



American media

On the brink

NEW YORK

Some of America's most venerable newspapers face extinction, unless they evolve

THE New York Times once epitomised all that was great about American newspapers; now it symbolises its industry's deep malaise. The Grey Lady's circulation is tumbling, down another 3.9% in the latest data from America's Audit Bureau of Circulations (ABC). Its advertising revenues are down, too (12.5% lower in March than a year earlier), as is the share price of its owner, the New York Times Company, up from its January low but still over 20% below what it was last July. On April 29th Standard & Poor's cut the firm's debt rating to one notch above junk.

At the company's annual meeting a week earlier, its embattled publisher, Arthur "Pinch" Sulzberger, attempted to quash rumours that his family is preparing to jettison the firm it has owned since 1896 by declaring that "this company is not for sale." In an effort to placate his critics, Mr Sulzberger agreed to add to his board representatives of two activist hedge funds with threatening names, Firebrand and Harbinger. Carnage is expected soon on the editorial floors of the shiny new Times headquarters, as dozens of what were once the safest jobs in journalism are axed, since too few of the staff have accepted a generous offer of voluntary redundancy.

Pick almost any American newspaper company and you can tell a similar story. The ABC reported that for the 530 biggest dailies, average circulation in the past six months was 3.6% lower than in the same

period a year earlier; for Sunday papers, it was 4.6% lower. Ad revenues are plunging across the board: by 22.3% at Media General, for example. In 2007 total newspaper revenues fell to \$42.2 billion, not to be sniffed at, certainly, but a lot less than the peak of \$48.7 billion in 2000.

Much of this decline is being blamed on the rise of the internet, which offers free, round-the-clock coverage, and which has provided anew, better home for classified advertising, once the bedrock of most newspapers' revenue. But some of the fall in revenues is actually due to the economic slowdown in America, and especially in the housing market, which contributes a large slice of classified advertising. Media General, for one, is particularly exposed to parts of America where the property market has slumped most, through papers such as the *Tampa Tribune* in Florida.

The credit crunch has also come at a bad time for a group of new newspaper owners, who used loans that were readily available until last summer to buy their way into the business, but must now be having second thoughts. Sam Zell, a property tycoon who bought the Tribune Company, the owner of papers such as the *Chicago Tribune* and *Los Angeles Times*, is finding the going harder than expected. He is trying to sell assets such as *Newsday*, a New York tabloid that is the subject of a bidding war between two other moguls, Mort Zuckerman and Rupert Murdoch,

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and perhaps other firms. It speaks volumes about the industry that either one would probably fold *Newsday* into a joint-venture with their respective tabloids, the *New York Daily News* and the *New York Post*, rather than try to preserve it as a stand-alone title.

Mr Murdoch's enthusiasm is a reminder that not all newspapers are suffering. He bought the *Wall Street Journal* last year, and is investing in a vigorous expansion of its political coverage and international news. This foray on to the traditional turf of the Times seems to be working: the *Journal's* circulation is rising. The cheerful buzz at its offices is in sharp contrast to the rest of the industry—although Mr Murdoch did ruffle feathers at the paper this week by easing out its editor, despite having pledged not to interfere unduly in editorial matters when he bought it. Another flourishing outlet is the web-only *Huffington Post*, which is fast evolving beyond a series of political blogs into a fully fledged online newspaper with liberal sensibilities close to those of the *New York Times*.

Industry experts such as Lauren Rich Fine of Kent State University do not think that the Times is responding forcefully enough. "Now is the time to beef up its business section," she says. Ms Fine also points out that although all newspapers are being buffeted by the internet, their ability to respond will probably depend on whether their audiences are national, metropolitan or local. The first category can afford to invest in distinctive international or business coverage, while the last can prosper by becoming "more intensely local". But she fears for the big metropolitan newspapers, which may find themselves trapped in the middle.

Not all is lost, however. Plenty of innovation is taking place, particularly at local papers, as the latest "Newspaper Next" re- ➤

port from the American Press Institute, an industry group, makes clear. It quotes 24 examples of newspapers becoming "information and connection utilities", through such offerings as local internet forums. The Pocono Record has renamed reporters "content managers", since they oversee all the coverage of their beat, in print and online, and get a bonus for higher web traffic.

The hero for industry optimists is Brian Tierney, a former public-relations executive who led a group of investors that borrowed heavily to buy Philadelphia's two main dailies. He has since revived them with a vigorous marketing drive. He is also finding new ways to drum up advertising, such as introducing a business column sponsored by a local bank. People said pigs will fly before our circulation rises, Mr Tierney recalled in a recent speech, before recounting how he celebrated a rise in circulation by projecting flying pigs onto the walls of the *Philadelphia Inquirer*. ■

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