Where's the money in digital news and media

And why's it not coming?

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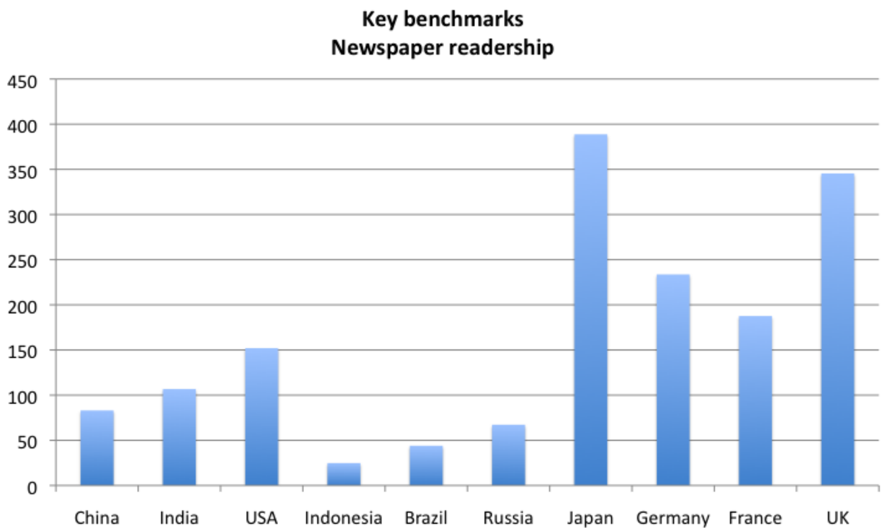
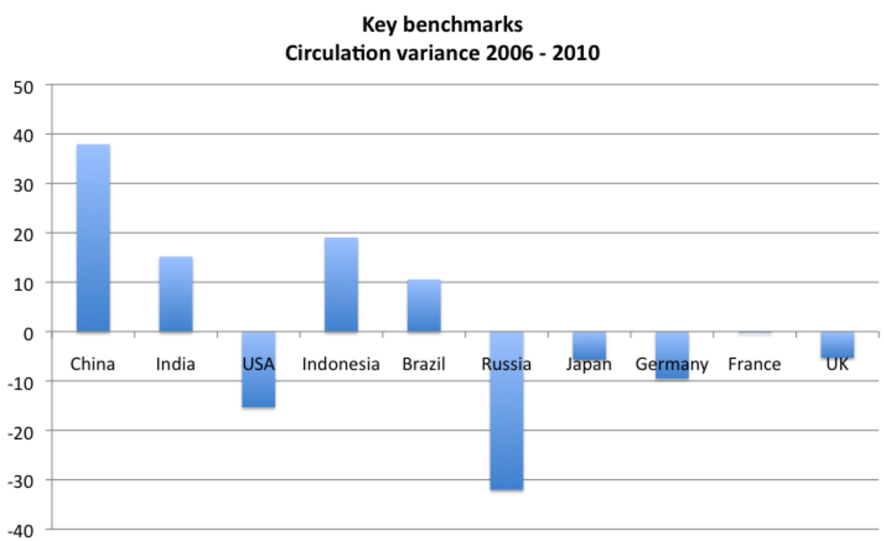
Knowledge
Statistical analysis

Russia in context

Russia in context
Newspaper circulation performance





- Levels of newspaper readership (at 67 copies /1,000 pop,) are relatively low compared with comparable markets.
- Market should be seen against a backdrop of low media consumption overall.
- Circulations have fallen in the last five years, by an estimated 32%, compared with growth in other BRIC markets.

Source: Chisholm analysis of TNS and World Press Trends

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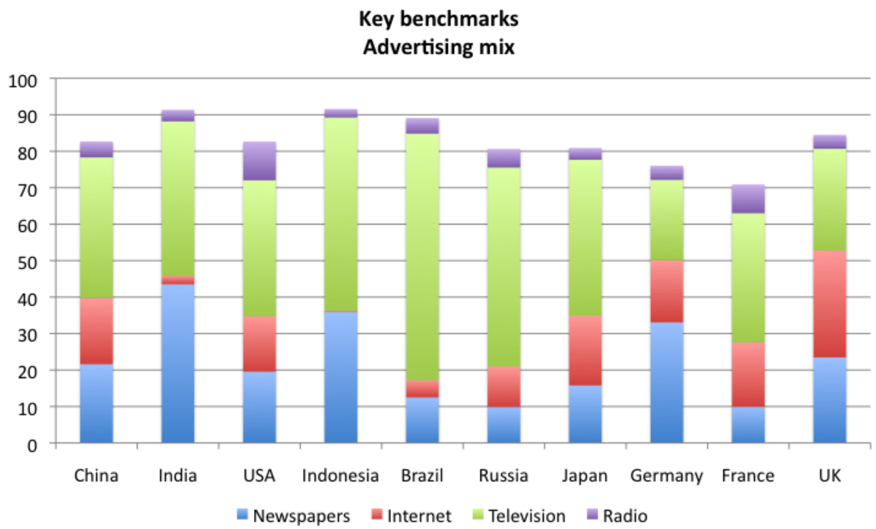
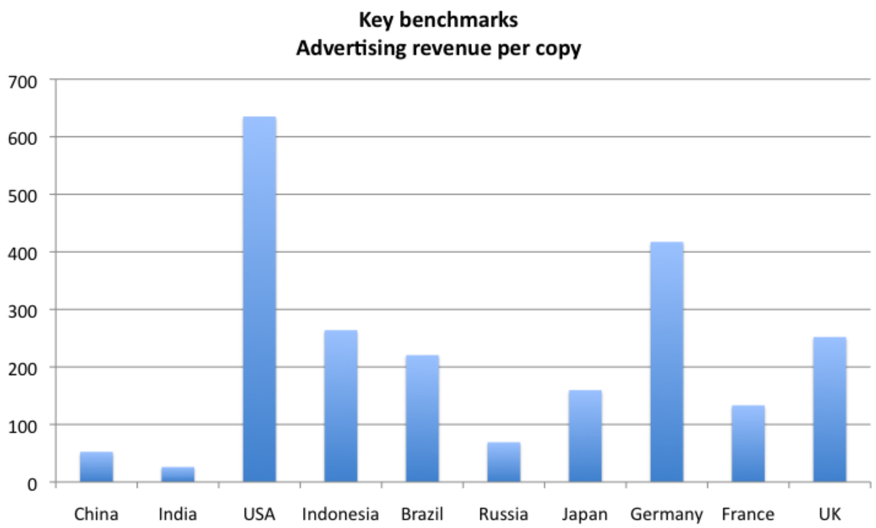
Russia in context
Newspaper advertising performance





