

Newspaper revenues – more bad news than good

By Dean Starkman, Columbia Journalism Review

The Newspaper Association of America takes some comfort, and with some reason, in the news that newspaper revenues declined only 2 percent in 2012, to \$38.6 billion, from \$39.5 billion the previous year.

That's indeed something to cheer about when you consider that for the better part of a decade, industry revenues were plummeting from \$57.4 billion in 2003, with some years showing declines near and above 20 percent.

Another bright spot is subscriptions. In its report, a detailed survey of 17 newspaper companies that combined make up 40 percent of the industry's circulation, found that circulation rose – that's right, rose – to about \$10.5 billion from about \$10 billion.

Any growth at all is big news, and half a billion dollars in new revenue is nothing to sneeze at.

It should be noted that all subscription growth is on the digital side – in a word, paywalls, which, as we've been saying, are a reasonable, ameliorative step that can slow (not stop) overall revenue declines and help to preserve newsroom assets while the shakeout continues. It's digital subs that are saving the day.

That said ...

The ad picture has nothing encouraging to offer. First, digital ads remain basically stuck in neutral, rising 4 percent over the previous year from a low base of \$3.4 billion. Digital ads make up 11 percent of overall revenue on

average (though the figure varies widely from paper to paper), and appear to be stuck at the level for the foreseeable future. This is particularly true given that digital ad rates generally themselves are falling materially.

And there is nothing good to be said about a 9 percent drop in print ad revenue, to \$18.9 billion. Put it this way, for the \$500 million the industry gained in subscription revenue last year, it lost more than three times that much in print ads. That's the number to watch, and that's the trend that doesn't seem sustainable.

Further, it's hard to know how far and fast digital subscription revenue can grow. The NAA numbers show robust growth in two kinds of digital subscriptions – a whopping 499 percent growth in subscriptions that combine digital and print editions, and 275 percent in digital-only subscriptions.

The first might be seen as more or less one-time pop as more and more newspapers adopt paywalls and begin levying new charges for the digital edition of their papers. This can be seen basically as a price increase, and there's no telling how much more the market will bear. Partly as a result of bundling, print-only and newsstand revenues are way down – 14 percent.

The hope is in the digital-only subs. But while 275 percent growth is very nice, NAA doesn't break out the raw numbers and it's safe to assume that the growth, like digital ads, is also from a low base.

And this is where we say, "But the *New York Times* (!)..." And it's true, the *Times* continues to astound not just with the success of its paywall, but that it continues to add new subscribers at a healthy clip of 50,000 or so a quarter, and at the year end stood at 640,000, far beyond most expectations.

Of course, the *Times* is *sui generis* in some ways, and other

papers can't expect that kind of growth. On the other hand, many predicted paywalls wouldn't work at all, and they were wrong. So it's not unreasonable to hope for some further growth in digital subscriptions to offset print ad declines. The question is how much and how fast.