

The Business of News in the Age of the Internet

C.P. Chandrasekhar

That the Internet has changed the way news is gathered, processed and delivered can no longer be denied. But a question that is increasingly posed is whether news as business is fundamentally threatened as a result, or, as some argue, if print and traditional television as means to deliver news are in a state of terminal decline. Across the world, with some exceptions like India, the steep fall in circulation figures and advertising revenues for print journalism has supported the latter surmise. The decision of [Newsweek magazine to stop publishing its print edition](#) after nearly 80 years of presence, and to go only digital on a subscription platform as of this year, seems to confirm this assessment. The words, after the closure, from Tina Brown, editor-in-chief of *Newsweek* and the online-only *The Daily Beast*, were also a form of corroboration. “When I returned to print with *Newsweek*, it did very quickly begin to feel to me an outmoded medium. While I still had a great romance for it, nonetheless I feel this is not the right medium any more to produce journalism,” Brown reportedly said.¹ Clearly, the digital revolution is fundamentally transforming news as business. So much so that, while the old model is breaking down, there is no clear alternative in sight.

This is of immense significance because the news industry, warts and all, is seen as central to democracy. Is this then merely a time of transition and can we expect to soon have a new model in place? Or are we at a tipping point beyond which the way news is purveyed and accessed will be fundamentally altered? If so, what could be the nature of the news business of the future? Not enough has happened to discern a clear answer to these questions. To quote news industry analyst Ken Doctor: “Anything you think you know about our digitally disrupted media future may be wrong; early in this revolution, we’re all reminded to be humble.”² I will, therefore, merely focus on some possible implications of trends that matter and the directions they point to. Given the constraints of time and my competence, I shall stay largely with the impact of the Internet on the print business. Further, much of what I say will be based on global trends. But there is no doubt that with technology being triggered, those trends reflect our own future.

We now take for granted the transformation of the processes of collection, collation, storage and processing of information made possible by the digital revolution. The long-term consequences of that transformation is an issue on which much has been written based on fact, and a lot more said and written based on speculation and wishful thinking. But, underlying all that is the recognition that, in ways that are obvious and perceptible, the combination of increases in computing power, advances in communication and sheer human ingenuity have indeed brought about dramatic changes. The challenge is of course not just to the news business. In the realms of book publishing, music and film, for example, the way in which content is produced and delivered to the reader, listener and viewer has changed and is changing dramatically. This poses challenges to traditional businesses engaged in the production, marketing and distribution of these sources of information and entertainment. The physical forms—ink-and-paper books, CDs, DVDs—in which these services (such as telling a story, playing music, purveying information and analysis, or making and showing a movie) are embodied to make them products that can be sold off shelves, are disappearing. As a result, the physical wholesale and retail outlets that stock and sell these services packaged as products are also disappearing as ‘download’ becomes the mode of delivery and/or consumption.³

In areas such as the book, music or film business, the challenge seems manageable. It can be met by reorganising the industry to deliver services in new forms and pricing them appropriately to retain a market. It also involves exploiting niche strengths that permit charging an adequate price or fee for old-style physical delivery in the face of competition from the Internet. The challenge is manageable because these are, in the first instance, products marketed at a price that is meant to cover costs and deliver a profit. What the digital revolution has done is to change the way in which outputs are produced and, more importantly, sold. The brick-and-mortar distribution business may be challenged, but the industry is not. The danger to the business if any comes from an older threat—piracy—through which a growing number of consumers or clients can access for free, a paid product or service. This, however, is a problem that has existed ever since cheap reproduction became possible, as was true with cassettes, say. What the Internet has done, through services like [BitTorrent](#), is to allow this practice to go viral, thereby challenging the industry's profits, even if not its existence. But big business seems to have even that under control now.

The newspaper business

The problem, on the other hand, in the business of collecting, collating and reporting news, and offering long-form news analysis, is that its costs are not covered by the prices charged—whether it be in print or in television. It is not just newspaper profits but newspaper production costs—newsprint, industrial (printing, shipping, delivery) and editorial costs—that are covered by revenues from advertising. Based on data from 17 representative newspaper companies, the Newspaper Association of America (NAA) estimated⁴ that in 2012, circulation revenues accounted for only 27 per cent of total newspaper media revenue, whereas print advertising delivered as much as 46 per cent, despite its long-term decline relative to advertising in competing media. The balance came from non-traditional sources such as digital marketing, promotional events and niche publishing.

