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Economic Insight Ltd

PRESS SECTOR FINANCIAL SUSTAINABILITY

A report for the Department for Digital, Culture, Media and Sport

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1. Executive summary

The UK press sector faces significant challenges arising from the shift to online, with both circulation and revenues falling over recent years. Yet, the sector has a critical role in society, with research showing that against a declining overall level of trust in the media, print media is perceived by news consumers as being more trustworthy than other forms. This is particularly important given the rise in dis- and misinformation and the need for transparent and accurate news, especially in the current COVID-19 context. Moreover, the role of journalism in civil society is increasingly important for the scrutiny of democratic functions and there is a demonstrable link between local coverage and election turnout. Thus, the sector's future financial sustainability is an important policy issue. However, there are significant gaps in the existing evidence base, which means there is currently no comprehensive or holistic picture of financial sustainability. In this context, the Department for Digital, Culture, Media and Sport (DCMS) asked us to undertake a granular assessment of the UK press sector's financial sustainability. This report sets out the results of our work.

In summary, we have found a clear pattern of declining sustainability in the sector since 2010, which is consistent with reduced income and costs, as well as a reduction of investment and relatedly capital employed in the sector. It also suggests that (at present at least) the shift towards digitisation may not be sufficient to offset the decline in more traditional areas. However, it might still be the case that digital models are commercially viable in their own right – the implication being, however, that legacy models may largely disappear. Notwithstanding this, print newspapers will always play an important role in reaching the digitally excluded and less confident. We also find that the regional press sector is generally less resilient than the national one, especially in relation to pension liabilities and how to service these.

1.1 Background to, and overview of, our research

DCMS commissioned us (Economic Insight) to carry out a mixed method research project to better understand the financial sustainability of the UK press sector. Our detailed analysis of the pressures the sector faces will enable DCMS to better target support to the areas most in need.

To address the research questions of interest to DCMS, we combined the following methods and approaches.

- **Desk-based review**. We reviewed relevant literature and previous analyses, to both help inform our subsequent research, as well as help identify initial sectoral trends. We drew on the following data sources to underpin our analysis:
  - the Audit Bureau of Circulation's (**ABC**) database, which delivers industry-agreed standards for media brand measurement of print publications, and digital channels; and
  - the Joint Industry Currency for Regional Media Research's (**JICREG**) database, which reports on 520 local daily and weekly news brands.[1]
- **Financial analysis**. From our desk-based review, we identified the respective national and regional / local publishers and have undertaken detailed financial analysis, based on their annual reports (as filed with Companies House and provided by the FAME database). This has allowed us to get more granular (firm-level) data, and a larger sample, relative to previous studies, such as the Mediatique[2] (2018) research, which formed part of the Cairncross Review.
- **Online survey of publishers**. Further to our desk-based review and financial analysis, we undertook an online survey of publishers during March 2021, to obtain more detailed information than is available in company reports (for example, to help us understand specific trends in revenues and costs). This also allowed us to understand current impacts of COVID-19 on the sector, structural changes in the industry, and a more detailed understanding of where financial pressures and challenges lie within the sector and business models.

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1 *For a news brand to be reported on JICREG it must have its print circulation audited and its websites tagged by Comscore. The titles must be published at least weekly and the publisher must also be a member of the News Media Association (NMA) and listed within the Local Media Works database.*

2 *'Overview of recent dynamics in the UK press market.' Mediatique (2018).*

1.2 Findings and conclusions

Using the above methods, we have found the following across our key parameters of analysis.

1.2.1 Circulation and number of titles

We have found the following for **national publishers**.

- Overall, in November 2020, total average print circulation per issue stood at **4.1m for daily national titles**, and at **3.9m for Sunday titles**, based on ABC print circulation data. This is a decline compared to November 2018, where total average print circulation per issue stood at **5.2m for daily national titles**, and at **4.7m for Sunday titles**. During 2020, we further observe an additional decline in average print circulation per issue figures both due to COVID-19 effects, as well as large national publishers stopping providing their circulation figures publicly.
  - On the COVID-19 impact, there has been an **18% decrease in total average print circulation per issue for daily national titles** between March 2020 and March 2021 (compared to an 8% decrease between March 2019 and March 2020) and a **13% decrease in average print circulation per issue for Sunday national titles** over the same time period (compared to a 9% decrease between March 2019 and March 2020).[3]
  - The impact of two publishers not publishing their average print circulation per issue figures publicly anymore resulted in a reduction of about 40% in total average print circulation per issue figures for the industry for both daily and Sunday national titles.

- In terms of national publishers and number of titles, these have remained relatively stable.
  - Reach plc and News UK remain the largest **national publishers,** in terms of average print circulation per issue and number of titles.
  - The number of national titles – both daily and Sundays – remains similar compared to Mediatique, which identified ten daily and nine Sunday UK-wide national newspapers in 2018, compared to now twelve daily and eleven Sunday titles.[4]

Our key findings in relation to **regional publishers**, are set out below.

- We estimate that the **regional sector's total average print circulation per issue is 10.5m in September / November 2020**. This comprises a total average print circulation per issue for daily regional titles of 6.0m[5], for weekly regional titles of 4.0m and for other publication frequencies of 0.5m. This is based on our method of combining both ABC and JICREG circulation data for November and September 2020. Based solely on ABC data (which allows us to draw temporal

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[3] *ABC did not collect / publish circulation figures between April – July 2020.*

[4] *'Overview of recent dynamics in the UK press market.' Mediatique (2018); page 17. Mediatique have not considered some of the Scottish editions as separate titles, for example the Daily Mirror and the Daily Record are aggregated, and the Independent is not considered. The same occurs for Sunday titles, where the Sunday Mirror and the Sunday Mail are aggregated.*

[5] *Please note this includes about 4.0m from the Evening Standard alone.*

comparisons), average print circulation per issue for local and regional publishers declined from **15.5m in 2018** to **8.0m in 2020**. [6]

- The News Media Association (NMA) estimate there are **872 regional titles in 2021**. Both the number of local and regional publishers, and titles, have reduced over time.
  - Newsquest and Reach Regionals are the largest **regional publishers**, in terms of average print circulation per issue and number of titles published. JPIMedia is also large in terms of number of titles published.
  - The number of regional titles audited by ABC has declined from 394 titles in 2017, to 333 in 2020.[7]

1.2.2 Revenues

Our key findings in relation to the UK press sector's revenues are as follows.

- **Overall industry revenues fell by almost a fifth between 2010 and 2018 from £4.5bn to £3.7bn**. This has been due to a mix of a decline in circulation, as noted above, as well as a fall in advertising revenues, evidenced by our primary research. Based on our online survey, combined with our financial analysis using Companies House data, we estimate that total industry revenues for 2018 were:
  - £1.7bn from circulation (of which £1.7bn from print and £29m from online);[8]
  - £1.4bn from commercial advertising (of which £0.6bn from print and £0.8bn from online);[9] and
  - £0.1bn from deals with deals with aggregators, bundling services and other news portals.[10]

- **Our online survey finds that commercial advertising is an important income generator for UK publishers**. Specifically online advertising, which accounts for over half of commercial advertising revenues for both surveyed national and regional publishers. It should be borne in mind that due to our sampling, the importance of online advertising is somewhat overstated. For example, recent evidence on advertising expenditure shows that in 2020 print advertising still outweighs online advertising, at £0.7bn from print compared to £0.5bn from online.[11]

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6 *Please refer to the Annex to see why further temporal analysis is not achievable by combining these two databases, and why ABC data will underestimate the size of the sector. Please also note these figures are not comparable to Mediatique's, as they are based on different sources.*

7 *This includes possibly two effects – an actual reduction in number of titles, but also Newsquest titles not being audited by ABC anymore, which reduces overall number of titles significantly. Please refer to the Annex for further information on this.*

8 *This is based on a sample which does not include publishers whose business models rely on donations.*

9 *As around half (51%) of our sample are digital-only publishers, the importance of online advertising might be slightly overstated, as those publishers do not have the ability to advertise in print. In particular, AA/Warc find that industry advertising expenditure for 2020 was £1.2bn, of which £0.7bn from print and £0.5bn from online. See here: 'Charted: UK media ad revenue collapsed in 2020 for everyone except the tech platforms'. Press Gazette (29 April 2021).*

10 *These estimates might slightly overemphasise the importance of online, given half our sample were digital-only publishers.*

11 *'Strong rebound from pandemic losses forecast for UK ad market but full recovery will stretch into 2022'. Advertising Association / WARC (29 April 2021).*

- **Publishers are still grasping how best to monetise their online editions – with evidence that this is on the uptick.** Online subscription revenues appear to be more important for national publishers, compared to regional ones, with deals with aggregators, bundling services and other news portals being as important for both.