- Newspapers as a proportion of the advertising mix hold a relatively small share, of 10%.
- Low advertising revenues are a consequence of:
  - Low levels of readership
  - Low advertising revenues per copy

Source: Chisholm analysis of Zenith Optimedia, World Press Trends and TNS

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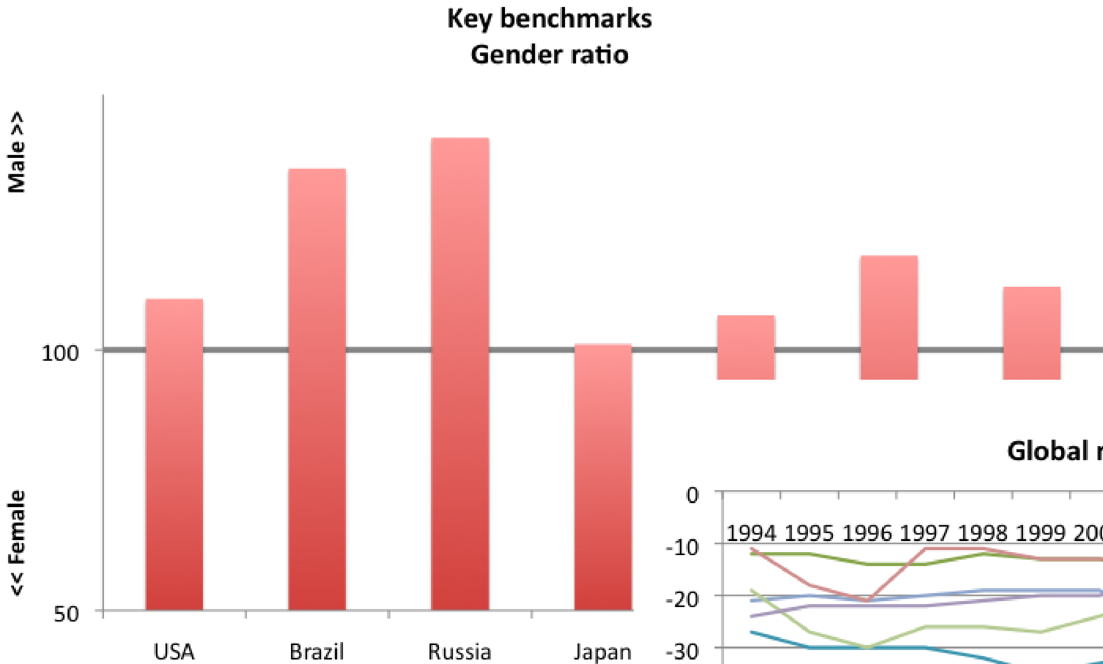
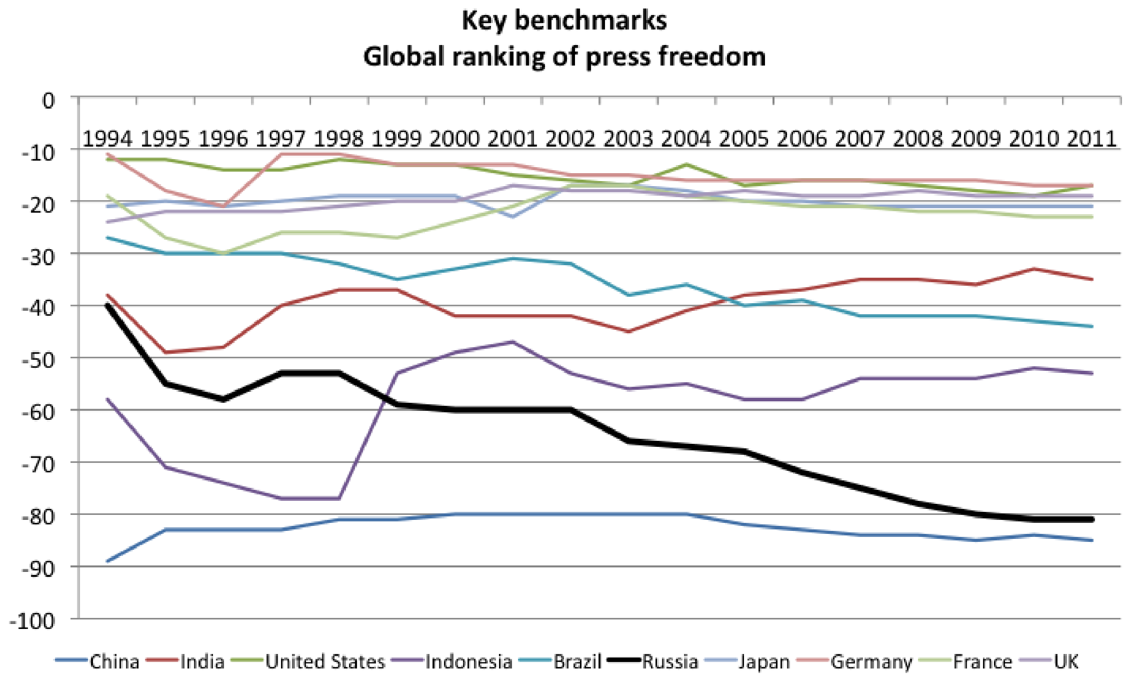
Russia in context
Causes of current newspaper performance



