The financial importance of audience involvement for media survival.

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Abstract:
Improving audience involvement in media production enhances the democratization potential within a community and enhances the capacity building potential within that community. Both democratization and capacity building have been identified as factors which enhance a community’s ability to thrive. While profitability and return on investment (ROI) are legitimate goals for media organisations insofar as they allow and encourage audience involvement, these goals must remain subordinate to the goal of democratization, since without that key element, the environment which maintains the media disappears. A formula is proposed whereby media owners, workers and audiences can fine-tune their relationship to enhance financial as well as community outcomes.

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Introduction

Statement of the problem

Newspaper organisations worldwide are experiencing a general downturn in circulation figures, which reflect lower sales and a lower share of the media market.

In the United States, observers (Journalism.org 2005, n.p.) note that 2005 was merely the latest in a 30-year circulation decline for daily newspapers, and that the decline was deepening. The impact was so severe that a major scandal erupted involving four metros who reportedly had been inflating their circulation numbers (Journalism.org 2005, n.p). Loyalty in the audience suffered at the same time: only 60 percent of people said they read a daily newspaper “regularly” compared with the average of 70 percent during the 1990s (Journalism.org 2005). The story was slightly less alarming in the UK (see Print@vertising.com 2005; and Newspaper Marketing Agency 2005) but dailies and weeklies there each still dropped a cumulative 2 million adult readers in the period 1999-2004. More damagingly, national newspapers advertising revenues had decreased in the UK from £2252 million in 2000 to £1980 million in 2004 (Newspaper Marketing Agency 2005). A straw poll of other newspaper markets (Publicitas.com 2005) indicated a marked general decline among German newspaper reader numbers and an across-the-board and steep decline recorded by each of the top 10 German magazines; in Italy, seven national or semi-national newspapers increased their circulations while
six lost ground and of the 19 magazines surveyed, 17 suffered circulation
declines and the remaining two recorded increases; in New Zealand, however,
five of the eight newspapers surveyed showed increased circulation figures, one
broke even and one fell.

The figures for the comparatively small market of Australia show a 159,000
copy circulation decline for national and metropolitan mastheads during the 12
months to February 2005 (Kirkpatrick 2005, p.7) Among 12 metropolitan and
national dailies surveyed (Kirkpatrick 2005, p. 8) nine showed a drop in
Monday-Friday readership of between 0.2 and 3.6 percent, one held steady and
only two showed gains, one of 1.3 percent, the other of 4.4 percent. Of the
Saturday editions, only three increased circulation (by 0.1 and 0.3 percent)
while the rest fell, by rates between 0.2 percent and 5.9 percent. Among the
Sunday editions, five rose and six fell. More weekly magazine readership
numbers fell than rose and monthly magazine figures show five losing ground
and five gaining (Publicitas.com 2005). However, among 36 regional dailies
surveyed (Kirkpatrick 2005, p. 9), only 13 recorded circulation losses, 21
recorded increases and two were not available.
Purpose of this paper

This paper examines one of the causes of newspaper circulation decline – a decrease in audience appeal – and discusses strategies being employed by publishers to increase – or at least maintain – that appeal. It argues for a new, more effective strategy.

Methodology

The methodology employed for data collection in this paper is literature review and data analysis. The problem is then attacked by discussing certain drivers and inhibitors of audience appeal, and applying theoretical concepts to the data in order to arrive at a new theoretical construct. The novel feature of this work is that a mathematical formula is proposed as a template for publishers, journalists and audiences to apply to their news communication processes in order to enhance the communications experience for each. It is suggested that a mathematical formula is easy for journalists to understand and to implement, and is also easy to adapt and develop as new research is added. It is proposed that enhancing the communications process will, in the long run, enhance the financial viability of the publications which adopt this formula.
The data

Drivers and inhibitors of circulation

1. Inhibitors

A strong inhibitor of appeal – and thus sales and circulation – is that newspapers are at the low end of interactivity along the spectrum of news media delivery options, based on Heeter (in Kenney et al 2000, n.p.). Arguably, television is next, by virtue of the Big Brother voting phenomenon and the resuscitation of “The Worm” (The Age 2005), but certainly radio is more interactive than both, based on its use of talk-back and the frequency of its news bulletins. Online, for now, occupies the high end of interactivity on this spectrum, but the word “online” hides a multitude of mediums, including email, HTML, XML, PHP and a range of appliance-based delivery options such as SMS.

