

## Ten Years that Shook the Media World Big Questions and Big Trends in International Media Developments

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## Executive Summary

It is no secret that the first ten years of the twenty-first century have shaken the media world. Despite the often dramatic character of recent changes, however, legacy media organisations coming out of broadcasting and newspaper publishing remain absolutely central to news provision across all the eight countries covered in this report (Brazil, Finland, France, Germany, India, Italy, the United Kingdom, and the United States).

New online and mobile media have created opportunities for interpersonal communication and for sharing, remixing, and producing digital content. But, so far, the internet has not provided much support for ongoing professional journalistic work. Even as new forms of content production and distribution are clearly on the rise, news is still primarily produced by legacy media organisations, especially newspaper companies, and is still primarily disseminated by legacy media organisations, especially broadcasters. These 'old' media have also found large audiences – though little profit – online.

Looking back over the last decade, the single most important trend in the media is the continued expansion of the number of options available to audiences and advertisers. This expansion originates in political, economic, and technological developments that gathered pace in the 1980s and 1990s with deregulation of the media sector in many countries, the growth of multi-channel television, the launch of an increasing number of free newspapers, and the spread of first-generation internet access via dial-up modems. It has been vastly accelerated by the spread of digital television, broadband services, and mobile internet in the 2000s.

The expansion of options has led to an erosion of the everyday audience of most individual media outlets across most platforms, pressuring sales and advertising revenues for commercial providers, especially in mature markets with limited growth – in some cases to an extent that has jeopardised sustainability or forced severe cost-cutting. Few significant newspapers or broadcasters have actually closed, but most are under pressure. While a handful of infrastructural intermediaries in the telecommunications, pay television, search engine, and social media sectors have built positions that allow them to exercise market power and generate considerable profits, most content-based media companies face increased competition and often reduced profit margins. In their attempts to remain distinct and relevant to audiences, these companies are under external pressure from a growing number of alternatives appealing to the same users and under internal pressure in cases where cost-cutting threatens investments in quality content.

This fundamental trend is the same across the world, but differences in conditions on the ground mean that the implications vary in significant ways. Amongst affluent democracies, the development is most dramatic in the United States, where all major news providers, with the partial exception of local television stations and a few cable channels, have lost revenues, seen their profit margin shrink or disappear, and have cut their investment in journalism. In much of Europe, public service providers face strategic challenges associated with the expansion of choice and the intensified competition for audiences, but their revenue models remain fundamentally solid. In Northern Europe, including Finland and Germany, commercial legacy media companies coming out of both print and broadcasting have so far managed to hold their own despite the spread of multi-channel digital television and high levels of broadband penetration. In Southern Europe, broadcasters have also held their own while many newspaper companies are struggling as challenges associated with the rise of the internet threaten their

already weak commercial foundations, forcing some to rely on cross-subsidies from non-media businesses or financial support from their owners. In Brazil and especially India, economic growth and an expanding middle class have fuelled growth in much of the media sector, including news media, though many individual companies remain tied in with political and commercial clientelistic networks of various sorts.

If these developments continue, *affluent democracies* are likely to see:

- a) a continued erosion of most media audiences and an increasing number of niche audiences (some of these audiences will overlap);
- b) the continued decline of a newspaper industry that has in some cases enjoyed a few decades of monopoly-powered profitability but has been on the retreat overall in many countries for longer;
- c) a continually growing gulf between the few who will in all likelihood be more informed than ever before, and the many who will find less and less news produced for them.

The relative decline of commercial news organisations may also open up space for the resurgence of media organisations subsidised by outside interests and run for political, PR, or other propagandistic purposes.

In *emerging economies* like Brazil and India, some trends are significantly different as media markets are expanding and new IT infrastructures in the process of being built. While important differences exist between mid-income Brazil and low-income India, both these countries are likely to see:

- a) continued audience fragmentation as the number of outlets continues to increase;
- b) traditional elite-oriented newspaper companies facing some of the same problems their counterparts in more affluent democracies struggle with, even as an increasing number of popular newspapers grow by catering to the expanding salaried lower middle classes (who may have a mobile phone but at best limited internet access);
- c) a partial levelling of differences in news consumption and levels of political knowledge as some news media begin to appeal to a broader and more diverse audience.

It is not yet clear that the growth in commercial news media organisations in emerging markets will drive out news media funded by outside operators for political or other purposes.

What does this mean for democracy? Popular government predates widely used journalistic news media as we know them today but in the twentieth century grew increasingly intertwined with news institutions that are currently changing. The changes vary in some important ways from country to country. Overall developments in affluent democracies endanger the provision of professionally produced original news content, increase the diversity of access points (but not necessarily of significant sources or original content), and increasingly rely on popular interest rather than limited choice to ensure reach. This represents a series of democratic challenges, especially with regards to news provision and news dissemination. In emerging economies like Brazil and India, the trends for elite media are often the same, but are accompanied by a massive expansion of popular media that means literally tens of millions of people for the first time in their life are encountering news meant for them. This represents a profound democratisation of their media systems in terms of diversity and reach.

## 1. Introduction

The first decade of the twenty-first century has witnessed dramatic changes in the media around the world. This report provides an overview over ten years that shook the media industries and assesses what the democratic implications are. Some of the trends analysed originate in the late twentieth century, such as the ongoing fragmentation of most television audiences, the decline of paid print newspaper circulation in many countries, and the rise in internet access and use. Some trends, such as the emergence of a few dominant search engines, the explosive growth of social media sites, and the spread of mobile web access, are more recent phenomena. All are intertwined with inherited forms of media use, industry structures, and policies that mean sometimes seemingly similar media trends result in different developments in different media systems and have different implications for journalism and democracy from country to country and place to place.

The changes in the media that are such integral parts of our everyday and political lives have been the subject of almost endless ongoing discussion for good reason. The rise of digital technologies represents a profound change in how we communicate, how we interact, and how we learn about the world. In many cases they have severely challenged the inherited journalistic routines and business practices of the media organisations we have for the better part of a century relied on to keep us informed about public affairs. Emblematic broadcasting and newspaper companies around the world are struggling to adjust to a new media environment, ranging from commercial broadcasters like the ‘big three’ American television networks of ABC, CBS, and NBC and the Brazilian giant TV Globo, over public service broadcasters like France Télévisions, ARD and ZDF in Germany, RAI in Italy, and the BBC in the UK, to prominent newspapers ranging from the *New York Times* over the *Times* of London to the *Times of India* and their less well-known local brethren.

These organisations are sometimes dismissed as dinosaurs stuck in the tar pits of tradition, unfit and ill-equipped for a changing world, bound to be out-manœuvred by unsentimental and unencumbered digital pure players. But while many of these legacy media have indeed lost viewers and readers on their traditional platforms, and in some cases large parts of their revenues too, they – for good and for ill, and despite all that has changed – remain absolutely central in terms of what kind of news is produced, who produces it, and how widely it is disseminated. In all the eight countries considered here, newspapers and broadcasters continue to report more news, and reach more people with news, than any other kind of media organisations do. Revenues from legacy operations continue to underwrite far more journalism than revenues from new digital ventures.

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The purpose of this report is to step back from the churn of day-to-day running commentary on this or that particular new media start-up, legacy media company restructuring, or stunning new statistic about the number of people using some website or mobile application and provide a big-picture overview of how our media have changed over the last decade. Instead of focusing on individual companies or industries, the report compares changes in different media systems in a range of different democracies, considering the overall developments in the main media sectors that together define our media environments. Along the way, it confronts a set of frequently made statements about our current media environment with data on key trends in the areas of media use, media markets, and media policy, identifying both some shared trends and a number of important differences across a select sample of countries (Brazil, Finland, France, Germany, India, Italy, the UK, and the US). Is this the end of the mass audience? Is the internet killing the newspaper? Are our media systems becoming 'Americanised'? These are big questions, frequently asked, and the answers have potentially profound implications for journalists, for the media business, and for politicians and citizens in democracies around the world.

The goal of the report is to assess what is (and isn't) happening to different media systems at a general level and to assess what it means for democracy. Because of this aim the emphasis is primarily on what the ongoing transformations have meant for journalism and news media (rather than the media and entertainment sector as a whole), and in particular for *television* (as the most widely used news medium), *newspaper companies* (who continue to produce most of the original news content), and *the internet* (the fastest growing media platform, where people increasingly access news from legacy media as well as other sources).<sup>1</sup>

### 1.1. Journalism, news media, and democracy

That good journalism and a diverse range of free and strong news media are necessary parts of democratic government seems universally agreed upon, even though the precise nature of the role that journalism and the media play or ought to play in democracy is subject to much debate. Journalists have offered different lists of principles often centred on professional concerns like accuracy, fairness, and independence. Media watchdog groups like Reporters without Borders and international organisations like UNESCO, the World Bank, and the Council of Europe have all emphasised different legal and political preconditions for media freedom more generally.<sup>2</sup> Academics have also stressed the democratic importance of those parts of journalism that keep people informed, represent different points of view, host inclusive public debate, hold power to account, and encourage social empathy.<sup>3</sup> (While underlining that, principles and after-dinner speeches aside, actually existing news media have, for most of their history in most of the world, been elite-oriented, subservient to outside interests, and parts of wider struggles

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<sup>1</sup> Radio plays an important role in disseminating news in many countries, in particular rural areas in for instance India, and weekly news magazines are important in countries like France. They will not be systematically examined here.

<sup>2</sup> See e.g. 'Media Development Indicators: A Framework for Assessing Media Developments' <http://unesdoc.unesco.org/images/0016/001631/163102e.pdf>; Pippa Norris (ed.), 'New Media and Governance Reform', <http://siteresources.worldbank.org/EXTGOVACC/Resources/PublicSentineleBook.pdf> (2012); and 'Independent Study on Indicators for Media Pluralism in the Member States: Towards a Risk Based Approach', [http://ec.europa.eu/information\\_society/media\\_taskforce/doc/pluralism/study/final\\_report\\_09.pdf](http://ec.europa.eu/information_society/media_taskforce/doc/pluralism/study/final_report_09.pdf) (all accessed Aug. 2012).

<sup>3</sup> See e.g. Amartya Sen, 'The Glory and the Blemishes of the Indian News Media', *The Hindu*, 7 Jan. 2012; John Keane, *The Media and Democracy* (Cambridge: Polity Press, 1991); and Michael Schudson, *Why Democracies Need an Unlovable Press* (Cambridge: Polity, 2008).

between different parts of the political system, the business world, and civil society.)

In this report, the emphasis is on assessing what recent changes in media systems around the world mean for journalism's capacity to keep people informed – just one of the many things it is often asked to do for democracy, but arguably its most distinct, and key, contribution.<sup>4</sup> Representative government, based on the rule of law, relatively free and fair elections, and freedom of expression and assembly, predates journalism as we understand it today by at least half a century. But free and vigorous news

media are today routinely listed along with trustworthy electoral systems, capable parliaments, effective executives, and independent judiciaries as amongst the key institutions of contemporary democracy because they are the main

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purveyors of timely, generally accessible, and accurate information about public affairs.<sup>5</sup> Various political parties, interest groups, social movements, watchdog groups, and NGOs all contribute to a more or less diverse, inclusive, argumentative, and empathetic public life, and provide people with various ways of fighting for their ideals and interests. But no one in contemporary democracies does as much to keep people abreast of public affairs as journalists do. As James Madison put it: 'A popular Government, without popular information, or the means of acquiring it, is but a Prologue to a Farce or a Tragedy; or, perhaps both. Knowledge will forever govern ignorance: And a people who mean to be their own Governors, must arm themselves with the power which knowledge gives.'<sup>6</sup> These words, which the fourth president of the United States wrote in 1822 about the importance of education in the young democracy he had presided over, captures well the central role journalism can play almost two hundred years later, as the purveyor of 'popular information'.<sup>7</sup>

Thus, at their democratic best, news media empower citizens by keeping them informed about *res publica*, public matters. When something spectacular like September 11 or the Mumbai terror attack happens, journalists are the first to piece together and publicise the basic elements of 'who', 'what', 'when', and 'where', timely information that has great value in itself, even if others will eventually – months or years later – correct the record and provide a more compelling and complete account of the 'why' and the 'so what?' When something inconspicuous but potentially important happens at local city council meetings, in business boardrooms, union offices, or somewhere else, journalists are the ones who have a vocational interest in listening to those involved and who will occasionally bring private problems of public importance to the attention of a wider audience. Much journalism legitimately serves our interest for diversion and entertainment, but it also serves, in Walter Lippman's famous analogy, 'like the beam of a searchlight that moves restlessly about, bringing one episode and then another out of

<sup>4</sup> Herbert J. Gans, *Democracy and the News* (Oxford: OUP, 2007).

<sup>5</sup> Sonia Alonso et al., *The Future of Representative Democracy* (Cambridge: CUP, 2011), and Robert A. Dahl, *Democracy and its Critics* (New Haven: Yale University Press, 1989).

<sup>6</sup> James Madison to W. T. Barry, 'Epilogue: Securing the Republic', <http://press-pubs.uchicago.edu/founders/documents/v1ch18s35.html> (accessed Aug. 2012).

<sup>7</sup> In 1850, 30 years after Madison wrote about education, newspaper circulation in the USA was still only 33 copies per 1,000 inhabitants. The founding fathers could scarcely have imagined how much the media would change over the next two centuries.



darkness into vision'.<sup>8</sup> Corruption in politics, for example, may be uncovered by whistleblowers (as in the Mensalão scandal that rocked Brazil and the Lula government in 2005), a slip of tongue (as when remarks by the chairman of the ruling Center Party set in motion the 2007 campaign finance scandal in Finland), by the leak of public documents (as when cables from Wikileaks seemed to document that Sonia Gandhi's United Progressive Alliance government had bribed MPs to survive a vote of confidence in the Lok Sabha in 2008), police investigations (as when corruption charges were levied against several members of the Berlusconi government after the 2009 G8 summit in Italy), by inside sources (as the Bettencourt Affair in France and the parliamentary expenses scandal in the UK), or by official prosecutors (the CDU contributions scandal in Germany, as well as the multiple scandals surrounding the lobbyist Jack Abramoff in the US in 2005). But in all cases, they are brought to public attention – if at all – primarily by journalists working for news media organisations. The spread of new information and communication technologies have facilitated more and more mediated interpersonal communication, eased the sharing of content via online networks, and are widely used for accessing news. But so far, few significant news producers, whether for-profit or non-profit, professional, pro-am collaborations, or entirely built around citizens' own volunteer efforts, are wholly based online, and most of the news shared online continues to come from legacy media organisations.

This democratic role, as the ones who will tell the people, is both embraced and bestowed – it is at the heart of what many journalists see themselves as doing at their best, and of what they are often seen as doing at their best. This does not mean that they always succeed – as we have witnessed in the reporting on non-existent weapons of mass destruction in the run-up to the 2003 US-led invasion of Iraq, in the almost absent coverage of the factors that led to the financial crisis that exploded around the globe in 2008, or the daily failures to deal with long-term, slow-burn issues like global climate change. Nor does the aspiration mean that people necessarily think journalists succeed – as is clear from the often low levels of trust in the media, the widespread sense many people have that news is not being reported for them, or even in a language they can relate to.<sup>9</sup> But, warts and all, news media seem to do a better job of keeping people informed than anyone else. (In a way, frequent disappointment is the best evidence for high expectations.) Research in a variety of settings has shown that people who pay attention to professionally produced news are, even controlling for other factors such as levels of education and interest in politics, more knowledgeable about the world around them, have a better understanding of political processes, and are more likely to take part in democratic life.<sup>10</sup>

For all the shortcomings of actually existing journalism, it is worth appreciating how historically unique the opportunities to stay informed many of us have are, and how reliant they often are on the hard work of a few thousand journalists working for the few hundred news media organisations who pay them to do their job. Today, these media organisations are changing rapidly and operating in a challenging environment.

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<sup>8</sup> Walter Lippmann, *Public Opinion* (New Brunswick, NJ: Transaction Publishers, 1997), 358.

<sup>9</sup> Nick Couldry, Sonia M. Livingstone, and Tim Markham, *Media Consumption and Public Engagement: Beyond the Presumption of Attention* (Basingstoke: Palgrave Macmillan, 2010), and Stephen Coleman, Scott Anthony, and David E Morrison, *Public Trust in the News: A Constructivist Study of the Social Life of the News* (Oxford: RISJ, 2009).

<sup>10</sup> Pippa Norris, *A Virtuous Circle: Political Communications in Postindustrial Societies* (Cambridge: CUP, 2000). Couldry et al., *Media Consumption*, 170.

## 1.2. *The democratic properties of media systems*

By focusing on developments in different media systems around the world, the report provides an overview over how the preconditions for journalists' ability to keep people informed are changing in different ways as a consequence of current transformations in the sectors where they work.

The object of analysis is 'media systems', shorthand for the aggregate of news media in a given country.<sup>11</sup> Like political systems or national economies, media systems are not neatly delineated, without internal friction, or indeed fully self-contained. But one can still speak usefully of a French media system, in the way one can speak of a French political system or a French economy.

The focus here is on how such media systems are changing and in particular on how recent transformations have affected (1) their capacity to provide news, (2) the diversity of news provision, and (3) the reach of news in the population at large. Starting from the minimalist view that, whatever else it might also do, journalism's most important role in a democracy is to keep people informed, each of these indicators matter in their own right. *Provision* matters because news – understood as generally accessible, accurate and timely information about public affairs – is a precondition for people getting informed and because publicity in itself seems to have a disciplining effect on people in positions of power. *Diversity* matters because different people will have different views on what counts as public affairs, and are better served if they can choose between different perspectives. It also matters because competition between several capable providers can improve standards and help check the potential abuse inherent in news media monopolies, whether public or private.<sup>12</sup> *Reach* is important because people ultimately only get informed if they actually get the news. On all three indicators, everything else being equal – it never is – more is better. Assuming quality (a contentious notion, very much in the eye of the beholder, and hard to define and measure) is roughly constant, more news is better than less news, more diversity is better than less diversity, and higher reach is better than lower reach. As media systems develop over time and in response to various factors, one of the difficulties involved in assessing the democratic implications is that the three indicators do not necessarily go hand in hand, and one may well improve even as others stagnate or deteriorate.

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<sup>11</sup> Daniel C. Hallin and Paolo Mancini, *Comparing Media Systems: Three Models of Media and Politics* (Cambridge: CUP, 2004).

<sup>12</sup> The issue of diversity comes with two important twists. First, diversity can be *internal* to a particular media organisation (it is in fact legally required of public service broadcasters and broadcasting licence holders in many countries) rather than take the form of *external* diversity. Second, diversity can in some cases lead to forms of competition that undermine quality in the infamous 'race to the bottom'.

Fully understanding the democratic implications of journalism of course requires much more than the systemic view adopted here, including close attention to how journalism is pursued, to how it interacts with other institutions, and to what it means to people. Capacity to produce news, diversity of provision, and wide dissemination are necessary but not sufficient for journalism to play an on balance benign role in democracy. The assumption underlying the big-picture approach of the report is that journalism as actually pursued, in all its variations and with all its qualitative nuances and many imperfections, provides something of a public good, and that its ability to do so depends on certain institutional preconditions that can be meaningfully analysed on their own. Journalists pursue their vocation for many personal reasons but also need to make a living. They are sustained and constrained in their work by news media organisations that operate for profit, propaganda, and/or public service purposes within broader, largely national, media systems defined by different patterns of media use, media market structures, and media policies.<sup>13</sup> The report focuses on this systemic level – not on the everyday product and practice of journalism, but on its institutional preconditions and how they are changing. Previous research has demonstrated that there are significant and systemic variations in how media systems are structured and in how well news media in different countries keep people informed, even within the world of otherwise similarly affluent and politically stable democracies.<sup>14</sup> Today, these systems are changing and, because of the close links between journalism and politics, these changes will have implications for our democracies and how they develop.

### *1.3. A comparative, systemic approach to media and democracy*

Stepping back from day-to-day developments and looking at the big picture over the last decade can help us understand developments in the capacity of professional journalism to keep people informed and thus play their assumed role in our democracies. Hopefully, it can also help journalists, media managers, and policy-makers understand better the challenges they face in their respective company or country.

Recent years have seen a proliferation of detailed and very valuable studies especially at the national level, with corporate consultants, governmental organisations, advocacy groups, and academics producing reports on different countries. Such nationally focused research represents an essential precondition for comparative work like this report. But to really understand what is going on anywhere, we need to keep our eyes peeled for what is going on elsewhere. As the comparative political scientist Seymour Martin Lipset put it: 'those who only know one country know no country'. Without comparison, it is hard to ascertain the logics behind the events of the day, and tempting to assume that whatever is happening had to happen, and had to happen that way. This is rarely the case. Comparative research clearly shows that media developments are not predetermined or following a single path. The tendency to accept as inevitable what happens in one's own country, or to see it through the lens of only a limited number of other

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<sup>13</sup> Especially in large countries like Brazil, India, and the USA, there are massive internal variations in the structure of the media industry from region to region, but in many respects, companies still operate within national systems in terms of competition for audiences, advertisements and in terms of media regulation.

<sup>14</sup> Hallin and Mancini, *Comparing Media Systems*, James Curran et al., 'Media System, Public Knowledge and Democracy', *European Journal of Communication*, 24/1 (2009), 5-26. Frank Esser et al., 'Political Information Opportunities in Europe: A Longitudinal and Comparative Study of Thirteen Television Systems', *International Journal of Press/Politics*, 17/3 (2012), 247-74.

countries – often primarily the United States – is blinkered and misleading as actual developments often differ in important ways from place to place.

The eight countries covered here are Brazil, Finland, France, Germany, India, Italy, the United Kingdom, and the United States. They are all, to varying degrees, democracies and

free-market economies. These similarities aside, they are, needless to say, widely different in terms of their history, their political systems, the role and contours of the state, their social and economic structures, and their position in the world, as well as in size. (The margin of error on the Indian census is

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twenty-five million, about five times the population of Finland.) Combined, these countries account for about 30% of the world’s population and more than half the population of currently democratic countries. They also represent a strategically selected sample of different kinds of democracies (more or less flawed ones), different levels of affluence (low-, middle-, and high-income countries) and historically developed media systems (with different inherited broadcasting systems, newspaper industries, and media policies).

Table 1.1 presents some key social, economic, political, and media indicators for each country to provide some context for the analysis. It illustrates some of the relative similarities in areas like freedom of the press, the state of civil and political rights, and the integrity of their democratic systems (on all these counts all eight countries covered here score above the global average). It also illustrates some of the significant differences, in terms of affluence, quality of life, and media industry developments. Both India and Italy are consolidated democracies with uninterrupted popular government since the late 1940s where outside observers have expressed some concern over freedom of the press and the integrity of the political system. And yet doing journalism or running a media company is of course in many ways a very different thing depending on whether one is in Mumbai or Milan. Brazil, India, and the United States are all vastly larger, more populous, and internally heterogeneous than any of the other countries examined in this report. And yet media work is a very different proposition depending on whether one is in Ceará, Chhattisgarh, or Colorado – a safe if declining vocation in the US, where three journalists have been killed in the line of duty since 2000, a growing but dangerous trade in Brazil and India, where job prospects are good as the media industry grows, but where dozens of reporters have died during the last decade, victims of organised crime, state brutality, or violent separatists. Keeping these differences in mind, considering all these eight countries together allows for a more international analysis of media systems in transition than focusing simply on any one particular country, and provides a perspective on developments in different contexts.

