

The Social and Economic Influence of Regional Newspapers in Troubled Times

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Abstract: Newspapers are operating in increasingly competitive and fragmented markets for audiences and advertising revenues. Web 2.0/social media is changing radically the ways in which newspapers and media business functions and struggles for profitability. Our research sought to answer the question of how Web 2.0/social media is impacting on the social and economic influence of regional newspapers. To answer this question we conducted a focus group of news media organizations in the London area. We blend together conceptual media/cultural economist writings on regional newspapers with focus group research findings in order to develop a theoretical model. The findings showed that in spite of initial fear and rejection, the internet is now firmly embedded in newspaper industry supply chain operations. Firms are now using the internet as an operant resource and working proactively with consumers to develop new forms of relationship value. We highlight the role of consumers in the creation of news (editorial) content and consumer-driven moves toward a merged media platform of distribution (including television, online, mobile and printed forms). The paper concludes by suggesting that Web 2.0 requires the development of new business models and value chains rather than their protection. Our theoretical model implies that if newspapers are to keep their social and economic influence within their local community then local news can no longer be produced in a “one-size fits all” product form, but as service experiences supplied through clusters of suppliers including newspapers, local television stations, community radio, online community news services and bloggers/citizen journalists. Demand will come from both communities of Web 2.0 driven consumption together with highly individualized preferences for personalized news supply.

Key words: newspaper industry; value chain; business models; internet

JEL Codes: L8

1. Introduction

Local news is essential for democracy but in the UK it is dying on its feet. More than 100 local newspapers have closed. Independent television (ITV) is dodging its contractual requirement to provide regional news, and commercial radio coverage has been reduced to negligible proportions. Newspapers used to make astounding profits—often more than 30 percent of turnover—to shareholders, this fuelled a wave of takeovers that left the

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industry in the hands of a few debt ridden companies (e.g., Johnston Press, Gannet Corporation (US) and Trinity Mirror). The underpinning premise of this paper is that regional newspapers are facing an unprecedented decline in social and economic influence in their local community (Meyer, 2005). It is evident that the internet is contributing to a loss in newspaper readership and advertising revenue, with doom laden warnings about the future of the industry and public service journalism prevalent (Meyer, 2008; Pincus, 2009).

While newsrooms have been rationalized, paradoxically at the same time the work demands on news journalists have increased. Journalists now have to submit multi-media digital copy material in addition to their traditional story/feature writing (Meyer, 2008). The purpose of this paper is to answer the question of how Web 2.0 technologies are impacting on the social and economic influence of regional newspapers.

2. Literature review: managing decline, fewer papers and fewer readers

Using Newspaper Society (NS) data we calculated that over the period 2001-08, the 50 largest UK regional/local newspapers experienced a 26% decline in their circulations. For instance, the Sheffield Star (-40%), the Liverpool Daily Post (-33%), the Nottingham Evening Post (-33%), the Birmingham Post (-25%) and the Bristol Evening Post (-24%). Only two newspapers have experienced growth during the same period, but this is modest: the Rochdale Observer (5%) and the Stockport Express (4%). At an aggregate level, in Figure 1, Mintel illustrates that the decline of regional newspaper copy sales will continue from 1.7bn copies in 2005 to 1.4bn in 2010.

