No more free news for all?

A study of how the business models of APN and Fairfax have evolved towards paywalls

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Attestation of authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

____________________________________________
Merja Hannele Myllylahti
Auckland, June 2016
Dedication

I dedicate this thesis to my parents. First, to my mother Riitta Myllylahti because of whom I became a journalist. Secondly, to my father Eino Myllylahti who taught me not to be afraid of powerful people.

I also want to dedicate this thesis to all the newsroom workers at APN and Fairfax who have lost their jobs.
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Abstract

This thesis critically examines how the business models of trans-Tasman media corporations Fairfax and APN evolved towards online news commodification – paywalls – from 2004 to 2013. The research analysis, grounded in the critical political economy of communication tradition, examines how the digitalisation of media, and financialisation of media ownership, contributed to the commodification of online news content. The research is exploratory in nature, and utilises case study, document and content analysis methods. The relevant data were mainly gathered from Fairfax’s and APN’s 2004-2013 annual reports, and other financial documents.

Digitalisation fundamentally changed the patterns of news production, consumption and delivery, and this affected APN’s and Fairfax’s print reliant business models. In 2012, their revenue structures entered crisis as their ability to commodify news substantially weakened. The companies gained in financial ownership, and this intensified their profit imperatives. As a consequence, both companies launched plans for online news commodification. In 2013, Fairfax introduced paywalls for its Australian general newspapers The Age and The Sydney Morning Herald.

This thesis finds that Fairfax and APN failed to transform their revenue models from a print to a digital environment from 2004 to 2013. In 2013, only 14 per cent of Fairfax’s, and three per cent of APN’s total income came from digital sources. Additionally, in 2014 only two per cent of Fairfax’s total income came from paywalls, and therefore the findings confirm that they don’t offer a viable business model for the company in the long term. There were, however, differences in APN’s and Fairfax’s paywall strategies. This suggests that multiple factors, including the size and structure of a media market need to be considered when evaluating news publishers’ paywall strategies.
The thesis also evaluates how paywalls might affect the realisation of public sphere principles. The introduction of charges for online news, which had been free and universally accessible, can be seen as limiting the public’s access to news information. A content analysis of 614 stories published on the home pages of the *Australian Financial Review* (AFR) and the *National Business Review* (NBR) found that Fairfax owned afr.com had a stricter paywall than the privately owned nbr.co.nz. Approximately 86 per cent of afr.com content was locked, whereas 41 per cent of nbr.co.nz content was behind a paywall.

The most paywalled content on nbr.co.nz and afr.com consisted of opinion pieces and hard news concerning business, economics and politics. Both news sites offered greater access to technology stories suggesting that they use this content to drive traffic to their sites. From the content analysis in this thesis, it can be argued that paywalls may restrict the public’s access to more analytical content, and to content which enables them to be fully informed on issues concerning corporate affairs and politics. However, it should be noted that the two papers are targeted at a wealthy niche audience, and therefore wider impacts of paywalls on the public needs further research.

The thesis also suggests that paywalls may encourage commodification of some news content. To exemplify, nbr.co.nz offered routine stock and currency market reports for free, and they were mainly sourced from a business news wire. On the other hand, paywalls may also support some original reporting. The content analysis found that 94 per cent of the nbr.co.nz’s locked content was written by its own journalists.
Chapter 1: Introduction

In 2014, 2.5 billion adults read a print newspaper daily, and more than 800 million read a digital one (INMA, 2014). In the same year, the global newspaper industry generated over US$160 billion in revenue from content sales, advertising and other sources. Despite making billions in revenue, newspaper publishers in Anglo-American countries continued to struggle as they were not able to deliver the level of profits their shareholders were accustomed to. In 2014 Larry Kilman, Secretary General of the International News Media Association (INMA), noted that finding a sustainable business model was crucial for the future of the news publishing industry and the health of democracy:

If newspaper companies cannot produce sufficient revenues from digital, if they cannot produce exciting, engaging offerings for both readers and advertisers, they are destined to offer mediocre products with nothing to differentiate them from the mass of faux news (Abu-Fadil, 2014).

From my own background as a professional financial journalist, it is easy to understand why the focus of this research is on business models. Previously, as part of my everyday work I read and analysed hundreds of annual reports, financial statements and market announcements by corporations. My professional background most certainly qualifies me to process, analyse and interpret large volumes of numerical data gathered from primary sources. It also enables me to construct arguments about the issues facing contemporary media organisations. While working as a journalist, my day-to-day work dealing with company material enabled me to analyse, contextualise and interpret statements made by companies’ management, executives and boards.
When I began as a junior financial journalist in 1990, one print story a day was required to satisfy my editors. By the time I finished as London correspondent for Kauppalehti and MTV3 in 2007, I was filing five to six financial stories a day for multiple platforms. During this journalistic path I witnessed how the internet and associated digital technologies fundamentally changed patterns of news production and consumption. Additionally, I witnessed changes in ownership and management within the media companies which employed me, and these changes had detrimental impact on editorial work and newsroom structures. Digitalisation also changed the revenue structures of newspapers, including mine. Sharp declines in advertising revenues hit Kauppalehti, the Finnish Business Daily, hard and for the first time in the paper’s history people were made redundant. In 2007, when the paper decided to pull out from London and other international centres, I lost my job. Since then I have been concerned about how, and if, legacy newspaper publishers will survive in an increasingly competitive and fluid digital news environment. Entering academia in 2011, I decided to explore news publishers’ revenue models in order to understand how viable they might be in the longer term.

My journalistic background has most certainly influenced my research interests which lie in media economics rather than in journalism theories. Having had a long career as a financial journalist - rather than a full time academic - has most likely directed my research interests to concern with media corporations and their finances rather than issues related to newsroom and journalistic practices. I feel strongly that investigating media companies’ structures, strategies and management is an increasingly important field for the future journalism studies. It is the finances of media corporates that determine the future of newsrooms.
Therefore, it was disappointing that the management of Fairfax and APN were not willing to take part in this research limiting its full potential. Additionally, it should be noted that I am more inclined to analyse and investigate issues rather than theorise them, and this may be apparent in this thesis. However, in saying that, this thesis offers a theoretical and conceptual framework to investigate paywalls, and at the time of writing, no other academic study had done so.

Hence this thesis explores how the income structures of trans-Tasman media corporations APN News and Media (APN) and Fairfax Media (Fairfax) evolved in 2004-2013 towards paywalls and online news commodification. At the time of writing there has not been a similar comprehensive academic study about APN’s and Fairfax’s revenue models, and how they relate to online news commodification. News business models are an important area for academic research because they impact on newsroom structures, news work, journalistic output and the wider society. This thesis considers the extent to which paywalls may affect the public’s access to information, in the context of public sphere principles. In order to evaluate this, a quantitative content analysis of the home pages of the National Business Review (NBR) and the Australian Financial Review (AFR), was conducted.

While writing this thesis the revenue and organisational structures of the trans-Tasman media corporations were rapidly evolving. In 2014, APN arranged its New Zealand media assets including The New Zealand Herald, The Radio Network and its group buying site GrabOne, under a one single brand, New Zealand Media and Entertainment (NZME.) In early 2015, APN announced that it intended to float NZME on the New Zealand stock market during 2015-2016. If
the listing goes ahead, it will considerably affect APN’s structure and ownership as the company intends to sell 60 per cent of its New Zealand media assets. The stock market floatation was initially expected to go ahead in early 2015, but the company delayed it. APN’s then chief executive officer Michael Miller commented that:

we do see improving trends in New Zealand due to some of the changes we've started to make. It's still early days and part of our delaying the divestment for at least 12 months was to give the business all of 2015 to continue to make the changes around integration (Metherell, 2015).

In March 2015, APN’s ownership changed substantially as Rupert Murdoch’s News Corp bought 14.99 per cent of the company’s shares. Before these ownership changes, in February 2015, APN announced that NZME was “on track to launch the first stage of its paid content model this year”, and that the company was expecting digital subscriptions to boost its earnings “from the year two” (APN, 2015). During the initial period investigated, from 2004 to 2013, APN did not introduce paid content for its online newspapers. However, in August 2015 it introduced digital subscriptions to its Australian regional newspapers, and was expected to launch a paywall in New Zealand during late 2015 or early 2016.

In December 2015 Fairfax announced that it was merging its radio assets with the Australian Macquarie Radio Network, and that Fairfax would own 54.5 per cent of the new merged radio corporation. In February 2015 a substantial ownership change occurred in Fairfax as the largest shareholder Hancock Prospecting, owned by mining billionaire Gina Rinehart, sold its entire 14.99 per
cent holding in the company. John Klepec, chief development officer of the company announced that Rinehart’s company sold its shares because Fairfax’s management had “no workable plan to revitalise the company and address the declining business and circulation numbers” (Kaye, 2015). Klepec stated that the poor decisions made by the company’s management had harmed “standards and credibility of its newspapers” (Kaye, 2015). The events described here occurred after the initial research period, but they exemplify how the restructuring of Fairfax’s and APN’s businesses continue to date. It should be noted that after the initial research period, both corporations have made substantial investments in traditional media assets by expanding their investments in broadcasting.

While writing the thesis, media companies in Western economies such as Australia were increasingly introducing charges for their general online news content. So it can be argued that this research is timely. In 2012, APN introduced digital subscriptions for its New Zealand current affairs magazine The Listener which was later sold to the German Bauer Media. APN never disclosed how much revenue The Listener made from its digital subscriptions.

In 2011, Fairfax implemented a freemium paywall for AFR, and in 2013 it introduced paid online content to its Australian general newspapers The Age and The Sydney Morning Herald. Paywalls will be analysed in more depth in later chapters.

In this research a paywall is understood to be a system that creates a barrier for the public to access online news content. Earlier academic research does not provide one single definition for a paywall (Myllylahti, 2013a; Pickard & Williams,
2013), but generally it can be defined as a subscription model that limits the public's access to all or to some content on a digital newspaper site.

Moro and Aikat (2010) regard business models in general as constituted by sources of revenue, cost structure, amount of capital invested and critical success factors (Moro & Aikat, 2010, p.359). This thesis draws on this definition as it analyses revenue and cost structures, profits, debt levels, investments and market capitalisation as crucial elements in APN's and Fairfax's business models. Similar kinds of indicators have been widely used when analysing revenue sources in the newspaper industry. For example, Pew's annual *State of the News Media* report (2011, 2012, 2013 and 2014) uses indicators such as audience numbers, circulation, expenditure, print and advertising revenue, workforce and investments.

Picard (2011) states that a business model “involves the conception of how the business operates, its underlying foundations, and the exchange activities and financial flows upon which it can be successful” (p.33). He notes that business models “outline how a firm makes or will make money” (Picard, 2011, p.34). Typically a business model of a media corporation consists of four basic revenue sources: consumers, advertisers, sponsorships and business-to-business payments. Picard observes that understanding media business models becomes even more important “when new products or services are developed, or when the industry in which one operates is undergoing significant changes” (Picard, 2011, p.34). Certainly at the time of writing, the newspaper industry was going through a historic change from a print to digital environment, and the income models or
newspapers were challenged by declining print advertising and circulation revenues.

1.1. Chapter overview

Chapter one highlights the aim, scope and limitations of the thesis. As stated, the aim of this thesis is to explore how the business models of APN and Fairfax changed during the ten year period from 2004 to 2013, and how these changes might have impacted on their news commodification. The chapter also introduces the cases for content analysis – the *National Business Review (NBR)* in New Zealand, and the *Australian Financial Review (AFR)* in Australia. The theoretical and methodological grounding of the study and the main sources for the research are also outlined. The research draws from the critical political economy of communication literature, and it is exploratory in nature. It utilises document analysis, case study and content analysis as methods. The main research questions of the thesis, and associated limitations are also discussed in this chapter. Chapter two offers an overview of the critical political economy of communication tradition, and identifies the different strands of research within it. The chapter evaluates interlinkages between digitalisation of media, financialisation of media ownership and commodification of news. The ownership structures of news corporations are examined in a historical context. The chapter identifies changing patterns of news consumption, production and delivery, and considers different news production models identified in earlier research. These include the industrial model of news production, and the news production models of the post-industrial news ecosystem. The changing patterns of news production have
affected news publishers’ ability to commodify their news. In this context, the thesis considers how digitalisation and the introduction of the internet have affected newsrooms and news jobs, and how these changes may affect journalism and public sphere principles. Chapter three sets the industrial context of this thesis. It explores how and why the established business models of the Western news publishers have broken down. The advertising and circulation revenues of newspapers are outlined, as is the emergence of new digital revenues. The chapter considers how news reading habits have changed in different markets, and how new technologies have impacted on news consumption and production as well as newsroom structures and news work. Chapter four examines news business models in depth. Earlier academic research on news revenue structures will be debated, and traditional and emerging business models scrutinised in detail. The chapter explores both for-profit and non-profit revenue structures. The models scrutinised include hybrids, online-only and digital natives, paywalls, hyperlocal news, crowdfunding, non-profit, philanthropy and trust models, and state funded and public broadcasting structures. Digital subscription models – paywalls – are examined in detail as they concern online news monetisation, and represent a new phase in online news commodification.

Chapter five offers the key findings of this thesis based on the case studies of Fairfax and APN. It first considers their ownership structures, share market performance and market valuation before advancing to detail APN’s and Fairfax’s profits and revenues, borrowings and investments, and digital income. The chapter traces the circulation patterns of APN’s and Fairfax’s most important newspapers, and explores their online readership. Changes in
the two companies’ newsroom structures are also considered here. Chapter six evaluates how suitable the critical political economy of communication approach is for this kind of research, and readdresses the main concepts of financialisation, digitalisation and commodification against the empirical findings. The chapter scrutinises how the digitalisation and financialisation of media are interlinked with Fairfax’s and APN’s news commodification. The focus of the chapter is paywalls, and how these affect the public and newsrooms. Quantitative content analysis of the NBR and AFR is provided to examine how paywalls affect the public’s access to news, and how digital subscriptions may impact on content available for the public. Finally, chapter seven debates the usefulness of prevailing business model frames for this kind of research. It also provides a summary of the chapters, and provides answers to the main research questions. The significance of the thesis findings is discussed, avenues for future research suggested and the future of the print and online newspaper industry is considered.

1.2. Theory and methodology

This research critically evaluates how the business models of APN and Fairfax evolved in a ten year period from 2004 to 2013, and how their evolving revenue models contributed to the commodification of online news. The nature of the paywalled news content is also explored. The research was theoretically grounded in the critical political economy of communication tradition as it explored interlinkages between news business models, media ownership, digitalisation of news and news media, and the commodification of online news. These interlinkages determine how journalism is conducted, and this affects the
wider public and society generally. Media corporations are regarded as organisations which produce and distribute commodities to make profit, and to provide the best possible returns for shareholders. The key concepts of commodification, financialisation and digitalisation are set out in chapter two. The research is exploratory in nature, and mainly uses publicly available data collected from APN’s and Fairfax’s financial records. The exploratory case study method is regarded as suitable when a holistic, in-depth investigation is needed (Feagin, Orum and Sjoberg, 1991). According to Davis (2006) “exploratory research is a methodological approach that is primarily concerned with discovery and with generating or building in theory” (Davis, 2006, p.110). The case study method is a suitable research strategy when the “investigator has little control over events and when the focus is on a contemporary phenomenon within some real-life context” (Yin, 2003, p.1). The focus here is most certainly on contemporary phenomena as it is concerned with emerging news media business models, and more specifically paid online news content. Yin (2003) also states that an exploratory case study methodology is suitable for research which is mainly based on ‘how’ questions. Thus, the thesis aims to answer questions such as “How did APN’s and Fairfax’s revenues evolve during the research period of 2004-2013?” and “How did the newsroom structures of APN and Fairfax change during the research period?” Document analysis methodology was regarded as a suitable research method. Those collected for this thesis offered historical data which provided a “means of tracking change and development” (Bowen, 2009, p.30). As Bowen states, a researcher using document analysis as a method “may also examine periodic and financial reports to get a clear picture of how organisation of a program fared over time”
(Bowen, 2009, p.30). The research data collected from the annual reports and other financial documents included records of company profit, debt, the workforce and investments over a ten year period. Business models were analysed from numerical data provided by the documents, and then qualitatively analysed against management statements and academic research. The research utilises similar revenue models to those introduced by media economist Robert Picard and the Pew Research Centre. In order to evaluate how paywalls may effect public sphere principles, a limited, quantitative content analysis of the NBR’s and the AFR’s free and paywalled content was conducted. The content analysis method is explained in detail below.

1.2.1. Rationale and scope of the study

This thesis explores APN’s and Fairfax’s business models from 2004 to 2013. This timeframe was chosen as it presents a period when the Western newspaper industry faced some of its toughest challenges – including the 2007-2008 global financial crisis. The ten year period also provides suitable retrievable data for research purposes, and annual reports were deemed to provide the best comparable data for the two companies. Retrieving financial information beyond 2004 proved challenging as the corporates have special shareholder only services for holding archived financial documents. A ten year period provided sufficient historical data to reflect possible changes brought by the internet, introduction of online news sites and new technologies such as mobiles and tablets. APN and Fairfax were chosen as the cases for this study because they are amongst the largest newspaper publishers in Australia and in New Zealand. In Australia, Fairfax controls 25 per cent of the metropolitan and
national daily circulation, and APN has a substantial share in the Australian regional newspaper market. In New Zealand, the two companies have a combined market share of over 80 per cent in news print (Myllylahti, 2013b; Papandrea, 2013).

Research around online news business models has recently advanced, especially in the United States and Britain where media organisations have struggled to maintain their existing revenue structures. Australia has produced academic work related to news business models, and some of the main research in the field is utilised here. Australian researchers such as Kaye & Quinn (2010) and Macnamara (2010) have explored online news business models. However, there has been little research concerning the business models of trans-Tasman media corporations, especially in relation to rapidly emerging new income models such as paywalls. Some research has been provided in this area: most recently Carson (2015) and Myllylahti (2013a) have examined media paywall strategies in a global context. New Zealand in general lacks academic research in this area. Gavin Ellis (2010) has examined how trust-like ownership structures support journalistic organisations and editorial work in the global context. Additionally, some aspects of revenue structures of trans-Tasman media corporations have been scrutinised in recent academic reports and articles published in New Zealand (Myllylahti, 2013b; Myllylahti 2012 and 2011; Myllylahti & Hope, 2011 and Hope & Myllylahti, 2013b). Papandrea (2013) and Hope & Myllylahti (2013a) have also published case studies concerning Fairfax, but these have been limited in their scope.
Papandrea offers a case study of Fairfax in his *State of the Newspaper Industry in Australia 2013* report, which coincidently covers the same time period as this thesis, 2004-2013. His case study explores how the revenue structure of Fairfax developed in this ten year period, but his study lacks depth and detail. Papandrea concluded that Fairfax’s revenues declined sharply after the 2007-2008 global financial crisis, and that its advertising revenues have not recovered since. He observed that despite the strong growth of Fairfax’s digital income, in 2012-2013 the digital revenue was not sufficient “to balance the loss in revenue in print activities” and consequently “further restructuring is likely to be a feature” in the near future (Papandrea, 2013, p.27). Hope and Myllylahti (2013a) also detailed recent developments concerning Fairfax’s ownership, revenues and jobs. Their article concluded that, if the company’s digital news platforms do not generate enough revenue, “Fairfax’s daily newspapers will not survive in their present form” (Hope & Myllylahti, 2013a, last para). They also noted that:

Fairfax’s recent troubles have precipitated staff lay-offs, job outsourcing, thinning of news coverage and general commercial uncertainty. These developments help to undermine the journalistic public sphere (Hope & Myllylahti, 2013a, first para).

As already stated, this research differs from those outlined previously because it considers both Fairfax and APN, scrutinises financial data provided by their corporate documents in depth, and deals with online news commodification and paywalls. Business models have an impact on news organisations, news work and audiences. As Grueskin et al. (2011) remark “journalists must be prepared for continued pressure on editorial costs... We are likely to see a world of more, and smaller, news organisations” (Grueskin et al., 2011, p.131). McDowell
(2011) observes that the financial problems of print news media have created plenty of buzz and hype around the news business models, and media executives and academics “around the globe are clamouring for new and alternative business models” (McDowell, 2011, p.39). Whether there has been too much buzz or not, it is fair to observe that online news business models are far from a trivial research topic, and many different aspects of these models need to be scrutinised. In 2010, OECD recognised that the economics of news production and distribution have drastically changed after a long period of profitable years. Newspaper publishers in most of the OECD countries have faced declining advertising revenues and significant reductions in titles and circulation. As the organisation states:

The further decrease in online and offline advertising spending engendered by the economic crisis will increase the search for a functioning business model. New technologies, new actors, new revenue-sharing practices, and changing user demographics and styles will further amplify change and the need to find a new model for news creation and distribution (OECD, 2010, p.12).

Macnamara states that “one of the most contentious and pressing issues concerning media in the early twenty-first century is identifying viable business models” (Macnamara, 2010, p.20). It can be argued that merely identifying these models is not enough, and that academic researchers need to consider their wider social, political and cultural implications. This research aims to fulfil this objective.

This research elected to examine news content of the National Business Review and the Australian Financial Review as one operates in New Zealand, and the other in Australia. As Fairfax Media owns AFR, it was a natural choice
for content analysis. Both AFR and NBR are financial/business newspapers, and have a similar kind of niche audience, and therefore their content is comparable. Each publication has implemented a freemium paywall which allows their readers to access certain content without payment. The paywall structures also enable valid comparisons between the two.

1.2.2. Method and main research questions

This research utilises case study and document analysis as qualitative research methods, and content analysis as a quantitative research method. The case study method has been used previously for research into online news media, and print/online news business models. This method has been used for research into paywalls (Myllylahti, 2013a; Carson, 2015), business models of start-ups (Sirkkunen & Cook, 2012) and online-only newspapers and news sites (Thurman & Herbert, 2007; Thurman & Myllylahti, 2009). Specific case studies include The Trinity Mirror’s online strategy (Williams & Franklin, 2007), selected Spanish news media (Aviles & Carvajal, 2008) and Chinese online newspapers (He & Zhu, 2002). Additionally, Chyi’s (2005, 2012) research on people’s willingness to pay for online news draws upon the case study method. Yin (2003) states that an exploratory case study is especially relevant when dealing with ‘what’ and ‘how’ questions. In this context the following questions will be explored:
1. How did the ownership of APN and Fairfax evolve during the 2004-2013 period?
2. What happened to the market capitalisation and the share price of APN and Fairfax from 2004 to 2013?
3. How did APN's and Fairfax's revenue, profit and debts develop from 2004 to 2013?
4. How has digitalisation affected the print and online readership of APN and Fairfax?
5. Have APN and Fairfax started to commodify their online news, and what might have influenced this decision?
6. How did APN's and Fairfax's business models evolve during the research period?
7. To what extent have Fairfax and APN been developed into digital media companies?
8. How did the structure of APN's and Fairfax's newsrooms change during the research period?
9. Is there evidence that paywalls can limit public access to information?

As stated, because the data for this thesis comes from financial records, document analysis is used as a research method. One of its advantages is that relevant documents are often available in the public domain. They are also stable and exact sources, and the documents themselves are not affected by the research process (Bowen, 2009, p.31). Document analysis can be defined as a “systematic procedure for the reviewing of evaluating documents – both printed and electronic material” (Bowen, 2009, p.27). As Bowen points out, document analysis “requires that data be examined and interpreted in order to elicit meaning, gain understanding and develop empirical knowledge” (Bowen, 2009, p.27). This research contains text and figures which were extracted from APN's and Fairfax's publicly available documents, and the research was conducted without any intervention from the companies.

Financial documents have been used by Winseck (2010, 2011) and Almiron (2010) in their research into the financialisation of media ownership. It has been
used also to research online news business models. For example, Myllylahti (2013a) used financial reports, press releases, corporate websites and market statements to research paywalls in eight different countries. This thesis is based on similar methodology: numerical data was extracted to analyse APN’s and Fairfax’s digital and print revenues, profits and losses, costs and debt, investments, revenue structure, circulation and online readership and ownership structures. Management statements from annual reports and investor presentations were used to record executive viewpoints on issues related to revenue and corporate strategy. For this research, annual reports are regarded as trustworthy sources since they are public documents, are regularly published and are regulated and legally binding. As Bowen states, the analytic procedure of documents “entails finding, selecting, appraising and synthesising data contained in documents” (Bowen, 2009, p.29). A period of ten years was deemed long enough to synthesise information, and to record emerging trends and any unusual findings. After analysing raw data derived from the financial documents, the researcher qualitatively evaluated the findings in a company context and against a theoretical framework and key concepts of the critical political economy. In this context, key concepts are financialisation, digitalisation and commodification (in regard APN’s and Fairfax’s evolving business models).

To address the ninth research question “Is there evidence that paywalls can limit public access to information?” a limited quantitative content analysis was conducted to analyse locked and free content on the nbr.co.nz and afr.com home pages. Quantitative content analysis can be defined as:
the systematic and replicable examinations of symbols of communication, which have been assigned numeric values according to valid measurement rules, and the analysis of relationships involving those values using statistical methods to describe communication (Riffe et al. 2014, p.19).

In quantitative content analysis, the evidence collected is used to “describe communication”, and to “draw inferences about its meaning” (Riffe et al. 2014, p.19). Riffe et al. (2014) see the strength of the content analysis as “replicability and quantification” (p.28). According to Macnamara, one of the key benefits of the content analysis method is that it is “an unobtrusive research method” (Macnamara, 2005, p.9). For Riffe et al. (2014), quantitative content analysis needs to be systematic in approach, and requires researchers to develop concepts, measurements and codes in advance to improve replicability (Riffe et al., 2014, p.20-21). Macnamara (2005) notes that objective and rigorous content analysis requires the researcher to provide a comprehensive written coding list. The units analysed can include categories of news and news content. The validity of quantitative content analysis can be achieved by “thoroughly understanding the research objectives”, and by carefully selecting “the sample of media content to be analysed” (Macnamara, 2005, p.19).

In this thesis, a systematic approach was taken to examine content, and a coding sheet was designed before the analysis was conducted. The purpose of a coding sheet is to provide replicability for the study. The content of afr.com and nbr.co.nz was coded between August and October 2015 (Appendix 6). The total number of the stories coded was 614: 408 for nbr.co.nz and 211 for afr.com. The content was coded during the business week from Monday to Friday, and a snapshot of the content was collected.
once a day. In this research, a constructed week sampling method was utilised. This method is based on data sets which represent different days in a week, but data is collected during separate weeks: on Monday the first week, Tuesday the second week, Wednesday the third week, Thursday the fourth week and Friday the fifth week. In contrast, a consecutive week sampling method uses sets of consecutive days during a period of one week. In her content analysis, Kvalheim used a sample of one consecutive week to study content of the evennen.no site before and after the paper implemented a paywall. Also Brandstetter and Schmalhofer (2014) used one consecutive week sample when examining paywalled content of the welt.de business section before and after a paywall launch. For Yunya and Chang (2012), the “method of constructed week sampling stands out as the most efficient way of sample selection” when studying newspapers (p.365). Additionally, they state that “one constructed week (in China) would allow reliable estimates of content in a population of six months of newspapers even for highly volatile variables” (Yunya and Chang, 2012, p.365). A constructed week sampling method is regarded as more accurate than a consecutive week method when analysing online news, because it is less likely that one single news event would impact on the sample analysed (Yunya and Chang, 2012; Hester and Dougall, 2007). A coding sheet (Appendix 6) was designed before the coding started. First, the content was coded based on the accessibility of news, and the number of free and locked stories on each home page was measured. Free content comprised of articles which gave readers full access to the content, and locked content comprised content which was not accessible without a payment. Additionally, the content was coded based on a format:
news, opinion piece and feature. News stories concerned with any current issue (an event, a phenomenon or a person), and opinion pieces were either leader articles expressing the papers' view, or opinion pieces written by a journalist, guest writer or a columnist. Feature articles provided a broader discussion of a current news affair, explained an issue in depth or concerned people’s lives (lifestyles) (Appendix 6). Free and locked news content was further coded based on news categories including business, economy, politics, markets and technology. The content categories of the AFR, NBR and The Wall Street Journal were used as guidance. Additionally, the researcher considered origin of the NBR’s locked and free content. Because AFR only allows readers to see the headlines and the first paragraph of its paywalled articles, the researcher was not able to assess origin of its content without paying a hefty subscription fee.

1.2.3. Data collection and limitations of research

Generally, case study evidence may come from a variety of sources including documents, archived records, interviews, observation and physical artifacts (Yin, 2003, p.83). The data for this research comes mainly from financial records and corporate statements. Additional data is gathered via personal communication from former journalists and editors who wished to remain anonymous. The researcher attempted to secure a variety of sources for the research, but as the media corporations were experiencing financial challenges, the editors and managers of the researched companies were not forthcoming.
During 2010-2011 the researcher held preliminary talks with both Fairfax and APN about their participation in the research, and the two companies signaled that they were willing to participate. However, later in 2011, when official requests for the interviews were sent to APN’s and Fairfax’s management, they did not respond at all.

In July 2013, the researcher approached the head of Fairfax’s New Zealand operations, Andrew Boyle, and the head of APN’s New Zealand operations, Martin Simons, but neither of them responded to the requests. Further requests were sent in August 2013, but yet again they went unanswered. When requested, both companies provided some data concerning their circulation and online readership figures. As the two companies were apparently not willing or interested in participating in the research, the evidence for this thesis came from the following documents:

- APN and Fairfax annual reports
- APN & Fairfax financial statements
- APN & Fairfax investor presentations
- APN & Fairfax press releases
- Industry specific and company specific statistics
- Industry reports (PwC, NAA, News Works NZ)
- Media research reports (Pew, JMAD etc.)

Winseck (2011) sees public corporate documents such as annual reports and financial statements as essential reading for any critical political economist. Warton states that “places of work, commercial and public organisations, and educational institutions are amongst the many economic, social and cultural organisations that produce documents that are of interest to research” (Warton, 2006, p.79). For example, the Canadian Media Concentration Research Project
led by Dwayne Winseck uses financial documents and annual reports as evidence for specific corporate related data. It also uses industry statistics and reports as important sources of evidence (Canadian Media Concentration Research Project, 2015.). Documents are an important source of evidence as they can be reviewed repeatedly and they are unobtrusive (Yin, 2003, p.86). In this research the chosen documents are believed to be authentic, credible and representative, and carry meaning (Scott, 1990). Document analysis has some limitations and disadvantages which need to be acknowledged. Financial documents such as annual reports are produced to give a company’s shareholders legally binding information, and therefore the information provided is shareholder specific and might lack in other detail. Bowen notes that one of the disadvantages of document analysis is biased selectivity (Bowen, 2009, p.31-32). While attempting to avoid any bias when selecting documents, it must be acknowledged that some data and statements derived from the documents may still carry some unintended bias. The documents analysed in this thesis are targeted at Fairfax’s and APN’s shareholders, and they may lack in certain or specific information. For example, the annual reports of the two companies were far from clear in terms of their digital earnings.

The research undertaken here would have benefitted from a variety of sources including interviews and observation, but because of the timing and scope of the research, building case studies around financial documents was chosen as the best strategy. Case study methodology has been criticised as lacking in precision, objectivity and rigour. This research tries to address some of the pitfalls in the methodology by using financial indicators consistent with those used by other studies. The main research data recorded is from APN’s and
Fairfax’s annual reports in order to make analyses and comparisons as valid as possible. The results are also evaluated in the context of theoretical and conceptual frameworks.

One of the major challenges was to keep abreast of the evolving media landscape, including major structural changes within global and trans-Tasman media companies. These ongoing changes hindered access to certain information sources. As Winseck (2011) rightly points out, gathering information on media institutions is not an easy task, and some of the crucial data might not be made available to the researcher. It should be noted that there are some differences in APN’s and Fairfax’s financial reporting in regard to their advertising revenues, employee numbers, market capitalisation and digital revenues; and these differences made some comparisons between the two companies challenging. Access to certain industry data such as online ratings and digital subscriptions is mainly complied by commercial institutions such as Nielsen Media Research. The thesis also relied on data which was obtained via personal communication with the target companies. In regard to digital subscriptions and revenue, media corporations often fail to disclose information (Myllylahti, 2013a). More recently however, Fairfax has started to disclose more information about its digital subscriptions and digital advertising income; the relevant figures were used when analysing its paywall income.

Due to time constraints and the limitations of this research, only content on the home pages of the nbr.co.nz and the afr.com was analysed. In her study, Kvalheim also examined content of the fevennen.no home page stating that “the front page gives a fairly representative picture of the rest of the content”
(Kvalheim, 2014, p.30). Similarly, Sjøvaag analysed home pages while analysing paywalled content of three Norwegian newspapers. She states that:

as the home page is the main selling point of the online newspaper, front-page data collection ensures that the analysis captures appropriately the aspects of monetisation relevant to a paywall study” (Sjøvaag, 2015, p.8).

Macnamara warns that when generalising the findings of a content analysis “caution should be exercised in drawing inferences and predictions from findings” (Macnamara, 2005, p.30). As AFR and NBR are targeted at elite and niche audiences, caution should be exercised when interpreting and generalising the findings from this paper. The results are not directly comparable with general newspapers which have implemented a metered paywall which differs from the freemium model. Paywalls and paywall structures are discussed in detail below. It can be observed that as the paywall of the AFR only allows readers to see a headline and the first paragraph of the news content on its home page without a subscription, evaluating the origins of its content was not possible.

1.3. Case studies

Primarily, the two media organisations researched here are APN News and Media and Fairfax Media. Additionally, the thesis examines paywalled content from the National Business Review and the Australian Financial Review. The media landscape in Australia and New Zealand is briefly outlined here to give context to the two companies’ operations. It is clearly evident that media ownership in Australia and New Zealand is concentrated and controlled by a few media corporations. The consolidation of the newspaper industry in
Australia and New Zealand followed global patterns as newspaper publishing moved from family to corporate ownership, and from corporate to financial ownership. In 1984, Australia had 56 daily newspapers, and 40 by 1992; afternoon papers were closed down in the late 1980s (Finkelstein, 2012). In 2012, Sydney and Melbourne were the only cities in Australia which had competing locally produced daily newspapers. For New Zealand in 1969, 75 of the registered 100 publications were owned and operated by nine major companies. By the 1980s, three companies owned 70 per cent of all daily papers, and in the 1990s the print newspapers were owned by two companies: Independent Newspapers and Wilson and Horton (Hope & Myllylahti, 2013b). In 2012, the Finkelstein report noted that Australia’s newspaper industry was “among the most concentrated in the developed world” as the country was the only one in which the leading press company accounted for more than half of daily circulation (Finkelstein, 2012, p.59-60). In 2012, News Limited dominated the Australian newspaper publishing market with 12 titles and a 65 per cent share of the metropolitan and national circulation. Fairfax Media was the second largest news publisher with a combined market share of 25 per cent of the circulation, and APN News and Media controlled 17 titles in regional Queensland and New South Wales (Finkelstein, 2012; Papandrea, 2013).

In 2013, four commercial media corporations controlled the New Zealand national media sphere: APN News and Media, Fairfax Media, MediaWorks and Sky TV (Myllylahti, 2013b). Additionally, Radio New Zealand, a publicly owned broadcaster, and the Crown owned but commercially operating TVNZ, were competing for listeners and advertising dollars (Myllylahti, 2013b). New Zealand’s print newspaper market – in print and online – was dominated by
Fairfax and APN (Myllylahti, 2013b). APN’s masthead is *The New Zealand Herald* in Auckland, and Fairfax’s leading papers in New Zealand include *The Dominion Post* in Wellington and *The Press* in Christchurch. The third newspaper publisher is the independent Allied Press, an Otago based independent media company. Its flagship newspaper, the *Otago Daily Times*, was founded in 1861, and is the oldest newspaper in New Zealand. Another independent media outlet is Mainland Media, which operates in Christchurch. Its titles include the *Christchurch Star* and the *Oamaru Mail*.

1.3.1. Case 1: Trans-Tasman APN News and Media

APN News and Media, referred to in this study as APN, is a trans-Tasman media corporation which is headquartered in Australia, and owns newspaper and radio assets in Australia and New Zealand. In 2013, Michael Miller was the chief executive officer of the company, and Peter Cosgrove the chairman of the board. APN’s shares are listed both on Australian (ASX) and New Zealand (NZX) stock exchanges. In 2013, the company’s largest shareholder was the Irish media corporation Independent News & Media (INM) which owned 28.9 per cent of the company’s shares. Private equity firm Allan Gray owned 19.9 per cent of the company’s shares, and other major shareholders included unlisted financial institutions such as Maple-Brown Abbot and Dimensional Fund Advisors (Myllylahti, 2013b).

Independent News & Media is based in Dublin, Ireland, and it has media assets both in Ireland and Northern Ireland and in Australasia. The company expanded its operations into New Zealand in the late 1990s by taking over Wilson & Horton which had substantial newspaper assets in the country. In 1998 INM
(then INP) had gained full control of the media assets owned by Wilson & Horton, and eventually the company sold these assets to APN News and Media in 2001 for AUD$999 million (Rosenberg, 2005). In 2007, a consortium led by INM made a full offer to buy APN News and Media for AUD$3 billion, but the shareholders of the trans-Tasman company rejected it.

Table 1: APN main newspapers in New Zealand and Australia

<table>
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<tr>
<th>Print paper</th>
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<tr>
<td>The New Zealand Herald (NZ)</td>
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<tr>
<td>The Northern Advocate (NZ)</td>
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<tr>
<td>Bay of Plenty Times (NZ)</td>
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<tr>
<td>Rotorua Daily Post (NZ)</td>
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<tr>
<td>Hawke’s Bay Today (NZ)</td>
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<td>Wanganui Chronicle (NZ)</td>
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<td>Horowhenua Chronicle (NZ)</td>
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<tr>
<td>Wairarapa Times-Age (NZ)</td>
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<tr>
<td>The Queensland Times (Australia)</td>
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<tr>
<td>The Morning Bulletin (Australia)</td>
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<tr>
<td>Sunshine Coast Daily (Australia)</td>
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<td>The Coffs Coast Advocate (Australia)</td>
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In 2013 APN News and Media had five business divisions: Australian regional media, New Zealand media, radio, outdoor and digital. The company’s flagship newspaper, *The New Zealand Herald*, had a circulation of 147,369 copies at the end of March 2014. The paper’s year-on-year circulation in 2014 fell seven per cent compared to the previous year (The New Zealand Audit Bureau, 2014). In
2013, the company’s portfolio in New Zealand included seven daily newspapers, 25 non-daily newspapers and 15 mobile and web sites (APN, 2014a). Its main news website, nzherald.co.nz, was launched in 1998. APN’s main newspaper titles in Australia and New Zealand are listed in table 1.

In 2013, APN’s New Zealand media connected with “over 2.1 million consumers every week via print, desktop and mobile” and The New Zealand Herald had a brand audience of “over 1.4 million people” (APN, 2013). However, in 2013 APN’s publishing arm in New Zealand shrunk as the company sold its local newspapers the Christchurch Star and the Oamaru Mail to Christchurch-based independent media company Mainland Media. In 2014, APN got approval to sell its magazines The Listener, the New Zealand Woman’s Weekly, Simply You, Simply You Living and Crème to the German Bauer Media Corporation (on top of two other titles which had been sold to same company earlier on). In 2013, APN Australian Regional Media published 12 newspapers and 58 non-daily newspapers, and had an online regional news network of 35 web and mobile sites. According to APN (2014a), its titles represented over half of all regional daily newspapers sold in Queensland.

The third business division of APN is radio, and in 2014 the company increased its exposure in radio broadcasting by acquiring 100 per cent control of its radio assets in Australia and New Zealand. APN announced in February 2014 that it was buying the remaining stakes in Australian Radio Network (ARN) and The Radio Network (TRN) in New Zealand from the American company Clear Channel. The acquisition price was AUD$246.5 million (APN, 2014b). As a consequence, APN gained full control of the largest network of radio stations in
Australia and New Zealand. In Australia, the company owns, or has investments in, 12 radio stations operating in six cities including Sydney and Melbourne. In New Zealand TRN runs seven radio stations and broadcasts to approximately 1.7 million listeners each week (APN, 2014b). Commenting on the radio purchase at the time, chief executive officer Michael Miller stated that “we are confident that radio will continue to grow as a medium” (APN, 2014b).

APN’s fourth business division is digital which consists of The New Zealand Herald online (nzherald.co.nz), GrabOne and iNC Digital Media. In first half of 2013, the nzherald.co.nz website had 70 million page impressions and 4.6 million average monthly unique browsers visiting the site. GrabOne, a group buying site launched in New Zealand in July 2010, offers consumers daily deals. InC Digital Media is a digital company offering performance and catalogue marketing.

In 2013 APN ran outdoor advertising businesses in Australia, New Zealand and Hong Kong. Its companies included Adshel which operates in Australia and New Zealand, Buspak Advertising and Cody Outdoor which operate in Hong Kong. In January 2014 APN sold its remaining interest in outdoor advertising company, APN Outdoor, to private equity firm Quadrant Private Equity for AUD$69 million.

1.3.2. Case 2: Trans-Tasman Fairfax Media

Fairfax Media is a trans-Tasman media corporation headquartered in Australia, which owns newspaper and radio assets in Australia and New Zealand. In 2013, the company’s chief executive officer was Greg Hywood, and the
chairman of the board was Roger Corbett. Fairfax shares are traded on the Australian stock exchange ASX. In 2013, the largest owner of Fairfax Media with a 14.9 per cent stake was Hancock Prospecting, which is an investment entity of Australian mining billionaire Gina Rinehart. She bought Fairfax shares in 2012 after the family cut its ties with the company by selling its entire 9.7 per cent holding. In 2013, the second biggest shareholder of Fairfax was Allan Gray Australia which held 8.3 per cent of the company’s shares. The third largest owner was Commonwealth Bank of Australia with a 7.5 per cent holding.

