Chapter Two

The Political Economy of the 'New' News Environment

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The End of News (As We Know It)?

The traditional business model for delivering news is in crisis. This is a story that would probably not make the headlines of your evening news bulletin but it relates to a series of developments that is set to have a massive impact not simply on the future of the news business but on the ability of ordinary citizens to secure information that allows them more effectively to participate in public life. As the established news organizations see their audiences decline in the face of increasing competition from new types of suppliers and observe the spectacular growth of online advertising, some commentators are predicting the near collapse of the existing news environment. According to the *Vanity Fair* columnist Michael Wolff (2007), 'news – as a habituating, slightly fetishistic, more or less entertaining experience that defines a broad common interest – is ending. Newspapers, the network evening news, news magazines, even 24-hour cable news channels, these providers and packagers of the news, are imperiled media.'

They are in danger because younger audiences are deserting them for the immediacy and interactivity of the internet, because advertisers are increasingly attracted by the possibilities of more accurately targeting audiences online, because traditional news organizations have lost their privileged position in delivering the world to their audiences, and because in a world dominated – at least until the global financial crisis that started in 2008 – by a fierce commitment to the efficacy of market forces, governments and regulators are reluctant to step in and help prevent the haemorrhaging of readers, viewers and revenue. News, as we have known it for many years, has no natural right to exist if it cannot pay its way in a capitalist economy. Now, as Wolff (2007) concludes, '[t]he news business – our crowd of overexcited people narrating events as they happen – is going out of business.'

This seems to be especially true for the print press. Who will be there to write its obituary when the final newspaper dies out, as Philip Meyer (2004) argues, some time in 2043? In the meantime, a series of financial analysts and private investors are keen to certify the decline of print news. 'There is absolutely no question that the next 10 years are going to be really bad for the newspaper business' argues Barry Parr of Jupiter Research. 'The format, the business model, the organization of newspapers have outlived their usefulness' (quoted in Seelye, 2007). For Warren Buffett, celebrated investor and print publisher, the newspaper is an inferior technology: 'Simply put, if cable and satellite broadcasting, as well as the internet, had come along first, newspapers as we know them probably would never have existed' (Buffett, 2007: 12).

But this is also a complex story irreducible to fatalistic and singular explanations based on 'economic realities' of profit and loss, political apathy or, above all, technological innovation. The internet features in many accounts (for example, Beckett, 2008) as the decisive driver of change in the news environment and is marked out for its transformative potential. Yet this is not the first crisis to affect the gathering and circulation of news and it can only be fully evaluated by placing the challenges to existing business models in a wider political and economic context and by confronting the assumptions of those who foresee an inexorable decline in the value of traditional news suppliers given the challenge of the internet. News has never been an 'ordinary' commodity in the sense that it has always had a special status in facilitating a public sphere by providing elites with a powerful channel of influence and publics with at least some of the information necessary to participate in democratic life. Its future, therefore, cannot be predicted in relation to exclusively economic or technological factors.

Based on financial data and interviews with a number of finance directors and media strategists, this chapter firstly identifies the scale of the economic problems faced by traditional news providers and then discusses some of the strategies adopted by organizations to cope with an insecure environment. In particular, it assesses the viability and implications of an online business model before attempting to puncture some of the myths concerning the internet's challenge to incumbent news organizations and the resulting 'inevitable' transformation of the news business. The internet is most certainly disrupting existing news business models but it is likely that, if organizations continue to invest in journalism, the priorities and personalities that shape today's news will also play a prominent role in the news of the future.

Decline in Readers and Viewers

National newspaper readership is declining steadily in the UK. The House of Lords Select Committee investigating media ownership and the news commissioned research that indicated a 19 per cent fall in the number of British adults reading a national daily paper between 1992 and 2006 (House of Lords (HoL), 2008a: 11). As a proportion of the total population, this involved a 24 per cent decline, from 59 per cent of the population reading a daily paper in 1992 to only 45 per cent reading one 14 years later. Circulation of national titles fell by a similar amount: from nearly 13.2 million in 1995 to just over 11.1 million in 2007, a reduction of 22 per cent (ibid.: 12) while local newspaper circulation declined from nearly 48 million in 1989 to 41 million in 2004, a fall of 15 per cent (Williams and Franklin, 2007: 11).