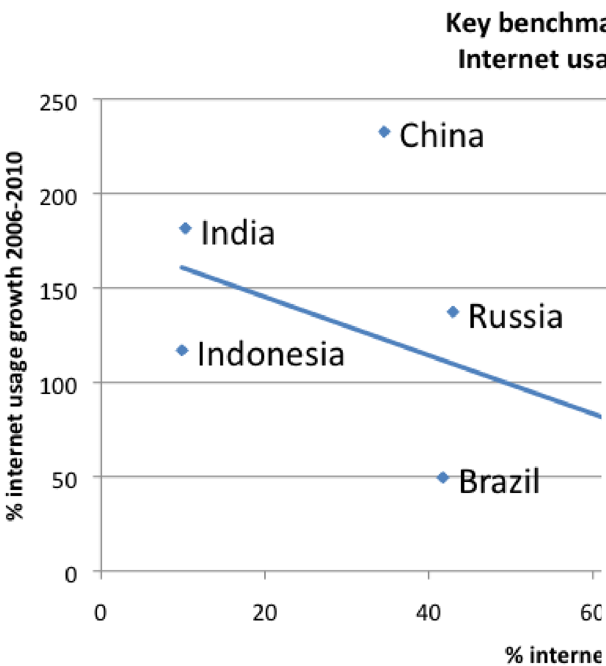
- High male to female bias is a key cause of circulation decline of 32%.
  - Males down: 28%.
  - Females down: 41%.



- Significant decline in press freedom ranking may be affecting attitudes to the press, from 41st to 80th.

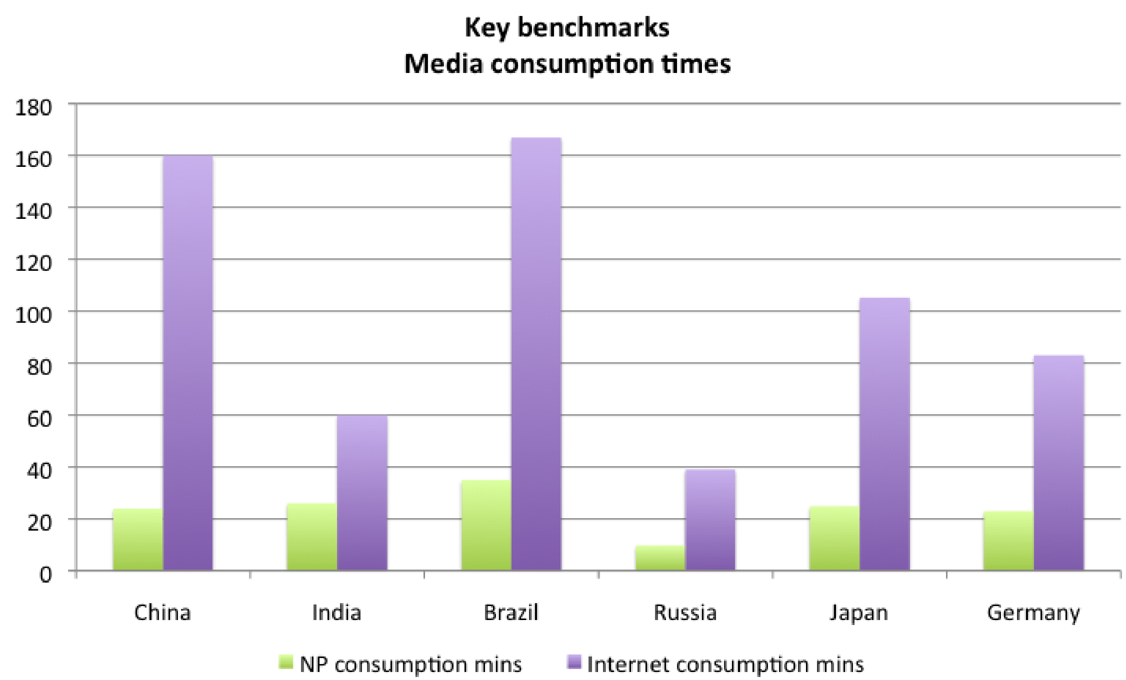
Source: Chisholm analysis of TNS and World Press Trends. Freedom House.

Russia in context
Internet usage



- Market showing growth in line with current consumption levels

- How ever consumption times remain low.



Source: Chisholm analysis of ITU data. World Press Trends.