- In relation to **statutory notices**, we estimate that these are worth **£63m** to regional publishers in the UK, with **planning notices accounting for £34m** of this, **traffic order regulations for £11m** and the remainder spread across the other notices.

- Finally, our online survey finds respondents remain optimistic that against a backdrop of **low willingness to pay for online content** – which respondents consider to be one of the main challenges over the next five years – **income from digital subscriptions and deals with aggregators, bundling services and other news portals are expected to increase over the next five years.**

1.2.3 Costs

Our key findings in relation to the UK press sector's costs are as follows:

- **Cost of sales have decreased by a quarter (25%) between 2010 and 2018 across the whole UK press sector from £1.7bn to almost £1.4bn.** This is likely due to the reduction in overall print circulation, set out above. Notwithstanding this overall reduction, it masks the slight difference between national and regional publishers, whereby cost of sales decreased by 21% for the former and decreased by 44% for the latter. This was likely due to ongoing cost-cutting measures, as well as title closures and mergers amongst this group of publishers.

- **Similarly, staff costs decreased between 2010 and 2018 from £1.2bn to £1.1bn, albeit at a much lower rate (9%) than cost of sales, and not in line with the fall in staff during the same period of almost a third (30%) from over 29,000 employees to just over 20,000.** This is due to the proportion of staff costs that are pension contributions being relatively large in years where the proportion of wages and salaries of total staff costs has decreased. Therefore, the net effect of staff count decreasing, with increasing pension contributions (and potentially severance payments), means there has not been the same decrease in staff costs proportionate to the decrease in staff numbers.

- **Our online survey results confirm that staff costs are the most important driver of overall costs for publishers.** 54% of respondents' operating costs are staff costs. In terms of staff composition, respondents to our survey state that *content, production and editorial staff* account for 61% of their overall staff costs, followed by *commercial, sales and marketing* accounting for 17%. This is similar across both national and regional respondents, with national publishers having a slightly higher proportion of *content production and editorial staff* (55% vs 42% for regionals), but a slightly lower one in terms of *commercial, sales and marketing* roles (26% vs 27% for regionals). This further demonstrates the importance of frontline journalists across both national and regional publishers. Triangulating our survey results with Companies House analysis, we estimate that overall industry **frontline journalist staff costs amount to**

£580m (of which **£486m are from national publishers** and **£94m from regional ones**).

- Generally, respondents to our survey believe **costs will remain relatively constant over the next five years, except for staff costs, which 52% of respondents believe will increase.** This stands at odds with the general decline set out above and may demonstrate a slight optimism from publishers in the need to retain frontline journalists to deliver more and higher quality content given the pressures on the sector. Conversely, an expectation of increased staff costs may also lead to further lay-offs, especially if costs are generally expected to increase.

- **The largest tax expense for UK publishers is corporation tax**, which accounts on average for 41% of their total tax spend. VAT and other taxes account for 26% and 22% of total tax spend respectively, with business rates accounting for 10%. We expect the increase in corporation tax from 2023 to 25% to impact publishers significantly. The removal of VAT from digital content from May 2020 – and hence a price reduction for consumers on digital content – may lead more consumers to subscribe, however, there will not be any direct impacts on publishers' costs arising from this initiative.

1.2.4 Assets and liabilities

Our key findings in relation to assets and liabilities can be summarised as follows.

- **Total industry assets have declined significantly between 2010 and 2018, from £11.1bn to £5.8bn.** This is consistent with a net outflow of investment in the industry.

  - **Most total industry assets are non-current, of which most are intangible.** Generally, the UK press sector is not characterised by the need for heavy investment in physical assets. Rather, key assets are items such as publishing rights and brand value (and their staff, as mentioned above).
  - **The proportion of tangible assets is falling.** In addition to the industry being 'light' in tangible assets, the data shows that the proportion of assets that are tangible has been falling over time. The relative importance of intangible assets to the industry is, therefore, increasing. This likely reflects the shift towards digitisation (and therefore there are good reasons to expect this trend to continue).

- **Total industry liabilities have also declined (and by more than total assets), and the UK press sector has (relatively) low gearing.** Whilst there has been a net reduction in investment (as noted above), the industry has (at an overall level) been able to reduce its liabilities (debt) in line with this.

  - Accordingly, in general the industry is not particularly constrained by legacy debt, or at risk of defaults.
  - However, regional publishers are more highly leveraged and have less financial resilience. If their profitability continues to decline, this could, therefore become a cause for concern (i.e. further exits and consolidations could occur amongst regional publishers).

- **Equity finance is playing an increasingly important role – and there may be a need to attract new equity investors into the industry.** Not only is the sector not particularly highly leveraged but as liabilities have fallen faster than assets, the share of investment funded by equity has gradually trended up. Looking ahead, the fact that the future of the industry is based around new (digital) business models, and said models require investment that is more amenable to equity (rather than debt) finance,[12] would seem to imply that:
  - the trend towards equity finance is likely to continue; and
  - potentially new / different equity investors (relative to those previously invested in the sector) may need to be attracted in.

- **Pension liabilities as a proportion of operating profit are significant and suggest publishers need to achieve large profits to be able to stem those liabilities.** Specifically, where a publisher becomes insolvent, Government may become liable for their pension liabilities. This may become an issue for policymakers, were more publishers to become insolvent and Government would become responsible for footing some of their liabilities.

1.2.5 Financial sustainability

Our main findings in relation to financial sustainability are as follows.

- **The industry is characterised by low levels of profitability across all the metrics we examined**, where negative margins are not uncommon. Even where margins are not negative, the return on capital employed (ROCE) is so low that it is unlikely the industry is recovering its cost of capital, on average. Critically, this means that, at present, it would be unlikely for investors to choose to invest further (which is consistent with the net outflow of investment we set out above).

- **Overall, we find that profitability across the UK press sector has been declining since 2010.** The earnings before interest and tax (EBIT) margin reduced by 234%, with the earnings before interest, tax, depreciation and amortisation (EBITDA) one declining by 71%. Both return on assets (ROA) and ROCE decreased by over 400% between 2010 and 2018. This is consistent with our findings above of reduced income and costs, as well as reduction of investment and relatedly capital employed in the sector.
  - This would seem to suggest that (at present at least) the shift towards digitisation is not sufficient to offset the decline in more traditional areas.
  - However, it might still be the case that digital models are commercially viable in their own right – the implication being, however, that legacy models may largely disappear. From a policy perspective, this raises the question as to how to balance supporting legacy publishers versus supporting 'new' investors and entrants. Especially given print newspapers play an important role in reaching the digitally excluded and less confident.

- **Profitability of regionals is particularly weak.**
  - Highly negative operating margins can be seen for regional publishers in recent years – and margins have trended down.

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[12] *Due to the more intangible nature of assets used.*

  - When seen in the context of regional publishers having greater debt finance, this suggests they may face considerable challenges over the coming years.
  - From a policy perspective, this raises the question of whether there is a 'social value' for such publishers that merits policy support, especially given their importance in reaching the less digitally confident readers.

1.2.6 COVID-19 impacts

Our findings in relation to COVID-19 are set out subsequently.

- The COVID-19 pandemic has **accelerated some of the trends identified previously,** namely a shift to online and a steep decline for print circulation. The UK's regional print daily newspapers saw their circulation fall by an average of 18% in the second half of 2020; with non-daily publications experiencing a 21% decline in average circulation. Against this backdrop of declining circulation, the largest regional publishers all reported a growth in their online readership during lockdown.
  - This is in part explained by people seeking to learn how the pandemic is affecting their hometowns and suggesting a consumer shift for more locally focused news media.
- There is some evidence that **online subscriptions grew during the pandemic**. However, it is unclear whether these subscriptions will remain and whether they can offset any losses in print circulation.
- Most of our online survey respondents remained fully operational during the pandemic. For those that did not, the most common response to COVID-19 was pausing and / or reducing circulation of some titles.
- Finally, the financial impacts expected from COVID-19 mostly relate to redundancies, which is also illustrated by the sector's uptake of the Government's furlough scheme.

