What if newspapers aren’t dying?

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ABSTRACT

This year marks a decade since the onset of the so-called newspaper crisis, which was precipitated by a steep drop in ad revenues brought by the 2008-09 recession. After several long-publishing U.S. dailies folded or went online-only in early 2009, predictions grew that newspapers would go extinct within a few years. A decade later, however, almost all continue to publish. One study examined financial statements of newspaper companies in the U.S. and Canada from 2006 to 2013 and found that all posted annual profits on an operating basis throughout, with some enjoying profit margins as high as 20 percent (Edge, 2014). A replication which studied UK newspapers found similar but more varied results (Edge, 2019). Some, such as the Times, were profitable for the first time in years since introducing a paywall to charge for access to online content. Recent research has shown that online subscription schemes have improved the prospects for newspapers considerably. Implications for industry strategy, public policy, and journalism education are considered in light of an expected shift to all-digital media, which unlike newspapers have largely failed to find a viable business model.

The pending death of newspapers as a medium has become assumed as inevitable by many, if not most media scholars and journalism educators. Circulation has dropped precipitously and print advertising has dried up while revenue from digital advertising has come nowhere close to making up the difference. Numerous titles have closed. More than a dozen newspaper chains have gone bankrupt. Yet recent research has cast doubt on the “death of newspapers” assumption by showing that they continue to operate profitably while digital media, which were supposed to replace them, have been unable to find a profitable business model (Chyi, et al., 2012; Chyi, 2013; Chyi & Tenenboim, 2019a; Edge, 2014; Edge, 2019; Herndon, 2015; van der Burg & Van den Bulck, 2017). A sure sign that there might yet be life in newspapers is the recent renewed activity of hedge funds, which have made major acquisitions of them in both North America and now the UK. This might be explained by the recent success many newspapers have had introducing online subscription schemes through use of the so-called “metered paywall.”

Industry, governments, and educators, however, have all been preparing for the past decade and more to adapt to a post-newspaper world. Some titles have experimented by dropping their print editions and going online only, with disappointing results. Others have spent tens of millions of dollars in developing tablet editions which have failed to gain an audience. Governments have provided regulatory relief to the newspaper industry in some countries, subsidising them by hundreds of millions of dollars. Journalism schools have altered their curricula to focus less on traditional skills such as news writing, reporting, and sub-editing and more on digital skills such as video editing and writing HTML code.

This paper re-examines the presumed death of newspapers in light of recent research and industry activity. It attempts to reconcile widely mistaken perceptions of the economic viability of newspapers as tenuous with financial data which show that they continue to post comfortable profit margins. Implications for industry strategy, public policy, and journalism education are considered.

The newspaper crisis

This year marks a decade since the onset of the so-called newspaper crisis, which was precipitated by a steep drop in advertising revenues brought by the 2008-09 recession. After several long-publishing U.S. dailies folded or went online-only in early 2009, predictions grew that newspapers would be extinct within a very few years. The Rocky Mountain News, which had published since 1859 in Denver, folded in February 2009. The following month the Seattle Post-Intelligencer, which had published since 1863, announced it would go online-only. Similar closures of long-publishing U.S. dailies were seen in Tucson and Albuquerque. The iconic Christian Science Monitor cut back from daily to weekly publication while the Madison (Wisconsin) Capital Times went online-only. In Michigan, the Ann Arbor News ceased daily publication after 174 years, was renamed AnnArbor.com after its website, and cut back to twice-weekly print publication. Only one daily in Canada folded during the recession, however, and the Halifax Daily News was quickly resurrected as a Metro commuter tabloid. In the UK, newspapers also began to close. More than a dozen companies which owned newspapers also entered bankruptcy, filing for court-ordered protection from their creditors as they reorganized under new ownership, typically their debt holders. The Chicago-based multimedia conglomerate Tribune Company, which had recently been taken over in a leveraged buyout, went into bankruptcy protection late in 2008 after it became unable to service its $13 billion in debt with revenues reduced by the recession. Several more U.S. chains followed in 2009. In Canada, the owner of the largest newspaper chain, Canwest Global Communications, also entered bankruptcy.

