



Pulling the Plug on Print – Poynter Institute

By way of previewing [the annual December Global Media Conference for investors and analysts](#), let's skip the bad financial performance of public newspaper companies and the cold shoulder they continue to get from Wall Street. Instead I'll pose a question unlikely to be discussed directly at this week's three-day meeting but on a lot of minds: Is the time close by when a newspaper company, or at least some newspapers, will discontinue print and go all-electronic?

I'm on record saying we should expect print newspapers to be around for a while - five or 10 years at least, probably considerably longer. Online advertising revenue will need [years of continued double-digit growth to pull even with print](#). There have been signs lately that [online revenue growth is stalling](#) and even that reading online news and display ads together is an oil-and-water mix. The homely print display ad or one of those inserts that falls in your lap on Sunday may simply be more welcome and useful to readers and hence more valuable to the advertiser.

But there is a scenario in which I could be wrong, and the transition comes sooner rather than later. Assume that print advertising not only stays soft but declines at an even higher rate than the 5 to 10 percent recorded this year. Assume that a group of newspaper-run online ventures -- including local search, local video, national display and shopping-specific sites -- gets a second wind. Assume that online news sites continue to improve their design and range of breaking news and multimedia content and attract more readers (perhaps dissatisfied with paying for a scaled-down paper edition with noticeably less content).

At that point the comparing volume and pricing of print versus online is not the only factor or the most important. Print newspapers might still have a big base of advertising (\$48 billion for the industry this year) but nowhere to go for additional cost reductions. Print profits would then become negligible, some papers would begin experiencing losses, and there might be little realistic prospect of a print revenue rally.

When and if that happens, management could take a deep breath then take the plunge to all-electronic. In effect, the newspaper would be saying to its remaining print readers and advertisers: We know you like the traditional print format, but it no longer works economically. Come along and join us online.

Going totally online eliminates the cost of paper and circulation delivery and radically reduces production cost. By my back-of-the-envelope calculations, based on Inland Press survey data, that might be about 35 percent of expenses. Online capacity is not as free as some think, especially once you assign it a fair share of newsroom, building and management costs. But it is fair to say that at an established online operation, a large share of revenue growth drops to the bottom line. Put another way, online profits could pull even with print profits well before the revenues are equal.

How soon? Maybe early next decade. Yesterday's-news mythology notwithstanding, the industry is no longer obscenely profitable. At some properties, especially small and mid-sized papers, margins remain healthy. Lee Enterprises, with all its papers except the *St. Louis Post-Dispatch* in the desirable weight class, recently closed its fiscal year with a pre-tax operating margin above 20 percent. Single-digit margins, though, are not uncommon now at top papers like *The Wall Street Journal* and *The Washington Post*. *The Boston Globe* dipped into negative territory last year. The *San Francisco Chronicle*, with a particularly punishing cost structure, has been losing a lot of money for a lot of years.

But -- and it is a huge but -- killing the print edition only makes sense if the savings are greater than the loss of print advertising revenue as some choose not to follow along.

That is not close to being true in 2007, nor will it be in 2008 and 2009.

So a much more likely outcome, should the wind be blowing as described in my scenario, might be for ahead-of-the-wave newspapers to discontinue a day or two of daily editions, starting with Tuesdays, which have supplanted Saturdays as carrying the least advertising.

Sunday editions, which typically generate as much as half a newspaper's advertising revenue, would be the last to go. Indeed one could hypothesize a future in which the daily print paper has died but the Sunday paper with its robust revenue stream and popular packet of inserts continues as a viable business.

One wild card in mulling the future of print is circulation revenue. Pulling the plug on the paper product would also sacrifice a newspaper's circulation revenue (typically about 20 percent of the total currently). There would be savings, maybe commensurate savings, getting rid of circulation sales, billings and other paperwork.

But another alternative several big companies - most prominently *The New York Times* - are exploring is to offer the print edition on a tablet-like device (like Kindle, recently introduced by Amazon). That would give people who like a traditional newspaper layout a paper-free version that is also portable -- and for which they would pay a subscription fee.

That would be a truly new business model, recapturing a version of paid circulation. But that is a longer story for another day.