1.3 Structure of the report

The rest of this report is structured as follows:

- **Chapter 2** provides some background to our research and sets out our research methodologies.
- **Chapter 3** sets out the current UK press sector landscape, including circulation figures and movements over time.
- **Chapter 4** explores industry revenues in more detail.
- **Chapter 5** examines industry costs in more depth.
- **Chapter 6** assesses industry assets and liabilities.
- **Chapter 7** provides details to overall sector profitability.

- **Chapter 8** concludes by summarising all key findings.
- **Chapter 9** provides technical annexes to the main report.

2. Background and methodology

This chapter briefly sets out the background context and method for our work. The Annex to this report provides more details on our approach and how this compares to previous research commissioned by DCMS.

2.1 Background and context

DCMS LEADS ON MEDIA POLICY WITHIN THE UK, WHICH INCLUDES SUPPORTING A SUSTAINABLE AND WORLD-LEADING PRESS SECTOR.

DCMS leads on media policy within the UK, including supporting a sustainable and world-leading press sector (which includes national, regional and local news – both in print and online).

The press sector has faced significant challenges in recent years; most obviously the shift to online, which has led to a significant reduction in revenues from traditional print advertising and sales (not offset by income from digital publication and distribution). A 2018 report by Mediatique[13], commissioned by DCMS within the scope of the Cairncross Review, found that **print circulation halved from 11.5m national papers daily in 2008 to just 5.8m in 2018**, with local papers also seeing a halving in print circulation.[14] The Cairncross Review also highlighted that this shift was facilitated by a fundamental change in behaviours in how people consumed news (enabled by new technology).[15] Critically, '*structural change*' driven trends in markets rarely reverse, meaning this is likely a permanent change.

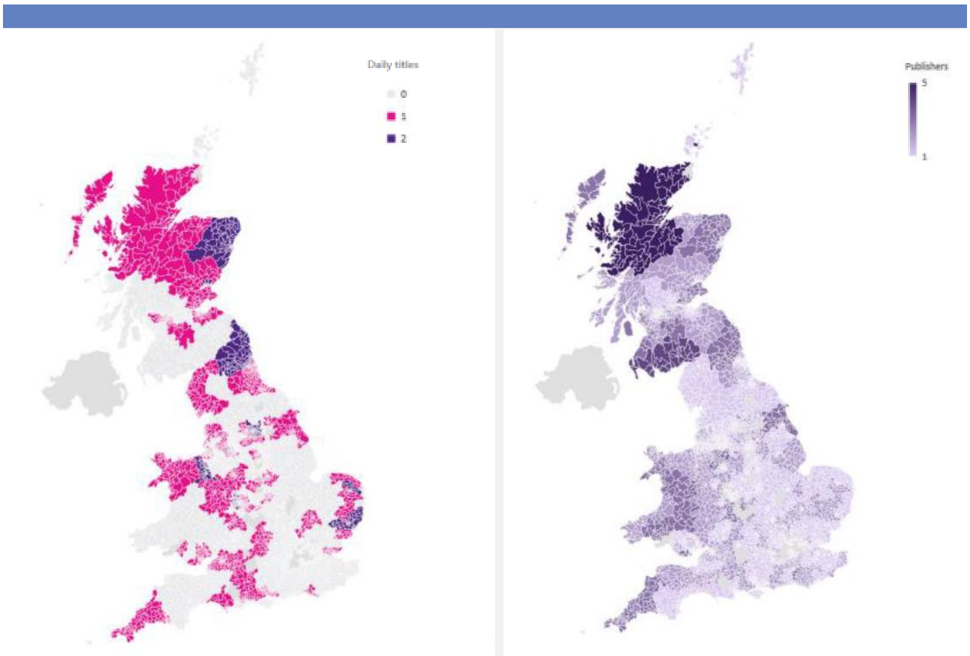
The 2018 Mediatique report provided some evidence on key financial dynamics in the sector. It highlighted that **print advertising revenues** fell from £4.6bn in 2007 to £1.4bn in 2017, with **print circulation revenues** falling from £2.2bn to £1.7bn over the same period.[16] The study highlighted that publishers have responded to this challenge by: (i) scale building; (ii) cost-cutting; and (iii) revenue diversification (primarily seeking to generate income through online). However, these strategies have not delivered financial sustainability, with online advertising yields below those delivered by print and a low propensity in the UK to pay for online news. The net result, also highlighted by the study, has been a **significant reduction in average operating profit margins over the last decade**. Another key finding from this study

13 *'Overview of recent dynamics in the UK press market.' Mediatique (2018).*
14 *'Overview of recent dynamics in the UK press market.' Mediatique (2018); page 44.*
15 *'The Cairncross Review: a sustainable future for journalism.' (2019); pages 25-26.*
16 *'Overview of recent dynamics in the UK press market.' Mediatique (2018); page 6.*

was that there was a reduction in the number of frontline journalists employed by news brands of about 5,000 between 2007 and 2017 (a decline from ca. 23,000 to ca. 17,000 respectively).

In 2020, Plum Consulting (Plum) undertook research into the dynamics of the UK press sector.[17] Their analysis focused on the local press performance; specifically looking at newspaper titles, reach and circulation across Local Authority District (LAD) areas. In line with Mediatique's findings, they identified a significant decline of daily and weekly local newspaper circulation from 2007 to 2019. Their analysis indicated that **average daily print circulation** across all LADs in 2019 was 31% of that in 2007, whilst **weekly print circulation** in 2019 was just 39% of that in 2007.[18] They also highlighted a substantial decline of daily local newspapers, with a reduction from 209 LADs covered by a daily local paper in 2007 to 142 LADs in 2019.[19] For example, the following figure on the left illustrates the number of daily titles by LAD and we can see there are multiple LADs without any daily title coverage. Finally, they also found that 223 LADs were served by a single publisher in 2019 – with the figure below on the right highlighting the variation in the number of local news publishers serving LADs in the UK.[20]

Figure 1: Local daily newspaper titles (left) and local newspaper publishers (right), 2019



Source: '[Research into recent dynamics of the press sector in the UK and globally.](#)' Plum Consulting (2020), page 6.

'Methodological differences mean straightforward comparisons are not possible between the different research reports.'

Our current research therefore complements, updates and expands on some of the findings from both Mediatique and Plum. However, **methodological differences mean straightforward comparisons are not possible**. As such, we endeavour to clarify 'where' and 'why' our own research differs from prior studies; and the Annex to this report provides a more detailed discussion of methodological differences. Specifically, it addresses which data sources are used to arrive at the estimates of

[17] *'Research into recent dynamics of the press sector in the UK and globally.' Plum Consulting (2020).*
[18] *'Research into recent dynamics of the press sector in the UK and globally.' Plum Consulting (2020); page 6.*
[19] *'Research into recent dynamics of the press sector in the UK and globally..' Plum Consulting (2020); page 6.*
[20] *'Research into recent dynamics of the press sector in the UK and globally..' Plum Consulting (2020); page 6.*

print circulation; **circulation and advertising revenues**; **staff employed**; as well as **sector profitability,** across the various studies.

2.2 Our research objectives

Notwithstanding the existence of prior research, there is currently limited evidence and analysis relating to the financial performance of the UK press sector in detail. As such, this report sets out a more comprehensive financial analysis and research. Findings from this report are intended to inform the **Government's press sustainability policy**, including the design of future interventions in the sector. Within this overarching aim, this report addresses three key questions:

- **What can be inferred as to the financial sustainability of the press sector?** We do this by **examining the drivers of sector sustainability in more detail**, including **circulation** and **reach**, **revenues**, **costs**, **assets** and **liabilities** at an aggregate level, followed by looking at **overall sector profitability**.

- **How has sustainability changed over time, and by sub-sector?** Here, we look into any time-trends, and where possible by the different sub-sectors (national; large regionals; mid-size regionals; and independents).

- **What (initial) impact has COVID-19 had on the sector, and how might the pandemic affect the financial dynamics identified through answering the two questions above?**

We consider the key issues relevant to addressing the above include the following.

- First, the print sector is very diverse (national / local; frequency of publication; supply chain stage etc.). Consequently, the nature of trends and their impacts will vary accordingly across these segments. Understanding this 'richness' is crucial, and we have, therefore, segmented the analysis at the **national** and **regional level**.[21]

- Second, the fact that many media organisations are broad and undertake multiple activities / have multiple income streams, means it is essential to 'drill down' and collect information that allows us to unpick this accurately, in order to properly interpret any analyses (e.g. as cost structures will vary materially by activity). To reflect this we have: (i) focused on entities that 'mostly' engage in publishing when undertaking financial analysis using public accounts etc.; and (ii) utilised primary research at the publisher level, allowing us to collect data on income streams, and cost structures.