Another inhibitor of appeal is the perception, based on the Herman-Chomsky propaganda model (1988) that news organisations are large, amorphous organisations filled with staff intent on promulgating their own agenda (Anticapitaliste 2005, n.p.). Louw (2001, p. 156) and others (Cokley 2005) note that news-making in newsrooms is constrained by hegemonic dominance, created through the staffing practices (recruitment, promotions and dismissals) employed within these sites and by decision-making concerning rules, procedures and the configuration of technology within these sites:

... There is no need for directives concerning which discourses should be favoured because good staffing decisions (from CEO downwards) can be
relied on to create self-policing mechanisms (through staff ‘cloning’). Discourses serving the hegemonically dominant will be adhered to because staff cloning will ensure ‘appropriate’ gatekeepers are in position (Louw 2001, p. 157).

As a counter to this – but in part only – the major rural and regional publishers in Australia – Rural Press Ltd and APN News and Media (formerly known as Australian Provincial Newspapers) – have emphasised the “local” nature of their products and seem to have benefited from that strategy.

Rural Press (2005, p. 7), which publishes 160 daily, weekly and monthly metropolitan and regional titles across rural Australia, announced a 21.4 percent increase in net profit after tax for the year to June 2005. According to the company annual report (2005, p. 11) “community involvement and the quality and relevance of editorial content were fundamental to the successful year”. The company has adopted the slogan “Life is Local”. APN News and Media publishes 23 regional daily titles and more than 100 non-daily titles and reported a 17 per cent increase in profits for the six months to the end of June 2005 (APN 2005, p. 1), to a total of $66 million. According to a company statement (APN 2005, p. 2), regional newspapers in Australia and New Zealand accounted for a large slice of that increase, contributing the second-highest profit increase for the group, which also includes capital city newspapers in New Zealand, radio, outdoor, other print and corporate media. Other print and corporate media recorded losses; radio recorded an increase which nearly
equaled all newspaper profit growth in both Australian and New Zealand markets.

However, as the company report to the market shows, profit was directly related to advertising revenue, not newspaper circulation (APN 2005, p. 3): employment and real estate advertising drive profitability, while circulation rose by less than 1 per cent across the period. The highest circulation rise across the group was recorded in the New South Wales regional centre of Grafton (3.4 per cent) while New Zealand titles did not cross the 2 per cent threshold. This circulation growth roughly matched the Australian population growth for the period (ABS 2005, n.p) but in APN’s key Australian market, Queensland, the circulation increase was only half the 2 per cent population increase (Queensland Government 2005, p. 1), indicating a net decline in market penetration.

**Drivers**

**Circulation strategies**

Circulation stagnation is often regarded by journalists and proprietors as a problem which is fixed by changes to *format* and *content*, since these are regarded as the keys to “quality” (Campos 2005, p. 53). Thus, some newspaper editors will introduce “more choices” (Campos 2005, p. 56) in new daily or weekly supplements, or change from broadsheet to tabloid, or introduce giveaway publications.
Campos (2005, p. 55) notes that changing from broadsheet to tabloid “can lead to circulation gains”, and that new “handbag-sized” magazines also attract new readers. Other editors will tinker with layout and internal design, now emphasizing horizontal layout, now vertical, then modular or magazine. But these and similar layout concepts have changed little over decades, and certainly not since Evans described them in his seminal work on newspaper production (1973, p. 77, 81). Despite the multiplication of supplements and layout changes in metropolitan newspapers since the turn of the 21st century, circulation numbers at the end of 2004 were trending negative or stationary in all of the separate Australian major markets except Western Australia; The Australian ran against this trend (Kirkpatrick 2005, p. 13).

Campos (2005, p. 54) suggests that editorial departments sometimes overlook the obvious in their efforts to reclaim circulation figures:

> You redesign your paper and nothing happens; you reorganize your newsroom and nothing happens; you improve the content of your daily and nothing happens ... but you invest in your circulation operations and circulation grows. (Giner, in Campos 2005, p. 54)

He notes (Campos 2005, p. 54) that improved point-of-sale training and support has raised circulation in some cases (and reduces costs at the same time) by helping newsagents build traffic in their shops. Promotional sales in restaurants such as McDonalds have helped in some areas, as have subsidised subscriptions at schools and universities: students at the University of
Queensland, for instance, were able to subscribe to a year of *The Australian* newspaper for $15, which is about two weeks at normal cost. Campos also notes that a newspaper in New York State provides a free copy to people who move into its circulation area, accompanied by a special low-rate subscription offer.

