Press readership racks up in era of 'fake news'

Trump, Brexit and spread of misinformation lift digital subscriptions at quality titles, but advertising remains tricky

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For newspapers, 2016 was a year of soaring highs and bruising lows. As print advertising declined, publishers on both sides of the Atlantic were reinvigorated by the globe-shaking news events of Brexit and the election of Donald Trump.

Six weeks into the new year, the news cycle shows no signs of slowing. In the US, at least, this "heightened interest" will probably last as long as the White House "continue[s] to be creating news and controversy", says Mark Thompson, chief executive of the New York Times.

The press has been punch bag and beneficiary in the Trump age: the New York Times added a record 267,000 subscribers in the fourth quarter, most after Mr Trump was elected. Mr Thompson used the gains to hit back at the president's claims that the newspaper is "failing" and a purveyor of "fake news". After a tweet by Mr Trump on "dwindling" subscribers, he retorted in a conference call on the company's financial results: "Well, not so much, Mr President."

As the newspaper industry battles with Mr Trump, it faces challenges to its advertising and circulation revenues. Publishers must weather the print drop-off, compete in a digital market dominated by Facebook and Google, and turn readership bumps into sustainable growth in circulation revenue.

The erosion in print ad sales kicked off at the start of 2016 and did not let up. In the fourth quarter alone, print sales fell 20 per cent at the New York Times and at McClatchy, operator of 29 US daily papers. Gannett, owner of USA Today, reported a 15 per cent fall in the US and a 14 per cent drop at Newsquest, its UK chain. News Corp said the fall in print dragged total ad revenue down 29 per cent at News UK (publisher of The Sun and The Times), 20 per cent at Wall Street Journal publisher Dow Jones and 12 per cent at its Australian papers. The Financial Times and Tronc, owner of the Los Angeles Times and Chicago Tribune, have also been hit.

There is no single reason for the industry-wide decline, but publishers pointed to shifts in spending to digital media and pullbacks by big marketers.

Print's fortunes are not expected to improve. Global newspaper advertising spending will shrink 8 per cent a year through to 2021, according to Magna Global, a media buying agency.

Publishers are responding by tightening belts and making print operations more efficient. In the UK, national newspaper groups plan to develop a joint ad sales service for big advertisers.

The plan was dealt a blow last month, however, when Daily Mail and General Trust, parent company of the Daily Mail and Mail on Sunday, pulled out of talks. The other groups have indicated they will continue to explore closer collaboration, but without the successful Mail titles, it may prove less appealing.

Elsewhere, newsrooms are slimming down. The Wall Street Journal has trimmed its print edition and shed 200 jobs, in an effort to generate $100m in cost savings. Gannett cut its workforce by 2 per cent in October. The New York Times, where net income fell 54 per cent in 2016, plans to tighten its budget and eliminate some editing roles this year.

The Guardian, which has warned staff to expect more heavy losses this year as it burns through another £90m of cash, is considering cutting costs by moving to a tabloid edition.

The crisis has some rivals considering setting aside their competitive instincts. The Express titles, owned by Richard Desmond, are in talks with Daily Mirror owner Trinity Mirror about creating a new company that may seek to share backroom operations.

The print decline has not been cushioned by a corresponding inflow of digital dollars, in part because most online spending flows to Google and Facebook, which account for about two-thirds of the digital ad market.

Brian Wieser, analyst at Pivotal Research Group, estimates that in the second quarter of 2016, they captured 116 per cent of non-search advertising growth — meaning the rest of the market actually shrunk 5 per cent.

Publishers' slice of the digital pie has not proved as big as many had hoped. Just a few years ago, newspaper executives were trumpeting their ability to attract huge numbers of readers to their websites. Today, many are shifting their business away from advertising.

> Heightened interest will last as long as the White House 'continues to create news and controversy'

Publishers are also noting concerns about transparency in digital media, voiced by big brands such as Procter & Gamble, which has put its online spending under review.

News Corp is testing its own digital ad network to "provide a measurable high-quality audience for advertisers, who are increasingly wary, and rightly so, about the murky tenebrous world of digital advertising", says Robert Thomson, chief executive.

There are bright spots. At DMGT, the gap between print ad sales for the Daily Mail and Mail on Sunday and digital ad revenues at Mail Online shrunk to £4m in the final three months of 2016 from £18m in the fourth quarter of 2015. With website ad revenues growing at 17 per cent and print falling 12 per cent, the Mail could soon be more reliant on digital ads than traditional print.

Facing print erosion and limited ability to turn online eyeballs into ad revenue, many news brands have concluded their future lies in charging subscribers for premium content.

The New York Times ended 2016 with 1.6m digital news subscribers, up 47 per cent after a post-election burst that saw more people sign up in the fourth quarter than in 2013 and 2014 combined.