Some analysts gave newspapers as a medium mere months to live. Investment banker John Chachas (2009) warned that: “By the middle of this year, as many as a third of the daily newspapers in America may be under the protection of a bankruptcy judge. Dozens more could be shuttered, with thousands of jobs lost.” Journalist and author Michael Wolff told one of the many panels convened to debate the future of news that: “About 18 months from now, 80 percent of newspapers will be gone” (quoted in Kaplan, 2009). The *Atlantic* magazine predicted that even the *New York Times* could go out of business within months as a result of defaulting on its $400 million in debt (Hirschorn, 2009). USA Today predicted that: “At least one city – possibly San Francisco, Miami, Minneapolis or Cleveland – likely will soon lose its last daily newspaper” (Lieberman, 2009). Time magazine warned on its website: “It’s possible that eight of the nation’s 50 largest daily newspapers could cease publication in the next 18 months” (McIntyre, 2009). In the UK, media analyst Claire Enders predicted to a Parliamentary committee in 2009 that up to half of the country’s 1,300 local and regional newspapers would close within five years. “Many titles are already running at losses and are being sustained by the good graces of their owners,” she testified, “and that may not last” (quoted in Brook, 2009). In a presentation to editors at the Guardian newspaper, according to Rusbridger (2018), an analyst from Enders’ firm predicted that seven of the twelve national newspapers in the UK would also fold by 2014. A website called Newspaper Death Watch was started up to chronicle the closures, but soon they dwindled and ceased.

Premature predictions

Eighteen months passed and far from 80 percent of American newspapers were gone. None of the nation’s 50 largest daily newspapers had ceased publication. San Francisco, Miami, Minneapolis and Cleveland still had a daily newspaper. They still do. After Denver and Seattle, the contagion was confined to Tucson, where the second-place daily folded, and Honolulu, where the two dailies merged. The name Ann Arbor News was reinstated to its newspaper in 2013. By 2014 only about 100 UK newspapers had closed instead of the predicted 650. Most were free titles, however, which had proliferated in the 1980s during an era of rising advertising revenue. The only paid regional daily to close was the Liverpool Post, which was a second-place newspaper. None of the predicted seven national dailies had folded in the UK by 2014, although the Independent went online-only in 2016. The recession gradually eased, but more importantly newspapers proved incredibly resilient, able to cut their costs almost as fast as their revenues fell by a third and then by half in the U.S. (and now more). Unfortunately, they were only able to cut costs so quickly by laying off large numbers of journalists, so while the outlook may have brightened somewhat for newspapers, it darkened for journalism, especially expensive local news coverage.

The Economist, which had been one of the first to float a doomsday scenario for newspapers in a 2006 cover story, was soon forced to recognize what it called the "strange survival" of ink on newsprint (Anonymous, 2010, p. 26). In Europe and elsewhere around the world where newspapers were less dependent on advertising than they were in the U.S., it noted, the crisis had been relatively mild. It was barely noticed in China and India, where the newspaper business was booming. "The recession brought out an impressive and unexpected ability to adapt," concluded the Economist. "If newspapers can keep that up in better times, they may be able to contemplate more than mere survival" (Anonymous, 2010, p. 26). Even the Newspaper Death Watch had to admit that the moves newspaper publishers had made, from aggressive cover price increases to charging readers for online access, were "turning paying subscribers into a profit engine" (Gillin, 2010).

Economic research

Soon academic research began to be published which examined the newspaper death meme in light of financial facts. A 2012 study of news coverage of the crisis by the Wall Street Journal, USA Today, and New York Times found that it focused on dramatic short-term declines and lacked historical perspective. “Some coverage has exaggerated the scale of the newspaper crisis and ignored the historical context for this phenomenon, creating a false impression that the whole industry is ‘dying,’” (Chyi et al., 2012, p. 316). The coverage contained “over-amped drama” and even “tabloidization,” the study found, with more than a quarter of stories containing death imagery. “Newspaper journalists often fail to contextualize their reports with a comprehensive understanding of the economics of their industry,” it noted (Chyi et al., 2012, p. 316). A more historical perspective would have noted that the closures were part a long-term trend and resulted from industry economics which trend toward monopoly, such as large economies of scale and the so-called “circulation spiral.” The cumulative flight of first advertisers and then readers to market-leading newspapers has historically made second-place dailies an endangered species, which led Scandinavian countries to subsidise trailing newspapers starting in the 1960s in order to preserve press competition. The advent of television evening news similarly endangered afternoon newspapers, many of which folded, merged, or moved to morning publication. This absence of context was compounded, the study found, by an over-reliance on the views of newspaper publishers and an under-reliance on empirical data.