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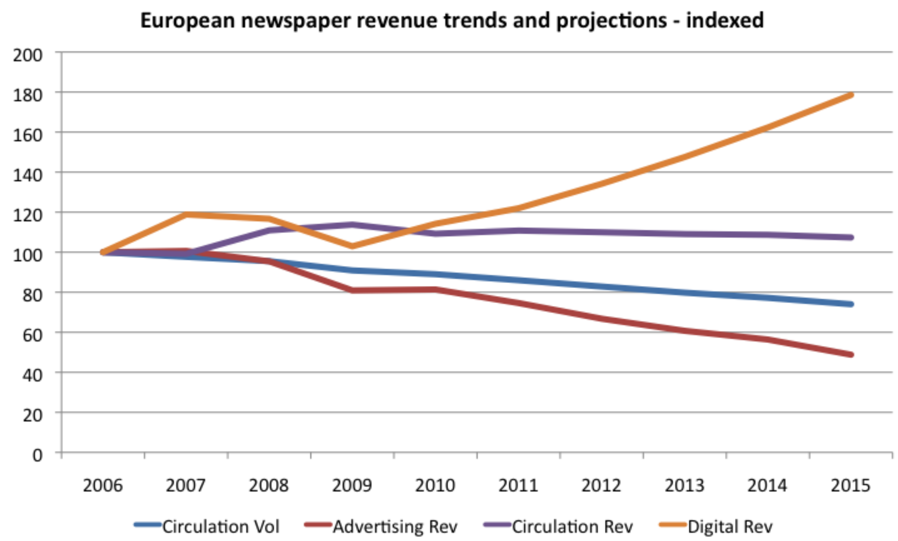
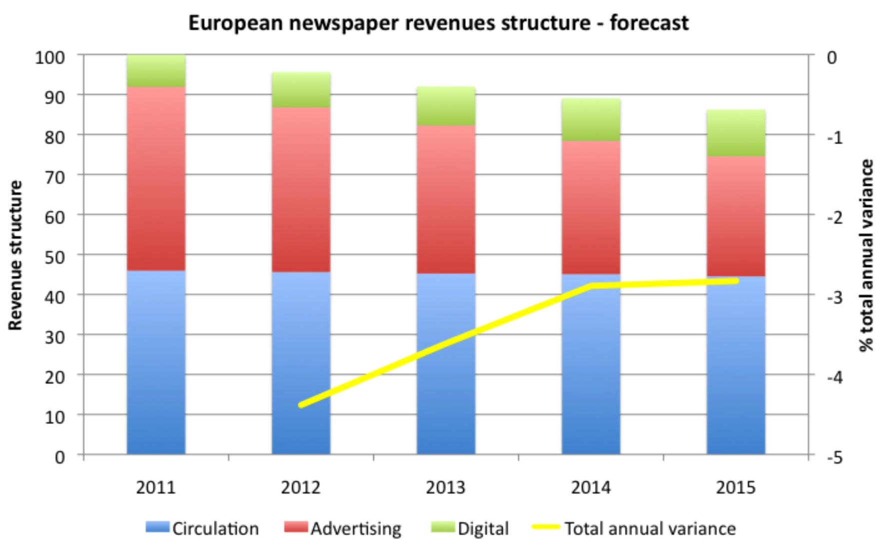
Statistical trends
Digital not yet compensating for loss of analogue





- Advertising revenues will continue under pressure, cyclically, structurally, and governmentally.
- Circulation volume declines are exacerbated by aggressive pricing policies (which in turn hurt advertising!)
- Current digital advertising revenue is neither compensating analogue loss, nor maintaining share of the burgeoning digital adverting market.
- Payment for will remain illusive as long user intensity remains low.

Source: Price Waterhouse Coopers, World Press Trends

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Statistical trends
Our challenge is audience intensity

Comparing print and digital

	Print	Digital
Circulation	100	-
Readers per copy per day	2.64	1.28
Visits per month	16.00	6.12
Pages per visit	36.00	3.46
Total pages per month	1,521	27

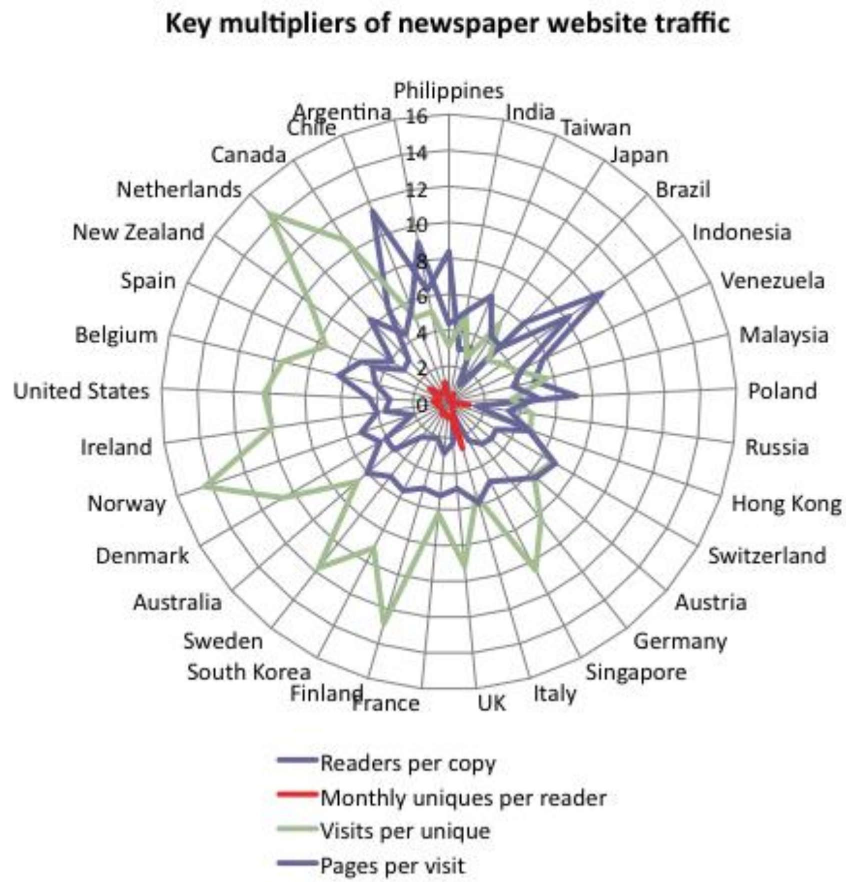
- Over a month, print continues to deliver over 50 times the audience intensity of newspaper digital websites.