Despite the dominance of advertising revenues, circulation matters, because advertising dollars or rupees are linked to the numbers and profile of the audience of any potential vehicle for advertising. This makes the news business quite unusual. Whereas newspapers and magazines claim to cater to their readers, the reader is not typically a consumer in the conventional sense since advertisers are the ones who pay to cover most costs and returns. The reader is partly the product delivered to the advertiser in the news business model evolved by capitalism in all relevant contexts.⁵

This, as we know, influences content—in more ways than one. If the focus is on profit, what matters is readership and circulation. In the resulting race for numbers, content can be dumbed down in the name of giving readers what they want. It can also be manipulated to suit corporate advertisers. In the process, what N. Ram identifies⁶ as the twin roles of providing credible information and adopting a critical, investigative and even adversarial stance vis-à-vis the state and corporate capital can be compromised. The more one or more newspapers in a given market adopt this stance, the greater is the pressure on others to follow. Some no doubt hold out, to their credit. But their number is small.

Further, since the evidence suggests that the responsiveness of circulation figures to price cuts—what economists term the elasticity of circulation with respect to price—is low in the news industry, there have been instances where large price reductions have been resorted to with the objective of boosting circulation. Such cuts have to be partially or wholly met by competitors if they are to stay in the business. The resulting price war can have two consequences. First, since only the larger players with deep pockets can survive such a war

without much difficulty, there emerges a tendency towards consolidation, which is not good for content even if it is for profits. Second, with circulation revenues down, there is even greater dependence on advertising revenues. The adverse effect is cumulative.

The case against regulation

Thus, the business model in the news industry has two tendencies built into it: a threat to quality and the danger of consolidation, which has its feedback effects. This does have implications for the media's role as [the Fourth Estate](#), monitoring government and being an important part of the 'checks-and-balances' mechanism that sustains democracy. Corporate control implies that the press is not an independent agency representing the public interest. And when such control is in the hands of a monopoly or oligopoly, sectional influences are strong, and the reader's choice (as consumer) with regard to content and stance is limited and almost left to chance. In other circumstances this would provide a case for state regulation and even ownership. But that is unacceptable with respect to the news business in a democracy, which needs a 'free press', however hobbled that may be by corporate influence.

To quote media practitioner and analyst Sashi Kumar: "The temptation to fix the media through an external regulatory authority may well seem a fashionable urge, much in the same vein as caricaturing and debunking politics is the hobby-horse of a section of the middle class. But it could mean a dangerous departure from the long nurtured and cherished principle of the freedom of the press as the *sine qua non* of our democracy. Inasmuch as the Fourth Estate constitutes the fourth pillar of democracy and is therefore, by implication and extension, as relevant as the three other pillars (the Executive, the Judiciary and the Legislature) in terms of the 'checks and balances' aspect of the principle of the separation of powers envisaged by the Constitution, any administrative tampering with it can have serious consequences for the larger democratic project itself."⁷

If public intervention is unacceptable, the news business must both regulate itself and address its own challenges including that faced by the newspaper industry in the age of the Internet. That challenge now appears daunting. Across the world, although with some exceptions including India, newspapers and magazines have experienced a steep decline in circulation numbers and advertising revenues. Back in 2010, an OECD study⁸ found that the annual growth of global newspaper circulation, which was slowing since 2004, reached zero in 2007 and then turned negative. Relative to 2004, circulation had by 2010 fallen by 34 per cent in the United States, 22 per cent in the United Kingdom, and 18 per cent in Japan. Matters have only worsened since. In the US, in particular, according to the Audit Bureau of Circulations,⁹ paid weekday newspaper circulation peaked at 63.1 million in 1973, fluctuated in the 60–63 million range till 1990, then fell sharply to 50.7 million in 2007 and further to 44.4 million in 2011.

The drop in print circulation was due to larger numbers accessing news from other sources. The first shift was to television. But the substantial difference in the way news is purveyed through that medium made this more of an opportunity than a challenge. If newspapers could restructure themselves to provide the background and analysis to the events and developments captured by television's immediacy, those whose interest was triggered by television news would turn to print. This did indeed happen in many contexts. The problem arose when both news and analysis of varying authenticity began to be made available by multiple providers through the Internet.

The importance of this alternative source of news and analysis depends of course on the spread, ease, speed and cost of access to the Internet. The digital promise lies in the fact

that the world over, the pace at which universal access to high-speed connectivity is being realised, though slower than what was expected by those whom Robert McChesney¹⁰ calls the 'celebrants' of the Internet, is definitely much faster than predicted by the 'sceptics'. Though not the leader in this area, the United States is one country where access has indeed spread significantly, even if at a cost. As a result, the US is often the benchmark for assessing Internet impact, in the sense of offering the less-connected an image of their future.