- Third, the need to balance the trade-off between the granularity of analysis and its accuracy, particularly in relation to primary data collection. That is why we have used a mixed method approach; and supplemented our primary survey research with the financial research (based on FAME) and circulation data analysis (based on ABC and JICREG).

[21] *Where possible, we have looked at an even more detailed level, for example for large, mid-size and single title regional publishers.*

2.3 Our research methodology

Our mixed method is detailed below.

- **Desk-based research.** We have reviewed relevant literature in relation to research questions, including recent articles on the impacts of COVID-19 on the press sector and previous profitability trends. Further, we drew on the following data sources to underpin our analysis in relation to number of titles and publishers, and circulation figures:
  - the **ABC database**, which delivers industry-agreed standards for media brand measurement of print publications; and
  - the Joint Industry Currency for Regional Media Research's (**JICREG**) **database**, which reports on 520 local daily and weekly news brands.[22]

- **Financial analysis.** We have collected financial data from Companies House through the **FAME database** for 47 UK publishers. We aggregated publishers into the following groups: (i) national; (ii) national and regional; (iii) large regional; (iv) mid-sized regional; (v) single-title regional; and (vi) digital. When providing analysis at the aggregate national and regional levels subsequently throughout this report, we grouped 'national', and 'national and regional' as **national** publishers. 'Large', 'mid-sized' and 'single-title regionals' have been aggregated as **regional** publishers. The following table sets out the publishers included in each group. We provide more details on the method in the Annex.[23]

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[22] *For a news brand to be reported on JICREG it must have its print circulation audited and its websites tagged by Comscore. The titles must be published at least weekly and the publisher must also be a member of the News Media Association (NMA) and listed within the Local Media Works database.*

[23] *Throughout the report, we refer to total industry, total national and total regional figures. These are of course based on this sample from Companies House and will likely understate the size of the whole market, especially for the regional one, where smaller publishers are exempt from publishing their accounting information. Notwithstanding this, we are confident that we have captured the whole national market, as well as a large proportion of the regional one, having covered 90% of publishers by circulation in 2020, based on ABC and JICREG circulation data.*

Table 1: List of publishers included in analysis, by category

	Publishers included
National	
National	Financial Times Limited(The); Telegraph Media Group Limited; Guardian News & Media Limited; Times Newspapers Limited; and News Group Newspapers Limited.
National and regional	Associated Newspapers Limited; D. C. Thomson & Company Limited; and Reach plc.
Regional	
Large regional	Newsquest Media Group; Archant Ltd; Iliffe Media; Tindle Newspapers Ltd; JPIMedia Limited; Midland News Association Limited; Claverley Group Limited; CN Group Limited[24]; Bullivant Media Limited; Johnston Press plc[25].
Mid-sized regional	MyTown Media Limited; Social Spider Community Interest Company; Wyvex Media Limited; New Journal Enterprises Limited; Wrexham Dotcom Limited; Regional Media Limited; Wiltshire Publications LTD; News Today Limited; Neighbour Net Limited; George Boyden and Son Limited; Baylis Media LTD; Newbury Weekly News Limited.
Single-title regional	Evening Standard Limited; Irish News Limited; Scottish Provincial Press Limited; One Media and Creative UK Limited; Amble Development Trust; The Wokingham Paper Limited; Chronicle Publications Limited.
Digital	
Digital	Independent News & Media (UK) Ltd; Verizon Media UK Limited; Buzzfeed UK Limited.

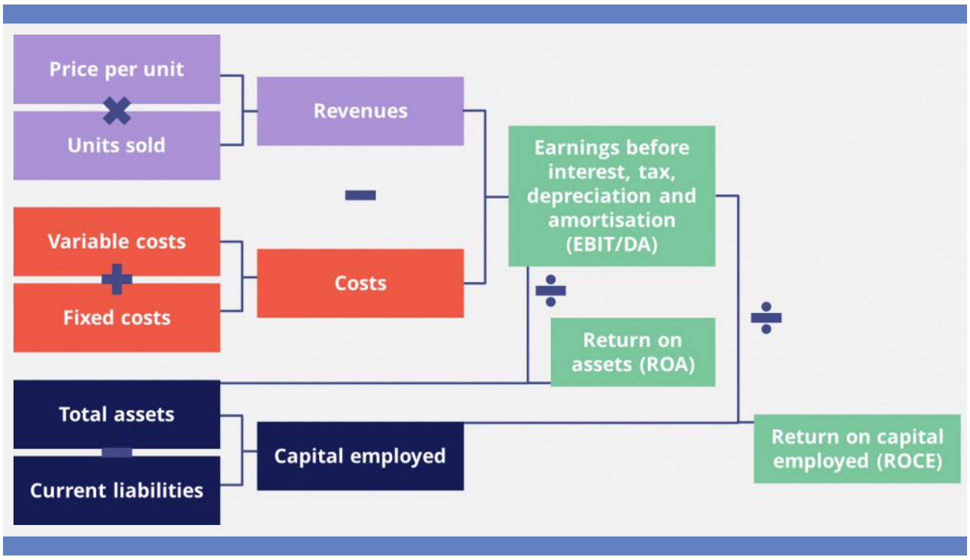
Source: Economic Insight analysis of Companies House

- **Online survey.** We undertook an online survey of 35 UK publishers. We ran a pilot between 25th February – 4th March 2021, with a full roll-out taking place between 12th March – 5th April 2021. The survey sought to elicit more granular information than is available through Companies House on publisher revenues and costs, as well as the future outlook for the sector.

We draw on the above sources to inform our overall assessment of financial sustainability. We have approached this through the framework of a ‘profit tree’ (see next figure). This captures both the outcome metrics for sustainability (various profitability measures) but also their underlying drivers (revenues, costs, prices, volumes, and so on). The aim of this is to help provide clarity not only as to ‘how’ sustainability is changing over time, but also, ‘why’.

[24] *Dissolved, but part of Newsquest Media Group prior to dissolution.*
[25] *We have included Johnston Press plc to provide a complete picture temporally, as they dissolved in 2017, with most titles being purchased by JPIMedia Limited, which in turn was sold to National World plc in January 2021.*

Figure 2: Profit tree approach



Source: Economic Insight

As noted previously, this report is therefore broadly based around the structure of the above profit tree.

Key profitability metrics we consider throughout include:

- **Profit margins**. We look at both EBIT; and EBITDA. The key difference between the two is as follows.
  - The **EBIT margin**, or operating profit margin, is the amount of profit generated by a company (as a percentage of its revenue) *including* capital related costs (amortisation and depreciation).
  - The **EBITDA margin** allows us to compare profitability *excluding* capital related costs (and the impact of differences in related accounting decisions).
- **ROCE.** This profitability metric reflects a company's ability to earn a return on all of the capital it employs. A higher ROCE generally indicates a more efficient use of capital. ROCE should be higher than a company's cost of capital; otherwise it indicates that the company is not employing its capital effectively and is not generating an adequate return to attract and retain investment.
- **ROA.** This profitability ratio shows how efficient a company is at using its assets to generate profits. An ROA that rises over time indicates the company is doing a good job of increasing its profits with each investment pound it spends.

3. UK press sector landscape

This chapter describes the current landscape of the UK press sector. Specifically, we identify the number of publishers in the UK and numbers of titles they publish. We also provide information on average print circulation per issue and reach, as these are important drivers of the sector's sustainability. At the national level, the number of titles and publishers has remained relatively stable, although average print circulation per issue has decreased from 5.8m in 2018 to 4.1m in 2020 for the national dailies. At the regional / local level, we estimate average print circulation per issue to be 10.5m for 2020. This is based on our combined method of using both ABC and JICREG data and therefore cannot be compared to previous estimates for the regional / local sector, thus only providing a snapshot for 2020.

3.1 Key findings

In the following sections, we set out the characteristics of the different news publishers by national and regional publications, and how sustainability varies across these types of publishers, as well as initial COVID-19 impacts on the sector.

We have found the following for **national publishers**.

