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Beyond the Book

A podcast series on the business of writing and publishing

Interview with Dr. David Levy
Director of the Reuters Institute for the Study of Journalism
University of Oxford

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Q: Professional journalism is in crisis, and the Internet is to blame. That's pretty much the accepted view of American media pundits. Is it the case?

A new book out from the Reuters Institute for the Study of Journalism at the University of Oxford offers hope that the end is not so near as many may think. However, research conducted around the globe for *The Changing Business of Journalism and Its Implications for Democracy* also suggests that in developing countries, the news is more about sensation than information.

Welcome to Copyright Clearance Center's podcast series, *Beyond the Book*. My name is Christopher Kenneally. Joining me today from Oxford, England is Dr. David Levy, Director of the Reuters Institute and Co-Editor with Rasmus Kleis Nielson of *The Changing Business of Journalism*. Welcome, Dr. Levy.

A: Hi, Chris, it's good to join you.

Q: Well, we appreciate you taking the time to tell us about this new work which includes a number of interesting insights. And we'll briefly tell people that your background includes work at the BBC as both a journalist and Controller of Public Policy, and you've consulted for governments, business and academic institutions.

And this new book takes us around the world and looks at it – and the title, *The Changing Business of Journalism and Its Implications for Democracy*.

What does your research show about the nature and extent of this crisis that the journalism profession is supposed to be in?

A: What our book shows, Chris, is that there is not one crisis but many different things that are going on in different journalism industries in different countries, and the purpose of our book, really, is to say that most journalist professions discuss this issue within the context of each individual country, and they tend to assume that what's going on in their country is universal.

The book shows, really, two things. Firstly, there is no universal trend that's affecting all news organizations, everywhere, the same. And secondly, in so far as

one talks about crisis, there is indeed a crisis in some countries, but there are also some countries, particularly emerging economies, where there's no crisis. And finally, in many of the developed and established countries with established news industries, some of the problems they're facing are very different, depending from country to country.

Q: Well, I guess we'll go around the world, then, sort of one by one, but let's start with the situation in the United States. I mean, I'm coming at it from that American perspective, and certainly, I've taken people's word for it that the profession is, at least, under threat, that threat comes from a variety of angles. Tell us about the nature of the crisis in the U.S., as far as you see it.

A: Well, one of the unusual things about the U.S. is that you've developed an industry where the average newspaper relies extremely heavily for its revenues on advertising. The figures vary, year by year, but between 75 and 85% of average revenues come from advertising, and that means the rest, a relatively small amount, comes from copy sales of newspapers to individuals. When you combine that heavy dependence on advertising in the U.S. market with a highly locally or regionally organized news industry, what you have is you have an industry that's extremely vulnerable to cyclical downturns in the advertising market and also structural shifts in advertising from newsprint to the Internet. So the U.S., if you like, is one of the most vulnerable markets to some of the things that have been going on, with the shift, in particular, of classified advertising to the Internet.

These trends are not universal, and paradoxically, whilst, in most media industries, scale gives you security, what we're seeing in the U.S. is that, in spite of your huge scale and the size of your market, you've had a news organization, or a news industry, that's pretty localized, based on small city and state markets, within which this vulnerability has been very difficult to overcome, because there's no way, no easy way, of enlarging the market and shifting the revenue flows. So you have an unusual industry, heavily dependent on advertising, largely locally or regionally-based, extremely vulnerable to some of the shifts we've seen in recent years.

Q: And I think your point is that we shouldn't assume that because we swim in that kind of water, in the United States, that it's the same water for journalists in Europe, in Germany or Finland or the U.K., and certainly, beyond that, into the rest of the world. So what are some conditions that might surprise an American listener as being sort of taken for granted, say, in Germany or elsewhere in Europe, that are unlike what we find in the U.S.?

A: OK. A couple of points. Firstly, the split between copy sales, or revenue from copy sales, versus advertising. If the figure in the U.S. is something over 80% dependence on advertising in 2008 compared to about 20% reliance on sales to

customers, if you go to Japan, the figure's almost the reverse with the norm being about 30% dependence on advertising and roughly about 70% dependence on sales to consumers.

If we move to Germany and Finland, the two countries you mentioned, they're interesting, because they're both countries where the split, this revenue split, is about 50-50, which is the typical split in many European countries between advertising revenues and sales direct to consumers. However, they're also interesting markets, because, like America, they have pretty locally based newspapers, locally or regionally based newspapers, but they've actually been doing far better in terms of profitability.