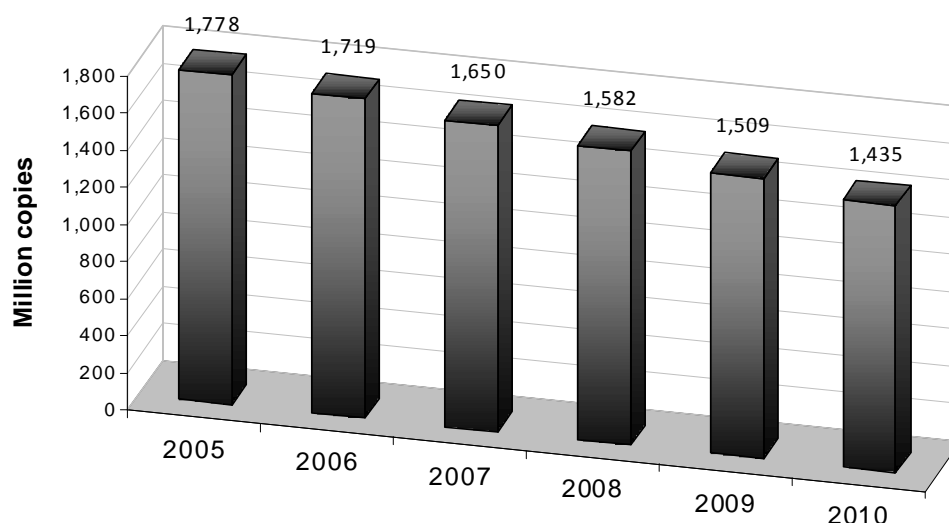


Figure 1 Forecast of the UK regional newspaper sales (by volume), 2005-10

Source: Mintel, 2007, p.7.

The regional press is the largest print advertising medium in the UK, taking £2.3bn a year and accounting for 14.3% of all advertising revenue. Online recruitment advertising in the regional press grew by 17.1% in 2008 (from £76.1m to £89.2m). Total advertising spending in the regional press is over five times the total spend on radio, and a little more than the combined total for radio, outdoor and direct mail (Advertising Association, 2009). Equally important is advertising's contribution to overall revenue which stands at a massive 80% of the overall income of local newspapers compared to approximately 46% for national papers (Mintel, 2007).

2.3 The internet earthquake

Advertisers have followed consumers into the online space, gradually shifting their attention to online or

non-news channels (Domingo et al. 2008). The internet has taken an important chunk of classified advertising away from regional news media organizations (Pincus, 2009). For instance, in the case of Trinity Mirror the largest regional newspaper group, advertising revenue across the group's regional division fell 34.5% (in 2008) to £104m. Recruitment and property advertising, which account for 33% of total advertising revenues, fell 50.4% and 52.5% respectively (Trinity Mirror, 2009).

2.4 Web 2.0 and the rise of the citizen journalist

The advent of Web 2.0 has led to the development and evolution of web-based communities, hosted services, and web applications. Examples include social networking sites, video-sharing sites, wikis and blogs (Tapscott, 2008). Web 2.0 allows users, as individuals or social networks, to produce and distribute news items on the basis of their observations or opinions, and computer-based selection and management systems support collective work processes to gather the news that is spread across the whole network. The economic logic behind such developments is that news firms now have unprecedented opportunities for user participation and (re)engagement with their audiences (Li & Bernhoff, 2008; Tapscott, 2008). They can also cut costs by "crowdsourcing" tasks that were formerly performed by paid professionals (Howe, 2008).

2.5 The future strategic focus of regional newspapers

Within this context of greater access to worldwide news through multiple channels, an increased emphasis on "hyper-local" news has emerged. "Hyper-local" news is the news that relates specifically to a narrow geographical region or local community (Thurman & Myllylahti, 2009). For instance, in a city area such as San Diego, there are six distinct community zones targeted for "hyper-local" content by the San Diego Tribune (e.g., La Jolla, South Bay). Mersey (2009) believes that: "the challenge to regional newspapers in light of dwindling circulation figures nationwide is to stay geographically relevant." The desire for hyper-local news has provided a niche that regional news organizations are in a strong position to occupy (Meyer, 2008).

3. Methodology: Expert focus group (London, February, 2010)

In order to develop a theoretical model from our research work we gathered primary research material through a focus group. The expert focus group technique was selected as the most appropriate method of gathering the data for a number of reasons; for example, it is seen to be ideal for obtaining data about feelings and opinions (Basch, 1987). We followed Krueger and Casey (2000) in design. Three groups of news media suppliers and one group of bloggers took part in the research (see table 1) in London in February 2010.

Table 1 Focus group participants

News media suppliers	The radio group	Two participants involved in the production and distribution of offline/online content.
	The television group	One participant who develops online content to support evening news programmes.
	The newspaper group	Two participants who are developing online social (community) eco-systems.
Bloggers	The blogging group	Two participants who are professional bloggers providing training programmes to news media organizations.