Campos (2005, p. 55) also notes that reader involvement in improving the quality of a newspaper can help circulation as well. He suggests two main ways to approach this task: “publish what really interests readers”, and “get readers involved in improving the quality of your newspaper”. The former strategy involves producing regular series each month on “hot local topics and community problems”. One Honduras newspaper recorded circulation increases of more than 20 per cent (Campos 2005, p. 55). The latter strategy – getting readers involved – is sometimes addressed by including reporters’ email addresses with stories in the newspaper.

Australia’s *Gold Coast Bulletin* claims to have used such a technique to build its readership, by tapping into the growing community fascination with SMS messaging (*AllNews*, 2005, p. 8). The newspaper claims it “engaged young readers through SMS” during a campaign in 2005 by opening a reader feedback line to canvas opinions about night-club opening times, the Schapelle Corby drugs case, airline flights to the Gold Coast, and the Queensland state health inquiry. Reader responses to the Corby case generated “30,000 words of
text messages within 48 hours” (AllNews 2005, p. 8). The newspaper has claimed a 3 percent increase in circulation during 2004-2005 is partly due to the use of SMS reader feedback in this way.

Finally, Campos notes (2005, p. 55) that price continues to play a major role in circulation strength:

Free is a successful price point. (Compaine, in Campos 2005, p. 56).

This is most obvious in the emergence of the free afternoon tabloids in Melbourne and Sydney markets during 2005, not to mention US, Spanish and several other European capital city markets in recent years. Australian publisher News Ltd launched five glossy magazines within the second half of 2005, four of which are being distributed free with newspapers for the same cover price (AllNews 2005, p. 4): QWeekend (Brisbane, in The Courier-Mail), Wish (national, in The Australian), Paradise (in the Gold Coast Bulletin) and The Adelaide Magazine (in South Australia) and one, Alpha, that comes at the low price of $2 if you buy a News Ltd newspaper at the same time:

In one move, distribution costs are reduced, circulation is established and both revenue and readership are maximised. (AllNews 2005, p. 4)

Beyond all the above strategies, readership research itself has also been identified as a positive strategy for driving circulation (Claritas, n.d.). A relevant readership research method was devised in 1971 by the Claritas organisation in the United States in 1971, based on market segmentation methodologies. The Gannett Co Inc newspaper publisher engaged Claritas to raise circulation
in its Wisconsin division. According to Claritas, previous circulation campaigns have resulted in increases of less than 1 per cent.

Claritas (n.d.) explains that the project involved constructing a profile of subscriber households in the circulation areas of each target publication, and linking that with geographical information about subscriber locations, to produce a list of “best subscriber targets” based on characteristics such as behavioral and lifestyle information including sport and leisure activities, car ownership, furniture and home improvement activities. The geographical information\(^2\) was investigated to show editors where readership potential was high but actual penetration was below average. Gannett used this information to launch a direct marketing approach to these readers, and reported an 8.6 per cent take-up rate. As a follow up to this project, Claritas notes that Gannett planned to adopt a strategy to modify editorial content “to ensure relevance to their core subscribers\(^3\)” (Claritas, n.d.). This later strategy of content modification is one of the key elements of the Readers First approach being adopted by APN News and Media, which is due to be discussed in another paper at this conference.

**Discussion**

The search for better ways to reach an audience is part of an overall process which researchers as well as marketing and sales people recognise as “new

\(^2\) Now widely referred to as GIS, or “geographical information systems” data

\(^3\) Including, presumably, the newly acquired readers
product development”. Rosenqvist (2000, p. 1) notes that the time a new media product takes to reach its market is a crucial consideration in its eventual success or failure: “the challenge for media corporations today is to both keep pace with the new technology and continuously be able to learn and create new knowledge in a fast changing environment”.

Competition within the new media environment is characterised by (1) low exit barriers for media consumers, (2) low entry barriers for new players, (3) several distribution channels for content and (4) a high demand for new content (Rosenqvist 2000, p. 1). This acknowledges the reality observed with former newspaper readers that (1) they are now free to exercise the choice to move to another medium; (2) it is relatively easy for new media providers to enter the market and capture those readers; (3) the distribution channels available include low-capital intensive processes such as SMS and email; and (4) the audience market has demonstrated a willingness – which traditionalists might characterise as “fickleness” – to abandon long-held products and services in the search for new content.