The US example

The news from there for the news business is not good. According to the [Pew Research Center's 2012 News Media Consumption survey](#), 39 per cent of respondents reported accessing news online or from a mobile device the day before they were canvassed. When combined with other online and digital news sources, the share of people who got news from one or more digital forms on an average day rose to 50 per cent. That came close to the audience for television news, and was well ahead of the figures for print newspapers and radio (29 per cent and 33 per cent, respectively). Even if accessing news is still a habit, the newspaper is clearly far less so.¹¹

The drop in circulation and the competition from the Internet for advertising dollars have in turn adversely affected print advertising revenues. According to UK's Ofcom, between 2007 and 2011, global newspaper and magazine advertising revenues declined at a compound annual rate of close to 7 per cent each, to reach £60 billion and £28 billion respectively.¹² On the other hand, expenditure on all Internet advertising grew at a compound annual rate of 16 per cent, to touch £48 billion, or more than 50 per cent of advertising value in print editions of newspapers and magazine. Moreover, since only a small part of the Internet advertising revenue accrued to online editions of newspapers, it was inadequate to neutralise the loss in print. In the US, for example, print advertising revenue fell from a peak of \$48.7 billion in 2000 to \$18.9 billion in 2012: a fall of \$29.7 billion or 61 per cent (without counting for inflation). Online newspaper advertising revenues, on the other hand, rose from a meagre \$1.2 billion in 2003 to a paltry \$3.4 billion in 2012. The trend seems relentless. There were only four years out of thirteen since 2000, in which print advertising revenue growth was positive, and in the crisis years of 2008 and 2009, the decline was as large as 17.7 and 28.6 per cent.¹³

Turn to the Internet

Given the newspaper industry's revenue structure, the conclusion must be that the sharp decline in advertising revenues is destroying the current revenue model. This is a crisis of the news business under capitalism, and not a crisis of the news industry as a result of a technological meteor called the Internet. Yet, the drive now is to find a new form for the news business, geared towards private profit. If looked at in terms of the opportunities offered by audience behavior, the appropriate strategy would seem to be an increasing emphasis on online news, repackaged to attract a larger share of netizens. The newspaper industry, which had for long considered the Internet a poor, if not inappropriate, medium to carry its editorial content, and a mere add-on to direct traffic towards print, is being forced to rethink. But going online too does not seem to be a solution to the problem, for a number of reasons.

The first is that it does not resolve the cost-price discrepancy that characterises the industry, with unit price falling far short of unit cost. As of now, online editions and news websites for print news enterprises are not substitutes but add-ons. So, there are only additional costs to be incurred when going online and no saving. But if the move, as in the case of *Newsweek*, is away from print to the web, some saving is inevitable. In the case of

print, for example, one estimate suggests that costs can be divided into core promotional, editorial and administrative costs, amounting to 40 per cent of the total, and production and distribution costs that account for 60 per cent. The [shift to the web](#) is expected to cut production and distribution costs by at least half.¹⁴

However, this does not go far enough. As of now, costs are seen as absorbing close to 90 per cent of revenues in successful news ventures. But only about a quarter of those revenues come from sales; the remaining comes from non-circulation revenues, principally advertising. A small percentage, or virtually nothing, comes from online presence. So, even an online news venture that is substituting for declining print circulation and revenues must draw substantial advertising revenues. This is where the catch lies. Though advertising through the Internet has grown rapidly, news sites are not important vehicles for advertisers. Technology companies—such as Google, Yahoo, Facebook, Microsoft and AOL—dominate the digital advertising market, taking as much as two-thirds of the total. That leaves little for print providers seeking to increasingly move online.

The paywall rush

Hence the drive to monetise the web, by creating metered or full-fledged paywalls. All of a sudden, online editions are being seen as potential sources of subscription revenue to support the industry. The practice of setting up paywalls for access to online editions, which was earlier restricted to a few newspapers such as *The Wall Street Journal* and *Financial Times*, and then adopted by some general interest papers such as *The Times* and *The New York Times*, is spreading fast. By late last year, around 250 out of 1,500 newspapers in the US, accounting for a third of newspaper readership, had opted for a paywall.¹⁵ The most recent adopters of the practice include *The Washington Post*, *The Orange County Register*, *The Telegraph*, *The San Francisco Chronicle* and *The Sun*. Most of these have set up metered paywalls offering free access to a specified number of articles or for a limited time period before the meter starts ticking. Pricing in most cases is aimed at transiting readers to a pay regime and is set at less than the price of the print edition per day—and print subscribers are often given free or discounted access to transit to the web.¹⁶ Further, many newspapers allow free access to those visiting their online edition through links on search engines or the social media to boost their online traffic. All in all, however, the effort to charge for access to online content is gathering momentum. Once that practice becomes standard, the expectation seems to be that prices can be suitably adjusted.