In 2003, Fairfax extended its reach from Australia to New Zealand by buying Independent Newspapers Ltd (INL) for $NZ1.88 billion. This acquisition included two metropolitan newspapers, the Dominion Post and The Press, as well as online news site stuff.co.nz which was launched in 2000. In 2006 Fairfax’s exposure to the New Zealand market expanded as it acquired the online auction site TradeMe for $NZ700 million. This acquisition was made in order to capture some of the classified advertising market (Hope, 2012).

In 2013, Fairfax was restructured into five main business divisions (Fairfax, 2013). These were Australian publishing media, Domain, digital ventures, Fairfax radio and Fairfax New Zealand. Commenting on this structural change, Fairfax’s chief executive officer Greg Hywood stated that “we have designed our new structure with our eyes firmly on the future. We are committed to ….digital revenue opportunities, building new businesses and maximising cash flows from our still strong print business” (Fairfax, 2013). Fairfax’s Australian publishing media division includes six metro mastheads including The Sydney Morning Herald (SMH) and The Age; business media such as the Australian
Financial Review and Business Day and Australian regional community media and agricultural titles.

Table 2: Fairfax leading newspapers in Australia and New Zealand

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<th>Print paper</th>
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<tbody>
<tr>
<td>The Age (Australia)</td>
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<td>The Sun-Herald (Australia)</td>
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<tr>
<td>The Sydney Morning Herald (Australia)</td>
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<tr>
<td>The Australian Financial Review (Australia)</td>
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<tr>
<td>The Canberra Times (Australia)</td>
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<tr>
<td>The Land (Australia)</td>
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<tr>
<td>The Press (New Zealand)</td>
</tr>
<tr>
<td>The Dominion Post (New Zealand)</td>
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<tr>
<td>The Sunday Star-Times (New Zealand)</td>
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<tr>
<td>Waikato Times (New Zealand)</td>
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In 2013, the circulation of The Sydney Morning Herald was 131,737 and The Age’s 130,767. In 2013 Fairfax introduced paywalls for both titles, and in July 2013 they had 68,000 digital-only subscribers, and 98,000 bundled print and digital subscribers (Fairfax, 2013). According to the company, its national and metro mastheads reach 7.5 million Australians each month, and 4.6 million Australian’s access its news titles via web, mobiles and tablets.

In New Zealand, Fairfax owns 76 titles of which two are national weeklies and three are metro dailies, while others include regional and community newspapers. The company also has 19 magazines and 17 digital sites of which
the largest is the news site stuff.co.nz. Its leading newspapers include The Dominion Post, The Press and The Sunday Star-Times. According to the company, it reaches 85 per cent or 2.9 million New Zealanders across its different platforms, and the stuff.co.nz has approximately 400,000 daily average unique browsers visiting the site. In March 2014, the circulation of The Dominion Post was 73,397 and The Press had a circulation of 68,011 copies.

Like APN, Fairfax also owns radio stations. It holds radio licences in several metropolitan locations including in Sydney, Melbourne, Brisbane and Perth. Australia’s main FM stations are controlled by APN, Southern Cross Media Austereo and DMG, which is owned by Lachlan Murdoch. In 2014, Fairfax announced that it was merging its radio operations with John Singleton’s Macquarie radio stations. Fairfax owns 54.5 per cent of the new radio company, Macquarie Radio Network (MRN).

Fairfax’s stand-alone business, Domain, is a listing service for real-estate, and in 2013 it had 7,729 agent subscribers. In the financial year 2013 its revenues rose 16 per cent from the previous year (Fairfax, 2013). Fairfax’s digital ventures comprised of Australian travel and booking site Stayz and online dating service RSVP (until December 2013 when the company sold Stayz for AUD$220 million).

1.3.3. Case 3: the National Business Review and the Australian Financial Review

The National Business Review (NBR) is the only business newspaper in New Zealand, and is privately owned by its publisher Todd Scott. The print version of the paper is published only once a week (Friday), but the online site nbr.co.nz is
updated regularly. In 1991, Barry Colman acquired the paper from Fairfax Media for one New Zealand dollar. In August 2012, Colman sold \textit{NBR} to Scott, who was the company’s chief executive at the time. In September 2015, the newspaper employed 17 journalists, who wrote content to print and online versions of the paper.

In June 2015, the weekly print paper had a circulation of 5,735 (Audit Bureau of Circulation, 2015). According to \textit{NBR}, it is “read by an elite” of readers, 57 per cent of which are professionals, government officials, business managers, executives and business proprietors (NBR, 2015a). Additionally, 56 per cent of its readers have household incomes in excess of NZ$120,000 per year (NBR, 2015a). In 2015, \textit{nbr.co.nz} had 270,000 weekly page impressions, and 55,000 unique browsers accessing the site on a weekly basis (NBR, 2015a).

In 2009, \textit{NBR} introduced a freemium paywall for its online readers. It requires readers to pay a digital subscription for access to its news, and only certain content is freely accessible for everyone. In 2012 \textit{nbr.co.nz} had 3,000 individual digital-only subscribers, and 165 corporate IP subscriptions which allow any staff member of a company to access \textit{NBR}’s paid content. In 2012, the paper was estimated to have a paywall revenue of US$539,805 (Myllylahti, 2014). In March 2015, the online site had 3,022 individual digital-only subscribers, and 350 corporate IP subscriptions. These provided the company with a revenue of “over $1 million a year”, approximately US$631,550 (Fahy, 2015). These figures suggest that while the paper has increased its paywall revenue, growth in its individual digital-only subscription numbers has stalled.
In April 2015, *NBR* launched a smartphone only subscription to enhance its digital readership and earnings. As seen in table 3, the annual fee for its smartphone only subscription was AUD$88. To compare, the paper charged AUD$217 for the annual “premium online subscription” (*NBR*, 2015b). *NBR*’s publisher Todd Scott stated that he was aiming to generate the majority of the paper’s future revenue from digital subscriptions. He said that “NBR’s model – centred on revenue from readers – incentivises journalists to write tough, intelligent stories” (*NBR*, 2015b). As table 3 demonstrates, *AFR* charges three times more than *NBR* for its annual all digital package, and in contrast to *NBR*, it offers multiple bundled subscriptions. This is not surprising as the print version of *AFR* is published six days a week. Access to all of its digital content plus weekday print paper, costs AUD$780 annually. As Carson observes, “AFR is among the world’s most expensive paywalls at AUD$16 a week” (Carson, 2015, p.11).

Table 3: Subscription packages of *NBR* and *AFR* per year AUD$

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<thead>
<tr>
<th></th>
<th>NBR</th>
<th>AFR</th>
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<tr>
<td>Mobile only</td>
<td>88</td>
<td></td>
</tr>
<tr>
<td>All digital</td>
<td>217</td>
<td>680</td>
</tr>
<tr>
<td>Digital for print subscribers</td>
<td>128</td>
<td></td>
</tr>
<tr>
<td>All digital + Mon-Fri paper</td>
<td></td>
<td>780</td>
</tr>
<tr>
<td>All digital + weekend paper</td>
<td></td>
<td>720</td>
</tr>
<tr>
<td>Print paper</td>
<td>421</td>
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</table>

Source: *NBR*, *AFR*

*The National Business Review* also provides online radio streaming services. In 2015, it partnered with APN’s iHeart Radio New Zealand. *NBR* Radio offers its
listeners business news, interviews and in-depth analysis. According to Scott, the co-operation helps NBR Radio to “extend the reach” as iHeart Radio has more than 365,000 registered users (Schuck, 2015). It also enables the company to gain more advertising dollars.

The *Australian Financial Review (AFR)*, founded in 1951, is the only financial newspaper in Australia. It also publishes magazines such as *The Australian Financial Review Magazine, BOSS, Luxury* and *Sophisticated Traveller*. The print version of the newspaper is published six days a week, and its online site *afr.com* is updated regularly. The newspaper is owned by Fairfax Media which is subject to substantial investigation in this thesis.

In 2015, the print version of *AFR* had 304,000 readers from Monday to Friday, and circulation of 58,000 (AFR, 2015). In August 2015 it was reported that the paper had increased circulation for its weekend edition, and that the weekend edition was selling “nearly 5000 more copies than its weekday edition” (Robin, 2015). This “slight boost in circulation” was most likely due to “discounted copies it gives airlines” (Robin, 2015). The paper’s online site had a “unique audience” of 424,000 [browsers], and 3.3 million page views (AFR, 2015). Similarly to *NBR*, *AFR* has a niche, elite audience, as 26 per cent of its readers had a full-time income of AUD$100,000 or over (AFR, 2015).

In 2006 *AFR* started to experiment with paid online content (Simons, 2007). In 2011, the paper implemented a freemium paywall which allows its readers to access only certain content without a payment (Myllylahti, 2014). Readers get to see the headline and first paragraph of the paywalled articles. In 2014, it was estimated that *AFR* had 20,000 digital-only subscribers, but because Fairfax
doesn’t disclose such information, it is difficult to establish how accurate it is (Myllylahti, 2014). In 2014 AFR’s bundled sales (print and digital) were estimated to be 60,706, and its digital-only subscriptions comprised 32.9 per cent of the papers total circulation (Carson, 2015, p.4).

Fairfax doesn’t disclose any information about AFR’s revenues and profits. In the 2015 annual report the company stated only that the number of its digital-only subscribers rose 36.2 per cent from the previous year, but this figure refers mainly to The Sydney Morning Herald and The Age (Fairfax, 2015a). The company states that in 2015 its digital subscription revenue was AUD$32.7 million, but no information was provided about how this income was split between its three paywalled papers (Fairfax, 2015b).
Chapter 2: The critical political economy approach and key concepts

This chapter considers critical political economy of communication theory and some of the main research approaches in this field. The chapter discusses concepts relevant to the thesis, and explains the research approach taken. More importantly, the chapter examines commodification of news audiences, news content and news work. It explores how the internet and digitalisation of media have changed patterns of news production and consumption, and how the commodification of news content and audiences have changed as a consequence. Additionally, the chapter considers how media ownership patterns and corporate structures have been shaped since the 1960s, and how national news outlets have been transformed into commercially run media corporations which operate in multiple markets. In this regard, the concept of commodification will be addressed and the commodity nature of news work, news content and news audiences explored.

The key concept of financialisation of media ownership, and how it impacts on newsroom structures, news work and content, is analysed. Digitalisation of media is the third key concept to be considered. The impact of digitalisation on media corporates will be discussed, and especially the impact of the internet, new technologies and new platforms such as social media, will be scrutinised. The chapter also evaluates the extent to which online news and online journalism reflects public sphere principles in a contemporary society.
This research critically evaluates how APN and Fairfax have contributed to, and dealt with, online news commodification. To this end, the critical political economy of communication provides a suitable conceptual framework because it deals with the pertinent themes of media ownership, media content, commercialisation of news and news corporations, and commodification of news (Golding & Murdock, 2005; Mosco, 2009). The critical political economy of communication in general, addresses relations between media institutions, technologies, markets and the wider society, and these are addressed in this thesis (Winseck, 2011, p.13). The roots of the political economy as such lie in “18th century Scottish enlightenment thinking, and its critique in the 19th century” (Wasko, 2005, p.25). The early political economy strand was founded in social theory, and it was concerned with allocation of resources. The early strands of the political economy “focused on the production, distribution, exchange and consumption of wealth and the consequences for the welfare of individuals and society” (Wasko, 2005, p.26). It can be argued that Karl Marx and Frederick Engels advanced the classical political economy tradition by introducing radical criticism of capitalist production and the class system (Wasko, 2005). Marx’s and Engels’ concept of capitalism and the capitalist production system became especially relevant to research related to media ownership, power relations, news production and news consumption. Mosco defines the political economy in the context of communication research as a study of:

the social relations, particularly the power relations that mutually constitute the production, distribution and consumption of resources, including communication resources (Mosco, 2009, p.2).

The critical political economy is also concerned with history and social change; it is holistic and based on moral philosophy and praxis. Golding and Murdoch (1999) note that the political economy differs from mainstream economics because it engages “with basic moral questions of justice, equity and the public good” (Golding & Murdock, 1999, p.155). Today, critical political economy “continues to be centrally concerned with the relations between the organisation of culture and communications and the constitution of the good society grounded in social justice and democratic practices” (Wasko, Murdock, & Sousa, 2011, p.2).

Robert McChesney, a leading researcher in the field of the critical political economy of communication, focuses upon the interrelationships which conjoin media ownership, journalism and democracy. He observes that the:

> political economy of communication endeavours to connect how media and communication systems and content are shaped by ownership, market structures, commercial support, technologies, labour practices and government policies (McChesney, 2010, lx).

According to McChesney, the critical political economy of communication can be seen as having two main lines of inquiry: one concentrates on the relationship between media, communication systems and wider society; the other considers how ownership and government policies, such as regulation, impact on media and media content (McChesney, 2010). This thesis is concerned with both lines of inquiry, as it considers the impacts of income models of news publishers on wider society; and how media ownership might impact on newsroom structures and journalistic work.
The political economy of communication grew in importance in the 1960s and 1970s (Wasko, 2005; Mosco, 2009; Fuchs, 2013; Hesmondhalgh, 2013). In 1973, Graham Murdock and Peter Golding built a critical political economy perspective around their analysis of media consolidation, concentration and internationalisation (Murdock & Golding, 1973). One of their important observations was that “mass media are first and foremost industrial and commercial organisations which produce and distribute commodities” (Murdock & Golding, 1973, p.205-206). Murdock and Golding (1973) asserted that the business models of news media companies were based on audience commodification – selling audiences to advertisers. Smythe (1977) also regarded audience commodification and advertising as key features of capitalist media communication. In a more contemporary society one also needs to consider commodification of news and news content, not just audiences. The commodity nature of news has increased as the commercial troubles of media corporations have increased. Mosco (2009) regards commodification of media content, audience and labour as key areas for researchers in the field of the critical political economy of communication. Fuchs (2013) also mentions that commodification of media content, audiences and labour are the key areas for the researcher to endeavour (p.21). In this context, this thesis is concerned with online news commodification as print news publishers are expanding the commodity nature of news from print to the online sphere.

Murdock and Golding (1973) also noted that because of its commodified business model, mass media is dependent on the wider economy: when the general economy declines, advertising revenue also falls, leading to cost cutting exercises within media companies. The media’s dependency upon advertising
revenue and the wider macro economy is exemplified in many contemporary media corporations. For example, the 2007-2008 global financial crisis severely affected media and especially print newspapers, as their advertising income declined in the aftermath of the crisis. Rapidly shrinking revenues led to cost cutting programmes and smaller newsrooms. Picard (2001) argues that economic downturns affect print media more than television outlets. His study of nine developed nations found that recession affects newspapers more than television channels, as they are “the primary advertising medium for retail establishments” (Picard, 2001, p.14).

McChesney (2010) has observed that as the critical political economy of communication field has grown, it has “struggled with an identity crisis in the past generation due primarily to the emergence of neoliberalism and the internet” (McChesney, 2010, x). Garnham (2011) emphasises this identity crisis: he criticises the field for over concentrating on the issues of “ownership, control and ideological domination” (Garnham, 2011, p.60). Garnham argues that academics in the field pay little attention to the system of capitalist production, and the kinds of issues (such as use of immaterial labour) that rise from this (Garnham, 2011, p.60).

Hesmondhalgh (2013) also criticises the North-American critical political economy of communication tradition for failing to address “contradictions in the system” (Hesmondhalgh, 2013, p.45). He considers that the North-American tradition fails to take into account the nature of cultural industries, pays too little attention to production and consumption of cultural products and concentrates too heavily on information based media. With reference to American media
scholars Herbert Schiller and Robert McChesney, he argues that the “Schiller-McChesney tradition” is too concerned with issues related to media ownership and power, and should concentrate more on the problems of media production and commodification of media products” (Hesmondhalgh, 2013, p.45).

Garnham’s and Hesmondhalgh’s observations are relevant, especially when one considers how digital technologies have changed the production and consumption of media products, and how the lines have blurred between media, entertainment and technology companies. There is clearly a need within the critical political economy of communication to develop research approaches which are appropriate to the more complex, fast changing and increasingly digital media environment. However, news media organisations don’t operate in a vacuum, and therefore media ownership is still an important factor to consider when researching issues related to news production, newsrooms, organisational structures, revenue structures, news delivery and consumption.

The trends identified in the 1970s by Murdock and Golding are still relevant today, or possibly even more relevant. While conducting this thesis it was clear that the commercial focus of news publishers in general was increasing as their financial troubles continued. After the global financial crisis, the focus of Western news publishers has been on survival. Increasing revenues and sales and intensifying news content production to multiple platforms, seem to be their primary concerns. In this regard the thesis draws from the Murdock and Golding tradition. It also acknowledges that globalisation of media, technological
changes and digitalisation have impacted on the critical political economy of communication field.

In a global capitalist system, the media, entertainment and ICT companies have expanded their operations across national borders to obtain more consumers, market share and profits. Multiple media corporations, such as Rupert Murdoch’s News Corporation and the German Bauer Media, have expanded their operations globally. Before News Corporation was split in two in 2013, the company published newspapers in Australia, Britain and the United States; owned television and satellite television companies in the United States, Britain and Asia; and owned the American Fox television and entertainment network. Currently, the new News Corp is the largest newspaper publisher in Australia. Bauer Media is another good example of a global media conglomerate: it owns a portfolio of 570 magazines, 300 digital media outlets, and over 50 radio and television stations in Europe, Australia, New Zealand, Mexico, Russia, Ukraine, China and the United States (Bauer Media, 2014).

New technologies such as the Internet, and new devices such as mobiles and tablets, have enabled media companies to deliver news and other content anywhere, at any time. The internet has made news a global commodity as consumers can, in principle, access news anywhere, whenever they want, in a matter of seconds. The rise of new social network sites such as Facebook, and global search engines such as Google and Yahoo, have greatly affected international communication flows. Social media networks utilise technologies such as chat and video calling, which enable instant communication between
two or more people in real time and across borders. The field of the critical political economy of communication is responding to these changes, and research areas are expanding as a consequence. Academics such as Mosco (2008, 2009), McChesney (2013), Fuchs (2013), Hirst (2010) and Hope (2011) have addressed the challenges that contemporary news media face due to the internet, other ICT technologies, search engines and social media networks. According to Mosco (2009), the critical political economy approach is rooted in moral philosophy. It doesn’t just analyse economic systems: it also deals with the moral problems arising from them. Golding and Murdock (2005) assert that the critical political economy approach differs from mainstream economics because it goes “beyond technical issues of efficiency to engage with basic moral questions of justice, equity and the public good” (p.61). McChesney and Nichols (2010) argue that democracy needs journalism with a public good nature. For them, the public good nature of journalism means that offers society information which commercially operated news outlets don’t sufficiently provide. McChesney and Nichols argue that the commercial, profit-driven model of journalism can’t be sustained, and call for government subsidies in order to support the democratic function of journalism in society.

Currently the media industry is facing many basic moral questions which stem, for example, from copyright issues, user generated content, new technologies such as drones and paid digital content. Journalism can be seen as a fundamental part of a democratic society: as Levy & Nielsen put it, “journalism and democracy are intimately connected” (Levy & Nielsen, 2010, p.3). Schudson (2010) remarks that a free press is essential to the functioning of the public sphere and democracy. He lists six distinguishable ways that media aids
democracy, even at a time when media organisations face major economic difficulties. According to Schudson, journalism should be seen as advancing public sphere principles as it offers a public forum for arguing various viewpoints, issues and policies. The role of journalists is to inform the public, and act as a watchdog – to investigate people in power and hold them to account (Schudson, 2010, p.103-104.). Habermas (1989) defines the public sphere as a place where public opinion is formed, in which all citizens can access and participate in, and where citizens can freely express, publicise and debate on a range of matters. The public sphere is also a place which allows political debate to take place (Habermas, 1989). Dahlgren (2010) defines the political public sphere as an “institutional space where political will formation takes place via an unfettered flow of relevant information and ideas” (Dahlgren, 2010, p.20).

This research concerns with public sphere principles, especially the citizen’s ability to participate in opinion formation and debate. Many newspapers have put some or all of their content behind a paywall – a move that might hinder citizens’ participation in the political sphere. If paywalls (or any other business model) limit citizens’ access to relevant information about politics, government policies and economics, they undermine public sphere principles. On the other hand, paywalls can be seen as facilitating newsrooms and journalistic work, and therefore as advancing democracy in general.

As Western newspapers increasingly introduce charges for their online news sites, other media platforms such as blogs and non-profit ventures have opted to offer free content. In the United Kingdom, *The Guardian*, which is owned by a
trust (and was loss making in 2013), has advocated open journalism and democratic access to its online news. It should be noted that *The Guardian* is not completely free from commercial pressures as it has a substantial online audience which it sells further to advertisers (Doctor, 2014). *The Huffington Post* in the United States operates with a similar open access principle.

Inherently, the internet was built on the principle of open and universal access, and as online news sites were launched, they functioned according to the same principle. However, as print revenues started to dry up, online news platforms were increasingly seen as ventures to be monetised. This has certainly had repercussions for journalism and the public sphere, and the phenomenon requires critical examination.

### 2.1. Conglomeration and commercialism of media

In the Western economies, media ownership patterns and corporate structures reflect the surrounding capitalist economy. Before the 1980s most radio, television and print media were operating inside national boundaries, and were mainly domestically owned (McChesney and Schiller, 2003; Herrick, 2012; Hesmondhalgh, 2013). In the 1960s, many Western media companies were owned by families or local businesses. Subsequently families started to sell their media shareholdings by converting them into “stock-issuing media conglomerates” (Herrick, 2012, p.11). In the 1980s neoliberal policies informed by free market principles opened local telecom and media markets to foreign ownership. During the 80s and 90s many national media corporations were transformed into transnational media companies. This development was aided by globalisation and technological changes associated with new satellite and
digital technologies. During the 1990s the World Wide Web enabled audiences to access news anywhere and anytime. Media corporates were able to reach global audiences instantly and this encouraged them to expand across national borders (McChesney 1997; McChesney & Schiller, 2003; Herrick, 2012; Hesmondhalgh, 2013; Fitzgerald, 2012). At the same time Western media companies were caught in a “merger-mania”, the largest of them “were involved in hundreds of mergers and acquisitions” (Hesmondhalgh, 2013, p.187).

Between 1983 and 2011, in the United States alone the number of major media corporations shrank from 50 companies to five (Herrick, 2012). Since the 1990s media corporates have increasingly engaged in either horizontal or vertical integration to expand their markets and market share, rationalise their resources and find synergies (Doyle, 2002). Horizontal integration refers to an ownership structure whereby one media corporate operates in different media platforms. For example it may have assets in print, television and radio. Viacom’s acquisition of Paramount Communication in 1994 is an example of this. The deal enabled Viacom to become a conglomerate across publishing, film, broadcasting and theme parks (Hesmondhalgh, 2013, p.190). Vertical integration refers to a conglomerate which controls all aspects of media production and distribution in a certain media and entertainment industry sector (Doyle, 2002). For example, in 1995 Disney bought Capital Cities/ABC to control content creation. In 2006 it bought the production company Pixar, and in 2010 Marvel, a comic division with valuable characters and brands (Hesmondhalgh, 2013, pp. 190-191). The rapid consolidation of media corporations and their assets led to a new global media system dominated by
first tier media corporations (McChesney, 1997; McChesney and Schiller, 2003).

In 2003 McChesney and Schiller argued that the global media market was dominated by nine transnational corporations: General Electric, Liberty Media, Disney, AOL-Time Warner, Sony, News Corporation, Viacom, Vivendi Universal and Bertelsmann. They owned most of the television networks, film studios and satellite television assets in the United States. As McChesney and Schiller (2003) stated “these behemoths were created by the largest merger movement ever to hit the communication industry” (p.9). One of the most aggressive companies in this merger movement was Rupert Murdoch’s News Corporation (before it was split in two in 2013). In 2000 News Corporation owned satellite television services in Asia, Europe and Asia; controlled Fox films, Fox television network and the cable television channels in the United States; owned the HarperCollins book publisher; owned numerous magazine titles and controlled over 130 newspapers in various countries including Britain, the United States and Australia (McChesney & Schiller, 2003). In 2013, the assets of News Corporation were divided across two companies: print and publishing assets were given to the new News Corp and the broadcasting assets became controlled by a new entertainment company Twenty-First Century Fox Inc.

According to McChesney and Schiller (2003) these first tier media conglomerates were followed by second tier media firms in the United States, Western Europe and Japan. These companies include American media companies Gannett and Knight-Ridder and British companies Pearson and Reuters. As they point out “together less than 100 first- and second-tier giants
control much of the world’s media” (McChesney & Schiller, 2003, p.12). The conglomeration of newspaper companies led to a newspaper industry that is controlled by a few powerful owners such as Murdoch in Australia and the United Kingdom, and Bertelsmann in Germany.

The commercial and profit driven imperatives of these big newspaper corporates led to the mantra of “synergies”, and cost cutting measures were imposed as a daily routine of the newspaper industry. As Noam observes (2009), commercial values started to prevail in the media at the same time as consolidation and conglomeration. Commercialisation was driven by the fact that media companies intensified the drive to maximise their profits (Noam, 2009, p.13).

Developments in Australia and New Zealand have followed the global path. Trans-Tasman media markets saw a rapid consolidation phase during 1980s and 1990s, and again in early 2000 (Finkelstein, 2012; Myllylahti & Hope, 2011). By 2013 the Australian newspaper industry was “one of the most highly concentrated in the world” with four media corporates controlling the markets (Papandrea, 2013, p.13). News Corporation owned seven out of 12 newspaper titles with a combined 65 per cent share of daily and metropolitan circulation. Fairfax held a 25 per cent market share of Australian daily newspaper circulation and Seven West Media controlled around 10 per cent of circulation (Papandrea, 2013; Finkelstein, 2012). In New Zealand, media ownership shifted from family to corporate ownership in the 1960s. By 1969, 75 of the 100 press publications registered in New Zealand were owned and operated by nine major firms of which three later dominated: New Zealand News, Wilson and Horton.
and Independent Newspapers Ltd. By 1980 these three companies owned 70 percent of all daily papers in New Zealand (Myllylahti & Hope, 2011). By 2013, four companies dominated the New Zealand media markets: APN and Fairfax in print and online news media, Sky TV in paid TV, and MediaWorks in commercial TV and radio (Myllylahti, 2013b).

Within the global media system, media corporates rely mostly on advertising income to advance their commercial interests. This profit driven focus is reflected in their ownership structure. Most of the companies which are now listed on stock markets are owned by shareholders whose main focus is to maximise return on their investment. This requires companies to deliver strong profits and high dividends, based upon commercially viable news and other sellable content. Commercialisation of media refers to the fact that commercial imperatives take priority over news related decisions (Hager, 2012). The main focus of a commercial news outlet is to attract the biggest possible audience which can then be sold to advertisers. McManus’ (1994) reference to “market journalism” indicates that as media companies pursue profits and advertisers, they are bound to pursue more audience pleasing content (McManus, 1994). In this system, where journalism is driven by market forces and profits, news is positioned as a commodity rather than a public good.

The battle among media corporates to gain market share, audience and advertising income has increased the importance of audience ratings, circulation and page visitor numbers. This in turn has shaped the content provided. According to Smythe (1997) the whole purpose of mass media organisations such as television networks, is to produce audiences and to sell
them to advertisers. Thussu (2011) argues that the "combined process of privatisation, deregulation, digitisation and the opening up of new markets" has led television channels to produce news and other content that is "based on a best ratings scenario" (p.68). As television channels are dependent on advertising income and large audiences, they have started to produce softer news such as consumer related stories, sports and entertainment news (Thussu, 2011; Thurman & Myllylahti, 2009). While researching New Zealand’s current affairs television in 1984-2004, Baker (2012) found that contemporary current affairs programmes had little time to explore 'serious issues'. In New Zealand, ratings friendly current affairs programmes became more prominent over a 20 year period ending in 2004. Infotainment values prevailed as celebrities became interview subjects at the expense of experts and politicians (Baker, 2012).

In print news, commercialisation and market driven imperatives have also seriously impacted on news reporting. In 2008, a United Kingdom study by Lewis et al. (2008) examined how dependent print and broadcast journalists were on outside sources. Their research included four main quality newspapers The Guardian, Independent, The Times and The Telegraph, the tabloid paper The Daily Mail along with the BBC, ITV evening news bulletins and Radio 4’s programmes. Their study suggests that the United Kingdom news outlets were highly dependent on outside sources. Around 60 per cent of the press articles researched were mainly based on pre-packaged sources, such as public relations agencies. They found that journalists were pressured to produce a high number of stories and therefore they were reliant on recycled news material at the expense of independent reporting (Lewis et al., 2008, p.3-4).
They observed that “profits are increasingly being won at the cost of journalistic integrity, autonomy and quality” (Lewis et al., 2008, p.42).

A New Zealand senior journalist noted that contemporary journalists have little time to develop their stories or even check the facts:

There is little time to think about quality, very little scope for taking pride in your work. News journalism is no longer a profession in New Zealand – it is now more akin to a factory process (A senior New Zealand journalist, personal communication, February 11, 2012).

Hickey notes that in a media environment, where newspapers battle for advertisers, readers and revenues, they focus on “high sugar/low protein news” (Hickey, 2012). This means more infotainment, crime, sport and human interest news. In general, commercialisation of media has resulted in a “hollowed out fourth estate with little investigative, accountability and enterprise journalism” (Hickey, 2012). These developments raise questions about the purpose of journalism. Traditionally, the journalist’s role in a society has been to inform the public and hold those in power to account. However, commercial imperatives compel journalists to entertain rather than inform the public.

As a senior NZ journalist puts it:

In an ideal world, my role would be to inform the public, shine light on shady areas of state and contribute to a democracy in a positive way, while telling some great stories. The reality is very different (A senior New Zealand journalist, personal communication, February 11, 2012).
The trend is worrying. A 2010 report by the Organisation for Economic Co-operation and Development (OECD) examined how the global newspaper industry has evolved since the introduction of the internet. It also found that journalists are facing a growing pressure to produce multiple stories on multiple channels which leads to a lower quality of news. The report finds that news reporting has become standardised as journalists are reliant on the same news sources, and are encouraged to produce softer news which appeals to audiences and advertisers (OECD, 2010, p.60).

Problems also stem from the commercial values of management. Increasingly newspapers are run and managed by business savvy executives whose primary goal is to pursue profits. This also means that “editors and senior news staff are inculcated with commercial priorities” (Hager, 2012, p.220). Business orientated management and the convergence of editor and publisher roles have influenced news values and newsroom work.

A former senior New Zealand journalist states that:

Modern masthead editors are far more involved in the business side of the newspaper than previously. As they become more involved in the business side, they are increasingly concerning themselves with what sells a newspaper rather than what their role is in a democracy (A senior New Zealand journalist, personal communication, February 11, 2012).

2.2. Commodification of news content and news audiences

Commercialisation of news media has been linked to the commodification of news and vice versa. Newspapers and other mass media are, as Murdock and Golding (1973) observe, “first and foremost industrial and commercial
organisations which produce and distribute commodities” (1973, p.206-207). Mosco (2009) asserts that commercialisation is a narrower process than commodification as it refers to a relationship between audience and advertisers whereas commodification is a wider process, and takes into account labour processes. Mosco regards commodification as a social exchange which refers:

to the process of turning use values into exchange values, of transforming products whose value is determined by their ability to meet individual and social needs into products whose value is set by what they can bring into the marketplace (Mosco, 2009, p.132).

Murdock (2011) defines a commodity as any good or service that is sold for a price in the market. He observes that the cultural and communication goods have a threefold relationship with what he calls a commodity culture. First, media products can be regarded as commodities in their own right since consumers have to pay for them. Second, the media offers companies a platform to advertise their general commodities, and hence they support the consumption of commodities and consumer culture generally. Third, communication enhances a commodity culture because it celebrates consumption and the people who present consumption (Murdock, 2011). However, news is not just any commodity as it also has a public interest function of delivering accurate and reliable information. Jackson regards news as a contested commodity because of its dual role in this context. As she puts it:

when the news media are expected to be purveyors of the public interest while pursuing profits for their corporate owners, the result often is a clash of capitalist and journalistic imperatives (Jackson, 2009, p.146).
Murdock and Golding (1973) assert that news became a commodity once it was produced on a mass scale. They situate media production within a general industrial production model which goes through stages. These stages are linked to technological advancements as well as macro-economic factors. In the first stage newspaper publishing is a personal, small-scale operation in which publishers are also printers. Once small-scale news outlets start to expand, news publishing becomes more commercially focused with separate distribution and selling channels. As new technology arrives, news production becomes "industrialised and consumption becomes large-scale and impersonal" (Murdock & Golding, 1973, p.207). In the second stage, the media market becomes saturated leading to declining revenues, rising costs, changes in media consumption and demand. Saturation leads to media concentration as the major corporates try to expand market share and offset costs (Murdock & Golding, 1973). The final stage involves "a developing tension between new technological potentialities on the one hand and economic concentration on the other" (Murdock & Golding, 1973, p.207).

Hirst regards that in the 20th century news commodification has been based on what he calls the "the industrial model of news production" (Hirst, 2010). In this model, news content has been produced in a news factory, where workers on an assembly line have gathered news and information, which have been then packaged as a news commodity to be sold further (Hirst, 2010, p.74-75). Some of the elements of the news factories are still evident. In her book, Stop Press, Rachel Buchanan (2013) details the case of Australian Associated Press (AAP), which operations are based on commodity trading. In March 2013, AAP had 230 journalists producing 2100 news stories a day to various clients including
news companies and government departments. According to Hirst, the main purpose of an industrial model of news production is to deliver steady flows of news commodity to paying audiences, and then sell the audience commodity to advertisers in order to generate as much surplus value as possible (Hirst, 2010). Hirst asserts that:

industrial journalism grew into a production system that foregrounded news as a commodity and that was predicated on an assembly-line methodology (Hirst, 2010, p.73).

The industrial model of news production is dependent on a news commodity that is produced in volume, and at the lowest possible cost. The news content and audiences are sold on for the highest possible return in order to enrich news publishers and their capitalist owners (Hirst, 2010, p.73). In an industrial news production system capitalist media owners purchase labour power from journalists as well as instruments of production such as printing machines. Media owners then sell their total output, in this case the newspaper, or other news outputs, for a value greater than the original investment. The surplus value can then be reinvested to accumulate more capital (Marx, 1887). Surplus value is created through the process of production and exchange, and in the case of news production, news is produced and sold to audiences in exchange for information (Mosco, 2009).

The industrial model of news production benefitted print newspaper publishers and their owners for decades before the internet and online news sites were introduced. The model was successful because news publishers were able to maintain large newsrooms to produce news content on a mass scale.
Newspaper readers also were prepared to pay for the journalistic content in exchange for information (Mosco, 2009). The model was beneficial to publishers as newspapers knew their audience and the size of it, as they were regularly measuring their circulation and readership numbers. Newspaper publishers had very specific information about their readership including their age, income and education. This information was valuable in terms of audience commodification, as advertisers were able to target their advertising campaigns to certain audiences.

However, the patterns of news commodification changed as the Western newspaper industry started to disintegrate after the digitalisation of media, and the 2007-2008 global financial crisis. In the former context, news audiences became fragmented, and new patterns of news production and consumption emerged. New web and mobile technologies enabled audiences to access news anytime, anywhere, and via multiple devices. As newspapers started to publish their free online news, print audiences and advertisers started to move online, although not necessarily to their online news sites. As will be discussed more closely in chapters 3 and 4, the internet made the monetisation of online news difficult because it was offered to audiences for free in the first place, and as the internet provided other and more prominent advertising channels for corporations.

Moving online made it difficult for newspapers to know and measure their audiences, and therefore commodifying their audience became challenging. In the online environment news publishers didn’t know their audience as anyone could click stories on their online sites. Therefore they were not able to provide
similar audience profiles to their advertisers as they were able to do earlier on. It should be noted that contemporary news publishers have employed new tools to track their audiences by monitoring number of page visits and unique browsers accessing their sites, but they have had difficulty turning these ‘clicks’ into advertising dollars (further discussed in chapter 4). The internet has also fundamentally changed the advertising landscape for news publishers. They have lost the bulk of their classified advertising income as they have not been able to replicate their advertising models in the online environment. New competitors such as Google have emerged and gained in advertising dollars instead. After newspapers launched their online news sites, they offered cheap advertising rates for corporations to attract revenue. However, the pricing mechanisms eroded their earning potential, as further discussed in the following chapters. By introducing digital subscriptions, paywalls, news publishers are attempting to restore their knowledge of their audiences, and make the audience commodity more valuable in terms of advertising income.

Difficulties news publishers are currently facing with their news commodification can be understood in the context of changing patterns in news production. Picard (2014) asserts that new models of news production are emerging, “although elements of that [industrial] production mode remain in place” (Picard, 2014, p.491). He regards that the “fundamental challenges that news production faces today are not monetary, but reflect the changing mode and structures of production” (Picard, 2014, p.491). According to Picard, the industrial model of news production has been based on big newsrooms (resources) and equipment which enabled news workers “to gather, mass produce, and disseminate” news on a large scale (Picard, 2014, p.491). In a news production model, which
Picard calls a service model, production is not as important as news delivery. In this model news corporations become service firms focusing on delivering news content on multiple different platforms, and therefore news gathering and news production has a secondary role. In this model, content production relies on outside sources such as syndications, the public and other news corporations.

Picard believes that the shift from the industrial news production model to a service orientated model is fundamentally changing relationships between news organisations and journalists, and it is altering the ways journalists conduct their work and what skills they need (Picard, 2014, p.491). It can be argued that this shift enhances the commodity nature of online news content if it is over reliant on syndicated material, or material sourced from other news sites. In 2007, a survey by Williams and Franklin observed that 92 per cent of the reporters working in the Trinity Mirror’s online newsrooms were using more public relations material in their stories than previously. Additionally, 80 per cent said that they utilised news agency and wire copy more often when compiling their stories (Williams & Franklin, 2007, p.2). The service model also suggests that news publishers are regarding online news content increasingly as a product which enhances the commodity nature of online news. This is apparent in a comment made by Johanna Suhonen, director of content sales in the Finnish business daily Kauppalehti. She noted that:

we see the content of our website as an online shop. All products must be such that, figuratively speaking, visitors to the website want to add them to their shopping basket. Every article must have a value that makes people want to buy it again and again, news item after news item (Hantula, 2015).
On the other hand, the craft model of news production, which refers to individual entrepreneurial journalists and start-ups (non-profit) focusing on reporting on special topics, might work against commodification of news content (Picard, 2014, p.5). Picard believes that craft journalists contribute towards quality journalism as they utilise investigative and data analysing tools to produce content. This content is either delivered directly to their audiences, or via partner organisations, and without the influence of advertisers.

In their essay, Anderson, Bell and Shirky (2014) observe how American journalism has undergone some major changes or what they call “tectonic shifts” (Anderson et al., Tectonic Shifts, para 1). They also regard that digitalisation has fundamentally changed the way news is produced and consumed. Additionally, the internet and new technologies have affected news organisations and their structures, journalists and news production, and companies’ finances. According to Anderson et al., the internet “did not herald a new entrant into the news ecosystem. It heralded a new ecosystem – full stop” (Anderson et al., 2014, Ecosystem and Control, para 9).

In the industrial model of news production, newspapers gathered information on a mass scale, and they produced content to the audience they knew well. In that model, selling their news audiences to advertisers as a commodity was relatively straightforward, and newspapers were making substantial profits in the process. News commodification in the “post-industrial news ecosystem” is harder (Anderson et al., 2014, Ecosystem and Control, para 9). In this system, information is gathered, and news is produced by multiple actors including journalists, citizen journalists, social media activists, syndications and other
organisations (Anderson et al., 2014, Ecosystem and Control, para 9).

Additionally, advertisers can reach their audiences directly without mass media organisations, and they can utilise social media platforms and other channels to advertise. Anderson et al. (2014) believe that in order to survive, mass news organisations have to produce news even more cheaply, and they need to restructure their processes and organisational structures.

This restructuring will mean rethinking every organizational aspect of news production—increased openness to partnerships; increased reliance on publicly available data; increased use of individuals, crowds and machines to produce raw material; even increased reliance on machines to produce some of the output (Anderson et al., 2014, Restructuring Is a Forced Move, para 9).

Survival requires news publishers to further commodify parts of their news production. Anderson et al. suggest that news publishers outsource those parts of news production which create little value, and use algorithms and aggregators as a part of their daily news production. The researchers state that “it’s clear that rapid commodification of ordinary news is not just inevitable but desirable, to free up resources for more complex work elsewhere” (Anderson et al., 2014, Recommendation: Give Up on Trying to Keep Brand Imprimatur while Hollowing Out Product, para 9).

It can be seen that the post-industrial news ecosystem enhances online news commodification and the commodity nature of ‘ordinary news’. Increasing use of web metrics (and monitoring the clicks) as a part of editorial decision making can lower the quality of news. Web metrics track down audience statistics such as page views and unique visitor numbers, and this information is fed back to newsrooms as well as advertisers who want exposure to the largest possible
audience. As online visitors can easily be recorded and aggregated via mouse clicks, editorial processes become influenced by these metrics (Nguyen, 2013). Nguyen argues that for journalists it is “increasingly difficult to sustain their traditional ‘don’t care’ attitude to their audiences” (Nguyen, 2013, p. 147).

In 2009, importance of clicks was evident in the Finnish online-only business paper Taloussanomat. Journalists working for the paper felt pressured by their publisher to provide stories which would attract audiences and create a high number of clicks. An editor for the news site admitted that story metrics affected journalistic work and story choices. As Thurman and Myllylahti note “this is not surprising given that the revenue from display advertising is directly linked to the number of pages readers view” (Thurman & Myllylahti, 2009, p.699).