There has also been a significant decrease in the number of hours of national news watched on the main UK terrestrial television channels. Viewers consumed 108.5m hours of national news in 1994, a figure that declined – even with the introduction of a fifth terrestrial network in 1997 – to 90.8m in 2006, a fall of 16.3 per cent (Ofcom, 2007b: 19). This reflects a more general shift in audience share away from the terrestrial channels, from a 78 per cent share in 2003 to a 64 per cent share in 2007 (Ofcom, 2008b: 40). This poses particular problems for ITV's regional news bulletins where, according to the media regulator Ofcom (2007b: 53) costs are six times greater than advertising revenue. In the face of such economic 'logic', Ofcom has sanctioned cutbacks in ITV's regional news and current affairs provision.

More Competition; Less Advertising

This decline in readers and viewers is intimately related to the tremendous growth in the number of news outlets available. Competition, according to Andrew Griffith, director of group finance at BSkyB, 'has gone exponential. It's about the rate of change. It's not that there was no competition and now there is, it's that the competition is now more numerous and the playing field changes and reinvents itself at a much faster velocity' (interview with the author). The rapid increase in free papers, the emergence of 24-hour television news and the popularization of online and mobile platforms have all contributed to a far more volatile and unstable environment for news organizations.

The problems for newspapers and network news bulletins are accentuated by their declining share of advertising revenue. From playing an insignificant role at the end of the 1990s, internet adspend surpassed that of national newspapers in 2006 and regional newspapers

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
National newspapers	13.9	14.2	14.7	13.7	12.7	12.0	11.7	11.1	11.0	**10.7**
Regional newspapers	18.2	17.7	18.0	18.9	18.9	18.8	18.6	17.4	16.0	**15.2**
Television	26.2	26.2	25.7	23.5	24.2	23.6	23.5	23.8	22.5	**22.1**
Direct Mail	12.7	13.4	13.3	14.8	15.6	15.6	14.7	13.8	13.4	**12.0**
Outdoor	4.3	4.3	4.5	4.5	4.6	5.0	5.0	5.2	5.4	**5.4**
Radio	3.2	3.3	3.5	3.2	3.2	3.3	3.2	3.0	2.8	**2.8**
Cinema	0.7	0.9	0.8	1.1	1.2	1.1	1.1	1.1	1.1	**1.1**
Internet	**0.1**	**0.4**	**1.0**	**1.1**	**1.3**	**2.9**	**4.9**	**7.9**	**11.6**	**15.6**

Figure 2.1 Advertising expenditure by media (UK), percentage of total

Source: The Advertising Association's *Advertising Statistics Yearbook 2008*, researched and compiled by the World Advertising Research Center (www.warc.com), pp. 13–14.

in 2007 and is, according to Zenith Optimedia, set to be the dominant source of advertising in the UK by 2010 (Sweeney, 2008: 10). Figure 2.1 shows how the internet's share of advertising has climbed spectacularly since the sector's recovery from the dotcom crash earlier this decade.

The internet's ability to target niche groups at low cost has especially affected newspapers' revenue from classified advertising. *Guardian* editor Alan Rusbridger claims that classified revenues for his title are declining by 10 per cent a year and that, in his opinion, 'the overwhelming majority of classified advertising is going to go on to the Internet and may well therefore be lost to newspapers' (quoted in HoL, 2008b: 43). Even Associated Newspapers, publishers of the highly successful *Mail* and *Mail on Sunday* titles, saw its classified advertising revenue decline by 7 per cent in 2007 despite an overall increase in advertising of 3 per cent (DMGT, 2008: 18). As classified advertising migrates online, those who depend on it the most, like regional newspapers, are expected to fare the worst. Advertising researchers Group M forecast that media spending on the regional press was likely to decline by 4 and 5 per cent in 2008 and 2009 respectively and argued that '[w]ith costs rising and revenues falling, we would expect closures of titles, if not whole publishers, this year or next' (quoted in Fenton, 2008).

Newspapers have even more reason to be worried in the US where an 18.8 per cent increase in online news advertising failed to make up for the 9.4 per cent drop in 2007 in newspaper advertising revenue. This was the steepest fall in advertising since the Newspaper Association of America started measuring advertising expenditure in 1950 (NAA, 2008). As in the UK, classified advertising suffered the greatest decline, down 16.5 per cent on 2006, a highly significant 28 per cent decline since 2000. The gloomy figures around circulation and advertising led to a 10 per cent drop in profits in the first nine months of 2007 and a 42 per cent drop in newspaper company stocks from 2005 to the end of 2007 (PEJ, 2008: 9).