The idea, clearly, is to make news pay for itself to the maximum extent possible. There is strong evidence to show that in print, those looking for quality reportage and news analysis are not too responsive to price. But online editions attract many occasional visitors who are discouraged by a pay model. Not surprisingly, a 2012 *Paid Content Benchmarking Study* by the Newspaper Association of America found that page views dropped at least 10 per cent in more than half the news sites opting for a paywall. However, more than 20 per cent experienced increased page views. Moreover, 20 per cent of newspapers that had a paid-content strategy in place for a year or more reported increases in page views of 20 per cent or more.

So, setting up price walls may not in itself damage the transition in all cases, unless what is being offered is not worthy. But gains are slow. In 2011, *The New York Times* saw only 390 thousand of its 33 million unique US visitors opt for a digital subscription. And there are other challenges. With advertising through news delivery channels down, advertising revenues across media have fallen. Given the current revenue model of the industry, even allowing for savings in industrial costs as a result of a shift from print to digital, the price that needs to be charged to make the news business viable appears too high for market comfort.

Second, whatever the subscription price, any increase, often from nil, must be justified by an appealing, easily navigable and content-loaded website, which must, in terms of substance, coverage and/or appearance, attract readers. However, most newspapers did not choose to invest in the transition to online delivery when times were good. Being worthy requires money, and the best time to spend it is not when times are bad.

Third, there are institutions, including the *Guardian*, that are investing time, money and ingenuity to build a valuable web presence. In the process, they hope to attract the audience needed to kick-start advertising flow. The *Guardian* has emerged as the third most visited newspaper websites across the world,¹⁷ but has done so while staying with a free access model. Just a third of those readers are from Britain. A foreign readership is not confined to serious newspapers like the *Guardian* or *The New York Times*, which is the second largest newspaper website. It is also true of Britain's *Daily Mail* with its tabloid style. The *Mail*, which is the largest newspaper website in terms of readership, has only a quarter of its readers from Britain. Global reach is an advantage that English-language newspapers can exploit, since language allows them to woo a global audience to a far greater extent than other newspapers.¹⁸

When newspapers like these choose to or continue to opt for the 'free online' model, the presumption must be that advertising revenues will respond to finance the costs that give the news website its distinguishing character. Who are these advertisers likely to be? There are firms that would like to cater to a global audience. But most of them would like to target their advertising to local markets, given their specificities. So, the evidence is that monetising a global presence without a subscription model is difficult. Advertising volume is limited and advertising rates for the same product are lower in each jurisdiction compared to local media with a strong national reach. It is likely that this will change with growing global eCommerce of a business-to-consumer kind. But if that takes time to grow relative to national eCommerce and retailing, as it is likely to, this model must give. However, till it does, the presence of such free-on-web news sites undermines those seeking to draw revenues from readers through subscription.

Finally, the competition that news websites face from free access sources is immensely larger and more threatening than the losses the music or book publishing sectors suffer on account of piracy. Copyright in the news business is difficult to define and administer. So news collators pull out material from their original websites and feed them for free to visitors to their websites, and use the traffic to try and earn revenues from means such as advertising or e-Commerce. With no investment in editorial costs and the ability to hone content to reach well-defined target groups, some of these may turn viable. There are also innumerable netizens and their collectives who are willing and eager to use the Net to report news and analyse developments for free. Competition from sources like these is difficult to face for an industry that has its costs defined but not its revenue sources.

All this only establishes the commonly accepted principle that the old revenue model for the news business is broken. As of now, the attempt to price online news is a feeble attempt to fix it in obvious ways. But an industry grasping at every straw can find some cause for optimism. One source of such optimism is that a high proportion of those who get their news from the Web do so from the online editions of established newspapers. The result is an increase in the aggregate readership (print and online) of many established newspapers. The problem for the big players in the news business is not loss of readership, but that of a paying readership.