- Overall, in November 2020, total average print circulation per issue stood at **4.1m for daily national titles**, and at **3.9m for Sunday titles**, based on ABC print circulation data. This is a decline compared to November 2018, where total average print circulation per issue stood at **5.2m for daily national titles**, and at **4.7m for Sunday titles**; as well as compared to previous research from Mediatique, which put daily national titles average circulation at 5.8m in March 2018.[26] We note that this drop in average print circulation per issue is consistent with the downward trend that has been observable since December 2017 with ABC data. During 2020, we further observe an additional decline in average print circulation per issue figures both due to COVID-19 effects, as well as large national publishers stopping providing their circulation figures publicly.

[26] *'Overview of recent dynamics in the UK press market.' Mediatique (2018); page 44.*

  - On the COVID-19 impact, there has been an **18% decrease in total average print circulation per issue for daily national titles** between March 2020 and March 2021 (compared to an 8% decrease between March 2019 and March 2020) and a **13% decrease in average print circulation per issue for Sunday national titles** over the same time period (compared to a 9% decrease between March 2019 and March 2020).[27]
  - The impact of two publishers not publishing their average print circulation per issue figures publicly anymore resulted in a reduction of about 40% in total average print circulation per issue figures for the industry for both daily and Sunday national titles.

- Based on the Publishers Audience Measurement Company (PAMCo)[28] total monthly reach figures for the April 2019 – March 2020 period, **daily national titles reach 235m readers per month** and **Sunday titles reach 211m readers per month**.[29]

- In terms of national publishers and number of titles, these have remained relatively stable.

  - Reach plc and News UK remain the largest **national publishers,** in terms of average print circulation per issue and number of titles.
  - The number of national titles – both daily and Sundays – remains similar compared to Mediatique, which identified ten daily and nine Sunday UK-wide national newspapers in 2018, compared to now twelve daily and eleven Sunday titles.[30]

Our key findings in relation to **regional publishers**, are set out below.

- We estimate that the **regional sector's total average print circulation per issue is 10.5m in September / November 2020**. This comprises a total average print circulation per issue for daily regional titles of 6.0m[31], for weekly regional titles of 4.0m and for other publication frequencies of 0.5m. This is based on our method of combining both ABC and JICREG circulation data for November and September 2020. Based solely on ABC data (which allows us to draw temporal comparisons), average print circulation per issue for local and regional publishers declined from **15.5m in 2018** to **8.0m in 2020.**[32]

- Both the number of local and regional publishers, and titles, have reduced over time.

  - Newsquest and Reach Regionals remain the largest **regional publishers**, in terms of circulation. JPIMedia also remains large in terms of number of titles published.

27 ABC did not collect / publish circulation figures between April – July 2020.
28 PAMCo is the governing body which oversees audience measurement for the published media industry.
29 We present these different circulation and reach figures, as neither set includes all titles. For example, three national newspapers pulled from ABC, and PAMCO does not provide measures for one other. Moreover, PAMCO includes digital reach, too, whereas ABC focuses on print circulation.
30 'Overview of recent dynamics in the UK press market.' Mediatique (2018); page 17. Mediatique have not considered some of the Scottish editions as separate titles.
31 Please note this includes about 4.0m from the Evening Standard alone.
32 Please refer to the Annex to see why further temporal analysis is not achievable by combining these two databases, and why ABC data will underestimate the size of the sector. Please also note these figures are not comparable to Mediatique's, as they are based on different sources.

  - The number of regional titles has declined from 394 titles audited by ABC in 2017, to 333 in 2020.[33]

Our findings in relation to COVID-19 are set out subsequently.

- **The COVID-19 pandemic has accelerated some of the trends identified previously**, namely a shift to online and a steep decline for print circulation. The UK's regional print daily newspapers saw their circulation fall by an average of 18% in the second half of 2020; with non-daily publications experiencing a 21% decline in average circulation. Against this backdrop of declining circulation, the largest regional publishers all reported a growth in their online readership during lockdown.
  - This is in part explained by people seeking to learn how the pandemic is affecting their hometowns and suggesting a consumer shift for more locally focused news media.
- There is some evidence that online subscriptions grew during the pandemic. However, it is unclear whether these subscriptions will remain and whether they can offset any losses in print circulation.
- Most of our online survey respondents remained fully operational during the pandemic. For those that did not, the most common response to COVID-19 was pausing and / or reducing circulation of some titles.
- Finally, the financial impacts expected from COVID-19 mostly relate to redundancies, which is also illustrated by the sector's uptake of the Government's furlough scheme.

In the following sections we set out our analysis of national newspapers, followed by that of regional ones. We start by setting out the key titles and their publishers, as well as key characteristics in terms of cover prices, audiences / reach, and ownership models. More detailed analysis of regional publishers and their characteristics can be found in the Annex to this report. We then provide an assessment of current COVID-19 effects on the sector, based on both our desk-research, as well as our online survey of publishers.

3.2 National newspapers

There are seven publishers who own the twelve daily and eleven Sunday newspaper titles in the UK. This compares to ten daily and nine Sunday newspapers identified by Mediatique in 2018.[34]

ABC provides relevant information on ownership of these titles, as well as audiences reached, and further classifies them into three types of papers: (i) quality; (ii) mid-market; and (iii) popular. We set these out in turn overleaf.

UK NEWSPAPERS ARE NO LONGER REQUIRED TO PUBLISH THEIR PRINT CIRCULATION FIGURES THROUGH ABC. THIS UNDERMINES COMPARABILITY TO PREVIOUS STUDIES.

It should be noted that UK newspapers are no longer required to publish their print circulation figures through ABC. ABC data is now less comprehensive; and so,

[33] *This includes possibly two effects – an actual reduction in number of titles, but also Newsquest titles not being audited by ABC anymore, which reduces overall number of titles significantly. Please refer to the Annex for further information on this.*

[34] *'Overview of recent dynamics in the UK press market.' Mediatique (2018); page 17. Mediatique have not considered some of the Scottish editions as separate titles.*

it will be harder to make comparisons to estimates that relied on ABC data historically. Thus far, only News UK (publisher of *The Sun* and *The Times* titles) and *The Telegraph* have opted out.[35] It should be noted that – as set out subsequently, *The Sun* is the national newspaper with the widest reach and therefore has an impact on overall figures.

3.2.1 Daily newspapers

Between them, seven publishers own the twelve daily newspapers in the UK, as illustrated in the following table.[36]

Table 2: Daily newspapers and publishers

Newspaper	Publisher
Quality	
Daily Telegraph	Telegraph Media Group Ltd
Financial Times	Financial Times Ltd
Guardian	Guardian News and Media Ltd
i	DMG Media Ltd
Independent	Independent Digital News & Media Ltd
Times	News UK
Mid-market	
Daily Express	Reach plc
Daily Mail	DMG Media Ltd
Popular	
Daily Mirror	Reach plc
Daily Star	Reach plc
Daily Record	Scottish Daily Record & Sunday Mail Limited
Sun	News UK

Source: ABC, PAMCo

35 *'End of the ABCs? UK news publishers to keep circulation data private as Covid-19 crisis hits.' Press Gazette (21 May 2020). Note that The Telegraph opted out from January 2020 and the News UK titles from August 2020.*

36 *Note Scottish Daily Record & Sunday Mail Limited is a subsidiary of Reach plc.*

3.2.1.1 Cover prices

The daily papers typically charge one price Monday to Friday, then a higher price on Saturday, as shown in the following table. The table also illustrates the price changes between March 2018 (as reported by Mediatique) and November 2020 (as reported by ABC).

Table 3: Daily newspapers prices and increase since March 2018, November 2020[37]

Newspaper	Cover Price Mon-Fri	Cover Price Sat	% increase to March 2018 (Mon-Fri)
Quality			
Daily Telegraph	£2.00	£2.50	11%
Financial Times	£2.90	£4.00	81%
Guardian	£2.20	£3.20	10%
i	£0.65	£1.20	8%
Times	£1.80	£2.00	-33%
Mid-market			
Daily Express	£0.70	£1.10	8%
Daily Mail	£0.70	£1.10	27%
Popular			
Daily Mirror	£0.85	£1.40	21%
Daily Star	£0.50	£0.80	67%
Daily Record	£0.90	£1.40	N/A
Sun	£0.55	£0.75	10%

Source: ABC Datahub (January 2021), 'https://www.abc.org.uk/data/national-newspapers'

As can be seen, all daily newspapers bar *The Times* have increased their weekly price between 10% to 81%, with the largest price increase being the *Financial Times* from £1.60 (March 2018) to £2.90 (November 2020). Interestingly, both *The Times* and *The Sun* are owned by News UK but follow different pricing strategies – with the former having started an online paywall in 2010; and the latter keeping its website free to access.[38] The above is consistent with publishers seeking to (at least in part) offset reductions in print circulation through increases in cover prices, as well as exploring monetising digital content. For example, between 2018 and 2020, on average, daily newspapers increased their price by 13%, whereas print readership fell by 32%.

