

## Chapter 9

# Local News and Mobile: Major Tipping Points

**Kenneth E. Harvey**  
KIMEP University, Kazakhstan

### ABSTRACT

*The first economic tipping for traditional media hit in 2006 when newspaper revenues began to collapse. Leonard Downie Jr. (2009), vice president at large for the Washington Post, notes how most newspaper executives knew that the time would come when the Internet would begin stealing newspaper readers and revenues, but they didn't expect it to happen so quickly. That is the nature of a tipping point. In one year, according to Downie, they were at an economic high and adding personnel to their news staff, and the next year they were laying people off. How quickly the economic downturn occurred took them and many other newspapers by surprise. In 2005 newspapers achieved \$49.4 billion in advertising revenues. By 2014 revenues had fallen about 60% to \$19.9 billion (Pew, 2015). There is evidence that such a tipping point is about to hit local TV stations. These two tipping points could lead to the end of quality local news coverage. This chapter explores how newspapers and TV stations can survive and flourish in the Digital Age.*

### INTRODUCTION

The efforts of American newspapers to transition their business onto the Internet have been an abysmal failure. So much so that Chyi (2015) argues that it is time for newspaper publishers to realize that they are no good at online publishing and return to focusing their efforts on their printed products.

*[T]he truth is, most newspapers are stuck between an unsuccessful experiment (for their digital product) and a shrinking market (for their print product). Even more embarrassing is the fact that the (supposedly dying) print edition still outperforms the (supposedly hopeful) digital product by almost every standard, be it readership, engagement, advertising revenue, or paying intent. According to Scarborough, a research firm collecting readership data for the industry, U.S. newspapers reached a total of 67% of American adults through multiple platforms including print, Web, and e-editions during a given week, but the print*

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*product alone covered 61% of American adults within the same timeframe (Newspaper Association of America, 2012b), suggesting that the Web edition contributed only 6% of total readers who were non-print, online-only. Additionally, users are not engaged with the online edition — throughout the month of November 2012, an average online reader spent a total of 39 minutes on a newspaper site, which translates into 4.4 minutes per visit—the best in recent years (Newspaper Association of America, 2012c). It is therefore unsurprising that advertisers are less than enthusiastic about placing ads on newspaper sites — the Web edition generated 15% of total newspaper advertising revenue, while the print edition accounted for 85%, according to data released by the Newspaper Association of America. Note that this is after print advertising revenue dropped dramatically from \$47.4 billion in 2005 to \$18.9 billion in 2012 (Edmonds, Guskin, Mitchell, & Jurkowitz, 2013). To compensate for the substantial loss of print advertising revenue, many newspapers have instituted aggressive price increases on their print product (Edmonds et al., 2013) and erected paywalls around their online content. More than 450 newspapers today are charging users for online news access (News & Tech, 2014), but subscription rates for most local newspaper sites linger in the single digits (Mutter, 2013). Sooner than most had expected, some major metro papers (The San Francisco Chronicle and The Dallas Morning News) have put an end to their short-lived paywall experiment by the end of 2013. In contrast, more than 44 million Americans are still paying for the dead-tree edition during the week (and 48 million on Sundays) despite recent price spikes (Newspaper Association of America, 2012b). To sum up, after 20 years of trial and error, the performance of U.S. newspapers' digital products remains underwhelming. From a business perspective, despite all the efforts made, newspaper firms have been "exchanging analog dollars for digital dimes. (quoted in Dick, 2009, para. 1)*

Alan Mutter (2015), a former newspaper and cable TV executive who now focuses his Reflections of a Newsosaur blog on the changing media landscape, refutes Chyi's conclusions and suggests that newspapers face a do-or-die scenario if they cannot transition to the Internet. He cites several related facts:

- **Print Circulation is Falling:** Readership of printed newspapers has fallen nearly in half since 2005, and the trend seems unlikely to change.
- **Current Newspaper Readers Are Literally a Dying Breed:** The median age of the New York Times is 60, compared with the median age of 37 for the general public. A large portion of their readers will die over the next 10-15 years, and only a small portion of the younger generations subscribe to any printed newspaper. Other newspapers face a similarly aging subscription base.
- **Ad Sales are Declining for the 10<sup>th</sup> Straight Year:** During that time newspapers have lost 2/3 of their print advertising revenue, and that, too, appears not to be a temporary trend.
- **Economy of Scale Will Ultimately Doom Newspapers:** While websites cost about the same to service one reader or one million, or to offer one page of news or one million pages, that is not true for printed newspapers. Press staff and equipment cost a lot to maintain no matter how few copies or how few pages are printed. The same is true for many other costs in producing a printed newspaper as opposed to an online newspaper. Current downward trends related to revenues and circulation could kill most printed newspapers within 10 years.

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