The Washington Post saw a 75 per cent gain in subscribers in 2016, more than doubling digital circulation revenue. In January, the paper added 30 per cent more new digital subscribers than it had in November — a record. The Wall Street Journal drew 110,000 new digital subscribers in the fourth quarter.

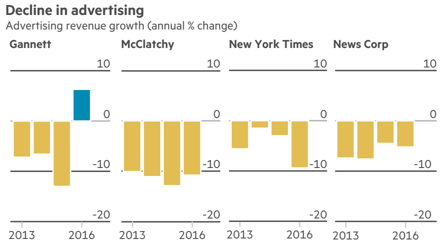
Other publishers have also benefited from a "Trump bump". The question is whether they can sustain the gains.

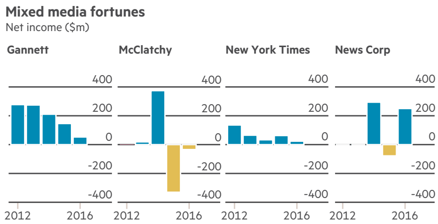
More broadly, newspapers need to accelerate revenue growth from digital readership. The New York Times has set a goal of reaching $800m in total digital revenue by 2020. In 2016, combined digital advertising and subscription revenue was $442m — about 28 per cent of overall revenue. The bulk of the business remains print.

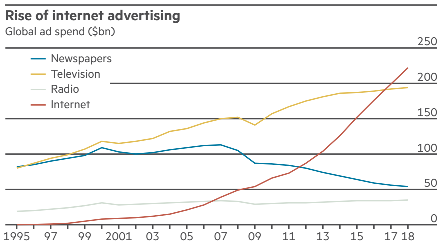
Overall, many newspaper executives and observers see encouraging signs that readers are more willing to pay for news. Mr Trump's assault on media outlets as "fake news" and concern over the spread of misinformation on social media may lift the industry in 2017.

"From Brexit to Trump, the rise of populism favours a flight to quality information," wrote Frédéric Filloux, the media commentator, in a recent Monday Note newsletter.

Rags and riches







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Legacy loyalty
Dead-tree edition still commands attention

For all the gloom, there are signs that even as circulations have shrunk, printed newspapers retain strong loyalty among those who read them.

A study by Dr Neil Thurman, a lecturer at City University's journalism department, found that more than 88 per cent of the time that British audiences spent with UK national newspapers was still on their print editions.

By comparison, mobile versions received 7 per cent of time spent, while only 4 per cent of time went to desktop PCs.

Dr Thurman's study concluded: "Although newspapers have spent decades investing in digital distribution, their online channels are not attracting anywhere near the levels of attention commanded by their print editions."

Claire Enders, an analyst with Enders Analysis, says that while the trends in the UK and US mirror each other, many newspaper groups would have fared better had they not wasted so much money on new digital ventures.

"The remarkable story in the UK is that more titles have not followed the Independent's lead and gone digital only," says Ms Enders. "There is still enough scale to keep newspapers going."

This is backed up by hard cash. In a foreword to a December report by Deloitte on the UK news industry, the News Media Association estimated that the industry's average annual revenue per print media user was about £124, while that per digital media user was £15.50. *David Bond*

Technology

European fintech deals at 5-year high

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Europe's advantage in financial technology has been highlighted by figures showing fintech deals hit a five-year high on the continent in 2016, defying the global trend of a slight decline.

The number of deals in European fintech rose 11 per cent to 179 in 2016, compared to a 1 per cent global drop, according to the data analytics company CBInsights. Germany and the UK dominated, staking claim to nine out of the 10 biggest European fintech deals.

The deals grew 124 per cent compared with 2011's total, in contrast to an 8 per cent drop-off in deal activity in the US to 422 deals — identical to 2014 levels, the report found.

Of the 22 fintech unicorns globally, four are based in Europe, including the $2.3bn-valued Dutch payments processor Adyen, whose transaction volume has just hit $90bn, and Funding Circle, which facilitated more than £1.1bn of loans to small businesses last year.

"Europe has had a competitive advantage compared with the US in fintech. In the US, everything is regulated state by state, but here, if you have a European passport it's fantastic for a fintech," said Niklas Zennstrom, founder of Skype and European venture capital company Atomico. "If a company in the UK doesn't have access to that post-Brexit, it will be a problem. But in practice that means they need to incorporate a European country into their structure, which isn't too difficult."

Despite thriving dealmaking activity, investment volumes in European fintechs fell 25 per cent to $1.2bn on a year-on-year basis, in line with a corresponding 29 per cent drop in investment dollars in the US in 2016.

This was explained by the lack of later stage investments, or larger cheques written in Europe: the vast majority of investment in European fintechs is at the seed and first-round Series A stage, with only 36 per cent of deals at later stages. In contrast, 49 per cent of US deals were Series B and beyond.