Commercialism and Newspaper Quality

by Robert G. Picard

This article explores how commercialism has diminished the importance of public service. Market concerns now determine operation and content in the newspaper industry.

Economic pressures are becoming the primary forces shaping the behavior of American newspaper companies. It is increasingly clear that the responses of some newspaper managers are affecting journalistic quality, producing practices that diminish the social value of newspaper content and that divert the attention of newspaper personnel from journalism to activities primarily related to the business interests of the press.

This situation has promoted self-interested behavior aimed at exploiting market potential, and there is a growing conflict between the role of newspapers as servants of readers and the exploitation of readers to seek additional commercial gain. It should not be surprising that the public increasingly sees the press as just another business that is more concerned with its own economic interests than with the broader interests of those it purports to serve.

The current environment exists as the American newspaper industry faces an uncertain future because of stagnant markets,[1] increasing competition from other media for audience attention,[2] use by progressively smaller portions of the population and changes in advertiser media choices.[3]

These trends have been developing for two decades, and publishers are convinced that newspapers must be managed differently to respond to the

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challenges because newspapers operate in a mature industry with little growth potential. As a result, many publishers have adopted a range of strategies that have further commercialized the industry, making commercial considerations equal to or, in some cases, more important than editorial quality or social concerns.

Some of these commercial and business changes to the newspaper industry in the 1980s and 1990s were driven by the strategies of large newspaper chains and conglomerates. Others were instigated by projects sponsored by industry associations and organizations. Various efforts have attempted to turn newspapers into market-, reader-, or customer-driven enterprises and to create cross-departmental teams to coordinate editorial, advertising and marketing activities. Companies sought to increase their competitiveness through vertical and horizontal integration, by diversification into other media, by establishing online sites and by developing cross platform activities.

In themselves, these efforts are not harmful to the social service roles of newspapers. The rhetoric of these activities, however, has rarely focused on improving quality or service to readers, and the resources devoted to pursuing these initiatives have far exceeded those invested in editorial improvement. It has been evident to many observers that the initiatives were primarily designed to service the business interests of newspaper companies.

Decisions to promote commercial aspects of newspaper publishing are not inherently immoral or harmful to journalism. Newspaper companies, like all firms, have economic self-interests and can be expected to attend to them. Traditionally, however, newspapers have placed greater emphasis on their roles as promoters of public interests and on becoming a trusted institution of society that represented the people. Thus, the strength of emphasis placed on economic self-interests by some newspapers in recent years is disconcerting to many people inside and outside the industry.

Indeed, a number of media observers have shown that commercialization of media,[4] the increasing emphasis on their own business interests, and their structure and economic bases[5] alter content by skewing it toward commercial ends.

These trends have occurred simultaneously with the public's increasing disaffection, loss of trust and reduced credibility in the press.

The Influence of Economic Changes and Pressures

Economic pressures on newspaper managers are not new. Owners and publishers have experienced them throughout the history of the American press because newspaper firms operate in the market economy.

Newspaper enterprises are affected by pressures to maximize profit and company value, by changes in business cycles, by rising and falling interest rates, by share price changes for public companies, and by a range of other pressures as they create structured relations with owners of capital, workers and suppliers, pay for facilities and equipment, and engage in the creation, production, marketing and distribution of papers.

The most pronounced changes in these pressures have resulted from the new objectives of media managers and the emerging emphases placed on profits and share prices within companies in recent years. American newspapers have always been private enterprises by which owners made reasonable livings and have traditionally been operated with a public interest, community service orientation. Market changes in the last half of the twentieth century altered those goals and practices, allowing stronger elements of capitalism and commercialism to become the major factors determining operations and content in major media companies.

The driving forces for these changes were the increasing resources available to newspapers because of the explosive and progressive growth of advertising after World War II, the establishment of local newspaper monopolies through the closure of secondary papers, and the growth of large, publicly traded newspaper firms beginning in the 1970s.