This apocalyptic scenario regarding declining audiences and revenues is not simply of concern to media owners, corporate shareholders and news workers but to the wider viewing and reading public. This public has, over the years, benefited from an arrangement whereby advertisers have been happy to pour money into bulletins and titles that provide them with desirable audiences while these audiences are, in turn, provided with public affairs-oriented material that contributes to their ability to make the informed choices that are the hallmark of democratic political life. This arrangement has been bolstered by the willingness both of regulators to insist on minimum levels of television news and of press proprietors to subsidize loss-making titles in pursuit of political influence (and eventual profitability). The internet's attractiveness as an increasingly important destination for advertisers seeking to target niche demographics now threatens to undermine what Sparks has powerfully argued was an 'extraordinary set of circumstances' (Sparks, 2000: 276) that supported journalism's democratic role. The internet's ability to connect advertisers directly to consumers without the mediation of a newspaper (or, to a lesser extent, a television channel) raises the possibility that the historic link between advertising and editorial will be broken and, with it, the model that underpinned the delivery of news for many years.

In this context, the major problem affecting traditional news providers is not the decline of audiences in and of itself but the degeneration of the existing news business model that tied together news and advertising. The central question therefore for news organizations is how to bring about the radical changes needed, as Max Alexander, former managing director of new ventures and strategy at Trinity Mirror, argues, to 'recreate the business' (interview with the author) in the light of the challenge of the internet. Whether you accept that the situation for newspapers and television news is one of inexorable structural decline precipitated by the immediacy, flexibility and interactivity of the internet or, rather, the fragmentation of a business model that has, up till now, made an important contribution to public knowledge and debate, it is clear that the news business will have to rethink its approach if it is to remain relevant and prosperous in a digital future.

Coping Strategies in An Online Age

This section identifies some of the strategies adopted by 'traditional' news organizations in response to the challenges posed and opportunities offered by the internet and other digital platforms. These strategies have been developed in the context of a high degree of uncertainty about what changes need to be made. 'Anybody who tells you that they have the answer to that question,' argues Phil Bronstein, former editor of the *San Francisco Chronicle* and now an editor at Hearst Newspapers, 'or the answer to the question, "what's the successful business model for journalism", is lying to you. Because no one has it' (quoted in MacMillan, 2008). The state of the news media, admits Rupert Murdoch, is 'fairly chaotic' (quoted in HoL, 2008a: 118).

This combination of uncertainty and chaos has contributed to a relatively cautious approach by many news organizations in terms of their investment in the online world. There are, of course, exceptions like the BBC and the *Guardian*, both of whom were anxious to secure first-mover advantage in a digital news environment and were able to use their unusual ownership status - the BBC is publicly funded and the *Guardian* is answerable to trustees and not shareholders - to make bold, long-term investment decisions. More generally, however, there was an initial reluctance on the part of news organizations to commit substantial resources to the internet, partly because of lessons learned and fingers burnt during the 'dotcom crash' of 2000–2, partly because of institutional conservatism, and partly because for some, despite earlier predictions, their worlds were not falling apart. For Peter Williams, finance director of the Daily Mail and General Trust (DMGT), '[t]he decision not to invest too much nationally on the internet was a definite decision because we just thought everybody was putting too much money in too early and, touch wood, I hope we've got our timing roughly right' (interview with the author).

One long-term research project evaluating the impact of the internet on the mass media has highlighted the 'incremental and adaptive nature' of media organizations' recent strategic responses to the online world (Kung et al., 2008: 171). Even the $580 million spent by Rupert Murdoch in acquiring the social network site MySpace in 2005 to take advantage of its targeted advertising potential was far from a panic measure, at least according to Andrew Griffith at BSkyB:

> The chairman was talking about putting capital to work. Every existing business, whatever it does frankly, needs an internet strategy and we have one. These will broadly be incremental because the fundamental business hasn't changed and you could lose a hell of a lot of money saying that we think the world is all going to be online when it just is not. (Interview with the author)

For most news organizations, 'future-proofing' strategies are, therefore, tentative, experimental, defensive and evolutionary, rather than revolutionary.