Our focus group methodology investigated three key topics (raised in the literature regarding the decline and future of regional newspapers): (1) The long term decline in the social influence of newspapers and the recent fracturing of their business model (economic recession, online news); (2) emerging online value streams and (3)

the future role of citizen journalists/bloggers in content co-creation¹ and news production. The focus group discussion was recorded and later transcribed. From the transcripts, key themes were pulled together to allow comparisons to be made.

4. Key results: London-based news media organizations

The results from the focus group are presented on a topic by topic basis.

4.1 Decline in readership, advertising and internet disruption

Some clear consensus emerged from the focus group. Firstly, they acknowledged the long term decline in printed newspaper readership and the recent acceleration in the decline of printed advertising revenue (since 2007). It was generally felt that newspapers had been slow to respond to and utilize the full potential of the internet. They explained that the strength, character and direction of this resistance to the internet reflects a host of factors which might be: workplace-specific (journalists' attitudes to change, for example, along with the strength of trade-union membership); title-specific (a newspaper's market position, circulation strength, profitability); company-or group-specific (the relative willingness of different newspaper companies to commit resources to change); or, finally, resistance may be reader-or consumer-specific (readers' preferences for certain types of news, how it is presented and on which platform, as well as their willingness/ability to pay).

Though the participants did point out that the decline in newspaper circulation was not only a consequence of the growth in the internet. They stated two other reasons: (1) because people are no longer reading habitually, fewer newspapers are being bought and (2) as other forms of media are replacing the reading habits of people, the time they spend reading newspapers is reduced. Both newspaper participants (of the focus group) acknowledged that the internet was accelerating the circulation decline of their main titles.

4.2 Emerging online value streams

In respect to potential online revenue streams, consensus appeared around the idea of news organizations developing highly specialised commercially valuable "news" on the internet.

This would be likely focused on specific areas such as science or technology and offered to consumers for a fee alongside freely available conventional news sources. The notion of "paywalls"² restricting access to paid subscribers on news content sites was felt to be only workable for more specialised areas of news or for access to reports/stories of leading "branded" journalists. Another idea was to make readers pay for accessing online video footage.

The internet was identified to have a number of economic advantages for advertisers over the printed format: (1) It provides opportunities for collecting behavioural data on consumers in order to build profiles of them. (2) It can be utilized to identify potential advertisers' criteria. (3) Through its ability to match consumer profiles to advertisers' criteria, the internet reduces waste. Levels of online advertising revenues were reported to be rising for each of the respective news media organizations. But the ratios to print remained stubbornly low. One example of a local newspaper was quoted in Bristol which had £39m printed advertising revenue/£2m online advertising revenue.

In respect to cutting costs, participants identified that the internet was cutting out many stages of the production process. For example, many news organizations had no photography department. Freelance photographers now perform work using advanced digital technology and email their photographs to the

¹ Vargo and Lusch (2006) define co-creation as "... the participation of the consumer in the creation of the core product/service itself".

² A "paywall" blocks access to a webpage (content) with a window requiring payment. The logic is that readers will pay for a particular online story, a specific journalists work or video footage.

organization. One participant confirmed that: "...by launching an online version of the newspaper the total costs of production are reduced. We have been able to cut our staff budget (from £15m), cut printing costs (from £3.5m), eliminate press and distribution costs. Since the cost of online newspapers in comparison to the printing of newspapers is inherently low (almost £700,000 per year), online versions of newspapers can potentially create us some value."

4.3 The role of citizen journalists, bloggers and consumers

Web 2.0/social media was seen to be challenging news organizations to extend the level of their direct engagement with audiences as participants in the processes of gathering, selecting, editing, producing and communicating news. Theoretically newspapers are able to lower their cost base by having editorial content outsourced to a growing body of bloggers/citizen journalists (e.g., photographs are now increasingly sourced from citizen-journalist sites such as scoopt.com).