[37] *Except for The Sun (March 2020), Times (March 2020) and Daily Telegraph (December 2019).*

[38] *'Times swings into black as Sun's pre-tax losses more than triple.' Press Gazette (9 January 2019).*

Notwithstanding this, our subsequent financial analysis shows that revenues have fallen throughout the sector, so this strategy has not been successful.

The Independent became fully digital in 2016[39] and we provide some further detail on its pricing strategy and content provision in Box 1, below.

Box 1: The Independent - digital-only, subscriptions

The Independent provides free content online if adverts are not blocked (for example using adblockers) on their website, except for some Premium articles, which are only exclusively available to their *members*. It further encourages donations (contributions) and subscriptions, of which it provides two types:

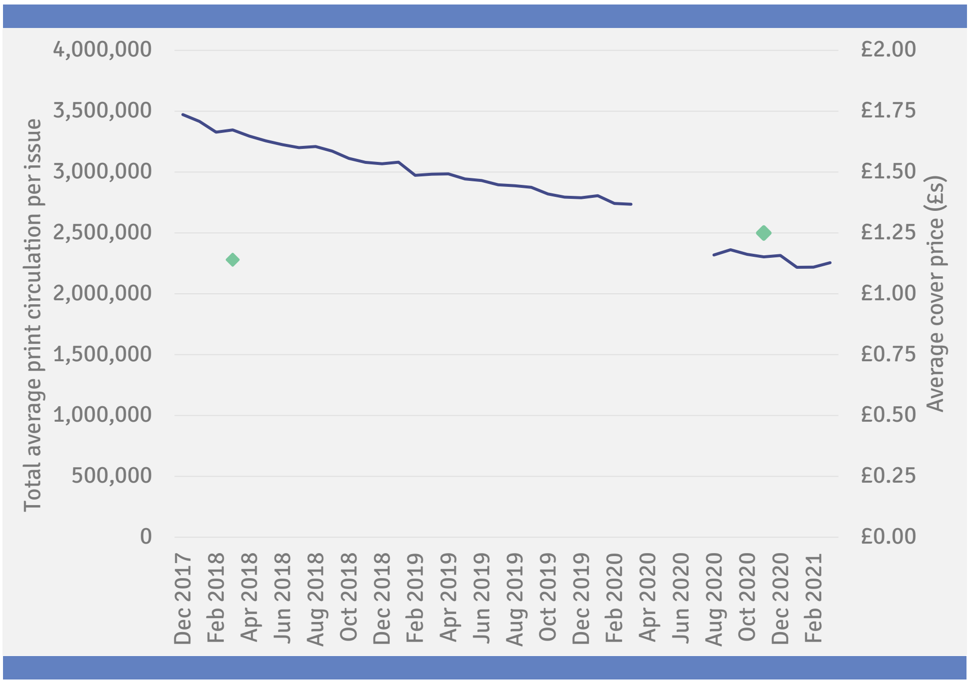
- **Premium**, which is a monthly subscription, costing £1 for the first month, then £8.99/month thereafter. One can cancel anytime and save 21% if one subscribes on an annual basis, costing £54.99 for the first year, and £69.99/year thereafter. It provides unlimited reads of Premium articles, including in-depth analysis, comment and opinion pieces; an ad-free experience, with no ads on their website or apps; free events and e-books; and full access to the Independent Premium app.
- **Daily Edition**, which is a monthly subscription, costing £1 for the first month, and £12.99/month thereafter. Similarly to the **Premium** subscription, it is cancellable anytime and available as a yearly subscription (albeit without a discount), at £149.99/year. It provides an e-newspaper built for tablet and mobile available every morning at 5am; the last 30 editions available to download and read offline; access to all daily puzzles, including crosswords and sudokus; and all the benefits of **Premium** at no added cost.

Source: https://www.independent.co.uk/subscribe [accessed 16 February 2021]

The following figure shows ABC average print circulation per issue for the national daily titles over time (excluding *The Telegraph, The Sun* and *The Times* to allow for a like-for-like comparison), as well as the average price of cover prices set out above.

39 *'The Independent becomes the first national newspaper to embrace a global, digital-only future.' The Independent (12 February 2016).*

Figure 3: Total average print circulation per issue of daily national titles (excluding *The Telegraph, The Sun* and *The Times*) and average cover price, December 2017 – March 2021[40]



Source: ABC

As can be seen, circulation has been in decline since December 2017 and there has been a sharp decline during the COVID-19 lockdown period in 2020, with there being a slight rebound in average circulation per issue in 2021. On the COVID-19 impact, there has been an 18% decrease in average print circulation per issue for daily national titles between March 2020 and March 2021 and a 13% decrease in average print circulation per issue for Sunday national titles over the same time period.[41]

This also reflects an observation made by Mediatique[42], who argued that the lower 'average price' for news faced by consumers because of growing supply of free online news, combined with repeated price increases over recent years has pushed newspapers into the more elastic segment of the demand curve. In other words, consumer demand is now more susceptible to price changes than in the past, meaning that raising newspaper cover prices would more likely accelerate the downward circulation trend.

3.2.1.2 Audiences / reach

The following figure shows the share of each publisher of the daily national titles[43] monthly reach during April 2019 – March 2020, as reported by PAMCo. As can be seen, both Reach plc and News UK have around a quarter share of the total monthly reach of national daily titles.

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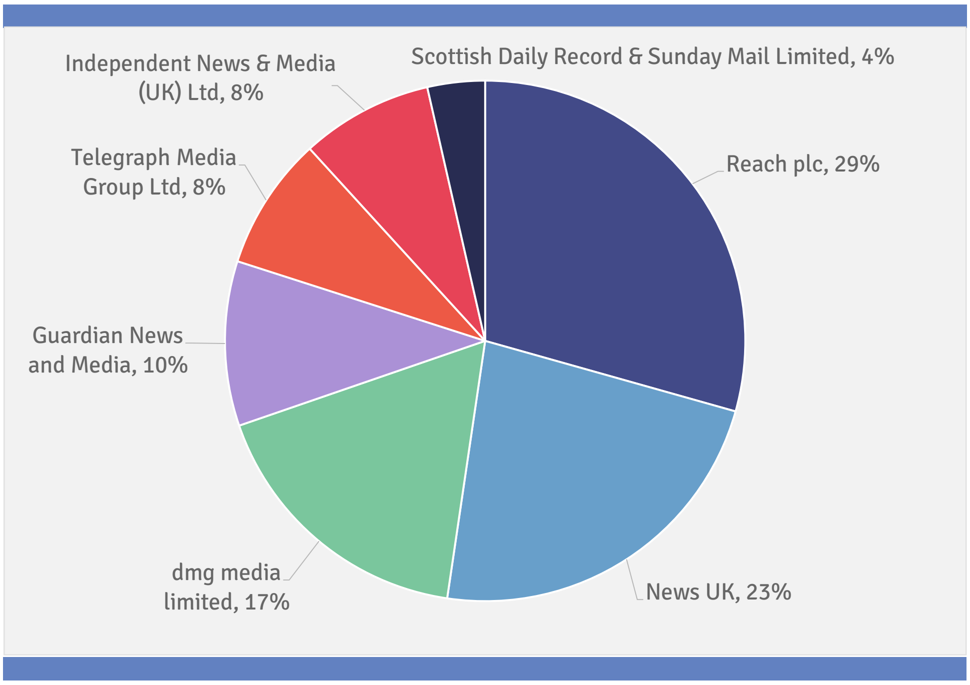
40 *Please note that ABC did not publish circulation figures between April and July 2020, due to the pandemic, resuming publication of circulation figures in August 2020.*

41 *ABC did not collect / publish circulation figures between April – July 2020, due to COVID-19.*

42 *'Overview of recent dynamics in the UK press market.' Mediatique (2018); page 83.*

43 *Except for the Financial Times, as this is not reported in PAMCO. We have used PAMCO estimates, as News UK and the Telegraph have pulled out of ABC and made up around 40% of ABC circulation figures.*

Figure 4: Total monthly reach of daily national titles, by publisher, April 2019 – March 2020