As Mosco notes, the tools for packaging news as well as measuring and monitoring audience behaviour have become ever more sophisticated (Mosco, 2009). Pay television companies, for example, are selling precisely tailored packages of content to their customers based upon their market researched preferences and audience ratings. Companies which provide on-demand internet streaming, such as Netflix, have built detailed computerised feeds about their audiences. This takes audience monitoring to a new level. The company’s president of product innovation, Todd Yellin, explained to The Guardian that the company is datamining its audience using “algorithms, numbers and vast amounts of data” (Sweney, 2014) in order to know what programmes users are watching.
2.3. Digitalisation and commodification of news work

As outlined above, Anderson et al. (2014) and Picard (2014) believe, that the arrival of the internet, and the digitalisation of news media, have fundamentally changed the way news is produced. Dwyer (2010) and Gordon (2003) agree. They believe that digitalisation and technological changes have reshaped news organisations. Dwyer talks about convergence as “a process whereby new technologies are accommodated by existing media and communication industries” (Dwyer, 2010, p.2). Technological convergence reshapes the organisational structures of newsrooms as new positions and new hierarchies are created, and as new techniques in news gathering are deployed (Gordon, 2003).

Here, digitalisation can be understood as a “process of changing content production, storage, distribution and consumption from an analogue to a digital base” (Picard, 2011, p.6). According to Mosco (2009) digitalisation refers to the transformation of data, words, images, motion pictures and sound into a common language. He observes that “digitisation provides enormous gains in transmission speed and flexibility” since information can be broken up into small packages, and then delivered via digital communication networks (Mosco, 2009, p.135).

Lacy & Sohn (2011) observe that digitalisation of news has affected the nature of news and news delivery. They argue that digital distribution of news is beneficial because it increases speed of delivery, lowers costs of production and distribution, and allows news provides to package information across multiple platforms (Lacy & Sohn, 2011).
Singer (2011) outlines how new technologies have made journalistic work more complex impacted journalistic work. In the early 2000s, newsrooms started to fill with new technologies and technologically competent journalists. These backpack journalists were expected to be multitaskers – capable of operating video cameras, performing television stand-ups, writing print stories, creating animations and recording audio clips (Singer, 2011). Backpack journalists were followed by mobile journalists, who were carrying mobiles, smartphones, digital voice recorders plus other devices in their pockets in order to transmit information to newsrooms (Singer, 2011). In 2008 Pew’s study discovered a similar transformation. Then The Miami Herald newsroom staffers were required to provide content to the print newspaper, its website, a separate entertainment/leisure website, a local radio station, a web-linked TV operation, as well as to an instant news service which packaged and e-mailed stories (Pew, 2008).

Additionally Pavlik (2000) asserts that technology has had great influence on journalistic practices. He lists four kinds of technological impacts: how journalists do their jobs, the nature of news content, the structure and organisation of the newsroom and news industry and the nature of relationships between news organisations, journalists and their public (Pavlik, 2000, p.229). As discussed, journalists are increasingly using the internet and other online tools to research, report and search for story ideas. They work close to deadlines as they produce and edit videos plus other multimedia content. High-speed communications technology means that newsrooms are constantly required to update content, and journalists have less, or no time to check facts, or contact news sources (Pavlik, 2000; Thurman & Myllylahti, 2009).
Technology has also flattened the hierarchical structures of newsrooms, and enabled two-way communication between audiences and journalists (Pavlik, 2000).

However, the new news ecosystem enhances the commodity nature of news work, and the exploitation of news workers. Anderson et al. (2014) suggest that in the new ecosystem news publishers have to lower their costs by cutting permanent jobs, outsourcing work, reducing salaries and by employing new information gathering techniques which will prevent the creation of new jobs. This is likely to occur with the algorithms and robots in content production. Marx argued that the capitalist system itself is inherently exploitative, because workers have no control over the use of their labour power. Workers are forced to sell their labour power in order to earn wages which don’t compensate for the labour they sell (Marx, 1887). This system “forces labour into a social relationship wherein it takes on the status of commodity, or a factor of production” (Mosco, 2009, p.131). In this context, the publishing model of American news and blogging platform The Huffington Post is purely based on exploitation of free labour. Most of the site’s content is produced by a blogging community which hasn’t been compensated for their work. Similarly, social media corporations utilise free labour, or “prosumers” (Fuchs, 2010) to provide free content and personal data, which can be sold as a commodity to third parties and advertisers.

A study of Taiwanese news organisations illustrates how technologies have been used to exploit journalists. Liu’s (2006) study found that reporters’ workload increased substantially after the introduction of the new technologies
which gave management new tools to monitor workers. Liu found that reporters were required to write more words and finish their stories more quickly, and that they had to do tasks previously done by other workers such as proofreaders (Liu, 2006, p.12). Liu observes that:

> the introduction of ICTs has trivialized journalistic work and consequently lowered the value of skilled and experienced reporters. Even for online newspaper reporters, work has been trivialized into a mechanical job, since they are becoming simply “typing machines” in order to meet quantity requirements from management (Liu, 2006, p.12).

Liu’s study found that in Taiwanese news organisations, demand for experienced reporters decreased. As the newspapers laid off experienced journalists, they were replaced by younger reporters which deskilled the journalistic workforce (Liu, 2006, p.12). Örnebring observes that as a consequence of newsroom cuts, the pool of available journalists increases. As permanent jobs are turned into casual ones, news workers become commodified units as they lose their monthly salaries and other benefits. Örnerbring states that journalistic work is “increasingly subject to casualisation, freelancing and other non-permanent contractual arrangements, flexibility and insecurity” (Örnerbring, 2010, p. 59). Paulussen agrees and adds that as the workload of journalists increases, editors and journalists are “bound in desk” because of demands to produce more and more copy (Paulussen, 2012, p. 195). In the case of *Taloussanomat*, journalists had little time for fact checking or meeting their sources: 95 per cent of journalistic work was done on the phone (Thurman & Myllylahti, 2009, p.700-701).
2.4. *Financialisation of media corporates*

As examined above, the patterns of news commodification have changed as the Western newspaper industry has moved from the industrial model of news production to the post-industrial news ecosystem. This shift has made it more difficult for news publishers to commodify their news content as their news audiences have fragmented. At the same time, the shift has extended the commodity nature of online news. Coined with digitalisation, financialisation of news media ownership has intensified pressures to commodify online news further because the profits from print newspapers have shrunk. As will be explained in chapters 4, 5 and 6, online news commodification has intensified as Western news publishers have introduced digital subscriptions, or paywalls, in order to recapture profits and to satisfy their increasingly financial ownership base.

In the 1960s newspaper companies started to publicly list their company shares on stock markets. The early stock market movers included the American company Gannett Co which listed in 1967, and it was followed by Knight Newspapers Inc., Ridder Publications, Lee Enterprises, and the New York Times in 1969 (Picard, 2002; Meyer, 2009). The newspaper industry saw steady earnings increases during the 1970s, aided by cold-type printing technology, computerized pagination and inflation that ran in double-digits (Meyer, 2009). During this period more newspaper companies went from private to public ownership including Washington Post Co., Tribune Co, Media General Ink and Pulitzer Publishing Co. As newspaper publishers entered stock markets and met Wall Street, their focus shifted toward profit maximisation and
shareholder returns. At the same time investment analysts started to gain prominence, and in order to fulfill the requirements of quarterly earnings reports demanded by analysts, media companies became locked into short term goals (Meyer, 2009).

In the 1980s, neo-liberal policies and free market ideologies supported the deregulation of national financial markets. Newspaper companies increasingly turned to globally interlinked stock markets to fund their expansive growth strategies and acquisitions. The ‘merger-mania’ fueled by the stock market boom swept the media sector. As Winseck (2010) remarks, the boom in media ownership concentration and media asset consolidation was caused by over-optimistic growth scenarios. Ellis (2011) argues that the news industry’s profit driven expansion policies inevitably led to a destabilising phase within the industry. The media companies started to struggle with substantial debts which they couldn’t manage once the downturn in advertising began. As Ellis notes:

There is no doubt that the credit crisis and resultant recession created extraordinary circumstances, but the newspaper companies with parents listed on the stock exchange were predisposed to infection. They succumbed to the flaws in their business model (Ellis, 2011, p.42).

Picard agrees by noting that the “contemporary financial problems” of American news publishers were caused by poor financial decisions, not by long-term economic trends such as recession (Picard, 2010, p.19). McChesney and Nichols (2010) remark that the American newspaper industry was in crisis for decades before the global financial crisis, but because the impact was not felt in news corporates’ profits, this went unnoticed. They note that “what the internet
and economic downturn have done is simply make the final push against an already tottering giant" (McChesney & Nichols, 2010, p.30). Kaye & Quinn (2010) also observe that the global financial crisis changed the focus of media companies, and “forced them to cut costs to pay debt” (Kaye & Quinn, 2010, p.7).

In 2000 the high-tech speculation bubble burst as dot.com companies’ stock prices declined steeply. During the high-tech boom the new internet start-ups, or dot.com companies, saw rapid rises in their stock prices. As a consequence, many of these companies were overvalued, and many of them never made any profit. After the market crash, most of the dot.com companies were sold, split or simply ceased to exist. These companies included America Online, which was sold to Time Warner, and WorldCom, which filed for bankruptcy. The high-tech boom and consequent market failures also affected the traditional media sector. Many media corporations moved away from conglomeration, and started to rationalise their holdings (Hope & Myllylahti, 2013b). For example, Time Warner divested Warner Music Group in 2003, and Time Warner Book Group in 2006 (Fitzgerald, 2012).

The media industry’s heavy debt burden built during the conglomeration years meant that they became increasingly reliant on financial institutions. This is encapsulated by the term ‘financialisation’. During the beginning of the 21st century, most of the large media corporations “experienced a huge increase in their financial links and dependencies” (Almiron, 2010, p.152). Fitzgerald (2011) states that “financialisation and invigorated emphasis on the rate of profit as the corporate raison d’etre” has impacted upon media operations significantly
during the last two decades (Fitzgerald, 2011, p.28). Financialisation refers to the growth in importance of financial organisations and financial assets within the macro economy and its sectors (in this case the media sector) (Almiron, 2010; Winseck, 2010). Financialisation, as described by Epstein (2005), can be understood as a process which entails the “increasing role of financial motives, financial markets, financial actors and financial institutions” within a local and global context (Epstein, 2005, p.3).

According to Almiron-Roig (2011) financialisation in media corporations is evident when the company is owned by financially oriented shareholders (such as private equity firms or institutional shareholders), when media companies have large amounts of financial debt which has put them in the hands of their creditors, when bankers or advertisers occupy board seats and directorships in the companies and when the media companies take part in other financial business activities that conflict with their journalistic principles, such as speculative investments (Almiron-Roig, 2011, p.45).

One of the worrying aspects of financialisation is that it has placed financiers at the centre of media corporate decision making. This has increased the distance between management and journalistic concerns:
Few boards of the world’s major media conglomerates have directors with any journalism experience while there are plenty of former or current bankers, financiers and public and private investors in governance positions (Almiron, 2010, p.153)

Hope & Myllylahti (2013b) also observe that financial shareholders are “not just passive investors in media corporates; they are increasingly involved in operational decisions” (Hope & Myllylahti, 2013b, p.204). This is apparent in trans-Tasman media companies such as APN, Fairfax and MediaWorks which have appointed financiers to their boards (Hope & Myllylahti, 2013b).

After researching media corporations’ remuneration policies across different countries Almiron (2013) concluded that media managers have become “key members of the elite networks that make up the current financial oligarchy” (para 39). Since remuneration packages and earnings are tied to share price appreciation, media managers are bound to make decisions for this purpose. The fact that media executives receive substantial compensations based on the financial performance of the company “marginalises the needs of civil society. In serving Wall Street they cannot also serve Main Street” (Almiron, 2013, para 39).

Many researchers (Almiron-Roig, 2011; Herrick, 2012; Winseck, 2010; Dwyer, 2010; Crain, 2009; Hope & Myllylahti, 2013; Herrick, 2012) agree that financialisation creates dilemmas for the news media industry. For Almiron (2010) the dominance of finance in the news media means that journalism is “not simply considered a product but a key asset to obtain profits by direct or indirect means” (Almiron, 2010, p.174). She also argues that there is a clear link
between media organisations’ financially driven profit imperatives and the commodification of journalism. In order to break this link media corporates need to address their ownership structures. However, in the current economic environment, in which news corporations are struggling to finance their operations, links between media corporates and financial institutions have grown stronger rather than weaker (Hope & Myllylahti, 2013b). This is worrying since, as Almiron points out, “financialisation has pushed for an even further reduction of the watchdog role of the media” (Almiron, 2010, p.178). In New Zealand, for example, the financialisation of media ownership has led media companies to sell their assets, cut journalistic jobs and outsource editorial work. It has also led to an increase in content sharing and the introduction of paid content, and this has impacted on content diversity and public interest reporting (Hope & Myllylahti, 2013b; Myllylahti, 2012).

The 2007-2008 global financial crisis was triggered by speculative mortgage lending in the United States. Banks and mortgage brokers were lending money to people with poor credit history, who were unable to repay them. These high risk mortgages were then acquired by investment banks who repackaged them in supposedly low-risk securities. These securities were sold to speculative investors, and they turned out to be rather high in risk. When house prices in the United States started to fall, these subprime securities rapidly lost their value causing the investment bank Lehman Brothers to collapse, and triggering a global financial crisis (“Crash course”, 2013). The global financial crisis deeply affected the newspaper industry as “market values were destroyed, and tens of billions were wiped off balance sheets, corporations were restructured and tens of thousands of their employees lost their jobs” (Fitzgerald, 2012, p.11). To date
diversification of media assets has continued, as shareholders have lost their faith in media conglomerates which operate across different media platforms such as radio, newspapers, television and the internet. Shareholders have also forced media companies to sell assets in order to fund their debt burdens built during the years of rapid consolidation. For example, in 2013 The New York Times Company sold its stake in the *Boston Globe*, and The *Washington Post* was sold to Amazon’s founder and multi-billionaire Jeff Bezos (Myllylahti, 2013b). As *The Economist* noted, the recent “disposals of non-core assets have helped win over distrustful shareholders” (“Breaking up is not so very hard to do”, 2013).

As the share prices and values of many media companies fell after the global financial crisis, private equity firms and investment funds started to buy into media companies as they needed to refinance their operations and debts. During the years of stock-market boom and consolidation media companies built their businesses “in sand with high debt” (Almiron-Roig, 2011, p.39). While the rating agencies gave their loans poor credit ratings, and their revenues and stock prices plummeted, companies were not able to refinance their debt. This paved the way for private equity firms and other unlisted financial institutions. In North America, Western Europe and Australasia, these institutions have acquired or bought into publicly traded media companies via leveraged buyouts. This strategy involves the use of debt financing to takeover and restructure undervalued companies. After restructuring of media assets, private equity operators exit their investments by selling some or all the assets at high profit margins (Hope & Myllylahti, 2013b; Crain, 2009). Crain (2009) argues that when the business model of large media corporates is “characterised by the pursuit of
protracted market dominance”, the business model pursued by private equity owners is “one of timed investments, distinguished by the pursuit of short-term growth via restructuring” (Crain, 2009, p.230). The rising importance of unlisted financial owners can be seen also in the trans-Tasman context, as they have increased their influence in Australian/New Zealand media companies including APN, Fairfax, MediaWorks and Sky TV (Hope & Myllylahti, 2013b).

2.5. Internet, social media and the public sphere

In the early 2000s new web 2.0 technologies started to evolve and new media of communication emerged: blogs, wikis, social network sites and search engines which allowed people to read and write content, comment, upload videos and photos, chat, write e-mails and build up communities (Hirst, 2010). These web 2.0 technologies have challenged traditional news media outlets by providing people with new ways to interact with each other.

Sasseen et al. (2013) note that rapid advances in technology have made news corporations “increasingly dependent on Google and a handful of other powerful tech firms for the tools and platforms needed to reach their audience” (Sasseen et al., 2013). They observe that because news is increasingly consumed via mobile phones, news publishers must produce news for this “ever-more expensive arena” which in turn is not producing enough revenues to cover expenses (Sasseen et al., 2013).

This is exemplified by social media networks. Boyd & Ellison (2007) define social network sites as web-based services that allow individuals to construct public or semi-public profiles. They can also choose a list of other users with
whom they want to share information or connections (friends). Hermida adds that common attributes of social media include “participation, openness, conversation, community and connectivity” (Hermida, 2010, p.3).

Buchanan (2013) offers an example of how the internet and rise of social media corporations have impacted upon journalistic work. She observes that the rise of social media has given the public power to influence how news stories are selected. In digital newsrooms, journalists are more dependent on user-generated content, and source information from the social media platforms such as Facebook and Twitter. At the same time, the public has more tools to assess journalistic work via social media platforms and by commenting on the stories on the newspapers’ online sites. Thorsen (2013) notes that:

in the early years of the web it would have been inconceivable to break news online before print or broadcast, never mind using online public platforms to source and verify stories as they unfolded. Yet this is increasingly becoming accepted practice for many journalists in an online, real-time news environment (Thorsen, 2013, p.123).

In 2013, an American survey by marketing group Vocus revealed that of “more than 250 journalists” across broadcast, print, and online news outlets, 51 per cent used social media to promote their stories, and 49 per cent to connect with their viewers and readers (Vocus, 2014). The same survey found that “more than 95 per cent” of journalists didn’t regard social media as “a trustworthy source” (Vocus, 2014). Additionally, it revealed that 30 per cent of journalists used social media when researching their stories (Vocus, 2013). The findings of the survey indicate that news organisations are using social network sites to capture audiences and increase the traffic for their news sites. The survey also
reveals that journalists’ dependence upon outside sources, such as social
network sites, is increasing even if they are not regarded as the most credible
sources of information. Journalists’ dependence on social media platforms can
undermine public sphere principles if it compromises the accuracy of the
information they deliver. As Kovach & Rosenstiel (2007) note, the journalistic
profession is based on verification and accuracy of information, and verifying
social media content has become one of the major challenges for contemporary
newsrooms. Brandtzaeg et al. (2015) note that “verification of social media
content is of crucial importance to journalists, particularly those reporting
breaking news under severe time constraints” (Brandtzaeg et al., 2015, p.15).
After interviewing 24 journalists working with social media in major news
organisations in Europe, they concluded that social media can shape
journalistic culture and found that journalists working “in an increasingly
multimedia-oriented social media landscape” may have less time for information
verification (Brandtzaeg et al., 2015, p.16). On the other hand, they observe that
social media increases the “risk of distributing inaccurate and false information”,
and therefore “forces journalism into a direction of greater awareness and
standardized verification routines” (Brandtzaeg et al., 2015, p.16).

The rise of social media and search engine companies has further commodified
news content, as these companies are not producing any news content, but are
using content produced by newspapers without paying any production and
labour costs. Companies such as Twitter, Facebook and Google aggregate
news content as a commodity in order to attract larger audiences and
advertising money. As Fuchs (2012) notes, practices of search engine
companies are based on accumulating more capital. Similarly, social media
companies utilise free content provided by their users, and they sell the vast amount of available data to third parties, such as advertisers, for large profit. The argument can be made that the emergence of search engines and social media companies has negatively impacted on journalists pay bargaining rights, job security and the quality of the work produced. In 2015, and in response to pay erosion, increasing workload and decline in editorial freedom, journalists working for *The Huffington Post* and other American digital newsrooms were joining labour unions (Myllylahti, 2015). The committee organising *The Huffington Post* workers stated, that the “dramatic changes to employee’s workload and responsibilities, made without employee input, hinder our ability to produce our best work” (Myllylahti, 2015).

When the World Wide Web was introduced in the 1990s, politicians, business leaders and media professionals believed that the internet would lead to a more open and democratic society (Curran, Fenton & Freedman, 2012). Many academics, including Yochai Benkler (2006) and Henry Jenkins (2006) regarded the internet as a positive force in society, and a positive contributor to the public sphere. In 2006 Benkler believed that the new digital technologies had the potential to create more democratic societies, and more open information flows in a ‘networked public sphere’. He asserted that new digital technology acts “as a platform for better democratic participation… as a mechanism to achieve improvements in human development everywhere” (Benkler, 2006, p.2). It is more accurate to say that in a capitalist society media companies are utilising new technologies to maximise their revenues, and therefore the struggle between commercial imperatives and public sphere principles has advanced into the digital realm. McChesney argues that the early
views of the internet’s democratic power were “uniformly optimistic” as the people were expected to receive “unprecedented tools and power” (McChesney, 2013, p.96). He states that “the tremendous promise of the digital revolution has been compromised by capitals’ appropriation and development of the Internet” (McChesney, 2013, p.96). In the early 2000s the new web 2.0 technologies such as blogs, wikis, social network sites and search engines, were introduced with the promise of more openness and democracy.

Fuchs argues that search engines and social media companies offer citizens new ways to communicate in the wider context of the capitalist media system. His term ‘Google capitalism’ (Fuchs, 2012) refers to the fact that search engines (as well as social media) are inherently designed for capital accumulation. These companies are embedded in a capitalist media system and benefit from the same profit logic as media corporations: they treat news as a commodity, and their operations are based on advertising revenue and the exploitation of free labour. For example, the whole business model of Facebook requires that its users provide it with free content and data which can then be sold to third parties. Fuchs argues that the capitalist character of social media “is not a necessity, but a historical consequence of the commercial and capitalist organisation of the internet” (Fuchs, 2013, p.24).

Hirst (2013) concurs that social media companies are “at the end of the day, vehicles for capital accumulation and competition” (Hirst, 2013, p.96). He points out that the key objective for social media networks is the commodification of their audiences. Fuchs takes a view that emergence of new media platforms has deepened the crisis of mainstream media corporations as their commercial
business models have started to crumble. This failure has compelled many academics to advocate state-supported models for the news media as public interest journalism declines. Schudson asserts that since the Internet has weakened traditional business models of news media, journalists have less resources to investigate and produce analytical news. This has “weakened the democratic value of the press” (Schudson, 2010, p.105).

In Western democracies, such as in the United States, the role of journalism has been to investigate issues of public importance and scrutinise people in power. Performance of this role advances public sphere principles. Certainly the internet and new digital technologies have provided citizens with a new set of tools for communication. Many academics suggest that the internet and new technologies have enabled anyone to collect and disperse information in a journalistic manner. The associated term, “citizen journalism”, can be defined as “citizens reporting without recourse to institutional journalism” (Thurman & Hermida, 2008). Whether this increase in citizen activism in the media field advances public sphere principles is a matter of debate. One claim is that blogs and social media platforms have “increased the visibility of democratic voices to both national and global audiences” (Thorsen, 2013, p.126).

The internet and social media platforms do offer citizens an avenue to express and publicise their opinions, but Jürgen Habermas argues that the internet “itself does not produce any public spheres” (Jeffries, 2010). Habermas observes that communication on the internet is fragmented and opinion formation is “scrutinised and filtered by experts” limiting its democratic potential (Jeffries, 2010). Habermas acknowledges that online platforms offer citizens a
new way to communicate and organise political activities on a global scale. However, he believes that real political decision-making happens outside of the internet.

Dahlberg (2000) also notes that people participating on online forums and discussion are normally a small elite group, and that not all citizens are taking part in opinion formation on web. Furthermore, because online forums are influenced by commercial imperatives, discussion on the internet lacks in quality (Dahlberg, 2000). It can be argued that the internet has advanced public sphere principles, but that the fragmentation and globalisation of audiences have multiplied communication forums. As Webster states, “in the context of such challenges, the concept of the public sphere begins to look shaky” (Webster, 2011, p.31). For Webster, the concept of the public sphere is outdated as fragmented groups utilise different online outlets to air their views; “a key question is how these views might be connected with other discourses in society” (Webster, 2011, p.32). It is true that globalisation and digitalisation have fragmented media audiences as well as provided citizens with multiple public spheres in which to participate. However, the ideal of the public sphere has not become outdated if we understand it as a place where the public can freely engage in the critical public debate. To exemplify, in past five years New Zealand has seen an increase in bloggers who are breaking news and contributing in critical political and societal debate. In 2015, The Daily Blog exposed how New Zealand’s Prime Minister John Key’s behaved inappropriately towards an Auckland waitress, and the story contributed to a wider discussion about political power and abuses of that power.
Dahlgren (2010) observes that major media organisations dominate the public sphere and political discourse since “political life itself today is situated within the domain of media” (p.30). As the commercialisation of media advances, the role of media as a source for information and discussion weakens, and “the realm of political becomes diminished” (Dahlgren, 2010, p.31). Dahlgren maintains that political organisations tailor their strategies to suit the media with suitable sound bites and by creating dramatic impacts. However, globalisation and digitalisation of the media “have ushered in a new era in which the conditions for a viable public sphere have to some extent been positively altered” (p.34). As more people are able to access information via multiple new digital platforms, new kinds of public arise. Dahlgren argues that while media institutions offer a structural frame for the free exchange of ideas and information, face-to-face communication between citizens is “where the public sphere comes alive” (Dahlgren, 2010, p.20).

Social networking sites, such as Twitter and Facebook, or VOIP services such as Skype, could be regarded as new public spheres as people are able to communicate face-to-face and share their opinions. However, Fuchs (2013) is critical of social networks such as Twitter because “there is a limitation of freedom of speech and opinion on Twitter: individuals do not have the same formal education or material resources for participating in the public sphere” (Fuchs, 2013, p.199-200). He reinforces the point by stating that Twitter is “predominantly about entertainment, not about politics” (Fuchs, 2013, p.199). According to Fuchs, data from the 2011 Egyptian uprising indicates that interpersonal communication, broadcasting and phones were far more important tools for communication than the internet (Fuchs, 2013, p.197-198).
He points out that social media has different characteristics in different societies, and that the power of social networks is influenced by the state, the capitalist framework and other media outlets.

Social media do not cause revolutions or protests. They are embedded into contradictions and the power structures of contemporary society. This also means that in society, in which these media are prevalent, they are not completely unimportant in situations of uproar and revolution (Fuchs, 2013, p.197-198).

New digital technologies can offer citizens new ways of communication and information sharing, but they can hinder public sphere principles in that the news media gets too fixated on the technology itself. Hurmeranta (2012) observes that online news publishing is driven by technology and the fear of being left behind. News publishers are constantly seeking solutions to their current financial problems from new technologies such as tablets, smartphones and e-readers. As Currah puts it, news professionals:

..... are now engaged in a technological arms race, which views the latest gizmos – from mobile phones to digital asset management systems – as an assured route to cost savings, operational de-layering and productivity gains (Currah, 2009, p.107).

This ‘technological arms race’ forces media companies to look for cost savings and other synergies, economies of scope, better productivity and faster delivery. The news industry in general assumes that technology will change society for the better, and that “technology is a source for prosperity and wealth” (Medosch, 2005, p.9). News Corporation exemplifies this kind of technological determinism. In 2010, the company’s chairman Rupert Murdoch stated that
Apple’s iPad tablet “may well be the saving of the newspaper industry” (Burns, 2010). In February 2011, News Corporation launched a tablet only newspaper *The Daily*, available only on iPad. The company spent a significant amount of money on the assumption that the rapidly increasing numbers of iPad users would deliver substantial audiences. This didn’t materialise, and the tablet newspaper was closed down in December 2012. In a press statement Murdoch said that *The Daily* was “a bold experiment in digital publishing and an amazing vehicle for innovation” (Clark, 2010). He noted that the tablet newspaper did not find a large audience quickly enough. *The Daily* was losing US$30 million a year before its closure (Sweney, 2012). Murdoch’s view of the iPad and its supposed capabilities to turn around the newspaper industry were driven by technological determinism.

This ideology assumes that there is a causal relationship between technological change and the betterment of society, and “that a certain media or technology has exactly one specific effect on society and the social system” (Fuchs, 2012, p.387). In the case of *The Daily* it can be argued that techno-optimistic assumptions led News Corporation to believe that launching a tablet newspaper would automatically attract readers and create a new public.

**Summary**

This chapter outlined the critical political economy of communication tradition, and addressed how the digitalisation and financialisation of media ownership have advanced commodification of news content, news work and news labour. The chapter also considered how the internet and emergence of social media corporations have affected journalism practices and public sphere principles.
The chapter argued that the financialisation of media ownership has intensified news publishers profit motives, and as a consequence newsrooms have shrunk while news publishers have pursued cost savings. The constant cost cutting has had a negative impact on the public sphere and content diversity. At the same time, digitalisation has changed the patterns of news production as it has moved from the industrial model to the post-industrial news ecosystem. This shift has meant that journalists are required to produce stories on multiple platforms, are expected to subedit their own stories, are required to shoot videos and take photographs and are asked to moderate online commenting and post messages to social media platforms. The shift from print to digital has increased journalists’ workload, and affected their ability to produce stories in the public interest, because they have less time and resources to investigate issues of importance.

It is also clear that digitalisation has advanced the commodity nature of news labour. Publishers increasingly treat newsroom workers as a pure commodity which can be exploited for profit. *The Huffington Post* offers a suitable example as its entire business model is dependent on free labour. Fairfax offers another example. In 2015, the company introduced ‘digital first’ newsrooms in New Zealand, and as a consequence 160 jobs were disestablished, and 174 new jobs created. Fairfax news workers were asked to reapply for the jobs, and were offered lower wages than they previously earned. Paul Tolich, EPMU industrial officer for print and media, observed that “the changes proposed by Fairfax represent a significant shift in the way they operate, driven by technological change and the move to more online news” (EPMU, 2015). He also noted that
“editorial leadership roles and subediting roles will be going, and reporters will be expected to take on more oversight of their own work” (EPMU, 2015).

The chapter demonstrated how the digitalisation and the financialisation of media ownership have also advanced the commodity nature of news audiences and content. As newspapers moved from print to online, their audiences fragmented, and commodification of audiences became challenging. While attempting to monetise their online news audiences, news publishers employed more sophisticated techniques to monitor and survey their audiences. Monitoring audience metrics – page views and clicks – has become part of everyday news work and part of editorial decisions, furthering commodification of online audiences and content. News sites are offering more trivial stories to attract site traffic and to increase the number of clicks (page views) to their sites, because clicks can be sold to online advertisers. This affects negatively on public sphere principles as online journalists are required to provide stories which pull the largest possible audiences to the sites.
Chapter 3: Decline of traditional newspaper revenue models

The newspaper industry in the Western economies is at “a critical juncture, a period in which entrenched media interests are disintegrating and losing their power” (McChesney & Nichols, 2010, p. 215). McChesney and Nichols (2010) argue that news industry has entered a critical historical period after the traditional business models of print publishers have broken down. This chapter examines how the crisis unfolded. It explores developments in newspaper revenues. It also considers how the crisis has impacted on journalistic work and resources.

First, trends in print newspaper revenues and circulation will be analysed. Secondly, developments in news publishers’ digital earnings will be examined as the digital income is expected to replace revenues lost in print publishing. Thirdly, the chapter concerns with digital news delivery and news consumption.

3.1. Shrinking print revenues

Prior to the contemporary crisis, the Western newspaper industry was highly profitable. The revenue model of the papers was based on income derived from advertising and circulation. As seen in graph 1, in 2013, 63 per cent of the newspapers revenue in the United States came from advertising whereas circulation contributed 29 per cent to the total revenue (NAA, 2013).
In 2014, advertising represented 69 per cent of the total newspaper income in the United States with circulation making 24 per cent of the total revenue. The rest of the funding came from various sources such as marketing services, web consulting, philanthropists and venture capitalists (Holocomb & Mitchell, 2014).

Ellis (2011) describes the decades after the Second World War as ‘golden years’ for the Anglo-American newspaper industry, because the circulation and advertising revenues of newspapers rose rapidly (Ellis, 2011, p.25). According to Ellis, the newspaper industry’s growth phase occurred between 1950 and 2000, and during that period the print advertising revenue of American newspapers rose by 2251 per cent (Ellis, 2011). DeFresne regards the period from the 1970s to the early 2000s as ‘the most prosperous’ in the newspaper industry, because print newspaper readership was steady and revenues from the advertising continued to increase (DeFresne, 2013). In Australia,
newspapers were seen as producing ‘rivers of gold’ as advertising income kept climbing (DeFresne, 2013). However, these ‘rivers of gold’ started to dry up in 2007 when the global financial crisis started to affect advertising. In 2009, after the demise of the investment bank Lehman Brothers, 300 American newspapers folded. Another 150 were closed down in 2010. From 1999 to 2009, the number of newspapers in the United States fell from 1,611 to 1,387 (McChesney & Nichols, 2010).

Changes in economic and financial environments are affecting news organisations in different continents differently. In most of the Western countries, the news publishing industry is facing “challenges associated with diminishing consumption, reduction in resources, cost cutting, consolidation” (Picard, 2010, p.17). Nielsen & Levy observe that the demise of the newspaper industry has not been as severe in all countries as the “state of the business of journalism is highly diverse” (Nielsen & Levy, 2010, p.5). As they put it:

The commercial legacy of news media organisations that were central locus of professional journalism in the twentieth century are under severe stress in some developed democracies, and undergoing an often painful transition to what may well be a diminished role in the twenty-first century (Nielsen & Levy, 2010, p.12).

The newspaper industry is thriving in countries like India and China, where fast economic growth and rising standards of living are supporting print newspaper reading. In 2012, newspaper circulation in Asia rose ten per cent from the previous year, and, with a circulation of 114.5 million, China surpassed India to become the world’s biggest newspaper market (“Fold the front page”, 2013). In 2013 PwC forecasted that by the end of 2017, India will be the only newspaper market to grow in double digits (PwC, 2013). The consultancy groups’ report
states that “a new middle-class readership in growth markets generally will boost the newspaper industry” (PwC, 2013). China, Brazil, India, Russia, the Middle East and North Africa, Mexico, Indonesia and Argentina were expected to be the fastest growing media markets in 2013-2017 (PwC, 2013). The arrival of the internet in the 90s contributed to the news industry crisis in Western economies. Macnamara observes that after the internet was introduced, newspapers’ steady revenue stream from classified advertising (real estate, jobs, cars etc.) started to decline (Macnamara, 2012). Hurmeranta believes that the emergence of online newspapers in Western economies in the mid-90s “triggered a fundamental shift in media” (Hurmeranta, 2012, p.16). The internet changed how the news was produced, delivered and distributed, hence the “revenue model of the entire newspaper industry began to crumble” (Hurmeranta, 2012, p.16). Beecher states that in Australia the newspaper business model actually “imploded”:

People no longer line the streets outside newspaper presses at night to be the first to see the ads. The internet has poached most of Australia’s newspaper classified advertising. The money that financed quality journalism for a century is disappearing, with no likely replacement (Beecher, 2013).

The figures from 2000 to 2011 are telling: in the United States the combined circulation and advertising revenue of newspapers declined 43 per cent over that 11 year period (Mitchell & Rosenstiel, 2012). The print advertising revenue of American newspapers declined from US$46 billion in 2003 to US$22 billion in 2012 representing a just over 50 per cent decline, as graph 2 indicates.
During 2008-2012, general newspaper print circulation in the United States declined 13 per cent, in Western Europe 24.8 per cent and in Eastern Europe 27.4 per cent (WAN-Ifra, 2013). Global newspaper publishing revenue from sales and advertising declined from US$187 billion in 2008 to US$164 billion in 2012 (PwC, 2013). In 2013, PwC forecasted that in the United States newspaper revenues would continue to decline at least until 2017 despite of the introduction of digital subscriptions (PwC, 2013). PwC also estimated that “a long-term decline in newspaper advertising revenues means that circulation will represent an increasingly significant proportion of overall revenues” (PwC, 2013).

In Australia declines in advertising and circulation income were not quite as dramatic as in the United States and Western Europe. The total revenue of
Australian newspapers shrunk from AUD$4.3 billion in 2002 to AUD$ 4.0 billion in 2012, a decline of 6.9 per cent as illustrated in graph 3.

**Graph 3: Australian newspaper industry revenue 2002-2012**

Papandrea (2013) notes that the overall revenue of Australian newspapers grew steadily until 2009 when the revenue started to deeply decline “reflecting the impact of the global financial crisis on advertising expenditure generally” (Papandrea, 2013, p.6). However, Young observes that the global financial crisis didn’t impact Australian newspaper industry as severely as some other industrial economies such as the United States and the United Kingdom (Young, 2011). However, she acknowledges that the Australian newspaper industry is more vulnerable than its counterparts in the United States, the United Kingdom and Canada, because of the stronger reliance on classified advertising and rapidly declining newspaper reach.
Print circulation declines have also impacted New Zealand. According to News Works NZ, the total circulation of New Zealand's ten biggest newspapers fell from 577,123 in 2002 to 484,440 in 2011, representing a fall of 16 per cent. As graph 4 demonstrates, the circulation of the leading New Zealand newspaper *The New Zealand Herald* declined from 209,898 copies in 2001 to 170,833 in 2011, a decline of 18.6 per cent.

However, News Work NZ asserted in 2013 that New Zealand had “some of the strongest levels of newspaper subscription in the world” which it regarded as a “testament to ongoing loyalty and brand connection” (News Works NZ, 2013). According to News Works NZ, print news consumption in New Zealand remained strong with 2.4 million people or 70 per cent of the 15 and over adult population reading a newspaper at least once a week (News Works NZ, 2013).
3.2. Slowly increasing digital revenues

In 2011 McChesney and Pikard concluded that American journalism is in an “existential crisis” as “the existing news media system is in collapse, and something is going to replace it” (McChesney & Pikard, 2011, p.128). At the time of writing, not a single new system has emerged to replace the old advertising based business model to save Western newspapers. As discussed previously, the internet and new technologies have ultimately changed the way news is produced, distributed and consumed. Publishers are now forced to produce news for online, mobile and social platforms; the content is provided by multiple different actors including search engines and citizens; news is distributed online and off-line, and news reading has shifted from print to online.

One of the main problems for online newspapers has been the slow pick up in digital advertising. In 2013, internet advertising generated “only a fraction of the revenue print or television advertising once earned” (Pew, 2013). In North America, online advertising income grew from US$1.2 billion in 2003 to US$3.2 billion in 2011, but at the same time print advertising losses were substantially greater. In 2011, the losses in print outweighed gains in online by a ratio of 10 to 1 (Mitchell & Rosenstiel, 2012). According to The State of the News Media 2014 report, in 2013 digital advertising in the United States grew to US$3.4 billion, but the increase still didn’t make up losses on the print pouring “cold water on the digital media excitement” (Ellis, 2014a). In 2014, newspapers were reported to have received backing from venture capitalists and philanthropists, but the new forms of funding only contributed one per cent towards “total funding for journalism in the US” (Jurkowitz, 2014). Additionally The Economist
asserted that revenues from digital sources, such as websites and apps, haven't made up the shortfall in advertising. For example, in 2013 digital advertising accounted for just 11 per cent of the total revenue of American newspapers (“Fold the front page”, 2013). The slow growth in news publishers’ online advertising income is mainly due to the competition from social media companies and search engines. In 2012, 64 per cent of the digital advertising money spent in the United States was directed to Google, Yahoo, Facebook, Microsoft and America Online (Pew, 2013). In 2012, overall digital advertising grew 17 per cent from the previous year to US$37 billion, but it was obvious that this money was not directed to newspapers (Pew, 2013). In 2012, The Search for a New Business Model report revealed that newspapers were burdened with print traditions, and weren't moving fast enough on their digital course:

In general, the shift to replace losses in print ad revenue with new digital revenue is taking longer and proving more difficult than executives want and at the current rate most newspapers continue to contract with alarming speed (Rosenstiel, Jurkowitz, & Hong, 2012).

As Rosenstiel, Jurkowitz and Hong note, newspapers’ process of building digital revenue has been “painfully slow”, and has taken “longer and proving more difficult than executives want” (Rosenstiel, Jurkowitz & Hong, 2012). The gains newspaper companies make in digital platforms haven't made up for the print losses, and every dollar gained in digital advertising income has resulted in a loss of seven dollars in print (Rosenstiel et al., 2012). As readers and advertisers are moving rapidly into the mobile area, the outlook for news publishers remains challenging:
For much of the past 15 years, news organizations have been forced to trade print dollars for digital dimes, as revenues from print and television evaporated far faster than digital revenues have grown. Now, things may get even worse: news may be entering the era of mobile pennies (Sasseen et al., 2013).

In 2013, PwC forecasted that digital revenues would account for 11 per cent of newspapers total revenues by 2017, up five per cent from 2012. To compensate for the slow uptake in online advertising, increasing numbers of newspapers have started to introduce paid online news content. In 2012, 450 of American 1,380 dailies had implemented some kind of charges for their online news sites. As Pew’s report points out, newspapers see paywalls as “an increasingly vital component of any new business model for journalism” even though they “fall far short of actually replacing the revenue lost in advertising” (Pew, 2013).

According to Jurkowitz (2014), paywalls helped the American newspaper industry to raise circulation revenue by five per cent in 2012, the first gain in subscription revenue since 2003. However, some academics argue that newspaper paywalls are not a viable business model in the short term (Myllylahti, 2013a). For example, in 2012 digital subscriptions represented around ten per cent of news companies’ total circulation or publication revenues in the United States, Britain, Australia, New Zealand, Finland, Poland, Slovenia and Slovakia (Myllylahti, 2013a). Paywalls will be examined more closely in chapter four.
3.3. Digital news consumption and delivery

The internet has become a critical source for information and news. The data published by The World Association of Newspapers and News Publishers (WAN-Ifra) in 2013 revealed that more than half of the world’s adult population read a daily newspaper. This meant that 2.5 billion people read print newspapers, and more than 600 million read digital ones (WAN-Ifra, 2013). In 2010 the Organisation for Economic Co-operation and Development (OECD) estimated that in some of the developed countries more than half of the population used the internet to read newspapers (OECD, 2010). The shift in news reading from print to digital platforms has been aided by new platforms including the internet, smartphones, e-readers and tablets. According to Pew, in 2012 approximately 39 per cent of Americans read online news, and 34 per cent used their mobiles to access them (Pew, 2013). The Pew study also highlighted the growing importance of social media networks in distributing and retrieving news: in June 2012 19 per cent of Americans saw news or news headlines on social networks compared to nine per cent in June 2011 (Pew, 2013). In 2014, research by the American Press Institute offered an insight into news reading habits. According to this research, American adult readers used a mix of sources and technologies to read their news, the main news channels being television, computer (internet), radio, newspapers, magazines and mobiles. The research found that Americans turned to newspapers “more than any other source specified”, and that social media outlets were used as an additional news source rather than a replacement (American Press Institute, 2014). If this is the case in other markets as well, it could be regarded as
positive news for newspapers. Perhaps they will not be entirely superseded as a primary news source by new media such as social networking sites.

