

# Newspapers & Public Media Good Partners?

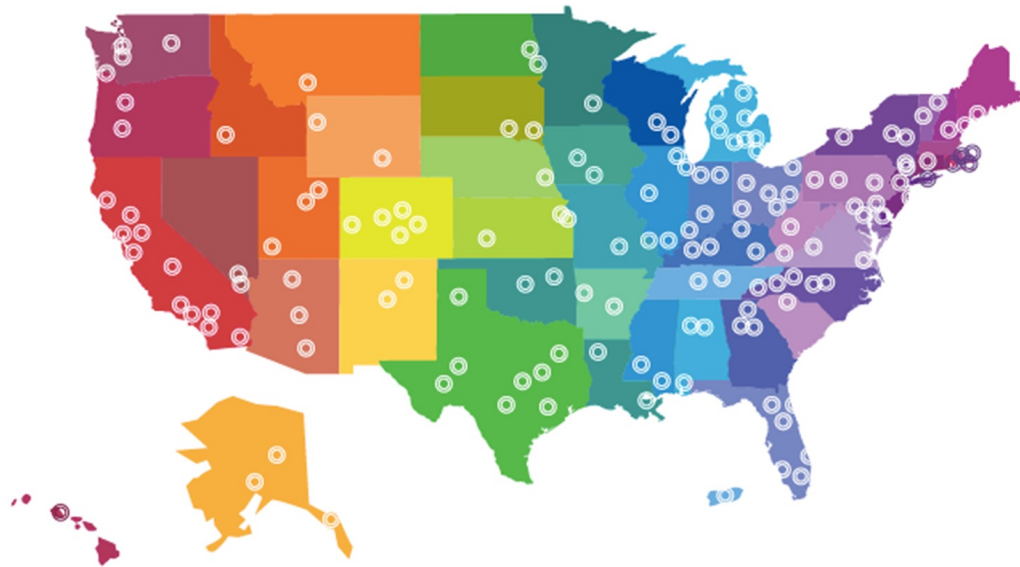
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November 17, 2022

3 pm ET/2 p.m. CT/1 p.m. MT/12 noon PT

# ABOUT PUBLIC MEDIA COMPANY

**Public Media Company** is a nonprofit consulting firm dedicated to serving public media. We leverage our business expertise to increase public media's impact across the country.



Public Media Company works in partnership with stations in urban and rural communities to find innovative solutions and grow local impact. We have worked with **over 300 radio and TV stations in all 50 states**

[www.publicmedia.co](http://www.publicmedia.co)

# PRESENTERS



**Alison Scholly**  
Managing Director  
Public Media Company



**Carlos Barrionuevo**  
Director  
Public Media Company



**Jim Schachter**  
President and CEO  
New Hampshire Public Radio

# WHY ARE WE HERE?

The crisis in local journalism has pushed public media, philanthropy, and concerned communities to collaborate more and look for new models of service

## Today's Agenda

- > (Brief) Overview of newspaper model & outlook
- > Philanthropy & the case for Local News
- > Partnering with Newspapers, what you should know & prepare for

# NEWSPAPERS

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## National Trends

# NEWSPAPERS: A BRIEF RECAP

Historically, newspapers have been the primary source of local journalism with largest newsrooms in a community. Journalism was supported with generous margins from near-monopoly market power in local advertising

## Since 2001

- > Financial resources shrank as ad habits changed; key categories went to digital competitors
- > Local digital ad revenue rose, but not nearly enough, as FB, Google & others took 85% market share

## Since 2008 recession

- > Owners cut newsrooms, degraded value proposition for loyal readers, accelerating death spiral
- > Private equity loaded up on debt and strip-mined newspaper assets such as real estate - did not reinvest in digital or product

## Today

- > Newspapers are generally cash flow-positive but using free cash flow to fund acquisition debt or investor returns, NOT journalists or investment in new platforms or initiatives

# NEWSPAPER OWNERSHIP

*Accelerating Industry trend toward exiting business & further consolidation*

## Three groups of owners

- > **The Vultures** – Private-equity groups milking business model and real estate assets for returns
- > **The Dreamers** – Billionaire philanthropists supporting local institutions
- > **Family ownership groups** – Pondering legacy, next-generation leadership

## Critical time for current ownership

- > Economics for core print product are challenged
- > Investment capital not available
- > Potential buyers or other options for exit have shrunk