  (Which is why digital revenues are so small.)

Source: Chisholm analysis of ComScore data. (Data for USA, UK and Germany)

Statistical trends
Our challenge is audience intensity

	Readers per copy	Monthly uniques per reader	Visits per unique	Pages per visit	Pages per circulation
Philippines	8.4	0.0	3.1	4.4	3.6
India	3.0	0.1	5.0	5.1	3.9
Taiwan	3.3	0.2	2.6	6.4	12.6
Japan	1.1	0.5	5.2	4.4	12.7
Brazil	6.1	0.2	3.2	4.2	14.2
Indonesia	10.4	0.0	3.7	8.2	15.2
Venezuela	5.7	0.1	4.2	4.5	15.5
Malaysia	4.9	0.2	5.6	3.7	24.3
Poland	7.1	0.2	3.5	5.0	25.0
Russia	1.5	1.1	4.7	3.4	27.5
Hong Kong	4.8	0.3	4.8	4.7	31.4
Switzerland	3.0	0.2	6.6	6.8	32.3
Austria	3.1	0.3	6.3	6.4	36.2
Germany	3.0	0.4	8.3	5.5	49.9
Singapore	2.4	0.4	10.5	5.0	51.2
Italy	0.7	2.7	5.4	5.8	61.3
UK	2.3	0.8	9.2	4.8	77.4
France	2.9	0.9	6.2	5.2	81.3
Finland	2.1	0.6	12.8	5.0	88.6
South Korea	2.2	0.8	9.1	5.5	89.7
Sweden	2.5	0.6	11.7	5.3	91.7
Australia	4.0	0.6	6.7	6.0	92.3
Denmark	4.1	0.5	10.6	4.4	94.0
Norway	2.2	0.6	14.4	5.2	100.3
Ireland	3.6	0.7	9.9	4.0	100.3
USA	3.3	0.9	10.3	4.4	131.8
Belgium	4.2	0.5	9.5	6.3	131.9
Spain	4.7	0.7	7.5	5.4	141.4
New Zealand	3.1	1.3	9.5	3.9	147.0
Netherlands	3.2	0.6	14.5	6.4	186.0
Canada	6.3	0.6	10.7	4.5	188.4
Chile	11.4	0.7	5.0	5.6	236.5
Argentina	6.3	1.1	5.1	9.0	326.4



Source: Chisholm analysis of ComScore data.

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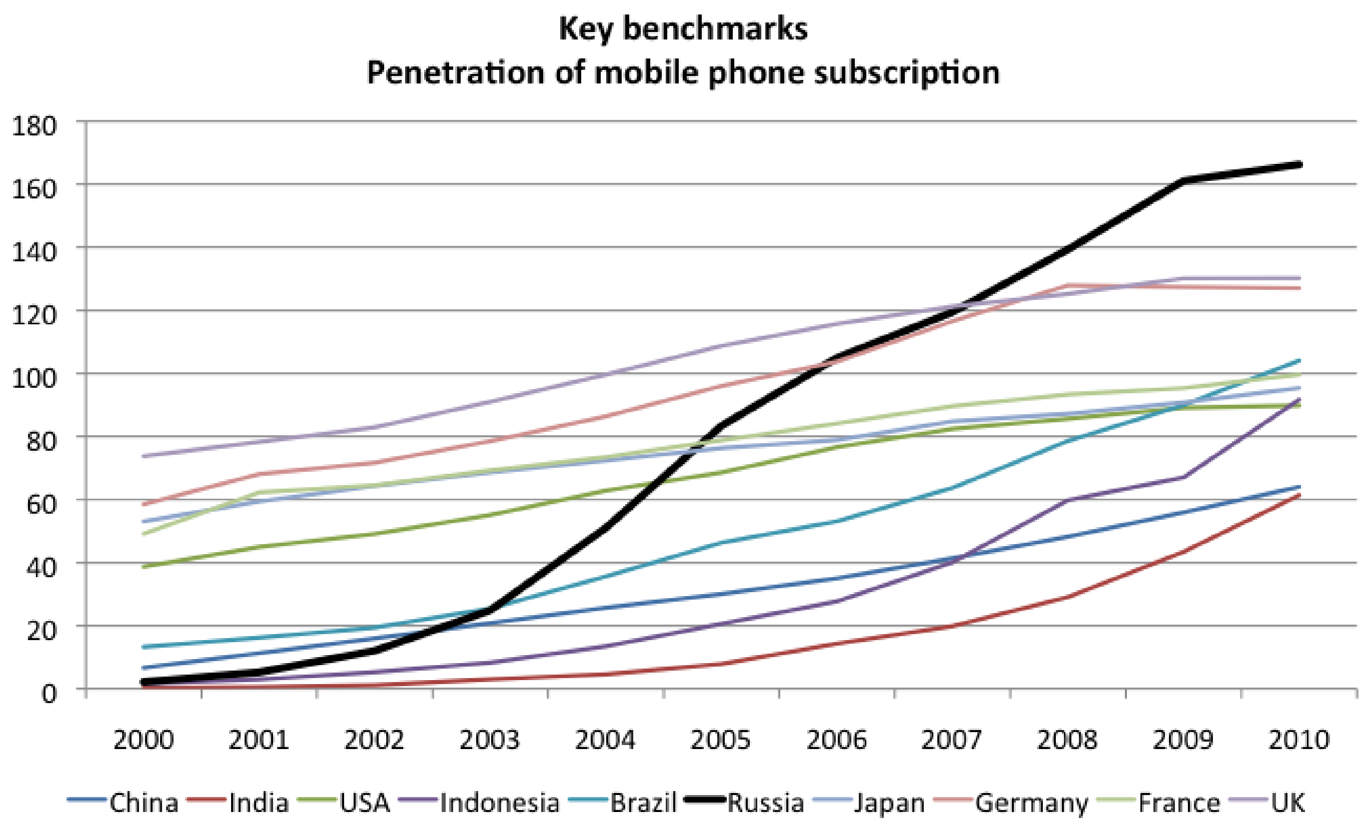
Statistical trends
Mobile usage