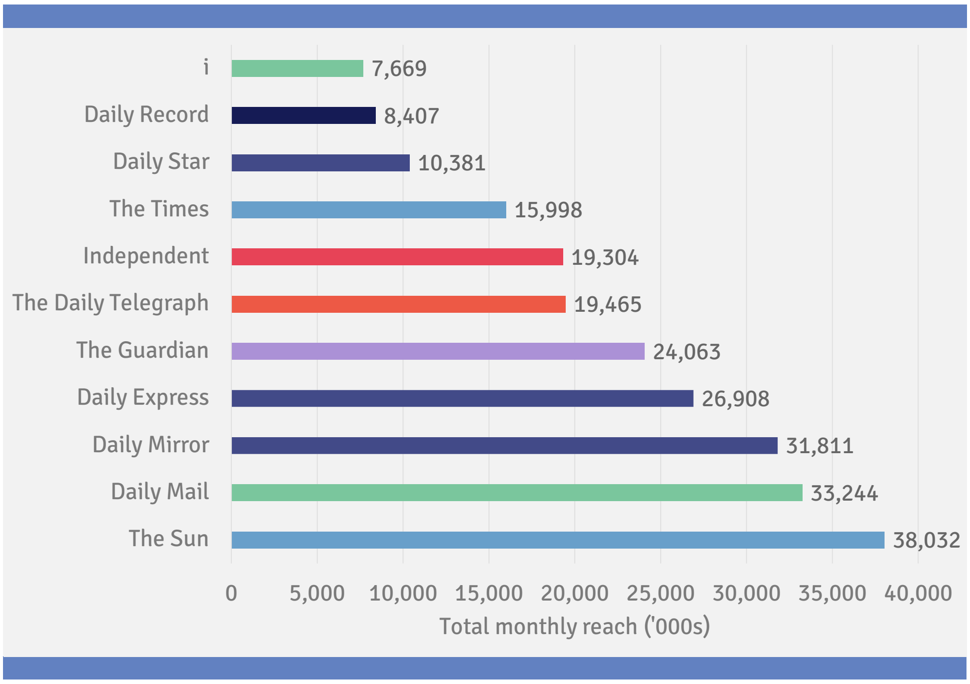


Source: PAMCo

This illustrates that the daily national titles market is quite concentrated; and therefore any actions by Reach plc or News UK will have an important effect on overall sector sustainability.

The following chart shows the total monthly reach of all daily national titles, including reach via phone, tablet, desktop and print.

Figure 5: Total monthly reach of daily national titles, April 2019 – March 2020



Source: PAMCo

The titles with the highest total monthly reach include *The Sun* and *The Daily Mail*. This chimes with previous findings from Mediatique[44] in terms of the rankings of the news titles with the widest reach.

3.2.2 Sunday newspapers

Between them, six publishers own the eleven Sunday papers in the UK, as illustrated in the following table.[45]

Table 4: Sunday newspapers and publishers

Newspaper	Publisher
Quality	
Sunday Telegraph	Telegraph Media Group Ltd
Observer	Guardian News and Media Ltd
Mid -market	
Sunday Times	News UK
Sunday Express	Reach plc
Mail on Sunday	DMG Media Ltd
Sunday Post	D.C. Thomson Media
Popular	
Sunday Mirror	Reach plc
Daily Star Sunday	Reach plc
Sun on Sunday	News UK
Sunday People	Reach plc
Sunday Mail	Scottish Daily Record & Sunday Mail Limited

Source: ABC Datahub, PAMCO

Note that *The Financial Times Limited* does not publish on Sundays.

44 *'Overview of recent dynamics in the UK press market.' Mediatique (2018); page 17.*
45 *Note Scottish Daily Record & Sunday Mail Limited is a subsidiary of Reach plc.*

3.2.2.1 Cover prices

The following table shows the cover prices for titles published on a Sunday, as well as the percentage increase to the daily (Monday to Friday) and Saturday cover prices.

Table 5: Sunday newspaper prices, November 2020[46]

Newspaper	Cover Price Sunday	% increase (Mon-Fri)	% increase (Sat)
Quality			
Sunday Telegraph	£2.20	10%	-12%
Observer	£3.20	45%	0%
Mid -market			
Sunday Times	£2.90	61%	45%
Sunday Express	£1.70	143%	55%
Mail on Sunday	£1.80	157%	64%
Sunday Post	£2.00		
Popular			
Sunday Mirror	£1.80	112%	29%
Daily Star Sunday	£1.20	140%	50%
Sun on Sunday	£1.20	118%	60%
Sunday People	£1.80		
Sunday Mail	£2.10		

Source: ABC Datahub (January 2021)

As can be seen, Sunday titles are dearest. The cover price increase from Saturday to Sunday is more muted, with one title – *Sunday Telegraph* – being cheaper than the Saturday edition (but still more expensive than the Monday – Friday edition). This increase in price during different days of the week closely relates to circulation figures – with circulation on Sundays being lower than any other day of the week. This implies that publishers believe demand is more inelastic for weekly than weekend publications, which is also supported by changes in circulation numbers, as set out subsequently.[47]

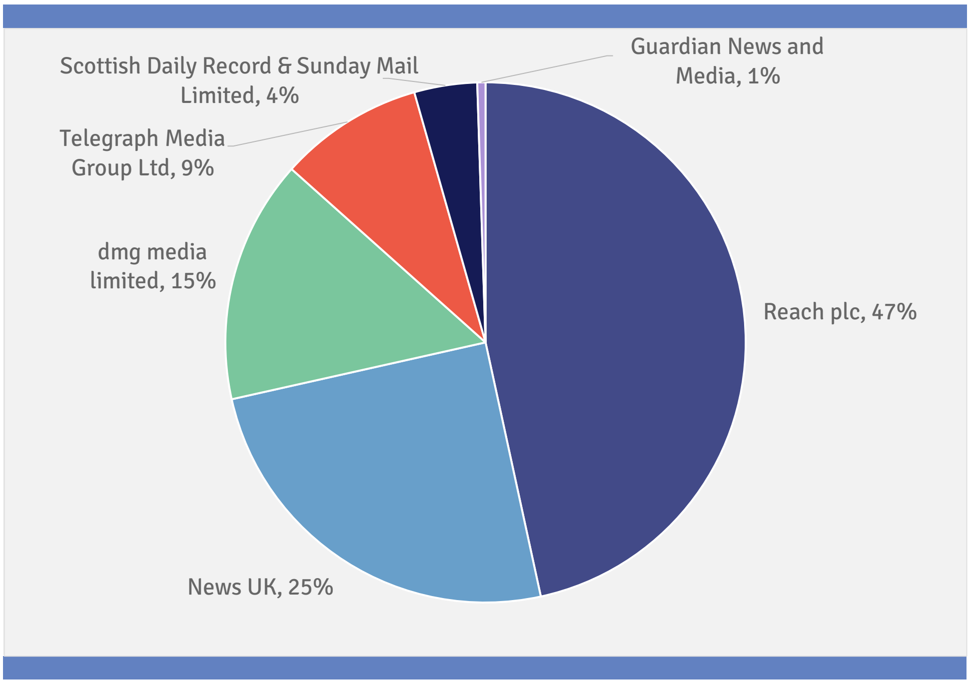
46 Except for Sun on Sunday (March 2020), Sunday Times (March 2020) and Sunday Telegraph (December 2019).

47 With the weekly edition The Sun having a total monthly reach of 38,032, compared to The Sun on Sunday having a total monthly reach of 36,896.

3.2.2.2 Audiences / reach

The following figure shows the share of each publisher of the Sunday national titles reach during April 2019 – March 2020, as reported by PAMCO.