## Emerging option

- > **Community-supported, mission-based non-profit models**, new or expanded

# NEWSPAPER REVENUE MODEL

- > Substantial change in revenue mix since 2001 (see chart)
- > Print remains primary revenue generator while digital is larger audience platform
- > Subscription revenue less profitable than advertising
- > Digital advertising never replaced print loss

	Pre-2001 estimates*	Current estimates
<b>Circulation Revenue</b> - Home delivery - Single-copy sales, retail outlets	16% of revenue	45% of Revenue
<b>Print Advertising</b> - Local & national display ads - Classifieds - Inserts	79% of revenue	45% of Revenue
<b>Digital subscribers</b>	None	5-10% of revenue
<b>Digital advertising</b>	> 1%	5-10% or revenue
<b>Grants &amp; philanthropic revenue</b>	None	Small but growing

\* Tribune post-Times Mirror, 2000 – Other Revenue (not shown) totals 5%



# NEWSPAPER REVENUE TODAY

## ADVERTISING

Type of advertising	Current status	Notes
Local display advertising	Challenged, but showing strength in 2022	Reversal of trend, lost business to local digital
National "Run of Print" (ROP)	Non-existent	
Preprints (aka Inserts)	Declining	Shifting to other targeted vehicles (email, direct mail)
Classifieds	Obituaries and Legal Notices are diminished but stable source of revenue	Drastic declines in Jobs, Homes and Auto classified occurred a decade earlier

## CIRCULATION

Audience driven revenue	Current status	
Overall Circulation Revenue	Substantial variations in overall circulation revenue by market	Appears to be driven by newsworthiness of the paper
Home Delivery subscriptions	Home delivery subscriptions are steady in older households, but declining elsewhere	Home delivery price increases are covering circulation revenue declines
Single copy sales	Major declines in newsstand sales, accelerated by Covid	

*Digital Subscriptions are a bright spot*

# DIGITAL SUBSCRIPTIONS GROWING

**21% of Americans paid for online news content** or accessed a paid-for online news service in 2021\*

- > Up from 16% in 2019 and 9% in 2016 – Trump bump, increase interest in local news during Covid
- > Ceiling on potential market? 40 percent of non-payers reported *“Nothing could make them pay”*
- > 2022: Publishers reporting solid but decreased growth compared to 2021
- > *Alliance for Audited Media forecasts 35.5% growth in digital subscriptions from 2021-2025*

## **Subscriptions concentrated in a handful of national brands**

- > In 2021 in US, the median of pay subs now subscribe to two titles
  - > 45% of pay subscribers subscribe to one of NYT, WAPO, WSJ
- > 23% subscribe to local/regional/city paper

## **Increasing philanthropic spin in messaging**

- > Donations rising - 4% now donate to a news organization (includes Public Radio)
- > In U.S., subscribers are likely to say they are subscribing to support good journalism (52%)
- > Increasing competition from start-up non-profit digital journalism efforts

# THE FUTURE OF PRINT

The daily print product **as it is today** will continue to evolve

- > Current economic and media industry trends are challenging
- > Print as an advertising medium has fallen out of favor
- > Timely delivery of the print product has become more difficult and expensive as newsprint, gas and carrier wages have increased
- > Market results vary due to brand loyalty, relevant content, management strength, strategic focus, and market specific demographics