> This was particularly apparent in the extensive coverage given to the shutdowns at the Rocky Mountain News, Seattle Post-Intelligencer, and (to a lesser extent) Tucson Citizen. While these might be noteworthy incidents, the closure of a second newspaper in a city is nothing new. . . . Moreover, the trend toward monopoly actually has contributed to increased newspaper profitability. (Chyi et al., 2012, p. 317)

A 2014 study which examined financial statements of publicly-traded newspaper companies in the U.S. and Canada from 2006 to 2013 found that all posted annual profits throughout the period on an operating basis, with some enjoying profit margins as high as 20 percent return on revenue (Edge, 2014). The multi-million-dollar losses sometimes reported by newspaper companies were invariably only on paper, as under accounting rules a company’s value must be regularly recalculated. If it goes down, the lost value comes off the books via the annual profit and loss statement as an extraordinary loss or a "writedown" of company value. On an operating basis – money coming in as revenues minus money going out as expenses – newspapers were still comfortably profitable. Most still enjoyed double-digit profit margins, albeit on reduced revenues and earnings. The bankruptcies had all been a result of high debt loads taken on by newspaper companies in making ill-advised acquisitions prior to the recession. The newspapers the companies owned were still comfortably profitable and thus continued to publish throughout, often under new ownership. Some companies used bankruptcy strategically as a means of cutting costs, as it allowed them to escape certain legal obligations, such as leases, pensions, taxes, and union contracts. The hedge fund owned chain Journal Register Co. went through bankruptcy twice, first in 2009 and again three years later (Edge, 2014).

A 2015 study of U.S. newspapers using proprietary financial data confirmed that the industry was profitable and also found that financial risk had diminished as a result of years of consolidation and downsizing through layoffs. Company financial information from 3,763 newspapers, or about 75 percent of the U.S. total, found they typically had an operating margin of 3.6 percent return on revenue in 2013, compared with 3.8 percent in 2009.[1] "The review of this proprietary financial benchmarking data strongly supports Edge's conclusion that newspapers stabilized their financial performance and scaled their businesses to the reduced levels of advertising revenue" (Herndon, 2015, pp. 26-27). A 2017 study of Belgian newspapers found that their profit margins (EBITDA) averaged 10.7 percent in 2014. Industry revenues peaked in 2007 at €811 million, but had fallen 15 percent by 2014 to €689 million, while costs were reduced 13.6 percent over the same period from €743 million to €642 million. Much of the costs savings had been achieved by reducing the workforce from

[1] The 2015 study used the profitability measure EBIT (earnings before interest and taxes) while the 2014 study used EBITDA (earnings before interest, taxes, depreciation, and amortisation). The latter measure results in higher earnings and profit margins.

2,242 (full-time equivalent) in 2007 to 1,975 in 2014, although after six straight years of decline the number went back up slightly from 1,898 in 2013. Consolidation had seen the number of newspaper owners fall from six in 1990 to only two in 2014 as a result of three takeovers (van der Burg & Van den Bulck, 2017).

UK newspapers

A recent study of UK newspapers found similar but more varied results (Edge, 2019). While the 2014 study had been able to examine data for only publicly-traded newspaper companies in North America, which included about 40 percent of U.S. newspapers and about 75 percent in Canada, the UK study had access to much more complete data. The UK regulator Companies House requires annual financial statements from all incorporated entities whether publicly traded or privately owned, including both holding companies and subsidiaries. As a result, more than 100 percent industry coverage could be achieved, with financial statements for several subsidiary companies often available from each chain. While the 2014 study could not untangle News Corp.'s U.S. newspapers from its Australian and UK titles, which were lumped together in a division with its book publishing companies, News Limited's national dailies were published by separate subsidiaries in the UK. Individual financial statements could thus be examined for the Sun and the Times and a much more granular portrait of industry performance obtained.