Moreover, globally, reading newspapers through multiple media seems to be on the rise. In its September 2012 update of [World Press Trends, the World Association of Newspapers and](#)

[News Publishers \(WAN-IFRA\)](#) noted: “More people read newspapers than ever before, thanks to the many ways they now can be read, but publishers have not yet found ways to match that growth with revenues from digital platforms ... more than half the world’s adult population read a newspaper: more than 2.5 billion in print and more than 600 million in digital form. That represents more readers and users than total global users of the internet.”¹⁹

Online advertising

In their view the task now, therefore, is to attract advertising adequate to cover editorial costs and the costs of going digital, besides delivering a profit. So the question to ask is whether advertising will soon move towards online news sites that invest heavily in editorial content. Unfortunately, the revenue from advertising aimed at the eyeballs of those going online for news does not accrue to the newspapers that are investing in checking the facts and recording the news with an adequate degree of accuracy and balance. Given the information overload on the Web, where an uncommitted reader goes is mediated by search engines like Google and Yahoo. These gateways are the first port of call. They, in turn, have adopted a clever practice of purveying news at no cost by providing a link to the story on a newspaper’s site, so as not to be seen as violating copyright. Therefore, though they are not the immediate providers of the news story, they serve as gateways to the multiple sources that provide a story on the event or issue involved. Advertisers, clearly, would prefer to catch the audience here rather than after they have dispersed in various directions, depending on their preferences or partialities.

Moreover, digital power and the character of search engines allow for an easy match between the target audience of an advertiser’s product and the tastes of those undertaking a particular search. This gives search engines an immense advantage in the advertising market, resulting in an overwhelming share of the advertising pie accruing to them as of now. A large share of Google’s annual revenue, of close to \$40 billion, reportedly comes from the sale of ‘sponsored links’ that pop up alongside free search results. Since that advertising edifice is partly built on fact-checked and accurate news from the regular media, Google is being accused of closing an avenue through which newspapers and magazines can receive returns generated from services they deliver, and of capturing the revenues for itself. Google has partly accepted this by launching a scheme under which it sells advertisements for its newspaper ‘partners’ and keeps a share of the revenue.

The newspaper industry has reacted to this perceived loss of potential revenue by throwing the copyright book at the search industry. Pressured by the print media, governments in a number of leading European countries (Germany, France, Italy, Austria, Switzerland and elsewhere) are debating or planning legislation aimed at getting search engines and news aggregators like Google (the main target, for obvious reasons) to pay a fee even when they display excerpts from news articles along with a link to the relevant newspaper or magazine’s web site. Google has responded aggressively, claiming in its brief to the French government, for example, that this would (i) destroy its revenue model and threaten its very existence; (ii) damage the newspaper industry, since 30–40 per cent of traffic on news sites in France is mediated by Google search; and (iii) go against Google’s commitment to a free and open Internet (which it of course dominates). However, it is working to quell the protest. It has settled its disputes with publishers in France and Belgium for what many say is a small price. While refusing to pay a license fee for the headlines and extracts it uses to contextualise its links to newspaper stories, it agreed to pay \$80 million dollars into a fund that would be used to strengthen the presence of the French media on the Internet. In Belgium, Google has promised to advertise in the newspapers involved as well as to market

advertisement space for them for a share of the revenue. Small change for retaining control over a big empire.

In sum, the traditional news business is having to share its meagre advertising revenue with a technology company called Google. The power of the latter because of its presence on the Web is immense—a fact partly reflected in the evidence that while revenues of the total newspaper industry in the US in 2012 was \$38.6 billion, Google's was as much as \$50.2 billion. Not all Internet companies are missing a revenue model. As Robert McChesney notes, 13 of the 30 largest publicly traded corporations in the US are Internet-related companies.

Some probable outcomes

The challenge is doubly daunting for those who have decided that providing an online edition for free is not a viable proposition. Charging for content requires ensuring that it is unique. If, for example, news aggregators on the web can, without being prosecuted for copyright violation, access and publish not just links to but actual content from the originating website, there is no guarantee that many would stay with the online edition of a newspaper. They would instead turn to aggregators providing versions for free. Newspapers would lose not just their subscriptions but their advertising as well. Thus, imposing copyright law is crucial for any strategy that seeks to monetise the web.

It is not enough that content is unique. It also needs to be of high quality. So, pursuing such a strategy requires substantial investment in editorial costs and in exploiting the benefits of the new media for purveying news and analysis. Unfortunately, the behaviour of most print media businesses has been counter-cyclical: ignoring the Internet when times are good and rushing to it when times are bad. With revenues down and margins thin, this is not the best time. This has triggered cost reduction efforts, including in editorial costs. As a result of staff reduction, the number of full-time professional employees in the newspaper industry has fallen to less than 40,000, which is the lowest reached since the middle of the 1970s. According to a report on the [State of the News Media 2013](#) of the Project for Excellence in Journalism at the Pew Research Centre,²⁰ the news industry is “undermanned and underprepared to uncover stories, dig deep into emerging ones or to question information put into its hands.”