The extent of the revenue growth can be seen in the income of the American newspaper industry. Income grew from approximately $3 billion in 1950 to $12.2 billion in 1975 and then to $54.9 billion in 2000.[6] In real terms, newspapers received 2.5 times as much income from advertising in 2000 as in 1950.[7] This extraordinary growth in revenue increased the wealth of many newspaper owners dramatically.

Concurrently a wave of newspaper deaths led to closure of many competing newspapers, especially afternoon papers, leaving single dominant papers in cities to reap the rewards of the advertising market.[8] The demise of secondary papers reduced the number of American newspapers from 1,772 in 1950 to 1,480 in 2000.[9] Today, 98 percent of American daily newspapers are the only daily published in their city of origin.

The deaths of directly competing local newspapers created near-monopoly conditions for local news and local retail and classified advertising. As a result, newspapers were typically able to raise circulation prices about 30-40 percent above the previous levels and the rates for advertising 20-30 percent.

In a capitalist economy it is desirable for newspapers to produce profits to provide reasonable returns to owners, to support reinvestment that improves newspapers, and to achieve financial strength that allows some independent choice and action. Newspaper companies well surpassed those levels in the past decades, with firms regularly achieving returns on sales in the 15-20 percent range. These compare to returns of 9 percent in the pharmaceutical industry, 7-8 percent in the metals industry, 6 percent in the aircraft industry, 2-4 percent in the auto industry, 4 percent for department stores and 2-3 percent for grocery stores.

The increasing revenue and profitability of American newspapers enabled some owners to form newspaper groups that were larger than those seen previously and in doing so to gain economies of scale and scope through shared content, preferential pricing in acquisition of resources and reductions in administrative costs.

Success in this horizontal integration led a number of companies to seek capital in the stock markets to expand the number of papers they owned, and thus large newspaper companies were created. A wave of public offerings began in the late 1960s led by Gannett Co., Knight-Ridder Inc., Lee Enterprises and the New York Times Co. In the following decades, companies such as the Washington Post Co., Tribune Co., Pulitzer Publishing, E.W. Scripps Co. and others also went public.

Today, the major publicly traded newspaper companies rank in the 100-200 range of the 500 largest U.S. companies in terms of assets, along with companies such as Colgate-Palmolive, General Mills, Kimberly-Clark and Ralston-Purina.

The primary content of newspapers today is commercialized news and features designed to appeal to broad audiences, to entertain, to be cost effective and to maintain readers whose attention can be sold to advertisers.

The development of public ownership and large newspaper groups created additional economic pressures that had not been previously experienced by newspaper owners. Many large newspaper companies have become increasingly dependent upon the stock market and financial institutions for capital, forcing them to seek steadily growing revenues, stable profits and growth in share prices. This has led many in and outside the industry to charge that traditional values in news are being sacrificed for increasingly commercially viable content and content that will increase the number of advertisers.

The extent to which economic pressures affect the industry was starkly illustrated in 2001 when Jay T. Harris, chairman and publisher of *The San Jose Mercury News*, resigned. He stated that the 20 percent profit targets maintained by its corporate owner, Knight Ridder Inc., risked "significant and lasting harm to the *Mercury News* as a journalistic enterprise" and represented a choice of shareholder interests over reader interests.[10]

Research also bears out the effect of various economic pressures. Blankenburg and Ozanich[11] found that publicly owned newspaper companies had more short-term financial goals and sought higher returns than privately owned firms. Their results were later supported by Lacy, Shaver and Cyr[12] and Chang and Zeldes.[13]

The Changing Business Model of Newspapers

A critical factor in the environment of the newspaper industry today is a profound change in its business model that occurred during the late 20th century.[14] As sellers of circulation and advertising for most of their history, American newspapers have operated and continue to operate on a revenue model with income streams from readers and advertisers.

The modern business model based on large audiences developed in the mid- to late-19th century, replacing a previous model in which American newspapers served relatively small audiences of about 15 to 25 percent of the population depending upon location, literacy and economic development.