The analysis presented here is based on data provided by industry associations, various government agencies, and private consultancy companies, as well as almost one hundred interviews conducted across all eight countries in collaboration with a network of partners.<sup>15</sup>

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<sup>15</sup> The network includes Silvio Waisbord and Fernando Oliviera Paulino (Brazil), Hannu Nieminen and Kari Karppinen (Finland), Frank Esser and Edda Humprecht (France and Germany), Paolo Mancini and Alessio Cornia (Italy), and Daya Thussu and Savyasaachi Jain (India). The author conducted the interviews and collected the data on the UK and the USA. Joanna Szostek helped with the research on the UK.

**Table 1.1. Eight-country overview (2009)**

	Brazil	Finland	France	Germany	India	Italy	UK	US
<b>Population</b>	193m	5.3m	65m	82m	1,155m	60m	62m	307m
<b>Human Dev. Index</b>	0.71	0.88	0.88	0.90	0.54	0.87	0.86	0.91
<b>GDP/capita</b>	\$8,251	\$45,085	\$40,663	\$40,275	\$1,192	\$35,073	\$35,163	\$45,758
<b>Ad spend /GDP</b>	2.0%	0.8%	0.6%	0.7%	0.6%	0.6%	1.1%	1.2%
<b>TV households</b>	95%	97%	98%	97%	64%	100%	97%	99%
<b>Newspaper reach</b>	27%	80%	42%	71%	42%	46%	57%	43%
<b>Internet users</b>	41%	83%	78%	80%	5%	49%	83%	78%
<b>Freedom of the press</b>	Partly free (43)	Free (10)	Free (23)	Free (17)	Partly free (33)	Partly free (33)	Free (19)	Free (10)
<b>Democracy index</b>	Flawed (7.38)	Full (9.25)	Full (8.07)	Full (8.82)	Flawed (7.80)	Full (7.98)	Full (8.15)	Full (8.22)

*Notes:* Population and GDP/capita data from the World Bank (currency exchange rates may distort GDP figures), Human Development Index from UNDP's Human Development Report 2009, advertising expenditure relative to GDP from World Advertising Research Center (data from 2007), data on TV households from the European Audiovisual Observatory, Nordicom, and Midia Dados, newspaper reach from World Press Trends, internet users from the World Bank, scores for Freedom of the Press from Freedom House, Democracy Index as compiled by the Economist Intelligence Unit. (The Human Development Index is a composite quality of life indicator including life expectancy, literacy, and education, scored 0–1 on an ascending scale. Freedom House measures freedom of the press on the basis of 109 indicators broadly grouped into legal, political, and economic factors that are combined and indexed 0–100 on a descending scale. The Democracy Index is based on 60 indicators including measures of electoral process and pluralism, civil liberties, the functioning of government, political participation and political culture used to assess the state of democracy on a scale from 0 to 10.)

These local country specialists have also helped validate the main sources of data used, as different sources frequently contradict each other. Data on audiences, revenues, and the spread of various technologies rely heavily on self-reports, virtually impossible to independently verify and which have sometimes in the past been misrepresented in self-serving ways by companies as well as governments. Throughout, the report is based on what we consider the most reliable information available. In many cases, data are only available up to 2008 or 2009, hence the main focus is on the first decade of the twenty-first century, the period 2000–9.

The first part of the report takes up three frequently asked 'big questions' about media developments, one at a time ('Is this the end of the mass audience?', 'Will the internet kill the newspaper?', 'Are our media systems becoming Americanised?'). The second part of the report presents key trends within the three areas of media use, media markets, and media policy. The concluding section returns to the underlying question of what the likely implications of current transformations are for journalism and its role in democracies around the world.

## I. BIG QUESTIONS

### 2. Is This the End of the Mass Audience?

In the summer of 2011, a special report by *The Economist* was the last in a long list of high-profile announcements of 'the end of mass media'.<sup>16</sup> The author, Tom Standage, argued that the rise of the internet in particular had disrupted the twentieth-century model in which a few organisations supplied content to large numbers of people, and that the future of the media would be more fragmented, chaotic, and increasingly reliant on social networks for dissemination. Such a shift from mass communication to networked communications has also been forecasted by the well-known sociologist Manuel Castells as well as by advertising gurus like Bob Garfield and Joe Cappello, who have both predicted the 'disappearance of the mass audience'.<sup>17</sup>

The end of the mass audience is a potentially profound transformation, the end of a period where the terms 'mass media' and 'the media' could be used interchangeably. At their best, national and local media reached the majority of the adult population in their area and assembled people around a shared news agenda, kept them informed and up to date, and engendered a sense of community. (Of course, the reality was often biased, partial, and exclusionary news consumed by only some and with varying levels of attention and trust.)

The evidence for the 'end of the mass audience' argument is mixed, however, in part because the word itself is ambiguous. (How many people does it take before you have a 'mass'? How do they have to attend before they are a 'mass audience'?) It is undoubtedly true that the first decade of the twenty-first century has seen a further acceleration of the proliferation of media outlets competing for our attention, continuing a trend with deep roots in the twentieth-century development of multi-channel broadcasting. Already 20 years ago, the media researcher W. Russell Neuman questioned the future of the mass audience.<sup>18</sup> He noted how the development of new information and communication technologies and business practices in the United States was eroding differences and market barriers between broadcasters, cablecasters, and telephone companies and predicted a future of increasingly convergent communications and increasingly fragmented audiences.

Both convergence and fragmentation have come to pass – in affluent democracies and amongst the urban elites of emerging economies, free-to-air broadcasters, pay television providers, newspapers, and online-only 'pure players' are increasingly competing for the same audience and advertising. Massimo Russo, who is content manager for Gruppo Editoriale L'Espresso, which includes the most popular Italian newspaper website, *La Repubblica*, puts it succinctly: 'we operate in a world in which everyone – not only those who provide news – competes for a very simple objective: the public's attention. And this attention, in a user's everyday life, is a limited resource.'<sup>19</sup> Media users who before the rise of satellite and cable television (and the end of state monopoly broadcasting) could watch at most maybe a handful of

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<sup>16</sup> 'The End of Mass Media: Coming Full Circle', *The Economist*, 7 July 2011.

<sup>17</sup> Manuel Castells, *The Rise of the Network Society* (Oxford: Blackwell Publishers and Castells, 2000), Manuel Castells, *Communication Power* (Oxford: OUP, 2009), Joe Cappello, *The Future of Advertising: New Media, New Clients, New Consumers in the Post-Television Age* (London: McGrawHill, 2003), and Bob Garfield, *The Chaos Scenario* (Nashville, TN: Stielstra Publishing, 2009).

<sup>18</sup> W. Russell Neuman, *The Future of the Mass Audience* (Cambridge: CUP, 1991).

<sup>19</sup> Massimo Russo, interviewed by Alessio Cornia.

channels, who after the consolidation of many newspaper markets in the Western world in the 1950s and 1960s and before the rise of the internet could read the news from maybe half a dozen titles (usually only one of which would be local), have moved from a low-choice environment to a high-choice environment with countless options available.<sup>20</sup> The expansion of choice has been particularly spectacular in India, where television markets were only

“ By 2000, India had five television channels in the country. Now we have more than 700 ”

opened to private broadcasters in 1991, ending the decades-long monopoly of the state channel Doordarshan. Pankaj Pachauri, in charge of special projects at NDTV and vice-president of the Broadcast Editors Association, gives a sense of the speed of growth, in

particular over the last decade: “By 2000, India had five television channels in the country. Now we have more than 700.”<sup>21</sup>

In fact most users have fairly circumscribed patterns of media use, ‘channel repertoires’ containing only a few of the hundreds of channels they *could* watch, online habits that bring them back, time and again, to a tiny fraction of the almost infinite number of websites that those with internet access *could* visit, but more competition and the increasingly diverse range of options available have eroded the size of most everyday mass audiences and increased the number of niche audiences.<sup>22</sup>

### 2.1. The fragmentation of television audiences

The impact of the increased choice available to many people has been particularly clear in patterns of television viewing around the world, arguably the paradigmatic late twentieth-century mass medium. Many major channels have lost a larger proportion of their viewers over the last decade than paid printed newspapers have of their readers. As is clear from Figure 2.1, which charts the combined share attracted by the three largest television channels in each of the eight countries covered here from 2000 to 2009, the growing number of smaller channels account for a larger and larger share of viewing in all countries. Even into the 1990s, it was not unusual for major European broadcasters to draw 40–50% of the adult audience on an average night. (Few newspapers ever enjoyed this kind of reach, the exception being exceptionally successful local monopolies in some areas and a handful of tabloid titles in north-western Europe, newspapers like the *Sun* and *Bild*.) Today, few individual channels can expect more than a 20% or at most a 30% audience share. In India and the US, half of that would be very good result indeed. (Brazil, where TV Globo alone still drew a 45% share in 2009, is a clear outlier in this respect. As Ali Kamel, director of journalism at TV Globo, says, ‘Globo talks to everybody.’<sup>23</sup>)

<sup>20</sup> Markus Prior, *Post-Broadcast Democracy: How Media Choice Increases Inequality in Political Involvement and Polarizes Elections* (New York: CUP, 2007). Working with a team of researchers, W. Russell Neuman has estimated that the ratio between demand (time spent using media) and supply (minutes of media content available in the average household) grew from 1:82 in 1960 to 1:884 in 2005 in the US, a move from a world of ‘push media’ and what they call ‘human scale choices’ between a finite and manageable number of options to a world of ‘pull media’ that we can only navigate by relying on a combination of habits, heuristics, and various technical systems for search, filtering, and recommendation. See W. Russell Neuman, Yong Jin Park, and Elliot Panek, ‘Tracking the Flow of Information into the Home: An Empirical Assessment of the Digital Revolution in the United States, 1960-2005’, *International Journal of Communication*, 6 (2012), 1022-41.

<sup>21</sup> Pankaj Pachauri, interviewed by Savyasaachi Jain. Pachauri has since become Communications Adviser to Prime Minister Manmohan Singh.

<sup>22</sup> James G. Webster, ‘The Duality of Media: A Structural Theory of Public Attention’, *Communication Theory*, 21/1 (2011), 43-66.

<sup>23</sup> Ali Kamel, interviewed by Savyasaachi Jain. It is important to keep in mind that local and regional audiences are often much more concentrated than this. Even in India and the US, two of the most fragmented national media markets, local television stations still routinely draw 40% or more of the audience in their media market or even at a state level, and two or three newspaper companies dominate most regional markets.

As long as most households had a television set and people liked watching, but had few channels to choose from, broadcasters could expect a genuinely mass audience for most programming (including news bulletins). Today, every minute of programming is competing against dozens and often hundreds of alternatives, and even the most successful large channels are gradually losing audience to more specialised competitors. In 2000, 11% of American television

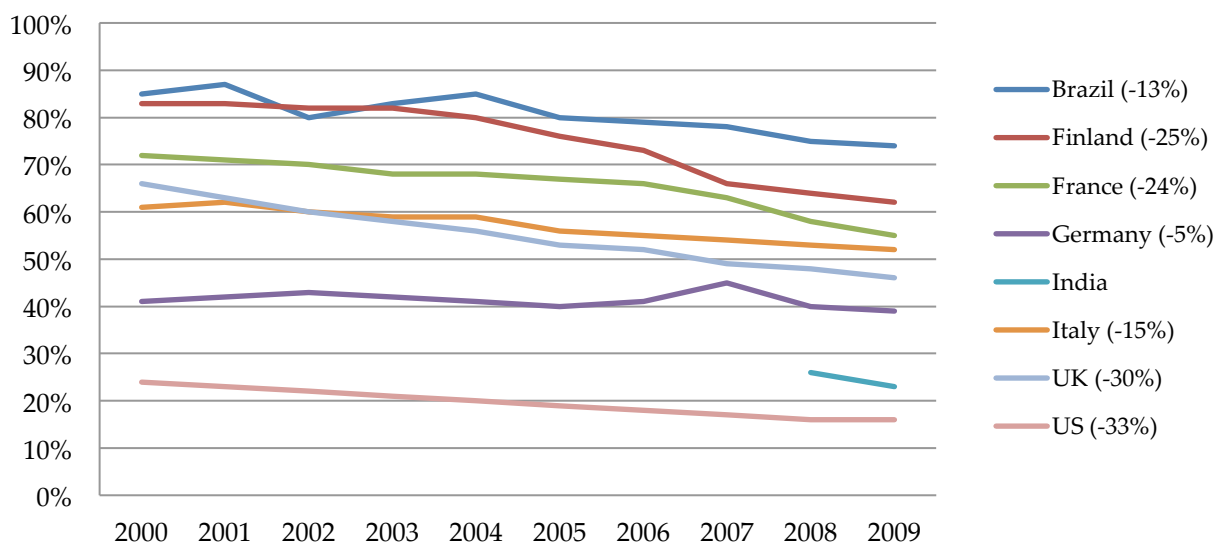
households had access to 100+ channels.

By 2008 the number was 64%, according to Nielsen Research. In a Germany where multi-channel television was already the norm before 2000, the triumvirate of ARD, ZDF, and RTL has managed to retain much of their share despite

increased competition, and Brazil, dominated by Globo, stands out. But in most other countries, the main channels have all lost 15–30% of their audience over the last decade and no single channel manages to capture a majority of all viewers on a regular basis. In this sense, the mass audience, understood as a majority of the population routinely paying attention at the same time to the same content from the same provider on the same platform, *is on the retreat*, as Standage and many others have argued.

“ *The mass audience, understood as a majority of the population routinely paying attention at the same time to the same content from the same provider on the same platform, is on the retreat* ”

**Figure 2.1. Combined audience share of top three channels, 2000–2009**



Notes: Figure in parentheses is the change in combined audience share from 2000–9 (where data are available). Data from the European Audiovisual Observatory, Project for Excellence in Journalism, Midia Dados, and Ofcom. Data on India only available for 2008 and 2009.

## 2.2. The draw of media events

But the stable, everyday, archetypical mass audience associated especially with twentieth-century broadcasting is only one aspect of the mass audience – if we mean by ‘mass audience’ a large, diverse, geographically dispersed



audience engaging with the same media content (a precise description of the television audience of the 1970s), mass audiences are very much with us still. Today, individual media events, ranging from sudden catastrophes over high-profile ceremonies to top-flight sports events, bring together the largest and most heterogeneous audiences in history.<sup>24</sup>

In 2001 most Americans witnessed the September 11 terrorist attack on the World Trade Center in New York on television. (The daily audience share of the major network newscasts and the all-news cable channels more than doubled in the weeks after the attack.<sup>25</sup>) At its peak, 16 million people in the

**“ This kind of mass audience, understood as many different people paying attention to the same event, still exists, and is still more than anything the province of legacy media organisations ”**

UK watched live coverage of the event.<sup>26</sup> Information about this attack, as about the 7 July 2005 London bombings or the 2008 Mumbai terror attack, spread via personal communication online and via phones too, but most people saw these events on television, and read about

them in newspapers and on news websites. (Information about disasters like the 2004 Asian tsunami and the 2010 Haiti earthquake also spread in complex ways but was eventually watched by literally billions on TV.) Less horrifying events have also drawn genuinely mass audiences, especially a range of ceremonial- and sports-related spectacles. According to Nielsen Research, the biggest television audience in world history consisted of the 4.7 billion people who watched at least parts of the coverage of the 2008 Summer Olympics in Beijing – amounting to three-quarters of the world’s population.<sup>27</sup>

People *come* to these media events in many ways (through personal recommendations, web searches, and links as well as by appointment viewing), and increasingly *access* them in new ways (online streaming, live blogging, mobile video). But most of the *content* continues to be produced by legacy media organisations, most importantly large broadcasting corporations (whether public or private) and scheduled linear television is still where most people *watch* them. This kind of mass audience, understood as many different people paying attention to the same event, still exists, and is still more than anything the province of legacy media organisations.<sup>28</sup>

### 2.3. Mass audiences for news?

Most of the media events that bring together mass audiences today are not news in the traditional sense but exceptional events or more ritual displays. So it is relevant to ask whether the mass audience for news more narrowly is a thing of the past. Seen through the lens of the reach of individual programmes and outlets, like the viewership of regular evening newscasts or

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<sup>24</sup> Daniel Dayan and Elihu Katz, *Media Events: The Live Broadcasting of History* (Cambridge, MA: Harvard University Press, 1992); Nick Couldry, Andreas Hepp, and Friedrich Krotz, *Media Events in a Global Age* (London: Routledge, 2009).

<sup>25</sup> Scott L. Althaus, ‘American News Consumption during Times of National Crisis’, *Political Science and Politics*, 35/3 (2002), 517-21.

<sup>26</sup> Jason Deans, ‘16m Glued to News as Tragedy Unfolds’, *Guardian*, 12 Sept. 2001.

<sup>27</sup> ‘Beijing Olympics Draws Largest Ever Global TV Audience’, *NielsonWire Blog*, 5 Sept. 2008, [http://blog.nielsen.com/nielsenwire/media\\_entertainment/beijing-olympics-draw-largest-ever-global-tv-audience](http://blog.nielsen.com/nielsenwire/media_entertainment/beijing-olympics-draw-largest-ever-global-tv-audience) (accessed Aug. 2012).

<sup>28</sup> Part of the business problem for commercial news media, especially online and in television, is that it is hard to cover running costs on the basis of unpredictable fluctuations in audiences drawn in part by unforeseen events.

the readership of individual newspapers or most news sites online, the size of choice environment where the alternative is usually only a click away.

But if one considers the total audiences of top news organisations, it is far from clear that all news audiences are declining in size. Across its many offerings (television, radio, websites, mobile services) BBC News was estimated to reach 81% of the adult population of the UK on a weekly basis in 2010 (overall reach of all BBC content was 96%).<sup>29</sup> (ITN news, the nearest competitor, reached, mainly through ITV programmes, about 40% the same year.) Top newspaper sites today reach, through the combined readership of their print and online

editions, more people than they have for a generation (if ever). And while that is especially true for the national flagship titles that dominate online news provision in many countries (*Le Figaro* in France, *Corriere della Sera* in Italy, *Spiegel*

“ *In terms of the audience for news and information delivered by newspaper companies, it’s higher than it’s ever been in the history of the newspaper sector* ”

*Online* in Germany, etc.) and for tabloids (*Iltalehti* in Finland, *Bild* in Germany, the mid-market *Daily Mail* in the UK), it is also true for some successful local newspaper websites – the *Dayton Daily News* in Ohio and the *Tulsa World* in Oklahoma today both boast an 80% reach in their local markets.

David Newell, chairman of the Newspaper Society, which represents local and regional titles in the UK, says. ‘In terms of the audience for news and information delivered by newspaper companies, it’s higher than it’s ever been in the history of the newspaper sector.’<sup>30</sup> Denis Bouchez, director of the Syndicat de la Presse Quotidienne Nationale that represents the nationally distributed (mostly Parisian) daily newspapers in France, concurs: ‘the national press has 8 million print readers every day. The printed press and its online offers together have 23 million readers. We have many more readers thanks to online. Younger, urban readers who read several times a day.’<sup>31</sup> The *New York Times*, through its printed paper, its website, its mobile and tablet apps, its international edition (the *International Herald Tribune*), an international weekly supplement printed in 36 countries, and syndication of content by two dozen newspapers around the world, reaches a combined audience far larger than the readership of the printed paper itself at any time before in its illustrious history. The combined reach of the wire agencies that so many news organisations, whether broadcasters, print, or online, rely on is particularly stunning today. The Associated Press, for example, claims to reach half the world’s population on any given day, and content from other important news agencies like AFP and Reuters also reaches massive audiences through a multitude of outlets.<sup>32</sup> Widespread aggregation of content from the same main providers by both ‘curated’ sites like the Huffington Post and fully automated sites like Google News only adds to the same pattern.

In part because of the very ease of access that also drives the fragmentation of much of our media landscapes, and the knock-on effects that the erosion of many audiences has had for many hitherto independent news

<sup>29</sup> ‘Report on Public Interest Test on the Proposed Acquisition of British Sky Broadcasting Group plc by News Corporation’, <http://stakeholders.ofcom.org.uk/binaries/consultations/public-interest-test-nov2010/statement/public-interest-test-report.pdf> (accessed Aug. 2012).

<sup>30</sup> David Newell, interviewed by Rasmus Kleis Nielsen.

<sup>31</sup> Denis Bouchez, interviewed by Edda Humprecht.

<sup>32</sup> <http://www.ap.org/company/FAQs> (accessed Aug. 2012).

providers' ability to produce their own appealing original content, more and more media users end up relying on news from a limited number of dominant organisations that as a consequence reach very large audiences.

#### *2.4. Summary*

In short: traditional mass audiences are eroding even as new ones are formed, presenting legacy news media organisations with new challenges.

- Most traditional mass media audiences are eroding in the face of increased competition for people's time and attention. This trend fundamentally challenges the business practices of companies based on selling to advertisers, day in and day out, the attention of a stable sizeable everyday audience.
- But mass audiences, understood as a large number of people attending to the same content, are still with us, even if only periodically around certain media events that people engage with in multiple ways and in the form of a range of different audiences accessing the same content in different places and ways.
- In terms of news, most new start-ups cater to niche audiences, and many mid-size legacy media companies, including local television stations and regional newspapers, are losing ground. But some large, quality, well-known national providers, whether coming out of broadcasting or print, reach more and more people across their own multiple platforms and via others' syndication and aggregation of their content.

### 3. Is the Internet Killing the Newspaper?

Despite the fact that many newspaper companies reach more people than they have for years through their multi-platform offerings and others' use and reuse of the content they produce, the question of whether the internet is killing the newspaper is a pressing one. Again, *The Economist* has raised the point with admirable clarity, arguing in a 2006 special report that 'newspapers are now an endangered species. The business of selling words to readers and selling readers to advertisers, which has sustained their role in society, is falling apart.'<sup>33</sup>

Developments in the US have been particularly dramatic and are often used to illustrate the point. As internet use grew from 43% to 75% of the population from 2000 to 2009, newspaper circulation per capita declined 25%, total industry revenues fell by 36% in current terms, and newsroom employment shrank by 17%. American media scholars

“ *Newspapers remain the single most important source of original news reporting in most places, employ more journalists than anyone else, and produce more original content than anyone else* ”

like Philip Meyer have talked about 'the vanishing newspaper', journalists have raised the prospect of 'no newspaper towns' after titles like the *Rocky Mountain News* closed in 2009, and analysts and commentators in country after country have been piling on, predicting the end of newspapers in countries as different as France, Germany, and the United Kingdom – often blaming the internet.<sup>34</sup>

It is not easy to isolate the importance of an individual entity or industry in a local or national media system, but most of the evidence available suggests that newspaper companies, for all their faults and their relative loss of stature, continue to play an important role around the world. Research suggests that newspapers remain the single most important source of original news reporting in most places, employ more journalists than anyone else, and produce more original content than anyone else.<sup>35</sup> Data on journalists' employment suggest that about 60% of all reporters and correspondents working in Finland and the US work for newspapers, and as many as 80% in the UK.<sup>36</sup>

In that light, the evident struggles of the industry as we know it in much of the world are indeed worrying. Tabloid newspapers are booming in Brazil and especially regional Hindi and vernacular newspapers are doing well in India, but many traditional broadsheets in Brazil are under pressure and virtually all newspapers in more affluent democracies are losing print readers and revenues. The significance of newspapers in our societies and the problems that many of them face underline the importance of understanding

<sup>33</sup> 'Who Killed the Newspaper?', *The Economist*, 24 Aug. 2006.