As the Pew report puts it, the public is taking notice. “Nearly a third of US adults, 31 per cent, have stopped turning to a news outlet because it no longer provided them with the news they were accustomed to getting. ... With reporting resources cut to the bone and fewer specialised beats, journalists’ level of expertise in any one area and the ability to go deep into a story are compromised. Indeed, when people who had heard something about the financial struggles were asked which effect they noticed more, stories that were less complete or fewer stories over all, 48 per cent named less complete stories while 31 per cent mostly noticed fewer stories.”

All said, as of now, even if newspapers find a place on the web behind paywalls, they are likely to survive only by shrinking the scale of their operations. If that remains so, the future of the industry is indeed bleak. With little spent on covering the news, checking the facts and analysing them, newspaper web sites can hardly claim or ensure any significant superiority over the many communities that pool reportage on issues of common interest. So one needs to be optimistic to believe that at least some of the print news sources will successfully go digital, implementing a revenue model that combines priced access and advertising. This is an outcome that does not look likely today, except for specialist newspapers and magazines like the *Financial Times*, the *Wall Street Journal* and *The Economist*.

The not-for-profit alternative

A second possible outcome involves shrinking the news business and making it dependent on small and large philanthropy. Some believe that it is possible to think of news as a not-for-profit activity supported by charitable foundations which see news reporting as an element of 'a good society'. But whether this will happen depends on how much money the activity would need to sustain itself, without compromising quality. A 2009 estimate by David Swensen and Michael Schmidt²¹ suggested that the annual cost of *The New York Times'* newsroom worked out to \$200 million-plus at the time. This would have been covered by a \$5 billion endowment that would also guarantee the paper's editorial independence. Based on that calculation, the Nieman Journalism Lab has estimated that it might cost \$114 billion to sustain every US newspaper and employing the 56,900 journalists the US print media did in its heyday, *circa* 1990.²² That, many may argue, is small money when compared with the trillions the US tax payer shelled out to protect the financial sector from collapsing as a result of its speculation driven by avarice. So, a combination of philanthropy, government subsidies and tax breaks which convert the print business into a not-for-profit activity may be the way to go.

In fact some analysts see this as the best possible outcome. Robert McChesney²³ has this to say in response to the question, "How are people going to pay for content online?"

"There's nothing going on with the Internet right now that answers that question. Not a thing. To me, it's the really great outstanding issue. In my view ... journalism is a public good. It's something that society desperately needs that the market can't produce in sufficient quality or quantity. ...

I think we're going to have to come up with a way to subsidise journalism online. To have independent, non-censored, competing, nonprofit, noncommercial newsrooms across the country. We need ways people can support themselves to do journalism.

I think it's depressing to glorify citizen journalists. Citizen journalists are just unpaid journalists. And unpaid journalism means you're only going to cover the stuff you enjoy covering because, hey, no one's paying you. Some stories aren't fun to cover, but we need to have them covered. Someone's got to go sit at that city council meeting. Someone we can trust, and ideally more than one person, so we have competition. We have a public interest in that. That's a public good.

That's the great issue before us. How we're going to get funding to have independent nonprofit, non-commercial public media."

Others would demur that this, if feasible, will result in a subordinate and biased print media.

A third trend likely to characterise smaller, local newspapers is to look for and find synergies in combining news online with other businesses (such as eCommerce and gaming) to deliver a quantum jump in price-based and advertisement-driven revenue.

Social media

Finally, there is the option of the news business turning free and anarchic. There is much talk today of how proliferation of the [social media is creating a Fifth Estate that will displace the Fourth Estate](#).²⁴ The Fifth Estate is indeed delivering—through tweets, Facebook posts, blogs and the like—a large volume of information and opinion on newsworthy events and other subjects. It has also been seen, as in the case of the 'Arab Spring' and in a number of

societies with a controlled media, as a force to record injustice, to organise dissent and protest, and to contribute to a democratic transition.

This role on occasion cannot be denied. But structurally, the social media are not endowed with the democratic potential attributed to it. Being a space in which the distinction between consumers and providers of news is blurred, and where there is no coordinating agency checking facts, privileging facts over opinion and filtering out prejudice, the social media can go awry when taking on a journalistic role. Way back in 2008, Google's chief executive Eric Schmidt had famously declared that the Internet was fast becoming a 'cesspool' in which false information thrives, making quality content from reputed media companies crucial.²⁵ The 'coverage' of the bomb explosions at the finish-line of the Boston marathon is the most recent instance when this became clear. Moreover, there is no single, common community on the Net. The audience for any information shared or set of views expressed on the social media is self-selecting. This could create what have been described as virtual echo chambers, in which shared prejudices influence not only the information purveyed but also the conclusions arrived at. The Fourth Estate, as we knew it till now, is by no means an unsullied pillar of democracy. But the social media with no checks-and-balances cannot be a good substitute.