Cost-cutting

Having said that, those sections of the news business most preoccupied with their survival in the face of competition from the internet, have resorted to a more tried-and-tested response to uncertain conditions: saving money through cutting costs and increasing productivity. The internet has provided newspaper groups, in particular, with the opportunity to demand more 'efficient' ways of working through multi-skilling – requiring an individual journalist to produce copy for both print and online editions. The National Union of Journalists' Commission on multi-media working found that 75 per cent of respondents felt that cross-media integration led to increased workloads with 37 per cent claiming that, as a result of integration, journalists were now working longer hours (NUJ, 2007: 14). Furthermore, less than one quarter of NUJ branches responded that their members had received additional pay for integrated working (NUJ, 2007: 12). The consequence of journalists working with more deadlines, across more media, for often no increase in pay is what Davies refers to as 'churnalism,' the 'rapid repackaging of largely unchecked second-hand material', gathered overwhelmingly from public relations and news agency sources (Davies, 2008: 60).

The internet's siphoning off of advertising revenue has also led news organizations to cut back on expensive editorial commitments like investigative reporting and specialist and foreign correspondents. 'The first thing that newspapers do when they are in financial trouble is close foreign bureaux' argues *Times* editor Robert Thomson (quoted in HoL, 2008b: 52). The situation is worse in the local and regional press where *Guardian* editor Alan Rusbridger claims that 'Google is killing off classified advertising. The property, cars and jobs ads are all going, so your two main sources of revenue are disappearing and the response of virtually all the newspapers' owners is to then cut back on the editorial costs' (quoted in HoL, 2008b: 46).

Of course, it is impossible to link these cuts directly to the presence of the internet in the news environment. For example, while the NUJ's commission found that there had been editorial job cuts at 45 per cent of titles since online operations were introduced, 'most respondents felt that the redundancies would have happened with or without online working as part of general cost saving measures' (NUJ, 2007: 16). Some titles, like the *Guardian*, have actually now employed additional staff to cope with the extra demands of online news. The point is, however, that the internet features as an increasingly significant factor in the 'restructuring' that is occurring throughout the news industry. According to NUJ general secretary Jeremy Dear, the internet is the

> big bogeyman that's held up every now and again against us in negotiations. Before that it was always general problems with circulation, before that it was recession. It has now become much more the reason given for both circulation falls in traditional print media and advertising revenue declining because it's going elsewhere. (Interview)

Diversifying

A more forward-looking response by traditional news organizations to the internet's disruption of their territory is to diversify operations in order to expand both audience and revenue streams. After a slow start, news businesses have now begun to invest in, above all, online classified advertising sites in an attempt to win back some of the revenue they have lost to the internet. KPMG's Richard Bawden (2008) emphasizes the need for news organizations to diversify: to 'replicate the sources of income they had before' and to leverage their 'skill set' into the online world (interview). He singles out the Daily Mail group for the way it has embraced the potential of the internet, an assessment shared by investment bank Merrill Lynch in November 2007 in an unusually positive recommendation – at least for the publishing sector – to buy shares in the company. The report argues that 'DMGT has transformed itself in the last decade from an essentially pure play newspaper business to a diversified group' (Merrill Lynch, 2007: 3) and praises the company for recognizing the opportunities that the internet presents to well-placed media brands. Indeed, since 2004, DMGT has spent some £203 million acquiring a series of high-profile online recruitment, holiday, property and auto classified sites (Merrill Lynch, 2007: 12).

Acquisitions are not the only method of expanding operations and revenue. Organizations are also exploring joint ventures and partnerships in order to distribute 'branded content' more widely. BSkyB, for example, is working with mobile phone companies to extend the reach of Sky News but, according to group finance director Andrew Griffith, 'short of buying a mobile phone company and just setting it [the phone] to autotune into news constantly and make people hold it to their ear, there's not a lot more we can do' (interview with the author). Instead, the company's strategy is to 'seed' new platforms, to invest small amounts so that 'if it's really big we haven't missed an opportunity – we've got in at the ground floor – but if it doesn't fly, then we haven't tied up a lot of capital.' We are still in, he claims, the 'very early days' of the relationship between broadcast and mobile or online platforms.