Since introducing a paywall in 2010 to charge for access to its online content, Edge (2019) found, The Times had actually turned to profit starting in 2014 after many years of losses. A similar "hard" paywall at News Limited's Sun tabloid had to be dropped, however, after few readers paid to view its content. Daily Mail owner DMG Media posted an operating profit margin of 15.4 percent in its 2017 fiscal year, the study found, while Reach plc, owner of the Mirror, was even more profitable at 23.3 percent. Financial Times owner FT Publishing enjoyed profit margins of 15 percent or more in 2014 and 2015 before being sold to the

Japanese publishing company Nikkei for £844 million in 2015. Not all national newspaper publishers were as profitable, however. Telegraph Media Group profit margins slipped into the single digits in 2017 after being in the 16-18 percent range from 2010 through 2015. Express Newspapers similarly fell into single-digit profit margins in 2016 and 2017. The Guardian posted huge losses underwritten by its rich Scott Trust until a membership scheme was commenced in 2016, bringing contributions from hundreds of thousands of readers and putting it back in the black for the first time in 20 years (Davies, 2019).

Provincial newspaper chains, which have laid off hundreds of journalists, closed or merged dozens of titles, and cut back sharply on local news coverage, have ironically posted some of the highest profit margins in the UK newspaper industry. Newsquest Media Group, which is owned by Gannett, the largest U.S. chain, publishes more than 200 local and regional UK newspapers, or almost 20 percent of the total. Its finances are difficult to untangle because its newspapers are held by a number of subsidiary companies, and it has reported its overall results only once, when it announced a profit margin of 24.8 percent in 2014, compared with 23.3 percent the year before. Newsquest's largest subsidiary, which publishes the morning Glasgow Herald and evening Glasgow Times along with the Sunday Herald and the Scottish daily The National, posted a profit margin of 24.7 percent in 2017. Its London & Essex subsidiary, however, fell into a loss in 2016 after posting profit margins of 10-11 percent the two previous years. The chain Local World, which was purchased in 2015 by Trinity Mirror, recorded a profit margin of 17.7 percent in 2017, down from 22.7 percent a year earlier. Tindle Newspapers, which specializes in hyperlocal journalism, saw its profit margin rise to 12.8 percent in 2015 before reorganizing its operations so as to make comparisons problematic. Norwich-based Archant Limited, which publishes several regional dailies including England's largest in the Eastern Daily Press, saw its profit margin drop to 6.4 percent in 2017, however, from the high double digits a decade ago (Edge, 2019).

Perhaps most surprising of all, the Johnston Press chain, which went into bankruptcy in 2018, recorded a profit margin of 19.9 percent in 2017 after several years above 20 percent. Its earnings had been reduced to £40 million, however, from £178 million a decade earlier, leaving it unable to service the £450 million in debt it had taken on in buying dozens of titles prior to the recession (Edge, 2019). Its profit margin had been in the range of 30 percent at the time, however, making acquisitions doubtless seem like a no-lose proposition. It struggled for years to cut costs after the recession hit, laying off hundreds of staff and closing or merging dozens of titles, but its revenues kept falling, which made its healthy profit margins moot. Finally the company which was founded in 1797 entered administration in late 2018 and was taken over by its debt holders, de-listed from the London Stock Exchange, and renamed JPI Media. Like numerous chains in the U.S. and Canada, its new owners were a consortium of its debt holders led by a U.S. hedge fund, in this case GoldenTree Asset Management, which specializes in buying up the debt of distressed companies at deep discounts.

Hedge fund acquisitions

A sure sign that there are yet profits to be made from newspapers is that private equity funds, better known as hedge funds and often derided as “vulture capitalists,” have stepped up their acquisitions of them in recent years. GoldenTree emerged as the majority owner of Canada’s largest chain after the multimedia conglomerate Canwest Global Communications was reorganized out of bankruptcy in 2010. It used only a portion of the Canwest debt it had accumulated in bidding for the former Southam chain, which it renamed Postmedia Network, then kept the remainder on its books to ensure a steady stream of income regardless of profit levels. This piece of financial engineering required adjustment in 2016 when Postmedia earnings fell to a point where they could no longer service its debt, and its bond holders agreed to accept additional shares of equity in exchange for forgiving almost half of the debt they held. With financing from the Canadian hedge fund Canso, Postmedia took over the country's second-largest chain, Sun Media, in 2014 (Edge, 2016).

