

Executive Summary

Around the world, change has become the *de rigueur* strategy for every newspaper company. From content creation, to distribution, to new business models and beyond, the newspaper industry is in the midst of the most profound change in its history. The World Association of Newspapers and News Publishers' (WAN-IFRA) Shaping the Future of the Newspaper project has launched the first World Newspaper Future & Change Study, which captures details of publishers' financial challenges around the world, as well as their specific strategies to rebuild their businesses for the future – all with new products, cost-cutting tactics and organisational and employee development.

Newspapers are learning how to adapt to and grow in this new ecosystem, where outside forces, such as technological advances, the economic climate and reader consumption habits dictate the new building blocks that will enable media houses to survive and flourish.

These crashing waves of change have left in their wake both devastation and a mindset of renewal for many of the world's publishers,

according to the study's results. In some parts of the world, the economic downturn, coupled with debt challenges and advertising revenue shortfalls, have left many newspaper companies shifting gears into new, high-potential revenue strategies. The study, conducted from September through November 2009, reveals a promising array of facts about the world's publishers, in particular, that they have reported plans to build a portfolio of businesses to make up for the shortfall of traditional advertising and circulation revenue, by exploring a variety of businesses that fall under traditional core competencies, as well as non-media businesses.

Editor's note: A special note of gratitude to our research partners, Erik Wilberg of the Norwegian School of Management, who created the original Future & Change Study for the Nordic region; and François Nel of the University of Central Lancashire, who worked tirelessly with the Shaping the Future of the Newspaper team to expand the survey to the rest of the world's newspaper publishers.

This report details the results of the Future & Change Study, completed in partnership with the Norwegian School of Management and the University of Central Lancashire in the United Kingdom, which shows a majority of the 653 respondents around the world are looking to businesses outside the printed newspaper in order to grow revenues and revamp structures along the value chain that are no longer functioning at full throttle.

Generally speaking, the survey supported findings found elsewhere – that newspaper revenue over the last fiscal year has hit North America, Nordic Europe, Western Europe and South America hardest, followed by Eastern Europe, Africa and Asia/Australasia. And as newspapers struggle with overall revenue declines, they are searching for and implementing new revenue streams. Almost 70 percent of those surveyed said they believe non-traditional print revenue will have to account for less than 20 percent of overall company revenues in the next 12 months; however, more than 70 percent said they believe more than 20 percent of revenues will come from outside print in the next five years.

As market conditions continue declining globally, publishers say they are setting up objectives and timelines, with 27.5 percent saying that over the next 12 months, between 6 percent

and 10 percent of their revenue/income will come from sources other than traditional print.

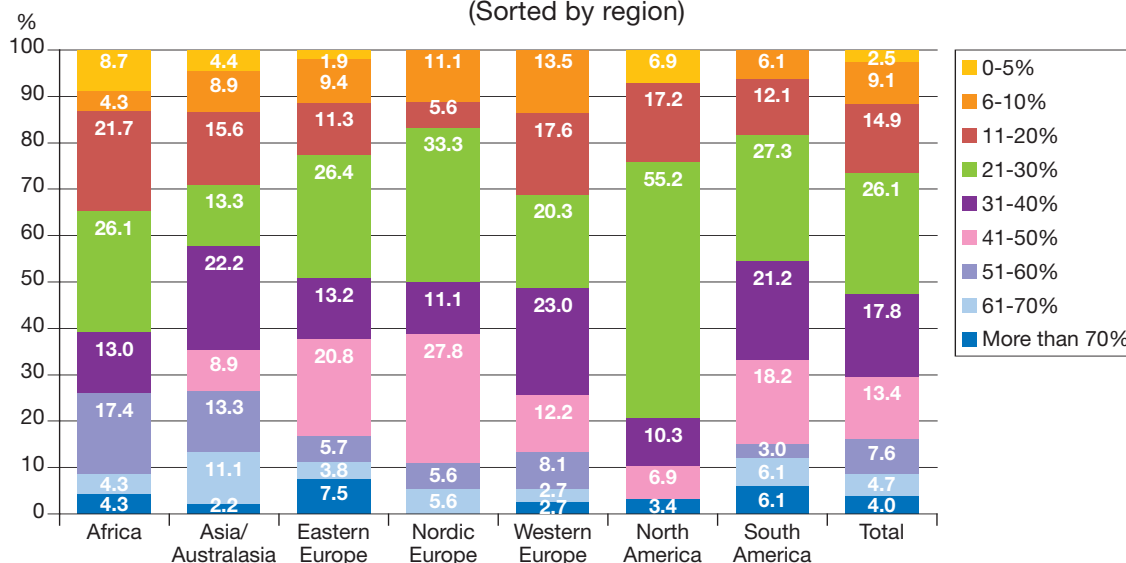
Publishers know non-traditional revenues are imperative to future success, and in many cases, survival. Responses imply that companies are aggressively searching for new revenue streams to replace declining traditional sources, with product development ranking at more than nine points on a scale of one to 10.

