

# Newspapers struggle to find path in digital age

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The news remains mostly bleak for the American newspaper industry, struggling over the past decade to adapt to the new digital landscape.

The sale of the San Diego Union-Tribune in early May for \$85 million underscored the horrific slump in the value of "old media" companies in recent years.

Although the sum paid by Tribune Publishing was only marginally below the \$110 million in a 2011 sale of the San Diego group and excluded some valuable real estate, the newspaper was believed to be worth as much as \$1 billion as late as 2004.

The story is the same at other once-proud US metropolitan dailies: according to the Pew Research Center, valuations are down by more than 90 percent from their peaks at the Boston Globe, Philadelphia Inquirer, Chicago Sun-Times and Minneapolis Star-Tribune.

While newspapers are trying to get readers with digital subscriptions and mobile apps, they are swimming against a powerful tide.

For the US daily newspaper sector over the past decade, weekday circulation has fallen 17 percent and ad revenue more than 50 percent, according to Pew.

And in 2014, three big [media companies](#) decided to spin off newspapers to focus on more profitable broadcast or digital properties.

"Every newspaper chain talks about getting digital faster. The plain truth is that despite almost two decades of effort, most aren't close to where they need to be," says Ken Doctor, an industry analyst who writes the Newsonomics blog and is a consultant for the research firm Outsell.

Soon, said Doctor, newspapers will have few options aside from cutting the frequency of the print edition, as several dailies have done, to save expenses.

## **Can't find a bottom**

Doctor said the industry has failed to increase revenue since 2008, making it harding to invest in digital.

In the first quarter of 2015, seven of the largest newspaper groups made a combined profit of \$21 million. In 2005, the large Gannett group alone earned \$1.8 billion.

"These companies have little to invest," Doctor said.

"They're still paying off debt, issuing dividends, keeping up with pension obligations, and anticipating print ad results that can't find a bottom."

Even the New York Times, among the most aggressive in shifting to digital news, acknowledged recently that 70 percent of its revenues come from print.

But newspaper organizations need to rethink their strategy to act more like startups, says Alan Mutter, a former Chicago newspaper editor who is now a consultant on digital news.

"People in the media business have to recognize they're not in the print or broadcasting business, they are in the business of attracting audiences"

to sell advertising, he said.

Mutter said many media organizations are under pressure to deliver quarterly earnings, which prevent a long-term strategy.

One exception is the Washington Post, which under new owner and Amazon founder Jeff Bezos has been expanding in news gathering as it refines its digital strategy.

This has paid off with a 65 percent jump in digital visitors in the year through April, according to comScore figures.

Under Bezos, "the Post has invested in reporting and design, they have embedded technology and design people, they've done a lot of things right," Mutter said.

Although this has probably not translated into profits, Mutter said that "Bezos takes a long view and it's his own money."

Some newspapers have partnered with Facebook, which will host the content and deliver articles to users of the social network, potentially helping boost ad revenues.

Mutter said that even though newspapers had resisted such deals, they "swallowed their pride because they know they lack the sort of massive global reach that only Facebook can provide."

This however will only offer modest relief to newspapers, according to Mutter.

## **Motivating 'tribes'**

A study by the American Press Institute released in the past week said a

key for the industry is changing the culture of newsrooms to foster innovation. This includes allowing interaction of different groups—journalists, technicians and others which the study referred to as "tribes."

"To encourage innovation and transformation... organizations need to empower and motivate their tribes," the report said.

API deputy director Jeff Sonderman said cash-strapped newspapers can still invest and innovate by using a "lean startup" approach.

"Instead of spending a long time and a lot of money in a big attempt at something new, you spend a little bit of money on a small-scale experiment, and you build in small steps," he said.

Despite the downward spiral over the past decade, Sonderman said there are some positive signs.

"We see signs that publishers in the right environment with the right leadership are starting to stabilize and even grow in some areas," he said.

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