If we take Finland as a kind of concrete example, Finland, small country, but it's a country that has an incredibly strong newspaper industry where there have been some declines in recent years, but there's been declines from a very high point. So in 2000, there were about 500 people in every 1,000 were reading a newspaper, the figure is now something over 400. It's gone down, but it's around 400 in every 1,000 people account for newspaper circulation.

Finland has a lot of people reading newspapers, a highly localized market and, interestingly, has a really good relationship between the newspaper and the consumer. Most people in Finland buy an annual subscription to their newspaper. It's a commitment that they make every year, and those news organizations are really good at focusing on their consumers and keeping them happy. They don't think as much about advertisers and, arguably, faced with some of the current pressures and alternative sources of news, that customer focus, that history of subscription and direct-to-home delivery, has kept consumers in Finland very, very loyal compared to consumers either in the U.S. or, indeed, in the U.K.

- Q: For an American audience, it, I think, would be interesting to ask about the relationship that the newspaper industry has with the government in other countries. You know, here, there's this notion of a separation, that the idea of government making policy about the newspaper business would, I think, elicit strong reaction. And yet, you can help me with this, there are closer relationships between government and the industry in Europe.
- A: That's absolutely true, and we start in Europe, of course, with the – in terms of public intervention, if you'd like, in media markets, we start with the existence of public service broadcasting in Europe. Now, of course, you have some public service broadcasting in the States, but if you look at the scale of PBS or NPR in the States, they're microscopic compared to the scale of the BBC in Britain or, indeed, similar organizations across the rest of Europe where, in the largest countries in Western Europe, you're talking about audience figures of about roughly between 30

and 40% of television audiences watching public service, that's publicly funded broadcasters. So there's a background, if you like, of some public intervention in media markets.

Moving more specifically to news and newspapers, in Britain, for example, the home of the BBC, there's huge resistance by journalists, and most news organizations would be very resistant to public and state intervention in the newspaper business. There's no concrete subsidies, and apart from an exemption from the sales tax, called value-added tax, we have here, there are not that many other forms of support.

But if you move to a country like France or the countries in Northern Europe, Finland and Sweden, there is direct support in the news industry. France puts a lot of money into its news industry, and it does this in the belief that news is something that's worth preserving and that there are ways of investing money which don't impact adversely on the political independence of the journalists. Now, people may argue about whether they succeed in that, both the efficacy of the intervention and the preservation of the independence of the journalist. Some people would see French journalists as being too deferential to government. But if you move to Finland or Sweden, there are subsidy systems in play there which very few people would accuse of leading to any direct dependence on the government.

And, I suppose, if there's a common theme in terms of how Europeans try and intervene in this market, it's generally to intervene in a way which is more focused on distribution than content and which basically tries to ensure that such intervention, as there is, is pretty neutral between different kinds of news outlet, so you don't have a sense that the government favors one news outlet over another.

These things are never perfect, but I would argue that if you're looking at the different forms of intervention that are practiced in Europe, and you were asking yourself, to what extent do these influence the political tone or political behavior of their journalists, I'd say there's not a huge amount of evidence that European journalists are slaves to their government line or the government of the day, because specifically of such subsidy systems as exist.

If I could just add one point. It's worth remembering, I said at the beginning, that news is a business where scale matters, and obviously, some of the countries we're talking about are small. Finland, five million people. Compared to the U.S., that's tiny. And so, in some of these countries, the motivations for intervention are about trying to support an industry in a market which you could argue is of a sub-optimal size.

Q: Right, and, you know, I'm thinking that what you're saying really relates to the second half of the title of the book, which is *The Changing Business of Journalism and Its Implications for Democracy*. In those scenarios that you just described where some form of subsidy takes place, it's about – you used the word, distribution, but you could almost say it was about access, ensuring that the public in the particular country, Finland, wherever, has access to information and that it is not about influencing the creators of the information but to allow those who receive it, the consumer, if you will, to have access to the fullest possible amount of information so that they can be informed and, therefore, you know, make the democracy stronger. Is that the argument?

A: That's essentially the argument, that it's about access to information. In some countries, like Sweden, for example, which doesn't feature in this book, but we've done some work on that here at the Reuters Institute, there, they have a subsidy system that basically is to make sure, ensures, that, I think, in 15 cities in Sweden, there are competing daily local newspapers, and the subsidy system is basically to ensure that plurality of voice and diversity of view, and the work that we've done suggests that in, certainly, the smaller cities, without the subsidy system, there would simply be one dominant newspaper.