Our findings support that of Domingo et al. (2008) by identifying the general reluctance of regional newspapers to open up their high-value operations to citizen journalists. We were told that citizen journalists/bloggers were offered only limited opportunities for engagement with the editorial process and were largely restricted to "debating current events", while being firmly excluded from other aspects of news production, such as reporting and sub-editing. Finally, the issues of the uncontrollable consumer came to the fore. A consumers' willingness to participate and contribute content is likely to differ throughout the day and the week with most participation occurring at the weekend.

The focus group participants confirmed that co-creation in the context of the news media firm was tightly controlled. That even if the firm obtains information from consumers it was not normally utilized unless it has been checked for quality, authenticity and found to be legally sound. From the discussion it appears that the news media organizations utilize the internet as a means by which it can interact with consumers; exchange information, recognize its potential consumers' interests, and addresses these interests through a variety of media.

Our findings were blended together with critical media/cultural economics intellectual works on regional newspapers to develop a theoretical model that would provide new knowledge and insights into the impact of Web 2.0 on the commercial and social influence of regional newspapers.

5. A theoretical model of news supply chain economic and social influence

News was the first industry to really feel the impact of the internet, and there is now an entire generation growing up with the expectation of being able to have on-demand news on any subject at any time for free (Anderson, 2006). More significantly the advent of Web 2.0 facilitated the rapid rise of citizen journalism and blogs to the extent that it became less and less clear what the distinction was between professional journalism and amateur reportage. In their own specific area of interest, Anderson notes: "the bloggers often know as much as if not more than the journalists, they can write as well, and they are much faster." The reality for the newspaper is that it competes not only with other newspapers, but also with the collective wisdom and information with everyone on line.

Co-creation is at the heart of Figure 3 with Web 2.0 facilitating opportunities for a dynamic cross-platform news service delivering clusters of news content from local television, community radio, regional newspapers and online news services. This clustered supply of news will require the development of innovative production and distribution mechanisms with consumers being supplied news service experiences (Thurman & Myllylahti, 2009).

For those firms that attempt to remain, in the newspaper industry, they will have to adapt their internal and external value chain strategies in order to increase their market share. In Figure 2 the overlapping community clusters of newspaper supplier and consumer value chain model overcomes the rigid and centralized control mechanism, which are typical of vertical value chains and emphasises the role of peripheral knowledge contributors in creating value. At the same time it does preserve the information coordination mechanisms operating between newspaper supplier and consumer.