In 2013, the Reuters Institute’s *Digital News Report* also found that audiences increasingly consume news using their smartphones and tablets (Newman & Levy, 2013). However, there were some clear differences between countries. For example, 25 per cent of readers in Denmark were accessing news via tablet whereas ten per cent of Germans were doing so (Newman & Levy, 2013). As the report stated the “digital revolution is not proceeding at an even pace in all countries. What happens in the US does not necessarily follow automatically in Europe or elsewhere” (Newman & Levy, 2013, p.9). Newman and Levy observe that factors such as geography, culture and government policy also play a part in media usage. For example, in 2013 print newspaper reading was still very strong in Japan, Italy and Germany. In Japan, 68 per cent of people surveyed purchased a newspaper at least once a week. Similarly in Italy 59 per cent and in Germany 56 per cent of people surveyed purchased a print newspaper at least once a week. An interesting finding in the report was that in France, Spain, Italy and Germany search engines were the most important gateway to find the news whereas in the United Kingdom and Denmark people found the news via a news brand (Newman & Levy, 2013, p.12). In 2012, the internet was the most important news medium for the majority (76 per cent) of Australians (Finkelstein, 2012). In 2012, approximately 43 per cent of Australians regarded newspapers as an important or very important news source (Finkelstein, 2012). However, it appears that in 2015 print newspapers were a vital source of news for the majority of Australians as 82 per cent of them still read printed papers (The Newspaper Works, 2015). According to a 2011 survey, 86 per cent of New
Zealander’s used the internet, and 69 per cent rated the internet as a more important information source than television, newspapers, radio or other people (Smith et al., 2010). In 2012, nearly 1.3 million New Zealanders (from the population of 4.5 million) read newspaper websites at least once a month (News Works NZ, 2013). These figures suggest that even though there is a strong print newspaper loyalty in New Zealand, audiences are shifting to the digital platforms.

There is little doubt that digital audiences are increasing, and 2013 readership figures from the United Kingdom are somewhat revealing. In 2013, the quality news brands, and especially those without a paywall, saw significant year-on-year growth (NRS, 2014). For example, in 2013 the print and digital titles of The Guardian, The Observer and the guardian.com attracted an audience of 12.6 million every month. The combined reach of the print and online titles measured a 208 per cent increase from the previous year, and this growth was aided by a strong increase in online news reading (NRS, 2014). To compare, in 2013 The Telegraph Media Group’s print and digital titles The Daily Telegraph, The Sunday Telegraph and telegraph.co.uk had a 12.2 million monthly audience, a 181 per cent increase in combined reach from the previous year (NRS, 2014). The Financial Times, which is behind a metered paywall, saw a 56 per cent increase in readership, but The Times, which has a hard paywall, recorded only a nine per cent increase in its combined online and print reach from 2012 to 2013 (NRS, 2014). In 2013, News Corp’s tabloid newspaper The Sun launched a paywall. In 2014 the paper had 225,000 digital subscribers, and estimated paywall income of 29.95 million euros (Myllylahti, forthcoming).
3.4. Job cuts and outsourcing

To combat revenue declines and slowly growing digital revenues, the Western news organisations have heavily reduced workers. According to OECD statistics, the number of newspaper employees in some Western countries declined rapidly from 1997 to 2007. For example, the number of newspaper employees in Norway declined 53 per cent over this period and in Germany 41 per cent. In some other countries the number of people working in the newspaper industry increased over the same period. For example, in Spain journalistic employment grew 63 per cent, and in Poland 30 per cent over the same period. However, it can be noted that in general, the number of journalistic jobs in OECD countries declined after the global financial crisis in 2007-2008 (OECD, 2010, p.21).

According to Pew, the number of full-time employees in American newspapers shrunk 30 per cent between 1978 and 2010. In 2010, American print newspapers employed 40,000 people (Pew, 2013). As Pew asserts, the layoffs in newsrooms have led to a “news industry that is more undermanned and unprepared to uncover stories, dig deep into emerging ones or to question information put into its hands” (Pew, 2013). During 2012-2014 it was obvious that newsrooms kept shrinking, especially in the United States. For example, the television channel CNN was cutting more than 40 journalistic jobs, news publisher Time Inc. approximately 500 jobs, Tribune announced 700 job losses in its newsrooms, Patch cut hundreds of journalistic jobs and Sun Media introduced 200 layoffs. In Australia and New Zealand, newsrooms have shrunk
as well, and the number of newsroom employees keeps falling. For example, in 2014 Fairfax cut 80 editorial positions from its Australian regional news outlets.

However, the *State of the News Media 2014* report found some optimism as the new digital journalism ventures such as *The Huffington Post, BuzzFeed, Gawker, Mashable, TechCrunch, Gigaom, Salon* and *Global Post* had created new job opportunities for journalists. This report pointed out that these substantial digital media companies, together with some smaller digital outlets, had produced almost 5,000 new full-time editorial jobs (Mitchell, 2014). This can be regarded as a positive development, although the report noted that:

> purely in terms of bodies, the growth in new digital full-time journalism jobs seems to have compensated for only a modest percentage of the lost legacy jobs in newspaper newsrooms alone in the past decade (Mitchell, 2014).

One of the consequences of shrinking newsrooms has been decreased news coverage, and increased reliance on the pre-packaged information coming from the public relations industry and news agency services. As Lewis et al. found in their 2008 study, 60 per cent of the stories published and broadcast in the United Kingdom relied wholly or mainly on pre-packaged information. Further on, 20 per cent were reliant on varied public relations and agency materials (Lewis et al., 2008, p.14). Lewis et al. concluded that news, especially in newspapers, was “routinely recycled from elsewhere, and yet the widespread use of other material is rarely attributed to its source” (Lewis et al., 2008, p.18).
In a trans-Tasman context it can be noted that Fairfax’s newsroom cuts, for example, have led to a situation where:

journalists are now expected to edit their own copy, take photographs and moderate online commenting. This is potentially eroding the quality of media content as journalists are given even less time to produce more material (Myllylahti, 2014).

The consequences of shrinking newsrooms have not gone unnoticed by audiences either. A study by Enda & Mitchell (2013) found that American newspaper readers were increasingly aware of lack of quantity and quality in news reporting, and hence a number of people have stopped following traditional news media. According to the study, nearly 31 per cent of Americans surveyed had stopped following a particular news outlet “because it no longer provided the news and information they had grown accustomed to” (Enda & Mitchell, 2013). Their survey observed that audiences were ignorant of the financial troubles of news media, but that they were aware of the lack of news quality. Roughly 61 per cent of Americans reported that they had noticed that news outlets were publishing “less complete” stories (Enda & Mitchell, 2013).

**Summary**

This chapter outlined how the traditional advertising based business models of Western newspapers have crumbled. As seen in this chapter, newspapers in Anglo-American countries have remained dependent on print advertising. This dependency is worrying as news publishers haven’t been able to build substantial digital income streams to support their current news organisations and newsroom structures. It is evident that the digital transformation of
newspapers has happened much slower than anticipated. Audiences have moved to consume news on laptops, mobiles and tablets, yet news publishers have not been able to monetise on their digital audiences and news content. However, newspapers are increasingly moving to monetise on online news with digital subscriptions, and this will be further discussed in the following chapter. The revenue struggles of news publishers have led to substantial job losses. This is concerning as job losses impact on the quality of news provided, and diversity of content. Shrinking newsrooms have potential implications for public sphere principles as there are less journalists in newsrooms to produce content to multiple new platforms. In the midst of the gloom some positive aspects are emerging as seen in the United States. The new digital media corporations have started to employ journalists. However, at the time of writing it wasn’t clear how sustainable these ventures are in the long-term. The new journalistic and digital ventures will be covered in depth in chapter four.
Chapter 4: Online news and business models

In order to reflect on what the major building blocks in contemporary journalism are, it is paramount to have a closer look at business models because they determine how media organisations are structured, and how the newsrooms are financially supported. Analyses of business models reveal how media companies make money and create value through their products and services, and what their operational requirements and relationships with partners and customers are (Picard, 2011, p.7). For Moro and Aikat, business models in general consist of revenue and cost structure, the amount of capital invested and critical success factors (Moro & Aikat, 2010, p.359). Lauden and Travers (2008) point out that the purpose of any business model is to maximise revenue efficiently in order to create profit. According to Ifra, the business models in the communication industry “need to account for the vital resources of production and distribution technologies, content creation or acquisition, as well as recovery of costs for creating, assembling, and presenting the content” (Ifra, 2006, p.5).

This chapter examines the emergence and evolution of news business models as newspapers moved from a print to a digital environment. Before doing so the standard models from previous academic research will be identified. Commercially focused for-profit, alternative non-profit, state funded and public broadcasting models will be considered. The general argument here is that the paid online news model represents a new phase of news commodification. Before digital subscriptions were introduced, online news was free for audiences, and the content on websites was funded from various sources: the media companies print publications, advertising revenue and sponsorships.
Other kinds of news business models explored here will include hybrid, online-only and digital native models, the hyperlocal news model, paid digital content/paywalls, crowdfunding, non-profit, philanthropy and trust models. The chapter will evaluate how economically sustainable these models are, and how they might delimit or enhance public sphere principles in a societal context.

4.1. Searching for a sustainable business model

Chapter two outlined how the business model of Western newspapers has been based on selling the news commodity to audiences and the audience commodity to advertisers for profit. The arrival of the internet disrupted this model by providing anyone a free publishing platform and universal access to news. From the 1990s onwards, news corporations started to launch free online news sites which were seen to complement their print newspapers. As print newspaper revenues declined after the 2007-2008 global financial crisis, the news industry searched for new ways to commodify their online news content. The hunt for a new profitable business model intensified as the newspaper owners demanded better returns for their investment. For example, in 2012-2014, newspapers in the United States, Europe and the Asia-Pacific were increasingly introducing subscriptions for their online news. Yet, in 2013, newspapers in the United States were still mainly dependent on print circulation income. In 2013, daily newspaper subscriptions comprised almost 70 per cent of newspaper revenue, totaling US$10.4 billion (Mitchell, 2014). In March 2014, it was clear that newspapers had not found a single business model to revive their profitability, although the State of the News Media Report 2014 highlighted some positive developments within the industry. The report noted that
philanthropists and venture capital firms had started to fund new digital media startups (Jurkowitz, 2014). The report supported other observations that venture capital money, with no inherent interest in the media sector, was increasingly funding media corporations (Hope and Myllylahti, 2013b). As seen in the case of the American hyperlocal news venture Patch, financial investors with short-term profit imperatives might not offer the most sustainable ownership structure to support newsrooms.

In April 2014, The Washington Post’s editor in chief, Martin Baron, commented that the news industry is “in a period of tremendous experimentation with business models” and “not all of these will work” (Baron, 2014). Baron asserted that media institutions have entered “an era of journalistic entrepreneurship”, and therefore their only choice was to keep experimenting with different revenue models. According to Baron, the new area of experimentation means that journalists will have to develop business skills in order to build media organisations for the future. Eventually this would lead to blurring boundaries between entrepreneurs and journalists, and the consequences of this phenomenon are still unknown. It can be argued that new media entrepreneurs might be able to create jobs for the new generation of journalists, as seen in some of the examples below. Alternatively however, new media companies may be forced to focus on the bottom line instead of journalistic principles and quality of content.
4.2. Earlier academic research and examples

The academic research around online news production, online news content and online news business models has expanded as news organisations have moved to digital platforms, and as their financial woes have worsened (Kaye & Quinn, 2010; Wunsch-Vincent, 2010; Moro and Aikat, 2010; Zhang, 2010; Mings & White, 2000; Picard, 2000; Chyi, 2005 and 2012; Swatman, Krueger & van der Beek, 2006; Thurman & Herbert, 2007; Thurman & Myllylahti, 2009; Myllylahti, 2013a). However, the online news media landscape itself is evolving rapidly, and further research is necessary to understand the complexities and challenges that the new digital media environment is creating for the print newspaper industry. As Zehnder (2009) states, a more thorough analysis of the newspaper industry’s alternative financing opportunities is much needed. Similarly Picard notes that so far “scholarly work on the subject has been polemical” and has “offered limited historical or comparative context” (Picard, 2014, p.1). The research aimed to explore business models in a historical context, and it also attempted to offer a comparative industry context to overcome certain limitations.

Mitchelstein and Boczkowski (2009) offer a helpful review of online news research, especially in relation to news production. According to them, the most recent studies of online content news production “illuminate the role of profitability, business models, and the growing importance of advertising” (Mitchelstein & Boczkowski, 2009, p.573). The researchers acknowledge that other academics such as Marjoribanks (2000) understand the importance of labour dynamics in the context of technological change, and suggest that future
scholarship should examine the composition of journalistic labour markets, the structuring of career paths, levels of unionisation as well as regulations impacting on online news production and content (Mitchelstein & Boczkowski, 2009). They note that much research on online news production draws from practices inherent to the print environment, and ignores the particular challenges that online news organisations are facing:

Rather than continuing to adopt a phenomenon-centered or a theoretically tributary stance, the evolution of online news scholarship will gain much by choosing trends that lead to rethinking major building blocks in the understanding of journalism and its role in society (Mitchelstein & Boczkowski, 2009, p.578).

In 2007, Thurman and Herbert conducted an empirical study of the business models of British online newspapers, and found that news websites relied on advertising income even more heavily than print newspapers. Twelve British newspapers were examined while they were experimenting with business models. The study found that all the newspapers were charging for some online content, but none of them were charging for general-interest news. After this study was conducted, several British newspapers introduced paywalls (this will be discussed in more detail later). Thurman and Herbert (2007) concluded that the emerging business models of British online newspapers were based on the large web audiences and web traffic which were seen as the crucial elements to attract advertisers. In 2006, Swatman, Krueger and van der Beek studied the income models of print-online news organisations in ten European countries. They also found that 90 per cent of the researched news outlets got their revenues from advertising, but their online domains were failing to attract enough money from advertisements. Swatman et al. (2006) concluded that in
order to be successful in future, online media operators would need to break away from past revenue patterns. This would mean less dependency on advertising revenue.

A study by Nel (2010) of the largest circulation newspapers in 66 cities in England, Scotland, Wales and Northern Ireland, found that newspapers’ online websites were mostly dependent on advertising income as a main source of revenue. According to Nel (2010), all British news publishers have expanded their online content into areas not available in print – including video, blogs, social media and comments – but they didn’t have revenue models to sustain any of the new activities. In early 2012, advertising was still the main revenue model for 97 per cent of the world’s online news sites despite the fact that this model had plenty of problems (Quinn, 2012). The advertising model has not worked in the online environment as well as the news media assumed, because web-based advertising is cheap as they have small click-through rates. Quinn observes that when a huge drop in advertising threatens the financial viability of the news business, the media’s public good role is also threatened. We encounter a paradox: people need news even if they are not willing to pay for it, to be able to function as citizens (for example choosing which party to vote for). But newsgathering is expensive, and becoming even more costly (Quinn, 2012).

As Kaye and Quinn state “the economics of journalism is not straightforward” (Kaye & Quinn, 2010, p.1). Journalism, or rather journalistic products, differ from other products because they have a double commodity nature. First, the news is sold to audiences, and then the audiences are sold to advertisers. News content is provided to attract audiences, and the bigger the audience, the
more likely the news outlet is to attract advertisers who pay for the advertising space. Kaye and Quinn remark that “consumers have been funding only a fraction of the cost of producing quality journalism” (Kaye & Quinn, 2010, p.6). They believe that advertising will remain the most important source of revenue for the newspaper industry, yet at the same time they forecast that in the future news organisations will have to rely on a combination of revenue sources. They state that “it will be impossible to apply a one-size-fits-all commercial solution to the wide-ranging forms of news dissemination that are now possible” (Kaye & Quinn, 2010, p.174).

Arampazis (2011) makes similar observations. He researched business models utilised by some of the most established news organisations in Greece and the United Kingdom including commercial online media companies and state-controlled companies. The study included online versions of The Independent and The Economist (in the UK), news website Naftemporiki and IN.GR internet portal (in Greece), and the online sites of public broadcasters BBC and ERT. Arampazis observed that online news business models in the two countries weren’t substantially different – the main reason being “the rather limited options of business models from which online companies can choose” (Arampazis, 2011, p.99). All the mentioned online news providers had multiple revenue sources including subscriptions, advertising and income derived from syndication (Arampazis, 2011, p.99).

The online news business models identified by Kaye & Quinn (2010) include hybrid, subscription, hyperlocal, sponsorship and philanthropy models, micro funding and micropayments models, collaboration, family ownership, trusts and
partnerships (Kaye & Quinn, 2010). Similar kinds of models have also been identified by Wunsch-Vincent (2010) who added to the list digital content sales (pay per view or track), selling goods and services to the audience and selling user data and customised market research (along with licensing content and technology) to other providers. Almiron-Roig (2011) has offered a non-profit model which is an alternative media model to commercial ones as it is not based on capitalist profit (no capital accumulation or personal gain), financial capital (no financial partners or financial aims) or commercial enslavement (commercial advertising is not the main source of funding) (Almiron-Roig, 2011, p.58).

Macnamara (2010) has considered paid online news models, and concluded that charging for online news content “appears to offer, at best, a partial business model for media” (Macnamara, 2010, p.28). After reviewing mainly industry based studies he lists two possible business models for implementation: firstly a full paywall which would require payment for all online content, and secondly a premium/freemium model which offers some content for free and has some fees for more specialist content. The latter model has been adopted by many financial newspapers such as the National Business Review (NZ), the Financial Times (UK) and The Wall Street Journal (US).

Mings and White (2000) were among the first academics to research business models of online news media. They identified four different business models which still characterise most of the world’s news media organisations. These include subscription, advertising, transactional and the bundled/partnership models. The subscription model refers to a revenue model which is based on
digital subscriptions and membership charges (paywalls) and an advertising model based on charging for the promotional space on online news sites (for example, charging for banner advertisements). The transaction model refers to online news sites that are offering a market place for transactions such as online shopping or listing services (classified advertising is a typical example). A bundled/partnership model is based on partnerships between different organizations to syndicate the content. As Mings and White (2000) rightly point out, none of these business models is pure, and there is interaction between different models and different combinations are possible: “a successful revenue model for online newspapers will be some mix of revenue models” (Mings & White, 2000, p.87).

Research of online news business models has mainly concentrated on America and Europe, but more research has started to emerge from Asia. In 2010, Zhang conducted a case study of the Beijing Youth Daily (BYD) which is the largest newspaper in Beijing in terms of advertising revenue, and the second largest in terms of circulation. Zhang’s research examined how globalisation influenced ownership, corporate strategies and business models of the BYD. In contrast to most Western media companies, BYD is owned by the state, and its senior management and editors are appointed government officials. Despite the state ownership, Chinese authorities encourage newspaper companies to run as market-driven entities, and therefore BYD is listed on the Hong Kong stock exchange. Around 90 per cent of BYD’s income comes from advertising and ten percent from distribution.
Zhang found in his case study that as business entities Chinese news organisations are not much different from their Western counterparts:

Under Chinese-style capitalism, news organizations endeavour to develop into media conglomerates via acquisitions, concentrations, and convergences to cope with competition from the domestic newspaper market, the internet, and other news media (Zhang, 2010, p.226).

Moro and Aikat (2010) researched news media business models in China and India from 1990 through 2010, and identified ten “sustainable business models” for newspaper markets, although these models have not been properly tested. As Moro and Aikat state, they were researching India’s and China’s newspaper industry with a view that they might offer “valuable lessons for the beleaguered newspaper industry in other nations, especially the United States” (Moro & Aikat, 2010, p.358).

Moro & Aikat provide a useful framework for analysing online revenue models of online news media although there are some differences between Asian and Western media markets. In contrast to Western countries, newspaper readership in China and India has grown as the purchasing power amongst the middle class has increased, and as the “growing popularity of infotainment” has advanced consumerism and advertising (Moro & Aikat, 2010, p.360). The researchers observed that both countries’ “newspapers have broadened and deepened governance by acting as a bridge between the polity and its people. To that end, the newspapers have galvanised civil society” (Moro & Aikat, 2010, p.364). For example, newspapers in India have campaigned for institutional reform and
greater government transparency and accountability, but as the researchers state, the story is a bit different in China where media is still firmly controlled by its communist leaders (Moro & Aikat, 2010).

The business models identified by Moro & Aikat are:

1. **The Traditional Legacy Media Model**: newspapers have three legs for revenue comprising newsstand sales, subscriptions and advertising

2. **The State-Support Model**: in the case of China and India, newspapers receive state support via discounted postage rates, government advertisements and subsidised newsprint

3. **The Free Content Model**: free access to online newspapers is funded by an advertising-only revenue model

4. **The Paid Web Content Model**: newspapers are charging subscriptions either for premium or regular content or for niche products for elite audiences

5. **Crowd-sourced Content and Citizen Journalism Model**: crowd sourcing content from citizens, but employing fact-checker journalists

6. **Innovative Revenue Model**: includes different payment systems, sharing digital portals, push up and personalised advertisements

7. **The Public Press Model**: combination of funding from philanthropy – foundations and individuals – plus subscription revenue and newsstand sales

8. **Hyper-local News and Information Model**: based on alliances of small, hyper-local news websites and community focused content

9. **The Philanthropy Model**: philanthropic support from foundations, private donors and consumers to fund news

10. **Computer-generated Aggregator News Model**: search engines such as Google aggregate headlines from diverse news sources

   (Moro & Aikat, 2010, p. 360-363)
Western newspapers are mainly commercial enterprises, listed on stock markets and owned by their shareholders. Typically they have had three legs for revenue: advertising, subscriptions and newsstand sales. After the introduction of the internet in the early 1990s and the global financial crisis in 2007-2008, advertising income and print subscriptions of newspapers sharply declined, and the newspaper industry itself was deemed close to death. Already in 2004 Philip Meyer predicted that the world would see the final copy of a print newspaper in 2043 (Meyer, 2009). In 2009 the news media was full of headlines predicting the death of print newspapers. Many papers were closed, but in 2013 most of the legacy newspapers were still operating, and many of them were making a profit and recovering lost income. A 2013 study by Jurkowitz and Mitchell of four American newspapers *The Naples Daily News*, *The Santa Rosa Press Democrat*, *The Desert News* and *The Columbia Herald* detailed how the revenues of these four papers were actually growing in 2011 and 2012. The papers were able to recapture some lost revenues by introducing niche editorial products, reorganising their sales and starting new digital businesses independent of print operations (Jurkowitz & Mitchell, 2013). Most of the contemporary newspapers in Anglo-American countries have moved on from the three legged revenue model. Their operations are based on a hybrid model as they offer both print and online versions of their newspaper to their readers (Chyi et al. 2010).

Some Western newspapers have moved to online-only. In 2009 Thurman and Myllylahti detailed how a newspaper is transformed from a print publication to
an online-only publication. They studied the Finnish business daily *Taloussanomat*, the first quality newspaper in Europe to abandon completely its traditional print format. The paper suffered a 75 per cent drop in its advertising income after going online-only, and was forced to look at other revenue sources. To compensate for the drop in ad revenues, the online-only paper began to cut jobs and sell its content to third parties, and started to focus on lighter, more commercial content (Thurman & Myllylahti, 2009). Online-only publications are those whose content is only published on the internet. Other newspapers and magazines who have moved to an online-only format include the *Christian Science Monitor*, the *Seattle Post-Intelligencer* and *Newsweek*.

Additionally, after the high-tech boom and bust in 2000, new digital-only news ventures started to emerge to challenge the legacy media corporations. These operators were not burdened with the same problems as those moving from print to online-only. For example, most of the companies that have only operated digitally have lighter newsroom structures, and therefore lower costs compared to those who have moved from print to an online-only format. One of these sites is the American *The Huffington Post* which was launched in 2005 by Arianna Huffington. Its business model has been based on free content provided by its bloggers and news aggregation. In 2011, the site was sold to America Online, and by 2014 it had 575 editorial employees. The company has grown to the size of the big legacy media corporations, and therefore it wasn’t surprising that in 2014 it didn’t make any profit (Jurkowitz, 2014).

In many cases new digital only ventures, which Jurkowitz (2014) calls digital natives, are owned by entrepreneurial journalists, philanthropists, families,
foundations or trusts. Their operations are funded from multiple sources such as subscriptions, advertising, sponsorship and donations. In 2014 Jurkowitz identified 30 major digital native companies in the United States including companies such as ProPublica, Politico, BuzzFeed, Bleacher Report, Gawker, Mashable, Business Insider and Vox Media. Additionally he found 438 smaller digital native ventures which were mainly young companies functioning with a non-profit model. The smaller digital natives filled the gap in local news and investigative reporting whereas the big 30 were more involved in covering global news issues and sports (Jurkowitz, 2014).

Some of the online-only/digital natives have been successful in terms of readership, but not in terms of profits. In Finland, the online-only news site uusisuomi.fi, owned by a wealthy publisher and former journalist Niklas Herlin, was launched in 2008. In 2012 uusisuomi.fi employed seven full time journalists, and a substantial part of the sites’ content was provided by the blogging community for free. In 2013 the site had 680,000 unique visitors, but despite this increase, it continued to be loss making (Uusi Suomi, 2013). By 2012 its owner and publisher had covered losses of nearly two million euros (Sirkkunen, 2012). The case of uusisuomi.fi exemplifies the challenges online news operators face when they are competing for advertising dollars against legacy media corporations and search engines such as Google. Another example comes from France where Mediapart, owned by its founder journalists, was launched in 2009. This French investigative journalism site has a different kind of business model from uusisuom.fi as it is funded by subscription fees. In 2014 the site had 62,000 subscribers, and was profitable with six million euros of revenue (Picard, 2014, p.3).
New digital news ventures can be regarded as a positive development in that they have provided thousands of new journalistic jobs (Jurkowitz, 2014). Some of the ventures are also providing quality journalism. For example, in 2010 *ProPublica* was awarded the Pulitzer Prize for investigative reporting, and 2011 for national reporting. However, despite these accomplishments “it is far from clear there is a digital news business model to sustain these outlets.” (Jurkowitz, 2014, p.1).

4.2.2. Hyperlocal news sites

The hyperlocal news business model refers to relatively small news sites that are focusing on local news and community related content (Moro & Aikat, 2010). Kurpius et al. (2010) state that “hyperlocal media are characterized by their narrow focus on a handful of topics of geographic areas, but they vary widely in the type and reliability of funding that supports their operations” (p.359). Hyperlocal news sites have emerged to fill the gap left by legacy media corporations in local news reporting, and their aim is to provide public interest journalism which has been neglected by the big commercially run media corporates. In 2010 Kurpius et al. researched ten hyperlocal news sites in the United States including *Voice of San Diego* (San Diego, California) and *MinnPost.com* (Minnesota). Kurpius et al. (2010) found that the funding model of the hyperlocal sites studied was dependent on subsidies, and sustaining these subsidies “proved a formidable challenge” (p.373). The hyperlocal sites were hoping to increase their advertising income in future. However, their relatively weak brands and lack of audience data made such sites less attractive to advertisers. Those examined were able to source free content from
their communities, but gathering and editing the content was costly. The researchers concluded that “none of the evidence suggest that any of these projects has developed a working model that can be easily replicated in other communities and maintained for the long term” (Kurpius et al., 2010, p.374).

In the United Kingdom during 2012, Thurman et al. studied Northcliffe Media’s network of 154 Local People websites. The researchers discovered that:

> the hyperlocal publishing efforts of at least one of the United Kingdom’s major regional publishers suffer from some important flaws and are well behind independent equivalents in terms of engagement with users (Thurman et al., 2012, p.280).

These community based sites had a shortage of digital skills, and had very few training opportunities to advance them. Also, the commercial focus of Local People sites was found to restrict editorial autonomy since the “commercialisation of content formalises the cliché that journalism is intended to fill the ‘space between advertising’” (Thurman et al., 2012, p.280). In 2014, Van Kerkhoven and Bakker examined 123 Dutch hyperlocal news sites, and explored their business models and editorial strategies. They observed that many of the sites were run with “true entrepreneurial spirit”, but they lacked sufficient advertising income to support them. They also had poor digital skills and underutilised social media platforms (Van Kerkhoven & Bakker, 2014, p.11). The researchers noted that “even the site with 83 advertisements does not seem to be an example of a sound business model; it makes no sense to have an endless chain of banners on a site” (Van Kerkhoven & Bakker, 2014, p.11). The researchers argue that hyperlocal news sites have a potential for
growth, although their dependence on a “very small staff could seriously hamper development” (Van Kerkhoven & Bakker, 2014, p.13).

In 2014, it was evident that some of the business models of hyperlocal news sites were in trouble. *Patch*, the American local news enterprise running 900 local news sites, was cutting hundreds of journalistic jobs after America Online (AOL) sold it to an investment company Hale Global (Kaufman, 2014). The hyperlocal news operator, which was growing and expanding too rapidly, made a US$200-300 million loss before it was sold (Kaufman, 2014). In April 2014, New Zealand Post sold its hyperlocal site Localist for an undisclosed sum to the company’s chief executive officer Christine Domecq (NZ Post, 2014). This site never developed into a proper news site as its main focus was in listing services. In a statement NZ Post asserted that “there have been encouraging signs of progress for Localist over the last 12 months and its new team is excited about its future direction” (NZ Post, 2014). At the time of writing this thesis it was unclear how the site will develop in the future.

On the other hand, some of the newer hyperlocal sites such as the *Texas Tribune* were doing better. The *Texas Tribune* is a non-profit media organisation based in Austin, Texas, and was started in 2009. It reports on state government and public policy, and seeks to encourage civic engagement. In April 2014, the news site employed 17 reporters including two full time investigative reporters. Its revenue came from multiple sources including individual donors (37%), foundations (22%) advertising (13%), and some of the income was derived from memberships and events (Ramshaw, 2014). The company also used the crowdfunding platform Kickstarter to fund some of its technology costs. In 2013,
the total revenue of the Texas Tribune was $US5.4 million (Ramshaw, 2014). In 2014 it was not clear if the company was profitable, but it had at least found a business model which was supported by different multiple streams of revenue.

4.2.3. Digital subscriptions, paywalls

The losses incurred by print newspapers have forced publishers to find new revenue streams, and the industry has started to monetise online news. In 2012, The State of the News Media 2012 report predicted that more newspapers would introduce paywalls or move to digital subscriptions “as a matter of survival” (Mitchell & Rosenstiel, 2012). The report stated that:

many newspapers have lost so much of their ad revenue — more than half since 2006 industry-wide — that without an infusion of digital subscription revenue, some may not survive. Over the last five years, an average of 15 papers, or just about 1% of the industry, has vanished each year (Mitchell & Rosenstiel, 2012).

A paywall can be defined as a “system that prevents internet users from accessing webpage content without a paid subscription” (Mashable, n.d.) or it can be understood as “a digital mechanism to separate content that one has to pay for from the rest of the content on the net” (Radoff, 2009). By 2014, major newspaper groups around the world had introduced digital subscriptions for their websites. By 2014, at least 500 American dailies had implemented a paywall (Jurkowitz, 2014). Initially, these paywalls “helped the newspaper industry to raise circulation revenue by five per cent in 2012, the first gain in subscription revenue since 2003” (Jurkowitz, 2014). In 2013 in Canada, 95 of the dailies had moved 80 per cent of their content behind a paywall, or were planning to implement paywalls in the near future (Toughill, 2013). In Australia
both News Corporation and Fairfax Media have introduced paywalls for their papers. In 2011 News Corporation launched a metered paywall for its masthead The Australian, and in 2013 paid content was extended to the Telegraph and the Herald Sun websites. In 2011 Fairfax put its financial newspaper the Australian Financial Review behind a paywall, and in June 2013 it launched metered paywalls for The Age and The Sydney Morning Herald. Fairfax paywalls will be analysed more closely in chapters five and six. In New Zealand, the National Business Review and local newspapers The Ashburton Guardian and the Whakatane Beacon have introduced digital subscriptions.

In 2011, Sorce et al. categorised different kinds of online subscription models, of which two are of importance here: online subscriptions tied to print newspapers and subscriptions to premium content (Sorce et al., 2011, p.6-7). The online subscriptions tied to print are typically bundled subscriptions which either allow readers to access their news sites for free, or they charge a very small amount for the online access on top of their print products. For example in Finland, the leading daily newspaper Helsingin Sanomat upsells its digital package to existing print readers for as little as $US48 extra charge annually (Myllylahti, 2013a). Four types of paywalls can be identified: hard paywall which denies access to all the content without a subscription; soft paywall which allows some free content; metered paywall which allow readers to access a certain amount of articles per month (most commonly 10 articles per month) and freemium paywall which charges for premium content (Myllylahti, 2013a, p.182). The most widely used paywall structure is a metered model which is used by 87 per cent of American newspapers (Myllylahti, 2013a).
Early academic research around paid online news content concentrated on the issue of people’s willingness to pay. In 2005, Chyi investigated whether the people of Hong Kong were prepared to pay for online news content. Chyi’s survey concluded that because the public had little interest in a fee-based online news service, “news publishers may find it difficult to rely on the subscription model to achieve economic viability” (Chyi, 2005, p.141). The survey suggested that respondents were not willing to pay for online news because they didn’t see it as having “unique value”, such content was seen as “inferior good” (Chyi, 2005, p.140). The research was done before paywalls became a popular new funding model for newspapers in Anglo-American countries. Paid online content started to rapidly expand within the news publishing industry around 2011. Chyi’s research didn’t find a correlation between income and paying intent, but it identified age as the one significant variable; younger people were more likely to pay for online news than older people. Another study by Chyi in 2012, this time conducted in the United States, confirmed that newspaper readers were unwilling to pay for online news. Interestingly, internet users in this study indicated that they were more likely to pay for a print newspaper than an online one, and that they were willing to pay “significantly more for the print edition than for the web edition” (Chyi, 2012, p.241-242.)

Chyi’s findings are reflected in other studies which explored how many people actually have paid for digital news content. In 2011, a nationwide survey in the United States found that only five percent of Americans paid for local online news content (Rosenstiel et al., 2011). In 2013, the Reuters Institute Digital News Report discovered that on average only five per cent of news readers in
the United Kingdom, Germany, Spain, Italy, France, Denmark, the United States, Brazil and Japan had paid for digital news content. In 2013, 24 per cent of Brazilian news consumers had paid for online news and in Italy 21 per cent had done so. In the United Kingdom, where The Guardian newspaper is available online for free, and where the broadcasting corporation BBC has substantial news offerings online, the percentage was much lower, at nine per cent (Newman & Levy, 2013).

More recently, academic research has started to address paywalls in terms of sustainability, content, readership and democracy. A 2013 study of paywalls in eight different countries including Australia and New Zealand found that paywalls provided roughly ten per cent of media newspaper publishers’ revenues (Myllylahti, 2013a). The structure of a paywall seemed to have little impact on the revenues achieved, although financial newspapers achieve somewhat higher revenue levels. Financial newspapers had higher charges than general newspapers due to their premium content which also explains the higher revenues (Myllylahti, 2013a). In these circumstances it can be argued that paywalls are not a viable business model on their own, and they have inbuilt pitfalls.

For example, some newspapers have been cutting the prices of their digital subscriptions in order to attain a bigger audience, but this has eroded their earning potential (Myllylahti, 2013a). The potential social impacts of the paywalls must also be acknowledged:

charging for news content has the potential to create a new digital divide between those who can afford to pay for news, and those who can’t… It could be argued that publicly funded media becomes even more important in society to prevent new kinds of digital divides emerging (Myllylahti, 2013a, p.190).
Also in 2013 Pickard & Williams studied paywalls in the United States, and they examined the digital subscription models of the *Dallas Morning News*, the *Arkansas Democrat-Gazette* and *The New York Times*. They also found that the paywalls were not creating enough revenue to offset losses in print advertising. Their study, based on minimal empirical research, noted that paywalls might work best for niche news outlets, and that digital subscriptions may work “as a partial solution for finding new revenue streams to pay for news” (Pickard & Williams, 2013, p.13). The researchers also drew attention to the impact of paywalls on the principles of democracy and the future of journalism. They state that digital subscriptions:

> further inscribe commercial values into newsgathering processes; and, by extension, they may further constrict the scope of voices and viewpoints in the press and in our national discussions (Pickard & Williams, 2013, p.14).

Chiou & Tucker (2013) found that paywalls have an impact on news readership. Their analyses of three American local newspapers, *The Spectrum*, *The Greenville News* and *The Tallassee Democrat* (owned by Gannett media group), discovered that readership of these sites diminished after a paywall was introduced, especially amongst young readers. Chiou & Tucker observed that “the introduction of paywalls disproportionately excludes young readers, which undermines policymakers’ attempts to create a comprehensive community” (Chiou & Tucker, 2013, p. 67).

In 2014 Brandstetter & Schmalhofer (2014) examined the relationship between digital subscriptions and online news content. They researched the business and finance section of the German online news site *welt.de* before and after the
implementation of a paywall. The results showed that the business and finance section of the welt.de offered little added value for its readers since they were able to access the same information freely elsewhere on the internet. This was because half of the articles published on the site were sourced from news agencies that offered the same content also to other news providers (Brandstetter & Schmalhofer, 2014). The researchers noted that “as half of the content of the welt.de website is not unique…. the user has little reason to spend money on the various access packages on sale” (Brandstetter & Schmalhofer, 2014, p.8). Kvalheim (2013) also explored how the introduction of digital subscriptions affected the editorial content of the Norwegian newspaper Fædrelandsvennen and its online version fevnen.no. Approximately 64-68 per cent of the fevnen.no content was locked behind a paywall. The content of the site didn’t change substantially after paid content was introduced, but there was an increase in political and sports related content, and a decline in culture related stories. Kvalheim found that fevnen.no regarded financial issues as the most valuable and marketable content, and therefore 82 per cent of the financial news was locked behind the wall.

As seen here the digital subscriptions of newspapers have created extra revenue for news publishers, but this hasn’t been substantial enough to replace losses in print advertising income. Paywalls have had an impact on online news readership: in some cases news sites have seen their audience numbers decline (Myllylahti, 2013a; Chiou & Tucker, 2013). Brandstetter’s & Schmalhofer’s research concluded that paywalled news sites offer very little value added information to their readers, but their study is based on a single website and should not be generalised. Interestingly, the PwC’s global
entertainment and media outlook forecasted that media revenue growth in 2014-2018 will be driven by internet access rather than content spending. This implies that online content charges will not rescue publishers, or the media sector. PwC estimated that digital circulation will make up just eight per cent of total circulation revenue globally by 2018 (PwC, 2014). This is in line with Myllylahti’s (2013a) findings.

4.2.4. Crowdfunding

As discussed, job cuts and changes to newsrooms have made many journalists redundant, and forced them to rely on freelance contracts or part-time positions. In many countries bloggers have gained some prominence and groups of investigative journalists have emerged. Increasing numbers of journalists are turning to their readers to fund their projects and stories. This business model is called crowdfunding; “a system where small payments from a large community can generate enough revenue to fund a story or investigation” (Sirkkunen et al., 2012, p. 101). Jian & Usher (2014) define crowdfunded journalism as “a novel business model in which journalists rely on micropayments from ordinary people to finance reporting” (p.155). For example, non-profit journalism outlets such as ProPublica and the Texas Tribune, have used American crowdfunding platform Kickstarter to fund their projects.

According to Aitamurto (2011), Kickstarter and a pioneering crowdfunded journalism website Spot.us, let their users choose the journalism projects they want to support. Aitamurto asserts that the platforms attract donors because they offer “a new level of transparency in the donation process which is
attractive to donors, who can easily track and follow what happens to their contributions” (Aitamurto, 2011).

In 2014, Jian and Usher analysed the database of Spot.us to determine how their funding model impacted on stories funded by the platform. They found that citizens were more interested in funding news which provided them with a “guidance to daily living” as opposed to “general awareness” stories related to politics and government policies (Jian & Usher, 2014, p.166). The researchers observed citizen interest in matters related to their everyday life didn’t diminish the value of journalism, but rather highlighted the priorities of news consumers and journalists. More importantly, the researchers saw that utilitarian news gave communities a chance to have a voice, such that “consumers are actively defining what they deem as important public affairs news” (Jian & Usher, 2014, p.165). These findings are important since they address questions concerning journalism’s function and purpose in society. It can be argued, however, that crowdfunding could potentially erode journalistic work if it directs public attention from news worthy topics to more trivial ones.

Crowdfunding platforms are linked to social networking sites because many journalistic projects seek attention and funding on these platforms. Carvajal et al. (2012) state that the aim of crowdfunding is to “gather financial resources as a small investment with no return to be produced in order to organise or carry out an activity” (Carvajal et al., 2012, p.641). Carvajal et al. note that crowdfunding has “skyrocketed” in many countries including the United States, the United Kingdom and Brazil, and there are 56 different platforms globally which can be used by journalists to fund their content (Carvajal et al., 2012,
They argue that the public funding of journalism “can be a sustainable model” although it is not a substitute for current journalism. Public funding allows citizens to be part of producing journalistic content “without endangering content quality” (Carvajal et al., 2012, p.645). In the crowdfunding model citizens can support journalistic initiatives they believe in, but the projects and stories are written and executed by professional journalists.

Crowdfunding is still a relatively new phenomenon, and its longevity as a journalistic funding model is uncertain. Some new journalistic ventures have drawn upon crowdfunding as their main source of revenue. For example, in 2014 a new public interest journalism initiative PublicEyes was launched in New Zealand to “serve as a consistent, reliable watchdog to help expose corruption and hold in check those with the power to affect our lives” (Griffin, 2014, p.28). In 2014, Griffin asserted that in a small country like New Zealand, funding via seed-funding and donations gathered from crowdsourcing platforms was a more “realistic” funding model for this kind of non-profit journalism organisation (Griffin, 2014, p.31).