Part of the reason audiences have adopted such as willing approach to moving from supplier to supplier is the offer of “control” held out by new technologies. The customizable website of the 1990s, where the user and client-side software could manipulate the viewing and browsing experience all the way from background colour and font size to the nature of the content on screen, has
encouraged vendors to offer audience customers to demand more and more control. This is significant for the cultural and communications issues raised at the same time, since, as Moran has pointed out, “a sense of ownership of its ... media gives a community awareness and control over its members’ stories and how they are presented” (2003). Communities and the individuals who live within them are now more aware than ever that control over media is obtainable, and valuable, and they are actively seeking it.

Rosenqvist (2000) advises that companies in this field, therefore, should (1) concentrate on working with digital online products because they offer inexpensive prototyping and multiple iteration loops; (2) look beyond existing manufacturing processes and design products which could fit different manufacturing processes and distribution channels; and (3) concentrate on designing product architecture as well as possible, “since it is clear that the product architecture of magazines regulates the workflow speed” (Rosenqvist 2000, p. 1).

He proposes (2000, p. 1) four pre-requisites for successful media product development: dynamic leadership, process knowledge, customer knowledge and human resource knowledge, and notes that these need to be developed and implemented within the framework of a specialised development unit.
It is clear that dynamic leadership and human resource knowledge is beyond the scope of this present study, but process knowledge and customer knowledge are certainly relevant and will most likely form an increasing component of any successful study.

Process knowledge

Process knowledge requires journalists to acquire and use comfortably a working and perhaps high-level knowledge of the technologies being employed to deliver their messages. It is a truism (perhaps for investigation elsewhere) that interactivity between journalist and audience member is impossible if one or the other cannot work the tools of that intended interaction.

Customer knowledge

Customer knowledge requires journalists to research their audiences a lot more than they do now. Knowledge of and affinity for the audience is even more essential for a journalist to carry out his or her duties, and there are technologies available to enhance this process. Likewise this is the focus of ongoing research.

Based on the above discussion, a formula is proposed which publishers, journalists and audiences can apply to move towards enhanced democratization and thus enhanced business activity in the media organisation is as follows:
\[ \varepsilon = (\Sigma \iota + \Sigma \rho + \Sigma \gamma) - (\Sigma \zeta + \Sigma \varphi) \]

\( \varepsilon \) is the level of circulation increase (“enhancement”) and the goal is to achieve a positive result. The remaining terms in the equation are quantified in three general terms: low, medium and high\(^4\). \( \iota \) is the level of interactivity, as perceived by the audience (and defined by Heeter [in Kenney et al 2000]). \( \rho \) is the level of process knowledge acquired by individual journalists and allowed to take place by publishers (since the audience has demonstrated a level of process knowledge beyond that of journalists). \( \gamma \) is the level of customer knowledge acquired and demonstrated by individual journalists. \( \zeta \) is the amount of format change which takes place at the newspaper in the absence of \( \iota, \rho \) and \( \gamma \). Finally, \( \varphi \) is the amount of content change which takes place at the newspaper in the absence of \( \iota, \rho \) and \( \gamma \).

Circulation enhancement (\( \varepsilon \)) is a financial and business result because increasing interactivity (as defined) calls for reduced hegemonic dominance within a newspaper and thus lowers costs; and process and customer knowledge can be acquired for less than it costs to change formats and content. Thus the higher the value of \( \varepsilon \), the higher will be the profit and return on investment available to the newspaper business.

\(^4\) Alternatively, numerical values based on a Likert Scale can be introduced, where low=1, medium=3, and high=5.
Conclusions

The research conducted for this paper indicates that while newspaper publishers and journalists (especially in the local Australian market) are continuing to tinker with format and content to alleviate circulation declines in their mastheads, the answer lies in “interactivity” and in a rise in process knowledge and customer knowledge among staff: not just editors, managers and marketing staff, but among front-line journalists. It is also imperative that publishers, editors and journalists acknowledge the audience’s desire for not only the ability to respond and interact, but also the ability to contribute to the newspaper production (Kenney 2000, n.p.) in meaningful ways. At the time of writing, contribution to Australian newspapers (and even their websites) is largely limited to editorial feedback pages – “Letters to the Editor” – whereas the contribution which many readers have in mind is the ability to research, report, write and see published reports of their own design, without the intervention (beyond simple spelling and grammar editing) of intermediary journalists.

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