# After breakups, newspapers seek path forward

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Following an unprecedented series of spinoffs by major US media companies, the print news industry now faces a rocky future without financial support from deep-pocketed parent firms.

The wave of corporate breakups comes with newspapers and magazines struggling in a transition to digital news, and shareholders of media conglomerates increasingly intolerant of the lagging print segment.

Gannett, publisher of USA Today and dozens of other newspapers, became the latest to unveil its plan, splitting its print and broadcast operations into two separate units in a move to "sharpen" the focus of each.

This follows the recently completed spinoff by Tribune Co. of its newspaper group, which includes the Los Angeles Times and Chicago Tribune, and Time Warner's separation of its magazine publishing group Time Inc.

Two other newspaper groups, EW Scripps and Journal Communications, announced last month they would merge and then spin off their combined newspaper operations while creating a separate entity focused on broadcasting and digital media.

The trend arguably took hold last year with Rupert Murdoch's split of his empire into separate firms focused on media-entertainment and publishing—21st Century Fox and the newly structured News Corp.

## 'Cast out of house'

The wave of spinoffs "certainly plays into the perception that these are children being cast out of the house by their parents," said Mark Jurkowitz, associate director of the Pew Research Center's Journalism Project.

Newspapers were snapped up by media groups in an era when print was hugely profitable, but other segments of the media conglomerates are now driving profits, such as local television.

"The market doesn't think much of the newspaper industry's future," Jurkowitz said.

Industry consultant Alan Mutter argues that publicly traded newspaper firms still produce an average profit margin of 16 percent, higher than that of Walmart and Amazon.

But Mutter said on his blog that profits and newsroom staffing have taken a huge hit in recent years, and that newspapers have failed to do enough in the digital arena.

"Rather than reliably 'owning' their audiences as they once did in print, the internal metrics at every newspaper show an increasing dependence on the likes of Google, Facebook and Twitter to generate the traffic that is the lifeblood of any media enterprise," he said.

Dan Kennedy, a journalism professor at Northeastern University, said newspapers are recovering from the negative impact of earlier corporate tie-ups.

"It's really corporate debt and the expectations of Wall Street that have done as much to damage the newspapers business as Craigslist," Kennedy told AFP.

"Newspaper margins are still pretty good. And when you have newspapers owned by private companies without debt, some of them are doing pretty well."

Some analysts say that the breakup of big media firms may force publishers to create ways to connect with readers online.

"The real problem with newspaper industry has not been with the dead tree part, it is the failure to monetize the digital eyeballs," Jurkowitz said.

"Unless there is an increase in digital revenue streams it's hard to imaging them getting out of the situation they are in."

The industry is closely watching the efforts of newspapers like the New York Times, which is experimenting with new digital access plans, and the Washington Post, which under new owner Jeff Bezos has boosted online readership to record highs.

## 'Not the death phase'

Kennedy said that while newspapers may be profitable and an important part of the community, they may not be able to meet Wall Street's expectations for growth.

"It's not a growing business," Kennedy said.

Private owners can still keep the business in the black, said Kennedy, citing the record of Boston Globe's new owner, sports magnate John Henry.

But he said that newspapers need to make considerable investments "to make a smart transition to digital" in the coming years.

Peter Copeland, a former Scripps Howard News Service editor and general manager who now is a media consultant, said the breakups are logical and generally positive for newspapers.

"It's better for the newspapers and TV to be separate," Copeland said. "They were never a match. They are very different businesses."

Now, he said the owners "will be able to focus 100 percent on the newspapers."

Copeland said newspapers may end up severing their corporate ties and going back to their roots of local and private ownership.

"Newspapers always had difficulty" being part of corporate empires, said Copeland.

"I think newspapers are entering another phase. It's not the death phase, it's just another phase in the life cycle."



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