

Paper Cuts

Flagging Ad Budgets and Plunging Circulation Dog Dailies

Staff cuts, shrinking news holes, page reductions, plunging circulation and stagnant print revenue continue to haunt the newspaper industry. According to angry investors and pessimistic analysts, there is no end in sight.

The sharp, national slide continues a decades-long trend and prolongs the suffering for this quite mature, yet badly besieged industry. The numbers have gradually been dropping since the early-1980's, but have intensified significantly since 2004, when readers and ultimately advertisers began to gradually migrate to the Internet.

What is perhaps most agonizing is that most of these losses came this year. Figures for the first nine months of 2007, indicate the steepest-ever industry losses in earnings and advertising revenues.

According to the Audit Bureau of Circulations, overall average national daily circulation has plunged 2.7% this year. Circulation for Sunday papers, meanwhile, fell by a whopping 3.5%. The losses are greater, by far, than any comparable six-month period in the last 15 years.

Bigger Is Not Better

Bigger is better, the saying goes. And in the case of the media, it was apparently right on. The 1990's were marked by a rapid merging of technology and media companies, creating vast empires of enormous size and reach.

From the beginning, the concentration of media ownership had more than its fair share of critics. Most detractors complained that such consolidation does not correlate with better and more diverse news content. Despite the protestations, the mergers continued.

In a radical and, to some, surprising twist, the critics have apparently turned out to be on target. Bigger, it appears now, is not



necessarily better.

The angst-ridden industry has been hardest hit in major metropolitan areas, where most homes are wired for broadband Internet access. The big American newspapers collectively sell about 10% fewer copies than they did in 2000.

The USA Today's revenue, for example, is down 14% this year. The Wall Street Journal is down 10%. The New York Times is down 6%. The Tribune Company, which owns the Los Angeles Times, reported a 5% drop.

Most of these conglomerates blame the industry's troubles on the country's economic woes and trace the weaknesses directly to the volatile housing market and high fuel prices. Also blamed is the continuing shift of classified advertisers from print to online, especially to mostly free sites like Craig's List.

Some of the circulation declines, it has been widely suggested, may actually be deliberate. Some big companies have elected to eliminate so-called bulk sales to third party sponsors that offer papers free in places like hotels. Advertisers view them

U.S. Daily and Sunday Newspaper Readership Audience, 1996-2006

Year	Weekday Readers, % of Total Adult Population	Sunday Readers, % of Total Adult Population
1996	61.4	70.3
1997	60.1	69.2
1998	58.6	68.2
1999	56.9	66.9
2000	55.1	65.1
2001	54.3	63.7
2002	55.4	63.6
2003	54.2	62.5
2004	52.8	61.2
2005	51.6	59.6
2006	49.9	57.7

Source: Newspaper Association of America