In 2015, the independent news site Scoop in New Zealand launched a crowdfunding initiative. The news site was appealing to the public for funding in order to turn it into a non-profit media organisation (“Scoop is crowdfunding”, 2015). While launching the funding appeal to the wider public, the site stated that it “provides you with free access to news you can use. It is a proven foundation capable of protecting access to news as a public right in a very efficient fashion” (“Scoop is crowdfunding”, 2015).
4.2.5. Non-profit, philanthropy and trust models

The crowdfunding funding model doesn’t aim to maximise revenues and returns to any shareholders; it is simply a model to fund journalism. However, Picard (2011) notes that foundations, non-profit and charitable enterprises “are just as beholden to economic imperatives as commercial firms” as many of them are at least partly dependent on commercial revenue (Picard, 2011, p.3). In 2010 Moro & Aikat considered philanthropy and public press models when researching online news income structures. The philanthropy model concerns media companies that are supported by foundations, private donors and consumers, and they normally function on a non-profit basis. The public press model combines philanthropy funding with subscription revenues and newsstand sales. In 2014 Jurkowitz observed that philanthropy was increasing as a funding model for journalism, and “particularly as a source of capital for regional and investigative journalism” (Jurkowitz, 2014). In 2013, the wealthy Amazon founder Jeff Bezos bought the Washington Post, a move which in media was seen as a philanthropic act rather than a business acquisition. For example, Emily Bell wrote in The Guardian that the acquisition was a “cultural statement” (Bell, 2013). In 2014, The Washington Post editor Martin Baron stated that the paper was hiring 300 new journalists indicating that its primary focus was in maintaining quality of journalism, not to make profit (Baron, 2014). The main function of a non-profit news medium is to invest its revenues back into the newsroom and other core operations rather than paying dividends to its shareholders (Mitchell et al., 2013). Picard also asserts that the primary function of non-profit media is to produce “useful and interesting” information to audiences (Picard, 2011, p.2). Typically such media are charities or other types
of public service organisations supported by foundations. For example, in the United States the Knight Foundation supports quality journalism and media innovation, and it has funded multiple journalistic start-ups. In 2014 the foundation launched a specific $US1 million fund to support new non-profit and public interest journalism innovations (Ellis, 2014b). Some of the most prominent non-profit media organisations in the United States include the news sites ProPublica and Centre for Investigative Reporting and the local news sites Voice of San Diego and The Lens. ProPublica is mainly funded by Herbert and Marion Sandler – former chief executives of the Golden West Financial Corporation – who are providing an annual budget of US$10 million (Almiron-Roig, 2011).

In 2013, Mitchell et al. researched 172 American non-profit news sites and found that they were mostly small operations with a minimal number of staff and a low budget. Approximately 78 per cent of these outlets employed five or fewer full-time paid staffers; 21 per cent of them generated $50,000 or less in annual revenue, and roughly 50 per cent produced ten or fewer pieces of original content in every fortnight (Mitchell et al., 2013). The majority of the small non-profit media companies relied “heavily on one main source for the bulk of their funds” (Mitchell et al., 2013). Typically, the main income sources were grants, individual donations, advertising, media partnerships and events. Mitchell et al. 2013 found that foundations offered crucial funding for non-profit media organisations. However, because their support comes in the form of seed grant with an expiry date, “many organizations do not have the resources or expertise necessary for the business tasks needed to broaden the funding base” (Mitchell
et al., 2013). Thus, the foundation model is not necessarily sustainable in the long term.

In Australia, the independent, non-profit news media start-up *The Global Mail* folded at the start of 2014 after two years of operation. It was set up by Wotif owner Graeme Wood, and employed 21 people in Sydney before being wound up. The site concentrated on long-form journalism instead of daily news, but it “failed to gain the traction” to compete with the strong news brands in the Australian market (Meade, 2014). In New Zealand, the public interest journalism project PublicEyes was also in trouble by 2014 as many key figures left the project. Peter Griffin who runs the Science Media Centre in New Zealand, stated after his departure that a public interest project in the country was possible:

I still think this type of venture is possible and there is more foundation money available that could be applied to something like this. But it will require the right mix of motivated people who are on the same page about what the best ways are to make the biggest impact with public interest journalism (Drinnan, 2014).

Some Western news organisations operate on a trust model, or are funded, run and owned by families. *The New York Times* is publicly owned and listed on stock market, but is controlled by the Sulzberger family. Arthur Ochs Sulzberger Jr. is the publisher of the paper, and he is also the chairman of the board of The New York Times Company. In Britain, *The Guardian* is owned by The Scott Trust Limited, which ensures the paper’s editorial independence, reputation for quality journalism and non-profit focus.
Gavin Ellis (2011) has researched to what extent trustee governance of news media organisations can promote and protect journalism. He examined three newspapers in trust-like ownership including *The Guardian* (UK), *The Irish Times* (Ireland) and *The St Petersburg Times* (USA). These newspapers foster journalism with strong public service principles in their journalism, and their business strategies are designed to sustain editorial independence.

Ellis argues that a trust model can offer “structural protection and journalistic focus” as long as it is well structured. He regards that the success of a trust model depends on its “institutional structures and guarantees” as well as key personalities of the trust (Ellis, 2001, ii). For example, there are no guarantees that a family trust, which is established to protect interests of family members, will “protect the journalism in any publication in which the family has an interest” (Ellis, 2011, p.298).

4.2.6. State support and public broadcasting models

In the state-support model newspapers receive discounted postage rates, government advertisements and subsidised newsprint (Moro & Aikat, 2010). In 2011, Nielsen and Linnebank researched public support media models in six different countries including Finland, France, Germany, Italy, the United States and the United Kingdom. They discovered that Finland, Germany and the United Kingdom pursued a dual model which entails a high degree of licence fee funding for broadcasters and extensive indirect support for print publishers. France and Italy operated a mixed model combining funding for public service media, and indirect and direct support for private sector media. The United States had a minimal state support which combined low levels of support for
public service media, and low levels of indirect support for the private press (Nielsen & Linnebank, 2011, p.4). Nielsen and Linnebank regard public support for media as fundamental in shaping its role in society.

Newspapers have also received state support in other countries. For example, in Canada the government subsidises community newspapers and magazines, and in Denmark the government annually provides 55 million euros of aid for print and online publications (Murschetz, 2013). Norway’s government supports economically disadvantaged second tier newspapers with 40 million euros annually in the form of direct production grants.

In Finland, the government’s support for newspapers was banished in 2008 after the European Union decided that direct state aid to newspapers was against its directives (Murschetz, 2013). After the ruling, the Finnish government supported national press indirectly: for example, newspapers didn’t need to pay value added tax (VAT) for their sales, and this amounted to 313 million euros in indirect state support (Murschetz, 2013). However, in 2012 the zero VAT of Finnish papers was abolished, and as a consequence newspapers were required to pay nine per cent value added tax for the first time.

In 2007 Picard argued that the Nordic model of state support had lost its purpose, because “its viability as a policy that actually addresses and solves the problems for which it was intended appears negligible” (Picard, 2007, p.244). He noted that new media technologies enable citizens, politicians and non-governmental organisations to participate in “e-governance activities” which “are carrying out functions necessary to democratic participation that are equal to or surpassing those carried out in newspapers now or in the past” (Picard, 2007, p.
He therefore argued that state aid for ailing newspapers was unnecessary.

Many Western economies still have state owned public broadcasting companies which are funded by licence fees or levies paid by tax payers. These companies include the Australian public broadcaster the ABC and Britain’s broadcasting corporation the BBC. Barnett and Seaton (2010) note “the BBC space cannot be commodified” because its purpose is not to produce commercial value, and as it doesn’t treat its audience as “consumers whose demographics and wallets must be attractive to potential advertisers” (Barnett & Seaton, 2010, p.331). The researchers argue that the non-commercial nature of the BBC shapes its content and what kind of experience audiences get from it:

At 40p per day, or the price of a pint of beer a week, we get four universally available TV channels, 10 national radio stations, a network of local radio stations, and an internationally acclaimed website (Barnett & Seaton, 2010, p. 331).

Because of its non-commercial, publicly funded status, the BBC has come under attack from its commercial competitors who see the company as a barrier to competition, and who argue that freedom of speech requires competition (Barnett & Seaton, 2010, p.327).

In contrast, Barnett and Seaton (2010) see the BBC as a model news organisation since:

access to information and knowledge is offered across every one of the BBC’s services according to transparent, honest and carefully constructed professional standards of accuracy, respect, integrity and impartiality – while not forsaking passion where necessary (Barnett & Seaton, 2010, p. 328).
It appears that the BBC’s vision of journalism is not clouded by advertisers or shareholders’ interests. However, Arampazis (2011) points out that while the BBC is not under the kind of commercial pressure faced by commercial news organisations, such pressures still exist. For example, the BBC’s revenue stream partly depends upon the syndication of content to other news providers (Arampazis, 2011). There is further evidence that public broadcasters also confront budget pressures. In June 2014, British media reported that the BBC was planning to make up to 600 members of its staff redundant by 2017 as part of its cost-cutting drive (Furness, 2014). In September 2014 the corporation employed in 2014 5,400 journalists. Also in 2014, the Australian public broadcaster faced AUD$120 million in cuts to its budget (ABC, 2014). The budget cuts were expected to result in redundancies and services reduction (ABC, 2014). In New Zealand, TVNZ is a publicly owned broadcaster, but is run as a commercial entity. Once the government abolished its public service charter in 2011, the company’s sole purpose was to generate profit and deliver an annual dividend to the government (Myllylahti, 2011 & 2012).
4.3. Business models, democracy and society

The crisis of Western newspapers combined with contraction of public broadcasting corporations has intensified debate concerning the role of journalism in society. As seen, in many countries new non-profit initiatives and entrepreneurial media start-ups have emerged to counteract the decline in public interest journalism within commercially driven media corporations. As Fenton (2011) notes, “relying on fully commercial enterprises for the deliverance of news and current affairs journalism that purports to be for the public good and in the public interest has failed” (Fenton, 2011, p.70). She reasons that the democratic potential brought about by new technologies is being lost because of the commercial structures of journalism:

news is left stranded in a thoroughly marketised system that stubbornly refuses to understand its market value as being firmly located in the public interest, choosing instead to focus on shareholders returns (Fenton, 2011, p.70).

In the United States many academics (Downie & Schudson 2009; McChesney & Nichols, 2010) are calling upon the government to intervene and to save the newspaper industry from demise. In 2010, McChesney and Nichols urged the United States federal government to establish a fund to subsidise non-profit and non-commercial media:

We need to forge the policies and make the expenditures that are necessary to create the free and independent press that has always been and shall always be the guardian of liberty (McChesney & Nichols, 2010, p.212)
McChesney and Nichols (2010) suggest that the United States government should create a US$35 billion rescue package for the newspaper industry. Their package included a wide-range of direct and indirect subsidies as well as capped salaries and postal subsidies. Downie and Schudson (2009) advocated similar measures and observed that commercial news corporations could no longer produce enough revenues to subsidise large newsrooms and sufficient news production:

The days of a kind of news media paternalism or patronage that produced journalism in the public interest, whether or not it contributed to the bottom line, are largely gone (Downie & Schudson, 2009).

In 2013, Pickard joined other American academics in supporting government intervention, and he also proposed creation of a public trust to support public interest journalism. However, he noted that in any support model “the objective should always be clearly stated as saving journalism, not necessarily newspapers” (Pickard, 2013, p.368). Pickard argues that any healthy democracy needs alternative media organisations which are “insulated from the commercial pressures that helped bring about the current journalism crisis” (Pickard, 2013, p.369). In this regard Thompson (2011) points out that public broadcasting corporations are crucial for any democratic society:

The existence of public service channels can exert a positive influence on the media ecology by anchoring quality standards and increasing content diversity (Thompson, 2011, p.10).

As Picard (2014) observes, organisational structures in the news industry, and the financing of news have fundamentally changed over the decades, and it is
unclear what kind of organisational structures and financial frameworks are needed to carry on journalistic functions in a society. He notes that the commercial news outlets have a role in providing a certain kind of information and content, but “they cannot fully meet the fundamental information needs of a democratic society – and the scope of what they cannot offer is widening today” (Picard, 2014, p.9). As he regards, societies can “no longer take quality news and information for granted” and therefore there is a real need to find future business models to support public interest journalism.

**Summary**

This chapter outlined some of the most common business models employed by contemporary Western news publishers. The revenue structures of news publishers have been impacted by developments in the wider economy as well as by technological changes. As discussed, the 2007-2008 global financial crisis triggered a severe decline in Western news publishers’ advertising revenue. At the same time technological advancements, such as the introduction of mobiles and tablets, fundamentally changed how the news was consumed, produced and delivered.

As the preceding analyses show, contemporary newspaper business models, in general, can be separated into two categories: for profit and non-profit. It can be argued that the hybrid, online-only, hyperlocal and digital native news business models are necessarily profit based since these outlets are focused upon return to their shareholders. Thus, paid digital subscriptions – paywalls – are built to monetise online news and to benefit companies’ shareholders. Non-profit models are mainly based on trust or foundation ownership, and they are funded
by philanthropic organisations, subscriptions or crowdfunding. Many of the non-profit online news outlets have some commercial funding (such as advertising), but their income is used to develop news products and support newsrooms rather than pay dividends. The third category of business models is based on state involvement as some of Western newspapers do in fact receive funding support from their governments.

In a trans-Tasman context it can be observed that most of the newspapers are operating on the ‘hybrid model’ as they have a print and online presence. The main income sources for these hybrid news outlets are advertising and circulation revenue. In the United States new digital native companies have started to emerge with more complex revenue structures, and they have also started to employ new generations of journalists. However, the trans-Tasman media environment lacks in this development. Finding a sustainable revenue model has in many cases proven difficult. As outlined in this chapter, some of the hyperlocal sites, such as Patch (US) and Mail Global (Australia), have found themselves in difficulty. As discussed, in order to recapture some revenue, Western news publishers have started to charge for their online news content. It is clear that digital subscriptions are providing extra revenues for newspapers, but at the time of writing none of the global publishers could have sustained their current operations with paywall income.

Freelance/investigative journalists are increasingly seeking public support to fund their journalistic projects, but crowdfunding has not yet emerged as a major funding model for traditional news outlets. Clearly crowdfunding can assist some of the journalistic projects. In 2012, for example, investigative
journalist Keith Ng was able to collect NZ$5,500 from New Zealanders to fund his new projects. In the United States philanthropic organisations and wealthy individuals have also started to fund new digital media ventures which are operating on a non-profit basis. Yet again, the trans-Tasman media landscape lacks in this kind of funding and approach. So far in New Zealand all the attempts to build new non-profit journalistic outlets have failed as there has been little interest in funding them.

At the time of writing, it was very clear that no single business model has emerged as a replacement for a traditional newspaper revenue model, based on advertising and circulation income. Most of the newspapers are experimenting and searching for a sustainable solution for their financing, and it is obvious that in the future they need to build multiple revenue streams in order to fund their newsrooms. Building new revenue streams may prove challenging as the competition between traditional and new media outlets is increasing, especially in online advertising.

As discussed, companies such as Google, Facebook and Twitter have emerged as dominating forces in online advertising. Their business model is based on the high traffic numbers and large audiences, which are attractive to advertisers. In contrast to traditional news publishing houses, these corporations are able to offer substantial amounts of user specific data to advertisers and other third parties. This information is beneficial for advertising corporations as they can better target their ads to specific groups.

It appears that the Western newspaper industry has been slow to adapt their advertising to a digital environment. For example, in Australia new companies,
such as seek.com.au and carsales.co.au, entered the online classified advertising market before news publishers. This has given them an advantage and substantial market share ahead of news publishers. This issue will be further addressed in chapter six.
Chapter 5: Ownership structures and the corporate economies of APN and Fairfax

As print newspaper publishers struggle to offer satisfactory returns to their shareholders, their search for commercial viability continues. As observed in Chapters three and four, newspapers of the future will need multiple revenue sources in order to support their news operations. In Western economies, print newspaper revenues have kept declining, and digital revenues have not grown quickly enough to compensate the print losses. In this context, chapter five examines how the business models of Fairfax and APN developed in 2004-2013 towards online monetisation. The chapter analyses in detail their revenue structures, profitability, ownership, organisational and newsroom structures and the digitalisation process. More specifically, the chapter considers the extent to which APN’s and Fairfax’s income patterns reflect the transformation from a print to a digital media business. Additionally the chapter will assess to what extent the companies have found viable revenue solutions to sustain their news operations and newsrooms. It also explores APN’s and Fairfax’s revenue structures in a wider news industry context.

The data analysed in this chapter was mainly retrieved from APN’s and Fairfax’s annual reports. However, other historic and more contemporary corporate documents are also used as research sources. As Bowen states, a researcher using document analysis as a method “may also examine periodic and financial reports to get a clear picture of how an organisation or a program
fared over time” (Bowen, 2009). The list of the annual reports used in analyses is provided in Appendix 2. To advance qualitative analyses, additional data was gathered from non-corporate documents such as academic research papers and newspaper reports, and these have been referenced accordingly.

APN and Fairfax were chosen as case studies since they are amongst the biggest newspaper publishers in Australia, and are dominant publishers in New Zealand. Fairfax controls approximately 25 per cent of metropolitan and national daily circulation in Australia, and APN has a substantial share in the Australian regional newspaper market. In New Zealand, the two companies have a combined market share of over 80 per cent in news print, and their media outlets are also main providers of online news. It should be noted that Fairfax and APN differ somewhat in terms of their revenue sources and market exposure. In order to make valid comparisons between the two companies, the research compares the two companies’ total revenues rather than publishing revenues as their reporting practices differ. These figures provide the most transparent data for the purposes of this research. In general, the data analysed is from 2004 to 2013, but some data was not available for the whole research period. For example, APN only started to release information about its digital income in 2011 whereas Fairfax has been disclosing separate data for digital revenues since 2007. In order to make

1 The statements referred here from Fairfax’s and APN’s annual reports are those made by the Chairman and CEO of the two companies, and these can be found at the start of each annual report during the research period 2004-2013. The page numbering was not used here in order to avoid over referencing, but the statements can easily be verified.
valid comparisons, APN’s and Fairfax’s digital income over the three year period 2011-2013 is compared. There are also differences between the two companies reporting on employee numbers, advertising income and market capitalisation. The analyses undertaken were always based on the data which was deemed most comparable, and the time period used for analysis is clearly recorded throughout.

Neither APN nor Fairfax broke down income structures for their individual online news sites such as nzherald.co.nz and stuff.co.nz, and therefore analysing the financial health of individual online news sites is impossible without a first-hand testimony from management.2 In 2013, Fairfax did disclose information about the number of its digital subscribers, and the income derived from the digital subscriptions of The Australian Financial Review, The Sydney Morning Herald and The Age. The specific data collected and analysed from APN’s and Fairfax’s annual reports in this chapter includes:

- Print revenues
- Digital revenues
- Profit/loss
- Cost
- Total borrowings
- Investments
- Print circulation
- Online readership
- Ownership
- Share price and market capitalisation

2 The researcher was seeking interviews with the management of APN and Fairfax, but as they were in the midst of financial turmoil, the requests were either not answered or turned down.
The data collected within the categories above was recorded in spreadsheets and word documents by the researcher. Appendices from 1 to 5 offer examples of the most important datasets extracted from APN's and Fairfax's annual reports. In addition to financial figures, statements from the two companies’ management concerning their results, outlook and strategies were recorded. These statements were collected from the annual reports, stock market statements and investor presentations, and they offer some insight into corporate decisions. When the statements were made in Fairfax’s and APN’s annual reports, the reference is made explicit. When a statement was made elsewhere, such as in an investor presentation, it has been referenced accordingly.

The two companies’ annual reports are important sources of information since the numbers recorded in them offer credible and transparent information which has been signed off by accountants. Also, the financial information they provide to the markets and their shareholders is legally binding. Some additional data was received directly from Fairfax and APN while clarifying some particular figures and data sets such as those concerning their online readership numbers. Some of the data was retrieved from other relevant sources such as academic reports, official statistics and other specific information sources. For example, details of share price and ownership were sourced from the Australian stock market operator ASX, and investment research company Morningstar.
5.1. Evolving ownership structures

Both Fairfax and APN are stock market listed companies; they are owned by shareholders and their shares are openly traded on stock markets. APN shares were listed on the Australian stock market (ASX) in 1992, and the company’s shares were dual listed in the New Zealand stock exchange (NZX) in 2004. Dual listing means that investors are able to trade the company’s shares in both markets. Fairfax shares were listed on the ASX in 1992, and its shares are not listed in New Zealand.

The research data confirms that the ownership of Fairfax and APN has moved away from family and corporate ownership towards financial ownership. Shareholders such as banks, fund management companies and private equity firms, have become powerful owners within both companies. This is worrying as unlisted financial institutions (such as private equity firms and fund management companies) are mainly concerned with profit numbers: funding newsrooms and news operations is not their specific concern. Financialised ownership makes media corporations more vulnerable to restructuring initiatives including asset sales and job cuts. The findings show that financial ownership of APN increased 74 per cent over the ten year research period. In 2004, 33.3 per cent of APN’s 20 largest shareholders were financial institutions compared to 58 per cent in 2013. During the research period, the financial ownership of Fairfax declined 13.7 per cent if mining billionaire Gina Rinehart was not considered as a financial owner (this is detailed below).
However, in 2013 Fairfax had more substantial financial ownership than APN as financial institutions still held 68.8 per cent of the company’s shares.

Fairfax Media Limited was founded by the Fairfax family in 1841, but it lost control of the company in 1990; two years later it was listed on Australian stock market ASX. In 2007 the company emerged as John Fairfax Holdings, and in the same year John Fairfax’s investment company Marinya Media bought a 14.3 per cent stake in it. In 2011 Marinya Media sold its entire holding in Fairfax Media paving the way for Gina Rinehart, whose investment company Hancock Prospecting acquired 18 per cent of Fairfax Media shares in 2012. In 2013, the investment company reduced its ownership share to 14.9 per cent as Gina Rinehart’s position on the Fairfax’s board was denied.

**Graph 5: Fairfax financial ownership 2004-2013**

![Fairfax financial ownership graph](image)

Source: Fairfax Annual Reports, 2004-2013
As graph 5 shows, Fairfax’s financial ownership declined 13.7 per cent over the ten year period 2004-2013. In 2004, 74.6 per cent of Fairfax’s 20 largest shareholders were financial institutions compared to 68.8 per cent in 2013. However, if one regards Hancock Prospecting as a financial investment vehicle, then the company’s financial ownership increased nine per cent to 83.7 per cent during the research period. More recently, in February 2015, Hancock Prospecting sold its entire 14.99 per cent holding in Fairfax to the investment broker Morgan Stanley (which was likely to resell the shares on to third parties). This ownership change has most definitely resulted in further financialisation of Fairfax ownership.

From 2010 to 2013, unlisted financial institutions such as fund management companies, gained an increasing share of Fairfax. In 2010 unlisted financial institutions held 5.8 per cent of the company’s shares whereas in 2013 they held 26 per cent; an increase of almost 20 per cent. As illustrated in table 3, in 2013 Fairfax’s largest shareholders consisted of banks including HBSC, JP Morgan and Citicorp (they hold shares in Fairfax on behalf of their clients). Additionally, three out of Fairfax’s five substantial shareholders were unlisted investment management companies such as Allan Gray Australia, Maple-Brown Abbot and Ausbil Dextia (table 4). However, it is worth noting that during 2014 (outside the research period) Allan Gray reduced its shareholding in Fairfax considerably. The company’s shareholding declined from 11.3 per cent in 2013 to 5.7 per cent in 2014.
Table 4: Fairfax largest shareholders 2013

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>National Nominees Ltd</td>
<td>23.11%</td>
</tr>
<tr>
<td>Hancock Prospecting (Rinehart)</td>
<td>14.91%</td>
</tr>
<tr>
<td>HBSC Custody Nominees (Australia) Ltd</td>
<td>13.48%</td>
</tr>
<tr>
<td>JP Morgan Nominees Pty Ltd</td>
<td>11.22%</td>
</tr>
<tr>
<td>Citicorp Nominees Pty Ltd</td>
<td>7.61%</td>
</tr>
</tbody>
</table>

Source: Fairfax Annual Report 2013

Table 5: Fairfax substantial shareholders in 2013

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hancock Prospecting (Rinehart)</td>
<td>14.91%</td>
</tr>
<tr>
<td>Allan Gray Australia</td>
<td>11.38%</td>
</tr>
<tr>
<td>Maple-Brown Abbot</td>
<td>7.89%</td>
</tr>
<tr>
<td>National Australia Bank Ltd</td>
<td>6.98%</td>
</tr>
<tr>
<td>Ausbil Dextia Ltd</td>
<td>6.32%</td>
</tr>
</tbody>
</table>

Sources: Fairfax Annual Report 2013, Morningstar

As mentioned, the ownership structure of APN has differed from Fairfax’s as it has had a media corporation as its largest shareholder. In 2013, APN’s largest owner was Irish Independent News & Media (INM), which in 2007 unsuccessfully attempted to acquire 100 per cent ownership in the company. INM has been controlled by Irish telecom tycoon Denis O’Brien since 2012, and who through this holding has owned a stake in APN. O’Brien became a shareholder in INM in 2006. However, in 2011 O’Brien’s investment company Bayliffe made a direct investment in APN’s shares for the first time. In 2013, INM, News & Media NZ and Bayliffe owned 30.76 per cent of APN’s shares (as
seen in tables 5 and 6). In 2014, and outside the initial research period, Independent News & Media, O’Brien’s Bayliffe and Allan Gray Australia owned together 49.4 per cent of APN’s shares.

**Table 6: APN largest shareholders in 2013**

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Nominees</td>
<td>23.15%</td>
</tr>
<tr>
<td>Independent News &amp; Media (Australia)</td>
<td>17.62%</td>
</tr>
<tr>
<td>Citicorp Nominees</td>
<td>11.72%</td>
</tr>
<tr>
<td>News &amp; Media NZ</td>
<td>11.34%</td>
</tr>
<tr>
<td>JP Morgan Nominees Australia</td>
<td>8.71%</td>
</tr>
</tbody>
</table>

Source: APN Annual Report 2013

**Table 7: APN substantial shareholders in 2013**

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent News &amp; Media and Bayliffe</td>
<td>30.76%</td>
</tr>
<tr>
<td>Allan Gray Australia</td>
<td>15.61%</td>
</tr>
<tr>
<td>IOOF Holdings Limited</td>
<td>7.15%</td>
</tr>
</tbody>
</table>

Sources: APN Annual Report 2013, Morningstar

Table 5 shows that in 2013 ‘National Nominees’ was APN’s largest shareholder with 23 per cent ownership; the nominee companies normally hold shares on behalf of other investors, such as individual shareholders. INM held 17.6 per cent of APN’s shares directly and 11.3 per cent via News & Media NZ making it the biggest shareholder. The Australian investment management company Allan Gray, which in 2013 was also the second largest shareholder in Fairfax, had a 15.6 per cent holding. The Australian financial services company IOOF Holdings Limited was another substantial shareholder with a 7.1 per cent stake (table 6). As graph 6 shows, the financial ownership of APN increased
substantially over the 2004-2013 period. In 2004, financial institutions held 33.3 per cent of the company’s shares whereas these institutions owned 58 per cent in 2013. Additionally, in 2010 unlisted financial institutions held 16.7 per cent of APN’s shares compared to 22.8 per cent in 2013.

Graph 6: APN financial ownership 2004-2013

![Graph 6: APN financial ownership 2004-2013](image)

Source: APN Annual Report, 2004-2013

It should be noted that outside the initial research period in March 2015, APN’s ownership structure changed considerably. APN’s largest shareholders INM and Baycliffe sold their entire holding of 30.8 per cent for AUD$300 million. Rupert Murdoch’s News Corp acquired 14.9 per cent of the company’s shares, and the rest of the shares were offered to institutional investors. After News Corp acquisition, Australian investment house Allan Gray Australia became the largest shareholder in APN with a 15.5 per cent ownership stake. This ownership change re-enforced the financial ownership structure of APN as the
company’s largest shareholder changed from a media corporation to a financial institution.

5.2. Market capitalisation and share price

The findings concerning Fairfax’s and APN’s share price and market capitalisation are discussed here. The period of this analysis was 2005-2013 because the Australian stock exchange ASX provided data for APN’s and Fairfax’s historical stock prices from 2005 onwards. The data here shows that both companies experienced sharp declines in their share prices during 2005-2013 to the detriment of their valuation. Fairfax’s share price fell 80 per cent over the period in question, and APN’s share price declined 89 per cent over the same period. These declines contributed towards ownership changes within the two companies. Share price falls meant cheaper company valuation, and this attracted new speculative and financial investors to both companies. The primary focus of the two companies’ management has been to deliver the best possible returns for their shareholders. In order to do so, APN and Fairfax were required to deliver cost cutting programmes and to sell assets, and these developments will be analysed in detail later.

The valuation of any stock market listed company is referred to as market capitalisation, and it is measured by the value of the company’s outstanding shares. Market capitalisation can be calculated at any time by multiplying the number of outstanding shares by the market price of a single share in any given day. The share price of a company fluctuates as shareholders buy and
sell their shares, and the share price depends on the company’s performance (other factors such as macro-economic and industry developments and regulatory rulings might impact on share price as well). The movement of a share price up and down either delivers gains or losses to shareholders. For example, if the company announces a steep decline in its profit, the share price normally falls as does the market capitalisation or value of a company. Shareholders and a company’s management normally have a strong incentive to maintain a high share price as management salaries are partly determined by shares and share options. The bigger the appreciation in the share price, the bigger the salary of managers. As said, in a stock market listed company management’s role is to deliver profits and revenues to their shareholders; if they fail to do so, shareholders can vote for a change in management. Companies normally reward their shareholders with dividends which are paid annually if the company is profitable. If the company fails to pay a dividend, shareholders might push for management change or sell their shares in the company.

In 2013, the power of shareholders was clearly demonstrated as APN’s chief executive officer Brett Chenoweth, chairman Peter Hunt and directors Melinda Conrad, John Harvey and John Maasland resigned from the company. Chenoweth proposed raising new capital from the markets, but this was opposed by APN’s largest shareholders INM and Allan Gray, who together held 51 per cent of the company’s shares. In 2012, Gina Rinehart, the largest shareholder of Fairfax, voted against the company’s chief executive officer Greg Hywoods’ AUD$800,000 bonus payment. When Rinehart eventually sold
her shares in Fairfax, she cited poor management as one of the main reasons for the sale.

Both APN and Fairfax clearly state that the primary objective of their directors and board is to keep shareholders satisfied. For example, in 2005 Fairfax stated that “shareholder value is the paramount objective of your board of directors” (Fairfax, 2005), and in 2013 that “we are prepared to make changes to our mix of businesses if we believe that doing so would maximise shareholder value” (Fairfax, 2013). In 2012 APN stated that “the board is committed to ensuring the company is able to maximise profits” and that delivering shareholder value would “continue to be imperative for both the board and the management team” (APN, 2012).

Graph 7: Fairfax share price 2005-2013

Source: ASX
At times, keeping shareholders satisfied has proved challenging for APN and Fairfax. As seen in graph 7, Fairfax’s share price started to decline sharply in 2008 at the same time as the company’s revenues took a downturn. The company’s share price fell from AUD$4.0 in 2005 to AUD$0.8 in 2013, representing a decline of 80 per cent. During 2005-2013 the company’s market capitalisation declined 70 per cent from AUD$3.9 billion to AUD$1.2 billion (graph 8). The decline in share price provided lower returns for Fairfax shareholders, and from 2005 to 2013 Fairfax’s dividend per share fell from 22 cents to 2 cents. In a period of 10 years from 2004 to 2013 the total shareholder revenue from the company declined over 11 per cent. Similarly, as seen in graph 9, APN’s share price started to fall in 2007 in line with the downturn in its revenues and profits. APN’s shares were trading at AUD$4.5 dollars in 2005, but the share price dropped to AUD$0.5 dollars in 2013.
Graph 9: APN share price 2005-2013

Graph 10: APN market capitalisation 2005-2013

Graph 10 demonstrates how the market capitalisation of APN fell 87 per cent during 2005-2013 from AUD$2.29 billion to AUD$298 million. The decline in share price and market capitalisation has provided lower returns to APN’s
shareholders. In the ten year period from 2004 to 2013, total shareholder revenue from the company has declined ten per cent.

5.3. Revenues and profits

The findings concerning APN’s and Fairfax’s revenues and profits during 2004-2013 are examined here. The research results show that both Fairfax and APN enjoyed growing revenues and profits until 2007/2008 after which a downturn occurred. The results confirm the adverse impact of the 2007-2008 global financial crisis upon their earnings and profits. In 2011 both companies made a loss as newspaper markets in Australia and New Zealand were also affected by natural catastrophes: earthquakes in New Zealand and floods in Australia. In 2011 both APN and Fairfax warned that the weak advertising market would have a serious impact on their results. In 2012 both companies recorded their biggest losses after writing down the values of their leading newspapers. The findings of this research confirmed that APN’s and Fairfax’s revenue model is still heavily dependent on advertising income. As illustrated in graph 11, APN’s revenues peaked in 2005 when the company’s earnings reached AUD$1.36 billion. Earnings were relatively stable until 2007 after which the company’s income started to decline as the global financial crisis started to affect advertising spend. During the ten year period 2004-2013, APN’s total revenue shrunk 35.8 per cent from AUD$1.27 billion in 2004 to 817 million in 2013 (as seen in graph 11).
In 2007, APN made a record profit of AUD$169 million, as seen in graph 12. The company had been profitable during 2004-2007, but incurred an AUD$24 million loss in 2008 after making an impairment charge of AUD$164 million against the assets acquired with the takeover of Wilson & Horton in 2001. These assets included the company’s masthead *The New Zealand Herald*. APN was profitable again in 2009 and 2010, but experienced a loss in 2011 after again writing down the values of its newspapers. In 2012 APN announced a substantial loss of AUD$456 million after further writing down the values of its masthead newspapers including *The New Zealand Herald*. In 2013 the company made a modest profit of AUD$3 million.
Graph 12: APN profit/loss 2004-2013

![Graph showing APN profit/loss 2004-2013 (AUD$ millions)](source: APN Annual Reports, 2004-2013)

Graph 13: APN publishing income split in 2013

![Graph showing APN publishing income split in 2013](source: APN Annual Report, 2013)
APN’s income model is still heavily dependent on advertising income. In 2013, 84 per cent of the company’s income was derived from advertising. Circulation represented only 15.8 per cent of the company’s revenue. Also in 2013, 53.5 per cent of the corporates’ publishing income came from New Zealand, and 46.5 per cent from Australia (as seen in graph 13). This suggests that APN is more reliant on developments in the New Zealand macro economy and foreign exchange rate than on similar developments in Australia.

Graph 14: Fairfax total revenue 2004-2013

Fairfax’s revenues started to diminish a year later than APN’s. In 2008 the company’s total revenue peaked at AUD$2.9 billion, a figure boosted by large acquisitions the company made during 2007. The research findings show that Fairfax’s total revenue increased 14 per cent in 2004-2013 (as seen in graph 14). This finding doesn’t correctly reflect the underlying revenue potential of the company as the large acquisitions boosted its earnings. When comparing
Fairfax’s revenue development after the major acquisitions in 2007, it can be observed that the company’s revenue declined 30.7 per cent over the five year period 2008-2013.

Fairfax was profitable during the four year period of 2004-2008, and its profits were boosted by the Trade Me and Rural Press acquisitions. In 2008, the company’s profit peaked at AUD$387 million as seen in graph 15. In 2009 Fairfax lost AUD$380 million as it wrote down the values of its newspapers at the same time as its advertising income sharply declined. The company recorded a profit again in 2010, but incurred further losses for the three year period of 2011-2013. In the fiscal year 2011, the company recorded an AUD$390 million loss as it introduced impairment and restructuring charges. In 2012, Fairfax recorded its biggest loss of AUD$2.7 billion after substantial write-downs of its mastheads including The Sydney Morning Herald and The Age.

Fairfax’s income model is also heavily reliant on advertising as in 2013, 64 per cent of its revenue still came from that source. Circulation comprised 21.5 per cent and digital operations 14 per cent of its total earnings. As graph 16 indicates, 21 per cent of the company’s earnings was derived from New Zealand and 75 per cent from Australia in 2013.

3 Fairfax acquired online auction site Trade Me in New Zealand in 2006, and in 2007 Rural Press embracing 200 publications in New Zealand, Australia and the United States.
Graph 15: Fairfax profit/loss 2004-2014

Source: Fairfax Annual Reports 2004-2013

Graph 16: Fairfax publishing income split in 2013

Source: Fairfax Annual Report 2013
5.4. Debt and investments

A company’s earning potential and borrowings are affected by acquisitions as these are funded by shareholders and banks. Acquisitions can either boost or dent companies’ revenue streams and profitability. Fairfax made its biggest acquisitions – Trade Me and Rural Press – before the global financial crisis started. Until 2008 both APN and Fairfax were heavily borrowing to fund their operations and expansion. The relevant figures show that as Fairfax was expanding more aggressively than APN during 2004-2008, it also became more indebted. In 2004-2008 APN’s borrowings rose 67 per cent and Fairfax’s 125 per cent. Fairfax started major asset sales in 2011 in order to pay down its debts and to fund restructuring. As the traditional business models of APN and Fairfax started to fail, both companies started to invest in new digital and e-commerce ventures. This thesis suggests that the digital investment initiatives of Fairfax and APN lacked a long-term strategic view. Both companies acquired new digital ventures as their revenue streams started to dry up. However, they resold their newly acquired digital ventures shortly after the purchase in order to release cash to boost their profitability.

In 2004-2007 both APN and Fairfax were expanding their online businesses, and this was lifting their revenues. During 2004-2007 APN was spending money on new online ventures. In 2005, the company bought Netcheck, which was the second largest online jobs website in New Zealand at the time. In 2006 it bought a 50 per cent stake in the online business directory Finda, and in 2007 50 per
cent of Eventfinder, an online directory for events. The company also expanded its publishing stable by purchasing 50 per cent of the Australian newspaper *The Chronicle*, and 100 per cent of *Simply You* magazine in New Zealand. Similarly, Fairfax was purchasing new online companies. In 2005 it bought an Australian online dating website RSVP, and a year later made a major addition to its business portfolio by obtaining Trade Me, the New Zealand online auction site, for NZ$700 million. During the three year period of 2004-2007 Fairfax also invested a substantial amount into the traditional publishing business. In 2007 it announced an AUD$3 billion merger with Rural Press which owned 200 publications in Australia, New Zealand and the United States. Additionally it bought the Australian regional newspaper publisher group Riverina Media. Fairfax also expanded its broadcasting portfolio by forming an alliance with the investment bank Macquarie to buy radio assets from Southern Cross. The deal was worth AUD$1.3 billion, and it gave Fairfax access to top rating radio stations such as 3AW in Melbourne and 2UE in Sydney. The deal also included the Southern Star TV station.

As mentioned, the expansion policies of APN and Fairfax required capital, and total borrowings of the companies rose accordingly. During 2004-2008 APN’s borrowings rose from AUD$646 million to AUD$968 million; a 67 per cent increase, as illustrated in graph 17. After the global financial crisis APN started to reduce its debts, and in the six year period from 2008 to 2013 its total borrowings declined 52.8 per cent. By 2013, APN had reduced the amount of its total borrowings to AUD$457 million. As graph 18 shows, in 2004-2008 Fairfax’s total borrowings rose 125 per cent from AUD$1.1 billion to AUD$2.5 billion. In
2008 the company started to cut its debts, and by 2013 it had reduced its total borrowings by 75 per cent to AUD$638 million.

**Graph 17: APN total borrowings 2004-2013**

![APN total borrowings 2004-2013](image)

Source: APN Annual Reports, 2004-2013

**Graph 18: Fairfax total borrowings 2003-2014**

![Fairfax total borrowings 2003-2014](image)

Source: Fairfax Annual Reports, 2004-2013
The global financial crisis disturbed APN’s and Fairfax’s business models, and as a consequence they started to invest in new digital and e-commerce ventures. More importantly, they also begun to dispose of some major assets in order to reduce their debt burden. In 2011 APN increased its shareholding in a group buying site GrabOne from 50 per cent to 75 per cent, and in 2012 it took full control of the company by acquiring the rest of its shares. APN also took over a sports tipping platform Jimungo in the same year. However, at the same time it sold stakes in Eventfinder and Finda platforms which it had purchased during 2006 and 2007. In 2012 APN took an 82 per cent holding in an online shopping platform BrandsExclusive. APN initially spent AUD$36 million to buy BrandsExclusive, but sold it for AUD$2 million in cash, making a substantial loss. In 2013 APN announced that it was selling its remaining stake in APN Outdoor, an outdoor advertising company. The money from the sold assets was mainly used to pay off the company’s debt.

After the turmoil in financial markets Fairfax acquired some new online ventures, but it also started to sell some major assets in order to repay debts. In 2010 Fairfax purchased a tender notification service provider TenderLink for NZ$21.6 million, and bought an Australian online babysitting service site findababysitter.com.au and booking online site bookit.co.nz in New Zealand in order to gain advertising dollars. In 2011 the company acquired an online holiday rental business Occupancy for AUD$20 million. In 2009 the indebted company sold its Southern Star TV production and distribution business for AUD$108 million. In 2011 it disposed of regional radio assets, and listed its
auction site Trade Me on the New Zealand stock exchange NZX to release cash for its debt payments and restructuring (including redundancies). In this initial public offering (IPO) Fairfax sold 34 per cent of Trade Me shares, and raised AUD$364 million. During 2012 the company continued selling down its stake in Trade Me, and finally sold its entire holding in December 2012. In 2013 Fairfax announced that these additional sales had contributed AUD$303 million towards its revenue. In 2012 Fairfax also sold its agricultural media business in the United States for US$79.9 million. In 2013 it continued off-loading companies as it sold Stayz online venture to Homeaway for AUD$220 million. However, the company also acquired a property data and mapping provider Property Data Solutions for AUD$30 million, and announced that it had bought a minority stake in digital health services company Healthshare.