The early business model was based upon small audiences that represented the politically, socially and economically active members of the community. Newspapers were highly dependent upon circulation sales for income. The prices for single copies and subscriptions were relatively high, but the elite audience was able to pay the price. Although advertising provided some revenue, it typically provided a smaller portion of income than from readers, and it was primarily advertising that notified merchants and manufacturers of the availability of raw materials and imports.

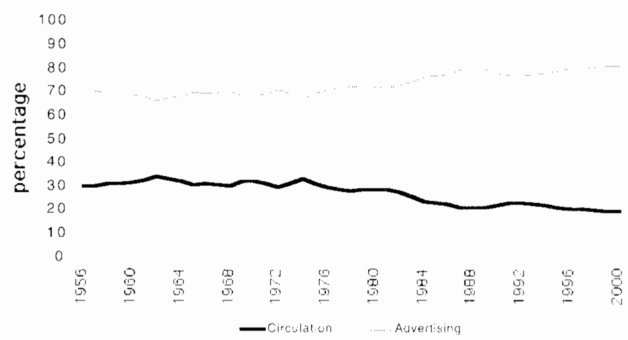
The modern newspaper business model began to appear as urbanization, the industrial revolution, wage earning and expanded literacy created social conditions that included discretionary income and leisure time among an increasing amount of the population. Newspapers began seeking larger audiences by reducing the price for papers, altering content to appeal to a mass audience and shifting costs to retail advertisers that developed with the changes in economic and social life. In 1880 the revenue model for the newspaper industry relied upon half of its income from readers and half from advertisers.

Throughout the twentieth century the newspaper industry maintained the low circulation price policy designed to produce mass market sales. To support the price policy it progressively shifted the costs of operating newspapers to advertisers. This strategy was an easy choice because the development of the national economy and changes in consumption patterns led to strong growth in advertising that increased expenditures for newspaper advertising and provided a revenue stream with steady real growth.

This strategic choice effectively made newspapers increasingly dependent upon advertising revenue. That dependence increased dramatically in the past two decades. The American newspaper industry now depends on advertising for more than 80 percent of its revenue (Figure 1).[15]

Dependency always creates managerial challenges for businesses, but those issues are magnified in volatile and rapidly changing industries and markets. In order to be successful in such environments, firms need flexibility and relative

Figure 1
Percentage of Newspaper Revenue from Advertising and Circulation



freedom from resource dependencies – such as revenue dependence – that can disrupt their operations and slow their ability to adapt. This occurs because dependency creates an external control on companies that limits their options.[16]

Uncertainty and change in markets make dependence on a single revenue source risky, so managers sometimes try to reduce the degree of dependency as a means of controlling and reducing that risk. Diversification strategies are employed to accomplish the task and – in the case of revenue dependency – efforts are often made to diversify the sources of revenue by creating new activities and revenue streams. This strategy led many newspaper companies to expand the scope of their operations through acquisitions in magazines, book publishing, broadcasting and programming during the 1980s and 1990s.

As newspaper companies grew and diversified, they acquired debt and shareholders whose primary interests were not newspapers and the traditions of public service. Boards of directors increasingly included major investors, investment bankers and others from the business community. Marketing managers were brought into newspaper companies from other retail industries. Ultimately, top executives for media firms began to be chosen from outside the newspaper industry, exemplified by Mark Willes, who became chief executive officer at Times Mirror Co. in 1995 after a career with food industry giant General Mills, and Jim Rosse, an economist who was selected to head Freedom Communications in 1992.

The result of the business model changes, diversification strategies and general commercialization of the newspaper industry has been an increased emphasis on business concerns at the highest levels of newspaper firms. That emphasis has been funneled down to individual papers and newsrooms through a variety of performance requirements, marketing programs and new product strategies.

Issues of Commercialism and Quality

Newspaper quality is an amorphous and problematic concept. When asked to define it, journalists and others have difficulties articulating its elements. It is most often exemplified by its absence and defined in opposition to undesirable behavior.

As a result, statements of journalistic professionalism typically attempt to assert values such as truth, fairness and completeness – arguably elements of quality – but also provide codes of conduct describing behaviors in which good journalists or those practicing quality journalism should not engage.