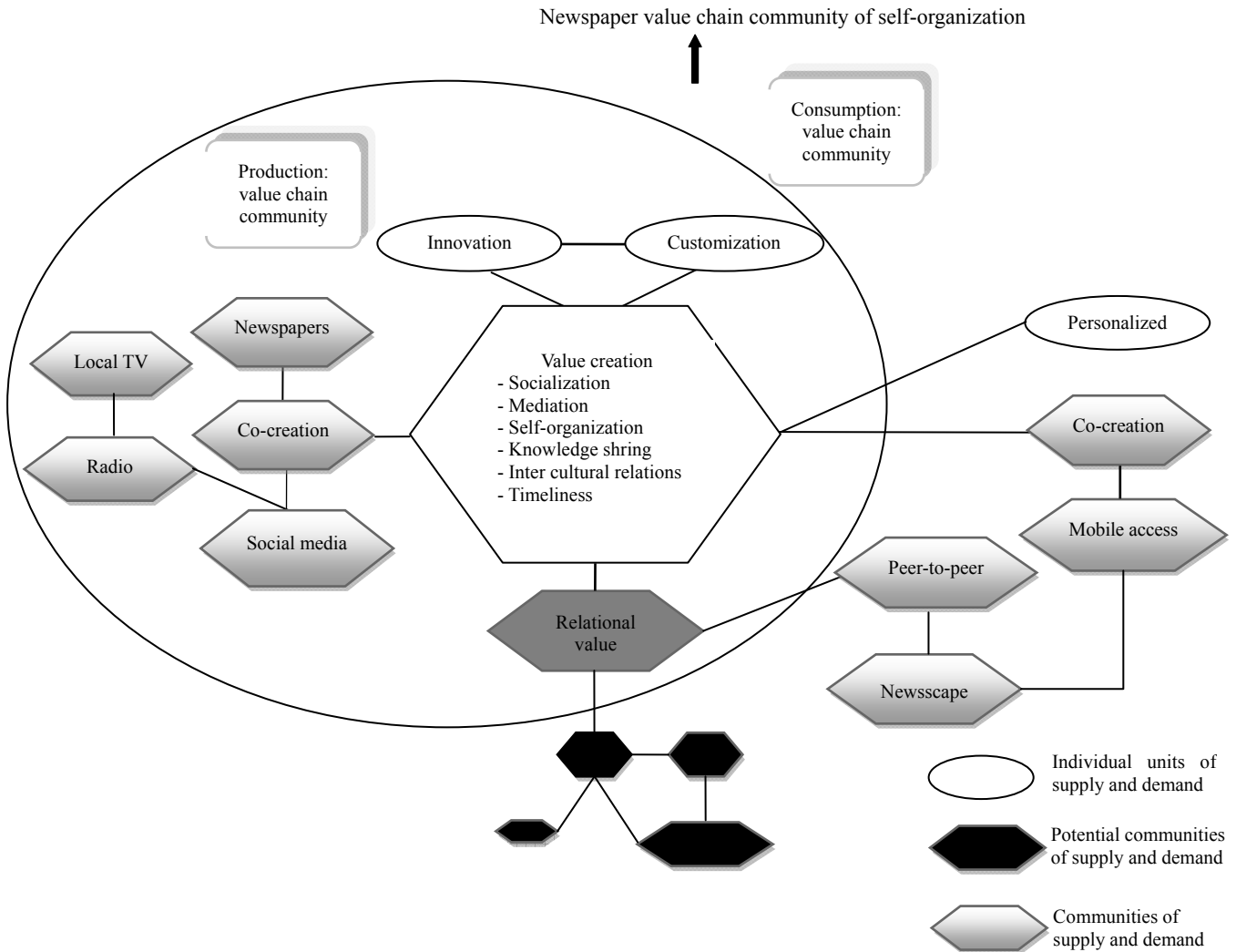


Figure 2 Web 2.0 and its impact on the social and economic influence of regional newspapers

The relationship between consumer value and the product through the innovation of Web 2.0 and subsequent customization is much tighter and defined, than that which exists in the printed newspaper industry value chain. Much of the tacit understanding and awareness, which is established through informal mechanisms between newspaper supplier and consumer will provide a major source of value. This is because the newspaper supplier will be able draw on the relational assets, it builds up, in order to tailor a product that is customized to optimize

customer value. These assets include the development of supplier-consumer socialization³ mechanisms.

In the twenty-first century technology is increasingly mediating the behavior, of both newspaper suppliers and their consumers together. A lot of this mediation is grounded in marketing activity, most notably that of branding and symbolism. Mediation consists of the levels of consumer utility (satisfaction) towards the newspaper (journalists), brand identity (loyalty) and the newspapers reputation—for the quality of their articles. The first mediation is between the journalist and their work. This means for the journalist that their creative ideas and activities are mediated by production persons and technology (digital printers, computer equipment). The second mediation is positioned between the consumers and the work of the journalists and editorial staff. This consists of media reviews of newspapers and the outputs of marketing and advertising. This double mediation, leads to a montage of the journalist, their work and what they say and do.

The regular reader will have extensive knowledge about their favorite newspapers or journalists. They can distinguish “their” journalists from others and between the different newspapers produced, by the journalists in terms of their quality (perceived). It is quite evident from the work of Thurman and Myllylahti (2009) that with the increased marketing reach through technology into community subcultures (e.g., the rise of gadgets, mobile phones, and personal digital assistants) that the roles of the consumer and the newspaper supplier, can no longer be observed in isolation from the activity of the intermediaries (media broadcasts, press releases and journalists).