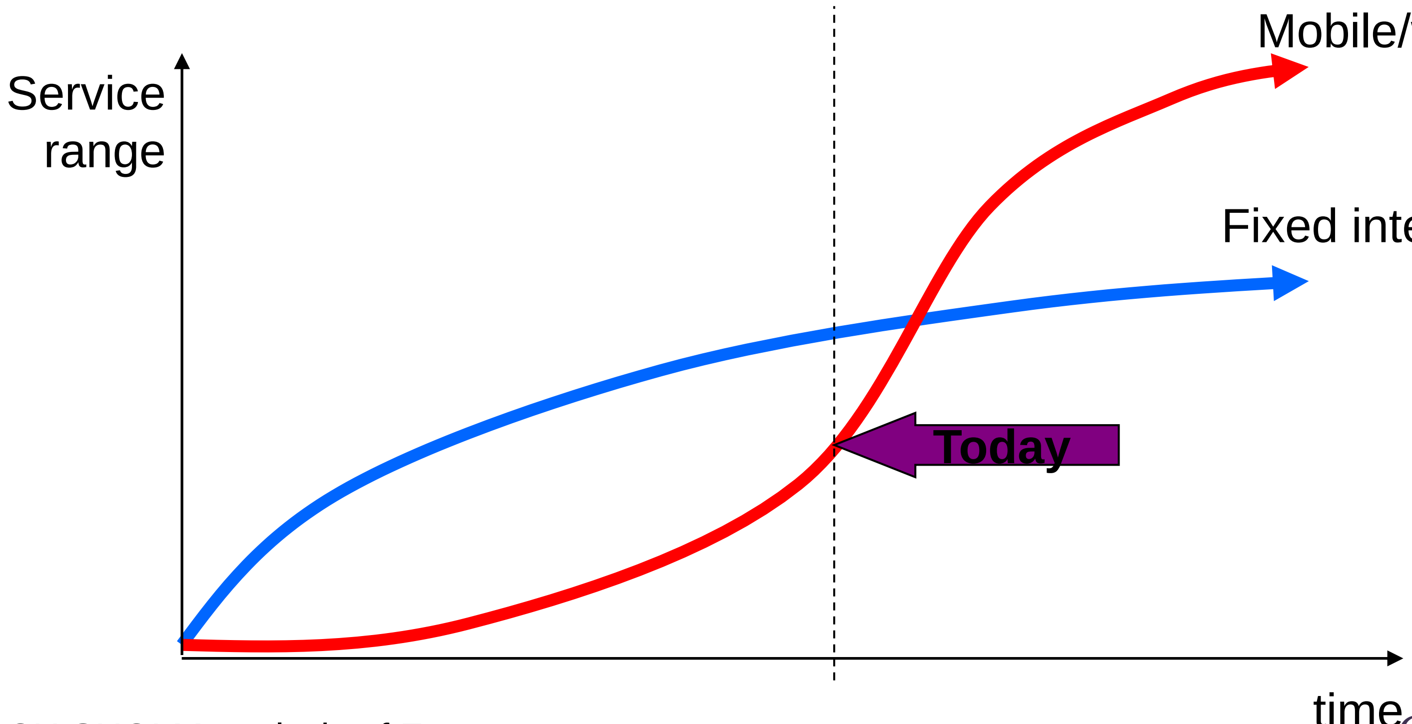


- Russia has the highest level of mobile usage of any major country in the world……….