The most significant example of diversification, however, has not involved acquisitions and partnerships but the attempt by traditional news providers to re-create themselves as fully integrated news

	Unique users (m)	Unique users – UK only (m)
Sun Online	27.3	8.3
Telegraph.co.uk	26.2	9.2
Guardian.co.uk	25.3	10.2
Times Online	22.0	7.7
Mail Online	21.8	6.9
Independent.co.uk	9.4	4.0
FT.com	7.1 (March 2008)	N/A
Mirror Group Digital	7.0	3.6

Figure 2.2 National newspaper website traffic (February 2009)

Source: ABCe

businesses by providing online, as well as offline, news. All news organizations now have a web presence (see Sparks, 2000 for an analysis of the original business rationale for turning to the internet) and an online audience that is generally much higher than their offline audience. In the case of national newspapers, this has particularly benefited the 'quality' press who largely dominate online news traffic (see figure 2.2). While the BBC continues to be by far the most popular online news source – with more than 13 million unique UK users visiting BBC News Online each *week* at the end of 2007 – even Sky News is able to punch above its offline weight with for example some 4.7 million users per month in March 2008 (*New Media Age*, 2008).

The internet therefore provides news organizations with a wonderful opportunity to engage new audiences in the hope that they may somehow compensate for declining ratings and advertising. The key, of course, is how, and indeed whether it is possible, to extract revenue from these new audiences – the topic of the next section. In any case, building and sustaining popular news websites requires both additional investment and some imagination. KPMG's Richard Bawden argues that companies cannot just use the web as an extension of their existing practices: 'They need to think about how their core service will be consumed in the future and not just replicate the production of their newspaper online and some got that completely wrong when they first started as online is a different product' (interview with the author). The *Guardian*'s hiring of 60 new journalists in 2007–8 to enhance its digital output recognizes the distinctiveness of online news and, judging by its huge online audience, appears to have been a highly successful strategy.

For some, this has led to re-thinking the focus of the brand itself: should they be a newspaper group or a news channel or a converged information and services provider? According to Peter Williams, building up DMGT's online profile required a whole new business strategy. In terms of his group's regional titles, his view is that 'we no longer own regional newspapers, we own regional media businesses, and their objective is to deliver the news, the information, the advertising, to their audience in whatever form both the advertiser and the consumer want to receive it' (interview with the author). The danger is that more short-sighted news organizations start to prioritize the development of new non-news services and new revenue streams at the expense of their core commitment to 'hard' news. This is a familiar characteristic of convergence where previously distinct media forms are 'integrated' in such a way as to maximize popular appeal and audience numbers with a resulting emphasis, in the case of news, on human interest stories, dramatic narratives, celebrity gossip and 'infotainment'. 'It expresses,' according to Schiller (2007: 115), 'the universalizing market ambition that has always suffused the corporate drive for convergence.'

There is a further problem in that this kind of restructuring has been forced on companies in the face of external pressure and, for many, in the context of the prospect of declining revenues. It is not, by and large, a strategy that they have willingly embraced and they are undertaking it in a climate which, as we have seen, is increasingly competitive and uncertain. The building of these cross-platform, 'integrated' news businesses presents, therefore, a fundamental challenge to many news organizations: 'somehow they must reinvent their professional and their business model at the same time they are cutting back on their reporting and resources' (PEJ, 2008: 1). This is the troubling context in which a new business model is being developed.

Features of an Online News Business Model

The central economic fact about online news is that users have shown a marked reluctance to pay for news content, partly because of a residual belief that all generalist online content should be free. The vast majority of online news is now freely available with only the *Financial Times'* FT.com able to retain a 100,000-strong subscription base because of its ability to provide targeted financial information from a trusted brand. This has not stopped online news sites from charging for more specialist content, for example, digital editions of newspapers, crosswords and games, and leading columnists. Herbert and Thurman (2007: 223) found that online newspapers 'are more likely to charge for content that is closely identified with the newspaper brand, rather than what is most popular' although they recognize that this is never likely to be a major source of revenue.

