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Newspapers will survive, ad prices won't: Analysts

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As Fairfax Media and News Limited restructure amid falling advertising revenue and circulation, industry analysts have argued newspapers will survive, with the major issue of contention being the price of ad space.

"As publishers develop cross-platform ad opportunities, pricing the value of a reader is going to create tension," MagnaGlobal managing director Victor Coronas told *AdNews*. "Publishers recognise it's difficult to extract the same ad revenue from their online platforms which is why their new structures will see their overheads decrease to improve overall efficiencies."

Coronas said a "price correction" needs to be instituted for newspaper advertising, with the previously "sacred cows" of add-ons including colour loading discarded so the medium remains both attractive to advertisers and competitive with its competitors.

The size of ads will also be an issue, with Fairfax in discussions with media buyers over the resizing of its broadsheet mastheads. As of 6 March next year, both *The Sydney Morning Herald* and *The Age* will be the same "compact" size as sister title *The Australian Financial Review*.

"Publishers need to demonstrate the value of each channel and how it contributes to a client's overall ROI," said Coronas. "This will allow a conversation to be not only about price but about effectiveness and therefore recognition of value in other areas."

The overhauls at both Fairfax and News will also affect the content of the newspapers themselves, which analysts believe will have an impact on the behaviour of consumers and retailers alike.

Australian Newsagents' Federation head of communications Carolyn Doherty told *AdNews*: "The future is obviously ... very different for [the publishers'] retail channel, newsagencies, who once depended on newspaper sales for their existence. Newsagents were [once just] agents of the publishers to sell the product into the market. Newspaper publishers used to rule with an iron fist determining who was suitable to be their agent and when and where they would operate."

Doherty told *AdNews* the newsagency channel, the livelihood of which was once tied completely to newspapers and magazines has been evolving itself in the past decade.

"The newsagency channel has experienced declining newspaper and magazines sales for five to ten years and many agents have been restructuring accordingly, introducing new lines," Doherty said. "News Limited [CEO] Kim Williams has declared 'print is not dead' and print sales will exist in



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newsagencies for a generation to come. Newsagents will evolve to meet the market forces.”

Over the next three years, Fairfax will shed 1,900 of its current 10,000 staff as part of its plan for its newsrooms of the future. News Limited is yet to announce how many staff it will shed, but some reports place the number as high as 1,500.

Despite the changes sweeping the industry in Australia and overseas, analysts insist the main product of both publishers – newspapers – are merely evolving.

Tony Hale, the chief executive of the industry body for newspaper publishers, The Newspaper Works, told *AdNews* newspapers remained “healthy” despite statements to the contrary.

“The future will be different for the printed newspaper businesses ... as the effects of the digital age continue to bring changes to industry models that served well for decades, even centuries,” Hale said. “But there is still a healthy future for print.”

Hale stated Australians buy 18 million newspapers a week, spending \$1.2 billion a year, which he stated is more than is spent on music and magazines.

“Despite all the adverse publicity, most Australian newspapers are businesses returning healthy profits, even in tough times,” Hale told *AdNews*. “Advertising revenue is down but will generate approximately \$3.5 billion this financial year.”

Corones agreed. “Print readership, circulation and revenue will continue to decline but newspapers' immediate future is business as usual, or will be for at least the next year.

“Newspapers still deliver big audiences on a daily basis which is attractive to many advertisers.”

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