<sup>34</sup> Philip Meyer, *The Vanishing Newspaper* (Columbia, MO, and London: University of Missouri Press, 2009); Jean-François Fogel and Bruno Patino, *Une presse sans Gutenberg* (Paris: Grasset, 2005); Stephan Weichert and Leif Kramp, *Das Verschwinden der Zeitung?* (Bonn: Friedrich-Ebert-Stiftung, 2009); Richard Pérez-Peña, 'As Cities Go from Two Papers to One, Talk of Zero', *New York Times*, 11 Mar. 2009.

<sup>35</sup> Project for Excellence in Journalism, 'How News Happens', [http://www.journalism.org/analysis\\_report/how\\_news\\_happens](http://www.journalism.org/analysis_report/how_news_happens); Anker Brink Lund, Ida Willig, and Mark Blach-Ørsten, *Hvor kommer nyhederne fra?* (Aarhus: Ajour, 2009).

<sup>36</sup> Estimates from the Finnish Union of Journalists, the US Bureau of Labor Statistics, and Mediatique's report 'Provision of News in the UK', <http://stakeholders.ofcom.org.uk/binaries/consultations/measuring-plurality/statement/annex6.PDF> (accessed Aug. 2012).

the root causes of the challenges they confront. And surprising as it may seem in a time that has seen the simultaneous rise of internet use and decline in newspaper circulation in many places, the evidence suggests that the internet is not, in general, the main factor behind the real decline of much of the industry.

### 3.1. *The newspaper that the internet is threatening*

To understand why the internet in itself may not be the main factor we need to examine a very particular kind of newspaper that it has severely threatened – those accustomed to operating like mass circulation monopolies. This kind of newspaper, particularly important in the United States, where the vast majority of the industry is local and only a few titles like *USA Today*, the *Wall Street Journal*, and the *New York Times* have a (limited) national reach, has usually been based on very low cover prices and fairly comprehensive news coverage, a package that ensured wide reach in a particular media market. This reach could in turn be converted into sizeable revenues because each paper faced no meaningful competition for many kinds of advertising, most notably profitable classifieds advertising including jobs, automotive, and real estate.<sup>37</sup>

Well into the 2000s, many American metropolitan dailies cost the reader no more than 25 or 50 cents and generated 80% or even 90% of their revenues from advertising. (In contrast, continental European newspapers often cost at least €1 and generally generated about half their revenues from sales.<sup>38</sup>) Many US titles reached 70% or so of adults in their local circulation area and were immensely profitable, often generating margins of 20% or more. In Northern Europe, reach was frequently as high, though margins lower (around 15% in Finland and Germany). In Southern Europe, newspapers never enjoyed such reach or such profits (industry-wide margins were, before the most recent recession, about 6% in Italy and just 2% in France).<sup>39</sup>

Then, under the combined pressures of the ‘great recession’, continued circulation declines, and the growing importance of other forms of advertising, newspaper advertising in US began to decline rapidly. Newspaper print advertising fell by more than half from 2007 to 2011. As the American media analyst John Morton put it: ‘most industries that lost more than 50% of the revenue stream that accounted for 80% of revenues would probably be out of business. That didn’t happen to [US] newspapers with a handful of exceptions because, generally speaking, newspapers had such high profit margins.’<sup>40</sup> The situation elsewhere was very different. Claudia Giua, Development Director Gruppo Editoriale L’Espresso, explains: ‘In Anglo-Saxon countries, the classified ads business moved from print to other players on the web. In Italy, this isn’t an important source of profit for the press.’<sup>41</sup>

Mass circulation monopoly newspapers with their cheap advertising-subsidised cover prices and high cost structure have suffered immensely

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<sup>37</sup> In the 1980s, there were more than 1,500 daily newspapers in the US. Only 35 faced direct local competition from another newspaper, and it was only from the mid-1980s onwards, with the launch of *USA Today* and with the *New York Times* establishing satellite printing plants around the country for its national edition, that they began to face some competition from ‘national’ titles. (In the mid-1980s, the *New York Times* sold four times as many copies on Manhattan as they did in the rest of the country combined.) By 2012, less than a dozen cities in US had two competing daily newspapers.

<sup>38</sup> Organisation for Economic Co-operation and Development (OECD), *The Evolution of News and the Internet* (Paris: OECD, 2010).

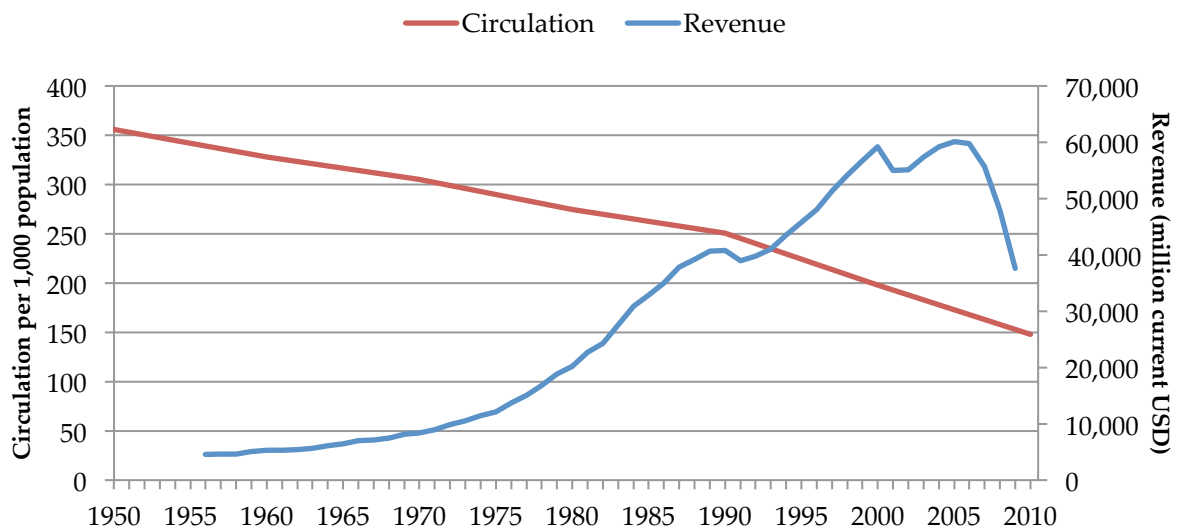
<sup>39</sup> Ibid.

<sup>40</sup> John Morton, interviewed by Rasmus Kleis Nielsen.

<sup>41</sup> Claudio Giua, interviewed by Alessio Cornia.

under a perfect storm of vastly increased competition for both audience attention and advertising (in part because of the internet), recessions hitting the advertising they have been so dependent on hard (which had little to do with the internet), and the wholesale migration, in the span of a few years, of almost all classified advertising from printed newspapers to sites like Craigslist, Monster.com, etc. (which had very much to do with the internet and how newspaper companies reacted to it). In the US, local and metropolitan monopoly titles, which make up the vast majority of the industry, prospered economically until a decade ago because consolidation in local markets combined with growth in overall advertising expenditures meant that revenues grew even though circulation continued to erode year after year. In the 2000s, increased cover prices have kept sales revenues stable despite declining copy sales, but the loss of monopoly power means that advertising revenues have imploded, from a historic high of \$49 billion in 2000 to \$27 billion in 2009 (including online advertising of about \$2.8 billion).

**Figure 3.1. US newspaper circulation and revenue, 1950–2010**



Sources: Data from the Newspaper Association of America and the US Census.

But these widely read local monopoly titles are very different from most newspapers around the world that were never so cheap to buy, so reliant on advertising, and so accustomed to the absence of meaningful competition. Many European newspapers, in countries as different as Finland, France, Germany, and Italy, earned as much from subscriptions and single-copy sales as from advertising, found that their sales revenues withstood recessions better than more volatile advertising revenues, and were never as dependent on classified advertising as many of their American brethren. Parts of the European regional press, in particular in the UK, have had some affinities with the structure and hence the problems of the US press, but the newspaper industry as a whole has developed differently in different countries and faces current challenges from different starting points.

### 3.2. *The newspapers the internet is troubling*

This does not mean that newspapers elsewhere have not felt the impact of the internet, the proliferation of various news-related sites on it, and its increasing share of audience attention and overall advertising expenditures. Only the challenges faced by titles that never grew to the size of the 1980s and 1990s American monopoly newspaper and who are more accustomed to lower profit margins, competition, and niche marketing are different. For them, the internet has, like previous media such as the radio, television, and cable, intensified competition for people's time and for advertising and has, where it is available, accelerated the decades-old decline of paid printed daily newspapers.<sup>42</sup> But the decline itself predates the internet by at least ten years, and often much more. Geraldine Allinson, Chairman of the Kent Messenger Group (KMG), a company that operates several newspaper titles, websites, and radio stations in South-East England, says:

*Our board recognised quite a few years ago that audiences were fragmenting, and to continue to enable to provide people with relevant news and information about Kent, to help them make decisions about their lives in Kent, we were going to have to make sure that we were able to serve those people through different channels rather than just through different newspapers.<sup>43</sup>*

The circulation of print newspapers has, in per capita terms, been declining since the Second World War in France, the United Kingdom, and the United States, and since the 1980s in Finland, Germany, and Italy. In most of those countries where the internet is available to the majority of the population, the decline has accelerated in the 2000s, from 5–10% per decade in previous years to 10–20% from 2000 to 2009. The short-term implications of these declines are, in the absence of new sources of income, ongoing cost-cutting at most newspapers. The medium-term implications depend on the

**“ At the current pace of decline, it will take 70 years before newspaper circulation in Finland reaches the level where France is today. Circulation in France can decline another 20 years before it reaches the level of where Italy is today ”**

inherited organisational structure and overheads, ownership, and overall levels of circulation and hence sustainability – at the current pace of decline, it will take 70 years before newspaper circulation in Finland reaches the level where France is today. Circulation in France can decline another 20 years before it reaches the level of where Italy is today. And

despite the comparatively low levels of circulation (lower than India's) and questions over commercial viability, there are newspapers in Italy – a few big ones like *Corriere della Sera* and *La Repubblica* – which have represented important alternatives to the (politicised) public service broadcasters RAI and Silvio Berlusconi's Mediaset channels, and many smaller ones that remain the

<sup>42</sup> Because of their greater reliance on sales revenues, the decade-long dominance of the doctrine of free news online represents a much more serious long-term challenge to expensive European newspapers than to their cheap American counterparts.

<sup>43</sup> Geraldine Allinson, interviewed by Rasmus Kleis Nielsen.

most important sources of news in their local communities. Newspaper companies have been, are, and can be run on a narrower basis than has been the norm in some parts of the Western world for a few decades. The impact of the rise of the internet on their present and future prospects depends on their current revenue and financial models and maps only partially onto national media systems. Consider three different kinds of newspapers, loosely grouped.

For the archetypical high-circulation, advertising-dependent US newspaper discussed above, the combination of double-digit circulation declines and rapidly shrinking print advertising revenues have resulted in painful restructurings, the collapse of the market value of companies that till recently delivered exceptionally high profit margins, and threaten their short-term viability, especially of those companies saddled with debt. (Publicly traded companies like Gannett, McClatchy, and Lee Enterprises are worth a fraction of their market capitalisation at the beginning of the decade.) This scenario is also the one facing much of the UK regional press. (Trinity Mirror and Johnston Press share prices have collapsed over the last ten years, despite the fact both companies continue to be profitable.) In these cases, the future is one of drastically smaller newspaper companies with lower revenues and profit margins than they enjoyed during the 1980s and 1990s. This will probably lead to bankruptcies, but it is not clear that newspapers are vanishing as much as they are shrinking, and changing.

For the archetypical high-circulation, subscription-based Northern European newspaper found, for example, in Finland and Germany, ongoing circulation losses and the continued reign of the free-news model online represent a serious long-term threat to considerable sales revenues, but these have so far held up much better than advertising revenues, ensuring that these companies still have the resources to fund both their newsrooms and investments in adapting to a new media environment. Newspapers like *Helsingin Sanomat* in Finland and *Frankfurter Allgemeine Zeitung* in Germany have seen their revenues and profit margins erode, though less rapidly than at papers elsewhere, and these titles, with their cross-platform audience, strong newsrooms, and considerable revenues, seem well-positioned to find a way forward. This diversified model combining print and digital, sales and advertising, based on a considerable but clearly identified and circumscribed loyal readership, is one that several Anglophone titles (like the *New York Times* and the *Dallas Morning News* in the US and the *Daily Telegraph* and the *Daily Mail* in the UK) and some Southern European titles (like *Le Figaro* and *Corriere della Sera*) also seem to be aspiring to, and one also found in parts of the French regional press (*Ouest France*).

For the archetypical low-circulation, limited-revenue Southern European newspaper, including well-known titles like *Liberation* and *L'Unita* but also many local papers especially in Italy (and a few Anglophone titles, like the *Independent*), the rise of the internet is arguably not as big a problem as low sales and advertising revenues more generally, but will further challenge already precarious titles. Their survival may well depend on the will and ability of their owners to sustain them despite mounting losses and no clear prospects for future profits. (Many of these titles have never been commercially viable, but supported by proprietors for political or other reasons.)

The situation in emerging economies like (middle-income) Brazil and (low-income) India in some ways differs significantly from that in more affluent democracies. In both countries, economic growth, urbanisation, and



increased literacy have created the basis for increased print newspaper circulation, but the overall outcomes and trajectories are somewhat different.

In Brazil, print circulation has grown over the last decade, but the population has grown even faster. Per capita circulation has declined by 7% from 2000 to 2009. This surface image of relative stability masks some more dramatic changes in the industry's structure. As Jorge Duarte, special adviser to the Secretary of Communication, Presidency of Brazil, put it:

*There has been a vigorous transformation in Brazil. 30 million people have climbed the social ladder and now search for information. These are people who eventually begin to subscribe to a magazine, begin to subscribe to a newspaper, to subscribe to cable TV. . . . The popular newspapers are perhaps the greatest example of that, the symbolic example.<sup>44</sup>*

Sergio d'Avila, editor-in-chief of the broadsheet *Folha de São Paulo*, which was the highest circulation daily in Brazil till it was overtaken by the tabloid *Super Notícias* in 2010, says 'there is no city or important state without a popular newspaper with significant growth'.<sup>45</sup>

Stagnation in *Folha's* print circulation and growth at *Super Notícias*, which in the ten years since it was launched has grown to become the country's number one print newspaper, capture the underlying changes in the industry. Traditionally, Brazilian newspapers were shaped in part by Southern European journalistic traditions with an emphasis on long-form essays and debate, and were oriented towards an affluent, educated, urban

“ *There is no city or important state in Brazil without a popular newspaper with significant growth* ”

readership. As Venicio Artur de Lima, a professor at the University of Brasilia, puts it: 'our newspapers have always been elitist'.<sup>46</sup> This has been changing over the last decade as more and more sensationalist, popular titles are launched, oriented towards

the emerging lower middle classes, people who benefited from the combination of continuous economic growth and the redistributive policies of the Lula government. In 2000, tabloids accounted for a third of overall newspaper circulation in Brazil. By 2009, they accounted for half.<sup>47</sup> Whereas titles like *Folha* and its fellow broadsheet titles *O Globo*, *Estado de São Paulo*, etc. face some of the same challenges familiar to newspapers in more affluent democracies, titles like *Super Notícias* and its counterparts *Extra*, *Meia Hora*, etc. are well-positioned to thrive as millions more move into the expanding lower middle classes in Brazil. (Meanwhile, much of the press in the poor, sparsely populated interior of the country continues to be part of wider political-economical clientelistic networks rather than free-standing commercial enterprises.<sup>48</sup>)

In India, in contrast, the press has grown not only in absolute numbers, but also relative to population. Per capita circulation has increased 64% from 2000 to 2009 (the figure was 107% from 1991 to 2000).<sup>49</sup>

<sup>44</sup> Jorge Duarte, interviewed by Fernando Oliveira Paulino.

<sup>45</sup> Sergio Avila, interviewed by Fernando Oliveira Paulino.

<sup>46</sup> Venicio Artur de Lima, interviewed by Fernando Oliveira Paulino.

<sup>47</sup> Mauro Porto, 'The Changing Landscape of Brazil's News Media', in David A. L. Levy and Rasmus Kleis Nielsen (eds), *The Changing Business of Journalism and its Implications for Democracy* (Oxford: RISJ, 2010).

<sup>48</sup> Summer Harlow, 'A Political Boss and the Press', *Journalism*, 13/3 (2012), 340-53.

<sup>49</sup> Robin Jeffrey, *India's Newspaper Revolution: Capitalism, Politics and the Indian-Language Press, 1977-99* (New Delhi: OUP, 2000).

Today Indians buy more newspapers per capita than Italians do. Archana Shukla, senior editor at the *Indian Express*, explains: 'Every [media] sector is in its own way related to economic development, the growing GDP and the fast growing middle class with its disposable income.'<sup>50</sup> In the 20 years since Manoham Singh (then minister of finance, now prime minister) started economic liberalisation in 1991, the annual growth rate has been, on average, 7%. While poverty remains endemic, especially in rural areas, India has a rapidly expanding middle class, estimated to be in the elite-oriented English-language broadsheets like the *Times of India*, Hindi-language newspapers like *Dainik Jagran*, and vernacular language newspapers like *Malayala Manorama* and others have benefited in recent years, but growth has been particularly spectacular in the regionalised and localised multi-edition Hindi and vernacular language titles.<sup>51</sup> In 1951, shortly after independence, English-language newspapers made up almost a third of total print circulation (then at 7 copies per 1,000 inhabitants), despite only 3% of the population being English speakers.<sup>52</sup> (Circulation amongst the English-speaking population was an estimated 600 copies per 1,000 population, almost one hundred times the national average.) By 2010, circulation was close to 100 copies per 1,000 inhabitants, and the India Readership Survey estimated that regional-language newspapers accounted for close to 60% of readership, Hindi-language newspapers for about 35%, and English-language newspapers for just 5%.<sup>53</sup>

**“ Today Indians buy more newspapers per capita than Italians do ”**

The combination of economic growth and new information and printing technologies has created an economic rationale for increasingly fine-grained locally zoned editions of many Indian newspapers. Sanjay Gupta, Chief Editor and CEO of *Dainik Jagran*, explains how his Hindi-language title has grown to be the most widely read newspaper in India, with an estimated 16 million readers of 36 editions published in 11 states:

*Initially, the IT was not there, bandwidth was not there, so the news was not transmitted from the hinterland to the printing centres. It was coming by post, by telegram, by telexes – slow, sketchy, and the controls were not there. But the growing economic power of the newspapers gave me the liberty and independence to have my own offices, have my own staff and with that came the credibility and the recognition in small cities and small towns that yes, there is a credible team over there running the news bureaus over there. With that everything started falling in place. The internet did not help much – [it is] just giving out the news – but the increase in bandwidth, the advent of faster speed modems, now that really helped. . . . We could establish more modem offices where people could key in news and then they could send it straight down to the main printing centres and we could alter pages, delete live, [and print]. This was not possible 15 years back or 20 years back.<sup>54</sup>*

Sustained economic growth means that more Indians have more money to spend. More and more companies are developing goods and services that

<sup>50</sup> Archana Shukla, interviewed by Savyasaachi Jain.

<sup>51</sup> Sevanti Ninan, *Headlines from the Heartland: Reinventing the Hindi Public Sphere* (London: Sage, 2007).

<sup>52</sup> Jeffrey, *India's Newspaper Revolution*.

<sup>53</sup> *World Press Trends* (2010).

<sup>54</sup> Sanjay Gupta, interviewed by Savyasaachi Jain.

they want to market to them. And Indian media of all sorts are in turn developing products tailored to reach these people and service the advertisers who want to reach them, adopting localising strategies to reach larger and larger parts of the subcontinent. Newspapers have been at the vanguard, and one of the chief beneficiaries, of this development.

### 3.3. *The ongoing relevance of print*

In affluent democracies where most households have access to multi-channel television and the internet (and in similar demographics in emerging economies), most paid print newspaper titles have seen continued circulation decline throughout the 2000s, as they did in previous decades. This does not, however, mean that print is dead. Most media users continue to mix and match 'old' and 'new' media on the basis of their personal preferences and the options available (watching scheduled linear television and occasionally reading print newspapers, maybe over the weekend or in the evening, while also surfing the web on their smart phones). And while the overall importance of newspapers is clearly on the wane in many countries, individual titles that manage to remain relevant and distinct have bucked the trend and maintained their reach when seen across platforms. These, as well as a number of new titles launched in the late 1990s and 2000s, have proven that print products that are effectively tailored to their target audience still have a role to play.

A powerful example of the ongoing relevance of print is the simultaneous rise of the internet and freesheets in many affluent democracies, titles like *Metro* and its many local equivalents. (The success of such titles in Italy, which has never had a well-developed mass press, means that overall newspaper circulation per capita increased over the past decade and reached its historical all-time peak in 2007.) The *London Evening Standard*, which had struggled for years as a paid title competing against a diverse London-

**“ Most media users continue to mix and match 'old' and 'new' media on the basis of their personal preferences and the options available ”**

oriented national British press, seems to have found a sustainable niche for itself since it went free in October 2009, waving goodbye to sales revenues but doubling daily circulation and attracting 60% more advertising.<sup>55</sup> A more striking example of how printed newspapers can still find a role as part of a wider, multi-platform

editorial and business strategy even in increasingly wired affluent democracies is the successful recent launch of the paid, printed, daily newspaper *Il Fatto Quotidiano* in Italy. It has, since its founding in 2009, grown its circulation to about 70,000 copies daily (in addition to offering various web and mobile services) by positioning itself as an independent alternative to traditional titles entangled with old political and economic elites.

In Brazil and especially India, the internet infrastructure is still much less developed than in more affluent democracies, especially with regards to broadband. While mobile telephony is virtually ubiquitous, especially in urban areas, few people have internet-enabled smart phones. This means that only those titles catering to the most affluent, urban elites face the kind of web-related challenges that are so pronounced in Western Europe and the US.

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<sup>55</sup> Peter Preston, 'Evening Standard Almost in Profit After Going Free', *Observer*, 13 June 2010.

This does not mean that the growing newspaper industries in these two countries are untouched by changes elsewhere in the media, however. In both Brazil and India, the newspaper sector has grown, but at a slower pace than the media sector overall, as sales revenues remain low (especially in India) and printed newspapers' share of overall advertising expenditures is gradually losing ground to other media.

### *3.4. Summary*

In short, the internet has not killed the newspaper, and actually its role in the recent decline of the industry in much of the world has sometimes been exaggerated.

- Where web access is available, the internet has given newspaper companies new ways of reaching readers but also further intensified competition for audiences' attention and for advertising revenues (as the introduction of radio, television, etc., did in the past), forcing every title to think about their positioning and how they remain distinct and relevant to their readers. This has hit titles unused to competition the hardest.
- A number of very particular internet sites, most importantly various sites for classified advertising, had a direct, dramatic, and swift impact on the business of some newspapers, essentially leading to the wholesale migration of whole categories of advertising in the span of a few years. This has hit titles accustomed to controlling profitable local monopolies the hardest.
- Moving forward, newspapers will have to continue to think of print as only one part of the ways in which they connect with readers, as the full impact of the internet in all its incarnations for the industry lies in the future. Shrinking but still profitable legacy operations combined with well-known brands and goodwill amongst satisfied readers provide a platform for building smaller but still relevant multi-platform operations in the future.