If news providers are not able meaningfully to charge for content, then they are even more keen to maximize the number of (especially domestic) users in order to extract increased revenue from their internet advertising. Much has been made of the huge growth in online advertising in recent years with a 38 per cent increase in the UK and a 26 per cent increase in the US in 2007 alone. Yet these figures are nowhere near enough to compensate for the decline in newspaper advertising revenue. According to Gavin O'Reilly, president of the World Association of Newspapers, online readers are far less valuable than print readers as they use online news in a 'haphazard and fragmented way' (quoted in *The Economist*, 2006), generally reading fewer pages and spending less time than they would with the print edition. As the *Financial Times* put it, 'the loss of a single print reader in terms of subscription and advertising has to be compensated with tens of online readers' (van Duyn, 2007). In the relatively mature US internet environment, online still only represented 7.5 per cent of total newspaper advertising revenue by the end of 2007 (NAA, 2008) while a web-savvy news organization like DMGT in the UK generated a similar proportion, of around 6 to 7 per cent, of its total advertising from online operations by mid-2008 (Williams, 2008). As Mort Zuckerman, chairman of the New York *Daily News* concluded to the House of Lords inquiry on news and ownership, the balance between online advertising and print advertising revenue is one of 'substituting pennies for dollars' (quoted in HoL, 2008a: 17).

A further reason why online advertising is an unreliable source of additional funds is that, for traditional news organizations, it is largely the wrong type of advertising. Display advertising, in which news incumbents generally have an advantage, amounts to only 21 per cent of the online share; classified, where incumbents are investing heavily to challenge pure-play internet sites, accounts for 20.8 per cent of the market; while search, 84 per cent of which is monopolized by Google in the UK (Efficient Frontier, 2008), dominates online advertising with 57.6 per cent of the total share (IAB, 2008). In other words, traditional news groups are strongest in one of the smallest sectors of the market and weakest in the main sector of online advertising. This is not a sound basis on which to compensate for declining revenues nor to seek additional funds for future investment in core services.

There is the added danger that by focusing on either acquiring or developing their own online classified sites, news groups run the risk of accelerating the decline of their own print classifieds and therefore cannibalizing existing (and precious) revenues. Herbert and Thurman report that the online newspaper managers they interviewed believed that their products were distinctive from their offline cousins and that, in general, cannibalization was not a major concern (2007: 213), a position countered by Gentzkow (2007) and Ala-Fossi (2008) who argue that print and online are substitutes, that the growth of the latter negatively impacts the former. Either way, there are dangers in over-emphasizing the value of online advertising for news operations. First, there is no evidence that online advertising will be immune from the economic cycles that afflict traditional advertising. This appears to be particularly true for the online classified and display ad sectors – where news organizations are well placed – that are more vulnerable to an economic downturn and less so for search advertising which, as we have seen, is an area dominated by Google and which, thus far, has 'proved more robust' (Waters, 2008). Second, despite claims by *Guardian* editor Alan Rusbridger that internet advertising is increasing by 50 per cent a year (quoted in HoL, 2008b: 43), its rate of growth in the UK is now *slowing*: from 66 per cent in 2005, 42 per cent in 2006, 38 per cent in 2007 to what was a predicted 27 per cent in 2008 and 20 per cent in 2009 (GroupM, 2008). The impact of recession is likely to see growth slowing even more than these figures suggest. Of course, these are still by far the highest growth rates in the sector (albeit starting from a very low base) but, as we have seen, the majority of this revenue will go not to existing news producers but to 'pure-play' internet advertisers and search engines.

The internet's great advantages – its low entry costs, interactivity and abundant capacity, all of which make possible a greater range and interaction of voices – are, in many ways, a problem for traditional news organizations. According to News Corporation's Peter Chernin, there is simply too much 'inventory' on the internet to justify high advertising rates. In order to be profitable, content companies will 'have to create category scarcity' (quoted in Olsen, 2008), precisely the opposite of what is held up as the democratic potential of the internet. The situation for existing news content providers is made worse by the fact that the online news environment is increasingly dominated by aggregators like Google News and Yahoo! News who use the openness of the internet to repurpose original content from a very restricted number of sources (see Paterson, 2005) without paying a penny. While the aggregators argue that, by linking to news content websites, they help to drive up traffic and increase revenues, others, like Paul Myners, former chair of the Guardian Media Group, feel 'that the current situation does not fairly represent the value the content providers bring to the search engines and the aggregators' (quoted in HoL, 2008b: 533). Moreover, the fact that one of the emblems of the 'new journalism', the influential US news aggregator, the Huffington Post, says that it has no plans to pay any of the thousands of bloggers who have made it the fifth-most linked-to blog on the internet, represents a real challenge to the professional livelihoods of journalists. Co-founder Ken Lerer insists that paying his contributors is simply 'not our financial model' (quoted in Graham, 2007).