Knowledge Industry trends

Industry trends
Increasing influence of mobile

- Mobile now overtaking fixed internet as the digital medium of choice:
  - Faster bandwidths
  - Improved devices
  - Tailored content

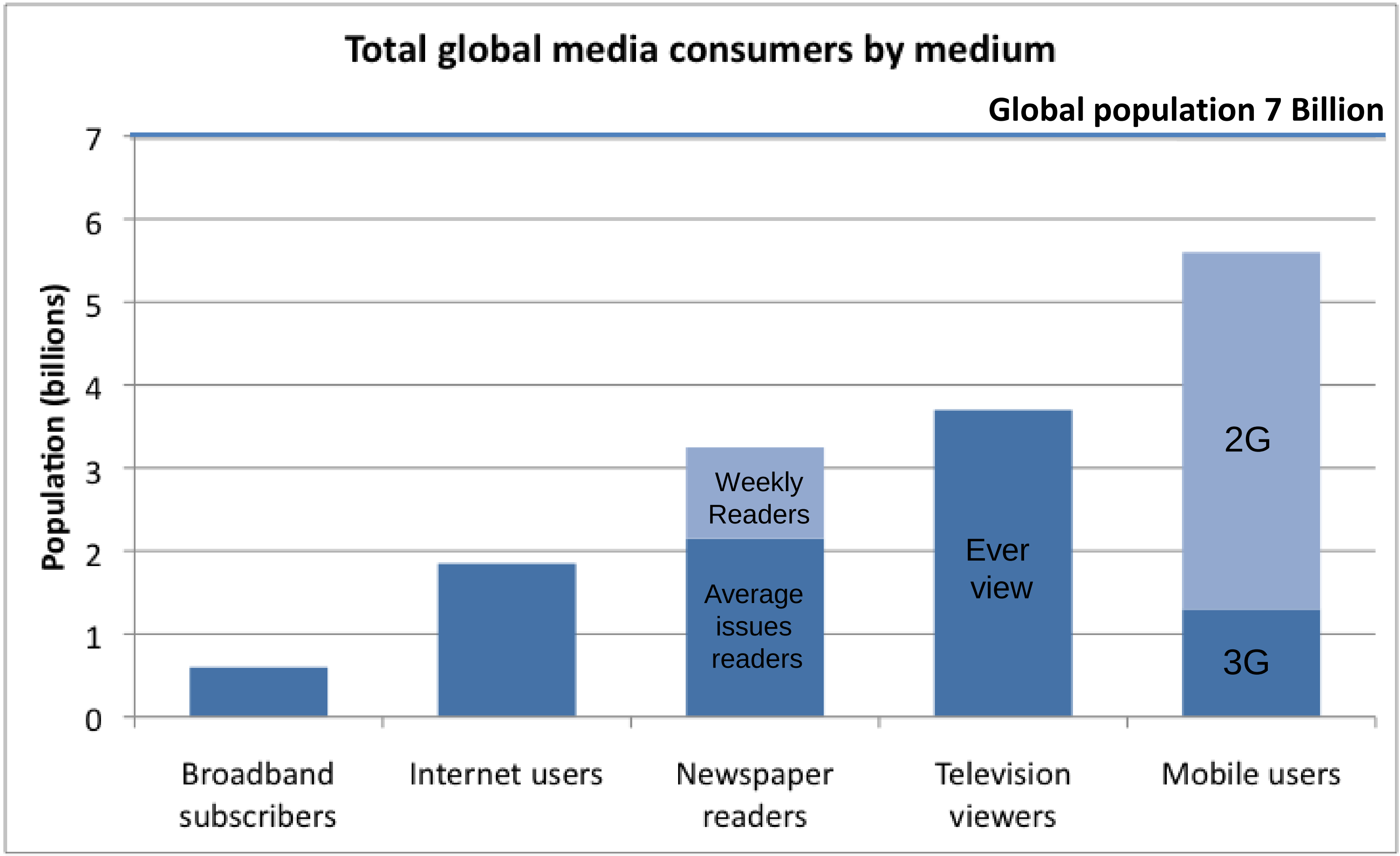


Source: CHISHOLM analysis of Forrester.

Industry trends
Mobile is the second evolution

Development	Description	Implication for traditional media companies
▪ **Wireless**	Will be free and ubiquitous, providing any-time, any-place multi-media distribution and interaction.	Users will receive and distribute content, and/or advertising. Opportunities in contextual content.
▪ **Locational**	Media targeted to people and ultra local venues: malls, stadia, neighborhoods.	Offering hyper local and targeted content and advertising.
▪ **Multi-media search**	Search will extend to pictures, sounds and video.	Scan a photograph and receive information about who or where it is.
▪ **Profiling**	Advances in profiling analysis tools enhance the ability to target and contextualise.	Further targeting content or advertising, raising value.
▪ **Transactivity**	Digital transactions will grow rapidly, both in volume and scope.	Newspapers have the ability to take transactions to smaller retailers and the means to transact and distribute
▪ **E-reading**	Environmental pressures; Pricing; Younger readers.	Offer a means of reducing the newspaper cost base.

Industry trends
Mobile outreaches other media, but requires technology advances….



Sources: CHISHOLM, World Press Trends, ITU, Deloitte.

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Industry trends
Tablets will be the accelerator

	2010	2011	2012	2013	2014
eReader users (M)	13.0	33.7	54.8	75.6	89.5
% Change		159.2	62.6	38.0	18.4
% of population	4.2	10.8	17.3	23.7	27.7
% of internet users	5.8	14.5	22.9	30.9	35.6

- Amazon reports that one in three books available digitally are bought digitally.
- Le Monde reports that reading times of eReader applications are as high as those of printed newspapers
- American publishers have found that subscription conversion and retention levels for eReaders are higher than for print products.
- A German study found that older people read faster on the iPad than in print.

Source: eMarketer.com (Data for USA), Various internet cuttings.

Industry trends
The game changer

Tablets offer a major opportunity

- Demonstrable usage as a reading device (One in three books);
- Print levels of intensity;
- Willingness to pay for content;
- Appeal to older readers;
- Excellent environment for advertising;

- Medium justifies investment in alternative presentation and navigation.