#### 4. Have We Seen an 'Americanisation' of Media Systems around the World?

The fragmentation of most media audiences, the accelerated decline of paid print newspaper circulation, and, of course, the rise of internet access and use have been very pronounced features of US media developments over the last decades. The presence of similar tendencies in other countries, combined with the evident importance of American media content and journalistic conventions associated with America have led many to speculate that current developments represent an ongoing 'Americanisation' of media systems around the world.<sup>56</sup> The term is usually used polemically and as a warning, as when European proponents of public service broadcasting warn against impending Americanisation, when public personalities decry the Americanisation of various cultures, or journalists coming out of other traditions lament the Americanisation of news coverage.

But the notion of Americanisation is also used by media analysts in a more profound sense, to indicate the possible convergence of media systems themselves – a homogenisation of the very institutional preconditions for news journalism and more – on what is taken to be an American model of almost entirely commercialised media production (sometimes 'Americanisation' is used to mean 'commercialisation'). The notion that, as the American media go, so go media around the world, is alive and well, clearly expressed in the attention with which media people in many different countries follow the travails of their US-based counterparts, and clearly articulated in many different reports on the media – to take just one prominent example, consider the conclusions from the Project for Excellence in Journalism's 2011 special report on international newspaper economics, which asserted: 'The view in most places around the world is not that they are immune to the problems of American newspapers, but rather that the U.S. industry is ahead of them in navigating a dangerous curve. . . . they will be faced with exactly the same problem we are.'<sup>57</sup> If this is indeed the case, the idea of Americanisation takes on a new relevance in light of the dramatic decline of news journalism in the United States in recent years, in particular as supported by print publishers.

While American-produced content (in particular in television entertainment), programme formats, professional practices and ethics that are strongly associated with American journalism, and American-based companies, whether primarily 'old' media like Time Warner or News Corp or 'new' media like Google and Facebook, all certainly play a prominent role in media systems around the world, this does not mean that media *systems* around the world are converging on an American model. The institutional configurations that constitute our media are surprisingly different and surprisingly durable, and when one looks past some surface similarities in content and form, it is not clear that they have become less so today. Instead of thinking in terms of 'Americanisation', a move in other countries towards institutional forms originating in and first seen in the United States, it is more precise to think of current systemic developments in terms of parallel displacements, persistent particularities, and new peculiarities.

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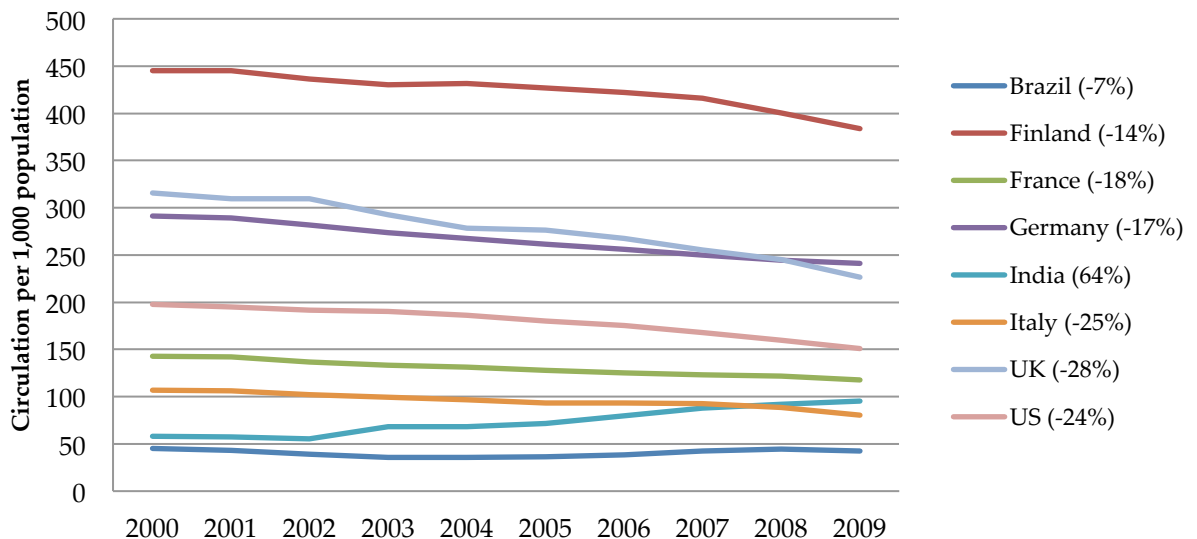
<sup>56</sup> Hallin and Mancini, *Comparing Media Systems*.

<sup>57</sup> Laura Houston Santhanam and Thomas Rosenstiel, 'Why U.S. Newspapers Suffer More than Others', <http://stateofthemediamedia.org/2011/mobile-survey/international-newspaper-economics> (accessed Aug. 2012).

#### 4.1. Parallel displacements

The parallel displacements will be illustrated more systematically in the sections below on media use and media markets but, broadly speaking, several trends pronounced in the United States have been seen simultaneously in other countries, especially other affluent democracies. They include most importantly (a) the ongoing erosion of the biggest television audiences and the fragmentation of much of the everyday television audience into a growing number of niche audiences, (b) the ongoing decline of most paid printed newspapers (with the exception of those benefiting from rapidly growing markets, like tabloids in Brazil and most Indian titles), and (c) the rise of internet access and use across the world (conditioned by economic resources and the roll-out of technical infrastructures). Figure 2.1 above illustrates the parallel trends in television viewing, and Figures 4.1 and 4.2 illustrate the parallel trends in newspaper circulation (where India stand out because of its growth) and internet use.<sup>58</sup>

**Figure 4.1. Paid newspaper circulation per 1,000 population, 2000–2009**



Sources: Figure in parentheses is the change in paid circulation from 2000 to 2009. Data from World Press Trends and the World Bank.

#### 4.2. Persistent particularities

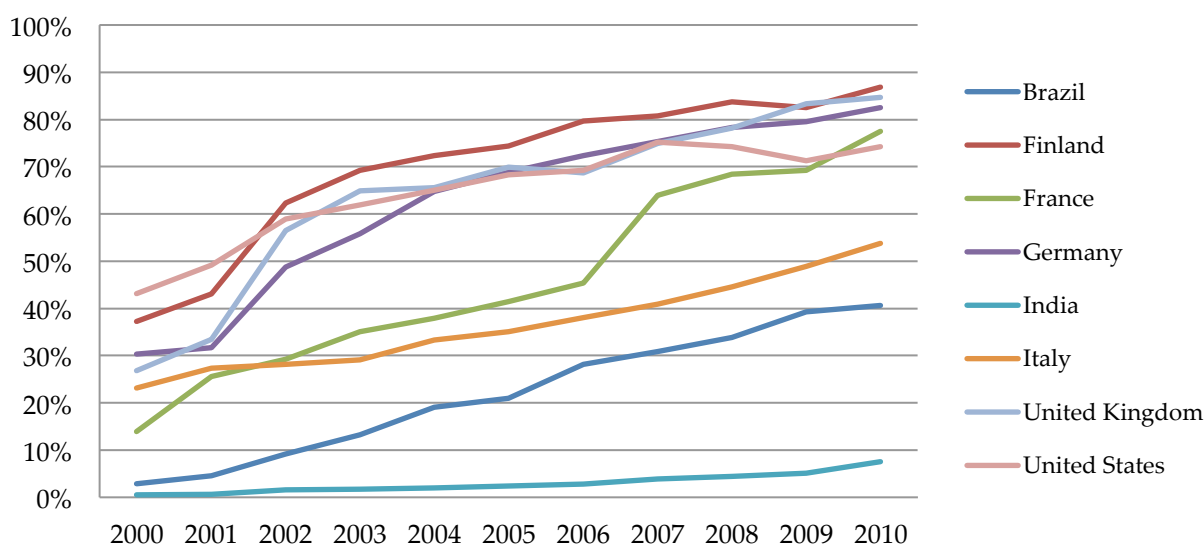
Crucially, these parallel displacements are combined with persistent particularities in the form of inherited patterns of media use, in media market structures, and in forms of media policy. To put it simply: history matters.

In Western Europe (and to a lesser extent India), the continued strength of public service broadcasting sets their television and radio markets apart from the commercially dominated American and Brazilian markets. In television, public service broadcasters attract a combined audience share of between 30 and 40% in Finland, France, Germany, Italy, and the United Kingdom and about 10% in India, whereas public service media in Brazil and

<sup>58</sup> Parallel developments do not equal convergence. Ongoing fragmentation of most television audiences, eroding paid printed newspaper circulation and rising internet use, might as well be called 'Italianisation' as 'Americanisation'.

the United States draw only around 1%.<sup>59</sup> (TV Brasil, the first national public service broadcaster in Brazil, was only launched in 2007. It is funded by Empresa Brasil de Comunicação along with a range of other initiatives from a fee charged to all commercial broadcasters.<sup>60</sup>) These differences are rooted in an ongoing popular support for and political commitment to public service broadcasting that does not exist in the United States.

**Figure 4.2. Internet users as percent of adult population, 2000–2009**



Sources: Data from the World Bank and the International Telecommunications Union.

While the overall trend of paid print newspaper circulation is broadly the same in all the affluent democracies considered here, the pace of decline and the absolute levels of circulation differ greatly. The decline over the last decade has been about the same in Finland and France (14% and 18%, respectively), but because of their different starting points, the implications are very different. The Finnish press has held up well despite the rise of the internet and the impact of the recession. The French press was widely seen as in crisis before the advent of either.<sup>61</sup> Institutional structures also endure and present different industries with different challenges. Few newspaper executives in Finland or the US would agree with Antoine De Tarle, Executive Director of Ouest France, the regional publishing house behind France’s highest circulation daily newspaper, when he says: ‘there are two big problems of the French press: the distribution costs and the printing costs’.<sup>62</sup> International differences are not the only ones that endure. The same goes for intra-national variations. These are considerable especially in large, federated countries. (As one interviewee rightly said: ‘There is nothing like “Indian media.” There is no one entity.’<sup>63</sup> The same could be said to a lesser extent of Brazil and the US.) But there are also significant internal variations within smaller countries like Italy – throughout the last decade, paid printed

<sup>59</sup> ‘The International Communications Market 2010’, <http://www.ofcom.org.uk/static/cmr-10/ICMR-3.55.html> (accessed Aug. 2012).

<sup>60</sup> TV Brasil has been criticised by commercial media, both print and broadcast, as a potential tool for state and pro-establishment propaganda. Critics argue that the system lacks autonomy from the federal government, as the president appoints the members of its board of directors (see Porto ‘The Changing Landscape’).

<sup>61</sup> Raymond Kuhn, *The Media in Contemporary France* (Maidenhead: Open University Press, 2011).

<sup>62</sup> Antoine De Tarle, interviewed by Edda Humprecht.

<sup>63</sup> Shravan Garg, interviewed by Savyasaachi Jain.



newspaper circulation per capita in Northern Italy has consistently been about twice that of Southern Italy.<sup>64</sup> These differences are rooted in habits of media use and in industry structures that continue to differ significantly from those present in the United States.

Finally, there seem to be relatively persistent differences in the extent to which powerful organised business and political interests subsidise news organisations to have, or to be seen as having, a ‘voice’ in public debates. The instrumentalisation of news organisations is endemic in the national press in both France and Italy, where virtually all major national titles have for a long time had owners who had their main commercial and political interests outside the media sector. The motives of wealthy individuals or groups subsidising and/or buying up titles in other countries, like the United Kingdom (the *Times* newspapers, the *Independent*) or the United States (Philadelphia Media Network, the *San Diego Union-Tribune*, the *Omaha World*

**“ Even in countries where much of the news industry is growing, news organisations may in some cases be more valuable as instruments of political propaganda and corporate PR than as commercial media enterprises ”**

*Herald*) are sometimes less clear.<sup>65</sup> Interestingly, instrumentalisation cuts across both stagnant and growing news media markets. It can be found in Western Europe, most spectacularly in the case of Silvio Berlusconi, who for years combined the post of prime minister with his role as owner of Mediaset, the

country’s dominant commercial broadcaster. (When a new media ownership law in 1990 forced him to divest his newspaper interests, his brother Paolo took control of their Milan-based title *Il Giornale*.) Serge Dassault, a French billionaire, combines his roles as a Senator for the conservative UMP, chairman and chief executive of the Dassault Group, and hands-on ownership of *Le Figaro*, the highest circulation national newspaper in France.

Even in countries where much of the news industry is growing, news organisations may in some cases be more valuable as instruments of political propaganda and corporate PR than as commercial media enterprises. In Brazil, large parts of the regional press continue to suffer from clear conflicts of interest as many titles are directly or indirectly owned by local families with diverse private and political interests. Concentrated ownership, in particular the role of the dominant multimedia conglomerate Globo, which has previously actively favoured particular candidates in its coverage, also raises concerns.<sup>66</sup> Antônio Carlos Magalhães was, till his death in 2007, a powerful illustration of the kind of ‘media coronelismo’ several Brazilian interviewees speak about. Magalhães, three-times governor and three-times Senator from Bahia through a 50-year career that spanned both military rule and democratic governments of the left and the right, maintained his regional powerbase in part through his ownership of Bahia’s second-largest newspaper, the local Globo television affiliate, and several other

<sup>64</sup> FIEG, ‘La Stampa in Italia’, several issues (2002–10). Original source: FIEG processing of ADS data.

<sup>65</sup> Amy Chozik, ‘Sale of Philadelphia Papers is Completed’, *Media Decoder Blog*, 2 Apr. 2012, <http://mediadecoder.blogs.nytimes.com/2012/04/02/sale-of-philadelphia-papers-is-completed>; David Carr, ‘Newspaper as Business Pulpit’, 10 June 2012, <http://www.nytimes.com/2012/06/11/business/media/san-diego-union-tribune-open-about-its-pro-business-motives.html>; and Michel J. De La Merced, ‘Berkshire Bets Again on Newspapers with Media General Deal’, 17 May 2012, <http://dealbook.nytimes.com/2012/05/17/berkshire-bets-again-on-newspapers-with-media-general-deal> (all accessed Aug. 2012).

<sup>66</sup> Reporters without Borders, ‘Brazil’, <http://en.rsf.org/report-brazil,169.html> (accessed Aug. 2012).

broadcasters.<sup>67</sup> In India, many media companies are also heavily tied in with local political power-brokers. Y. S. Jaganmohan Reddy, for example, is not only a member of the Indian Parliament, son of Andhra Pradesh's former chief minister Y. S. Rajasekhara Reddy, and chairman of the YSR Congress party named after his father. He also owns, amongst many other commercial interests, the Telugu-language newspaper *Sakshi* (daily circulation 1.4 million) and the television news channel Sakshi TV. (In May 2012, Reddy was arrested by the Indian Central Bureau of Intelligence on multiple charges of embezzlement and corruption.) Companies without direct political links also use their media assets for a variety of purposes. DB Corp, one of the country's largest and most successful media corporations, have been accused of using its Hindi-language flagship newspaper *Dainik Bhaskar* to promote the mining interests of its DB Power subsidiary through biased coverage.<sup>68</sup> Though numerous all-news cable channels have been launched in recent years, many are unprofitable and seen as instruments of their corporate and political backers.<sup>69</sup> Barun Das, CEO of Zee News and vice-president of the News Broadcasters Association, explains:

*the news assigns a certain kind of power, which is a perceived power, political power, influencing power. So, there are a lot of fly-by-night operators that come into the news domain. . . . In Hyderabad you have 13, 14 news channels, 80 per cent are owned by politicians and the rest are owned by builders.<sup>70</sup>*

#### 4.3. New peculiarities

Finally, the parallel displacements and persistent particularities are accompanied by new peculiarities. One example is the relative success of new journalistic online start-ups in countries like France and Italy with less developed commercial news media, lower levels of online advertising, and somewhat lagging levels of internet access and use.<sup>71</sup> Initiatives like *Netzeitung* (2000–9) failed in Germany, with its highly developed commercial media, high levels of online advertising, and high levels of internet access and use, whereas ventures like *Mediapart* and *Dagospia* seem to have found their own niches in the French and Italian media systems. Another example is the growing importance of philanthropically supported non-profit media in the United States, a development that so far has had no parallel.<sup>72</sup> Individual non-profit news organisations have launched elsewhere, like the Bureau of Investigative Journalism in the United Kingdom, but nothing like the 'new journalism ecosystem' combining national, regional, and local initiative that has emerged in the United States over recent years. The combination of the decline of commercial news media organisations in the US, an increased commitment to news reporting by public media like PBS and especially NPR, and a growing number of internet-based non-profit news media suggests that the US may be inching away from its position as one of the most thoroughly commercialised media systems in the world.

<sup>67</sup> Harlow, 'A Political Boss'.

<sup>68</sup> Aman Sethi and Priscilla Jebraj, 'High Court Stays Cleanance for DB Power Coal Mine in Chhattisgarh', *The Hindu*, 11 Dec. 2011.

<sup>69</sup> Vanita Kohli-Khandekar, 'When Politicians Own the Media', 3 July 2012, <http://www.business-standard.com/india/news/vanita-kohli-khandekar-when-politicians-ownmedia/479159> (accessed Aug. 2012).

<sup>70</sup> Barun Das, interviewed by Savyasaachi Jain.

<sup>71</sup> Nicola Bruno and Rasmus Kleis Nielsen, *Survival is Success: Journalistic Online Start-Ups in Western Europe* (Oxford: RISJ, 2012).

<sup>72</sup> Charles Lewis, Brittney Butts, and Kate Musselwhite, 'A Second Look: The New Journalism Ecosystem', 20 Nov. 2011, <http://investigativereportingworkshop.org/ilab/story/second-look> (accessed Aug. 2012).

As said, there is no question that American-produced content figures prominently in media around the world, that many journalists orient themselves towards forms of professional practice and ethics associated with America, and that many media companies with headquarters in America play a role internationally as well as nationally. And yet, when one examines the structural properties of media systems around the world today, there is little support for the idea that our media systems themselves are becoming 'Americanised'. What we should expect in the future is not homogenisation but a continuing multiplicity of forms.

#### *4.4. Summary*

In short:

- We have seen parallel displacements in terms of audience fragmentation, paid print newspaper circulation decline in many cases, and growth in internet access and use, but this has affected all countries, not just the US, and the trend is not towards convergence on an American model in particular.
- Inherited persistent particularities, ranging from the strength of public service broadcasting over differences in newspaper readership to degrees of state intervention in the roll-out of information society infrastructures, continue to influence the structural properties of our media systems in significant ways.
- New peculiarities mean that these systems have in some small ways become less like each other over the last decade, as journalistic online start-ups and non-profit media organisations have managed to establish themselves in a few countries but struggle elsewhere.

## II. BIG TRENDS

### 5. Media Use

Though many discussions of the changing business of journalism focus on business and policy problems, the basis of media, as sources of information, as commercial enterprises, and as public institutions, remains use. To understand what media mean and how they evolve, we need to examine how people engage with them, and how those forms of engagement are changing. Media industry professionals are keenly aware of this, concerned that people who, whether they are watching television, browsing a newspaper, or using the internet, will 'click and flick' restlessly through the many options competing for their time and attention.<sup>73</sup> Intense competition in what some have labelled the 'attention economy' challenge inherited business and production models premised on the existence of a large, everyday, routine audience and a limited number of alternative outlets, and undermine assumptions built into media policies devised for a twentieth-century mass media environment. In the past, the average media user could watch what a few channel programmers chose to broadcast, read what a few editors chose to print. For those who have the opportunity and the inclination to embrace all that is on offer today, the present seems to promise, in the words of the consulting company Accenture, everything 'anytime, anywhere, [on] any device, [and] any platform'.<sup>74</sup> In this high-choice environment, the personal preferences, active choices, and more habitual routines of media users shape our media systems in a much more immediate fashion than in past low-choice environments.

Looking at actual patterns of media use, it is clear that some of us live in a futuristic world of media choice, mobility, and convenience scarcely imaginable 10 or 20 years ago (and far removed from those who today do not have the means to access it). As Markku Huusko, the editor-in-chief of the online-only Finnish news organisation *Uusi Suomi* puts it: 'from the perspective of the consumer, the developments have been overwhelmingly positive'.<sup>75</sup> The size and precise demographics of those who have fully embraced what the media world of today has to offer differ from country to country, as does the terminology ('early adopters', etc.). But the basic phenomenon is the same: the media routines of a subset of the population, generally one that is relatively younger, more affluent, and more well-educated than the rest, has moved rapidly in the direction of digitally delivered, on-demand, multi-screen use. (The same group is also amongst the most enthusiastic sharers, commentators, and self-publishers, at the core of 'the people formerly known as the audience'.) By 2012, nearly a quarter of the US adult population, mostly from the upper end of the income distribution, regularly accessed news on at least two different digital web-enabled mobile devices, using some combination of laptops, smart phones, and tablets as parts of their everyday media routines.<sup>76</sup> Two-thirds of adult internet users were on one or more social networks, about a third had commented on news

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<sup>73</sup> Owen Gibson, 'News for the Clickers and Flickers', *Guardian*, 1 May 2006.

<sup>74</sup> <http://www.accenture.com/microsites/access/2010-feb/Pages/connecting.aspx> (accessed Aug. 2012).

<sup>75</sup> Markku Huusko, interviewed by Kari Karppinen.

<sup>76</sup> Amy Mitchell and Tom Rosenstiel of PEJ, and Leah Christian of Pew Research Center, 'Mobile Devices and News Consumption: Some Good Signs for Journalism', [http://stateofthedia.org/print-chapter/?print\\_id=11552](http://stateofthedia.org/print-chapter/?print_id=11552) (accessed Aug. 2012).

sites in some form or other, and one in six had their own website or blog.<sup>77</sup> These people's media use is in many ways qualitatively different from anything the twentieth century had to offer. And their embrace of digital media has direct implications for what role, if any, traditional print and broadcast media can play. Newspapers' content is used not for news but for 'reflection' and 'background', in the words of Augusto Preta, an Italian media analyst, television newscasts not for breaking news but for 'a curated story of what's supposed to have happened' over the last 24 hours, in the words of Magnus Brooke, Director of Policy and Regulatory Affairs at the commercial broadcaster ITV in the UK.<sup>78</sup>

### 5.1. A retrofitted future

Despite the often outsize attention paid to the well-connected and well-equipped minority, however, the future we live in is a retrofitted future. It is a world in which the vast majority of media users mix 'old' and 'new' media. The same affluent, well-educated, urban demographics that have embraced online and mobile news also read more print newspapers than the average citizen. In the wider population, the enduring relevance of inherited forms of media use and of legacy media platforms is equally striking, in particular when it comes to television viewing, which has actually *increased* in most countries over the last decade (see Table 5.1). In 2006, the American tech entrepreneur and media commentator Michael Arrington suggested that we 'just declare TV dead and move on'.<sup>79</sup> The evidence suggests this is premature.