Hedge funds have also accelerated their acquisitions of U.S. newspapers in recent years. From 2004 to 2014, according to Abernathy (2016), hedge funds increased their holdings sixfold when measured by circulation, and by 2014 they owned six of the ten largest chains by circulation. Unlike traditional newspapers owners, such as founding families and even chains, hedge funds focus entirely on profits at the expense of journalism, according to Abernathy (2016, p. 8). "The large investment groups tend to employ a standard formula in managing their newspapers – aggressive cost cutting paired with revenue increases and financial restructuring, including bankruptcy." While all newspapers have had to make layoffs in the face of falling revenues, hedge fund owners have severed staff at a rate double or more that of other owners. According to the Bureau of Labor Statistics, newspapers cut 24 percent of their workforces on average between 2012 and 2016 (Kuttner & Zenger, 2018). Digital First Media, which is owned by the hedge fund Alden Global Capital, cut its headcount by 72 percent over a six-year period, according to a study by the NewsGuild union, from 1,766 in 2012 to 487 in 2018 (Nicolaou, et al., 2019).

One of the most aggressive newspaper buyers has been the GateHouse chain, which is owned by the hedge fund New Media Investments. According to Abernathy (2018), it spent more than $1 billion on 200 newspaper acquisitions between 2013 and 2018 to become the country's second-largest chain. Its buying spree culminated in August 2019 when it outbid Digital First and paid $1.4 billion for Gannett, which had long been the largest chain. Digital First touted its 2018 profit margin of 16.2 percent in making the first offer to shareholders of Gannett, which had earned a reduced profit margin of 11.2 percent return on revenue that year (Hagey & Alpert, 2019). According to media analyst Ken Doctor (2018), Digital First made an even higher profit margin the year before, when it posted operating earnings of $159 million in its fiscal year ending June 30, 2017 on revenues of $939 million, for a 17 percent profit margin. It was eventually outbid by the larger New Media, which according to its 2018 annual report had earnings before interest, taxes, and depreciation of $145.3 million that year on revenues of $1.34 billion, for a profit margin of 10.8 percent.

Reader revenue

One way that newspapers have been able to improve their prospects in recent years is by re-arranging their business models to rely more on revenues from readers in the face of falling revenues from advertising. A 2010 study showed that North American newspapers earned by far the world's highest proportion of their revenues from advertising in 2008, with 87 percent coming from that source in the U.S. and 77 percent in Canada. The UK saw a 50-50 split between reader and advertising revenues, which was close to the European average. Newspapers in Denmark and Japan were on the other end of the scale, with 38 and 35 percent of their revenues coming from advertising, respectively (OECD, 2010). This shows the extent to which North American newspapers had subsidized copy prices to maximize circulation and thus advertising rates during the decades-long ad bubble which burst with the 2008-09 recession. One of the first expenses they cut back on was distribution, contracting their circulation "footprint" to reduce the costs they incurred from trucking copies farther and wider.

Newspapers also began to raise prices for the copies they did print and circulate to a point closer to their actual cost of production. A 2019 study of 25 of the 28 largest U.S. titles found they tripled their weekday single copy prices on average between 2008 and 2016, with the increases accelerating after 2012. The Dallas Morning News was among the first U.S. newspapers to implement a significant price increase for its print editions, raising its seven-day home delivery rate from $21 to $30 and then to $33.95 per month in 2009. Subscription prices rose 2.5 times on average across the U.S., the study found, with the Los Angeles Times posting a sixfold price increase, from $104 a year in 2008 to $624 in 2016 (Chyi & Tenenboim, 2019b). A 2014 study calculated that daily newspapers lost only 20 percent of their subscribers after they increased their prices by 40-60 percent from 2006-2011 (Pattabhiramaiah, Sriram, & Sridhar, 2014). Given this inelasticity of demand, newspapers were thus able to increase their total circulation revenue by raising their sales prices, even though it meant lower sales.

This phenomenon is confirmed by industry data. According to estimates by the Pew Research Center (2019), circulation of U.S. newspapers fell every year between 2011 and 2017, by more than 30 percent in total, but circulation revenue rose every year during the same period, by 12 percent in total. By 2017, circulation revenue at U.S. newspapers was back near its all-time high set in 2003 (Pew Research Center, 2019). Free newspapers, such as commuter dailies which did not have circulation revenue to fall back on, were instead often forced to close as their advertising revenues declined. Of the twenty free dailies published in Canada in 2014, for example, half had been closed by the end of 2017 (Edge, 2020).