Tables 8 and 9 illustrate the major acquisitions of APN and Fairfax during 2005-2013, and they also list the major asset sales. The tables clearly show that both companies were actively involved in purchasing companies prior to the 2007-2008 global financial crisis. As illustrated, Fairfax started to dispose some of its major assets already in 2009, immediately after the crisis. APN started to sell its assets much later, and as table 7 shows, its divestments mainly happened in 2013.
Table 8: Major investments and divestments by APN in 2004-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment</th>
<th>Divestment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Acquisition of New Zealand’s second largest online jobs website Netcheck</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>Acquisition 50% of Finda, an online business directory</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>Acquisition 50% of online event site Eventfinder</td>
<td>Acquisition 50% of Chronicle and 100% of Simply You magazine</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>Increased shareholding in GrabOne from 50% to 75%</td>
<td>Sale of Eventfinder and Finda</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Acquisition of sports tipping platform Jimunogo and CC Media</td>
</tr>
<tr>
<td>2012</td>
<td>Ownership in GrabOne to 100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>82% ownership in brandsExclusive</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>100% stake in iNC Digital Media</td>
<td>Sells remaining 50% stake in APN Outdoor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sells South Island newspapers in NZ</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sells its NZ magazines to Bauer Group</td>
</tr>
</tbody>
</table>

Source: APN Annual Reports, 2004-2013
Table 9: Major investments and divestments by Fairfax in 2004-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment</th>
<th>Divestment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Acquisition of online dating site RSVP</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>Acquisition of online auction site TradeMe</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>Merger with Rural Press embracing 200 publications in NZ and Australia</td>
<td>Purchase of Riverina Media Group</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td>Sale of Southern Star TV business</td>
</tr>
<tr>
<td>2010</td>
<td>Acquisitions of findababysitter.com.au and bookit.co.nz</td>
<td>Acquisition of TenderLink tender notice service provider</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>Increased shareholding in GrabOne from 50% to 75%</td>
<td>Sale of 34% of TradeMe shares</td>
</tr>
<tr>
<td></td>
<td>Acquisition of online holiday rental business Occupancy</td>
<td>Sale of regional radio assets</td>
</tr>
<tr>
<td>2012</td>
<td>Acquisition of Netus, technology investment company</td>
<td>Sale of all TradeMe shares</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sale of US agricultural media business</td>
</tr>
<tr>
<td>2013</td>
<td>Acquires a minority stake in digital health services company Healthshare</td>
<td>Sells Stayz</td>
</tr>
</tbody>
</table>

Source: Fairfax Annual Reports, 2004-2013
5.5. Print and online readership

This section presents findings concerning print and online readership of APN’s and Fairfax’s stables. The introduction of online news sites had clearly affected the circulation and readership of APN’s and Fairfax’s print newspapers. This research found that from 2006 to 2013 print circulation for APN’s and Fairfax’s mastheads including The New Zealand Herald, The Dominion Post, The Press, The Age and The Sydney Morning Herald, fell 20-40 per cent. Circulation declines for Fairfax’s Australian newspapers were more severe than those for its titles in New Zealand. The evidence suggests that the introduction of new compact\(^4\) size newspapers has not helped to revitalise APN’s and Fairfax’s circulation numbers. For example, the circulation of The New Zealand Herald fell 2.3 per cent from 2012 to 2013 after the move to a new format, and the circulation of The Sydney Morning Herald declined 11 per cent after the smaller size was introduced. Similarly, the circulation of The Age dropped 9.4 per cent over the same period of time. The research results also show that Fairfax’s and APN’s online news sites gained strongly in readership during the research period. It should be noted that data concerning APN’s and Fairfax’s print and online readership and circulation was somewhat patchy. The results presented here are drawn from a variety of sources including the New Zealand Audit Bureau of Circulation, the Audited Media Association of Australia (AMAA), News Work NZ, Roy Morgan and Nielsen Media & Insight. These institutions

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\(^4\) Compact newspapers are broadsheet-quality newspapers which are printed in a tabloid size and format. In 2003 The Independent in the United Kingdom was the first broadsheet newspaper to introduce compact size in order to save costs and attract commuters.
record numbers concerning readership and circulation somewhat differently, and this was taken into account. Retrieving accurate information about print circulation and online readership numbers in New Zealand and Australia proved surprisingly challenging. The online readership numbers used and compared here were retrieved from Fairfax, APN and Nielsen Consumer & Media Insights. New Zealand doesn’t have one single authority with publicly available information about online readership numbers or page views in regard to different media outlets.

Both APN and Fairfax operate in print and online news environments. APN’s leading daily is The New Zealand Herald. In 2012 this Auckland based newspaper moved from a broadsheet format to a compact version as APN was trying to achieve savings in its printing costs. The online version of The New Zealand Herald, nzherald.co.nz, was introduced in 1998, and the site was redesigned in 2006 and 2012. Fairfax’s leading mastheads in Australia include The Sydney Morning Herald (The SMH) and The Age. The SMH is published six days a week in Sydney and The Age is a daily newspaper published in Melbourne. Both papers moved from a broadsheet to a compact format in 2013. The online version of The SMH was launched as early as 1995. In New Zealand Fairfax’s leading mastheads include The Dominion Post, published in Wellington, and The Press, published in Christchurch. Fairfax also runs the online site stuff.co.nz which hosts the websites for Fairfax’s New Zealand newspapers including The Dominion Post, The Press and The Sunday Star-Times. In 2000 the stuff.co.nz was launched; it has been upgraded twice, in 2006 and 2009.
After its introduction, and after APN introduced online news site nzherald.co.nz, circulation of their print newspapers started to decline, as seen in graph 19.

Circulation for APN’s The New Zealand Herald declined 28 per cent between 1998 and 2013. However, Fairfax’s Wellington based The Dominion Post increased its circulation in 2002 after it merged with The Evening Post. In order to make circulation figures comparable with Fairfax’s Australian newspapers, the 2006-2013 period needs to be examined. In 2006, circulation for The New Zealand Herald was 200,309, but by 2013 it had fallen to 158,521. This represents a decline of 20.8 per cent. Similarly, the circulation of Fairfax’s The Dominion Post fell from 98,251 in 2006 to 78,643 in 2013; a fall of 19.97 per cent.
In Australia, the print sales of *The Age* and *The SMH* declined strongly during 2006-2013 as graph 20 illustrates. The data obtained from Audited Media Association Australia (AMAA) shows that the net paid print sales of *The Age* fell 35 per cent during this period, and that the net paid print sales of *The SMH* dropped 39.9 per cent over the same period of time. According to the research data, circulation for *The New Zealand Herald* fell five per cent between 2011-2012, *The Dominion Post*’s declined 2.8 per cent and the Christchurch based *The Press* saw a four per cent decline in its circulation (after the city was hit by earthquakes). The average issue readership (AIR) of *The New Zealand Herald* fell from 566,000 in 2011 to 531,000 in 2012. In October 2013, *The New Zealand Herald* had on average 487,000 readers for each weekday issue, and the combined readership of the paper on print, mobile and online was an average of 835,000 each day (graph 21 illustrates reading habits).
The online readership of Fairfax’s stuff.co.nz rose 199 per cent during 2005-2011. The number of visitors visiting the stuff.co.nz in each month was 244,000.
in 2005, and 731,000 in 2011 (as seen in graph 22). Similarly, the number of
visitors APN’s nzherald.co.nz site grew from 324,000 in 2005 to 672,000 in
2011. This represents a 107 per cent growth for the nzherald.co.nz website
during 2005-2011. The data obtained from News Works NZ shows that in April
2014 stuff.co.nz had a unique monthly audience of 1,540,000 – a 110 per cent
increase from 2011. In April 2014 nzherald.co.nz had a unique monthly
audience of 1,211,000; an 80 per cent increase from 2011.

The readership of online newspapers has also increased in Australia, although
it proved an impossible task to retrieve historical data on this trend. The
researcher tried to obtain this data directly from the Audited Media Association
of Australia and Newspaper Works; however, they were not able to provide any
information concerning historical online readership of major newspapers such
as The SMH and The Age. The most recent data from their website suggests
that the digital audience of The SMH increased from 1,323,000 in 2013 to
1,410,000 in 2014, an increase of 6.6 per cent. The digital audience of The Age
declined 2.7 per cent from 1,069,000 to 1,040,000 over the same period. Both
newspapers introduced paywalls for their online news sites in 2013.

Naturally, other factors have impacted on print and online news reading such as
the availability of mobile phones and the introduction of tablets. Trans-Tasman
newspaper audiences have clearly shifted from print to online. In this regard the
data from May 2014 shows that nzherald.co.nz had a daily average of 103,398
unique browsers using its site, and that stuff.co.nz had a daily average of
121,273 unique browsers. As the research results here show, the online
readership of APN’s and Fairfax’s news sites has grown substantially as newspapers sales have declined.

5.6. Commodification of online news

The decline in print newspaper income prompted news publishers to search for additional revenue streams. Consequently, the newspaper industry has started to introduce paid online news content, as seen in Australia. The findings concerning APN’s and Fairfax’s online news commodification are considered here. The figures relating to Fairfax’s paywall income cover the period of 2013-2014 as the company only introduced paid digital content for its general newspapers in 2013. Because APN didn’t introduce paywalls for its newspapers during the research period, there was no financial data to analyse. The company was expected to launch digital subscriptions for its masthead The New Zealand Herald during 2015.

The research results prove that paid online news contributed positively to Fairfax’s revenue; however, its paywalls didn’t provide enough revenue to fully support its newsrooms and operations. Job losses have thus accompanied the introduction of digital subscriptions. Over the research period, paywalls contributed only two per cent to Fairfax’s total revenue. The research results show that Fairfax experienced a strong increase in digital-only subscriptions after implementing paywalls for The Age and The Sydney Morning Herald in 2013. During the initial research period Fairfax didn’t disclose how much of its digital subscriptions revenue was derived from these newspapers, and how
much was generated by its financial newspaper AFR. Thus it was difficult to assess the relative value of Fairfax's general newspapers and financial newspapers in terms of revenue creation. The research confirmed that as the AFR had a more targeted audience base than Fairfax’s general newspapers, it was charging more for access to business content.

In 2013 Fairfax reported that its print advertising revenue had fallen 25 per cent from 2012, and online advertising had increased 3.4 per cent. In 2013 Fairfax's print advertising income was AUD$301 million, and digital advertising revenue AUD$167 million (includes income from transaction sites). The figures suggest that the income derived from digital advertising and listing services is a significant contributor to Fairfax’s earnings, but as print advertising is sharply declining, the company needs to grow other earnings to compensate print losses. During the research period APN experimented with paid online content. In 2005 it launched online subscriptions for The New Zealand Herald’s opinion pieces, but the initiative was abolished shortly after its introduction. In November 2012 APN implemented digital subscriptions for its New Zealand current affairs magazine The Listener, but the magazine never disclosed how much money it was making from its paywall. In 2013 APN sold The Listener to the German media corporation Bauer Group, and announced that the company was planning to introduce digital subscriptions for The New Zealand Herald. The company stated then that the “launch of digital subscriptions to nzherald.co.nz is on track for the second half of 2014 with the revenue benefits expected to flow through within the first two to three years” (APN, 2013). The plan was to introduce a metered model which would allow readers to read a
certain amount of news articles per month without charge. In 2014 the company hadn’t introduced paywalls but affirmed that this would happen. In February 2015, APN yet again announced that it would “launch the first stage of its paid content model this year”, but it was not clear what this launch would entail (APN, 2015). The delays in APN’s paywall introduction were most likely due to structural changes within the company. In 2014 APN expanded its portfolio of traditional media assets by acquiring 100 per cent control of its Australian Radio Network (ARN) and The Radio Network (TRN) in New Zealand. Additionally, it organised its New Zealand media assets under the NZME brand in anticipation of a stock market float. In February 2015 the company announced that it had delayed the float, but denied that this was due to lack of investor interest in its initial public offering (APN, 2015).

In 2011, Fairfax launched a freemium model for AFR, and in 2012 it announced paywall plans for its Australian metropolitan newspapers. In 2012 the company stated that the “structural challenge of declining print revenues facing the Metro business are significant and long lasting” and that the company would be taking steps to stabilise its revenue (Fairfax, 2012). In March 2013 Fairfax introduced an AUD$15 charge for overseas readers to access The Age and The SMH online. Its metered paywall allowed overseas visitors to read ten articles per month before payment for access was required. In July 2013 the media corporation launched paywalls for The Age and The SMH. Australian readers could access 30 articles per month before they needed to pay for the content. As seen in table 9, Fairfax’s general newspapers The Age and The SMH had
exactly the same pricing policy for their digital packages whereas *AFR* charged more for access to its print and digital products (as seen in table 3).

As the table 9 illustrates, Fairfax’s papers offer their readers a variety of packages. The most expensive offering is a bundled subscription which gives readers access to a print newspaper as well to the digital content, and the cheapest package offers access to their websites. The papers offer a digital access via multiple devices such as tablets and mobiles. As table 9 demonstrates, the subscription charges for readers vary from AUD$15 to AUD$75 per month.

**Table 10: Digital packages of Fairfax’s general newspapers/AUD$ a month**

<table>
<thead>
<tr>
<th></th>
<th><em>The SMH</em></th>
<th><em>The Age</em></th>
</tr>
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<tbody>
<tr>
<td>News site only</td>
<td>$15</td>
<td>$15</td>
</tr>
<tr>
<td>All digital + tablet, apps</td>
<td>$25</td>
<td>$25</td>
</tr>
<tr>
<td>Bundled (print + digital)</td>
<td>$44</td>
<td>$44</td>
</tr>
<tr>
<td>Weekend paper + digital</td>
<td>$25</td>
<td>$25</td>
</tr>
</tbody>
</table>

Source: The Age, The SMH

In August 2014 *The SMH* and *The Age* had “more than” 140,000 digital-only subscribers and 111,000 print subscribers who had paid for digital access (bundled subscriptions). In 2014 Fairfax’s chief executive officer Greg Hywood noted that the two papers and the *AFR* were making “an increasingly significant contribution, generating total [digital] revenue of AUD$24 million during the
financial year of 2014” (Fairfax, 2014). However, the digital-only subscriptions represented roughly two per cent to Fairfax’s total revenue. The figure is low when compared internationally. A 2013 analysis of eight countries found that on average paywalls contributed ten per cent to media corporations’ publishing/circulation revenues (Myllylahti, 2013a).

Graph 23: Fairfax digital subscriptions 2013-2014

In August 2013 Fairfax had 68,000 digital-only subscribers and 98,000 bundled subscriptions. Based on the numbers provided by Fairfax, the number of its digital-only subscribers increased 105 per cent in 2013-2014 and bundled subscriptions grew 13 per cent over the same period of time (as seen in graph 23). The growth of digital-only subscriptions seems high by international comparisons. For example, in July 2012 The New York Times recorded a 13 per cent increase in its digital-only subscriptions (Myllylahti, 2013a). Some caution should be taken when evaluating digital readership figures of the
Australian newspapers. Burrowes (2014), for example, has pointed out that in the case of Fairfax its digital readership figures may be too rosy as its “educational and tertiary sales may be distorting the digital picture in the same way they used to bulk out the print subscriptions” (Burrowes, 2014). Additionally, Robin (2016) has observed that news publishers use “cherrypicking of the stats” to boost their digital readership numbers (Robin, 2016).

Fairfax has launched paid digital content in Australia, but not in New Zealand. In 2012 Fairfax’s New Zealand chief executive officer Allen Williams stated that as readers and advertisers hadn’t pulled away from its print media, there was little need to charge for online news content. In 2013 APN noted that The New Zealand Herald had a strong print subscriber base as print subscriptions made 60 per cent of its total circulation.

5.7. Digital revenues 2011-2013

One of the aims of this thesis was to explore how successful APN and Fairfax have been in building new revenue streams, and to determine if the two companies have, in fact, shifted from being print to online media corporations (in terms of earnings and revenue sources). The results here suggest that despite launching ‘digital first initiatives’ and making online publishing a priority, the two companies have not been transformed into digital news publishers in revenue terms. Both Fairfax and APN increased their digital income during 2011-2013, but advertising and circulation remained their main
sources of revenue. Purely in terms of revenue Fairfax was more advanced than APN in its digital transformation. In 2013, 14 per cent of Fairfax’s revenue was derived from digital operations. In comparison, 5.96 per cent of APN’s 2013 revenue came from digital sources. However, the growth of APN’s digital revenue was higher in 2011-2013 as the company’s digital revenue grew 34 per cent compared to Fairfax’s 27 per cent growth rate. This figure might be somewhat distorted as APN’s digital revenue was boosted by asset sales. For example, APN sold its stake in BrandsExclusive in 2013 and this affected its digital income.

In 2012 Fairfax announced its ‘digital first’ strategy, and the company commented that “we have the foresight to invest in the growth of digital transaction businesses and lay a solid foundation for a profitable media model” (Fairfax Annual Report, 2012). The ‘digital first’ strategy was based on publishing stories on digital platforms first. However, the main focus was in cost savings and content sharing across its multiple news platforms. Fairfax stated that its ‘digital first’ model would have advantages as “a predominantly digital business may have less revenue, but it will also have significantly less costs and higher margins” (Fairfax Annual Report, 2012). The company also noted that its digital revenue grew 20 per cent during 2011-2012, and that the

5 In 2013 APN’s digital division comprised of NZ Herald online, group buying site GrabOne and online cataloguing company InC Digital Media. In 2013 Fairfax’s digital ventures included Stayz, RSVP, TenderLink, OMG, InvestSMART and Australian Property Monitors and Commerce Australia.
company was “within reach of a profitable digital only model” (Fairfax Annual Report, 2012).

In 2013 Fairfax’s Digital Ventures division consisted of transaction sites such as online accommodation booking site Stayz, online dating site RSVP, tender notification service TenderLink, online marketing group OMG, investor service InvestSMART, property monitoring service Australian Property Monitors and Commerce Australia. In 2013 Fairfax separated its digital ventures from its real estate listing site Domain in order to offer its shareholders better transparency concerning the group’s digital earnings. As seen in graph 24, Fairfax group’s digital income revenue increased 27 per cent over three years from 2011 to 2013.

**Graph 24: Fairfax group’s digital revenue 2011-2013 (including Domain)**

Source: Fairfax investor presentations 2011-2013
In 2011 Fairfax’s digital revenue was AUD$232 million and in 2013 AUD$295 million as seen in graph 25. The company’s digital revenue included income derived from online news sites, classified advertising, transaction sites, mobile and online platforms, regional newspapers and digital broadcasting.

In 2010 APN stated that it was “increasingly looking at business from a digital perspective” (APN Annual Report, 2010). However, at the same time the company noted that it had “not made the same investment in digital capabilities that other media companies have made”, and that it was looking at partnerships and acquisitions in order to gain more digital revenues (APN Annual Report, 2010). In 2011 APN introduced a ‘digital first approach’ as this was deemed “critical” for its revenue building (APN Annual Report, 2011).
In 2011 the company also noted that “APN has more than doubled its digital revenue over the last 12 months” implying that building new digital revenue streams was progressing well (APN Annual Report, 2011). As seen in graph 26, during the three year period of 2011-2013 APN’s digital income increased 34 per cent. In 2011 APN’s revenue from digital ventures was AUD$12.6 million, representing one per cent of the company’s total revenue. In 2012, digital revenue jumped to AUD$55.3 million after the acquisition of brandsExclusive which represented 5.96 per cent of the company’s total revenue. In 2013, APN’s digital revenue declined to AUD$22.3 million after the company disposed of its digital assets including brandsExclusive with a heavily discounted price.

Graph 26: APN digital revenue 2011-2013

Source: APN Annual Reports 2011-2013
In 2013 APN’s digital holdings included group buying site GrabOne and iNC Digital Media (whose primary function is to advance online sales). In 2013, digital earnings contributed 2.7 per cent to APN’s total revenue (graph 27). APN doesn’t disclose information about the digital revenue of its online news sites such as *The New Zealand Herald* online, thus evaluating the revenue derived from its online news is not possible. Outside the research period, in February 2015, APN announced that its digital operations were contributing seven per cent towards its total revenue (APN, 2015).

It is worth noting that the figures provided by APN and Fairfax about their digital income reveal very little or nothing about the income structure and revenue streams of their online news sites. Neither Fairfax nor APN break
down income for their individual news publications, and therefore it is impossible to evaluate how well their online news sites such as nzherald.co.nz and stuff.co.nz financially perform. What is clear is that the business models of Fairfax and APN have not significantly changed in terms of revenue sources. In 2013 both APN and Fairfax were still heavily reliant on traditional income streams derived from their publishing and broadcasting businesses as demonstrated in graphs 28 and 29. In 2013, 95 per cent of Fairfax’s earnings came from its publishing related operations, and five per cent from broadcasting. Similarly, in 2013 APN’s earnings were heavily dependent on its traditional media assets; 44 per cent of its earnings were derived from publishing and 42 per cent from radio. However, there was a clear difference between the two corporations, as Fairfax was clearly more dependent on print and online publishing than APN which seemed to have a more diversified and balanced revenue structure than Fairfax.

**Graph 28: Fairfax revenue structure in 2013**

Fairfax revenue structure in 2013 (% of total revenue)

Source: Fairfax Annual Report, 2013
5.8. Newsroom structures and news work

As the data shows, APN and Fairfax were highly profitable and expanding until 2007/2008. At the same time the companies were heavily borrowing and their debt accumulation generated a heavy interest burden. In 2008, APN’s total borrowings amounted to AUD$968 million and Fairfax’s to AUD$2.5 billion. As APN’s and Fairfax’s revenue and profit started to slide, they started to implement cost saving measures. These measures ensured that APN’s and Fairfax’s newsrooms shrunk substantially over the research period.

The information Fairfax and APN provide about their employment numbers is patchy; the figures retrieved are used here for analysis. The results show that
from 2007 to 2013 the number of APN’s employees fell from 2,068 to 1,037; Fairfax’s employee numbers dropped from 9,800 in 2008 to 7,043 in 2013. Clearly APN has reduced its workforce more substantially than Fairfax (notwithstanding the fact that APN’s numbers cover seven years and Fairfax’s six years). As graphs 30 and 31 demonstrate, Fairfax’s employee numbers declined 28 per cent from 2008 to 2013, and APN’s 49.8 per cent over the period of 2007-2013. These job cuts impacted on the editorial, marketing and advertising departments of the two companies, and hundreds of printing jobs disappeared after printing plant closures. Furthermore both companies outsourced their editorial jobs to third parties and this has affected news work.

The research data suggests that in a period when Fairfax was acquiring new businesses, its cost control was not the most prudent. From 2004 to 2013 the company’s expenses grew 60 per cent from AUD$1.3 billion to AUD$2.2 billion. According to Fairfax, during the ten year period in question the company “made a number of substantial acquisitions which substantially lifted its revenues as well as its cost base” (Jolanta Masojada, Fairfax media adviser, personal communication, August 27, 2014). Interestingly, over the same period of time, APN’s expenditure declined 32.7 per cent. This might be due to the fact that APN was reducing staff more aggressively than Fairfax. As discussed, declining revenues, accumulating debts and costs drove Fairfax and APN to implement saving initiatives which mainly targeted newsrooms. As the two companies were laying off workers, they stated that these wouldn’t impact on the quality of journalism. In 2008 Fairfax noted that “we have firm cost disciplines that have been devised so as not to harm the internationally recognised quality journalism
for which we are renowned” (Fairfax Annual Report, 2008). However, the job reduction programs were relatively expensive. For example, in 2008 Fairfax announced that it would take a one-off charge of AUD$50 million for the first half of 2009 due to redundancy associated costs. In 2012 Fairfax announced the implementation of an AUD$235 million cost saving initiative which removed 1,900 editorial jobs – almost 20 per cent of the Fairfax Media’s total editorial workforce. At the time the company stated that “we are committed to making substantial additional cost savings over the next two years” (Fairfax Annual Report, 2012). In 2013 the company was “on track to deliver AUD$311 million annualised cost savings by 2015” (Fairfax Annual Report, 2013). The job cuts also affected printing workers. In 2012 Fairfax announced that it was closing down its Chullora and Tullamarine printing plants in Australia in order to achieve $AUD44 million in cost savings. The company also closed its printing plant in Invercargill, New Zealand at the expense of eight printing positions.

Graph 30: Fairfax employee numbers - 2008-2013
In 2009 APN also implemented cost saving measures, and in 2011 the company reported that it was delivering AUD$25 million annual savings. The number of the company’s printing plants was reduced from 11 to eight. One of the plant closures in Manukau, New Zealand, affected 150 jobs. In 2013 APN also closed its printing plant in Wanganui, New Zealand, with a further loss of 21 positions. It is interesting to note that APN doesn’t report about its employee numbers as transparently as Fairfax, and obtaining accurate information about its employee numbers proved somewhat challenging.6

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6 APN annual reports 2004-2013 record employee related costs and expenses, but they lack detailed employee numbers.
Both companies have also started to outsource their editorial work. In 2007 APN transferred its editing and layout work to Pagemasters, a subsidiary of the Australian Associated Press news agency. In 2011 Fairfax decided to outsource sub-editing of its mastheads The Sydney Morning Herald, The Sun-Herald, The Age and The Sunday Age to Pagemasters, resulting in 82 job losses within the company. In 2012 Fairfax moved 66 sub-editing jobs from Australia to New Zealand. In 2013 the company continued to move jobs across the Tasman in order to exploit New Zealand’s lower wage rates. Fairfax also moved some of its call centre staff from Australia to New Zealand for the same reason.

APN and Fairfax have also restructured newsrooms and news work. In 2012, Fairfax introduced a new newsroom model. In an information pack targeted at its editorial workforce, the company stated that the new model "means our newsrooms will be based around our audience. It will allow more flexibility, more sharing and more transparency about how we work" (Fairfax, 2012). In practice this meant increasing content sharing across the Fairfax’s stables and across different platforms. According to the new model journalists were expected to write stories across a range of platforms and titles. The management stated that “we are a 24-hour a day, audience focused, multi-platform newsroom embracing a digital future” (Fairfax, 2012). The management also declared that the revamped newsroom was operating with “digital first and audience first” in mind (Fairfax, 2012). This meant that all the published content needed to go to the digital platforms first, and that editorial decisions were made “with the needs and wants of the audience foremost in mind” (Fairfax, 2012). This newsroom overhaul was designed to reduce costs
and attract more audience and advertising. Management clearly expected journalists’ work to be guided by audience preferences as measured by audience metrics. Such was evident in a management statement made in the staff information pack: “we will use reader feedback and audience analytics to help guide the journalism we do” (Fairfax, 2012). Clearly job cuts, outsourcing and newsroom remodelling has profoundly affected journalistic work. A senior New Zealand journalist observed that outsourcing editorial work has undermined institutional knowledge as newspaper staff had no physical contact with sub-editors:

Subs no longer speak to reporters. The new system is geared to processing words and spell checking. The traditional concept of sub-editing no longer exists. It has become a factory process” (A senior New Zealand journalist, personal communication, February 11, 2012).

5.9. Breakdown of APN’s and Fairfax’s commercial model

The results detailed here show how APN’s and Fairfax’s revenue models evolved during the research period. Based on these findings, and by utilising management statements from APN’s and Fairfax’s annual reports, seven key periods were identified to indicate how the business models of APN and Fairfax developed during 2004-2013. These key periods are illustrated in the timeline below (figure 1). The timeline demonstrates how Fairfax and APN were transformed from growth companies to companies in crisis, and how this crisis contributed towards the online news commodification.
As illustrated, the commercial business models of the two companies started to break down in 2009. In 2011, the two companies launched debt reduction programmes and cost cutting initiatives in order to recapture profits. However, in 2012 it was clear that their income models based on print advertising and circulation were in crisis, and this is described as a year of ‘meltdown’. Both Fairfax and APN experimented with digital income sources and launched digital first initiatives (as the timeline demonstrates), but only once they entered the crisis did they start to consider paid content models for their online news.

*Growth until 2007-2008*

During the first phase the revenues and profits of Fairfax and APN were growing. As the results of the thesis show, APN enjoyed profit and revenue growth until 2007 and Fairfax until 2008. Fairfax purchased Trade Me in 2006 and it merged with Rural Press in 2007; these acquisitions affected its growth and explains the difference between APN’s and Fairfax’s downturn. Prior to 2007-2008 the two companies celebrated their success and record
profits, and this mood was reflected in the annual report statements made by the companies’ chairmen and chief executives. In 2005 Fairfax’s management noted optimistically that Fairfax had delivered “record earnings per share, record net profits, and record revenues” and the management stated further that they were “proud to say that Fairfax’s future is extremely bright” (Fairfax Annual Report, 2005). The mood was still celebratory in 2008 as the management noted that the company was “reaping the benefits of our merger with Rural Press and acquisition of Southern Cross” and as the company was “more competitive and successful than ever before” (Fairfax Annual Report, 2008). Similarly APN’s management stated in its 2007 annual report that the company had achieved “yet again record profit” (APN Annual Report, 2007). APN was also pleased about its online performance stating that “progress in this area [online] has been very satisfactory … we see future growth from online revenues as a major opportunity” (APN Annual Report, 2007). In 2008 APN’s mood was already shifting as the global financial crisis started to have an impact on revenues. APN’s management was still pleased to announce that the company made “satisfactory returns to shareholders” (APN Annual Report, 2008). However, it noted “dramatic change in overall trading conditions” and recorded that for the “first time in the company’s 16 years history” APN had to reduce the dividend paid to its shareholders (APN Annual Report, 2008).
Annus horribilis

The turning point came in 2009 as the global financial crisis started to contract Fairfax’s and APN’s revenues, and as their income model started to crumble. As detailed above, in 2009 APN lost AUD$195 million in revenue. Fairfax’s revenue loss was even more substantial as its earnings declined AUD$325 million in the financial year ending 2009. Fairfax also made a net loss of AUD$380 million after it took impairment charges against its mastheads, licences and goodwill. In an attempt to please the company’s shareholders, Fairfax froze its chief executive’s salary. In its 2009 annual report APN stated that “the year 2009 is one most of us would like to forget” (APN Annual Report, 2009). Both companies referred to the economic slowdown and the financial crisis as a cause for the slump in their earning power and asserted that the reason for their revenue decline was cyclical rather than structural. APN described the year as “annus horribilis… it is difficult to think of another phrase that so aptly describes the dramatic effect of market turbulence – both global and local – in the past year on our business” (APN Annual Report, 2009). The company also acknowledged that it had experienced “double-digit percentage declines in advertising revenues in Australia and NZ” and had therefore introduced cost saving measures (APN Annual Report, 2009). Similarly Fairfax noted in its 2009 annual report that the company faced “some of the toughest trading conditions in advertising markets ever experienced in Australia” (Fairfax Annual Report, 2009). However, the company asserted that because it had diverse businesses it had “largely withstood the downturn in traditional media that has been experienced throughout the global market” (Fairfax Annual Report, 2009).
Recovery

The year 2010 was described by both companies as one of recovery as they started to consolidate their businesses, create efficiencies and pursue new income streams. The revenues of both companies stabilised in 2010 and Fairfax bounced back to profit. APN declared that “if 2010 was a year of recovery for our markets from the assault of global financial crisis, then 2011 will be a year of renewal and reinvigoration… APN will actively explore and develop fresh avenues for growth in the rapidly evolving media landscape” (APN Annual Report, 2010). APN pointed out that it was “looking at our business from a digital perspective” (APN Annual Report, 2010). The company implied that it was looking for digital growth through acquisitions and partnerships. It optimistically stated “it is an exciting time to be a media company” (APN Annual Report, 2010). Fairfax’s mood was more sombre as it described 2010 as “a year of change and consolidation” (Fairfax Annual Report, 2010). The company stated that its recovery in 2010 was due to revenue growth, business efficiency and the reduced cost of interest payments against its debt. The company was considering new efficiencies through greater sharing of editorial content between its newspapers and collaboration between its online, mobile and print platforms.

Cost cutting

In 2011 it was apparent, that the recovery was short lived as the earthquake in Christchurch, New Zealand, and floods in Queensland, Australia impacted upon the two companies’ advertising revenues. It was evident that their print business models were in trouble. Both APN and Fairfax made losses in 2011, and APN
described the year as “one of the most challenging years APN has faced” (APN Annual Report, 2011). The company made an AUD$159 impairment charge of its mastheads, and it launched a cost reduction programme for its publishing business and announced the closure of its three printing plants.

Fairfax also launched a new cost cutting plan, and stated that it was “committed to making substantial additional cost savings over the next two years” (Fairfax Annual Report, 2011). The company also reported that it was selling part of its Trade Me shares in order to boost profits. Fairfax further commented that it was forced to “aggressively respond to cyclical factors, while continuing to address the challenge of structural change in some parts of the business” (Fairfax Annual Report, 2011).

Meltdown

For APN and Fairfax the year 2012 appeared to be one of meltdown as it became evident that their revenue models were in crisis. In fact, each company made heavy losses as they wrote down the value of their mastheads. APN stated that it was challenged by a “difficult and disappointing trading environment because of the weak advertising market” (APN Annual Report, 2012). As detailed previously, in 2012 APN made a substantial loss of AUD$561 million after write-downs of its mastheads. In its 2012 annual report the company asserted that its publishing divisions were “pushing through extensive change agendas to re-engineer their business models, revitalise products and drive efficiencies” (APN Annual Report, 2012). It also emphasised that despite the big write-downs it had valuable brands that generated
significant cash flows “(APN Annual Report, 2012). Similarly, in 2012 Fairfax recorded its biggest ever loss of AUD$2.7 billion after substantial write-downs of its mastheads. They announced mass scale layoffs in order to save AUD$170 million annually. Its savings initiatives included closure of Chullora and Tullamarine printing plants contributing AUD$44 million towards savings.

Despite the circumstances, both companies declared commitment to their print publications, and expressed confidence that things would be turned around. Fairfax noted that “the financial information shows that this [print] is a profitable business, and we’re committed to maximising that profit for many years to come” as well as it was “making changes as we trade through this prolonged downturn” (Fairfax Annual Report, 2012). It stated further that “we remain committed to print for as long as it remains profitable” and that “our mastheads are going to remain in print for the foreseeable future” (Fairfax Annual Report, 2012). However, the two companies were forced to rethink their print operations as their businesses turned unprofitable, and both companies launched compact sizes for their newspapers.

*Digital first*

During the period of 2012-2013 Fairfax and APN started to emphasise their digital offerings. APN launched its ‘digital first’ approach in 2011, but it was not very clear what that entailed, and the initiative didn’t gain much attention as the company’s finances were in difficulty. In 2012, Fairfax launched a ‘digital first’ strategy, and stated that it had the “foresight to invest in the growth of digital transaction businesses and lay a solid foundation for a profitable media model” (Fairfax Annual Report, 2012). Its ‘digital first’ approach was intended to
diversify its income streams, but it impacted on newsrooms as detailed previously. Fairfax stated that its “news websites, digital transaction websites and apps are amongst the most successful in Australia… we are at the front of the pack” (Fairfax Annual Report, 2012). The same report stated that “Fairfax is more progressed than any other media company in Australia – and most others in the world – in terms of transitioning into a truly modern world-leading, multi-platform media business” (Fairfax Annual Report, 2012).

These statements were overly boisterous, as the results of this thesis show that the company actually failed to turn into a digital media corporation (in terms of revenues). How deeply the digital first initiatives affected APN’s and Fairfax’s newsrooms can only be assessed by newsroom interviews and surveys.

*Paid digital content*

After the 2012 meltdown and substantial write-downs, APN and Fairfax started to consider paid digital content. As previously stated, in 2013 Fairfax launched digital subscriptions for *The Age* and *The SMH*, and APN announced paywall plans. Digital subscriptions (paywalls) will be further investigated in chapter six.

When examining the events described in the timeline, and considering Fairfax’s and APN’s business models in a wider context, it can be seen that revenue declines followed a similar pattern to the newspaper industry in Australia in general and in the United States. In Australia, the total newspaper revenue grew until 2008 after which earnings started to fall. This revenue decline continued until 2012 when the total revenues of newspapers were at the “lowest level ever for the past decade” (Papandrea, 2013, p.6). However, it seems that
in the United States newspapers revenue started to decline somewhat earlier than in Australia. According to the Pew’s *State of the News Media 2013* report, the print advertising and circulation revenue of American newspapers had started to fall already in 2006, and this trend continued until 2012 (Pew, 2013). In the United States newspapers’ revenue slide slowed down in 2009 as the global economy started to recover from the 2007-2008 global financial crisis. American newspapers started to reduce their newsroom workforce in 2006 suggesting that the job cuts in the United States started earlier than in the case of APN and Fairfax. Young (2013) argues that the circulation declines of Australian newspapers weren’t as steep as in the United States and the United Kingdom. She asserts that this was due to the fact that the Australian media was more advanced in their web operations than some other countries. Young also states that the newspaper industry in Australia was comparatively well-off as it had not seen similar kinds of newspaper closures to those in the United Kingdom and the United States. The research results of this thesis prove that APN’s and Fairfax’s newspapers experienced similarly sharp revenue declines as their counterparts in the United States, and therefore the results contrast to those of Young’s. As the results of this thesis show, the circulation of Fairfax’s newspapers *The Age* and *The SMH* declined strongly over the period of 2006-2013. The net paid print sales of *The Age* fell 35 per cent and *The SMH’s* 39.9 per cent over the same period of time. In the United States the daily newspapers circulation fell approximately 23 per cent during 2006-2013 (Pew, 2013; NAA, 2013).
The preceding timeline, and the results detailed previously, reveal that Fairfax and APN have been slow to adapt to the digital media environment and its challenges. A former APN Director suggests that this was because a strong print culture hindered the transformation. In earlier research Thurman and Myllylahti (2009) also observed that moving a newspaper from a print to an online environment is difficult. Their case study of the Finnish business daily *Taloussanomat* found that after the paper went online-only, journalists still worked in a print mode producing only one news article per day (Thurman & Myllylahti, 2009).

A senior New Zealand journalist observed that in 2012 the news culture in *The New Zealand Herald* was still very much print orientated:

> Largely reporters sit at their desk with a telephone, and use a computer running a word processor and an internet browser geared towards writing stories for the newspaper (A senior New Zealand journalist, personal communication, February 11, 2012).

The former Director of APN states that the “advertising departments haven’t adapted to the online environment” as they don’t know how to sell online advertising space” (A former APN Director, personal communication, June 27, 2013). He argues that the newspaper publishers “are still trying to sell content to their readers whereas they should ask what kind of content their readers want and need” (A former APN Director, personal communication, June 27, 2013). He is less optimistic about the future of printed newspapers than Fairfax and APN, and says that “print newspaper publishing will disappear as there is no
income structure or business model to support it in the longer term” (A former APN Director, personal communication, June 27, 2013).

A former Fairfax editor Eric Beecher argued in 2013 that Fairfax’s “board never understood the scale of the challenge posed by the internet. It never saw the size of the looming crisis and never made plans for a worst-case scenario” (Beecher, 2013). He also noted that “Fairfax has been led by three chairmen – a soft drink executive, a property developer and a supermarket boss respectively – with literally no media industry or journalism experience’ (Beecher, 2013). For Andrew Jaspan, the former editor-in-chief of The Age, “the seeds of Fairfax’s destruction were born in the mid-1990s when it failed to fully engage, understand and act on the disruptive threats of the internet” (Jaspan, 2012). He also argues that Fairfax’s decline is due to managerial failure as the company was led by property developers, management consultants, accountants and rugby players (Jaspan, 2012). In 2011, Simons noted that:

All old media organisations are suffering from variations on the collapse of the business model but, because of its dependence on classifieds, Fairfax has had a faster and more fundamental reversal than most. Advertising online is cheap, and in the web-based world Fairfax does not have a monopoly, nor a premium position (Simons, 2011, para 15).

Because Fairfax was unable to transform its print advertising to the online world, competitors such as Seek and Carsales occupied the online classified advertising space. “One by one Fairfax was stripped of its classified advertising ‘rivers of gold” (Jaspan, 2012). In her book Killing Fairfax, Pamela Williams details how Fairfax lost online classified advertising markets to Seek, REA and Carsales which were backed by James Packer and Lachlan Murdoch. Williams
notes how Fairfax’s management failed to purchase these businesses when it had the opportunity to do so. In 2013 these businesses were worth AUD$9 billion compared to Fairfax’s market value of AUD$1.2 billion (Williams, 2013, p.311). Williams argues that Fairfax’s management lacked an Internet strategy, and that it didn’t understand the value of the online classified advertising market until it was too late:

.. the damage done to Fairfax had been inflicted by Fairfax on itself. It had said no to everything… It had a monopoly the envy of its competitors and an opportunity, years earlier, to pursue and hold each of the online leaders in the field. It had refused, stood back, or sold out of all three (Williams, 2013, p.316-317).

It is worth reiterating that it is impossible to make far reaching conclusions about Fairfax’s and APN’s management failures without conducting interviews and reading documents related to decision making. However, the statements made by former APN and Fairfax employees and shareholders do offer some evidence. As previously indicated, Fairfax’s largest shareholder Hancock Prospecting (owned by Gina Rinehart), sold its entire holding, 14.99 per cent, in Fairfax for AUD$352 million in 2015. In a press statement Hancock Prospecting chief development officer John Klepec stated that “the senior leadership of Fairfax Media has no workable plan to revitalise the company and address the declining business and circulation numbers” (Kaye, 2015). He also noted that:

a series of bad decisions made by the leadership team has instead increased the number of publication errors and reduced the company's performance to cover news to standards expected to maintain the credibility of some of the oldest and finest newspaper mastheads in the country (Kaye, 2015).
These observations reinforce the view that APN’s and Fairfax’s management have not been able to deliver new substantial revenue streams in order to sustain their news operations.