**Table 5.1. Television viewing (average minutes per head per day)**

	2002	2010
<b>Finland</b>	171	170*
<b>France</b>	200	212
<b>Germany</b>	201	223
<b>Italy</b>	230	246
<b>United Kingdom</b>	214	242
<b>United States</b>	280	313*
<b>Brazil</b>	N/A	222
<b>India</b>	N/A	119

Sources: Data from Ofcom, European Audiovisual Observatory, and the Nielsen Company (\*data from 2009).

In the United Kingdom, where internet access exceeds 80%, where both the BBC and its commercial competitors have rolled out numerous digital on-demand services, both free and paid, and where DVRs (digital video recording devices) are widespread, scheduled linear programming on traditional TV sets still accounted for 83% of all viewing by 2010 (about 75%

<sup>77</sup> <http://pewinternet.org/Static-Pages/Trend-Data-%28Adults%29/Online-Activites-Total.aspx> (accessed Aug. 2012).

<sup>78</sup> Augusto Preta, interviewed by Alessio Cornia; Magnus Brooke, interviewed by Rasmus Kleis Nielsen.

<sup>79</sup> Michael Arrington, 'Let's Just Declare TV Dead and Move on', 17 Nov. 2006, <http://techcrunch.com/2006/11/27/lets-just-declare-tv-dead-and-move-onhttpwwwtechcrunchcomwp-adminpostphactioneditpost3865-2> (accessed Aug. 2012).

for the 16–24s).<sup>80</sup> Non-linear viewing happens on TVs but also increasingly on computers, using various web services including the BBC iPlayer, ITV Player, etc. The majority of non-linear viewing is catching up (typically within a day or two) with favourite scheduled programming. While television broadcasting has been almost entirely digitised in many countries, and DVRs, online streaming, and IPTV services are increasingly popular, broadcasting remains recognisably broadcasting even in the most technologically advanced media systems.

Scheduled linear television is not the only ‘old’ media that has turned out to be surprisingly entrenched in many people’s everyday life. Even print remains an important part of many people’s media habits. Throughout a decade in which people with internet access have been able to freely peruse newspaper content online, tens of millions of online users across the world have continued to pay for their printed copies on a regular basis. In most countries, more time is still spent reading newspapers in print than in their digital versions.<sup>81</sup> In 2009, Hal Varian, Google’s Chief Economist, estimated that offline newspaper ‘page

views’ outnumbered online ones by more than 30 to 1.<sup>82</sup> Only in 2010 did the time spent accessing news online outpace that spent reading it in printed newspapers in the United States.<sup>83</sup> That year, 21% of Americans aged 18 to 29 reported getting most of their news from newspapers – less than the 31% national average, but still a substantial figure

“ *While television broadcasting has been almost entirely digitised in many countries, and DVRs, online streaming, and IPTV services are increasingly popular, broadcasting remains recognisably broadcasting even in the most technologically advanced media systems* ”

documenting that newspapers continue to have an audience even in a vastly more competitive and media-rich environment.<sup>84</sup> And when people do abandon terrestrial television and printed papers to find entertainment and news online, the majority of them flock to the websites and mobile applications of brand-name legacy providers.<sup>85</sup>

Interviewees underline the importance of trusted brands, the force of habit, and the sometimes meager offerings of online-only alternatives to account for this. Denis Wharton from the National Association of Broadcasters in the US offers a particular take on television’s continued centrality in most people’s media use. He says:

*there are a lot of people, at least in the United States, who have the mindset that ‘I’ve been working eight to ten hours, maybe in front of a computer,*

<sup>80</sup> Ofcom, *Communications Markets* (London: Ofcom, 2010).

<sup>81</sup> Print newspaper readers are fewer and fewer in many countries, but still spend 20 to 30 minutes on average reading during the day. Online newspaper readers are growing in numbers, but the vast majority spent very little time on newspaper websites before moving elsewhere. While time spent online has outpaced time spent with print media in many affluent democracies, consumer information companies like Experian Hitwise estimate that at most 5% of the time people spent online is spent on news.

<sup>82</sup> Hal Varian, ‘Newspaper Economics Online and Offline’, presentation to the FTC, 2010.

<sup>83</sup> Pew Research Center, ‘Americans Spending More Time Watching the News’, 10 Sept. 2012, <http://www.people-press.org/2010/09/12/americans-spending-more-time-following-the-news> (accessed Aug. 2012).

<sup>84</sup> Pew Research Center, ‘Internet Gains on Television as Public’s Main News Source’, 4 Jan. 2011, <http://www.people-press.org/2011/01/04/internet-gains-on-television-as-publics-main-news-source> (accessed Aug. 2012).

<sup>85</sup> Robin Foster, *Informing the UK: The Role of TV News in a Digital World* (London: Communications Chambers Group, 2011) and Nic Newman (ed.), *Reuters Institute Digital News Report 2012: Tracking the Future of News* (Oxford: RISJ, 2012).

*knocking back emails and reading on a small screen. I want to go home, enjoy a show with my family, sit on the couch, lean back and relax rather than lean forward to click and point and push buttons and work really hard for my entertainment.*<sup>86</sup>

## 5.2. The predominance of mixed use

The outcome is a predominance of mixed use. Finland is the country covered here with the highest levels of internet use and broadband access. There, Valtteri Niiranen from the Federation of the Finnish Media Industry points out, 'people read both printed newspapers and online news'. He continues:

*Around 60–70% of the readers are 'mixed users', 20% read only the printed newspaper, and 20% read online newspapers only. The share of online only use will probably increase, but the main trend and challenge for newspapers continues to be the diversification of media use.*<sup>87</sup>

A major cross-national survey from 2006 asked people to name their 'most important source of news' in different countries. In most countries, including Brazil, the UK and the US, 50–60% named television, followed by about 20% naming newspapers and, in affluent democracies, about 10% mentioning 'the internet'. (In Germany, newspapers were named by 45% and television only by 30%. In India, television was named by 37% and newspapers by 36%, and the internet did not register.<sup>88</sup>) In countries where consistent time series exist, such as that maintained by the Pew Research Center for the People and the Press in the US, the trend since has been clear – a gradual erosion of the number of people mentioning television and newspapers, a rapid increase in the number of people naming the internet. By 2008, the internet had overtaken newspapers as the second most frequently mentioned 'main source of news' in the US, named by 41% of those surveyed (66% named television).<sup>89</sup> But as late as in 2012, a survey conducted in the UK for the media regulator Ofcom found that the internet came last out of four media when people were asked about daily consumption of news – 71% said they used TV daily, 41% radio, 30% newspapers, and 29% the internet.<sup>90</sup> Where data exist on actual patterns of traffic, they suggest that using 'the internet' as a news source primarily means that people access legacy media companies' content online. A 2012 cross-national survey of online news use that included France, Germany, the UK, and the US suggests that 70–90% of people accessing news online go to the sites of legacy outlets, whereas aggregators and online-only outlets are used by 30–40% in the European countries and 60% in the US.<sup>91</sup>

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<sup>86</sup> Denis Wharton, interviewed by Rasmus Kleis Nielsen.

<sup>87</sup> Valtteri Niiranen, interviewed by Kari Karppinen.

<sup>88</sup> The 2006 Globescan survey was done over the phone with about 1,000 respondents from each of the ten countries, see [http://news.bbc.co.uk/1/shared/bsp/hi/pdfs/02\\_05\\_06mediatrust.pdf](http://news.bbc.co.uk/1/shared/bsp/hi/pdfs/02_05_06mediatrust.pdf) (accessed July 2012).

<sup>89</sup> Pew Research Center, 'Internet Gains on Television as Public's Main News Source'.

<sup>90</sup> Ofcom, *Measuring Media Plurality* (London: Ofcom, 2012),

<http://stakeholders.ofcom.org.uk/binaries/consultations/measuring-plurality/statement/statement.pdf> (accessed Aug. 2012).

<sup>91</sup> Newman, *Reuters Institute Digital News Report 2012*.

While new entrants dominate new activities like search and online social networking, and various forms of user-generated content play an increasing role in some people's media habits, incumbents continue to dominate entertainment and news provision and use around the world.<sup>92</sup> While the growing number of options available to most intensifies competition for people's attention, it is not clear that the spread of the internet and mobile media have yet

led to widespread

wholesale substitution of new media for old media.<sup>93</sup>

One researcher, examining patterns of media use across a set of countries including France, Germany, Italy, the UK, and the US, found no evidence for media substitution when it comes to accessing news from television, newspapers, and online – indeed, the more someone accessed news on

any of these platforms, the more likely they were to access it on other platforms too.<sup>94</sup> If we were to imagine a single paradigmatic form of media use in the affluent democracies (or affluent parts of emerging economies) we might think of someone watching television while using their laptop or smart phone to browse for news from legacy providers and share things with friends via email and Facebook. Seemingly old-fashioned forms of media use are embedded in people's routines and daily life and generally change only incrementally as long as they continue to be experienced as generally satisfying.<sup>95</sup>

“ *While new entrants dominate new activities like search and online social networking, and various forms of user-generated content play an increasing role in some people's media habits, incumbents continue to dominate entertainment and news provision and use around the world* ”

### 5.3. An unevenly distributed future

Finally, of course, the future is not evenly distributed. This is particularly clear when looking at emerging economies like Brazil and India, where the multi-platform and increasingly digital media use of affluent urban elites is not unlike that of their brethren in Italy or the United Kingdom, but where the majority of the

population still does not have internet access.

Close to half a billion Indians live in households with no television. More than one hundred million Brazilians and over one billion Indians are not internet users.

“ *Seemingly old-fashioned forms of media use are embedded in people's routines and daily life and generally change only incrementally as long as they continue to be experienced as generally satisfying* ”

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<sup>92</sup> Foster, *Informing the UK*.

<sup>93</sup> Mark Cooper, 'Internet Media Usage and Substitutability', *Free Press*, [http://www.freepress.net/sites/default/files/resources/study\\_2\\_media\\_usage\\_and\\_substitutability.pdf](http://www.freepress.net/sites/default/files/resources/study_2_media_usage_and_substitutability.pdf) (accessed Aug. 2012).

<sup>94</sup> Cristian Vaccari, *Digital Politics in Western Democracies: A Comparative Study* (forthcoming). See also Scott L. Althaus and David Tewksbury, 'Patterns of Internet and Traditional News Media Use in a Networked Community', *Political Communication*, 17/1 (2000), 21-45; David Tewksbury, 'What do Americans Really Want to Know?', *Journal of Communication*, 53/4 (2003), 694-710; Benjamin Gaskins and Jennifer Jerit, 'Internet News: Is it a Replacement for Traditional Media Outlets?', *International Journal of Press/Politics*, 17/2 (2012), 190.

<sup>95</sup> Couldry, *Media Consumption*.



Hundreds of millions will remain offline for years to come, especially amongst the poor, those with little formal education, and those living in rural areas. Sergio D'Avila, editor-in-chief of *Folha de São Paulo* in Brazil, explains: 'our infrastructure has many problems. Physical access is limited due to bad roads, overloaded airports, and lack of flights. Digital access is limited due to low-speed internet and the lack of 4G [mobile broadband access].'<sup>96</sup> In India, where just 7% of the population were internet users by 2010, Shравan Gang, Group Editor of the *Dainik Bhaskar*, a Hindi-language newspaper with a total circulation of more than 2 million printed copies every day for its many regional editions, says:

*If you look at the Indian scenario, it is not more than 10% internet penetration. . . . If you divide it into urban and rural, then consider the gateway and again the broadband facility reaching out to villages, small places, district places. The connectivity, then the server problem, then electricity problems, then language problems. It will take a lot of time.*<sup>97</sup>

The government of India estimates that about 500 million Indians live in urban areas, and 750 million in rural areas. Newspapers like the *Dainik Bhaskar* are increasingly penetrating the countryside, internet connectivity is not.)

For the foreseeable future, media use for hundreds of millions of Brazilians and Indians means access to terrestrial broadcasting, often a mobile phone, and printed newspapers. But not multi-channel pay television, smart phones, or access to news websites from around the world. (In Italy too, overall an affluent, developed democracy but one riven by internal regional and social inequalities, internet access only in 2010 became a majority population phenomenon, and is far more widespread in the rich North than in the poorer South.) Even in the most affluent democracies, digital divides remain in place in terms of access, forms of access, and web use skills.<sup>98</sup> Looking narrowly at the percentage of people who are active users, growth has petered off in recent years in many countries, stabilising between 80 and 90%, somewhat short of the 95+% penetration achieved by television. In the United States, the percentage of the adult population who use the internet grew from 43% in 2000 to 68% in 2005. From 2005 to 2010, it grew only six more percentage points, to 74%, according to data from the World Bank. Some of this levelling off has to do with pockets of pervasive poverty even within wealthy countries. Some of it has to do with cohort effects, where many older people have in many countries basically decided the internet is not for them (even if they can afford it and both their bank and their government would very much like them to use it). In the United States, according to research by the Pew Internet and American Life Project, 41% of those over 65 used the internet by 2011, meaning another almost 25 million older people remained offline.<sup>99</sup> Mortality being the rule, these people will over time be replaced by people who are more likely to be active internet users. But even when we look at the youngest demographics in highly wired countries like the United States, the 18–29-year-old so-called 'digital natives', 6% (amounting to almost three million people) were not active internet users.<sup>100</sup> And economic,

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<sup>96</sup> Sergio Avila, interviewed by Fernando Oliveira Paulino.

<sup>97</sup> Shравan Gang, interviewed by Savyasaachi Jain.

<sup>98</sup> Eszter Hargittai, 'Digital Na(t)ives? Variation in Internet Skills and Uses among Members of the "Net Generation"', *Sociological Inquiry*, 80/1 (2010), 92-113.

<sup>99</sup> Katheryn Zickhur and Aaron Smith, 'Digital Differences', 13 Apr. 2012 (a project of the Pew Research Center), [http://pewinternet.org/~media/Files/Reports/2012/PIP\\_Digital\\_differences\\_041312.pdf](http://pewinternet.org/~media/Files/Reports/2012/PIP_Digital_differences_041312.pdf) (accessed Aug. 2012).

<sup>100</sup> *Ibid.*

social, and regional differences in access are, with some variation, being replicated with newer technologies like broadband and smart phones.

Looking at media use around the world, 'old' and 'new' media today coexist. Where new media are available, they supplement old media more often than they supplant them. In high-choice environments the broad trend – on all platforms – is towards audience fragmentation, with a few big outlets dominating and a variable number of smaller outlets fighting to carve out more or less sustainable niches for themselves. People mix and match amongst these offerings as they do across platforms, depending on habit and convenience as much

as price and preference.<sup>101</sup>

The challenge for commercial news media is to make ends meet in this more competitive and fluid partially convergent environment.

**“ Looking at media use around the world, 'old ' and 'new' media today coexist. Where new media are available, they supplement old media more often than they supplant them ”**

#### 5.4. Summary

In short:

- A large minority, including many of the most affluent and well-educated media users, have wholeheartedly embraced the digital, web-enabled, mobile, multi-screen future. But we fundamentally misunderstand how our media systems work if we see them through the lens of the most fashionable and technologically advanced forms of use of the most enthusiastically connected. This very same minority still watch television more than they use the internet, and many of them still read print newspapers frequently.
- And for most people, scheduled linear television remains by far the most frequent form of media use and most important source of news, though it is, amongst those who have access, increasingly supplemented by various forms of internet use.
- Many do not have these options. Even after decades of concern over 'digital divides' and occasional attempts to close them, millions remain offline, disconnected, and poorly equipped to make the most of the internet, even in the wealthiest countries. In emerging economies like Brazil and India, internet access is yet to be available to the majority of the population.

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<sup>101</sup> In the US, increased competition and the proliferation of new news providers have been accompanied by the rise of a number of more or less explicitly partisan outlets. The most prominent are the cable channels Fox News and MSNBC and the online sites Huffington Post and Daily Kos. The re-emergence of partisan media has ignited an extensive debate around the extent and consequences of partisan self-selection and fragmentation, i.e. of people using media that conform with their pre-existing political views and fewer people attending to shared general news outlets. Some analysts claim to have found strong self-selection effects (e.g. Natalie Stroud, *Niche News* (Oxford: OUP, 2011). Others point out that even the most conservative Fox viewers and liberal MSNBC viewers still spent more time watching news on the relatively impartial main network and local channels (see Webster, 'Duality of the Media'). In Brazil, India, and Europe, where many newspapers have long had a clear and often partisan editorial line and broadcast licence holders are often required to remain impartial, new partisan media online have provoked less discussion.



## 6. Media Markets

The rapid rise of the internet as an important supplement to inherited forms of broadcast and print media (as well as a new infrastructural substratum for more and more media production) has not only often been mistaken for a wholesale transition to a fully digital and convergent media environment that closer examination of actual patterns of media use shows still lies in the future (if anywhere). It has also, because it has coincided with several convulsions in older media industries, been painted as the ‘killer’ of virtually every legacy media business around, including music, publishing, and broadcasting. But as suggested above, this is not necessarily the best way to understand what has actually happened, especially during the first years of the twenty-first century.

### 6.1. *The impact of recessions*

The rapid spread of internet use in the late 1990s and early 2000s coincided with mounting economic difficulties for newspapers in many countries around the world.

Unsurprisingly, many saw the two phenomena as related, highlighting the structural problem faced by newspapers – as readers and advertisers migrated from profitable print offerings to unprofitable online sites, they would naturally suffer. (As is

“ *Cyclical changes have had a much more dramatic and immediate impact on the overall revenues of legacy media companies than the rise of the internet* ”

often pointed out, online readers are worth dimes compared to the dollars made off print readers.) But in fact, cyclical changes have had a much more dramatic and immediate impact on the overall revenues of legacy media companies than the rise of the internet over the last decade.<sup>102</sup> The internet has been important, and no doubt will be even more so moving forward, but recessions have hurt legacy media even more.

Take Germany as an example. From 2000 to 2003, internet use doubled from about 30% to almost 60% of the population, higher than in many other OECD countries. During the same period, newspaper advertising declined by almost €2.5 billion – about 25%. Was this due to advertisers following readers from print to online? Not really – paid print circulation declined only 6% in the course of these three years, and internet advertising grew only by about €100 million. German newspapers suffered during these years primarily because the country’s export-driven economy was hard hit by the global recession following the dot.com bust. In fact, *all* media suffered – with the exception of online, all categories of advertising went down from 2000 to 2003, with total spend declining by 21%. Print newspapers did suffer more than other categories (television was down 19%), but not much more, and most of their loss of revenue in this period were attributable to cyclical rather than structural factors. From 2003 onwards, newspaper advertising spend in Germany *grew*, every year, for four years in a row, as the economy recovered,

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<sup>102</sup> Richard Van der Wurff, Piet Bakker, and Robert G. Picard, ‘Economic Growth and Advertising Expenditures in Different Media in Different Countries’, *Journal of Media Economics*, 21 (2008), 28-52.

even though internet access, use, and advertising also grew.<sup>103</sup> Then in 2008 another recession hit, and newspapers again suffered.

Television too has been hit by cyclical slumps in advertising revenues. In 2008 and 2009, the British commercial broadcaster ITV struggled as advertising fell. (The company used the occasion to renegotiate its public service commitments with reference to its commercial decline.) Since then, it has surged on the back of a resurgent advertising market.

## 6.2. *The impact of the internet*

Though the internet *is* changing our media systems, often in profound ways, its full impact on media markets is yet to be felt. As shown above, audiences have embraced digital platforms but so far use them as parts of a wider media mix that remains dominated by television. Over time, advertising spend tends to be broadly proportional with time spent on a given platform, but so far, advertisers generally seem to have moved online more slowly than the people they aim to reach. In 2012, the venture capitalist Mary Meeker presented an analysis of data from the US suggesting that, while television advertising spend and time spent was about the same in 2011 (43% and 42%, respectively), print still drew much more advertising (25%) than attention (7% of time spent), whereas both the internet (26% time spent, 22% advertising spend) and especially mobile (10% time spent and 1% advertising spend) are lagging even without factoring in further migration of users.<sup>104</sup> This suggests a much bigger migration of advertising lies ahead, particularly in countries like Finland and Germany where printed newspapers still draw more than 30% of total ad spend.

As made clear above, the internet is just the latest in a number of new media that have, since the Second World War, put increasing pressure on the business model of paid printed newspapers, and in many cases accelerated their long-term decline. But in a few specific ways and cases, the internet has had a much more dramatic and direct effect, in particular as a platform for

“ *Though the internet is changing our media systems, often in profound ways, its full impact on media markets is yet to be felt* ”

online classified sites like Craigslist, Monster.com, and their many brethren around the world. Such sites offer a cheaper, more user-friendly, and cost-efficient alternative to classified advertising in newspapers, and have dealt a major blow to the economics of companies heavily dependent on the latter. The impact has already been noted

above. In 2000, data from the Newspaper Association of America show that classified advertising in newspapers peaked at close to \$20 billion in the US. That year, it made up 40% of total print newspaper advertising and a third of overall industry revenues.<sup>105</sup>

<sup>103</sup> Data from *World Advertising Trends* (2008).

<sup>104</sup> Jeff Sonderman, ‘The One Chart that Should Scare the Hell Out of the Print Media’, 30 May 2012, <http://www.poynter.org/latest-news/mediawire/175619/the-one-chart-that-should-scare-the-hell-out-of-print-media> (accessed Aug. 2012).

<sup>105</sup> The shift of classifieds from print to digital was foreseen by some far-sighted newspaper executives, including Robert Kaiser of the *Washington Post*. In a 1992 memo, he argued that classifieds would eventually move to a more user-friendly, searchable electronic format, and that the *Post* needed to be at the forefront of this development. His reasoning also reveals why it never was – he argued the company should ‘postpone implementation until a moment when we’re confident we’ll make more money (or deter a competitor) by launching the electronic product’. That moment never arrived, and the *Post* did not deter competitors from outside the newspaper industry, who had nothing to lose, from launching their sites, a classic example of Clayton Christensen’s ‘innovator’s dilemma’.

Ten years later, the figure for classifieds was about a quarter of that. From 2000 to 2009, classifieds shrank by more than 70% in current terms, whilst national and retail print newspaper advertising shrank by about 35%. (Overall advertising spend fell by 6%.) By then, classifieds made up less than 15% of overall newspaper industry revenues. Parts of the UK press have suffered a similarly brutally quick loss of revenues from classified advertising, which shrank by about 50% from 2005 to 2009, from two to one billion pounds. In 2005, classifieds made up about half the industry's advertising revenues, four years later about a third. (This hit local and regional papers harder than anyone else – the publishing chains Trinity Mirror and Johnston Press both lost about a third of their advertising revenues in 2008–9 alone.)