Self organization is the sign of communities where participants lend to self organization and structure, and they act as a platform to concentrate the distribution of knowledge assets (Nonaka & Konno, 1998). This leads to implicit and explicit control mechanisms and agreed responsibilities to insure that community participation is limited to those who are genuinely interested in knowledge sharing across the value chain in enabling innovative processes to emerge. This might include, for instance a readiness to select certain stories for attention over others, a stylised stance towards one’s reading activities, some ideas as to how one’s various behavioural responses to recurrent situations are viewed by the other party, and so forth (Sawhney & Prandelii, 2000; Ferrary, 2003). In short, self-organization produces relational value, in the form of greater learning and knowledge of a consumer perspective, which is not static as it changes and evolves over time

With respect to news consumption there are two distinct consumer groupings emerging. The community group who consist of those who wish to be part of a network of “like minded” customers, who wish to share local story and feature references, information, experiences and knowledge. For instance, a campaign to prevent the closure of a local hospital, or campaigning against local youth knife crime. Then there will be those consumers who are seeking to express their individuality, through having a highly customized newspaper offering (e.g., local sporting events).

Timeliness will remain vital to the appeal and success of newspapers. Original story writing covering news events has value, of course, and that is not going to change. Interesting events would remain unknown, if no one told us about it. Need for information, which may be used for different purposes, creates the demand for newspaper publications. The production of news had not fundamentally changed throughout the history of the newspaper, except that news is more global and the cycle time is much shorter now than it used to be. Even with the latest Web 2.0 technology available, original news still relies on individual reporters investigating a topic on location, and on editors putting together a coherent collection of stories that appeal in content and form to a readership.

³ The concept of socialization has been well explored in the strategic literature, in particular the effects of socialization on consumer behavior (Benklar, 2006).

6. Conclusions and implications for future research

The early discussion in this paper tended to focus on the negative impact that the internet was having on the social and economic influence of the regional news firm in its reader community. But our findings indicate that Web 2.0 is facilitating the development of new electronic-commerce value-creation activities through the growth of co-creation news (editorial) content and consumer-driven moves towards a multi-media platform of production and distribution (including television, online, mobile and printed forms). Though there is a strategic gap between the reality of news producer/consumer interactions and the theory (Howe, 2008; Tapscott, 2008). The newspaper industry is moving towards co-creating value with its consumers through internet mechanisms such as blogs and discussion forums, but this is still very much at the customization stage with news content personalized to user preferences.

Further, it is the consumers of news who have instigated the moves into online modes of distribution, rather than organizations looking to save costs or improve the quality of their interactive services (through incorporating internet technologies). There are concerns that news-media organizations are moving online into social media spaces such as Face book, Linkedin and MySpace rather than creating their own space. This raises questions over whether consumers will be willing to interact with the newspaper in these spaces or whether they will wish to create/find their own news spaces (Mersey, 2009).

The theoretical model presented in Figure 3 implies the complete transformation of the newspaper business model. Whereby, newspapers through Web 2.0 supply a discursive, commentary-based and participative style of news. Unless consumers are given much greater opportunities to interact, contribute and supply user generated content, newspapers we believe in the digital age will struggle to retain their social influence and hence their economic influence (Meyer, 2008). Moreover Web 2.0 requires the development of new business models and value chains rather than their protection. Our model implies that local news is supplied in segments by clusters of suppliers including local newspapers, local television stations, community radio, online community news services and bloggers/citizen journalists. Demand will come from both communities of Web 2.0 driven consumption together with highly individualized preferences for personalized news supply.

Like all research projects, this study has a number of limitations. The arguments against the “transferability” of findings and “generalization” of theoretical constructs arising from the use of a small focus group sample are well established (Eisenhardt, 1989). Moreover, viewed in the context of the broader cultural/media economics literature, some readers would regard the newspaper industry as an extreme case. However, it could also be argued that the newspaper industry may be leading where other media and similar organizations will follow in the future. While we maintain that our research sites is a useful locale for theory building, because it rendered internet dynamics highly visible, we appreciate that our findings also reflect the individual context in which our research was conducted. Further studies are required to investigate more fully the influence of the internet on the economic activities of the regional newspaper firm. In particular, wider quantitative data would assist in establishing the broader generalizability of the results generated in this study.

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