Despite such problems, newspaper and journalistic quality are recognized as central elements in achieving the social, political and cultural goals asserted for journalism in democratic societies.

The amount and types of content in a newspaper are clearly elements of quality. The amount of information provided, the categories of material and whether the material is self-produced or produced by others all influence quality. It must be recognized that the majority of newspaper content is not editorial material but advertising. For the past 30 years the amount of advertising content in American newspapers has exceeded 60 percent.

The majority of editorial material does not classify as news. In most papers, three-fourths or more of the material is made up of reviews, comics, advice columns, puzzles, and automotive, entertainment, lifestyle and other sections that are not truly "news." In nearly all papers the majority of content is not self-produced.

It should not be surprising, then, that major newspaper companies have made specific efforts to acquire or launch news and feature services to gain additional commercial advantage from the content that they do not produce, as well as to achieve additional income from that which comes from within the companies.

Research has established that higher editorial/advertising and self-production/purchased material ratios[17] and localism[18] are recognized by editors as crucial elements of newspaper quality.

Performance of newspapers in terms of those elements of quality is not heartening. Newspapers are increasingly caught in a struggle between global and local content that has significance to issues of quality. Because nations around the world are increasingly economically and politically interdependent, because the federal government increasingly influenced state and local developments during the 20th century, and because communications with nations on the other side of the world is now as easy as communicating with cities a few miles away, newspapers editors have grown to see the relevance of and are able to provide more globalized content in the form of foreign news, national news, business news and features.

At the other end of the coverage spectrum, coverage of the activities, aspirations, successes and challenges of the local community and its residents is more immediately relevant to readers, conveying their lives and tying them to newspapers. Unfortunately, much local coverage – clubs and organizational functions, schools and church activities, local governmental entities and non-commercial sports, for example – is uninteresting to many journalists, and they view it as less important than political, economic, national or international developments.

Concurrently, non-local content is relatively inexpensive to obtain because most comes from news services, whereas local content requires editorial staffing that is far more expensive. As a result, it should not be surprising that the emphasis on coverage – evidenced by amount of coverage – in many newspapers has gradually moved away from localism.

The primary content of newspapers today is commercialized news and features designed to appeal to broad audiences, to entertain, to be cost effective and to maintain readers whose attention can be sold to advertisers. The result is that stories that may offend are ignored in favor of those more acceptable and entertaining to larger numbers of readers, that stories that are costly to cover are downplayed or ignored and that stories creating financial risks are ignored. This leads to homogenization of newspaper content, to coverage of "safe" issues and to a diminution of the range of opinion and ideas expressed.

Because many local journalists find stories of crime and deviance interesting to cover – and they tend to engender audience interest for all the wrong reasons – great resources of time and effort are often devoted to coverage of murders, scandals and gossip. As a result, much of what passes for journalism and features in newspapers today is insipid or vulgar. Protestations of journalistic purity and piety will produce few results unless they are accompanied by true commitment to producing quality material that serves more important interests than titillation, voyeurism and sales.

In business terms, quality involves providing value for the money or time expended by consumers, developing consumer trust and creating consumer loyalty, and making products with higher quality more valuable than those of lower quality.[19] In journalism, however, quality is not merely a question of increasing the value of a product to consumers but is a central element in achieving the social, political and cultural goals asserted for journalism in democratic societies.

Newspaper quality involves the content and methods of journalism and information. It is providing comprehensive coverage and information that produces understanding. It is evidenced in the expertise of personnel, in reportage rather than mere reporting, in having personnel at places where news is made, in articles that provide context and background and in articles based on thoughtful analysis. The levels of quality among papers are revealed by the newspapers to which readers turn most for news and information in times of crises and those papers that are perceived as best by readers and media personnel.

Quality also involves the operational activities associated with the newspaper, such as consistent availability of the newspaper at newsstands and few delivery errors, the technical effectiveness of the organization, printing excellence, ease of use of the paper, accuracy in billing, and quick problem resolution. These types of issues of quality management have dominated newspaper industry discussions of quality in the past couple of decades, but there is a growing concern among many in the industry that the issues of content quality are now the more important issues upon which to focus.