Metered paywalls

Newspapers also increasingly charged readers for online access, with many adopting the successful "metered" paywall system pioneered in the UK by the Financial Times and perfected in North America by the New York Times. Experimentation with online subscription systems went through several distinct phases in the first two decades of the World Wide Web (Edge, 2014; Arrese, 2016). Many newspapers tried to charge for online access to their content from the outset, but most had discontinued such attempts by the millennium after they failed to bring in significant revenues. Most newspapers preferred to instead keep access to their online content free in order to attract as many readers as possible as in their print model, and to instead rely for profits on selling digital advertising. Rates for digital advertising dropped significantly due to oversupply, however, and most ad revenue began flowing to Google and Facebook, so renewed attempts were made by newspapers in 2010 and 2011 to devise a profitable paywall. These proved highly successful, encouraging widespread adoption across the industry.

News Limited CEO Rupert Murdoch ordered a "hard" paywall at the Times and Sunday Times in 2010, allowing no content to be viewed without a subscription. By 2014 the newspapers had more than 300,000 online subscribers, each paying £6 a week, and recorded their first annual profit since 2001. Their £1.7 million in earnings that year compared to losses of £6 million the year before and more than £70 million in 2011 (Spanier, 2014). By 2018 they had a combined 500,000 online subscribers, with digital subscriptions outnumbering print subscriptions for the first time (Tobitt, 2018). Their operating earnings in 2018 were £17 million (Moore, 2019). Most newspapers hesitated at such an extreme approach, however, preferring to hedge their bets by keeping their pageviews as high as possible in order to maximise online ad sales. A "metered" paywall, which allowed both revenue streams, was adopted by the New York Times in early 2011 after considerable development. It allowed most casual visitors through but charged their most frequent readers after a certain number of articles, initially 20. This proved even more successful than the hard paywall, encouraging most of the U.S. newspaper industry to follow its example. Before 2011 was over, such major newspapers as the Baltimore Sun and the Chicago Tribune had adopted the metered model, and the Gannett chain of 80 newspapers followed in 2012, with the exception of its national daily USA Today (Arrese, 2016).

Businessweek magazine declared 2013 "the year of the paywall" and noted that more than 400 publishers in the U.S. and Canada by then charged online readers, helping to raise U.S. newspaper circulation revenue by 5 percent the previous year, the first gain since 2003 (Lee, 2013). The 2013 State of the News Media report published by the Pew Research Center noted that paywalls had "caught fire" in the year since Gannett followed the Times' lead. Together with print price increases, noted the report, Gannett estimated the changes would generate an additional $100 million in earnings annually. "When Gannett reported in early 2013 that its digital revenue projections were on track, it seemed to signal that such initiatives could work at papers of varying sizes" (Edmonds, et al., 2013). It counted 450 of the country's 1,380 dailies which had by then adopted paywalls, including 47 from the Lee chain, 30 from McClatchy, and fourteen from the E.W. Scripps chain. By early 2018, the New York Times had more than 2.6 million digital subscribers, bringing its reader revenue above $1 billion a year and accounting for 60 per cent of its sales (Bond, 2018).

In Canada, only 4 percent of newspapers were behind a paywall in 2011, according to a study by the Canadian Media Concentration Research Project, but by 2015 that had risen to 58 percent. When the Toronto Star, Canada's largest daily, erected a paywall in 2018, that brought the total to 65 percent when measured by circulation (Winseck, 2018). A 2018 study done at the University of Missouri which examined 236 U.S. newspapers found 77 percent of them charged for online access. By far the most common pay model found was the metered paywall, which was used by 72 percent (Lewis, 2018). A study of twenty small newspapers in Norway found that in addition to using a paywall to increase online subscription revenues, they used it in a "brake" strategy to stop losses in print circulation revenue (Olsen & Solvoll, 2018).