I know, in the U.S. market, you know, there are certain cities where you've only had one newspaper left, and that's now closing. So, back to your question, in terms of what's the purpose. Is it about democracy? I think it's about access to information, it's also about plurality of viewpoints, and in some countries, it's also about a view that the country in question needs to foster its local language, needs to foster expression in that language, and if they did nothing, dominant sources of news would be predominantly Anglo-Saxon, either from the U.K. or the U.S. That, for example, is probably the reason why the French government subsidizes the French news agency, Agence France-Presse. Without some form of government subsidy there, I suspect that it wouldn't – a French news agency might lose out to the U.S. and the British international news agencies.

Q: We are talking on *Beyond the Book* with Dr. David Levy, Director of the Reuters Institute for the Study of Journalism at the University of Oxford and Co-Editor of a book called, *The Changing Business of Journalism and Its Implications for Democracy*.

Now, we've spoken about the way that the business operation of journalism is different around the world. What about some of the experiences that, you know, European journalists or journalists in developing countries have that may be leading us in directions that could promote a kind of prosperity for journalism in the United States? Any suggested lessons that we can take back here to the U.S.?

- A: A couple of ideas. Firstly, in terms of just sticking with, kind of, the policy interventions. I was talking before about subsidies and state support. The French government introduced a novel idea for them recently in a market where most of the interventions have been about fostering supply, if you like, supporting news organizations, supporting distribution. They introduced a subsidy that was aimed at giving every 18 to 24-year-old the opportunity to choose whichever newspaper they wanted and get a free copy of that newspaper once a week. The focus was saying, in a market where young people seem to be less interested in reading newspapers and reading news, is there a way of stimulating that market but driving, rewarding those news organizations that appeal best to the young people? So that's one idea about a form of intervention.

Moving to the question about forms of journalism that people may learn from, I guess, I mean, there are things going on at the moment. The Internet is – people talk about the Internet as killing newspapers or posing problems for news organizations. If you're something like the *Guardian* in the U.K. or the *Daily Mail* in the U.K., a mid-market tabloid newspaper, these are newspapers which, in the past, were restricted almost uniquely to the U.K. market. Thanks to the Internet and thanks to a kind of pretty proactive web presence, they're both newspapers that are being read by millions of people across the world and in the United States as well. So if you have the right language, in this case, English, and if you have a pretty entrepreneurial approach to getting your content out there, there are opportunities now to break into markets, like yours in the United States, that never existed when you relied on print distribution. It just wasn't commercially feasible to do that in a mass market. The *Guardian* in Britain, for example, sells about 300,000 copies a day, between three and 400,000 copies a day. It's used by about 30 million people a week worldwide. That's an extraordinary result for a tiny newspaper.

A last point in terms of lessons. Many of the countries we look at in this book are countries which are not small countries but where success is built on establishing a national market. It always strikes me, when I look at the U.S. market that, while there's correctly a lot of discussion about the future of state and local news, and the implications to democracy about the collapse of newspapers that focus on that, at the other end of the market, you have a newspaper like *The New York Times* or *The Wall Street Journal*, with aspirations to be national newspapers, but actually selling pretty tiny numbers, a million a day, I think, for *The New York Times*, maybe two million for *The Wall Street Journal*, in a country of over 300 million people. If you scale those figures to some of the European countries we're talking about, they're really tiny, by comparison, with what's happening in Finland, what's happening in Britain even, where you have much smaller countries but where newspapers are managing to establish themselves as national brands, and really, their level of

expectation, in terms of the number of people they get to read them, are much, much higher than their colleagues in the U.S.

So I suppose my final point is, really, maybe the growth of a genuinely national group of newspapers might be one way to help some people in the U.S. news market, where you have a huge market there, with over 300 million people, it ought to be possible to have one, two, three national newspapers that really make a profit. If it's possible in Finland, a country of five million people, it's possible for some newspapers in the U.K., and it's possible in Germany, it seems odd that it's not possible in the U.S. at all.