It must be recognized that quality and company performance are related. The relationship is illustrated in Figure 2 and shows four major strategies for publishers to follow.

The figure illustrates that quality choices run on a continuum between average quality and excellent quality—not between poor quality and excellent quality, because poor quality will ultimately lead to audience abandonment of the publication and because committed journalists struggle against truly poor quality. The two major commercial performance interests of newspaper firms – profit maximization and company value maximization – are also shown as an axis and represent a continuum of emphasis toward one or the other.

Managers interested in maximizing a newspaper's profit and keeping costs low can provide a paper of average quality, with content intended for mass audiences, operated with short-term profit goals that are characterized by cost and price competition strategies. Other publishers may employ a quality management strategy that is designed to benefit the company value over time

Figure 2
Strategic Choices Involving Quality and Performance

by saving money through attempts to keep quality at a level that meets but does not exceed reader expectations. In pursuing this strategy, however, the company will not typically pursue cost-cutting and price strategies designed to maximize profit in the short term.

A quality leadership strategy can typically be used by publishers who take a long-term view toward maximizing the value of their firms, being seen as papers of record and distinction, and of having significant social and political influence. To do so they will sacrifice some short-term profits to ultimately maximize company value.

Other publishers can seek to use a quality profitability strategy that is designed to produce a newspaper known for its quality but does not sacrifice profitability through excess quality and engages in strategies to improve and manage that quality.

The fact that some leaders have been willing to sacrifice quality has led to growing discussion of journalistic quality issues in recent years. Despite those professional and academic debates, scholarly research linking quality and performance in the newspaper industry is essentially nonexistent, and the results of the different quality choices and strategies are unclear.

Stephen Lacy has for two decades advocated that financial commitment to newsrooms is a surrogate measurement of quality. The assumptions of the financial commitment approach are that as newsroom budgets increase, quality increases, audience utility increases and market performance rises.[20] Although a number of studies have linked competition and financial commitment, the link between this measure of quality and profit has not been clearly established. Some evidence even suggests that this type of quality is related to lower profits in competitive situations, although the lower profit may result from the competition.[21]

Philip Meyer, formerly of Knight-Ridder and now a professor at the University of North Carolina, has in recent years worked to establish a link between profits and quality as an argument for publishers and editors to invest in journalistic quality.[22] That research is not complete and would need to exclude competitive factors, price strategies and a variety of market factors as contributors.

Discussion

Economic and accompanying social changes in the newspapers have diminished the place of the public interest orientation that traditionally held a high place in newspapers. Today, market concerns and a wholesale commercialism of content have become the major factors determining media operation and content in the newspaper industry. Content is skewed by commercialism, and the market conditions in which media firms operate influence the strategies of companies and the content provided.

The result of these developments has been a perceived diminution of quality and diversity as commercial media emphasize serving broad audiences and providing content that will not lead to reductions in audiences and advertisers. The rising chorus of complaints both within and outside cannot easily be dismissed.

These problems have not occurred because the leadership of newspaper companies deliberately set out to commercialize their firms in a way that harmed quality. It has occurred because the firms and their managers have proceeded down a highway of commercialism that had no speed limits and with no clear destination in sight.

They have now reached a fork in the highway. One road continues down the path of unrestricted commercialism and unbridled corporate self interest. The other has limits set by the needs of quality, public service and responsibilities that extend beyond the shareholders.

The decision to choose the latter road will require a sense of corporate responsibility on the part of newspaper firms. It will require some internal acknowledgement that the current activities produce harmful social effects and that it is desirable for the newspaper corporations to address them.

Unfortunately, they are unlikely to do so without pressure from journalists and the public, much as manufacturing and petrochemical firms have been pressured to become more environmentally sensitive and to address exploitive labor practices in their global operations.

Perhaps the real question is whether the press can be embarrassed into changing or whether their leadership is too insulated from the growing chorus of complaints or uncaring about the attitudes that are developing against them.

Notes

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