What then can we expect? The shift to online news access will no doubt continue. This will perhaps accompany a split between news sources (not just newspapers) that are global and those that are local. There is also likely to be a split between those online news ventures that depend on a combination of paywalls and advertising, and those in which news provision is a free add-on to a host of other services. Expect the former to be the true news sites as compared to the more gossipy or rumour-based social media equivalent. Finally, there could also be a closer alliance between technology ventures or Internet companies and news sources in the provision of news, with a pricing and advertising revenue-sharing agreement that could make the news business viable.

If successful, this would involve a redistribution of revenues between the news and Internet businesses. In the process, the pattern of ownership and control is bound to change. Expect, therefore, a major restructuring of the news business. How that will influence content, in terms of combination of fact and opinion, credible information and sensationalism, and progressive versus regressive viewpoints, is a matter for speculation.

How relevant is all this to India? At the moment it does not seem to matter, with print newspaper circulation and advertising still high and even rising. But the model here too is the one that capitalism has given to the Fourth Estate. Still low but rising incomes, enhanced literacy and education, a messy democracy and the as yet limited spread of the Internet have ensured that the Indian print media are still short of the peak on an inverted U-shaped circulation curve. That does seem to breed complacency. As N. Ram argues, "In critically assessing performance a clear distinction needs to be drawn and maintained between *the state or fortunes of the news media* and *the state of journalism*."²⁶ The evidence seems to be that, with some honourable exceptions, the Indian print media is slipping relative to the past. We have even entered a phase when instances of advertorials and paid news are routine. This could mean that in the face of the technological challenge from the Internet, the print news business *per se* will not hold. The crisis is imminent but yet to arrive. So the questions here are different. Will the industry discipline itself and invest adequately in an online presence before the downturn comes? And will it find a business model that will work? Frankly, your answers are as good as mine.

* This paper was delivered as the Lawrence Dana Pinkham Memorial Lecture at the 13th Convocation of the Asian College of Journalism.

¹ Saba, Jennifer and Peter Lauria (2012), "After 79 years in print, Newsweek goes digital only", Reuters, 18 October; available at <http://www.reuters.com/article/2012/10/18/us-newsweek-digital-idUSBRE89HOL020121018>, accessed 15 April 2013.

² Doctor, Ken (2013), "The newsonomics of the digital-only paywall parade", Nieman Journalism Lab, 10 January; available at <http://www.niemanlab.org/2013/01/the-newsonomics-of-the-digital-only-paywall-parade/>, accessed 10 April 2013.

³ Trade Association IFPI reports that revenues of the global recorded music industry rose by a marginal 0.3 per cent to \$16.5 billion in 2012, which was the first positive growth figure since 1999. In 1999, industry revenues had touched \$27.8 billion. Not surprisingly, the industry sees this reversal as "fragile" because the market is "rigged by illegal free music". The good news was that digital sales accounted for a third of 2012 revenues. A 9 per cent annual growth in digital neutralised the 5 per cent decline in physical record sales, delivering the 0.3 per cent overall increase. See Robert Cookson (2013), "Music sales hit first upbeat since 1999", *Financial Times*, 26 February.

In India too, according to insider sources, digital downloads account for as much as half of the music industry's revenues. Physical forms such as CDs contribute 15 per cent of sales, the performance and broadcasting industry 15 per cent, and overseas markets account for 20 per cent. Ravikumar, R. (2012), "Digital downloads run music industry revenues, say Sony," *Business Line*, 18 July; available at <http://www.thehindubusinessline.com/marketing/digital-downloads-now-drive-music-industry-revenues-says-sony/article2248080.ece>.

⁴ Figures from Newspaper Association of India (2013), "The American Newspaper Industry Revenue Profile 2012"; available at <http://www.naa.org/Trends-and-Numbers/Newspaper-Revenue/Newspaper-Media-Industry-Revenue-Profile-2012.aspx>, published 8 April 2013, accessed 10 April 2013.

⁵ For a discussion on how the way capitalism works affects the internet and journalism refer McChesney, Robert W. (2013), *Digital Disconnect: How Capitalism is Turning the Internet Against Democracy*, New York: The New Press.

⁶ Ram, N. (2011), "The Changing Role of the News Media in Contemporary India", Presidential Address, Contemporary India Section, 72nd Session, Indian History Congress; available at http://www.thehindu.com/multimedia/archive/00863/Contemporary_India__863821a.pdf, accessed 15 April 2013.

⁷ Kumar, Sashi (2012), "Just let the press be", *Frontline*, Vol. 29, Issue 10, 19 May-1 June.