But newspapers elsewhere have long operated without the profitable privilege of a strong hold on the classified market. In Italy, classified advertising makes up only about 8% of newspaper advertising and about 4% of overall industry revenues, and the figure has remained relatively stable in recent years. While other categories of print newspaper advertising are likely to benefit at least somewhat from an overall economic recovery, as long as individual titles manage to remain relevant for attractive groups of readers, the large-scale migration of classified advertising from print to online sites is arguably largely irreversible, given the superiority of the latter from the point of view of both buyers and sellers, and in light of their price advantage. Some newspaper companies have accepted

**“ The internet has not killed the newspaper, but particular internet sites have torn particularly profitable kinds of advertising away from newspapers which had grown accustomed to them ”**

this and moved aggressively into the market for online classifieds to establish their own sites, just as they have moved into freesheets despite the potential threat they represent to paid titles (operating on the principle that it is better to cannibalise your own business than to be cannibalised by others).<sup>106</sup>

The internet has not killed the newspaper, but particular internet sites have torn particularly profitable kinds of advertising away from newspapers which had grown accustomed to them. Basically, newspaper revenues in the US have declined sharply mostly because of the end of their monopoly status in several lucrative categories of advertising. Elsewhere, industry revenues have been hit by various recessions and the gradual migration of both readers and advertisers to other media, but these losses have so far to some extent been offset by stable and often increasing sales revenues. Newspapers in Finland, Germany, the UK (and the US) still generate considerable revenues because they have sizeable readerships and continue to attract billions in advertising spending. Their counterparts in France and Italy make much less money primarily because they have many fewer readers. Titles in Brazil and India see revenues increase in part because circulation is increasing, but

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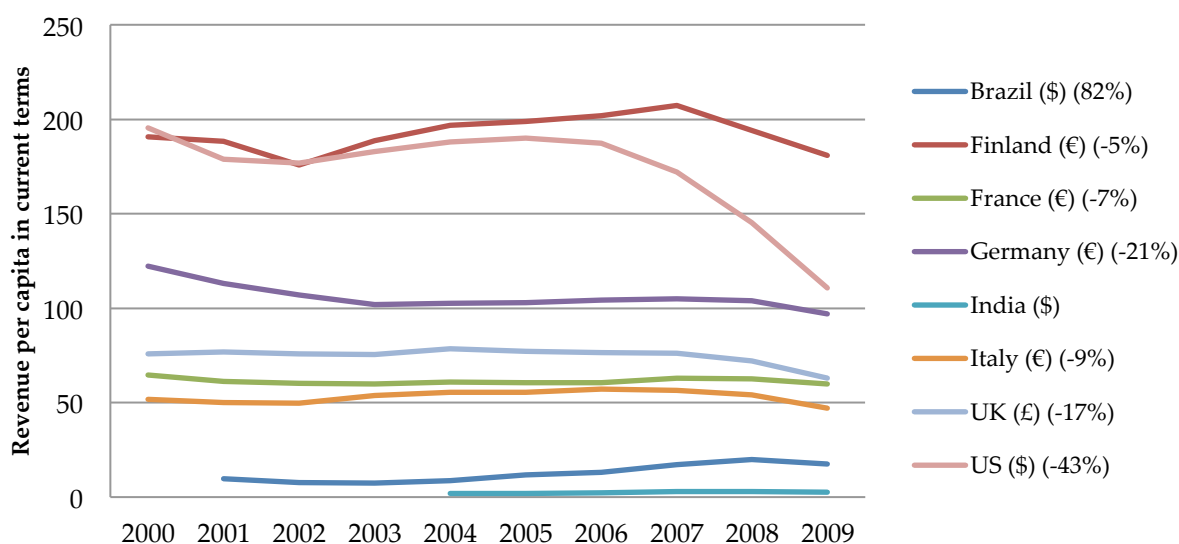
<sup>106</sup> Even in cases where clear-eyed newspaper company executives have seized the opportunity early on to establish their own online classified sites, these are still much less profitable than the old print classifieds were and it is not clear that they are tied to the operations of the newsroom. Thus, cross-subsidies may not be forthcoming. Classifieds in the printed edition of the *Kent Messenger* relied on the news in the paper to draw readers. Online classifieds on Kent Homes, Kent Motors, and Kent Jobs, all owned by the KMG, benefit from the brand value of the *Kent Messenger*, but fundamentally rely on people seeking out the ads because they want to buy something.

mostly because advertising revenues are growing rapidly on the back of overall economic growth (see Figure 6.1).

### 6.3. The decoupling of media revenues and news investment

Despite the travails of newspapers in particular, and the impact of cyclical recessions at the beginning and end of the 2000s, overall consumer and advertiser spend on media is growing in most countries. Pay television is growing rapidly, television advertising overall has done well, and internet advertising has registered non-stop double-digit growth for the past decade in many countries. (PricewaterhouseCoopers predict a 5.7% compound annual growth rate in global media markets over the next five years, taking overall revenues from about \$1.6 trillion in 2011 to about \$2.1 trillion in 2016.<sup>107</sup>)

**Figure 6.1. Total newspaper revenue per capita, 2000–2009**



Sources: Figure in parenthesis is the change in per capita revenue from 2000 to 2009 (or closest equivalent). Data from World Press Trends, DDM, Zenith Optimedia and PricewaterhouseCoopers on revenue, from the World Bank on population. (Note that the figures for Brazil include an estimate for newspaper sales revenues based on PwC figures for the entire Latin American market.) Currency exchange rates from the US Federal Reserve. Currency exchange rate fluctuation may distort comparison.

But the link between commercial success and investment in news that existed in much of the post-war newspaper industry and was politically imposed on television broadcasting through various forms of public service obligations is largely absent from the two most significant areas of growth: pay television and much of the internet. In newspapers, commercial success enabled newsroom investment. In free-to-air television, entertainment subsidised news operations to various degrees. But in pay TV, only a tiny fraction of overall revenues are invested in news. And online, as the British media analyst Sean McGuire points out, 'content-less advertising is becoming increasingly common'.<sup>108</sup> Advertising is increasingly placed next to search results (Google and Yahoo), user-generated content, and the like (on Facebook and web-based email clients like Hotmail), rather than tied to professionally produced content. (A recent report commissioned by the British media

<sup>107</sup> <http://www.pwc.com/gx/en/global-entertainment-media-outlook/data-insights.jhtml> (accessed Aug. 2012).

<sup>108</sup> Sean McGuire, interviewed by Rasmus Kleis Nielsen.

regulator Ofcom estimated that, whereas the UK newspaper industry as a whole invested about 23% of their revenue in news production, the figure for television is 4% and for online only 2%.<sup>109</sup>) This phenomenon is felt everywhere – even Axel Springer, a German media company that has otherwise fared well so far, faces challenges in this area. According to their spokesperson Christoph Keese: '[Springer] aims to be profitable in each field, but content production is the most difficult one.'<sup>110</sup> In fact, it has turned out to be very difficult everywhere to finance professional news production on the basis of online operations alone.

The basic problem is simple – news organisations have traditionally funded their newsroom either on the basis of sales revenues combined with considerable advertising revenues (newspapers and cable channels) or on the basis of advertising revenues alone (free-to-air broadcasters). Both revenue streams are precarious online. Though many early news websites experimented with pay models in the 1990s, the dominant paradigm across newspaper companies, broadcasters, and pure players has become free content. News has been made available without payment in the hope of building an audience and potentially drawing the user to more profitable offline or subscription products (a form of loss-leading). With the exception of specialist publications like the *Financial Times*, the *Wall Street Journal*, and the like, very few sites have succeeded with pay models. This means that sales revenues have been non-existent in most cases. (From 2010, pay models have staged a come-back in the news business, first in continental Europe, then increasingly in the Anglophone world too. In 2010, the French top-selling national broadsheet *Le Figaro* and several German newspapers introduced metered systems and *The Times* of London went behind a 'hard' paywall. In 2011, the *New York Times* introduced a metered model. In 2012, several large newspaper chains announced their intention of doing the same. The proportion of US newspaper websites that operate some sort of paywall has grown from virtually zero to about 20% in two years.<sup>111</sup> Some titles, like the *Guardian* and the *Washington Post*, remain committed to the free model. It is not yet clear whether some form of metered pay model is suitable across the newspaper industry or only for some titles.) Because of the dominance of the free paradigm, advertising, the second traditional source of revenue for news organisations, has been the only major source of income online. The problem with sustaining (expensive) professional news production on this basis is twofold. First, news websites attract only a fraction of the overall traffic and time spent online – between 1 and 5%, depending on the source and estimate one uses.<sup>112</sup> As online advertising is very much a numbers game, with the largest players attracting the majority of the advertising, this means that relatively little goes to news media organisations. (Alan Mutter has calculated that US newspaper companies' share of overall online advertising declined from about 20% in 2003 to only 10% in 2011.<sup>113</sup>) Second, while news websites continue to grow their audiences, both in terms of unique visitors and the number of page views, many others are growing more, and the overall

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<sup>109</sup> *The Provision of News in the UK* (London: Ofcom, 2012), <http://stakeholders.ofcom.org.uk/binaries/consultations/measuring-plurality/statement/annex6.PDF> (accessed Aug. 2012).

<sup>110</sup> Christoph Keese, interviewed by Edda Humprecht.

<sup>111</sup> Peter C. Beller, 'Building the Great Newspaper Paywall', 5 July 2012, <http://ebyline.biz/2012/07/building-the-great-newspaper-paywall> (accessed Aug. 2012).

<sup>112</sup> Data from Experian Hitwise suggests various forms of news drew about 4.4% of all internet traffic in the US in 2010, a somewhat higher 6.7% in the UK, but only 3.3% in France.

<sup>113</sup> 'Newspaper Digital Ad Share Hits All Time Low', 23 Apr. 2012, <http://newsosaur.blogspot.co.uk/2012/04/newspaper-digital-ad-share-hits-all.html> (accessed Aug. 2012).



growth in the supply of online advertising is still at least as rapid as the growth in demand, meaning that the value of any given online audience is at best stagnant and at worst eroding. In 2008, the French online-only news website *Rue89* hoped to generate €1 million a year from an average of one million monthly unique visitors. By 2010, the site had more than two million monthly unique visitors, but generated just €800,000 in advertising revenue.<sup>114</sup>

This is a challenging situation, especially for smaller titles which are already having a hard time competing for attention, but even the most prominent news organisations struggle with how to handle the economics of online content creation. The world's most popular newspaper website, the UK-based Mail Online, provides the perfect illustration of the problem. The

**“ Legacy media companies often dominate news provision online, but the content provided continues to be funded by revenues generated offline. This is not sustainable in the long run ”**

site is free to access, and drew more than 6 million readers on an average day in 2011, for a total of over 40 million monthly unique visitors. And yet its annual revenues were just £16 million for 2010–2011. The print edition of the *Daily Mail* (including the *Mail on Sunday*), by contrast,

generated about £700 million in sales and advertising revenues off its about 4 million daily readers. Associated Newspapers' free daily, *Metro*, drew about £80 million in advertising revenues on the basis of its 1m+ circulation and approximately 3 million readers.<sup>115</sup> A 65% growth in the revenues of the Mail Online from 2010 to 2011 and 10% growth at *Metro* only just offset the 5% decline recorded at Associated's flagship *Daily Mail* title. Legacy media companies often dominate news provision online, but the content provided continues to be funded by revenues generated offline. This is not sustainable in the long run.

The US provides a particularly clear example of the implications. Because of the absence of public service broadcasting on a significant scale, newspapers have been absolutely central to news production there, and are suffering commercially even as television and online media continue to grow. Take the US newspaper industry first – despite ongoing circulation losses throughout the post-war period, revenues generated by increasing advertising revenues combined with high degrees of market consolidation (as shown in Figure 3.1) meant that total newsroom employment grew by about 40% from the 1970s to the 2000s. (The figure in 2001 was 56,400, just 500 full-time positions short of the historical peak of 56,900 reached in 1990.) In 2000, newspaper publishers employed about 65% of all reporters and correspondents in the United States and analysts estimated that US newspapers typically spent around 15% of their revenues on editorial costs.<sup>116</sup>

For about 30 years, American metropolitan monopoly newspapers could do both well (enjoy double-digit profit margins) and, if owners allowed them to, good (by employing hundreds of journalists). But this was an exceptional global outlier. No other country in the world had such

<sup>114</sup> Bruno and Nielsen, *Survival is Success*.

<sup>115</sup> DMGT 2011 Annual Report, 2 Oct. 2011, <http://www.dmgt.co.uk/uploads/files/4f0ea8cf61c20.pdf> (accessed Aug. 2012).

<sup>116</sup> Harold Vogel, *Entertainment Industry Economics: A Guide for Financial Analysis* (Cambridge: CUP, 2011). Bureau of Labor Statistics, 'Occupational Employment and Wages, 2002', <http://www.bls.gov/oes/2002/oes273020.htm> (accessed Aug. 2012).

newspapers. In light of their decades of unique and unprecedented strength, the accelerated decline of newspapers over the last ten years has hit the US journalistic workforce hard – overall newsroom employment in the industry has decreased by around 15,000, about 25%, between 2000 and 2011. (Total revenues have declined by almost 40% in the same period, as has total employment in the sector, when one includes production, delivery, sales, and management.) By May 2011, the US Census estimated that the sector employed just over 60% of all reporters and correspondents in the United States.<sup>117</sup> It is increasingly difficult for American newspapers to make money and sustain strong newsrooms at the same time. Especially in publicly traded chains, where share prices have collapsed over the last decade, leading investors to demand significant dividends and buy-backs, this has led to sharp cuts in newsroom staff and other costs.

During the same period, the television sector has seen solid growth, as advertising has held up well despite the recessions early and late in the decade and pay TV revenues have grown rapidly. Television advertising stayed about the same at roughly \$50 billion and pay TV industry revenues grew from about \$35 billion in 2000 to about \$75 billion in 2011. Internet advertising has also grown rapidly, from \$8.2 billion in 2000 to \$31 billion in 2011, most of it going to Google and a handful of other big players (Yahoo, Microsoft, Facebook, and AOL), all providing search and social networking services rather than original content.<sup>118</sup>

The substantial growth in the television and online sectors has, however, not resulted in increased investments in news production. News plays a minor part in free-to-air broadcasting (with the partial exception of local TV) and a miniscule role in the pay TV and online businesses. Television revenues increased by about 60% in current terms in the US over the last decade, but the number of journalists working for broadcasters has, according to US Bureau of Labor Statistics, at best been stable. In 2002, the Bureau estimated that radio and TV broadcasters in the US employed almost 12,000 reporters and correspondents (about 20% of the total number). In May 2011, various forms of broadcasters and cable programming companies employed just over 11,000. No figure exists for the number of reporters employed by internet-based companies alone, but by May 2011, the category ‘other information services’, which also includes news agencies like Associated Press and large information services companies like Thomson Reuters and Bloomberg, together employed about 3,000, less than 7% of the total number of journalists in the US.<sup>119</sup>

Comparable statistics do not exist for other countries, but the American example combined with the evidently limited role news plays in broadcasting, cable, and online sectors elsewhere means that significant growth in, for instance, commercial television revenues (shown in Figure 6.2) or online industries need not lead to substantial investment in news gathering. Ten years of economic hurt have led US newspapers to lay off thousands of reporters. Ten years of growth in TV and online media have created very few new jobs for journalists.

So far, recessions have hit the media business harder than the digital transition. The full impact of the latter is yet to come as audiences continue to move online and to mobile and advertisers catch up with them. Despite the unbundling, disintermediation, and efficiencies supposedly characteristic of the internet (or at least possible there), many legacy media sectors have held

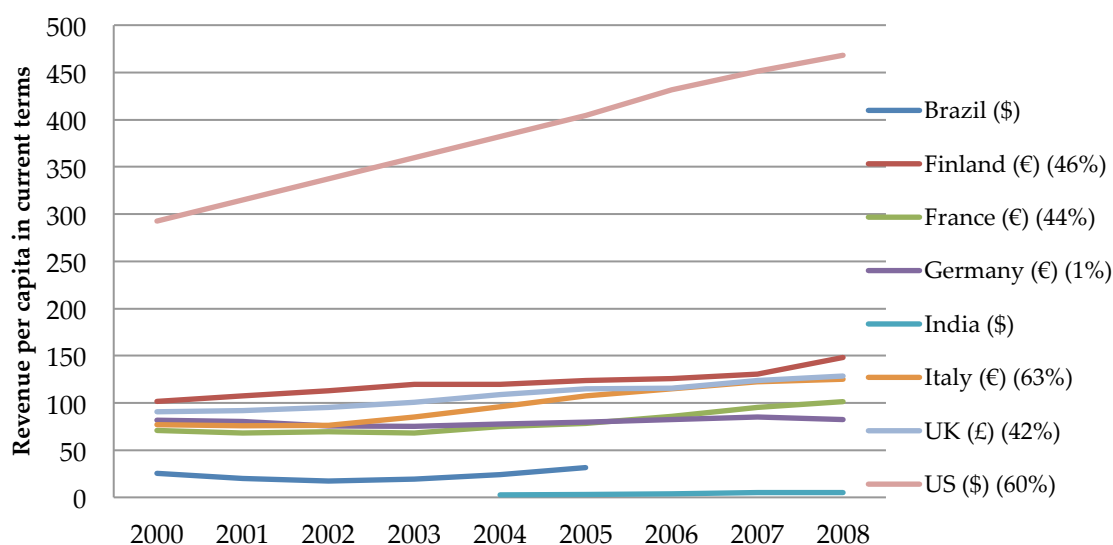
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<sup>117</sup> According to the Bureau of Labor Statistics.

<sup>118</sup> <http://zenithoptimedia.blogspot.co.uk/2011/12/quadrennial-events-to-help-ad-market.html> (accessed Aug. 2012).

<sup>119</sup> Bureau of Labor Statistics, ‘Occupational Employment and Wages, May 2011’, <http://www.bls.gov/oes/current/oes273022.htm> (accessed Aug. 2012).

**Figure 6.2. Total commercial television revenue per capita, 2000–2008**



Sources: Figure in parentheses is the change in per capita revenues from 2000 to 2008. Data from Zenith Optimedia and PricewaterhouseCoopers on revenue, from the World Bank on population. Currency exchange rates from the US Federal Reserve. Currency exchange rate fluctuation may distort comparison.

up well so far but it is uncertain how long this will continue. Even with internet access and use at over 90% in many affluent democracies, and online audiences sometimes outstripping offline ones, few legacy media companies manage to generate more than 10% or at most 20% of their revenues from digital. Newspapers have suffered in some countries and stagnated in others. (One of the strategic challenges facing companies trying to manage this transition is how to balance the present importance of managing legacy operations against the future importance of getting digital right. 'We spend 90% of our time talking about 10% of our revenue,' one executive in the US complained.<sup>120</sup>) In Brazil, tabloids have grown rapidly, while traditional broadsheets have stagnated. In India, much of the sector has benefited from rapid economic growth, increased literacy, and urbanisation. Especially Hindi- and vernacular-language newspapers have grown. Free-to-air television has held its own and pay TV, built around exclusive sports rights and premium entertainment, has grown rapidly, as have various forms of internet services. The media business is doing well around the world. But the business of journalism is in trouble.

#### 6.4. Summary

In short:

- So far, cyclical downturns like the recession that hit many countries around 2000–3 and the world-wide financial crisis and recession that started in 2008 have hurt legacy media companies much more than structural changes, indicating a longer-term move towards convergent communication facilitated by the internet or other digital platforms.

<sup>120</sup> 'The Search for a New Business Model', 5 Mar. 2011, [http://www.journalism.org/analysis\\_report/obstacles\\_change\\_culture\\_wars](http://www.journalism.org/analysis_report/obstacles_change_culture_wars) (accessed Aug. 2012).

In many countries, audiences have moved online faster than advertisers, though the latter are increasingly catching up.

- The most dramatic impact on media markets has come in the form of particular internet sites and digital formats and applications that have directly challenged legacy media – downloading of MP3s in the music business, file-sharing and increasingly streaming in the movie business, and, for newspapers, the move of much of a whole category of advertising, classifieds, from print to the web.
- But for pay TV and digital platforms, which have the most growth potential, the link between commercial success and newsroom investment characteristic of the post-war newspaper and politically imposed on broadcasting through public service obligations does not exist.



## 7. Media Policy

Media systems are shaped by media use and media markets but also political priorities and decisions. All media industries around the world are highly intertwined with various forms of public policy. Public service media are most obviously political creations, but governments protect, sustain, and sometimes constrain privately owned and operated media companies too, through everything from constitutional enshrinement of the freedom of the press and shield laws protecting journalists, over seemingly obscure issues like spectrum allocation, public notice laws, preferential postal rates, regulatory relief, and certain tax exemptions, to specific provisions governing media mergers and ownership.

These different, rarely coherent, and sometimes mutually conflicting forms of media policy usually serve to regulate media not only as businesses, but also as social and political institutions – hence widespread regulation of cross-media ownership, foreign direct investment in the media sector, and in some countries against politicians holding broadcasting licences. Many different agendas and interests intersect in media policy and are not easily aligned – commercial goals may contradict social welfare objectives, cultural aims democratic-political aspirations, etc.<sup>121</sup> The situation in the UK as of 2012 captures how different aspects can come into conflict, as the media policy community there simultaneously debated ways of curbing the perceived outsized political power of the press while also considering ways in which public policy might be used to directly or indirectly save the industry from commercial ruin.

The character and degree of government intervention varies from country to country and from sector to sector, but no media industry operates entirely outside politically formed media policy frameworks. In terms of understanding the role of policy in current developments, one needs to consider both information policy broadly, media policy more narrowly, and a series of adjacent policy areas with implications for media and journalism.

### 7.1. Information policy

Information policy broadly conceived encompasses laws, regulation, and legal practices that deal with information, communication, and culture.<sup>122</sup> The main focus in recent years has been on various forms of ‘information society’ programmes pursued both globally through, for example, the 2003 and 2007 World Summits on the Information Society sponsored by the United Nations, through entities like ICANN, via the information society programmes of regional supranational and international organisations like the European Union and the OECD, and, most importantly, at the national level by various governments. The focus of these programmes has been to shape the technical infrastructures, standards, and legal regulation that constitute the information architecture that is increasingly integral to everyday life, business, and government.

In recent years, ‘national broadband plans’ have been an area of special emphasis – France, Germany, the United Kingdom, and the United States all made major state commitments to broadband roll-out in 2008 and 2009, with Finland leading the way with an ambitious commitment to ensure universal service and make broadband access a legal right for all citizens.

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<sup>121</sup> Robert G. Picard, ‘Economic Approaches to Media Policy’, in Robin Mansell and Marc Raboy (eds), *The Handbook of Global Media and Communication Policy* (London, Blackwell, 2011), 355-65.

<sup>122</sup> Sandra Braman, ‘Defining Information Policy’, *Journal of Information Policy*, 1 (2011), 1-5.

(The European Commission has made separate, additional, commitments to support broadband roll-out across the European Union.) In 2010, the Brazilian government, working primarily with the state-owned Telebras, announced a \$8.5 billion investment in broadband, and the Telecom Regulatory Authority of India proclaimed a \$13 billion plan to expand the national broadband network. Similarly, governments have spent considerable sums subsidising the transition from analogue to digital terrestrial television, freeing up spectrum that can in turn be auctioned off for telecommunication services.

These kinds of programmes are broad interventions that try to change the very framework conditions for information exchange in our societies, and thus also impact the media sector more narrowly understood. Their

**“ Governments have spent billions on information infrastructure investments that have so far represented more challenges than benefits for the business of journalism ”**

justifications are manifold, usually tied to both economic and social gains, and often also rhetorically connected to the challenges facing the media industry in many countries. But it is far from clear that the increased internet access and use that they aim to foster will

actually help journalism thrive. As noted above, the internet has made it cheaper to disseminate news content and enriched both private enterprise and public life in numerous other ways, but has made it harder to build sustainable business models for professional production of content, potentially undermining both news provision and diversity even as it may enable wider reach. In so far as information policies accelerate the growth of the internet they only exacerbate these trends.<sup>123</sup> Governments have spent billions on information infrastructure investments that have so far represented more challenges than benefits for the business of journalism.