- Q: Interesting point. And your book takes a look at other large markets, not only the United States, to India and to Brazil. What's the situation for the newspaper business in India right now? How prosperous is it, and in what direction is it going? I mean, it strikes me that that is a culture that is really sort of steeped in the news industry, from what I've heard, at least, and I guess you've got some surprising conclusions about the direction that it's been going recently.
- A: What we see in the emerging economies like India, Brazil, China, South Africa and so on, is all the indicators going up, a 9% increase in newspaper revenues in India, for example, between 2007 and 2009. And 2009, in the same period, revenues went down 30% in the U.S., 10% down in Germany, 4% down in France. So what we're seeing is a huge increase in revenues and in circulation in countries like India and Brazil.

Behind this, I think, lie two questions. The first question is, are these things, are these increases and these developments in emerging economies, are they the natural result of the growth of a middle-class, the growth of adult literacy and more people, essentially, being interested in participating in politics? If you like, some of the same issues that arose in the U.S. and the U.K., at the birth of the newspaper age, really of the mass newspaper age, in the 19th Century, are we seeing simply a catching up without the disruptive effect of the Internet, because Internet access is not so widely available yet?

So, is it a temporary phenomenon or is it a longer-term phenomenon that, actually, in these countries, knowing about what's going on in politics and public affairs really matters more to more people than it does in the U.S. or the U.K.? I don't know the answer to that question, but I think, in terms of work we're trying to do here over the next couple of years, it's really important to know whether there are things we can learn from these counter-trends, if you'd like, in emerging economies and whether they tell us about the nature of the news industry, a time-lag in Internet access, or whether they're telling us something about the nature of public engagement with politics.

Q: Media punditry, in the U.S. at least, is often charged with telling the business how to reinvent itself and that it must reinvent itself or die. What about reinvention? We've been talking about a number of different directions that reinvention could take. Is there time in the U.S. to reinvent? You spoke about the potential for a national model. How quickly do we need to move? How much time have we got left?

A: I think that there, clearly in a market like the U.S. and particularly in local and state markets, time is short, because money is running out fast, and the size of the potential market is limited. I think there is time to develop things if one was trying to develop a real national newspaper, or a real national market, for some group of newspapers. I think, above all, paradoxically, I think what we're facing at the moment is a need for newspapers to engage more with their users.

And for many, many years, advertising has been the thing that has underwritten the cost of news gathering, and that's been a happy coincidence if you were a journalist who wanted to travel the world and felt you were doing a good job in terms of reporting what was going on in the world, but it also, maybe, lulled you into a false sense of security in terms of assuming the money was going to go on coming in.

Not many people have that sense of security anymore, but I still think there's some way to go before the mindset of news organizations and journalists changes to focus more on the end user of their product and less either on government, foundations or advertisers as helping smooth the way. So I think there are lots of practical ways in which newspapers and news organizations can reinvent themselves, but fundamentally, it's about reengaging your end user and finding ways of delivering news that really engage your users and your readers and ways of persuading them to make a longer-term commitment to you. That's why we draw attention, in the book, to the experience of Finland and other countries with a subscription model, where there's a much closer relationship.

So, if I had to summarize, I'd say, focus on the end user, think about them in terms of attention, even if revenues come from elsewhere, and try and build a longer-term relationship with them at the same time as you reinvent your journalism and think in a new interactive world about how one gets the right balance between the journalist as a figure of authority, the old model, if you like, and the journalist as somebody you interact with and feedback with. Clearly, one needs some pretty dynamic interaction between these two. You want reliable journalism, but journalists can no longer claim to have a monopoly of wisdom. They need to engage with their readers, they need to engage with other sources of information.



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Q: Well, Dr. David Levy, we have enjoyed engaging with you today on *Beyond the Book*. Dr. Levy is Director of the Reuters Institute for the Study of Journalism at the University of Oxford and Co-Editor of a new book, *The Changing Business of Journalism and Its Implications for Democracy*. Dr. Levy, thank you so much for joining us today.

A: Thank you.

Q: And we should tell you that *Beyond the Book* is produced by Copyright Clearance Center, a global rights broker for the world's most sought-after materials, including millions of books and e-books, journals, newspapers, magazines and blogs. You can follow *Beyond the Book* on Twitter, like *Beyond the Book* on Facebook and subscribe to the free podcast series on iTunes and at our website, Copyright.com/beyondthebook.

Our engineer is Jeremy Brieske of BurstMarketing. My name is Christopher Kenneally. For all of us at Copyright Clearance Center, thanks for listening to *Beyond the Book*.

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