For all the possibilities of vigorous debate and fresh perspectives, the business model of online journalism appears to be one in which audiences largely refuse to pay for content, advertising revenue is dominated by search engines and pure-play companies, cannibalization remains a concern (just as it does in the recorded music industry) and traffic goes more and more to internet portals and aggregators who invest virtually nothing in original news content and simultaneously fail to expand significantly the range of source material.

This is a very challenging environment for traditional news organizations so, perhaps not surprisingly, at the end of 2007 digital revenues for these businesses remained quite low: for example 3.7 per cent of Trinity Mirror's business (Trinity Mirror, 2008: 13) and 8.7 per cent of DMGT's national newspaper revenues (DMGT, 2008: 18). Of course these figures are set to rise over time – Merrill Lynch (2007: 12) estimates that this will rise to 20 per cent of DMGT's newspaper business by 2012 – but it is clear that the vast majority of the revenue of news incumbents will continue to flow from their 'traditional' businesses for some years yet. According to Peter Williams, DMGT's finance director:

> I think over the next three of four years, the online side will definitely still be in growth mode so we'll still be investing in it to find the best business model. You know, at the moment with the *Mail* sites, we are spending more than we are generating in revenue. We're losing money on them to generate audience and we have to generate revenue off the back of our [existing] audiences. It's chicken and egg: you've got to have the audience before you can get the revenue online. (Interview with the author)

The business model for online news, therefore, remains very much at an experimental stage (Ala-Fossi, 2008: 151; Herbert and Thurman, 2007: 223).

Conclusion: Apocalypse Postponed

Predictions about the 'end' of newspapers and the 'collapse' of network news in the light of the dramatic shift online of audiences and advertisers miss out on a number of important points. Captured by the 'drumbeat narrative' (Siklos, 2007) of the internet's triumphant rise to power, such predictions are ahistorical and partial and underplay some of the complexities of the environment in which news has long operated.

First, as Robert Picard points out (2002: 31), there is no single, fixed business model for newspapers but one that evolved from serving relatively small, elite audiences in the eighteenth and second half of the nineteenth centuries to a mass market model in the twentieth century. Under the pressure of competition and changing consumption patterns, it may well change again (and indeed return to something like its initial position) but there is no reason to think that the industry is not flexible enough to evolve and meet the demands of a changing society. Clearly, this is not the first 'crisis' confronting newspapers as they have had to deal, in previous years, with competition from newsreels, radio broadcasts and television bulletins. Indeed, faced with a constant series of challenges, newspapers, according to *Times* editor Robert Thomson, 'have been forced to adapt and evolve not only in the last three or four years but over the last 30 years' (quoted in HoL, 2008b: 50).

Moreover, the decline in circulation, so often attributed to competition from the internet, obviously predates the digital age. Circulation of national dailies peaked in 1951 – many years before the first web browser – with total sales of 16.62 million (Seymour-Ure, 1991: 16) while in 1950, just before the popularization of television, newspaper circulation per 1000 people stood at 573 before dropping to 332 in 1996 and to 289.75 in 2004 (Norris 2000: 77; UNESCO n.d.). By this measure, consumption of daily papers dropped by 42 per cent in the 'television age' (from 1950 to 1996) and by 12.7 per cent in the 'internet age' (from 1996 to 2004). The closure of local and regional titles that we have heard predicted as classified advertising moves online also pre-dates the internet age. The number of provincial morning papers in the UK declined by one-third between 1945 and 1990, mostly under the influence of chain ownership (Seymour-Ure, 1991: 43) while, according to Davies, 24 per cent of all local titles were killed off between 1986 and 1996 not because of the power of the internet but because 'the logic of pure commerce' (Davies, 2008: 65) dictated that they were not profitable enough. The point here is not to underestimate the rapid pace of decline in recent years but to emphasize that the decline itself is not new and cannot be explained by sole reference to the internet.

A more profound reason for declining advertising revenues at the time of writing may well be the experience of an economic downturn which has already cut into the crucial advertising sectors of property, auto sales and recruitment. Of course, this is not the first time that advertising revenue has slumped: in both 1991 and 2001, news organizations were badly affected by a substantial decline in advertising only for revenues to pick up in the following years. The question this time concerns the extent to which news organizations are facing a cyclical or a structural challenge to their position as valuable carriers of advertising: whether revenues will return after the 'credit crunch' or whether a proportion of advertising will be lost forever to online competitors.