## 7.2. Media policy

Media policy more narrowly conceived has to do specifically with public service provision, media regulation, and various forms of public sector support for private media companies. This has, in contrast to information policy, generally been a low-priority policy area, politically touchy because of opposition to overt state intervention in the private media sector, complicated by the strength of incumbent industries' lobbying efforts, and sometimes cast as increasingly irrelevant because of the rise of digital media. Sebastiano Sortino, commissioner of the Italian communications regulator Agcom and former director of the Italian newspapers' association FIEG sums up the sentiment of industry people and policy-makers in most countries (speaking in a personal capacity): 'basically nothing has been done'.<sup>124</sup> Archana Shukla, senior editor at the *Indian Express*, says: 'Government policies have had a major impact on the broadcast sector. When I say "government policy", the fact is that we've not had any policies. The cable and satellite industry in this country grew in the absence of clear rules and regulations.'<sup>125</sup> Even in France, where the Sarkozy government launched several initiatives involving both

<sup>123</sup> In many countries, additional battles are being fought over the development of tomorrow's communications infrastructure, concerning in particular digital television and mobile communications.

<sup>124</sup> Sebastiano Sortino, interviewed by Alessio Cornia.

<sup>125</sup> Archana Shukla, interviewed by Savyasaachi Jain.

public service broadcasting and media subsidies, ‘no party has really been interested in media policy’, according to Christophe Pauly from the media section of the trade union federation CFDT.<sup>126</sup> As Philip Graf, former CEO of the Trinity Mirror newspaper group in the UK and former deputy chairman of the British media regulator Ofcom, puts it: ‘usually what happens is that the law or policy changes after it’s almost too late’.<sup>127</sup>

The 1980s and 1990s saw often dramatic change in several of these areas, with the end of monopoly broadcasting in India and many European countries, the gradual dwindling of the public service obligations accompanying broadcast licences, and, within the European Union, European Commission-led critical scrutiny of various forms of direct press subsidies on competition grounds. The 2000s, on the other hand, despite the often dramatic changes in media use and media markets documented above, have seen much less change in terms of media policy. While the media as parts of social and political life, and as an industry, have been shaken by a tumultuous first decade in the twenty-first century, many forms of media policy remain ‘frozen’ in their twentieth-century form.

Public sector support for media illustrates this point clearly. It has remained stuck in its basic twentieth-century form in most countries, tied to broadcasters and printed newspapers rather than tailored to suit an increasingly convergent environment. All existing forms of public sector support for media are heavily tilted in favour of industry incumbents. Of the six affluent democracies examined here, only France offers support earmarked for journalistic online start-ups, a total of €20 million out of an overall more than €4 billion spent on direct and indirect support for media in 2009. (Table 7.1 provides estimates for the total value of various forms of public sector support for the media across the six affluent democracies where data is available. Figure 7.1 presents the same data as per capita figures.)

**Table 7.1. Total estimated public sector support for media (2008)**

	Public service media	Indirect press support	Direct press support	Other support
<b>Finland</b>	€381m	€313m	€0.5m	None
<b>France</b>	€3,028m	€801m	€438m	€0.5m
<b>Germany</b>	€7,265m	€525m	None	None
<b>Italy</b>	€1,676m	€560m	€161m	€184m
<b>UK</b>	€4,185m	€748m	None	None
<b>US</b>	€779m	€804m	None	None

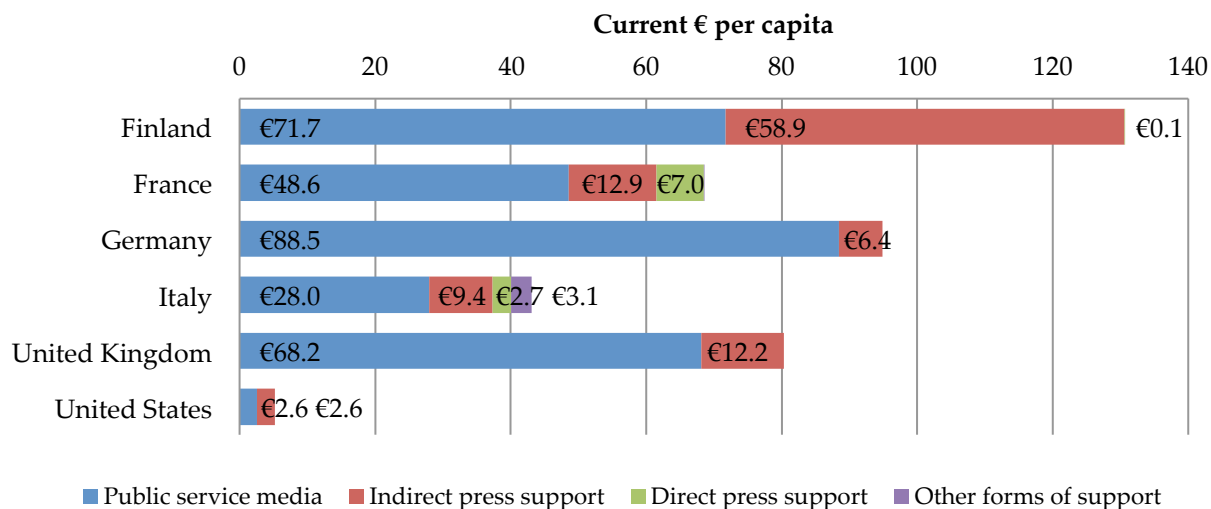
Source: Rasmus Kleis Nielsen with Geert Linnebank, *Public Support for the Media: A Six Country Comparison* (Oxford: RISJ, 2011). Currency conversions can distort comparison.

<sup>126</sup> Christophe Pauly, interviewed by Edda Humprecht.

<sup>127</sup> Philip Graf, interviewed by Rasmus Kleis Nielsen.



**Figure 7.1. Estimated per capita public sector support for media (2008)**



Source: See Table 7.1.

Looking first at public service broadcasting, the single most significant form of public intervention in the media sector in most countries, it has been the subject of often politically charged battles in many countries, but no wholesale reform. In 2011, the Republican majority in the US House of Representatives voted to defund the Corporation for Public Broadcasting (the bill did not pass the Senate). Both France and Italy have seen battles over the control and corporate structure of their public service broadcasters, RAI and France Télévisions.<sup>128</sup> In Finland, Germany, and the UK commercial media companies have argued that the resident licence-fee-funded public service broadcasters have gone far beyond their remit in terms of their various online provision and are subjecting private providers to unfair competition. This has led to pressures from, amongst others, the European Commission, for more clearly defined public service remits and the spread of ‘public value tests’ to determine whether proposed PSB services indeed serve a public purpose, deliver in a transparent fashion, and do not unduly distort competition.<sup>129</sup> (In the case of Germany, the pressures for a time led ARD and ZDF to commit to limiting their online expenditures to 1.5% of their total revenues. By comparison, the BBC spent about 5% during the same period.) In several cases (France, Italy, the UK), the direct licence-fee funding for public service broadcasting has been frozen for several years over the last decade, leading to a gradual erosion of resources as inflation takes its toll. In France, the overall

<sup>128</sup> In France, France Télévisions was, with the exception of one specialist channel, forbidden from broadcasting commercials after 8pm (the original proposal called for a complete end to advertising). As compensation for the lost income – estimated at about half a billion euro – the government created a tax on the turnover of telecommunications operators and ISPs (0.9% of turnover) and one on commercial broadcasters’ advertising revenues (3%) and channelled the proceeds to France Télévisions. The reform will make the organisation more vulnerable to political influence since a parliamentary majority can change this system at will, and it has been roundly criticised.

<sup>129</sup> [http://ec.europa.eu/competition/state\\_aid/legislation/broadcasting\\_communication\\_en.pdf](http://ec.europa.eu/competition/state_aid/legislation/broadcasting_communication_en.pdf) (accessed Aug. 2012). In 2003, the German Association of Private Broadcasters and Telemedia (VPRT) filed a complaint with the European Commission asking for a clarification of whether licence fee funding for the German PSBs ARD and ZDF (who both also rely on advertising for funding) amounted to illegal state aid and thus distorted competition. In Mar. 2005, the European Commission suggested in a preliminary conclusion that licence-fee funding for PSBs that competed with commercial broadcasters for advertising did indeed distort competition. In 2005-6, the Commission worked with various parties to find a solution, which resulted in the *drei-stufen-test* (three-step test) which was included in the 12th Interstate Treaty on Broadcasting and Telemedia in 2008.

funding model has been changed to rely less on advertising and more on state support. But in no case – even that of the US – has public service funding been subject to direct cuts, and in the countries where public service broadcasters have long had an established presence, they remain in place. (In Brazil, as mentioned, TV Brasil was launched in 2007. So far, it has only a miniscule audience, comparable to PSB in the US. In India, the main PSB Prasar Bharati – comprised of television broadcaster Doordarshan and All Indian Radio – is funded through a combination of government support and advertising. It has struggled since the liberalisation of television markets in 1991, losing much of its audience and revenue. While it continues to play an important role in particular in radio, where it enjoys a monopoly on news, and in rural areas, where it continues to attract a considerable audience share, Prasar Bharti does confront a set of serious strategic challenges in terms of adapting to a vastly more competitive and diverse Indian media landscape and in terms of securing its financial foundations and a semblance of autonomy from government.)

When it comes to public sector support for private media, the most important form in most countries is various forms of tax relief. Finland, France, Germany, Italy, the UK, and several states in the US offer partial or wholesale exemption from value-added/sales taxes for newspapers. This form of support is worth hundreds of millions of euros per year and has been dubbed ‘essential’ for the industry by, for example, the European Newspaper Publishers’ Association.<sup>130</sup> In 2008, this form of support was estimated to be worth more than a billion dollars annually in the United States.<sup>131</sup> (Brazil and India also offer tax relief for newspapers, in Brazil by subjecting copy sales to a greatly reduced VAT, in India by exempting them from VAT altogether and applying only reduced VAT to newsprint. No estimates exist of the total value of these subsidies.<sup>132</sup>) Public notice laws and government advertising can also function as forms of indirect support. In countries where figures exist, like the UK and the US, public notice laws are estimated to channel tens of millions to local papers. (Newspaper industry associations have generally fought proposals to move public notices online tooth and nail.) Government advertising is also a significant source of income, especially for smaller, local papers in many countries.

Public sector advertising is sometimes used to promote a particular government’s partisan agenda, but can also influence coverage because of its economic importance for individual media companies. Marcelo Rech, who is the general director of Grupo RBS’s newspapers in South Brazil, says:

*When the advertising is smaller [media] are more dependent on government advertising and there are bigger pressures. In very small markets in the interior of Brazil, if the city government has 30–40% of a newspaper’s advertising, it is obvious that it will be subject to pressures to survive. There is no chance to be independent, to be honest.<sup>133</sup>*

Archana Shukla from the *Indian Express* raise the same issue: ‘government is one of the largest advertisers, especially in the regional press – central government as well as state governments’.<sup>134</sup> The Indian government supports

<sup>130</sup> [http://www.enpa.be/uploads/warsaw\\_resolution\\_110523.pdf](http://www.enpa.be/uploads/warsaw_resolution_110523.pdf) (accessed Aug. 2012).

<sup>131</sup> Geoffrey Cowan and David Westphal, ‘Public Policy and Funding the News’, *Center on Communication and Leadership Policy* (research series, Jan. 2010).

<sup>132</sup> *World Press Trends* (2010).

<sup>133</sup> Marcelo Rech, interviewed by Fernando Oliveira Paulino.

<sup>134</sup> Archana Shukla, interviewed by Savyasaachi Jain.

newspapers through the Directorate of Audio-Visual Publicity (DAVP), directing advertising to newspapers to support them, favouring in particular newspapers published in regional vernacular and in tribal languages certified by state governments. The government's official advertising policy explicitly states that 'government advertisements are not intended to be financial assistance to newspapers/journals', but it does help some smaller publications survive, both very limited circulation titles that essentially live off government advertising alone, and also mid-sized publications that are partially dependent on government advertising to survive.<sup>135</sup> The system is subject to intense debate and considerable criticism and there is concern that the process is fundamentally skewed. In 2011, for example, DAVP withdrew all government advertising from the Mumbai-based *Daily News and Analysis* for ten days. Editors at the paper felt it was done to teach the paper 'a lesson' related to its coverage of the Anna Hazare anti-corruption movement.<sup>136</sup> Bharat Bhushan, an experienced Indian newspaper editor and journalist, explains the logic:

*The market for tenders and government ads is fairly corrupt and is known to be based on 'relationships' between the public relations departments of the ad-giving agency and the ad sales representatives of the publication. A lot of government advertisement goes to newspapers where it does not belong. . . . All these shenanigans are possible because some of the ad revenue, in effect, ploughs back into the pockets of key individuals in the ad-issuing government departments. Not everyone is corrupt, but corruption is pretty rampant when it comes to getting government advertisements.*<sup>137</sup>

In addition to tax exemptions and other highly significant forms of indirect subsidy, several countries offer direct subsidies to newspapers, most importantly France and Italy (in both cases primarily for distribution, but also for a range of other things). Indirect and direct public sector support for private media has been subject to much less discussion than public service media have, and the area has seen only limited reform in a few countries. In both Finland and Italy, existing forms of support have been scaled back as part of wider austerity measures in 2011 and 2012. In France, the Sarkozy government roundtable on the future of the press (*États Généraux de la Presse Écrite*) resulted in a three-year €600 million stop-gap measure to help the press. (The intervention was criticised by some for not addressing the root causes and essentially just throwing money at the problem.<sup>138</sup>) In Finland and Italy, the model for indirect and direct public support for private media has basically been less of the same, in France, more of the same, and everywhere else, simply the same. (Neither Brazil nor India offers direct support to private news media.)

Despite the in many ways dramatic changes in the media industries over the last decade, no country has seen substantial reform of the ways in

<sup>135</sup> While many limited-circulation local papers benefit from 'empanelment' (i.e. qualifying for guaranteed government advertising), larger newspaper publishers have complained that the government pays much less than commercial clients for ads and some have threatened to stop printing government ads altogether.

<sup>136</sup> Aditya Sinha, 'Ambika Soni's Adventures in Arm Twisting', 18 Sept. 2011, [http://www.dnaindia.com/analysis/column\\_ambika-sonis-adventures-in-arm-twisting\\_1588429](http://www.dnaindia.com/analysis/column_ambika-sonis-adventures-in-arm-twisting_1588429) (accessed Aug. 2012).

<sup>137</sup> Bharat Bhushan, 'Money Matters', <http://www.thehoot.org/web/home/story.php?storyid=5808&mod=1&pg=1&sectionId=&valid=true> (accessed Aug. 2012).

<sup>138</sup> See e.g. Alice Antheaume, 'The French Press and its Enduring Institutional Crisis', in David A. L. Levy and Rasmus Kleis Nielsen (eds), *The Changing Business of Journalism and its Implications for Democracy* (Oxford: RISJ, 2010), 69-80.

which the public sector supports private media. One of the few concerted attempts to try something new was recently abandoned for political reasons. (In 2009, the UK media regulator Ofcom launched the idea of 'Independently Funded News Consortia', collaborations intended to include local news organisations, agencies, and other parties and meant to receive public support for local and regional news provision. The notion arose in part in response to the scaling back of the regional news public service obligation of ITV/Channel 3 licence-holders. The then-Labour government supported the idea and launched several experiments along these lines in 2010. But these were brought to an end by the incoming Conservative-Liberal Democrat government after the 2010 General Election.)

Because of the changes in how our twenty-first-century media systems operate, these media policies are subject to what political scientists call 'policy drift', where policies remain the same but become less and less effective due to changes in the environment they were designed to intervene in.<sup>139</sup> Luca De Biase, who is innovation editor at the Italian financial newspaper *Il Sole 24 Ore*, captures the phenomenon nicely: 'I don't expect significant change in the field of media policy. . . . [But] the existing media system doesn't hold up and, therefore, things will change, whether or not policy-makers want it.'<sup>140</sup>

The two main forms of intervention, public service provision and public sector support for private media, are both subject to this phenomenon in different ways. In terms of licence-fee funded public service broadcasting, a policy that originated primarily as an intervention in radio and television markets increasingly has knock-on effects for companies coming out of the newspaper industry, as convergence means previously separate industries compete head-to-head online and on mobile platforms. In terms of public sector support for private media, the main forms of direct and indirect support in place today are directly tied to the declining print platform (distribution subsidies, VAT exemptions or relief for copy sales and sometimes newsprint). Thus, while these forms of support continue to be a highly significant form of help for newspapers, they do nothing to encourage innovation inside or outside incumbent industries, and their effectiveness is premised on precisely what is being lost – print circulation and revenue.

“ *The existing media system doesn't hold up and, therefore, things will change, whether or not policy-makers want it* ”

### 7.3. Media-related policies

Beyond information policy more broadly and media policy more narrowly conceived, media industries generally, and news journalism more particularly, are also affected by a whole host of adjacent policies in areas including general market regulation, various forms of freedom of information legislation, libel laws, copyrights, and parts of the tax code. These policies are not always developed with media and journalism in mind, and current changes in media journalism have rarely led to reform in these areas.

Consider market regulation first – in several countries, including Germany, the UK, and the US, individual media companies and media industry lobbies have pushed for deregulation of media mergers, market

<sup>139</sup> Jacob S. Hacker, 'Privatizing Risk without Privatizing the Welfare State: The Hidden Politics of Social Policy and Retrenchment in the United States', *American Political Science Review*, 98/2 (2004), 243-60.

<sup>140</sup> Luca De Biase, interviewed by Alessio Cornia.

concentration, and cross-media ownership provision, arguing that convergence makes the distinctions between broadcast, print, and online markets built into these increasingly irrelevant, and that the commercial pressures much of the industry faces mean that consolidation is the only route to survival. So far, we have not seen large-scale deregulation (with the exception of parts of the US broadcasting sector). The results are sometimes perplexing. While News Corp's bid to take control of BSkyB by acquiring the 60.9% of shares it did not own, potentially creating one of the largest integrated cross-platform media companies in the world, did not look like it would be referred to the Competition Commission, a much smaller deal the same year did run into regulatory resistance. In 2011, the British Office of Fair Trading (OFT) referred the Kent Messenger Group's bid for seven local newspapers in South-East England to the competition authorities. A bid to combine the UK's biggest broadcaster and its biggest newspaper group had not raised concentration concerns, but the potential for a regional newspaper monopoly in certain parts of Kent did. As a result, KMG withdrew its bid, arguing that the costs involved in going through the legal procedure were too high. Northcliffe Media, the owners, subsequently closed two of the titles, and the OFT's decision has been roundly criticised as a narrow-minded application of an outdated regulatory framework to a fundamentally changed media market.<sup>141</sup>

When it comes to freedom of information legislation, several observers have pointed out that one way in which government could help facilitate journalism even as the industries that have sustained it for much of the twentieth century retrench – without subsidising anyone or 'picking winners' – would be by making the practice of professional news journalism easier, less costly, and less time-consuming by ensuring greater access to public documents and government information. Progress in this area has been at best piecemeal and the political opposition to increased openness is considerable, despite the occasional lauding of 'open government' initiatives like the Obama administration's data.gov or the Cameron government's data.gov.uk. Sometimes the idea of more access for journalists is met with direct hostility. Tony Blair has famously called the introduction of freedom of information legislation in the UK his 'biggest mistake' during ten years as Prime Minister.<sup>142</sup> In fact, many observers have argued that governments have become *less* transparent over the last decade, tightening control over access to information under cover of the so-called 'war on terror', making investigative reporting and accountability journalism more difficult. (India is an important exception here. The passing of the Right to Information Act 2005 (RTI) has by all accounts significantly increased access to information from authorities.)

Similarly, watchdog groups like Reporters without Frontiers and Freedom House have long called for reform of libel and defamation laws in countries including the UK, arguing that these are often used to deter critical news coverage and investigative journalism.<sup>143</sup> (In 2006 Trinity Mirror, took a case to the European Court of Human Rights arguing that the high costs of

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<sup>141</sup> 'Why Black is Right – Block on Kent Newspaper Switch was a "Dinosaur Decision"', *Greenslade Blog*, <http://www.guardian.co.uk/media/greenslade/2011/nov/04/guy-black-local-newspapers> (accessed Aug. 2012).

<sup>142</sup> Tony Blair, *A Journey* (London: Hutchinson, 2010).

<sup>143</sup> The UK-based *Guardian* has been involved in several high-profile cases, including a gagging order concerning the Trafalgar waste dumping case, a libel case about coverage of Tesco's possible tax avoidance, and a number of super-injunctions in the wake of the paper's cooperation with Wikileaks. Editor Alan Rusbridger has argued that British libel laws provides claimants with a 'formidable weapon', especially rich individuals and corporations that can afford to engage in lengthy legal actions. British news organisations are not alone in facing challenges related to libel and defamation legislation. Brazil, France, India, and Italy have all seen recent high-profile law suits by powerful groups or individuals against coverage by critical journalists.

defending in privacy cases in the UK has serious implications for the ability of news organisations, NGOs, and smaller independent publishers and small publications to report on matters of public interest. In 2011, the European Court of Human Rights issued its judgment finding that the high cost of defending libel and privacy cases in the UK constitutes a violation of the right to freedom of expression.<sup>144</sup>) So far, these areas of legislation have seen little change.

Individual media companies and industry associations have called for copyright reform in several countries, most aggressively in Germany. There, the federation of newspaper publishers BDZV has coordinated the so-called Hamburg Declaration, arguing that 'legislators and governments at the national and international level should protect more effectively the intellectual creation of value by authors, publishers and broadcasters'. What started as a German initiative later went global, as more than 400 publishers from more than 20 countries have signed the declaration since it was first published in June 2009. (The signatories include companies like Globo from Brazil, Sanoma from Finland, Hersant from France, Springer from Germany, Gruppo Editoriale L'Espresso from Italy, Daily Mail and General Trust from the UK, and News Corporation with its US, UK, and global operations.<sup>145</sup>) Though the German government has pushed the issue of copyright and intellectual property reform in Brussels and a government committee has suggested the introduction of a system of royalty payments for content aggregators, no major changes have been put in place.<sup>146</sup>

In the area of tax policy, the growing number of organisations set up to pursue non-profit journalism are in many countries finding it hard to qualify as non-profits. In the UK, the Bureau of Investigative Journalism has had two applications to the Charities Commission for non-profit status rejected over the last two years. The commission has said that, under current legislation, 'the promotion of investigative journalism is not a charitable purpose in itself'. Though the House of Lords Select Committee on Communications, amongst others, recommended that investigative journalism should be considered a charitable activity, Jeremy Hunt, the Culture Secretary, made it clear that the Conservative-Liberal Democrat government 'is not currently inclined' to change the legislation.<sup>147</sup>

#### 7.4. Summary

In short:

- Information policy, broadly speaking, has been high priority around the world and has often been presented as in part something bringing new opportunities for journalism and the news media. But so far, the spread of internet access and use, for all its other contributions to private enterprise and public life, has mostly challenged the capacity of media systems to sustain the capacity to report and diversity of news provision.
- Media policy narrowly speaking has, with a few exceptions, been a low priority around the world. Forms of public sector support for the media, in

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<sup>144</sup> Josh Halliday, 'European Court Deals Blow to No Win, No Fee Deals in Naomi Campbell Case', *Guardian*, 18 Jan. 2011.