**Summary of findings**

Chapter five analysed in detail how the business models of Fairfax and APN evolved towards online monetisation in the ten year period of 2003-2014. The findings of the thesis confirm that Fairfax and APN were producing record levels of profits until 2007/2008 before the global financial crisis started to impact on their advertising revenue. In 2009 it was evident that the commercial business models of the companies were starting to crumble, and finally, in 2012, they entered crisis.

The data analysis here confirms that APN and Fairfax failed to adapt their print based business models to a digital media environment, and therefore they were not able to sustain their news operations and newsroom structures. At the end of the research period, in 2013, Fairfax was more advanced than APN in its digitalisation process, but only 14 per cent of its revenue came from digital sources. The results suggest that both Fairfax and APN lacked a long-term digital strategy, and their attempts to build new digital revenue streams were not well considered. This was exemplified by APN’s purchase of online shopping channel BrandsExclusive. The two companies failed to translate their print advertising models into the online sphere, and therefore lost the important online classified advertising market to new competitors. In order to build digital revenues, Fairfax introduced paywalls for its two general newspapers in
Australia. However, in 2013 digital subscriptions contributed only AUD$24 million, two per cent, to Fairfax’s total revenue. As Christensen has pointed out, it is clear that “paywalls alone will not replace the revenue being lost in print. Nor will they even come close in the short to medium term” (Christensen, 2015).

The findings confirm that the financial ownership of Fairfax and APN has intensified their profit focus, and this has contributed towards online news monetisation. Their financial ownership increased at the same time as APN and Fairfax faced other challenges brought by digitalisation. The two companies audiences have increasingly moved from print to online, yet advertisers have not moved with the audiences. This has had a serious impact on their revenues as print advertising and circulation income has continued to decline. As the share price and market valuation of Fairfax and APN shrunk, financial institutions, such as private equity funds, were able to purchase APN’s and Fairfax’s shares relatively cheaply. As financial owners primarily care about the return on their investment, APN and Fairfax had to take measures to improve their profitability. As the results demonstrate, from 2004 to 2013 both companies were boosting their profits by heavily reducing workforce and divesting assets.

The findings of the thesis confirm that in terms of revenue structures, Fairfax and APN are still mainly reliant on print and other traditional income sources. This print reliance does not allow the two companies to exit their print publishing businesses. Still in 2013, 95 per cent of Fairfax’s revenue, and 42 per cent of APN’s revenue was derived from publishing (APN has more substantial radio
Fairfax’s management has constantly stated that the company is not moving to online-only publishing model as long as its newspapers are profitable. In 2014 APN also stated that it was confident that its New Zealand newspapers would continue to be "a strong contributor to future earnings and cash flow" (APN, 2014c).

APN

During the ten year period 2004-2013, APN's total revenue shrunk 35.8 per cent and its profit declined by 97 per cent. As a consequence, its share price declined 74 per cent and its market value dropped by 87 percent. These deep declines in the share price and market capitalisation led to more financial ownership as new investors bought into the company cheaply. The level of financial ownership of APN increased 74 per cent during the research period. Prior to the 2007-2008 global financial crisis APN was expanding and investing in new e-commerce and digital ventures, and by the end of 2008 the company was heavily in debt. From 2004 to 2008 APN’s borrowings rose 67 per cent, after which the company started to reduce its debt. During the whole research period of 2004-2013, APN’s borrowings were reduced by 29 per cent and its expenditure by 32.7 per cent. The decline in its expenditure reflects the introduction of cost cutting programmes, and during the research period APN’s workforce shrunk by 49.8 per cent. As the company’s traditional business model started to falter, new investments centred upon digital ventures were launched to obtain new revenue streams. In 2011-2013 the company’s digital revenue increased by 34 per cent, but at the end of the research period only 2.7 per cent
of its total income came from digital sources. However, at the time of writing APN hadn’t started to monetise its online news. It was evident that APN’s business model had not substantially changed as the company’s revenue was still reliant on print advertising and circulation revenue. In 2013, 97 per cent of APN’s income was derived from these sources.

*Fairfax*

During the research period of 2003-2014 Fairfax’s revenues and profitability substantially declined. The company’s total revenue shows an increase of 14 per cent which reflects its major acquisitions in 2007. However, after the global financial crisis, the company’s revenue actually fell by 31 per cent (from 2008 to 2013), and profit declined by 199 per cent (from 2004 to 2013). Consequently, Fairfax’s share price fell 80 per cent, and its market value shrunk by 70 per cent. The findings suggest that the financial ownership of Fairfax declined 13.7 per cent during the research period. However, the company gained unlisted financial institutions as its major shareholders, and in 2013 four financial institutions controlled 32.6 per cent of the company’s shares. Before the global financial crisis Fairfax purchased Trade Me and Rural Press. During the period of 2004-2008 Fairfax’s borrowings rose 125 per cent, but subsequent asset sales and cost cutting programs meant that its borrowings declined 42.8 per cent. However, the company’s expenditure grew 60 per cent suggesting that it had spent a substantial amount in major acquisitions. Declining revenue and profit, and increasing expenditure and borrowing costs led the company to cut jobs. The number of Fairfax employees fell 28 per cent during 2008-2013. The
company also started to sell off some major assets in 2009 in order to reduce its cost base. Similarly to APN, Fairfax acquired new online ventures in order to generate more earnings. In 2011-2013 Fairfax’s digital revenue rose 27 per cent, and by the end of the research period 14 per cent of its revenue came from digital sources. In 2013 Fairfax introduced digital subscriptions for its masthead papers in Australia, and in 2013-2014 its digital subscriptions increased 105 per cent. Its Australian paywalls brought in AUD$24 million towards the company’s revenue representing two per cent of the company’s total revenue. At the end of the research period it was evident that Fairfax’s business model had not substantially changed. In 2013, 85 per cent of the company’s revenue came from print advertising and circulation. Thus, Fairfax was not transformed from a print publishing company to a digital one.

*APN and Fairfax comparison*

APN and Fairfax differ as companies: the former is more reliant on combined radio and print income and the New Zealand economy, whereas the latter is more dependent on publishing income and the Australian macro-economy. Table 10 helps to identify some key differences and similarities between the two companies’ business performance. The figures suggest that in 2004-2013 APN suffered a deeper decline in its revenue than Fairfax. The research data shows that Fairfax’s revenue increased 14 per cent during the research period, but its earnings were boosted by substantial acquisitions.
The research found that Fairfax’s profitability suffered more than APN’s, most likely because of its more extensive spending during the expansive years. On the other hand, APN reduced substantially more employees than Fairfax which might have helped its profit performance. It also confirmed that Fairfax was more reliant on print publishing income than APN, and therefore more vulnerable to the changes in the general economy.

As stated, Fairfax was more aggressive than APN in acquiring companies, and it was spending more to purchase traditional media businesses than APN. APN’s expansion policy was more prudent, and its purchases were mainly targeted at digital and e-commerce ventures. In 2004-2013 Fairfax was involved in three substantial acquisitions worth more than AUD$5 billion. These included purchase of Trade Me, Rural Press, Riverina Media, radio assets and Southern Star TV. Consequently, Fairfax was forced to sell off some of its major media
assets as the global financial crisis started to impact on its revenue, and as it needed to pay off its debts.

The results suggest that Fairfax’s aggressive expansion policy, high amounts of debt, substantial losses and financialised ownership contributed towards its online news monetisation. It is not surprising that the company announced paywalls at the same time as it made the biggest loss in the corporate’s history. APN’s revenues and profits also declined sharply during the research period, but it has delayed the launch year after year. The differences between APN’s and Fairfax’s online news monetisation strategies will be further scrutinised in chapter six.
Chapter 6: Toward a critical political economy of paywalls

This chapter examines the interlinkages between financialisation, digitalisation, and the commodification of online news. The chapter evaluates how the digitalisation and the financialisation of media ownership have affected APN’s and Fairfax’s business models and their ability to commodify their news. It also considers the paywall strategies of Fairfax and APN, and implications to their readers in different markets.

Additionally, the chapter explores how paywalls may affect public sphere principles. Based on a quantitative content analysis of NBR’s and AFR’s homepages, the chapter evaluates how digital subscriptions (paywalls), may affect the public’s ability to access information. The nature of the free and paywalled content are considered. The chapter also evaluates relations between digital subscriptions and newsrooms.

As a starting point, it can be argued that the introduction of digital subscriptions has expanded online news commodification. Until recently, newspaper readers have been able to access online news content free of charge. As the revenue struggles of newspaper publishers have continued, they have introduced digital subscriptions to readers. In 2014, 73 per cent of newspapers owned by the 45 largest global publishers charged for their online news (Marsh, 2014). News publishers have launched digital subscriptions in countries such as Japan, Canada, the United States, Britain, Australia, Finland, Sweden, Norway, Germany, Spain and Brazil.
6.1. Financialisation, digitalisation and commodification of news

As outlined in chapter two, this thesis draws on the critical political economy of communication tradition introduced by Murdock and Golding in 1973. They observed that the main purpose of news publishers was to produce the news commodity for profit (Murdock & Golding, 1973). However, the digitalisation of media has transformed patterns of news production and consumption, and it has influenced news publishers’ ability to commodify their news content and audiences for profit. Moving from an industrial model of news production (Hirst, 2010) to the post-industrial news ecosystem (Anderson et al., 2014), has meant that news content is not only produced by news organisations, but by multiple actors such as citizen journalists.

Preceding chapters empirically demonstrate how the digitalisation has affected news corporations’ ability to commodify their news. After Fairfax and APN introduced their online news sites their ability to monetise print newspapers substantially weakened. As the results show, from 2004 to 2013 their print readership shrank and advertising revenue declined. At the same time, their online readership increased, but their online advertising income did not because advertisers moved to other platforms. Overall, the process of digitalisation, combined with the 2007-2008 global financial crisis, triggered a revenue and profit crisis in both companies. After the 2012 profit ‘meltdown’ Fairfax and APN launched initiatives to charge for online news content. The launch of digital subscriptions, or paywalls, can be seen as advancing news commodification in the online sphere.
Digitalisation advances the commodity nature of news content as there is more emphasis on audience and audience related metrics. In 2012, Fairfax stated that its editorial decisions were made “with the needs and wants of the audience foremost in mind” (Fairfax, 2012). Also the company’s management noted that “we will use reader feedback and audience analytics to help guide the journalism we do” (Fairfax, 2012). As observed by Cohen (2015), Anderson et al. (2014) and Thurman & Myllylahti (2009), the importance of audience metrics in contemporary newsrooms has grown. Cohen notes that:

metrics are now foregrounded in journalists' day-to-day work in digital or digitized newsrooms, blurring editorial and business interests on an unprecedented scale (Cohen, 2015, p.109).

A survey of New Zealand journalists observed that in order to pull more readers and create more 'clicks' New Zealand newsrooms produced more trivia (Hannis et al., 2014). The journalists surveyed also observed how the technological changes impacted upon their work. One of the journalists noted that there was pressure “for everyone to be first with something on websites” (Hannis et al., 2014). Another journalist described how the technological changes were influencing news work in general:

Changing technologies have increased the pressure of the job. We’re now expected to do things like blog, tweet and edit our own footage, and I fear this compromises our focus on researching/writing the story itself (Hannis et al., 2014, p.12)
Digitalisation has affected APN’s and Fairfax’s news organisations and their newsroom structures. Both companies cut thousands of jobs during the research period, and they also outsourced some of their editorial functions. Cohen (2015) observes that news production has not only changed because of technology, but also because media corporations need to lower their labour costs. As the empirical evidence of the thesis shows, Fairfax and APN implemented cost saving programmes as their profits and revenue suffered. Cohen states that:

unpaid labour, robot reporters, algorithms and outsourcing demonstrate that changes in the media production process are not the inevitable results of technology but, as the long history of journalism and technological change demonstrates, strategies for lowering labour costs (Cohen, 2015, p.98).

There is some evidence that Fairfax and APN are changing their patterns of news production, but without conducting newsroom interviews it is difficult to assess these changes. However, after the initial research period, Fairfax invested in a new content management system (CMS), and trained its journalists to produce more video and mobile content. This was done to attract audiences and advertisers. The company also purchased stakes in the new digital sites such as Neighbourly and Pricemaker to aid community generated content. In March 2015, the company also launched its new digital newsroom model in New Zealand. At the time, Fairfax Media’s group executive editor Sinead Boucher explained that the company was training all of its 700 journalists across New Zealand to embed videos, photos and interactive material in their stories. The company regarded this as “up-skilling” of its
journalists (Venuto, 2015). However, simultaneously the company was increasing the workload of its journalists as it was laying off its photographers. This can be seen as exploitation of its newsroom workers. Similarly, in September 2015, APN’s New Zealand arm, NZME, announced that it was increasing the workload of its journalists as it was laying off its photographers. This can be seen as exploitation of its newsroom workers.

Similarly, in September 2015, APN’s New Zealand arm, NZME, announced that it was integrating its digital, print and radio newsrooms. This resulted in loss of 15 newsroom jobs.

Financialisation of news media ownership can also be seen as advancing news commodification. This thesis found that during the research period both APN and Fairfax gained in financial owners. As a consequence, the profit imperative within the two publishers intensified. In 2014, New Zealand journalists identified “profit making pressures” as one of the key elements that had changed in newsrooms (Hannis et al., 2014). A New Zealand journalist commented that journalism had become too “productivity-driven”, and journalists were judged on this [number of stories] more than on the quality of those stories (Hannis et al., 2014, p.17).

Another journalist stated that “ownership issues and resources available make it quite difficult for journalists” (Hannis et al, 2014, p.17). Yet another noted that “there is a lot of under-resourcing, lack of money” in newsrooms, and that “commercial influences are having some effect on the output” (Hannis et al., 2014, p.17).
A former APN journalist and editor reflected on how the financial crisis of the company impacted on newsrooms:

There was a lid on salaries, and beginners were paid 50 cents more than the minimum wage, and anyone there more than a year was lucky to get a 1.5 per cent to 3 per cent pay rise. The argument was that circulation and revenue was flat (A former APN journalist and editor, personal communication, September 23, 2014).

The journalist/editor in question also described how cost saving, pushed by the company’s owners, influenced the newsroom as the paper’s photographers were dispensed with, and sub-editing was removed to a specific hub:

The quality of photos fell. However, I adjusted my hiring and looked for journalists who were also able to take good photos, or provided a balance in the room – for example they may not be as good at writing (A former APN journalist and editor, personal communication, September 23, 2014).

It is worth noting here that in February 2015, after the initial research period, Fairfax announced a partnership with *The Huffington Post Australia*, a blogging and news platform. Fairfax acquired 49 per cent of the Australian joint-venture. Flew suggests that this partnership “allows for some low-cost content sharing – although this will probably be in the ‘pop culture’ areas of entertainment and celebrity news” (Flew, 2015). Fairfax papers are already sharing more of their content, and as a consequence the commodity nature of news content is becoming more entrenched. Content sharing means that there is less original content and reporting in its papers.

There is another aspect to consider in regard to Fairfax’s co-operation with *The Huffington Post*. The success of this platform is based on free content provided by its bloggers. As Flew notes, the platform has operated as a “content farm” as
it has not paid its content contributors (Flew, 2015). This co-operation between Fairfax and The Huffington Post Australia might lead to further commodification of content based upon the exploitation of free labour.

6.2. Paywalls and news commodification: public sphere considerations

The arguments around paywalls and public sphere principles will be considered here. It can be noted that digital subscriptions limit the public’s access to information. Until recently, online sites have offered the public universal and free access to online news content. Katharine Viner, Editor-in-Chief at The Guardian, suggests that paywalls “are utterly antithetical to the open web”, and she further states that “you can’t take advantage of the benefits of the open web if you’re hidden away” (Viner, 2013). Similarly, Bronwen Clune argues in her newmatilda.com article that “the essence of journalism has always been to pursue truth and the public’s right to know” (Clune, 2013). She also states that “it’s worth asking whether, by locking down the news and denying open access to the public, paywalls are anti-journalism” (Clune, 2013).

As outlined in chapter two, the critical political economy of communication is rooted in moral philosophy, and the moral problems arising from it. Golding and Murdock (2005) argue that the theory engages “with basic moral questions of justice, equity and the public good” (p.61). The critical political economy of communication approach drawn upon here enables consideration of how paywalls contravene public sphere principles. In this context, the public sphere can be broadly understood as a place where public opinion is formed, in which all citizens can access and participate, and where citizens can freely express, publicise and debate on a range of matters (Habermas, 1989).
Schudson (2010) notes that the role of a journalist in a democracy is to advance social participation in the public sphere while acting as a watchdog against powerful elites. He also regards that a free press is essential to the functioning of the public sphere and democracy. He takes the view that journalists should advance public sphere principles by offering the public a forum for arguing various viewpoints, issues, and policies (Schudson, 2010, p.103-104). However, according to Deuze (2005), the public service role of journalists has become contested due to technological changes, emergence of new media platforms and the rise of citizen journalism. He states that:

any definition of journalism as a profession working truthfully, operating as a watchdog for the good of society as a whole and enabling citizens to be self-governing is not only naive, but also one-dimensional and sometimes nostalgic for perhaps the wrong reasons (Deuze, 2005, p.458)

Webster seems to agree. As debated in chapter two, he considers that in a contemporary society there are multiple public spheres (Webster, 2011). He notes that the internet and new technologies have fragmented and globalised media audiences, and therefore people can now participate in multiple public spheres. He suggests therefore that the concept of a singular public sphere is outdated (Webster, 2011). Additionally, Zelizer (2012) argues that “democracy in journalism scholarship has over-extended its shelf life”, and proposes that it should be abolished as a key concept for understanding journalism (p.459). She notes that in the West these concepts are seen as interlinked and inseparable. However, Zelizer states that “democracies are not as clear as theories would have them be”, and “that democracies are not as integrated with journalism as has been assumed” (Zelizer, 2012, p.470). Josephi (2012) agrees, and notes
that journalism is not only practised in Western economies, but also in the places that are “deemed semi-, or non-democratic” (p.474). She regards that journalistic autonomy and the ability to express views freely are more important than “the political form of democracy” (Josephi 2012, p.474). However, Josephi observes that at the core of the journalistic practice is,

the provision of a service to the public by offering accurate and verified information that rests on independent news judgement and is responsible to the interests of the public (Josephi, 2012, p.486-487).

While acknowledging that the concept of the public sphere needs to be scrutinised, and interlinkages between journalism and democracy examined, this thesis adopts the view taken by Anderson, Bell and Shirky (2014). The patterns of news production and consumption have changed, but some journalistic functions and ideals are still critical in a contemporary society. Anderson et al. (2014) note that journalism continues to play “an irreplaceable role in both democratic politics and market economies” (Anderson et al., 2014, Journalism Matters, para 1). They assert that journalism continues to have a public service role in society as it “exposes corruption, draws attention to injustice, holds politicians and businesses accountable for their promises and duties” (Anderson et al., 2014, Journalism Matters, para 1). The scholars believe that journalists are still needed to expose information which “someone somewhere doesn’t want to be reported”, and they are also needed to explain and frame the information to the public (Anderson et al., 2014, Journalism Matters, para 7). Cohen also believes that, despite the fact that journalism has become a commodified business, it still has a public service role “to provide a diversity of representations and perspectives, and to produce information
necessary for meaningful participation in public life” (Cohen, 2015, p.114). Pickard (2015) argues that the “American journalism lives a double life as a public service and a commodity”, and that “it is the latter that has collapsed in recent years” (p.224). He believes that journalism serves as a “public good”, and further states that:

"journalism produces positive externalities (benefits that accrue to parties outside of the direct economic transaction) – such as increased knowledge and an informed populace – that are vital for a democratic society" (Pickard, 2015, p.213-214)

Pickard elaborates that journalism provides society with a public service, and “in its ideal form serves as a rich information source for important social issues”, and additionally functions as a watchdog and as a forum for diverse voices and viewpoints” (Pickard, 2015, p.214). Earlier academic research has suggested that paywalls may have a negative impact on public sphere principles (Myllylahti, 2013a; Pickard & Williams, 2013). Pickard and Williams (2014) observe that digital subscriptions may advance commercial values in newsgathering and limit the number of voices and viewpoints. As discussed in chapter four, Sjøvaag (2015) found that the Norwegian newspapers studied offered free access to content that came from syndicated material and news wires. The locked content included stories related to politics, social issues, economy and culture. In this regard it can be argued that paywalls may limit public access to information which enables them to participate in democratic processes and opinion formation. However, paywalls don’t automatically exclude people from accessing information. As the study by Brandstetter & Schmalhofer (2014) found, the business section of the welt.de offered mostly
content that people were able to access freely elsewhere. This suggests that the welt.de paywall had a limited impact on people’s ability to retrieve information. In contrast, a study by Chiou & Tucker (2013) discovered that paywalls potentially affect young people’s ability to participate in opinion forming and discussion in the political sphere, because younger people were not willing to pay for online news.

Newspaper publishers themselves argue that paywalls aid public sphere principles as they help to fund professional newsrooms, and encourage sharper stories. Kauppalehti’s content sales manager Johanna Suhonen states that the paywall “is a guarantee for high-quality journalism and good content”, and that paywalls require editorial staff “to assess every story in terms of whether their readers would pay for it, and not whether they would click the link for free” (Hantula, 2015). Similar arguments have been made by NBR. In September 2014, NBR published an article titled “One million reasons to love a paywall”. The paper argued that paywall supports quality journalism, and helps fund newsrooms. NBR journalist, Chris Keall suggested that as the paper’s readers were paying for access they expected quality from the paywalled articles. He noted that “people won’t pay for churnalism, advertorial or a story on Kate Middleton they can see on 10,000 other sites” (Keall, 2014). On the other hand, NBR saw its free content as a “form of marketing” to be used on the social media platforms (Keall, 2014). Keall believes that free articles are useful as they can be “pushed on social media, and appear in search engine results drawing potential new subscribers” (Keall, 2014). Sjøvaag’s study also suggests that paywalls might aid quality of journalism. She found that publishers want to
charge for the content which requires more journalistic work, and which costs papers more to produce:

Politics, social issues, economy and cultural features are some of the most resource-demanding journalistic areas that a newspaper covers. The paywall therefore works as a mechanism that also protects the editorial investments of these papers (Sjøvaag, 2015, p.14).

There is some evidence that paywalls might impact upon news work, but without conducting newsroom interviews it is not possible to evaluate exactly how. NBR’s publisher, Todd Scott, has noted that if NBR’s producers “couldn’t justify” putting journalists’ articles behind the paywall on a “very regular basis”, they would “indeed have reason to be concerned about [their] employment at the NBR” (Keall, 2014). This suggests that newsrooms are facing a new kind of profit pressure with associated metrics. This is acknowledged by Victoria Young, a former NBR journalist. In her view the paywall compelled journalists “to work harder to come up with quality journalism”, and that the newsroom was not churning press releases “because you can’t put a press release behind a paywall. So you had to dig deeper” (Victoria Young, personal communication, September 29, 2015). She recalls that if she was covering a court hearing which was already in the public domain, she would first write a general news story, and then produce an analysis of the court’s decision which could be paywalled. She notes that NBR’s paywall

allowed us all to be better journalists. We were less distracted by commodity news and reporting information that everyone else had and focused on high quality content and generating our own scoops (Victoria Young, personal communication, September 29, 2015).
She further explains that news editors of the paper decided which articles went behind a paywall after journalists advised them if the story had “exclusive material which deemed it worth putting behind the paywall” (Victoria Young, personal communication, September 29, 2015). She also notes that:

sometimes if you had a paywalled article, but if another publication ‘matched’ or also wrote the same story, then you would have to unlock the content for everyone to read (Victoria Young, personal communication, September 29, 2015).

Her account supports the view that paywalls may encourage journalists to produce content which requires original input. A second argument made in *NBR’s* article was that paywalls help to fund professional newsrooms. According to *NBR*, digital subscriptions have boosted its revenue, and this has enabled the paper to maintain journalistic jobs. Keall notes that the paper “would not have been able to replace every departing journalist on ad revenue alone” (Keall, 2014). Earlier studies have shown that paywalls provide newspapers with an additional revenue stream, but the income derived from the digital-only subscriptions has not been enough to sustain large newsrooms (Myllylahti, 2013a). To illustrate, in 2014 Fairfax’s digital-only subscriptions contributed AUD$24 million towards the company’s total revenue. In the same year, Fairfax employed 7,043 people, and its staff costs were AUD$731 million (Fairfax Annual Report, 2014). The company’s staff related expenses were over 30 times bigger than the revenue created by its paywalls.

It should be noted that even if paywalls help to fund newsrooms, they don’t automatically save newsroom jobs. For example, a year after Fairfax launched digital subscriptions for its general newspapers it proposed a further 80 job losses in its regional Australian newsrooms. Similarly, *The New York Times*
announced layoffs of 100 journalists, and *The Wall Street Journal* (*WSJ*) laid off 40 people (Chittum, 2014). These cases suggest that even when paywalls provide newspapers with additional income, the pressure to maintain profits still affects staff numbers. Layoffs are worrying since they impact on journalists’ ability to do their jobs, and this will have a negative impact on public sphere principles. In her study of Australian broadsheet papers, Carson found that in general, and “despite perceptions to the contrary, Australia’s newspapers are adapting to continue to produce quality investigative journalism” (Carson, 2014a, p.1). However, she also found that newsroom job cuts had limited investigative reporting to the corporate and finance sectors (Carson, 2014b, p.15).

**6.3. Paywalled content of NBR and AFR: a content analysis**

In order to explore how paywalls affect the public’s ability to retrieve news information, quantitative content analysis of the home pages from two leading Australasian financial newspapers, the *National Business Review (NBR)* and the *Australian Financial Review (AFR)*, was conducted. Both papers have implemented a freemium paywall for their online news sites, *nbr.co.nz* and *afr.com*, and therefore they are comparable. The findings of the content analysis of *nbr.co.nz* and *afr.com* are examined here. The content analysis was based on one constructed week for each paper, and the sampling method was chosen in order to avoid any single news event affecting findings. The data was collected between August 31 and October 30 2015. To aid in evaluating some of the findings, the researcher gathered some additional information via personal communication from *NBR’s* publishers and former
journalist. The researcher also contacted AFR, but no additional information was made available for this research. The content analysis method is discussed in detail in chapter one. As both NBR and AFR are financial newspapers which are targeted at a niche audience, caution should be taken while attempting to generalise the results. The sample size of the content analysis was small. However, a one week constructed sample offers a reasonable representation of their home page content.

The total number of stories analysed was 614 of which 407 were stories published on nbr.co.nz and 207 on afr.com. The number of stories analysed differs because nbr.co.nz published more content on its homepage than afr.com. The number of free and locked stories on nbr.co.nz and afr.com were measured during a business week from Monday to Friday. The content was also examined by format (news, opinion, feature); and by categories including business, economy, politics, markets, technology and personal finance. The coding sheet in Appendix 6 explains these categories in more detail. The sources of nbr.co.nz were considered, but this was not possible for afr.com as the newspaper only allows readers to see the headline and the first paragraph of an article.

The findings of the content analysis demonstrate that the privately owned NBR had a more liberal paywall than Fairfax owned AFR. Approximately 59 per cent (241) of the nbr.co.nz content was freely accessible to public, and 41 per cent (166) was locked behind a paywall. In contrast, 86 per cent of the stories on afr.com (178) was behind a paywall, and only 14 per cent (29) was offered for free. In her study of the Norwegian news site fevennen.no. Kvalheim (2014)
found that it regarded financial issues as the most valuable and marketable content, and therefore 82 per cent of that online news sites financial news was locked behind a wall.

Approximately 83 per cent of the paywalled content for nbr.co.nz comprised hard news – including business, economy, politics, market and technology related news; 14.5 per cent were opinion pieces; and 2.4 per cent features. Not surprisingly, 60 per cent of the locked news comprised business, approximately 12 per cent politics, 6 per cent markets, 3 per cent economy, and 2.4 per cent technology – as seen in graph 32.

**Graph 32: Locked content on nbr.co.nz - August-September 2015**

When comparing the free and locked content of nbr.co.nz, some clear patterns can be observed as graph 33 demonstrates. Firstly, the site had more locked opinion pieces (71%) than free ones. This suggests that the more analytical pieces on the site were more likely to go behind a paywall. Secondly, nbr.co.nz clearly had more freely accessible market news (79.6%) than locked ones. The
majority of the site’s routine market news, such as stock market and currency market reports, came from BusinessDesk, a New Zealand based business wire. The company also provides similar content to other news outlets including Yahoo and The New Zealand Herald, where the same content is free.

When asked, NBR’s publisher Todd Scott confirmed that approximately ten per cent of the site’s content comes from BusinessDesk (Todd Scott, personal communication, October 15, 2015). Additionally, he stated that, “for the record, less than 30 per cent of the content on our site is commodity news (not behind the paywall)”, (Todd Scott, personal communication, October 15, 2015). As the content analysis of this thesis concerned only the home page of nbr.co.nz, it was not possible to assess if this is the case. The content analysis also revealed that 94 per cent of nbr.co.nz paywalled stories was written by the paper’s own journalists. Finally, approximately 83 per cent of the technology stories on nbr.co.nz was freely accessible.

Graph 33: Locked and free content on nbr.co.nz - August-September 2015
In the case of *afr.com*, approximately 71 per cent of the *afr.com* paywalled content concerned hard news – including business, economy, politics, market and technology related news. Of the locked content, 10 per cent was opinion pieces, 13 per cent features, and 6 per cent was in the category ‘other’, and was mostly stories related to personal finances (graph 34). The majority of *afr.com* locked news was in the business news category; 16 per cent concerned markets, 6 per cent politics, 4 per cent economy and 3 per cent technology.

**Graph 34: Locked content on *afr.com* - September-October 2015**

When comparing free and locked content of *afr.com* it is clear that the site provides the public with very limited access to its content (graph 35). Only 29 stories on *afr.com* were free during the sample week, and of those 15 concerned technology and 13 were features. Additionally, *afr.com* displayed two
videos on the site each day during the investigation, and these were free for anyone to click.

Graph 35: Locked and free content on afr.com - September-October 2015

Based on the content analysis, some notable differences and similarities between afr.com and nbr.co.nz can be noted. One difference between the two concerned the transparency of paywalled content. Similar to The Wall Street Journal, nbr.co.nz had a lock symbol within its paywalled stories immediately telling its readers if the content was accessible or not without payment. AFR lacked such transparency. Another major difference between the two home pages was that nbr.co.nz allowed the public greater access to its content than afr.com. AFR’s paywall was closer to a hard paywall (no access allowed without a payment) than to a freemium pay model as 86 per cent of its content was locked compared to NBR’s 41 per cent. To put this into context, in 2012
WSJ.com, the online site of The Wall Street Journal, locked 56 per cent of its home page content (Vara-Miguel et al. 2014, 155).

NBR’s less restrictive paywall may be due to the fact that it is more reliant on digital subscription income as its paper version is only published once a week. In contrast, AFR is published six days a week in print, and it may have a more restrictive paywall to protect the revenue of its print newspaper. Carson (2015) has observed that digital subscriptions make up 33 per cent of AFR’s circulation, so the paper’s income is still clearly dependent on its print version. She also notes that, “a closer inspection of Australia’s newspaper circulation audit figures show that paid print-only sales are being cannibalised by digital sales” (Carson, 2015, p.13).

Another major difference between the two news sites concerns market news: most of the routine stock market reports on nbr.co.nz were free, but afr.com locked all its market related news. As considered above, nbr.co.nz sourced market news from a news wire, and as the same content is freely available elsewhere, its readers are probably unwilling to pay for it. Both nbr.co.nz and afr.com offered more free than locked technology news. This content is most likely used to pull in readers and increase traffic on their sites. Both news sites benefit if they are able to turn occasional visitors into digital subscribers.

In general, the findings of the nbr.co.nz and afr.com content analysis suggest that paywalls may limit public access to the news content which has more original input, and which publishers themselves regard as ‘quality journalism’. As former NBR journalist Victoria Young explained, “there is an emphasis on adding value for member subscribers, to give them something which they could
not get elsewhere” (Victoria Young, personal communication, September 29, 2015). In this context it can be argued that paywalls may protect journalistic content against commodification, and Sjøvaag’s study supports this view. While studying WSJ.com paywalled content, Vara-Miguel et al. (2014) also found that paywall is linked to the unique and more specialised content “with higher added value that is not easily imitated by the competition” (Vara-Miguel et al., 2014, p.147-148). However, without analysing the quality of NBR’s and AFR’s stories in depth, and comparing it to freely accessible content elsewhere, it is not possible to evaluate how much original input their stories have, and if their stories can be regarded as ‘quality journalism’.

On the other hand, the findings here suggest that paywalls may advance the commodity nature of some news content. As found, NBR sourced its routine market news from a news wire, and this was offered to the public for free. Similarly, Sjøvaag found that Norwegian newspapers offered free access to their syndicated content. Vara-Miguel et al. (2014) also discovered that most of the WSJ.com free topics included lifestyle, art & culture, sports, general politics, economics and markets. However, AFR locked most of its content from the public, and as its market news was behind a paywall, it was not possible to evaluate sources for this content.

6.4. Trans-Tasman comparisons: paywall issues in Australia and New Zealand

It is evident that paywall differences can exist between news corporations, newspapers and countries. In the case of Fairfax, it can be observed that the company started to monetise its general online news somewhat later than its
counterparts in Australia, the United Kingdom and the United States. For example, Rupert Murdoch’s News Corporation launched a paywall for *The Australian* in 2011, and for *The Times* and *The Sunday Times* in Britain in 2010. In the United States, *The New York Times* launched its paywall in 2011. At the time of writing, Fairfax and APN had introduced digital subscriptions in Australia, but not in New Zealand. However, paywalls have appeared in the similar sized markets such as Finland, Sweden and Norway. Also, three local newspapers in New Zealand, the *Ashburton Guardian*, *Whakatane Beacon* and *The Gisborne Herald*, have introduced digital subscriptions. The question arises: “Why have Fairfax and APN introduced paywalls in one country, but not in another?” In order to understand the reasons behind the two companies’ approach to online news commodification, the factors impacting on their paywall decisions need to be considered.

Statements made by Fairfax’s and APN’s management suggest that the size and the structure of a media market might impact on a corporation’s paywall decision. In New Zealand, APN and Fairfax have a duopoly in print and they are dominant in online news. In 2014, Fairfax’s New Zealand chief executive officer Simon Tong made a revealing comment. He stated that as New Zealand had “many other sources of content people could go to”, there was no urgency to introduce paid online content to the market (Pullar-Strecker, 2014). More importantly, in 2015 Fairfax’s chief executive officer Greg Hywood confirmed that market size was a considerable factor when considering charges for general online news. He stated that Fairfax was not contemplating digital subscriptions in New Zealand as the “market is too small to go down that track” (Hunter, 2015). He further noted that in cities such as Sydney and Melbourne
the company was able to “get a decent return on the investment”, but the model wouldn’t necessarily work in other markets (Hunter, 2015).

In 2013, APN’s management suggested that as it dominated the New Zealand print news market alongside Fairfax, a paywall launch might harm the readership of its flagship newspaper. APN was concerned that charging *The New Zealand Herald* readers for online access might drive them to Fairfax’s *stuff.co.nz*. APN’s chief marketing officer, Kursten Shalfoon, commented that, “there is no prize for being first, because some audiences will move” (Meadows, 2015). In 2013, APN delayed its paywall launch, as it did again in 2014 with its announcement that it was planning to start paywall trials in New Zealand in early 2015. The company noted then that, “a metered paywall will be progressively introduced for retail customers who will be charged for content above the meter” (APN, 2014c). In August 2015 APN said that it would introduce digital registrations for *The New Zealand Herald* readers before the end of year, preceding the introduction of paywalls. It should be noted that since Rupert Murdoch’s News Corp became the second largest shareholder in APN in March 2015, the urgency to introduce online charges for New Zealand readers has become more apparent.

Readership patterns may also impact on news publishers’ paywall decisions. In 2012, Allen Williams, then chief executive officer of Fairfax New Zealand, suggested that as readers in New Zealand were print loyal, there was little point in introducing charges for online news. He noted that “the shift in audience from print to online was driving the changes in Australia. We haven’t seen the shift to digital away from print [in New Zealand] as they have” (Pullar-Strecker, 2012).
A 2014 survey of media audiences also demonstrated that there was strong print loyalty in New Zealand: 78 per cent of news readers were consuming print newspapers on a weekly basis (Colmar Brunton, 2014). However, print loyalty also seemed to be strong in Australia where Fairfax had introduced digital subscriptions. In 2014, nine out of ten Australian news readers consumed a print newspaper weekly, while five out of ten read news online (The Newspaper Works, 2014a). As The Newspaper Works chief executive Mark Holland put it: “Print continues to be central to newspaper reading habits as a trusted source of news and information” (The Newspaper Works, 2014a). However, he also observed that, “on current trend, the number of readers accessing digital newspapers will overtake those reading print copies within the next few years” (The Newspaper Works, 2014a).

Willingness to pay is another factor to be considered when evaluating paywall decisions. A survey conducted in March-April 2014 found that only 0.5 per cent of New Zealanders were willing to pay for news published in a New Zealand based news site (Clark, 2014). Additionally, only 1.4 per cent of those surveyed said that they were willing to pay for a bundle of national news sites (Clark, 2014). Similarly, a 2014 Deloitte survey found that 92 per cent of Australians were not willing to pay for online news “as they believe there is enough information available for free” (Deloitte, 2014).

Nevertheless, many Australians are already paying for their digital news content. For example, in November 2013 The Australian had 60,027 digital-only subscribers on weekdays, The Sydney Morning Herald had 91,178 and The Age had 88,569 digital-only subscribers (AMAA, 2014b). In the first half of 2015,
the number of Fairfax’s digital subscriptions had grown from 146,000 in 2014 to 158,000 – representing an increase of 8.2 per cent. The latest figures suggest that the number of people paying for general news content is increasing. Willingness to pay indicates people’s intentions, but it doesn’t really say anything about their actions. Other factors clearly need to be considered.

**Summary**

This chapter considered the extent to which paywalls limited public access to news and information. The interlinkages between financialisation, digitalisation and commodification of online news were also examined. The chapter argued that digitalisation has changed patterns of news production and consumption, and made the commodification of online news even more challenging. As debated, the financialisation of media ownership has intensified profit pressures for news publishers and increased the need to monetise online content.

It is clearly evident that the implementation of paywalls is linked to the failure of Western news publishers’ business models. Traditionally, online news had been a freely accessible public good. All citizens (in principle) had universal access to the content. By introducing paywalls, news publishers have limited the public’s access to information and advanced the commodity nature of news. Both nbr.co.nz and afr.com homepages clearly limit public access to information, and to hard news content and opinion pieces in particular. The content analysis revealed that afr.com restricted public access to 86 per cent of its home page content whereas nbr.co.nz locked 44 per cent of the same content. The most paywalled content of the two newspapers were hard news and opinion pieces.
This can be seen as undermining public sphere principles. As Anderson et al. state “hard news is what matters in the current crisis” because it reveals information which people or organisations want to keep hidden (2014, Journalism Matters, para 3). They take the view that “hard news is what distinguishes journalism from just another commercial activity” (Anderson et al., 2014, Journalism Matters, para 5). Limiting public access to hard news and opinion pieces restricts access to multiple viewpoints, issues and policies (Schudson, 2010). Paywalls may also undermine the public service role of journalism when they restrict access to the content that offers “a diversity of representations and perspectives” (Cohen, 2015, p.114).

The chapter also argued that paywalls encourage further commodification of news content which diminishes journalism’s role in delivering public interest stories. As the findings demonstrate, both afr.com and nbr.co.nz offered more free than locked technology news. It was evident that the purpose of the free content was to attract more visitors to their sites, and to turn them into paying subscribers. As NBR has noted, free articles are a useful marketing tool because they can be “pushed on social media, and appear in search engine results drawing potential new subscribers” (Keall, 2014). In August 2015 NBR announced that it was removing all advertising from its home page indicating that the paper was becoming even more reliant on digital subscription revenue. NBR’s publisher, Todd Scott stated, that “the more member subscribers NBR online has, the fewer ads it needs to run” (Keall, 2015). Anderson et al. (2014) observed that in order to free journalists to write more labour intensive news content, news publishers need to outsource news production which creates little additional value.
As the content analysis demonstrated, *NBR* has outsourced the writing of routine stock market reports and news to a business wire. While this enhances further commodification of routine news, it may support some original reporting if outsourcing frees journalists to write content which is in the public interest. As the findings demonstrate, 94 per cent of *nbr.co.nz* paywalled content was written by the paper’s own journalists. However, an in-depth qualitative content analysis would need to be conducted to evaluate the originality of the paper’s content (in order to establish if its reporting advances ‘quality journalism’). As mentioned earlier, a study of Brandstetter & Schmalhofer (2014) found that paywalled content of the *welt.de* business section was mainly sourced from news agencies and therefore the paper offered little original content to its readers. However, Sjøvaag’s (2015) study suggested that paywalls might aid the ‘quality of journalism’. She found that news publishers want to charge for the paywalled content because it requires more journalistic work, and it costs more money for publishers. Similarly, Sjøvaag (2015) found that the Norwegian newspapers studied offered free access to the content that came from the syndicated material and news wires.

Charging for online news content may have wider societal impact if news content which is deemed to be in the public interest, is accessible only to those who can pay for it. Paywalls may contribute towards the digital divide in a society if only the wealthy elite can pay for the content that is of public importance. As Viner and Clune observed, paywalls work against the basic
principles of journalism by limiting the public’s access to news which might enable them to participate in democratic processes.