A 2019 study by the Reuters Institute for the Study of Journalism examined 212 news organisations in the U.S., UK, and five European countries and found that 69 percent of newspapers employed a paywall, up from 64.5 percent in 2017. The proportion of regional newspapers with paywalls was even higher, as only 27 percent offered free access, down from 36 percent in 2017 (Simon & Graves, 2019). A majority of the largest newspapers in Finland, France, Germany, Poland, and the U.S. had adopted pay models, but not those in Italy or the UK, which are "very competitive markets where even leading titles may fear losing market share if they implement pay models" (Simon & Graves, 2019, p. 4). The U.S. had seen the sharpest rise in paywalls erected by newspapers, with 76 percent employing a pay model by 2019, up from 60 percent in 2017. The continuation of this trend prompted the report to declare: "Paywalls are likely here to stay" (Simon & Graves, 2019, p. 4).

A report released in August 2019 by the Shorenstein Center and Lenfest Institute went even farther, finding that nothing less than a "digital subscription renaissance" had taken place over the previous five years (Mele, et al., 2019, p. 3). Declaring the "end of the beginning" of the digital subscription era, its survey of more than 500 for-profit newsrooms in the U.S. found that digital publishers were "well on their way to evolving a standard for success in subscriptions" (Mele, et al., 2019, p. 3). Paywalls also encouraged audience engagement, the study of mostly local, regional, and metro newspapers found, which was lacking elsewhere on the Internet. This had positive spillover effects on both digital advertising sales and journalism.

> Volume-driven digital advertising engenders a race-to-the-bottom to produce the lowest-cost, highest-volume content. Publishers reliant on digital advertising generally see business goals as increasingly distant from editorial priorities. Conversely, digital subscriptions require growing the number of users who are highly engaged in a publisher's content. . . . When users pay for access to news content, the business goals of a news organization more closely meet editorial goals. (Mele, et al., 2019, p. 7)

A 2019 analysis by the Wall Street Journal, however, found that a "stark divide has emerged between a handful of national players that have managed to stabilize their businesses and local outlets for which time is running out" (Hagey et al., 2019). Its examination of circulation, advertising, financial, and employment data found that local papers had suffered sharper declines in circulation and advertising revenue than national newspapers and were also having “a much more difficult time converting readers into paying digital customers” (Hagey et al., 2019). It pointed to data which showed that Google and Facebook took 77 percent of digital advertising revenue in local markets in 2017, compared with 58 percent nationally. While the Wall Street Journal was able to convert 4.5 percent of its readers into digital subscribers and the New York Times 3.6 percent, Gannett’s local newspapers which had paywalls (not all did) converted only 1.4 percent (Hagey et al., 2019).

Discussion

One of the first media scholars to peek behind the curtain and delve into newspaper finances was Ben Bagdikian (1973), who found that in the U.S. they averaged 15.6 percent profit margins over a five-year period in the late 1960s and early 1970s. He called carefully cultivated perceptions to the contrary “the myth of newspaper poverty,” and noted it had been instrumental in passing the 1970 Newspaper Preservation Act (NPA) exempting dailies from antitrust laws. The closure of many second- and third-place newspapers was seen as evidence that newspapers were dying and required regulatory assistance. The disappearance of competition, however, only made the survivors more profitable, as under the NPA former competitors could enter a partnership to legally conspire together, setting advertising rates and circulation prices jointly, then splitting the profits.

The recent newspaper crisis has similarly brought calls for regulatory relief. Some government assistance has already been granted, while additional measures remain under consideration. The U.S. government recently repealed a longstanding prohibition against newspapers owning a television station in the same market, for which newspaper owners had lobbied for decades. In Canada, $595 million was allocated in the latest federal budget to assist news media financially, mainly the form of labour subsidies for news media and consumer tax credits for digital subscriptions. In the UK, a planned second phase of the Leveson inquiry into press practices was cancelled in 2018, as was a plan to force newspapers which did not sign up to a government-approved regulator to pay the legal fees of those who brought privacy and libel actions against them. Part of the reason, announced minister responsible Matt Hancock, was the precarious state of press finances. Government did not want to "exacerbate the problems the press face rather than solve them," he added. "Newspaper circulation has fallen by around 30 per cent since the conclusion of the Leveson Inquiry. And although digital circulation is rising, publishers are finding it much harder to generate revenue online" (quoted in Mayhew, 2018).

