarter of 2008 versus the same quarters a year ago. They also noted that *The Dallas Morning News* lost 10.6%, *The Atlanta Journal-Constitution* was down 8.5%, *The Minneapolis-St. Paul Star-Tribune* down 6.7%, *The New York Daily News* down 2.1%, *The New York Post* down 3.1% and *Newsday* down 4.7%.

Those drops were from an already shrunken circulation base. The Audit Bureau of Circulation reported that 2007 newspaper circulation was down 2.5% daily and 3.5% Sundays, following a similar drop in 2006.

Not surprisingly, newspapers' advertising revenues are also down. Nielsen Monitor Plus reports that local newspapers ad revenues declined 5.4% in 1st quarter 2008 versus 2007. National newspaper shrunk 6.2%, free-standing inserts were off 4.9% and local Sunday supplements were down 13.5%. *The Wall Street Journal* reported Gannett's May 2008 newspaper ad revenue was 14.3% lower than May 2007. McClatchy's January-to-May newspaper ad revenue dropped 15% and The New York Times Company had a 12% advertising revenue decrease.

There have been job cuts at virtually every American newspaper. *The Miami Herald, Baltimore Sun, Chicago Tribune, Los Angeles Times, Tampa Tribune, Detroit Free Press, Hartford Courant* and even *The New York Times* all announced sizable staff reductions. Those cuts, and more at newspapers all across the country, have eliminated 5,383 jobs in just the first six months of 2008.

The layoffs may well be part of a newspaper death spiral. Leaner newsroom staffs mean fewer stories covered and less depth in the news. That erodes newspapers' advantage over other legacy news media and online news providers. The lower value perception caused by less news and less detail in the stories will almost certainly accelerate reader defections. That, in turn, will lead to even more cuts, and the cycle could continue until the last metro daily disappears.

There are bright spots in the newspaper picture. *USA Today's* circulation grew by 0.3%, and *The Wall Street Journal* was up 0.4% in the last quarter of 2007 and the first quarter of 2008. The Nielsen Monitor Plus report showed national Sunday supplement ad revenue up 19.2%. And *The Arkansas Democrat-Gazette* actually increased its circulation 1.2% over the last two years by the simple expedient of **not giving away its content online.**

Newspapers with free websites are monetizing their online content through advertising, but the annual advertising revenue from a typical newspaper website is between \$5 and \$10 per unique visitor. That doesn't begin to make up for the \$900 to \$1,000 in subscription and advertising revenue that's lost when an ink-on-paper reader switches to online. And, despite the successful examples of *The Arkansas Democrat-Gazette* and *The Wall Street Journal*, few dailies have the courage – or the simple self-preservation instinct – to charge for their online content.

The situation and outlook are pretty bleak for local daily newspapers, but they aren't alone. Although newspapers' problems have gotten most of the attention, other traditional news sources are hurting, too.

News magazines are having a very difficult time.

Henry Luce built a media empire and a fortune (sorry, we couldn't resist the word play) on news magazines. The internet ravaged that empire twice: First when the management and board of the company destroyed billions of dollars of shareholder equity by merging their corporation into AOL. Then again when the media upheaval triggered by online news sources ran over *Time* like a steamroller on steroids.

Of course *Time* is not alone. *Newsweek* and *U.S. News* are sharing its pain. No one picked news magazines in the May, 2008 Nielsen study.

The three news magazines have experienced circulation declines over the last decade. The trend has accelerated recently. In 2007, *Time's* rate base (the average paid circulation it guarantees to advertisers) dropped 18.75%, from 4.0 million to 3.25 million. *Newsweek* went down 16% from 3.1 million to 2.6 million. *U.S. News* had the most dramatic cut of all. A 25% reduction from 2.0 million to 1.5 million.

The cuts in rate base almost inevitably lead to loss of advertising revenue. All three news magazines lost ad pages in the January – May 2008 period.

Time is down 27.2%, Newsweek lost 23.7% and U.S. News ad pages fell 32.7%.

Things have gotten so bad that *U.S. News* abandoned its attempt to be a newsweekly. Its publication frequency had shrunk to 46 times a year in 2006, then 36 issues a year in 2007, and in 2008 they became a biweekly specializing in "rankings" editions: 100 Best Hospitals; 100 Best Colleges; 100 Best Careers; 100 Best Places To Retire.

Like newspapers, news magazines have responded to the revenue loss by cutting costs. Time, Inc. eliminated 600 jobs in 2006 and 289 jobs in 2007. (The cuts were from all Time, Inc. magazines, not just Time.) *Time* closed its Chicago, Atlanta and Los Angeles bureaus, and announced a shift away from "high-profile, stylistic writers," presumably to low-profile writers somewhat deficient in prose style. U.S. News announced unspecified "major staff cuts" when it went to biweekly publication. *Newsweek* cut 111 positions in March 2008.

Cuts in news staff lead pretty inexorably to reductions in the breadth, depth and quality of reporting. Which leads to... well, the death spiral seems to be working overtime. At a discussion panel in early June, media critic Michael Wolff told fellow panelists "if *Newsweek* is still around in five years, I'll buy you dinner." We suspect he may not need to book a table at The Beatrice Inn.

"Seeing it in black and white" may become an anachronism in the near future, at least for mass audiences. Although their time as mass reach vehicles appears to be over, there are plentiful niche options for print news media.

Both newspapers and news magazines skew upscale and older. Our previous article *Geezers Got It Going On – Part 1* outlined just how valuable this audience is.

Banks, financial advisers, brokerage firms and any other financial services company can get an audience of prime prospects – with virtually no waste – in print news media.

Boat companies are hemorrhaging red ink right now, but newspaper and news magazine readers have relatively secure – and relatively high – incomes. A campaign promoting a mini-yacht as a well-earned indulgence (and as a rejuvenating elixir) could get an untapped audience into the market.

With disposable income and time on their hands, the readers of newspapers and news magazines are perfect targets for travel destinations.

Newspaper and news magazine readers have chronic health problems and health insurance. Which makes them an ideal target for healthcare providers.

To find out how to capitalize on the new niche marketing opportunities newspapers and news magazines represent, visit [brainposse.com](http://brainposse.com) or call 865-330-0033.

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