Finally, the chapter identified a clear paywall divergence between countries. Both Fairfax and APN have launched paywalls in Australia, but not in New Zealand. This points to a digital access divide between Australian and New Zealand news audiences, but it is not possible to evaluate the wider significance of this without further investigation. The findings suggest that the structure and size of the New Zealand market should be considered when evaluating paywall strategies. Fairfax and APN have a duopoly in New Zealand print and online news, and neither of them has been willing to launch online news charges for fear of losing traffic to their competitor. However, in 2015 after the initial research period, APN announced that it would introduce digital registration for The New Zealand Herald readers before introducing charges for its online news content.
Chapter 7: Summary of findings and conclusions

This chapter provides a summary of the findings and conclusions of the thesis. The thesis started with the revenue crisis of the Western newspaper publishers. At the time of finishing, the crisis was over, but newspapers continued to search for a viable business model. As of 2015, no single business model had emerged to replace newspapers print based revenue structures. However, income models continued to evolve, and in some rare cases, such as that of the *Financial Times*, digital overtook print as the most important income source. As outlined, since 2011 multiple news organisations in Western economies have introduced digital subscriptions for their online news sites in order to boost their earnings. In this context, the thesis considered how news business models were developing in Australia and New Zealand. More specifically, this research aimed to determine the extent to which APN and Fairfax had started to monetise their online news content. After paywalls were introduced, new digital-only media ventures, such as Vox Media and *BuzzFeed*, started to emerge, and they rapidly gained in audience. Three central questions arise from the new competitive media environment: How well do digital subscriptions support news publishers and their newsrooms? Have the companies found new digital revenue sources? Are paywalls a viable business model? As Australasian research lacked in-depth research concerning paywalls, exploring APN’s and Fairfax’s business models in this regard seemed a worthy endeavour.
As Costa notes:

News companies are condemned to move ahead in the digital environment if they want to survive. To produce quality journalism and perpetuate their role as independent, critical moderators among increasingly diffuse centres of power, they must come to terms with a new business model and another value chain (Costa, 2013, p.92).

The research was timely because it scrutinised the monetisation of online news as it emerged and evolved. APN and Fairfax appeared ideal case studies because they operate in print and online, and across Australian and New Zealand media markets. The thesis proved on many levels challenging, not least because the trans-Tasman news publishers encountered a profit crisis as the research was conducted. Corporations tend to shut their doors from outsiders when they experience hard times and as it turned out, I was not able to gain access to the management or newsrooms of Fairfax and APN, and had to find ways to compensate.

The research focus of this thesis was on the facts and figures of financial documents, and these were retrieved from annual reports, market statements and presentations. As I have learnt from working in newsrooms, these documents can be revealing. Some of my best scoops have been based on financial documents hidden by corporates’ management. However, in this thesis, the documents didn’t provide answers to the many questions rising from the empirical research data, and in many cases I was left with more questions than answers. For example, in the context of this thesis, it would have been useful to gain an understanding of how Fairfax’s and APN’s digital and paywall strategies evolved. As academics such as Chris Anderson and David Domingo
point out, gaining access to news organisations is becoming more challenging as the companies have become more commercially sensitive and competitive. Anderson notes: “they all worry that if they find the secret sauce, they want to keep it a secret. They don’t want people to see how they’re doing innovation” (Schmidt, 2015).

Financial data extracted from the annual reports, markets statements and presentations, has its limitations. After analysing annual reports from a ten-year period, I am not able to assess how healthy APN’s and Fairfax’s online news business is. The companies don’t disclose information about the revenue for their individual news sites or mastheads. As seen in the case of Fairfax, it doesn’t publicise digital subscription numbers for AFR even though it does so for The Sydney Morning Herald and The Age.

While conducting the research, it also became apparent that in order to understand contemporary revenue models of news publishers, new frameworks for research are needed. Business model frameworks identified in earlier academic research need to be updated in order to understand the more complex nature of news publishers’ income streams. When using previous business model frames, Fairfax’s and APN’s revenue structures can be seen as conforming to the “traditional legacy media model” whereby revenue mainly comes from print subscriptions, advertising and newsstand sales (Moro & Aikat, 2010). Until 2011, their business models were also based on the “free content model” as neither of them charged their online readers (Moro & Aikat, 2010). In 2011 Fairfax’s business model shifted towards the “paid web content model” as it introduced digital subscriptions for AFR. However, these descriptions don’t capture the complexity of contemporary news business models, and more
sophisticated models are needed as analysing tools. Fairfax offers an example. In the first half of 2015 Fairfax detailed the revenue streams of its Metropolitan Media (Australia) division. These included print and digital advertising, print and digital subscriptions, other digital revenues and other non-digital revenue. As news publishers have started to reveal more information about their income sources, researchers need to update their news business model frameworks. I suggest that the following sources of revenue should be considered: digital subscription numbers, digital advertising, e-commerce, mobile and news applications, print subscriptions, print advertising, events and videos. Similarly, Costa (2013) notes that a “plausible business model” for digital news publishers comprises three revenue sources: advertising in various forms, sales and/or subscriptions of digital content and revenue from value added services such as third party products and services (pp.93-94). These models are in line with news publishers’ own views about future income sources. A 2015 poll conducted by *The Guardian* and Survey Monkey shows that news publishers expect 29 per cent of their future earnings to come from adverts. Additionally, they believe that paywalls will provide 28 per cent, video streaming 15 per cent, events 13 per cent, and other sources 15 per cent of their total revenue (Berliner, 2015).

In contrast to earlier academic studies about people’s willingness to pay, this thesis sought to provide a theoretical framework to explore news business models, especially paywalls. Here, the critical political economy of communication offers a suitable theoretical grounding for this kind of research, as it allows for a normative critique of how news business models affect newsrooms, news work and news content.
Paywalls also create a financial barrier for access to information, and as seen in the cases of *NBR* and *AFR*, their digital subscriptions are pricey. However, the papers are targeted at wealthy, elite readers. In general, it can be argued that paywalls may encourage new kinds of digital divides within society. In order to access news on the internet, readers need a computer, mobile or tablet as well as internet access. Paywalls create an additional financial hurdle for online news readers, and therefore many households may be financially disadvantaged if they can’t afford the extra cost. A memo published by The New York Times Company in October 2015 is somewhat revealing. According to the company, 12 per cent of its readers delivered 90 per cent of its digital revenue (Somaiya, 2015). The company stated that in order to increase its subscription base, it needed to attract younger subscribers (Somaiya, 2015).

In 2015, Reuters Digital News Report found that willingness to pay for news was low especially in younger age groups. The report stated that “a key focus for the industry over the past year has been to try to get more people – especially younger people – subscribing to content but there has been limited success” (Newman, 2015). This suggests that paywalls may have a negative impact on the younger generation’s news reading, and ability to retrieve information. However, it should be noted that younger people are more likely to read their news on social media platforms which provide them with free access.
Chapter one outlined the theoretical and methodological grounding of the thesis and introduced the main research questions and case studies. It emphasised that online news business models have become a critical research area in terms of their impact on newsrooms and the public sphere. It pointed to the significance of the critical political economy of communication tradition to the understanding of media ownership, commodification and the digitalisation of news. The rationale for selecting the case studies was provided: APN and Fairfax are among the largest newspaper publishers in Australia and New Zealand.

Chapter two explained the key concepts of media ownership, digitalisation and commodification from a critical political economy of communication perspective. One advantage of this perspective is that it allows one to analyse how the revenue structures of news publishers impact upon newsrooms, news work and news content. Evaluating this impact can be informed by public sphere principles. As discussed in the chapter, the internet and the digitalisation of media disrupted news publishers’ revenue streams. Digitalisation of media referred to the process which started with the introduction of the internet and online news sites. This process has fundamentally altered news consumption, production and delivery. When newspapers launched their online news sites, their readers could access them free of charge. As a consequence, audiences started to shift from print to online, and advertisers followed. However, the advertising spend was not primarily targeted at news sites, and this further eroded news publishers’ revenue models. As new technologies such as mobiles...
and tablets emerged, people were able to access news anywhere, anytime. This affected how news was produced and delivered: journalists were required to provide content on multiple platforms, and around the clock.

As digitalisation advanced, the news publishing industry was hit by the 2007-2008 global financial crisis. This crisis triggered a downturn in advertising, and revenues and profits of the news publishers shrunk. As a consequence, they became more dependent on financial owners who intensified the profit imperatives of news companies. In order to satisfy their shareholders, such companies were urged to find new revenue streams to compensate for print losses. The financialisation of media ownership generated a focus on costs, which led to job cuts and contracting newsrooms. They were left with fewer journalists with an obligation to deliver stories for websites, print editions, mobile and tablet platforms and social networks.

As the revenue troubles of Western news publishers worsened, newspapers started to commodify their online news content. News providers had already commodified their online audiences as these were sold to advertisers and marketing firms. However, commodifying online news content is a recent development as online news sites had previously been free to the public. As online news is becoming a ‘sellable product’, which readers have to purchase, it loses its public sphere dimension.

Chapter three offered a news industry context. It confirmed that the current revenue crisis of news publishers is evident in most Western economies, but not in India or China where the consumption of print newspapers is rapidly growing. The chapter considered how the arrival of the internet and the
digitalisation of media and media audiences impacted on newspaper revenues. The United States offered a good example. In 2000-2011, the combined circulation and advertising revenue of American newspapers declined 43 per cent. In Australia, the impact was less severe; the combined revenue of the newspapers declined 6.9 per cent during the ten year period of 2002-2012. The chapter outlined how in most Western economies news reading has moved from print to online platforms, although the shift has been different in different countries. For example in 2013, 25 per cent of Danish people read news on tablets compared to ten per cent in Germany. Clearly readers have moved, and are still moving, from print to online and advertisers have followed suit. Nevertheless, as observed, the advertising money has mostly gone to companies such as Google, Facebook and Twitter. The lack of digital advertising income for media corporates has meant that the capacity of news publishers to support newsrooms and news jobs has weakened.

Nevertheless, the Western news publishing industry is still highly dependent on print advertising income and circulation revenue which continue to decline. Most publishers haven’t been able to replace print losses with digital income, although there are a few exceptions. The chapter concluded with the concern that Western news publishers had cut tens of thousands of newsroom jobs in order to stabilise profits. In the United States alone, the number of full-time journalists fell 31 per cent from 1978 to 2010. This has damaged news content and content diversity, and journalists have become more reliant on the material provided by news agencies and public relations corporations.
Chapter four considered the news business models identified in the earlier academic research. It then explored more closely some of the revenue structures employed by traditional and contemporary news outlets. Those examined included hybrid, online-only, digital native, hyperlocal, paywall, crowdfunding, philanthropic, trust, state support and broadcasting models. The chapter found that most of the commercial for-profit revenue models can’t be seen as viable in the longer term. Newspapers, which are dependent on advertising and circulation/subscription revenue, are finding that their digital advertising income is not building quickly enough. As the chapter confirmed, social media and search engine corporations are dominating online advertising as they are able to offer their advertisers a vast amount of data about online users. Consequently, many Western news publishers have introduced digital subscriptions. However, paywalls were found not to provide publishers with substantial revenue. Some of the online-only news ventures have proved sustainable, but most of them, including *uusifuomi.fi*, have made losses since they were launched. Many hyperlocal news outlets such as *Patch* in the United States have also run into difficulties, and their long-term viability is in doubt.

As the chapter highlighted, new ‘digital native’ ventures have started to emerge, and they operate on both a for-profit and non-profit basis. Some of these companies have reported healthy revenues and even profit. More importantly, they have provided journalists with thousands of jobs. These outlets include American news media companies *The Texas Tribune*, *ProPublica*, Vox Media and *BuzzFeed*. These ventures had developed more complex business models compared to traditional print newspapers as they utilise digital subscriptions, crowdfunding, philanthropic donations, government grants and advertising to
support their journalistic work. These emerging ‘digital natives’ are starting to reshape the contemporary media landscape both in negative and positive ways. A positive aspect is that they support a new generation of journalists, and investigative in-depth journalism. The negative aspect is that some of the these companies employ advertising techniques which can further erode the quality of news content. For example, *BuzzFeed* is extensively using native advertisements. These are written in an editorial style, and thus the boundaries between journalistic and advertising content are blurring.

Chapter four concluded that as long as news publishers are not able to find sustainable income models, journalism is under threat. As demonstrated, news publishers have already cut thousands of newsroom jobs, and as income troubles continue, more layoffs will most likely ensue. Most recently, news publishers such as Fairfax, The New York Times Company and Sanoma have laid-off workers. Clearly, in Western societies, there is a strong need to support new media ventures, and especially those whose primary interest is in providing quality journalism. As the competition between commercially operating media companies, social media corporations and search engines intensifies, it is paramount that democratic societies support non-profit media outlets and public broadcasters.

Chapter five provided case studies of Fairfax and APN. The data analysed was mainly retrieved from APN’s and Fairfax’s 2004-2013 annual reports. The data examined included records of revenue, profit, expenditure, borrowing, investment, print and online reading, ownership, share price and market capitalisation. The chapter identified some key periods which indicate the
transformation of APN’s and Fairfax’s business models, and a timeline was provided to illustrate this transformation. As illustrated, the two companies shifted from highly profitable to loss making, and the 2012 revenue crisis facilitated their online news monetisation. The timeline identified the years from 2004 to 2007/2008 as a period of ‘growth’; 2009 as an ‘annus horribilis; 2010 as a one of ‘recovery’; 2011 as a year of ‘cost cutting’; 2012 as a ‘print meltdown’; 2012-2013 as ‘digital first’ and year 2013 as a year of ‘paywalls’. These periods were identified on the basis of research findings, and from the statements made by APN’s and Fairfax’s management. Against this background answers to the key research questions of this thesis, outlined in chapter one, can be outlined as follows.

The first two research questions of the thesis were: “How did ownership of APN and Fairfax transform during the period of 2004-2013?”, and “What happened to the market capitalisation and the share price of APN and Fairfax during 2004-2013?” Both questions are concerned with the ownership and market value of APN and Fairfax. The thesis found that financial institutions have become powerful owners in APN and Fairfax, and therefore their profit focus has intensified. The results show that the financial ownership of APN increased 74 per cent during the research period, and the financial ownership of Fairfax increased to 83.7 per cent if Gina Rinehart’s investment vehicle Hancock Prospecting is regarded as a financial investor. The results demonstrated that unlisted financial institutions, such as fund management companies and private equity firms, became substantial shareholders within APN and Fairfax as a consequence of their substantial debts and shrinking
market valuations. The thesis showed that Fairfax’s share price fell 80 per cent and its market capitalisation declined 70 per cent during 2005-2013. Similarly APN’s share price declined 89 per cent and market capitalisation by 87 per cent over the same period of time. The research findings confirmed that the financial ownership structure affected Fairfax’s and APN’s organisational structures as jobs were shed, printing plants closed and assets sold.

The third research question addressed in the thesis was: “How did APN’s and Fairfax’s revenue, profit and debts develop during the research period of 2004-2013?” The findings show that APN’s profit and revenue increased until 2007 and Fairfax’s until 2008. The period from 2004 to 2007/2008 was described as a period of ‘growth’ as both Fairfax and APN were recording new highs in their profit year after year. The two companies’ revenues and profits started to decline in the aftermath of the global financial crisis as advertising revenue was hit. The year 2009 thus proved an ‘annus horribilis’ for APN and Fairfax. The year 2010 proved to be one of short ‘recovery’, but both companies moved to a loss in 2011, partly as a consequence of natural catastrophes in New Zealand and Australia. The year 2011 was one of cost cutting and consolidation. In 2012 the print revenue model of APN and Fairfax experienced a ‘meltdown’: the two companies recorded their biggest losses ever, after writing down values of leading newspapers. In the aftermath of this crisis, the two companies launched digital first initiatives which included plans for digital subscriptions. The year 2013 marked a historical turning point as Fairfax introduced first time paywalls for its general news sites. The year
ended the era of free online news for all as the readers of Fairfax’s leading papers were required to pay for access. In 2013, APN made a modest profit, but Fairfax was still lossmaking.

Overall, the expansion policies of APN and Fairfax left them heavily in debt, and this caused a further erosion in their profitability as interest payments grew. Both companies borrowed heavily in 2004-2008 as they acquired new businesses. For example, in 2006 Fairfax bought Trade Me, the New Zealand online auction site, for NZ$700 million. Additionally, in 2007, it announced an AUD$3 billion merger with Rural Press, which owned 200 publications in Australia, New Zealand and the United States. As the research results show, Fairfax was more aggressive than APN in its expansion, and its debt level reflected this. From 2004 to 2008, APN’s total borrowings rose 67 per cent and Fairfax’s 125 per cent. After the global financial crisis both companies started to pay back their loans as their interest payments rocketed. The companies were able to pay back some of their debts by selling assets, and by introducing cost savings.

The fourth research question: “How has digitalisation affected print and online readership of APN and Fairfax?” addressed readership patterns. The thesis found that circulation of Fairfax’s and APN’s printed newspapers in New Zealand started to decline after the introduction of their online news sites herald.co.nz in 1998 (APN), and stuff.co.nz in 2000 (Fairfax). For example, the circulation of APN’s The New Zealand Herald fell 28 per cent during 1998-2013. The comparable print readership data from Australia and New Zealand
was available only from 2006 to 2013. During this period, the circulation of *The New Zealand Herald* fell 20.8 per cent, and *The Dominion Post* (Wellington) 19.9 per cent. Similarly in Australia, the net paid sales of *The Age* fell 35 per cent, and that of *The Sydney Morning Herald* 39.9 per cent over the same period of time. The results suggest that circulation declines were more substantial in Australia than in New Zealand.

The research also found that the online news readership of APN’s and Fairfax’s stables increased rapidly. In New Zealand, the number of visitors to the *stuff.co.nz* rose 199 per cent, and to the *nzherald.co.nz* site 107 per cent during 2005-2011. The trend in Australia is similar, but I wasn’t able to obtain similar historical online readership data concerning *The Age* and *The Sydney Morning Herald*. The most recent data from 2013-2014 demonstrates that the online readership of *The Sydney Morning Herald* online increased 6.6 per cent during a one year period, and online readership of *The Age* grew 2.7 per cent over the same period of time. As the readership of APN’s and Fairfax’s stables was moving from print to online, the two companies tried to attract print readers by introducing more compact sizes. In 2012 APN introduced a smaller format to *The New Zealand Herald*, and Fairfax to *The Age* and *The SMH*. However, the format change did not stop circulation declines of Fairfax’s and APN’s stables.

Online news commodification was a main line of the inquiry in this thesis. The central questions here were: “*Have APN and Fairfax started to commodify their online news, and what might have impacted on this?*” In 2013, Fairfax
implemented paywalls for *The Age* and *The Sydney Morning Herald* news sites, and APN announced its plans to launch digital subscriptions for *The New Zealand Herald* readers. However, APN did not introduce charges for its online content during the research period.

The research results suggest that the 2012 ‘meltdown’ in APN’s and Fairfax’s finances was a contributing factor toward online news commodification. The findings demonstrate that as Fairfax had more debt and greater losses than APN, it had more pressure to create new revenue streams and to satisfy its shareholders. Fairfax was also more print reliant than APN, and more exposed to the Australian media market, and these factors might have helped its decision to launch digital subscriptions. These findings are provisional as it is impossible to assess whether these factors impacted upon Fairfax’s decision without consulting the company’s management.

It is evident that digital subscriptions can contribute positively to media corporations’ revenues. In 2014 Fairfax’s paywalls provided the company with an additional AUD$24 million of revenue. However, this represented only two per cent of its total revenue. The paywall income, on its own, would only support substantially smaller newsrooms: in 2014 Fairfax’s staff related expenses were 30 times its paywall income.

One research objective of this thesis was to establish whether Fairfax and APN have been transformed from a print to a digital company in terms of their income. The assumption was that if they have been able to capture new
sustainable revenue streams, they might be in a better position to support their newsrooms. Chapter five dealt with the research questions: “How have APN’s and Fairfax’s business models evolved during the research period” and “How have Fairfax and APN been developed into digital media companies?” The findings clearly demonstrate that neither APN nor Fairfax has been transformed from a print news corporation to a digital one, and neither of them has found a sustainable business model. Both companies remain heavily dependent on traditional revenue sources. In 2013, 64 per cent of Fairfax’s income came from advertising, and 84 per cent of APN’s revenue was derived from the same source. The two companies’ revenue structure remained mainly unchanged: in 2013 95 per cent of Fairfax’s earnings came from its publishing portfolio, and five per cent from broadcasting. Similarly, in 2013 APN’s earnings were derived from traditional sources: 44 per cent came from publishing, and 42 per cent from radio. The results show that in 2013 Fairfax was more advanced in its digital transformation than APN: 14 per cent of its income came from digital operations compared to APN’s 5.96 per cent (Fairfax’s digital revenue included earnings from digital subscriptions).

The research suggests that the digital investment strategies of Fairfax and APN lacked a long-term view. As the two companies acquired new digital and e-commerce ventures, their investment decisions appear somewhat random. The companies resold their newly acquired digital ventures after holding them for a short period of time. APN’s acquisition of BrandsExclusive exemplifies this: it was sold for a loss just a year after its purchase. Interviews with APN’s and Fairfax’s management would have provided invaluable information
concerning their digital investment strategies and decisions. Without these insights it is difficult to draw far reaching conclusions about their investment strategies.

The eighth research question addressed in the thesis was: “How did the structure of APN’s and Fairfax’s newsroom change during the research period?” As mentioned, both APN and Fairfax started to reduce debt after the 2007-2008 global financial crisis. As a part of their debt reduction programs they started to cut jobs in newsrooms, marketing and advertising departments, and printing facilities. APN was more aggressive in its layoff policy than Fairfax. The thesis shows that APN reduced its workforce by 49.8 per cent compared to Fairfax’s 28 per cent. In total, the two companies shed 3,788 workers from their organisations during the research period. There is no doubt that these job cuts have had a negative impact on journalists and journalistic work, but without conducting newsroom interviews it is impossible to assess the full impact. What is clear is that the layoffs combined with the digitalisation process has brought new pressures to journalistic work. As Fairfax’s digital newsroom model publicized in New Zealand in March 2015 demonstrates, the company’s journalists are now required to write news content, take photos, shoot videos, post links and subedit each other’s articles. This ‘digital centric’ model is further increasing journalists’ workload as layoffs continue. Fairfax has already started to lay-off photographers in some of its New Zealand and Australian regional newspapers.

The ninth research question: “Is there evidence that paywalls can limit public access to information?” was dealt in chapter six. The chapter argued that the
critical political economy of communication theory allows us to evaluate how the evolving business models, especially in regard to paywalls, may affect public sphere principles. Quantitative content analysis of AFR and NBR demonstrated that both newspapers restricted public access to their digital news with afr.com only allowing public to access 14 per cent of the content on its home page. However, nbr.co.nz allowed free access to 59 per cent of its home page content. Both papers limited public access to hard news and opinion pieces, but allowed somewhat better access to technology related stories. The chapter argued that by limiting public access to hard news content, citizens may not be fully informed about issues of importance and this may hinder their participation in democratic processes. In this regard, paywalls have a negative impact on public sphere principles.

It was argued that paywalls may encourage further commodification of certain news content, such as market related news, but on the other hand they may encourage some original reporting. The chapter also considered whether paywalls help fund newsrooms, as some news publishers have argued. Digital subscription revenues of news publishers have increased, in some cases substantially (Myllylahti, 2016, forthcoming). In her study of seven large newspaper publishers, including companies such as The New York Times Company, News Corp, Schibsted, Axel Springer and Fairfax Media, she found that digital only-subscriptions of The New York Times increased 36 per cent from 2011 to 2014; the Sun 92 per cent from 2013 to 2014 and The Sydney Morning Herald’ and The Age (combined) 132 per cent from 2013 to 2014. She also found that the revenue of digital-subscriptions increased, and that some of the publishers saw increases in their digital advertising income. Despite these
increases, most of the news publishers continued newsroom layoffs. For example, Fairfax Media had shed 633 jobs since it introduced digital subscriptions, a reduction of 27 percent in its employee numbers (Myllylahti, 2016, forthcoming). These job cuts most certainly had a negative impact on reporting and public sphere principles.

Chapter six also argued that there is a divergence emerging in terms of online and print news access between audiences in Australia and New Zealand. As seen, Fairfax has introduced charges for its online news in Australia, but not in New Zealand, and after the initial research period APN also launched paywall initiatives in Australia. Fairfax has reasoned that the New Zealand media market is too small for it to make paywalls a viable revenue model. During the research period, APN put off introduction of digital subscriptions for *The New Zealand Herald* in fear of losing online traffic to Fairfax’s *Stuff*. This is a valid concern. In the United Kingdom, the *Sun* lost traffic to its main competitor the *Daily Mirror* after it introduced digital subscriptions. In November 2015, the *Sun* was planning to abolish its paywall. In this context the chapter suggested that the size and the structure of a media market, and a company’s competitive position within the market, should be acknowledged when considering paywall implementation.

### 7.2. Concluding remarks and future research priorities

Where do we go from here? In 2013 Eric Beecher published an article titled “*The death of Fairfax and the end of newspapers*”. He noted that the demise of Fairfax’s newspapers had significant consequences for Australian society: “In a small robust democracy with relatively little commercial quality journalism, it has
the makings of a civic catastrophe” (Beecher, 2013). This thesis detailed the demise of Fairfax’s and APN’s business models as they were transformed from highly robust media organisations to entities in crisis. However, in 2015 Fairfax and APN were still printing newspapers, and some people were even investing in them. For example, Rupert Murdoch’s News Corp bought 14.99 per cent of APN’s shares. It commented on the share purchase: “APN has a high quality portfolio of Australian and New Zealand radio and outdoor media assets and small regional print interests” (News Corp, 2015). These ‘regional print interests’ included New Zealand’s leading newspaper, The New Zealand Herald. However, the corporation’s exposure to APN’s print newspapers will lessen if the stock market listing of APN’s New Zealand Media Entertainment (NZME) goes ahead.

In 2009 Philip Meyer predicted that the world will witness the last delivery of printed newspaper in 2043 (Meyer, 2009). It remains to be seen whether this prediction is correct. In 2015, most Western newspaper companies were still publishing print papers, and many of the publishers were still profitable. Their profits just weren’t as big as they used to be. Fairfax has repeatedly stated that it is not giving up its print papers as long as they are profitable. One could add, that the company would be unwise to give up its print papers as in 2015 they still provided the large bulk of the company’s revenue. No-one denies that the circulation and advertising revenue of print newspapers keep declining, although some newspapers have been able to stop revenue declines by introducing higher prices for their print products. The New York Times offers an example. Some news publishers, such as Fairfax, have reported rising digital subscription and advertising returns, but income provided by these sources is
still insufficient to support their current structures. News publishers have started to invest in online classified advertising, and in 2014 Fairfax strengthened its position in the Australian online classified advertising market. APN has also started to spend money on native advertising enterprises. It is far too early to predict how successfully they can build their digital revenue streams. At the start of 2015, both companies were going through substantial ownership and organisational changes, and in a few years they might be considerably different media corporations.

What is clear is that the media landscape is evolving rapidly, and is becoming even more competitive. In 2014 *The New York Times*’ innovation report observed that *The NYT* was facing tough competition from *The Huffington Post*, *USA Today* and *BuzzFeed*, as all three were growing faster. The innovation report stated that:

> with the endless upheaval in technology, reader habits and the entire business model, The Times needs to pursue smart new strategies for growing our audience. The urgency is only growing because digital media is getting more crowded, better funded and far more innovative (*The New York Times*, 2014).

*The NYT* report is right. News audiences are increasingly consuming news on social media platforms, and the new digital media ventures are gaining in audience and in market share. In 2015 it was reported that Facebook had a web audience of 823 million people, Twitter 178 million, *The New York Times* 44 million and *The Guardian* 43 million (*Sweney*, 2015). No wonder that in 2015 *The Guardian*, the *Financial Times*, CNN and Reuters were forced to form an alliance to compete against Facebook and Google for advertising dollars
Digital news media company BuzzFeed, which has also launched its Australian site, has indeed become a serious competitor for legacy media corporations. Its business model depends greatly on income derived from native advertising (editorial like content). In 2015 BuzzFeed had more than 200 people working for it, was profitable and had annual revenue of US$100 million (Arthur, 2015).

It seems clear that for some newspapers digital subscriptions, or paywalls, work relatively well. However, some papers have abolished paywalls as they have had a negative impact on their advertising revenue. These outlets include the San Francisco Chronicle, the Dallas Morning News and the Toronto Star. It is clear that paywalls are not an answer to newspapers’ revenue troubles – subscriptions have never paid, and most likely will never pay, for journalism. As Beecher put it:

the owners and managers of [those] newspapers knew (but didn’t disclose) something important about their public interest journalism: it always lost money. It was (and is) expensive to produce, appealed to relatively small audiences and so attracted little advertising revenue of its own (Beecher, 2013).

In order to survive in an increasingly competitive media environment, commercially operating news publishers need to build online audiences and advertising income, and multiply their revenue sources. However, newspapers can also survive fairly well without a paywall. British news outlets The Guardian and the Daily Mail are good examples. They don’t charge for access to their online news, and they both have gained substantially in audiences. This is partly due to their expansion into other markets such as Australia and the United States. MailOnline gained 20 per cent in digital advertising income in the
five months ending February 2015, and the number of visitors to its site grew 32 percent. At the end of February 2015 MailOnline had 200 million unique browsers visiting it (DMGT, 2015). Guardian Media Group, which owns The Guardian, saw its digital revenue increase 20 per cent in the financial year ending March 2015 (Guardian Media Group, 2015). The group’s statement noted that “rising digital sales more than offset slowing print newspaper circulation and volatile advertising demand” (Guardian Media Group, 2015). It further stated that The Guardian’s global audience “stands at a record-breaking 121.7 million monthly unique browsers”, and that in the “last quarter alone, theguardian.com saw a 60 per cent year-on-year increase in its Australian audience” (Guardian Media Group, 2015). However, the group was making a loss while spending on its digital development. The group’s chief executive Andrew Miller noted that:

The Guardian is delivering on its promises: to increase revenues, invest for the future and maintain a disciplined financial approach. 2014 was the year we secured the financial future of The Guardian (Guardian Media Group, 2015).

This thesis has provided some novel findings and raised multiple questions which should be addressed in future academic research. Business models of news publishers continue to be an important research area as these models keep evolving, and as they impact on newsroom structures, news production, news content and the wider public and society. As this research proposed, paywalls can impact on news content, news production and newsroom structures, and this area should be further explored. Also digitalisation and the newly emerging digital newsrooms are worth exploring further. As seen in the
case of Fairfax, its new digital newsroom model requires journalists to write content, produce videos, take photos, share links and subedit each other’s stories. In order to understand how these kinds of models impact on journalists’ day to day work, more research needs to be conducted. However, academics such as David Domingo and Chris Anderson make a valid point when suggesting that researchers should not just concentrate on newsrooms but on a wider news “ecosystem” which consists of bloggers, citizen journalists, non-profit organisations etc. (Schmidt, 2015). Domingo states that “we can’t afford to just look at the professional newsrooms when trying to make sense of how news is made nowadays” (Schmidt, 2015). Clearly this wider ‘ecosystem’ is an area to explore.

This thesis suggested that paywalls may lead to further commodification of certain news content, but they also may aid originality of content. However, further research is needed to establish how paywall decisions are made within the newsrooms and how the journalistic work may be affected. This thesis suggested that paywalls limit public access to news, but as long as the market supports alternative free sources, the impact may not be as severe as thought. However, this area needs further research, and especially wider socio-economic impacts should be considered.

To conclude: there is no doubt that newspapers have an important role in society. As Larry Kilman, Secretary General of the International News Media Association has noted, finding a sustainable business model for digital news publishing is not only important for the news business, but “for the future health of debate in democratic society”. As he put it: “unless we crack the revenue
issue, and provide sufficient funds so that newspapers can fulfil their societal role, democracy will inevitably be weakened” (Abu-Fadil, 2014). However, I argue that a healthy democracy doesn't just need newspapers, it also needs new digital and non-profit media ventures. The trans-Tasman media market is somewhat lacking in these ventures, and it is crucial that we find ways to support alternative media outlets. They deserve to be supported as long as they focus on public interest journalism, and as long as they provide content diversity.
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Paulussen, S. (2012). Technology and the transformation of news work: are labour conditions in (online) journalism changing? In E. Siapera & A. Veglis (Eds.), The handbook of global online journalism (pp.192-208). Wiley-Blackwell.


Appendices

Appendix 1: List of annual reports analysed

APN Annual Report 2013 [online]
APN Annual Report 2012 [online]
APN Annual report 2011 [online]
APN Annual Report 2010 [online]
APN Annual Report 2009 [online]
APN Annual Report 2008 [online]
APN Annual Report 2007 [online]
APN Annual Report 2006 [online]
APN Annual Report 2005 [print]
APN Annual Report 2004 [print]
Fairfax Annual Report 2013 [online]
Fairfax Annual Report 2012 [online]
Fairfax Annual Report 2011 [online]
Fairfax Annual Report 2010 [online]
Fairfax Annual Report 2009 [online]
Fairfax Annual Report 2008 [online]
Fairfax Annual Report 2007 [online]
Fairfax Annual Report 2006 [online]
Fairfax Annual Report 2005 [online]
Fairfax Annual Report 2004 [online]
### APN and Fairfax Revenue profiles 2004-2013

#### APN News and Media

<table>
<thead>
<tr>
<th>AS$m</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>1,274</td>
<td>1,364</td>
<td>1,340</td>
<td>1,315</td>
<td>1,226</td>
<td>1,059</td>
<td>1,072</td>
<td>929</td>
<td>817</td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>999.7</td>
<td>1,048</td>
<td>1,028</td>
<td>1,031</td>
<td>1,175</td>
<td>870</td>
<td>866.7</td>
<td>774</td>
<td>771.5</td>
<td>672</td>
</tr>
<tr>
<td>Profit/loss</td>
<td>104</td>
<td>150</td>
<td>160</td>
<td>169</td>
<td>-24</td>
<td>93</td>
<td>94</td>
<td>-45</td>
<td>-456</td>
<td>3</td>
</tr>
<tr>
<td>Total borrowings</td>
<td>646</td>
<td>673</td>
<td>749</td>
<td>941</td>
<td>968</td>
<td>783</td>
<td>720</td>
<td>661</td>
<td>468</td>
<td>457</td>
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<tr>
<td>Market cap</td>
<td>2,485</td>
<td>2,293</td>
<td>2,785</td>
<td>2,578</td>
<td>1,216</td>
<td>1,381</td>
<td>1,176</td>
<td>447</td>
<td>165</td>
<td>298</td>
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#### Fairfax Media

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<thead>
<tr>
<th>AS$m</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td>Total Revenue</td>
<td>1,783</td>
<td>1,880</td>
<td>1,909</td>
<td>2,178</td>
<td>2,934</td>
<td>2,609</td>
<td>2,490</td>
<td>2,476</td>
<td>2,339</td>
<td>2,033</td>
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<tr>
<td>Expenditure</td>
<td>1,341</td>
<td>1,367</td>
<td>1,412</td>
<td>1,615</td>
<td>2,099</td>
<td>2,097</td>
<td>1,839</td>
<td>1,894</td>
<td>2,023</td>
<td>2,150</td>
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<tr>
<td>Profit/loss</td>
<td>276</td>
<td>263</td>
<td>227.5</td>
<td>263.5</td>
<td>387</td>
<td>-380</td>
<td>282</td>
<td>-390</td>
<td>-2,732</td>
<td>-275</td>
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<tr>
<td>Total borrowings</td>
<td>1,117</td>
<td>1,048</td>
<td>1,507</td>
<td>2,347</td>
<td>2,511</td>
<td>1,908</td>
<td>1,478</td>
<td>1,532</td>
<td>1,207</td>
<td>638</td>
</tr>
<tr>
<td>Market cap</td>
<td>n.a.</td>
<td>3975</td>
<td>3522</td>
<td>6,954</td>
<td>4,071</td>
<td>2,892</td>
<td>3,198</td>
<td>2,304</td>
<td>1,364</td>
<td>1,164</td>
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### APN and Fairfax corporate ownership 2004-2013

#### APN top 20 shareholders

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<tbody>
<tr>
<td>Financial</td>
<td>33.37</td>
<td>32.98</td>
<td>39.16</td>
<td>43.82</td>
<td>49.75</td>
<td>49.75</td>
<td>54.55</td>
<td>57.19</td>
<td>51.04</td>
<td>58.08</td>
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<tr>
<td>Corporate</td>
<td>39.69</td>
<td>44.49</td>
<td>41.62</td>
<td>39.16</td>
<td>32.18</td>
<td>31.6</td>
<td>30.39</td>
<td>28.96</td>
<td>28.96</td>
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<tr>
<td>Other</td>
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Note: Corporate owner INM since 2007

#### Fairfax top 20 shareholders

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<tbody>
<tr>
<td>Financial</td>
<td>74.63</td>
<td>70.84</td>
<td>87.4</td>
<td>61.55</td>
<td>53.32</td>
<td>63.78</td>
<td>70.39</td>
<td>73.92</td>
<td>64.42</td>
<td>68.78</td>
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<tr>
<td>Other</td>
<td></td>
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*Marinya Media Fairfax family holdings

**Gina Rinehart's Hancock Prospecting
## Appendix 4: Fairfax and APN newspaper circulation New Zealand

<table>
<thead>
<tr>
<th>Year</th>
<th>NZ Herald</th>
<th>Press</th>
<th>The Dominion Post</th>
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<tr>
<td>2004</td>
<td>211490</td>
<td>92436</td>
<td>99123</td>
</tr>
<tr>
<td>2005</td>
<td>204549</td>
<td>92458</td>
<td>98232</td>
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<tr>
<td>2006</td>
<td>200309</td>
<td>92465</td>
<td>98251</td>
</tr>
<tr>
<td>2007</td>
<td>195681</td>
<td>90030</td>
<td>98326</td>
</tr>
<tr>
<td>2008</td>
<td>180939</td>
<td>85053</td>
<td>90553</td>
</tr>
<tr>
<td>2009</td>
<td>170437</td>
<td>83005</td>
<td>88100</td>
</tr>
<tr>
<td>2010</td>
<td>170677</td>
<td>81107</td>
<td>84047</td>
</tr>
<tr>
<td>2011</td>
<td>170833</td>
<td>78206</td>
<td>81718</td>
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<tr>
<td>2012</td>
<td>162181</td>
<td>75034</td>
<td>79438</td>
</tr>
<tr>
<td>2013</td>
<td>158521</td>
<td>74395</td>
<td>78643</td>
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</tbody>
</table>

Sources: ABC, APN, Fairfax
Appendix 5: Circulation of The Age and The SMH

<table>
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<th>2008</th>
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<th>2010</th>
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<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td>The Age</td>
<td>202,000</td>
<td>204,100</td>
<td>204,200</td>
<td>202,100</td>
<td>195,900</td>
<td>184,156</td>
<td>157,480</td>
<td>130,767</td>
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<td>The SMH</td>
<td>212,300</td>
<td>211,170</td>
<td>211,370</td>
<td>211,006</td>
<td>209,644</td>
<td>184,613</td>
<td>157,931</td>
<td>131,737</td>
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</tbody>
</table>

Source: AMAA 2014
Appendix 6: Coding Sheet

Coding sheet

Introduction

This protocol addresses locked and free content on nbr.co.nz and afr.com home pages only. It first addresses quantity of free and locked content, and secondly specific locked and free news content which is analysed on the basis of the news categories detailed below. The categorisation of news is based on content categories used AFR, NBR and The Wall Street Journal.

The units of analysis: NBR and AFR home pages

Dates sampled:

The NBR content analysed from Monday to Friday: Monday 31/08, Tuesday 08/09, Wednesday 16/09, Thursday 24/09 and Friday 02/10 (2015). Content analysed once a day.

The AFR content analysed Monday to Friday: Monday 28/09, Tuesday 06/10, Wednesday 14/10, Thursday 22/10 and Friday 30/10. Snapshot of the content was taken once a day.

Data analysed:

- Total number of stories 619
- nbr.co.nz: total number of stories analysed 408
- afr.com: total number of stories analysed 211
Data measured:

1. 241 of free stories on nbr.co.nz home page
2. 167 locked stories on nbr.co.nz home page
3. Number of free stories in news categories on nbr.co.nz home page (outlined below)
4. Number of locked stories in news categories on nbr.co.nz home page (outlined below)
5. 28 free stories on afr.com home page
6. 183 locked stories on afr.com home page
7. Number of free stories in news categories on afr.com home page (outlined below)
8. Number of locked stories in news categories afr.com home page (outlined below)

Free and locked stories:

- Free story – one a reader can fully access without a payment
- Locked story – a story which can’t be accessed without a payment

Format:

- Opinion/Editorial- the leader article of the paper expressing papers view of an issue; opinion piece written by a journalist/guest writer or columnist
- News – a factual story concerning with a current issue, an event, a phenomenon or a person
- Feature – a broader discussion of a current news affair; news backgrounder explaining an issue in depth; lifestyle feature concerning people’s lives (such as travelling)

Content categories:

1. Business news – general business news related to corporate affairs such as company results, deals and takeovers; legal issues; management; appointments
Industries:
- Autos and transportation
- Commercial real estate
- Consumer products
- Energy
- Entrepreneurship
- Financial services
- Food & Services
- Health care
- Hospitality
- Law
- Management
- Manufacturing
- Media and marketing
- Natural resources
- Retail
- Technology

2. Economy news - related to macroeconomics such as GDP growth, interest rates, unemployment, import & export, trade agreements, inflation

- Global macro economy
- Local macro economy

3. Political news - related to the global politics such as presidential elections, local politics such as government/parliament/council decisions and policy, party politics; politicians

- Global politics
- Local politics

4. Market news - related to stock markets, bond markets, currency markets, commodities, property markets

- Markets:
  - Bonds
  - Commercial real estate
  - Commodities
  - Currencies
  - Deals
  - Financial services
  - Funds
- Stocks

5. Technology news - related to personal technology such as mobile technologies, gadgets, privacy and security and technology related entrepreneurship and start-ups

6. Opinion – comments, editorials, reviews

7. Features - news features explaining background of a current affairs issue or topic; lifestyle features related to people’s lives such as motoring, sports, travelling, fashion, careers

- News features
- Lifestyle features

8. Personal finance – stories related to personal finance such as savings, funds, shares and other investments

Origin:

- Papers’ own journalists – the story is written by a journalist working for NBR or AFR
- The story came from an outside source such as a news wire or commentator outside the paper