The 2019 Cairncross Review report into a sustainable future for journalism in the UK recommended looking into ways to subsidise public interest journalism. It pointed to recent research into newspaper finances, however, and noted that "it is perhaps surprising that most of the UK's major national papers have remained profitable" (Cairncross, 2019, p. 77). Any government assistance to news media, it added, should take into account the fact that "most national newspapers and regional newspaper groups are generating good profits, with margins of 10% or more" (Cairncross, 2019, p. 14).

Educators have similarly had to foresee the future of news provision in the digital world to equip their students will the needed skills. Most journalism programmes have introduced units and courses in online journalism. Some have stopped publishing student newspapers in print and moved them online in anticipation of an all-digital future. Others "converged" their print and television programmes on the assumption that convergence was the way of the future. Some which did, however, had to re-think the wisdom after the collapse of convergence as a business model for media (Wenger, 2005).

Conclusions

The economics of newspapers make them inherently profitable, according to long-time analyst John Morton, due to their vertical integration which incorporates the profit margins of several different endeavours, from sales to manufacturing to delivery. “Even during recessions, when the profits of many other businesses fall sharply or disappear, newspapers usually still post more-than-respectable earnings” (Morton, 1994). Department stores, on the other hand, tend to have low profit margins because they have to acquire their goods for resale from middlemen, including manufacturers, wholesalers, and distributors, each of which must also make a profit. Newspapers actually could not help but have higher profit margins than most other businesses, he explained, because they operate all phases of their business in-house and thus subsume most of the profit margins that drive up the costs of other businesses.

> The only materials it needs to acquire on an ongoing basis are newsprint, which it normally gets directly from the manufacturer, and newswire and feature services, which are minor cost items. Almost everything else that adds value to the final product – news and advertising content – is created in-house [and] it also retails its manufactured product – the newspaper – directly to its customers. (Morton, 1994)

Newspapers may thus be inherently predisposed to survival by their economics. They typically began as small businesses, often one-person operations, and on their present trajectory they are at worst on track to return to that status. This might actually be a blessing in disguise for journalism, as the financial success of newspapers was arguably the worst thing that ever happened to them. Their little-appreciated profitability left them subject to “financialization” by chains and now hedge funds which have maximised their cash flow by cutting back on journalism. As newspaper revenues and earnings shrink, they will hopefully be of less interest to the financial wizards and can evolve into sustainable print/online publications with business models which focus more on journalism and less on the bottom line. In addition to the free access, membership, and paywall models which have already proved successful in different circumstances, these might also include non-profit operations able to accept tax-deductible donations.

The opposite might be true for digital media, whose economics may render the Internet unprofitable as a purveyor of anything more than niche journalism. With no print product to fall back on, online journalism is unable to benefit from copy sales or print advertising, for which there is still a core market, especially in the prime demographic groups which read newspapers. While the Internet is very good at some things, such as hosting online databases which have taken most of the classified advertising once dominated by newspapers, it suffers from some limitations. As media economist Robert Picard pointed out, while it provided a new way to distribute content, the Internet didn't actually offer any new forms of media, as film, radio and television all did, merely transmitting them all. "If one looks past all the marketing and excitement surrounding the technologies, new ICT based technologies cannot revolutionise content because they provide no real new communications capabilities" (Picard, 2000, p. 60).

There is no doubt, however, that we are in the middle of an historic shift in media brought by the Internet similar to those in the 20th century brought by radio and television, each of which was similarly predicted to result in the death of newspapers. Instead each medium found its own way in an ever more crowded field, with newspapers adapting by focusing more on analysis due to the immediacy of broadcasting. The Internet has brought to the media ecosystem its own strengths of instantaneous global reach and network effects. Newspapers as a result need to focus on what they do best, which is investigation, in-depth analysis and covering local communities. This has proved problematic due to falling revenues, but the recent increase in revenues from print and online circulation has brought renewed hope for their survival. Newspapers should perhaps focus on their core competencies and trust that a free market will find buyers for that.

If newspapers endure in the digital age, despite the myriad predictions of their imminent extinction, many of the assumptions about the future of news media will have to be reconsidered. As the newspaper industry adapts successfully to the new media ecosystem, many media scholars and journalism educators will have to admit that they were wrong to assume that newspapers were dying. That might make a good start for reconceiving a media world in which newspapers survive and perhaps even thrive.

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