

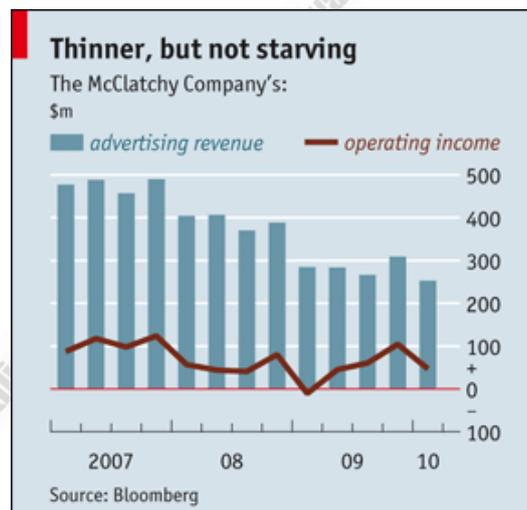
## The strange survival of ink

*Newspapers have escaped cataclysm by becoming leaner and more focused.*

"PRINT is going to live longer than people think," asserts Mathias Döpfner, the boss of Axel Springer. Perhaps it will in central Europe. The publisher of Bild and Die Welt recently recorded the most profitable first quarter in its history. The profit margin on its German national newspapers is a startling 27%. The firm is expanding into Poland. If newspapers are in crisis, Mr Döpfner says, he likes crisis.

A year ago the mere survival of many newspapers seemed doubtful. It had become clear that the young, in particular, were getting much of their news online. Readers were flitting from story to story, rarely paying. Advertising too was moving online, but not to newspapers' websites. Rather, it was being swallowed by search engines. The classified-ad market was ravaged by free listings websites such as Craigslist. A deep recession, received wisdom had it, would surely finish off newspapers, which have high fixed costs in the form of journalists and printing presses.

In some ways the pain proved even greater than analysts expected. The Newspaper Association of America reports that print and online advertising has fallen by 35% since the first quarter of 2008. Circulation has dropped alarmingly too. Yet almost all newspapers have survived, albeit with occasional help from the bankruptcy courts. American newspaper firms like McClatchy stayed mostly profitable even as revenues plunged (see chart). Some companies are now worth ten times as much as in the spring of 2009, although they remain far from pre-recession heights.



Steep cover-price rises have helped. But for the most part newspapers have cut their way out of crisis. In the past year McClatchy reduced payroll costs by 25%. Many publications closed bureaus and forced journalists to take unpaid leave. There have been clever adaptations, too. At Gannett, another American firm, 46 local titles now carry national and international news from USA Today, the firm's national paper. A group of New Jersey newspapers jointly produces features and editorials. Bob Dickey, who runs Gannett's community papers, says they have realised there is no need to work out what to say about the Gulf oil leak seven times.

Another unexpected boon is that spending on paper—the second-biggest expense at many firms, after staff pay—has plummeted by as much as 40%. A global commodities slump depressed prices. Newspaper companies are using less of the stuff, printing fewer words on smaller, thinner pages. Particularly on Mondays, papers are often so light that they are hard to fling from a car or bicycle to a doorstep.

The possibility that paper prices will roar back as the world economy accelerates is only one danger facing newspaper firms. They could be crippled by their pension liabilities. Readers may suddenly balk at paying higher prices for thinner products. Yet it is also possible that advertising will begin to recover from severely depressed levels. If that happens, profit margins will inflate quickly.

Outside America newspapers have fared better, as a report to be published by the OECD next week shows (although there are exceptions: see article). Japanese newspapers, the world's biggest by circulation, are slowly losing readers. But they have an enormously long way to fall, and ought to be cushioned by the media conglomerates of which they are a part. Outside the English-speaking world newspapers often face less competition from online news aggregators and other Silicon Valley wheezes. In countries like Germany they have suffered what Paul Zwillenberg, a partner at Boston Consulting Group, calls a "single whammy"—recession, but not rapid structural change.

In emerging markets one must look hard to find any sign of crisis at all. In Brazil advertising wobbled only briefly during the recession. The total circulation of Brazilian newspapers has expanded by 1m in the past ten years, to 8.2m. Brazil's growing middle class is hooked on a clutch of inexpensive new papers that are heavy on murders and bikinis. In 2003 just three of Brazil's top ten papers were tabloids. Today five of them are.

That emphasis on giving readers what they want to read, as opposed to what lofty notions of civic responsibility suggest they ought to read, is part of a global trend. Newspapers are becoming more distinctive and customer-focused. Rather than trying to bring the world to as many readers as possible, they are carving out niches. Proprietors and editors are trying to identify distinctive strengths and investing what money they have in those areas.

In America many newspapers have plumped for local news and sport, leaving everything else to bigger outfits or to wire services like The Associated Press. Several of them now refuse to deliver papers to readers far from the urban core. Such readers are expensive to reach and less alluring to advertisers. Papers are also courting small local businesses with technology that allows them to design their own ads cheaply. In short, metropolitan newspapers are turning into city newspapers. That may help them in the long term. Jim Chisholm, a newspaper analyst, points out that small local papers have fared better than larger regional ones in many countries, including America.

Newspaper publishers hope that this emphasis on distinctive content may ease the move from print to digital distribution. Whether the platform is a smart-phone, a tablet computer like the iPad or the open internet, the key to success for most publications will be a dual revenue stream. Just as they do offline, newspapers will have to bring in both advertising and paying readers. So far the few that have persuaded readers to pay for news online tend to have a reputation for distinctive coverage. The Financial Times (part-owner of The Economist) and the Wall Street Journal have leading positions in business and financial news, and successful pay-walls. Smaller papers will try to exploit their advantages in such areas as local sport.

The survival of newspapers is by no means guaranteed. They still face big structural obstacles: it remains unclear, for example, whether the young will pay for news in any form. But the recession brought out an impressive and unexpected ability to adapt. If newspapers can keep that up in better times, they may be able to contemplate more than mere survival.

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