Industry trends
Analysis of alternative digital channels

	Internet	**Mobile**	**Tablet**
Barriers	▪ Lack of user intensity. ▪ Need for improved navigation and serendipity. ▪ Questionable response levels to advertising.	▪ Screen format limits content presentation and advertising effectiveness.	▪ Short-term device compatibility issues. ▪ Awaiting mass market usage.
Opportunities	▪ Well established (mature) medium. ▪ Requires a rethink to truly exploit medium’s strengths.	▪ HIgh market penetration, and usage intensity. ▪ Structured for micro payments and digital transactions.	▪ High user acceptance and intensity. ▪ Evolving screen interactivity, leading to great to navigation, and advertising presentation.

The Death of the Lifecycle

"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change."

Charles Darwin

The death of the life cycle
Is this man past his peak?

	Birth	Age	Cycle peak	% of life
Newspapers	1605	407	387	95.1
Telephone	1875	137	135	98.5
Radio	1894	118	112	94.9
Television	1926	86	66	76.7
Microsoft	1975	37	24	64.9
Yahoo	1994	18	5	27.8
Google	1998	14	9	64.3
MySpace	2007	5		
Facebook	2004			

Source: Various. Yahoo Finance.

The death of the life cycle
We've always been brand abandoners (UK)

Readership penetration of UK national daily newspapers by age over time.

%	1972	1980	1990	2000	2010	Var %
15-24	77.5	74.8	63.5	49.6	30.2	-61.1
25-34	74.4	72.2	60.5	47.1	30.9	-58.4
35-44	75.8	73.2	63.1	50.8	34.1	-55.0
45-54	78.5	74.6	69	56.1	37.9	-51.7
55-64	75.3	73.8	67.1	59.9	47.8	-36.6
65+	66.1	64.2	62.9	58.5	53.5	-19.0
	-6.2	-12.5	-15.8	-23.2	-28.0	

- Over last 50 years young readership has fallen by over 60%.
- Readership among the over 65's has fallen by 19%.
- People read most when they are youngest and read less as they get older.
- The rate of cohort decline is accelerating
  - From 6% through the seventies, to 28% in the noughties.

Source: UK National Readership Survey

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The death of the life cycle
We've always been brand abandoners (Netherlands)

Trendanalyse Mediabeleving dagbladen

Scores en relatieve posities dagbladen op de belevingsdimensies

	1997	2003	2007	2011	1997	2003	2007	2011
Belevingsfactoren:	Punten	Punten	Punten	Punten	Ranking	Ranking	Ranking	Ranking
Information - news	45	46	43	44	1	1	1	1
Transformation – Ents, escape	15	19	20	17	5/6	6	5	6/7
Concern – emotions emerge	10	15	8	9	1	1	1	1
Pastime – empty moment	21	25	19	25	5			
Stimulant - Enthusiasm	8	13	12	12	5/6			
Identification - sympathise	9	13	9	9	4/5			
Social factor – conversation	38	42	37	36	2			
Usability – practical tips	9	10	7	8	4			
Totaal	155	183	155	158				
	n=659	n=664	n=795	n=947				

Basis: 16+
Punten, min. 0, max. 100
Significante stijging t.o.v. de vorige meting
Significante daling t.o.v. de vorige meting

Trendanalyse Mediabeleving internet

Scores en relatieve posities internet op de belevingsdimensies

	1997	2003	2007	2011	1997	2003	2007	2011
Belevingsfactoren:	Punten	Punten	Punten	Punten	Ranking	Ranking	Ranking	Ranking
Information - news	27	27	24	24	3	3	3/4	3/4
Transformation – Ents, escape	15	20	18	20	5/6	5	6	5
Concern – emotions emerge	4	2	2	2	2/3	7/8	6	5/6
Pastime – empty moment	14	14	16	18	6	6/7	3/4	4/5
Stimulant - Enthusiasm	19	18	16	13	2	3	4	4
Identification - sympathise	9	9	7	7	4/5	4/5	6	4/5
Social factor – conversation	28	20	24	23	3	7	3-5	4
Usability – practical tips	22	21	16	11	1	1	2/3	3
Totaal	138	131	123	118				
	n=101	n=653	n=1.058	n=1.224				

Basis: 16+
Punten, min. 0, max. 100
Significante stijging t.o.v. de vorige meting
Significante daling t.o.v. de vorige meting

Cebuco

tns nipo

Death of the lifecycle
Is this the new reality (is it sustainable?)

US ranking
(out of 1.2 million websites)

33	25

Source: Alexa

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Conclusions
What the trends are telling us

Conclusions
What the trends are telling us

- News in print is struggling
  - Levels of readership are low and declining:
    - Readership may be declining faster than circulation
    - Readership among women is particularly affected
  - Advertising revenues reflect both low levels of readership, and low advertising revenues per copy
- Internet penetration in Russia is relatively low, though rising:
  - News media globally require a new revenue model
  - There needs to be improved engagement and intensity
- For Russia, mobile and tablet offer an optimum route toward business development and profitability:
  - Highest level of mobile subscription
  - Maximum reach and intensity
  - Workable content pricing model
  - Emerging tablet devices create great navigation and serendipity.

Conclusions
Opportunities

- Is there are an opportunity for a new Russian news media to evolve?
  - The HuffPost model?
  - A combination of established news sources (RIA Novosti?), and alternative forms of journalism
  - Focus of social participation
  - Greater levels of expert contributions and data journalism

- Emphasis on mobile/tablet platforms
  - Here and now
  - Interactive, multi-media
  - Tablets will deliver the serendipity solution
  - Targeted – national to hyper-local, By market segment

- Can Russian media overcome the West’s conundrum?

THANK YOU

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