<sup>145</sup> 'Hamburg Declaration Regarding Intellectual Property Rights', June 2009, <http://www.encourage-creativity.org/en> (accessed Aug. 2012).

<sup>146</sup> For the government committee, see <http://docs.dpaq.de/353-koalitionsrundenergebnisse.pdf> (accessed Aug. 2012).

<sup>147</sup> David Ainsworth, 'Bureau to Investigate Journalism Denied Charitable Status for Second Time', *Third Sector Online*, 8 Mar. 2012, <http://www.thirdsector.co.uk/Governance/article/1121276/bureau-investigative-journalim-denied-charitable-status-second-time> (accessed Aug. 2012).

the form of public service broadcasting, government support for public media, and indirect and direct government support for private media, have remained largely unchanged in their twentieth-century form even as media systems have moved into the twenty-first century.

- A whole range of other policy areas intersect with the daily work of journalists and the operations of news media, including freedom of information acts, libel laws, copyrights, and parts of the tax code. These areas of legislation have not been systematically reviewed and renewed to take into account how the business of journalism has changed over the last decade.

## 8. Conclusion

The last ten years have shaken the media world. Once proud media organisations have suffered bankruptcies (*Chicago Tribune*), bail-outs and takeovers (*Le Monde*), or been closed down altogether (*Seattle Post-Intelligencer*). Others have struggled on as their market value collapsed, revenues declined, and budgets were cut year after year to balance the books (Gannett, WAZ-Mediengruppe, Trinity Mirror). Some have done well under difficult circumstances (many commercial broadcasters like RTL and ITV, but also diversified publishing groups like Axel Springer, Daily Mail and General Trust, and the Sanoma Group) and a few have been at least partially protected by trust ownership (the *Guardian*), cross-subsidies from other operations (*The Times*), or proprietorial largess (the *Independent*). New players have emerged, including a host of smaller journalistic ones (the late *Netzeitung* in Germany, *Mediapart* in France, *Lettera43* in Italy, and, most prominently, the Huffington Post with origins in the US and now regional editions in several other countries). Simultaneously, we have seen the rise of a range of new giant intermediaries who dominate search (Google), social networking sites (Facebook), new mobile platforms (Apple), and digital retail environments (Amazon), and present news media organisations with a whole new set of challenges and opportunities.

### 8.1. *The beginning of a period of change*

But dramatic as these developments have been, it is clear from closer examination of overall trends in media use, media markets, and media policy that we are at the beginning, not the end, of the current transformations. Media use is still dominated by ‘old’ media, especially television, which only really began its transition to digital delivery in the 2000s and is, because of previous limitations on bandwidth, only beginning to face direct competition from online audio-visual services. Media markets for both advertising and consumer spend are also still primarily driven by television, print, and radio, though of course the internet and mobile are growing rapidly and online spend has outpaced newspaper spend in some countries.<sup>148</sup> Investment in news journalism also continues to be dominated by legacy media, most importantly newspaper companies. Media policies are still primarily designed around inherited distinctions between broadcasters and newspapers and built around incumbent industries based on these platforms.

“ We are at the beginning, not the end, of the current transformations ”

The direction of travel is clearly towards ‘new’ media, but ‘old’ media are still very much with us and do not appear about to disappear wholesale. The highest profile closures in the US newspaper industry of recent years, the demise of the *Rocky Mountain News* and the *Seattle Post-Intelligencer* in 2009, both happened in some of the few remaining two-newspaper towns in the US. The largest community to lose its local printed daily is the 120,000-population Ann Arbor, Michigan, where the *Ann Arbor News* has been replaced by AnnArbor.com and a bi-weekly print magazine. Elsewhere, cost-cutting has so far been enough to

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<sup>148</sup> In affluent democracies, growth in both advertising and use of some digital platforms has slowed down in recent years, suggesting a possible saturation point.



balance the books. According to data from the Newspaper Association of America, more American newspapers closed in the 1980s (119 titles) and 1990s (128 titles) than in the 2000s (83 titles). Only one significant national general-interest daily newspaper has closed in the five Western European countries covered here over the last decade – *France Soir*. In Italy, several new titles have been launched. In all European countries apart from Germany, the

“ We are today about as far into the internet revolution as Europe was into the printing revolution in the late fifteenth century ”

number of free titles has grown rapidly, as has free circulation. Newspaper companies are likely to remain with us, even if in a diminished form, for the foreseeable future. Part of the challenge facing journalists, media executives, and policy-makers is to come to terms with new media. Part of it is to deal

with the combination of old and new that is characteristic of the world we currently live in. Exaggerated emphasis on digital media and new initiatives distort our understanding of media use, the media industries, and media policy.

Historical analogies are sometimes drawn between the rise of the internet and the invention of the printing press in early modern Europe. If we accept the analogy and consider the adoption of the TCP/IP protocol in 1982 and the introduction of the idea of a world-wide internet the equivalent of Gutenberg’s first production runs in the mid-1430s, we are today about as far into the internet revolution as Europe was into the printing revolution in the late fifteenth century. Then, slowly declining scriptoriums hand-copying manuscripts coexisted precariously with growing print shops, as printed newspapers and scheduled linear television today coexist with websites and IPTV. During this earlier information revolution, it took well over a century before ‘new’ media became truly dominant and were embraced even by the religious institutions most invested in the existing order.<sup>149</sup> Time will tell how long our iterations of new and old media will share the stage, but it is clear that one has not simply replaced the other.

The early twenty-first century has long been seen as a ‘critical juncture’ in media history, a moment in which the media systems will be shaped in foundational ways for years to come.<sup>150</sup> But the ongoing uncertainties and continuous change underline that institutional transformations take time – if not the centuries it took in the case of the printing revolution, then often decades, as illustrated by the formative years of broadcasting in the 1930s and 1940s, the transformative consolidation of newspaper industries in many Western countries in the 1960s and 1970s, and the formative years of the internet as we know it today in the 1980s and 1990s.<sup>151</sup> Today, all these different media are interlinked and going through a transformative process, and it is a process that will take time. The political economist Joseph Schumpeter famously described capitalism as an ongoing incessant revolution of economic structures from within, driven by ever-changing

<sup>149</sup> Elizabeth L. Eisenstein, *The Printing Press as an Agent of Change: Communications and Cultural Transformations in Early Modern Europe* (Cambridge: CUP, 1979).

<sup>150</sup> Robert W. McChesney, *Communication Revolution: Critical Junctures and the Future of Media* (New York: New Press, 2007).

<sup>151</sup> Paul Starr, *The Creation of the Media: Political Origins of Modern Communications* (New York: Basic Books, 2004). The combination of the Great Depression and the rise of radio resulted in revenue declines for American newspapers in the 1930s comparable to those seen today. Then, as now, this sparked fears that a new medium was killing an old medium.

combinations of market forces, changing forms of production, and new technologies that allow few, if any, stable equilibriums to last for long.<sup>152</sup> Media industries today are facing what he called ‘the perennial gale of creative destruction’ after what in retrospect seems like a lull. The evidence reviewed here suggests the storm is only just beginning.

## 8.2. *The basic contours of current changes*

Contemporary changes in our media systems are driven by many powerful forces and their interactions – patterns in media use, the structure of media markets, and forms of media policy, all tightly intertwined with developments in media technologies. Some of these forces we can only adapt to, others we can influence. Technology is a powerful agent of change, but like other agents of change it is not autonomous, uniform, or operating in a vacuum. Technologies develop in a recursive relationship with ingrained habits, inherited institutions, and a multitude of strategic actors with different aims and aspirations. The internet makes websites and IPTV possible. Media users are the ones who choose between these and printed newspapers or television on other screens. Digitisation makes it vastly cheaper to store and transmit information. Media companies are the ones who devise corporate strategies that shape whether and how the content they produce gets shared. New technologies afford platform convergence. Policy-makers are amongst the ones who, through action or inaction, shape the consequences.

“ *The storm is only just beginning* ”

Despite the multiplicity of drivers of change and the manifold and highly significant differences that have to be taken into account to understand the trajectory of a particular company or country, a few things can still be said about the overall direction of travel, in part because it has to a large degree so far been a direct continuation of trends that predate the explosive growth of the internet from the mid-1990s onwards. Most fundamentally, the last decade has involved a continued expansion of the number of options available to audiences and advertisers. This expansion originates in political, economic, and technological developments that gathered pace in the 1980s and 1990s with deregulation of the media sector in many countries, the growth of multi-channel television, the launch of an increasing number of free newspapers, and the spread of first-generation internet access via dial-up modems. It has been vastly accelerated by the spread of digital television and broadband internet in the 2000s.

The expansion of options has led to an erosion of the everyday audience of most individual media outlets across most platforms, pressuring sales and advertising revenues for commercial providers, especially in mature markets with limited growth – in some cases to an extent that has jeopardised sustainability or forced severe cost-cutting. Few significant newspapers or broadcasters have actually closed, but most are under pressure. On the one hand, media companies have responded by adding more and more outlets to their expanding portfolios – at the very least adding a website and mobile services to whatever print title or broadcast channel they have historically been based around. On the other hand, this move towards more and more integrated and convergent media companies has been accompanied by

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<sup>152</sup> Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy* (London: Routledge. 1992).

layoffs, demands for increased productivity, and internal restructurings. (The booming Indian media market, where industry revenues are growing at double-digit rates annually, has seen much more of the former than the latter, though a recession will almost certainly result in retrenchment and consolidation.)

While a handful of infrastructural intermediaries in the telecommunications, pay television, search engine, and social media sectors have built positions that allow them to exercise market power and generate considerable profits, most content-based media companies face increased competition. In their attempts to remain distinct and relevant to audiences they are under external pressure from a growing number of alternatives appealing to the same users, and under internal pressure in cases where cost-cutting threatens investments in quality content. National newspapers that in the 1990s primarily competed with each other today face competition from freesheets, broadcasters, and online services. The terrestrial television

**“ This fundamental strategic challenge is the same across the world, but differences in conditions on the ground means that the tactics and outcomes vary in significant ways ”**

channels that ruled the airwaves 20 years ago are now up against a growing number of digitally transmitted free-to-air channels as well as premium pay channels and audio-visual services streamed over the internet. Legacy media websites and internet portals that dominated online news provision ten years ago are under increasing pressure from a growing number of aggregators and other new alternatives. As when

radio disrupted the media sector in the 1920s and 1930s and television did the same in the 1950s and 1960s, the introduction and spread of a new media platform and the emergence of a multitude of new entrants all catering to the same finite number of audiences and advertisers have had knock-on consequences for legacy media, forcing incumbents to adjust their existing operations and take a stance on how to position themselves *vis-à-vis* the new medium.<sup>153</sup>

This fundamental strategic challenge is the same across the world, but differences in conditions on the ground means that the tactics and outcomes vary in significant ways. In Brazil, a middle-income country which has experienced a decade of solid economic growth combined with redistributive social policies under the left-wing Lula government (in office 2003–10), broadcasters have benefited from increased advertising expenditures, traditional broadsheet newspapers have stagnated as many of their affluent readers began to explore online and other options, and a new breed of popular tabloid newspapers have grown rapidly by catering to the growing lower middle classes. In India, year after year of high economic growth combined with increased literacy and improved infrastructures has helped many media companies thrive despite the increased competition from an exploding number of outlets. In more affluent democracies, the situation is more mixed. Some big, integrated companies like Axel Springer in Germany, the Daily Mail and General Trust in the UK, and News Corporation, headquartered in New York but with global operations, have managed to maintain profitability and market value by continuing to excel at their legacy

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<sup>153</sup> John Dimmick and Eric Rothenbuhler, 'Theory of the Niche: Quantifying Competition among Media Industries', *Journal of Communication*, 24/1 (1984), 103-19.

media business while also seizing new opportunities aggressively. Well-run and well-positioned smaller companies catering to one or more clearly defined communities of interest (geographic or other) have also held their own, especially in countries like Finland and France where the legacy media industries have so far been particularly successful in adapting to a changing media environment.

But many companies have lost a good deal of their revenues and their value, and have cut their commitment to news provision. The shares of publicly traded newspaper chains like Trinity Mirror in the UK and Gannett in the US are trading at a fraction of their 2000 prices and advertising incomes have collapsed. The market capitalisation of large broadcasters like Mediaset in Italy and ITV in the UK has fallen since the mid-2000s as leading channels gradually lose audience to niche alternatives. Many internet start-ups have been launched only to close again. Only a very few have managed to break even. Amongst affluent democracies, the development is most dramatic in the United States, where all major news providers, with the partial exception of local television stations and a few cable channels, have lost revenues, seen their profit margins shrink or disappear, and have cut their investments in journalism. In much of Europe, public service providers face strategic challenges associated with the expansion of choice and the intensified competition for audiences, but their revenue models remain fundamentally solid. In Northern Europe, including Finland and Germany, commercial legacy media companies coming out of both print and broadcasting have so far managed to hold their own despite the spread of multi-channel digital television and high levels of broadband penetration. In Southern Europe, broadcasters have also held their own while many newspaper companies are struggling as challenges associated with the rise of the internet threaten their already weak commercial foundations, forcing some to rely on cross-subsidies from non-media businesses or financial support from their owners.

### *8.3. The democratic implications of current changes*

In the absence of dramatic change in use, markets, or policy, and assuming no new game-changing technologies are waiting in the wings, media systems in affluent democracies are likely to see (a) a continued erosion of most media audiences and an increasing number of only partially overlapping niche audiences, (b) the continued decline of a newspaper industry that has in some cases enjoyed a few decades of monopoly-powered profitability but has been on the retreat overall in many countries for longer (as newspapers, for all their troubles, have been the main underwriters of professionally produced news journalism this has direct consequences for the number of reporters employed), (c) a continually growing gulf, driven in part by people's preferences, in part by niche-oriented marketing logics, and in part by competition between outlets keen to differentiate their products from the competition, between the few who will in all likelihood be more informed than ever before, and the many who will receive, seek out, and find less and less news produced for them, especially if they belong to groups not considered attractive by advertisers.

Where they exist, well-funded public service media remain powerful counterweights to some of these trends, but within the commercial media sector this remains, as it was before graphic browsers and cheap dial-up connections launched the internet as a widely used medium, and before broadband, social media, and mobile access transformed the internet again, the direction of travel.<sup>154</sup>

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<sup>154</sup> Non-market forms of production, whether government, interest group, or philanthropically supported, may to some extent supplement commercial news media. So far, they have provided a limited amount of quality coverage and a large quantity of user-generated content that rarely resembles news as we have come to understand it. The US, which has the most developed non-profit media scene of all the countries considered here, can serve as an example

Interviewees from countries as different as Finland and France, Germany and the US, Italy and the UK, all say variations of the same things: we will never again see the profit margins some news media enjoyed in the 1990s, and the journalistic workforce is likely to be permanently reduced as a consequence. Some are sanguine about the prospects – Kajo Dohring from the German journalists’ association DJV says ‘we believe that the system is still working, even if we no longer have the profit margins of the last century’.<sup>155</sup> Ken Paulson, founding editor of the *USA Today* and former president of the American Society of News Editors, is more circumspect:

*Isn't this the golden age for journalism? Larger audiences than ever before, more ideas being shared, more topics being covered. What we are mourning here is the loss of the business model, not a decline in [the quality of] journalism. ... [The greatest concern] is that journalism, as an industry, will lose people.*<sup>156</sup>

Christophe Pauly from the media section of the trade union federation CFDT in France, a country that has never seen commercial news media grow to the size they have had in Germany and the US, is less optimistic: ‘nowadays there is much more pressure on journalists, fewer people have to produce and sell more content’.<sup>157</sup> In many affluent democracies, this is the best of times and the worst of times for journalists. New technologies facilitate not only multi-platform dissemination, but also more efficient content production, more audience engagement, and more extensive background research. Ironically, the same technologies are also amongst the factors undermining the livelihood of the people doing the production, moderating the engagement, and doing the research.

In emerging economies like Brazil and India, some trends are significantly different as economic growth, urbanisation, and increased literacy mean that media markets are continuously expanding, fuelling growth in television, print, and the internet and mobile at the same time. Here, we are likely to see (a) continued audience fragmentation as the number

**“ In many affluent democracies, this is the best of times and the worst of times for journalists ”**

of outlets continues to increase, (b) traditional elite-oriented broadsheet newspaper companies facing some of the same problems their counterparts in more

affluent democracies struggle with, even as an increasing number of popular newspapers grow, by catering to the expanding lower middle classes who may have a mobile phone but only limited internet access, and (c) some levelling of differences in news consumption and levels of political knowledge as some news media begin to appeal to a broader and more diverse audience. If a family that has made the move from rural India or Brazil in recent years, arrived in one of

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for the scale of quality non-market production. The newspaper industry there has shed a net total of about 15,000 journalists over the last decade (some 25% of the newsroom workforce). The ‘new journalism ecosystem’ of non-profits, most of them online, by contrast employs a combined total of about 600 reporters (see Lewis et al., ‘A Second Look’). They can make a qualitative difference, but in terms of quantity they come nowhere near replacing what has been lost in terms of professional journalism. There is no doubt that the amount of user-generated content available on social networking sites like Facebook and Twitter has grown exponentially but the evidence that it provides a functional substitute for news is uneven and anecdotal.

<sup>155</sup> Kajo Dohring, interviewed by Edda Humprecht.

<sup>156</sup> Ken Paulson, interviewed by Rasmus Kleis Nielsen.

<sup>157</sup> Christophe Pauly, interviewed by Edda Humprecht.

the growing cities, and managed to find a toehold as part of the money economy ask themselves the question 'have they got news for us?', the answer today is increasingly 'yes'.<sup>158</sup> The *Times of India* or *Folha de São Paulo* may in some ways have been better newspapers in the past, as some frustrated journalists intimate in interviews. But they never reached beyond a small, affluent, urban elite to serve the wider population. Whatever else their failings may be, Hindi-language papers like *Dainik Bhaskar* and new Brazilian tabloids like *Super Notícias* do.

One very important question moving forward is whether privately owned news media can make enough money from their core business to sustain their news operations. This is especially pressing in affluent democracies and, in both the Anglophone countries and Southern Europe, the outlook is not good. Another question is whether the money that can be made from using these media instrumentally for other purposes is such that the commercial value of a given outlet in itself becomes a secondary consideration. This question is an old one, continuously relevant in

France and Italy as well as Brazil and India and parts of the UK national broadsheet press, but one that may be increasingly relevant elsewhere too. As the revenues and profit margins of news organisations shrink, their main value may again lie in their potential as organs of propaganda, PR, and

“ *The decline of commercial, profit-driven news media only means the decline of news media as such if no one has the means and motives to sustain journalistic work on a non-market basis* ”

self-promotion – as they did in the nineteenth century and before. A decade ago, two prominent media researchers wrote that media enterprises were 'too expensive for most politicians to afford, or even for most industrialists to buy purely for political motives'.<sup>159</sup> That was when major American metropolitan newspapers were still trading for a billion dollars or more and the barriers to entry (due to the cost of printing plants, broadcasting equipment, etc.) in most media industries were considered very high. Last year, in contrast, the conservative developer and hotelier Doug Manchester brought the *San Diego Union-Tribune* for about \$100 million.<sup>160</sup> This year, a consortium of local businessmen with close ties to the Democratic Party brought the Philadelphia Media Network, which includes the two dailies the *Philadelphia Inquirer* and the *Philadelphia Daily News*, for \$55 million, a tenth of the price it commanded in 2006.<sup>161</sup> Online-only news media are even cheaper to start and to run, as exemplified by the PoliticsHome and ConservativeHome websites owned by the Conservative billionaire Lord Ashcroft in the UK, or the network of state- and local-level news sites supported by the right-wing Franklin Center in the US to cover politics and supply free content to what they describe as 'cash-strapped and under-staffed, local and regional newspapers [who] often can't provide the real information that voters need to make good decisions'.<sup>162</sup> The decline of commercial, profit-driven news media

<sup>158</sup> In India this is still countered by the limited reach of most media outside metropolitan areas and by the prehistory of broadcast deregulation that led to the end of the state television monopoly in the 1990s.

<sup>159</sup> Daniel C. Hallin and Stylianos Papathanassopoulos, 'Political Clientelism and the Media: Southern Europe and Latin America in Comparative Perspective', *Media Culture Society*, 24/2 (2002): 175-95.

<sup>160</sup> His business partner, the chief executive John Lynch, says, in response to criticism of perceived bias in the paper's coverage: 'We are doing what a newspaper ought to do, which is to take positions. We are very consistent – pro-conservative, pro-business, pro-military – and we are trying to make a newspaper that gets people excited about this city and its future.' Quoted in David Carr, 'Newspaper as Business Pulpit', *New York Times*, 10 June 2012.

<sup>161</sup> In India, some analysts estimate that a third of the country's more than 100 all-news television channels are owned by companies or individuals using them to further business or political purposes beyond the media. See Vanita Kohli-Khandekar 'When Politicians Own the Media', *Business Standard*, 5 July 2012.

<sup>162</sup> <http://franklincenterhq.org/about> (accessed Aug. 2012).

only means the decline of news media as such if no one has the means and motives to sustain journalistic work on a non-market basis. Both philanthropists and self-interested proprietors may well play a larger role in the future, as they have in the past.

What does this mean for democracy? Popular government predates widely used journalistic news media as we know them today but has in the twentieth century grown increasingly intertwined with news institutions that are currently changing. The changes vary in some important ways from country to country but overall the trends in affluent democracies (a) endanger the *provision* of professionally produced original news content, (b) increase the *diversity* of access points but not necessarily of significant sources or original professionally produced news, and (c) increasingly rely on popular interest rather than limited choice to ensure *reach*. In emerging economies like Brazil and India, the trends for elite media are much the same, but are accompanied by a massive expansion of popular media whereby literally tens of millions of people for the first time in their life encounter news meant for them. This represents a profound democratisation of their media systems in terms of diversity and reach.

#### 8.4. Summary

In short:

- The provision of professionally produced general interest news has been diminished in several affluent democracies and is likely to continue to erode even as some niche media will flourish and non-market forms of production may supplement commercial production. So far, Northern European countries like Finland and Germany have, despite very high levels of internet access and use, held up better than their Anglophone and Southern European counterparts. In Brazil and India, the number of journalists employed is stable or growing. Most of the growth here is in popular rather than elite media.
- The diversity of news provision has increased in terms of number of providers but rarely in terms of market share as most new providers are very small in terms of both capacity to produce and audience reach. As a consequence, a limited number of large providers have come to dominate most shrinking markets for news in affluent democracies whereas growing markets have so far increased diversity of provision in emerging economies.
- The reach of news in the general population remains high because of the continued popularity of television news in particular, but as the number of options (mostly non-news options) increase, overall patterns of consumption are likely to reflect individual interest to a greater and greater extent. Where interest is low and uneven, as in the United States, reach will erode as a small minority consumes more and more news but a larger group consumes little if any news. In countries where interest is higher and more evenly distributed across the population, overall reach may be sustained despite the fragmentation of individual outlets' audience. In Brazil and India the expansion of more popular media have driven a massive expansion of reach beyond the traditional affluent, educated, urban elite.

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