The press, digital transition and small markets

Preliminary note

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The written press is moving over to digital. Towards which socio-economic models will it evolve in small markets, regions or countries where populations are lower, and sales and advertising potential more limited? The solutions deployed by the media in large countries for bigger audiences are difficult to replicate on a smaller scale.

This issue of *Recherches en Communication* will look specifically at the particular challenges facing the print media in the shift towards digital in small markets. The existing literature on small states, countries or markets has an audiovisual slant or concentrates on the media policy of the country in question. There has been very little focus on the written press, and even less on the digital transition (Grisold, 1996, 1998; Schlesinger & Benchimol, 2015).

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The digital transition of the press in these small markets raises many questions. Do the drawbacks we see affecting the media in general apply to the written press and online news? To what extent does the Internet mitigate some of the issues relating to small market size? What is the best way to monetise the digital audience, which does not pay for the content it consumes? Is the situation better in markets that are protected by their own language? Do newspapers operating in small countries adopt different strategies from media companies in large countries? Is State intervention vital to compensate for the lack of resources? What place remains for the *pure players* in these narrow markets? To what extent are the traditional players able to innovate?

The future of the news industry is uncertain and the position of the written media is of particular concern. In Europe, print circulation of the daily press has fallen by almost 20% in five years. In North America, it has dropped by 11%. Yet more than 92% of all newspaper revenue worldwide comes from print. Online advertising may be increasing but in 2015 it accounted for a mere 6% of overall newspaper revenue, and the percentage of revenue from paid digital circulation remains even lower (WAN-IFRA, 2016). On average, only about 12% of news consumers are willing to pay for general news content online (Newman, 2016).

The press is undergoing a period of profound change. Digital media are increasingly attracting readership, as well as advertiser and consumer spending. New Internet competitors, such as Google and Facebook, are securing advertising investment, despite the fact they do not produce any news content. Competition is growing because, with digital, it is less expensive to expand into new markets or launch a new business. And as the various media converge, players who used to operate in different markets are now rivals. As a result, audiences are fragmenting, advertising investment is going to other media and the price of advertising is falling.

The specific case of small markets in this transition has been little studied. Market structures and environments vary, which means that the changes do not have the same impact everywhere. The most frequently cited examples, such as *The New York Times*, operate in large markets. The former CEO of the Guardian Media Group, Andrew Miller, said in 2013 that he believed *The Guardian* could not survive in the UK and would have no choice but to expand to other countries worldwide (Auletta, 2013). As for Rasmus Kleis Nielsen, he commented that *"the implication that a country with a population of more than 60 million may not offer enough volume to sustain even a very widely-used news brand underlines how difficult the situation is in smaller national markets, let alone at the local level"* (Nielsen, 2015, p. 61).

Specific issues with unknown effects on digital

Very little is known about the situation of the print media companies transitioning to digital in small markets. Although some research has highlighted a number of problems common to all media in small countries, there is little to clarify the specific situation of the written press or the online media in this type of market. Several studies have shown that, in general, the resources available to the media are limited by the size and wealth of the market (Burgelman & Pauwels, 1992; Puppis, 2009; Siegert, 2006; Trappel, 1991). If demand is lower, they make less money, as their income depends directly on reader and advertiser revenue. A smaller audience means lower advertising revenue (Siegert, 2006). And this lack of resources does not only apply to production and capital; expertise, creativity and technology are also affected (Puppis, 2009).

While their production costs are similar to those of the media in larger markets, the media operating in small countries cannot take full advantage of economies of scale. All things being equal, it will be more difficult to make a profit from content produced in a small market than from the same content in a larger country (Siegert, 2006). And export is not always a solution, because the content produced may be too culture-specific (Burgelman &

Pauwels, 1992). However, little research has been conducted on the new opportunities that online circulation offers small markets.

The Internet has paved the way for the emergence of strong international players but digital could weaken the media in small markets. It has been shown that the lack of resources of media companies in small markets makes them vulnerable to international competition, and they are more likely to be taken over by foreign companies (Lowe & Nissen, 2011; Puppis, 2009). If this happens, the media lose their national influence because the international companies will potentially pay less attention to market preferences and cultural specificities (Burgelman & Pauwels, 1992). Small countries are more exposed to commercialisation and globalisation (Burgelman & Pauwels, 1992; Siegert, 2006). In terms of commercialisation, this usually translates as a progressive alignment of the editorial and advertising content or entertainment taking precedence over news (Siegert, 2006). Furthermore, because they have limited financial resources, the media in small countries are more likely to have to import media content, which threatens their economic potential and national identity (Puppis, 2009; Trappel, 1991).

On a political level, the media in small countries are more influenced by external trends that they are unable to reverse and are forced to adapt to decisions that do not necessarily take their specific needs into account (Grisold, 1998; Puppis, 2009; Trappel, 1991). This dependency is simultaneously political, technological and economic.

The impact on countries that share a language with a bigger market is even greater. A number of studies have highlighted the extent to which the linguistic factor affects the vulnerability of media companies (Grisold, 1996, 1998; Lowe & Nissen, 2011; Puppis, 2009; Trappel, 1991). The authors describe it as a "double-edged sword". The media appear to be more vulnerable in small countries that share the same language as a bigger neighbour, such as Belgium, Austria or Switzerland. For those countries that have their own national language, the language barrier protects them from foreign competition but acts as a check on growth, which leads to even higher production costs (Berg & Lund, 2012; Carbasse, 2017; Lowe & Nissen, 2011; Siegert, 2006).

These structural issues affect the media landscape of small countries. Several authors have observed a greater concentration of media ownership in these countries (Badillo & Bourgeois, 2015; Tremblay, 2015). Picard (1988) showed that newspaper ownership became more concentrated as the market size decreased. Chambers (2003) suggested that where there is deregulation, this can have a negative impact on the diversity of media ownership in some small local markets. Small markets can only sustain a limited number of media companies. Their domestic production is lower because of economic factors specific to the media companies whose fixed costs account for a large proportion of their activity (Picard, 2011).

Despite some similarities, not all small countries react in the same way to their environment (Puppis, d'Haenens, Steinmaurer & Künzler, 2009). The impact of market size is not the same for all small media systems (Hallin, 2009, p. 101). It is therefore imperative that local circumstances should be taken into account, which can make the implementation of a comparative international approach more problematic.

Research topics

The problems raised by the literature relate to the general media situation in small countries, but say little about the digital transition of the written press. This issue of the *Recherches en Communication* journal seeks to gain a better understanding of the situation of the print media companies that are moving over to digital in small markets, countries or regions.

How can we develop a common analysis framework? Are all small markets facing the same hurdles? Are there any systematic characteristics shared by the written press and online news in small markets? If so, what are they? What are the pros and cons of this type of market? What specific solutions can be put in place?

The articles submitted under in this issue will therefore focus on one or more of the following:

- mobilisation of analysis concepts developed by the media economy: the two-sided market, the principle of (non)-elasticity of news demand, news as a public consumer product (the Samuelson matrix), etc.;

- analysis of the socio-economic models developed by print media companies, placing them in their respective national media ecosystem;

- a comparative analysis of the different markets, countries or regions, and development of a common analysis framework that takes account of the environment-related differences between print media companies;

- identification of the characteristics common to all small markets, the advantages and drawbacks for the media companies that operate in this type of market;

- analysis of the effectiveness of the strategies adopted by the written press in a small market context;

- the government's position in the digital transition of the written press in small markets;

- analysis of the innovation capacity of the publishers operating in small markets and new entrants to these markets.

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