⁸ OECD Working Party on the Information Economy (2010), "The Evolution of News and the Internet", Paris: OECD; available at <http://www.oecd.org/sti/ieconomy/45559596.pdf>, accessed 15 April 2013.

⁹ As reported on the website of NAA at <http://www.naa.org/Trends-and-Numbers/Circulation-Volume/Newspaper-Circulation-Volume.aspx>, accessed 10 April 2013.

¹⁰ McChesney, Robert W. (2013), *Digital Disconnect: How Capitalism is Turning the Internet Against Democracy*, New York: The New Press.

¹¹ According to statista.com, the average number of hours spent reading newspapers per person per year in the US fell from 198 in 2003 to 150 in 2012.

¹² Ofcom (2012), "International Communications Market Report 2012", 13 December; available at <http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr12/icmr/ICMR-2012.pdf>, accessed 10 April 2013.

¹³ Figures from the Newspaper Association of America, available at <http://www.naa.org/Trends-and-Numbers/~media/NAACorp/Public%20Files/TrendsAndNumbers/Newspaper-Revenue/Annual-Newspaper-Ad-Revenue.ashx>, accessed 10 April 2013.

¹⁴ ITZ Paid Content Report August 2012, available at http://rapidlibrary.com/files/itz-paid-content-report-august-2012-pdf_ulctz99bv9i89on.html, accessed 10 April 2013.

¹⁵ Ibid.

¹⁶ A study by consulting firm ITZ found that in the case of more than two-thirds of their sample the online to print pricing ratio was less than one. It was equal to one for about a fifth, and was, interestingly, above one in a few. Ibid.

¹⁷ Industry analyst ComScore declared that *The Guardian* had, in June 2012, become the third most read newspaper website in the world, with 30.4 million readers. Britain accounted for only a third of

those readers. The US accounted for another third. See press statement at <http://www.guardian.co.uk/gnm-press-office/8>, accessed 10 April 2013.

¹⁸ This is obviously not because native English speakers are a dominant share of the world's population. Mandarin is far ahead on that count. But the number of those who speak English as a second or foreign language is very large. Moreover, English-language users dominate the Internet, though Chinese is a close second.

¹⁹ See "World Press Trends: Newspaper Audience Rise, Digital Revenues Yet to Follow", at <http://www.wan-ifra.org/press-releases/2012/09/03/world-press-trends-newspaper-audience-rise-digital-revenues-yet-to-follow>, accessed 10 April 2013. The increase was partly because print circulation rose in Asia and the Middle East, offsetting declines in print circulation in Europe, North America and Latin America, and online readership rose in most locations.

²⁰ For the 2013 edition, refer <http://stateofthedia.org/2013>, accessed 15 April 2013.

²¹ Swenson, David and Michael Schmidt (2009), "News you can endow", *New York Times*, 27 January; available at <http://www.nytimes.com/2009/01/28/opinion/28swensen.html?pagewanted=all&r=0>, accessed 15 April 2013.

²² Seward, Zachary M. (2009), "Endowing every newspaper: \$114 billion. Innovation: Priceless", Nieman Journalism Lab, 30 January; available at <http://www.niemanlab.org/2009/01/endowing-every-american-newspaper-114-billion-innovation-priceless/>, accessed 15 April 2013.

²³ Moore, Anne Elizabeth (2013), "Can Capitalism Tolerate a Democratic Internet? An Interview With Media Expert Robert McChesney", available at <http://truth-out.org/opinion/item/15516-can-capitalism-tolerate-a-democratic-internet-an-interview-with-media-expert-robert-mcchesney>, accessed 15 April 2013.

²⁴ Newman, Nic, William H. Dutton and Grant Blank (2012), "Social Media in the Changing Economy of News", *International Journal Internet Science*, Vol. 7, Issue 1; available at http://www.ijis.net/ijis7_1/ijis7_1_newman_et_al.pdf, accessed 15 April 2013.

²⁵ Ives, Nat (2008), "Google's Schmidt Says Internet 'Cesspool' Needs Brands", *Ad Age*, 8 October; available at <http://adage.com/article/media/google-s-schmidt-internet-cesspool-brands/131569/>, accessed 10 April 2013.

²⁶ Ram, N. (2012), "Sharing the best and the worst: The Indian news media in a global context", James Cameron Memorial Lecture 2012, City University, London; available at <http://www.interestingreads.org/wp-content/uploads/2012/10/James-Cameron-Memorial-Lecture-2012-by-N.-Ram-City-University-London-October-3-2012.pdf>, accessed 15 April 2013.