**Goal: Prolong life of print to cover cost of robust newsroom  
& buy time to grow digital platform**



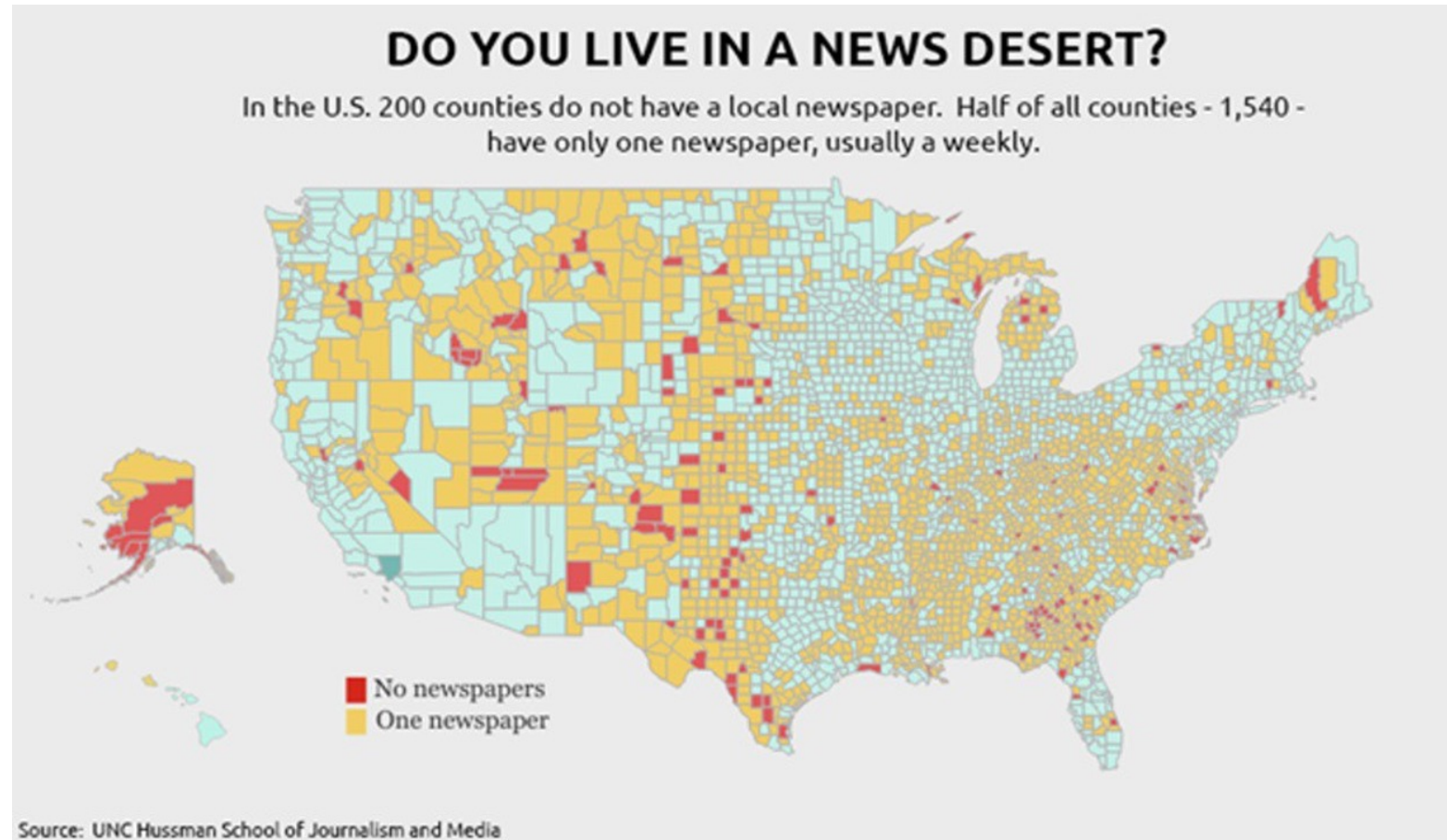
# PHILANTHROPY

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## CASE FOR LOCAL NEWS

# NEWS DESERTS: A NEWSPAPER PROBLEM

- > Local journalism dominated by local newspaper newsrooms
- > Perception that other players – public and commercial broadcasting - cannot replace print newsrooms
- > All of the above creating “News Deserts” – communities without a local newsroom



# PHILANTHROPY & MEMBERSHIP STEPPING IN

Local and National Philanthropists increasingly view newsrooms as a community asset to be saved and supported, essential to supporting their efforts to strengthen communities, preserving local ownership

- American Journalism Projects in Houston (\$20 million), Cleveland (\$7 million)
  - Launch of digital nonprofit in Baltimore (\$50 million)
  - Philanthropy-backed merger of Chicago Public Media and Chicago Sun-Times (\$60 million)
  - Lenfest/Philadelphia Inquirer
  - Knight Foundation investments in local news support networks (\$9 million)
  - Significant community-wide funding for startups announced in 2021/2022
- > Member support is a potential future revenue stream to offset the decline in print-based revenue.
- > Continued growth in individual and major donor support for local journalism. Membership and subscription increasingly intertwined.
- > **Big Leap – Chicago Public Media/Chicago Sun-Times dropping paywall for membership**