Some of the signs are favourable. There is still a very healthy appetite for news and while much is made of the internet's transformation of the news environment, only 6 per cent of the UK population identify the internet as their main source of news in contrast to 65 per cent who opt for television and 15 per cent for newspapers (Ofcom, 2007b: 17). This is a figure that Ofcom's chief executive Ed Richards does not expect to rise significantly: 'I am sure that it will change a little more over time, but I think that the finding about the significance of television news compared to the supplementary role ... that the internet is playing, we may see as a resilient finding in the years to come' (quoted in HoL, 2008b: 192). More up-to-date research amongst 16 to 24-year-olds, the demographic of most concern to existing news providers, confirms this supplementary role: only 3 per cent turn to the internet as their main source of news about the UK in contrast to 14 per cent who said newspapers and 45 per cent television (and 17 per cent who declared no interest in the question) (Ofcom, 2008b: 30).

News organizations are not therefore about to lose entire swathes of readers and viewers as long as they continue to invest in original journalism and look for ways to make themselves relevant to audiences. This is certainly true for television which remains a crucial medium for delivering mass audiences to advertisers and where news consumption is less likely to be cannibalized by online news. It also remains true for newspapers, described by KPMG's Richard Bawden as 'still generally profitable cash generators' (interview with the author) - a claim supported by the profit margins in 2007 of, for example, 19.3 per cent for Trinity Mirror's national titles, 15.9 per cent for the Guardian Media Group's regional titles and 21 per cent for DMGT's regional titles. According to the NUJ's general secretary Jeremy Dear, 'overall the industry is still hugely profitable ... If you took almost any other industry and said, "well, you're only going to be able to make a 20 per cent profit return next year", most industries would snap your hand off at the prospect of making 10 per cent' (interview with the author).

However, the news industry is, by and large, not a normal industry. True: it is just as keen as any other on making profits, reducing costs, and operating as 'efficiently' as possible. But it is also the case that the UK's most popular news website and television bulletin is backed by a public service mandate and paid for out of the BBC licence fee; that Sky News has long been supported by the profits made by sports subscriptions at BSkyB; that the *Guardian's* far-sighted investments in digital have been made possible by its unusual ownership status; and that many other print titles have been supported through loss-making times by wealthy proprietors eager for political influence. *Guardian* editor Alan Rusbridger touched on something significant when he testified before the House of Lords Communications Committee that the 'truth about our market is that, with the exception of the *Daily Telegraph*, we all exist on some form of subsidy, so you are not talking economic businesses' (quoted in HoL, 2008b: 43). Those who argue that, in an increasingly competitive climate, there is no economic rationale for regional television news or money for investigative reporting or resources to justify a particular foreign bureau, forget – or choose to ignore the fact – that the news industry has always been subject to multiple forms of financial, political and regulatory intervention. It is, then, especially important to confront arguments for cost-cutting based on the 'economic realities' and 'business imperatives' of such an imperfect market.

This is all the more vital because the internet does present a genuine, if over-hyped, challenge to the business operations of traditional news organizations. It *has* siphoned off significant amounts of advertising revenue, facilitated the emergence of competitors who do not have to worry about actually paying anyone to produce original news content, and forced news incumbents to think about their relationship with their audiences. The danger is, however, that by uncritically accepting arguments about the 'irrepressible' rise of the internet, existing news providers may feel justified in making editorial cuts, shifting their investments into more commercial and non-news areas and diluting their prime source of value: their ability to act as 'the trusted advisor to which people turn to gain orientation, reflection and, direction' (Picard, 2006: 135).

The internet has the potential to expand the diversity of news sources, to improve the quality and breadth of news coverage, and to deepen the interaction between news providers and their audiences. Yet, given today's harsh economic circumstances, the internet has instead contributed to a possibility that the news of the future is going to be sustained by a declining number of specialist news organizations, a growing band of generalist news and information businesses, and a handful of parasitical aggregators supplemented by an army of contributors working for free. Market logic, in this scenario, is set to prevail over news logic. However, the problem, as the NUJ's Jeremy Dear rightly points out, 'is not the technology, it's not the platform, it's not even citizen journalism or blogging or any of these things that are supposedly the threat to journalism. The threat to journalism is under-investment and that's the same across all platforms' (interview with the author). There are no short cuts: the future of news, as other chapters in this volume will show, depends on imagination and independence but, above all, on investment – in technology, in resources and, especially, in journalists themselves.