When broken down by region, South America (9.8) and North America (9.7) ranked product development higher than other regions, while Western Europe (9.1) and Nordic Europe (9.0) ranked close behind. Eastern Europe (8.6), Africa (8.6) and Asia/Australasia (8.3) ranked product development lower on average compared with their Western counterparts, perhaps reflecting the lesser economic pressure and therefore diminished urgency felt by publishers in these regions.

The greatest opportunity in the eyes of most surveyed is developing content for mobile channels, especially in regions where mobile penetration is highest – Nordic Europe, Western Europe, Asia and South America. Mobile was followed by social media, Web TV and Web radio, showing that newspaper companies are focusing on digital channels as opportunities for the future.

Over the next 5 years, what percentage of the total company revenue/income will have to come from sources other than traditional printed media?

(Sorted by region)



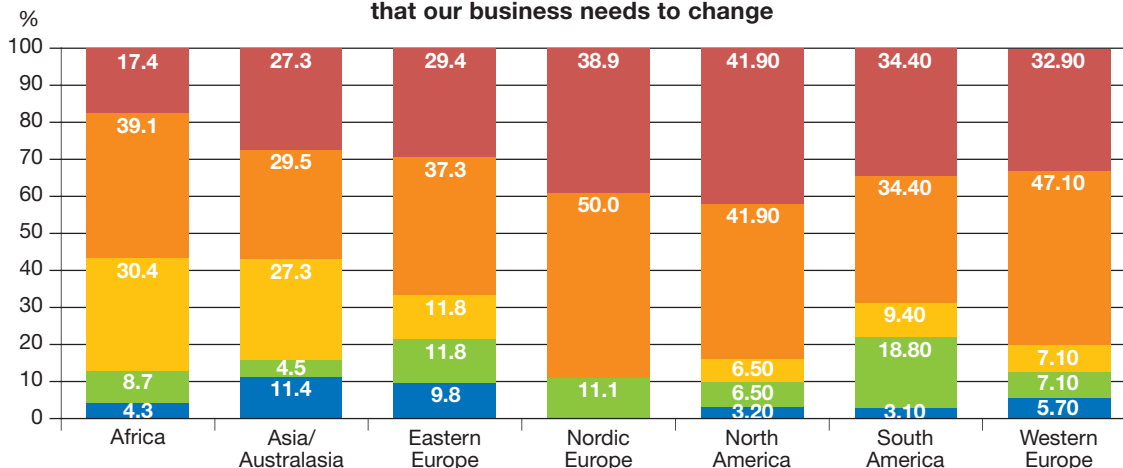
Source: 2009 World Newspaper Future & Change Study, WAN-IFRA, University of Central Lancashire, and Norwegian School of Management © WAN-IFRA 2009

How ready is your organisation for change?

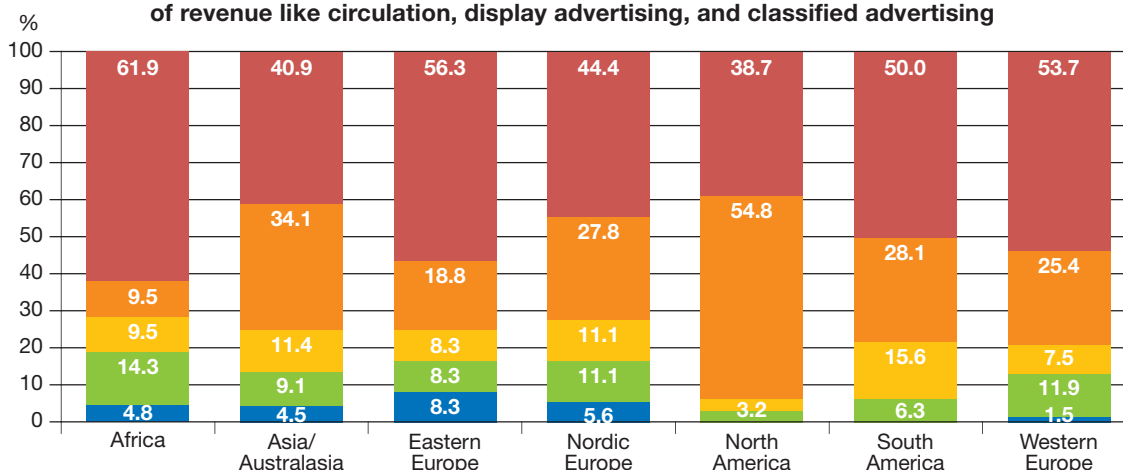
Select the column that shows how much you agree with each of the following statements (Sorted by region)