# RESPONDING TO THE LOCAL NEWS CRISIS

	Chicago Public Media & Chicago Sun-Times (CST)	KERA & Denton Record Chronicle	Salt Lake Tribune	Baltimore Banner/ Stewart Bainum	Philadelphia Inquirer/Lenfest Institute	Tampa Bay Times/Poynter Institute	Colorado Community Media/National Trust for Local News	New Jersey Hills Media Group
<b>Date</b>	2022	2022	2021	2022	2016	1978/2016	2021	2022
<b>Description</b>	Legacy newspaper merged w/public media organization	Legacy newspaper (proposed) acquisition by public media organization	Newspaper acquired by Huntsman from Alden, taken nonprofit	<b>New digital startup</b> launched 6/22, after Alden acquired Baltimore Sun	Owner created structure to sustain journalism past death	Owner created structure to sustain journalism past death	Owners wanted to preserve chain of 24 weeklies in community hands	Family owners wanted 14-paper chain to remain in community hands
<b>Structure</b>	CST will operate as nonprofit subsidiary of CPM, a 501c3, w/oversight board including independent directors	Weekly print, daily online serving Denton County will be acquired by KERA	Newspaper and all operations are in a 501c3	Digital startup is primary activity of Venetoulis Institute, a 501c3, formed partnership w/WYPR for joint coverage	Lenfest Institute, a 501c3, controls 99.99% of shares in newspaper, a for-profit Public Benefit Corp	Poynter Institute, a 501c3, controls 100% of shares in newspaper, a for-profit Public Benefit Corp	NTLN, a 501c3, and digital start-up Colorado Sun, a B corp, formed <a href="#">Colorado News Conservancy</a> , a Public Benefit Corp to buy chain. Sun is operator, NTLN secured funding through loan	Corporation for New Jersey Local Media (CNJLM) assumed ownership of 100% of a newly converted Newspapers B corp w/own board.
<b>Revenue Model</b>	Advertising, print subscription, direct philanthropic support, <b>membership model</b> ,	TBD	Advertising, digital subscription, direct philanthropic support	Advertising, digital subscription, direct philanthropic support	Advertising, print & digital subscription, philanthropic support through Lenfest	Advertising, subscription, philanthropic support through Poynter	Advertising, subscription, philanthropic support from NTLN	Advertising, subscription, philanthropic support from CNJLM

*Lots of Activity & Experimentation*

# WHY ARE THESE HAPPENING NOW?

## **Declining newspaper value prompt owners to consider immediate changes**

Family-owned papers are looking for options to preserve their legacies; *Public Media has emerged as an option (particularly after Chicago Public Media – Chicago Sun-Times merger)*

- > Also note: Ownership changes to “benevolent owners” present opportunity for increased collaboration (e.g., WYPR and Baltimore Banner)

## **Daily newspapers represent an opportunity for a public media organization to:**

- > Advance goals to increase journalism with expanded newsroom and daily journalism
- > Rapidly expand digital footprint with a strong digital brand
- > Deepen commitment to part or entire broadcast service area
- > Galvanizing force to engage with a broader local and national philanthropic community focused on local journalism



# IS YOUR ORGANIZATION READY?

WHAT'S NEEDED:

## 1) **A High-Performing Board** with:

- > A range of backgrounds and perspectives
- > Experience with transformational change and significant financial transactions
- > An understanding of the critical role that public media can play in this changing local media landscape

## 2) **Credibility in the Community**


- > Connected in the community via staff, board members, journalism collaborations, joint ventures

## 3) **Up-to-date Strategic Plan** that addresses expansion in audience, journalism


- > Financial forecast of annual costs to meaningfully expand journalism in your region
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# DETERMINE YOUR ROLE IN THE LOCAL NEWS AND INFORMATION ECOSYSTEM

Public media has a new level of responsibility because of our relative success and connection to the community

1. Acquisitions shouldn't create the strategies; strategies come first
  2. Map the journalism in your market and decide your role (e.g., Daily news, Investigative, or Community-informed reporting)
  3. Identify current audiences served vs. desired future audiences
  4. Develop a POV on what/how journalism is currently being done in your community and how it might change over the next 5-10 years
  5. Take steps toward journalism leadership in your community via journalism collaborations and engage with local funders around your journalism goals
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# NEXT STEPS

- > Build your strategy, be prepared to evaluate opportunities against strategy
  - > Educate board on changing media landscape, both locally and regionally
    - Send them this webinar?
  - > Understand your journalism goals independent of collaboration
  - > Know your market and media players new and old
  - > Find natural avenues to build relationships and collaborate
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# QUESTIONS?

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