Media trends; the picture is not pretty, and it will get worse

By Styli Charalambous

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Part of a CEO's ambit is making sense of the external environment and interpreting that in order to guide the organisation. This is why CEOs and leadership teams carry the sole responsibility for innovation and adapting to these circumstances, choosing how to allocate capital and how to make employees feel safe in the face of uncertainty.

And considering this is just one of the key responsibilities of the CEO, it's easy to see why not many get it right, especially in the fast-moving, resource-constrained and highly stressful world that is the news media.

Some of the trends that we see garnering attention and resources in 2021 have been gaining increasing share of attention for a while. These are big-ticket items, culture and DNA change projects that take years to get right, only for them to arrive in time for their next evolution.

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Rush to reader revenue

The loss of the advertising war to Silicon Valley and the success of global titans like the *New York Times* and *Wall Street Journal* will push more publishers to turn to their readers for monetary support. Whether this takes the form of metered paywalls (NYT), freemium paywall (News24), donations (*The Guardian*) or membership (*Daily Maverick*) is down to circumstances and goals of each organisation. The good thing about this trend is that in order for any reader revenue effort to be successful, it requires a foundation of quality journalism.

Jessica Lessin, founder of The Information (a US tech news site) puts it succinctly: “You can’t put a paywall on a pig.” In order to be perceived as valuable, publishers will need to improve their understanding of audiences and their needs in order to better serve them because they are the ones who determine value and quality.

The downside to this trend is that as more publishers turn to this model, the total subscription pie doesn’t get any bigger and most markets morph into a “winner takes most” scenario.

Exhibit A is the *New York Times* with its seven million subscribers that trumps local news operator’s efforts in the chase for signups. It’s also quite likely that South African publishers compete directly with the NYT for a share of reader’s wallets, even though the Gray Lady wouldn’t necessarily consider us competitors.

Another downside is that in a country of near 40% unemployment, paywalls will prevent the spread of quality journalism in a time when misinformation spreads faster than Covid-19. This is the conundrum for publishers fighting for financial survival while striving to achieve societal impact.

Upskilling in data and technology

Alongside quality journalism, the next important building block for any reader revenue effort is the use of data and technology. It won’t be long before most significantly-sized businesses are considered to be a technology business. Not only with regards to how it generates revenue but also, it’s the reliance on data to drive that revenue. The average news operation produces tons of data but not all of us are equipped to deal with it, usually contained in a multitude of clunky systems that don’t talk nicely to each other.

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The leading publishers in reader revenue are backed by huge data and technology teams, crunching, amalgamating, cleaning and panel beating data into useful information and insights. Segmentation, analytics, propensity modelling, lookalike audiences and conversion tracking will be more frequently used terms in an industry playing digital marketing catch-up as it enters the business-to-consumer world.

> “*Expect to see bigger allocations of budgets toward data and technology as the direct line to reader revenue becomes clearer for those still in the game.*”

Regrouping from the Covid-19 impact

South Africa, like many news media markets, saw a haemorrhaging of the industry in 2020 with titles and entire companies closing down. But while the death certificate might state Covid-19, the real cause of death was the inability to convert to being a digital business.

Take for example a monthly magazine that was required to publishing once per month, migrating to a world where the digital content monster requires daily, if not hourly feeding. That route is much harder to take than say, *Daily Maverick*, when we launched a weekly newspaper after having fought in the digital trenches for over a decade. Covid-19 has meant that the weak will get weaker (possibly die) and the strong (if there are any in this country) will get stronger. Again, the likes of the NYT, WSJ and FT will continue to grow and dominate as they soak up talent, subscriptions and audience attention.

Silicon Valley bashing bandwagon

There are a litany of commissions of inquiry around the world, looking into the practices of Google and Facebook, who control 50% of the world's digital advertising. Some, like the legislative efforts in Australia (spurred on by the old guard gargoyle of Rupert Murdoch), would like to see these giants pay publishers for the traffic they send to news sites.

While the practices of Google and Facebook, in particular, have been detrimental to society and news publishers, we can't simply expect to slap them with an invoice to resolve the issues facing news media. News publishers did not have a divine right to advertising dollars, and these two make a useful scapegoat for our inability to innovate. But we do have a right to see recipients of the bulk of the payday act with the care and duty publishers are expected to. And that is a messy, costly business that they just don't care to get involved.

More and more countries will follow suit and the G&F will likely respond with a charm offensive in some markets (grants, training and any combination of right-sounding noises) and heavy-handed tactics of cutting off referral traffic in legislation are too onerous.

While many South African publishers will be rooting for developments similar to that unfolding in Australia, it remains a cop-out option to taking control of our own destiny. Publishers have spent years weaning themselves off the teat of G&F and it would be folly to rush back into a scenario that could terminate with a line of code. A better option would be to tax them on their revenues generated in the country (France is headed this way) and using that tax revenue to support media diversification and support efforts. That of course, relies on a functioning government to adequately process and allocate such collections when we can't even rely on them to stop stealing and pillaging on PPE contracts in a time of emergency needs.

General outlook for news

The next two years will be particularly tough for the South African news media sector. Expect to see more talent leave the industry as more titles close shop and publishers struggle to regain 2020 losses, that followed a decade of decline. The SABC will try to eat itself, politically hijacked operations will crumble and independent operators will feel the decay of an industry starved from the talent loss of an entire generation's exodus.

The picture is not pretty, and it will get worse before the desperation, non-profit media and grant-funded sector plug some of the ever-widening gaps. Until then, it'll be up to active citizens, in personal and professional capacities, to support the news organisations fighting on the front lines.

ABOUT STYLI CHARALAMBOUS

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