Strongly agree Somewhat agree Neutral Somewhat disagree Strongly disagree

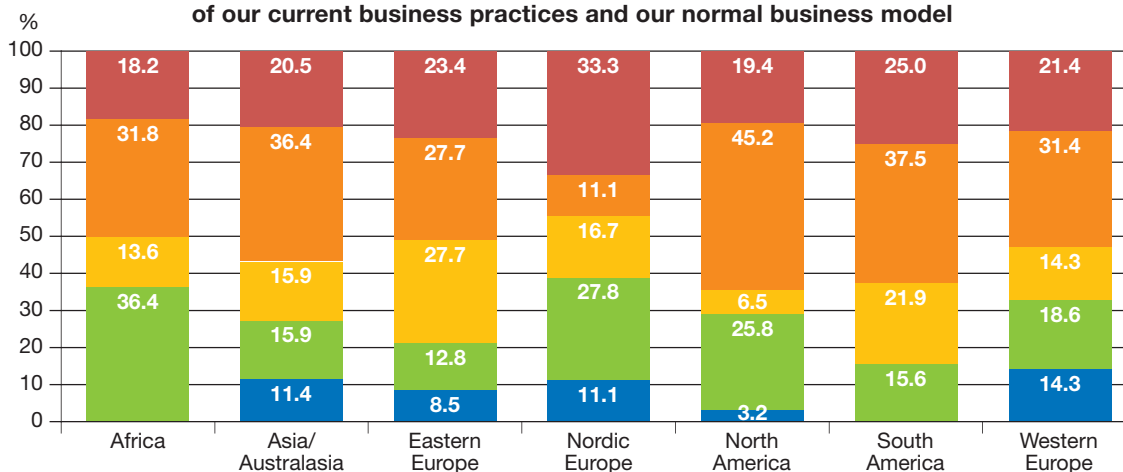
There is an urgency felt throughout the organisation – from front line to senior leadership – that our business needs to change



We are constantly on the lookout for new ways to make money beyond historical sources of revenue like circulation, display advertising, and classified advertising



Our culture encourages people to look beyond the boundaries of our current business practices and our normal business model



Source: 2009 World Newspaper Future & Change Study, WAN-IFRA, University of Central Lancashire, and Norwegian School of Management © WAN-IFRA 2009

When asked “What is the single most important change that has to be implemented in your newspaper over the next year?” a majority of respondents said they are focusing on developing quality multimedia content while also identifying new online revenue streams.

The study also shows a general agreement that executives must balance the difficult demands of streamlining existing operations with planning and implementing current and future innovation and acquisitions. This must all take place under roofs where an urgency for change is also a priority.

When asked if there is an urgency felt throughout the organisation that the business must change, 32 percent of respondents agreed “strongly,” nearly 40 percent “somewhat agreed,” 28.4 percent said they were “neutral” (13.1 percent), disagreed “somewhat” (9 percent) or disagreed “strongly” (6.3 percent) that this consensus existed within their companies. When looking at the West alone, however, nearly 90 percent of Nordic Europeans and more than 80 percent of North Americans “agreed somewhat” or “strongly.”

In the second half of this report, 10 essays written by newspaper industry experts and consultants underscore many of the study's findings.

According to Erik Wilberg, one of the survey's authors and associate professor of strategy and leadership at the Norwegian School of Management, incremental change can often be mistaken for real transformation, and the problem usually stems from traditional company culture.

“The view of the future of the newspapers depends on one's point of view. If you look through the lenses of circulation, you are likely to be permanently disappointed. If you look through the lenses of ‘engagement and eyeballs’ you are likely to be more optimistic. The future for publishing is digital and there will be a long transitional period where the digital developments and the traditional newspapers will have to play together. And the enemy lies within the company,” he writes.

“My advice is: Stop talking about circulation. Stop talking about cost-cutting as the prime roadway to success and look outside your window. If the changes outside your window are greater than on the inside, you will run into trouble.”

The core value proposition of newspapers is intrinsically tied to being able to conserve time while maximising reward, according to University of Cape Town Graduate School Of Business's Dave Duarte and Elaine Rumboll.

“The concept of an attention scarcity sits uncomfortably juxtaposed with the industrial model of news production. Information is intrinsically valuable in the industrial model because it is relatively scarce, exclusive and hierarchical. It makes sense then, to build empires around a particular access channel that is exclusive and popular, such as print. However, once information becomes freely available on the Internet it may be easily accessed and shared by anyone who can operate a search engine and send an e-mail. Thus, in sectors where information is abundant and available, the only cost of information is the time and effort that it takes to engage with it,” they state in their essay.

“In order to successfully adapt to this new economy, newspapers may need to start emphasising Attention over Content. This means consumers will be drawn to news sources that are able to add value to the information in ways that enhance their experience of it - through having a more trustworthy brand, effective design, accessibility, community and engagement, for example.”

While experts describe their best recommendations on how to cope with and flourish as a result of the changes taking place, it is up to publishers, who have voiced their concerns and plans, to use this information to better illuminate their actions in the weeks, months and years ahead. The urgency for change is greater in some parts of the world than others, but all agree it is critical for everyone to take action now.