Figure 6: Total monthly reach of Sunday national titles, by publisher, April 2019 – March 2020

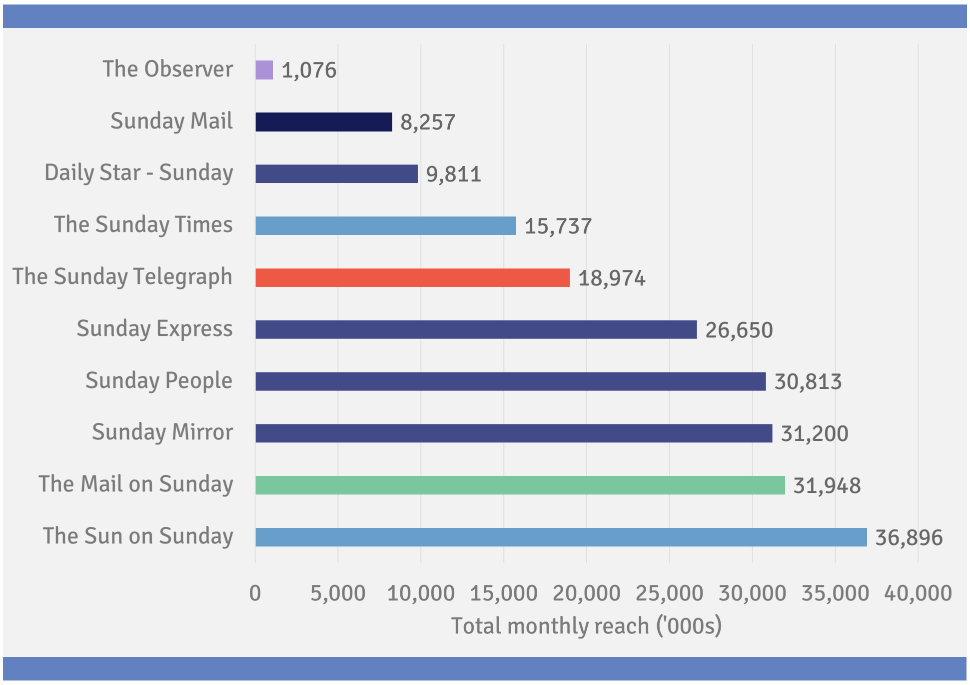


Source: PAMCo

As can be seen, Reach plc has almost half of total reach for Sunday titles, followed by News UK at about 25%. This shows that the Sunday national title market is more concentrated than the daily one (with two publishers accounting for almost three quarters of monthly reach). This further illustrates the importance of these two publishers to the sector's sustainability.

The following chart shows the total monthly reach of all Sunday national titles.

Figure 7: Total monthly reach of Sunday national titles, April 2019 – March 2020



Source: PAMCo

The titles with the highest total monthly reach include *The Sun on Sunday* and *The Mail on Sunday*.

3.2.3 Ownership models

In line with Mediatique's[48] definition of ownership models, the national press broadly falls into three main categories.

- **Consolidated, publicly traded publishers.** This includes: Reach plc, News UK (a subsidiary of News Corporation), DMG Media Limited (a subsidiary of Daily Mail General Trust plc), and Nikkei Inc (*The Financial Times*). These publishers tend to have multiple national publications – if not in the UK, across multiple territories (e.g. News UK), or a combination of local and national titles in the UK (e.g. Reach plc).

- **Privately owned publishers.** This includes: the Telegraph Media Group Limited, Independent News & Media (UK) Ltd – inasmuch it publishes *The Independent*, now a digital-only publication – and D.C. Thomson & Company Limited (*Sunday Post*). These titles are owned by individual groups or families – e.g. the Barclay family in the case of Telegraph Media Group; MediaHuis NV, a private European media group headquartered in Antwerp, Belgium; and the Thomson family.

- **Trust ownership.** This applies to the Guardian News & Media Limited, which is owned by the Scott Trust Limited, a private company whose core purpose is "to ensure the financial and editorial independence of *The Guardian* in perpetuity".

48 *'Overview of recent dynamics in the UK press market.' Mediatique (2018).*

3.3 Local and regional newspapers

The NMA identifies **872 local and regional titles in 2021**. Based on our method – set out in more detail in the Annex to this report – we identify **656 local and regional titles** in 2020. These can be grouped into three distinct categories:

- **large regional groups** that account for a substantial portion of newspaper titles (and circulation) between eight organisations;
- **mid-size publishers** that own several titles; and
- publishers publishing **single titles**.

Table 6: Local newspaper publishers and number of titles, 2020

Publisher	Number of titles
Large regional groups	
Newsquest Media Group	131
JPIMedia Limited[49]	119
Reach Regionals Ltd	107
Archant Ltd	46
Iliffe Media	24
Tindle Newspapers Ltd	20
Bullivant Media Limited	9
Midlands News Association Ltd	2
Mid-size regional publishers	
Media Scotland Ltd	19
Highland News and Media Ltd	15
Remaining 20 mid-size publishers	54
Single-title publishers	
Remaining 110 single-title publishers	110

Source: Economic Insight analysis of multiple sources

We provide a detailed overview of the key characteristics of these separate groups in the Annex.

[49] *As of 4th January 2021, JPIMedia Limited has been acquired by National World. See here:* https://www.printweek.com/news/article/jpi-media-acquired-by-national-world

3.3.1 Ownership models

As above for the national newspaper publishers, there are three main categories of ownership models for *regional* publishers.

- **Consolidated, publicly traded publishers**. This includes: Reach Regionals, which is ultimately owned by Reach plc, and Newsquest, which is ultimately owned by Gannett Co. Inc. These two are the largest regional publishers.

- **Privately owned publishers.** This includes: Archant Limited, Illiffe News Media, Bullivant Media, Tindle and D.C. Thomson & Company Limited, amongst others. These titles are owned by individual groups or families – e.g. the Rcapital Partners LLP and Pension Protection Fund in the case of Archant; the Illiffe family; the Bullivant family; Sir Ray Tindle and the Thomson family respectively.

- **Sole traders – individuals.** Many single-title publishers are owned by one individual, who set up the website or the newspaper titles.

Our analysis in the subsequent chapters sets out the key findings for these different types of publishers, mostly aggregated by national and regional publishers – rather than further subdividing the regional group into the three sub-groups (large; mid-sized; and single-title publishers). This is mostly due to sample size issues, in particular given that the coverage of the regional sector might be incomplete for the financial analysis at the lower end of the spectrum (i.e. for mid-sized and single-title regional publishers) and the survey analysis at the higher end of the spectrum (i.e. large regionals and nationals).

Prior to assessing the drivers of revenue and costs, we set out the effects of COVID-19 on the sector below – both based on our desk-research, as well as our online survey of publishers.

3.4 COVID-19 effects

Lockdown led to a further fall in print circulation – especially for 'free' titles.

There is emerging evidence that the COVID-19 pandemic has accelerated some of the trends identified in chapter 2. For example, Ofcom's latest Media Nation's report[50] found that media (and news) consumption via TV and online increased rapidly during lockdown.

Press Gazette[51] reported that the UK's regional print daily newspapers saw their circulation fall by an average of 18% in the second half of 2020; with non-daily publications experiencing a 21% decline in average circulation. Notwithstanding this general decline in circulation, the largest regional publishers found that their online figures had grown during lockdown:

- Reach Regionals said its regional network reached 38.7m adults in the UK in January 2021, with visitor growth of 16% year-on-year;
- Newsquest said its websites attracted 45.6m unique visitors in January 2021, up 33% year-on-year, generating 260m page views – and they also put up

[50] *'Media Nations 2020.' Ofcom (August 2020).*
[51] *'ABCs: UK local newspaper sales hard-hit by pandemic with dailies down by average of 18%'. Press Gazette (February 2021).*

digital paywalls and subscriptions for their daily newspaper websites from April 2020; and

- Archant said its news titles had collectively grown their average monthly unique visitors from 7.1m in the second half of 2019 to 8.2m in the same period in 2020, which amounts to a growth of 15% – with total page views growing by 13% year-on-year from 32m to 36.4m.

Similarly, in relation to trust, Reuters[52] found that during the lockdown there was greater trust in print media in relation to COVID-19 than many other sources. This goes to a critical tension: the struggle for financial sustainability amongst print media, in the context of it being so crucial to trust high-quality news information.

The acceleration of existing trends (and incremental new impacts) arising from the COVID-19 pandemic are not limited to the UK. For example, common broader trends identified by *What's New In Publishing*[53] include:

- **Marketing budgets are down worldwide.** This affects the publishing sector, as it is heavily dependent on advertising revenue.

- **COVID-19 has changed our media habits.** People are spending much more time online than before the pandemic – and this is particularly the case for social media.

- **Publishers are producing new products.** As a response to our changing media habits, many publishers have experimented with efforts such as dropping their paywall and launching new products such as newsletters or podcasts.

- **Some local outlets are seeing a coronavirus 'bump'.** Amongst the biggest beneficiaries of the increase in traffic numbers are local news sites, as people seek to learn how the pandemic is affecting their hometowns (set out above). This suggests a welcome consumer shift for more locally focused news media, who have been struggling to grow their subscription bases as rapidly as market-leading national news outlets and specialist content publishers. However, increased traffic does not necessarily lead to increased subscribers and the increases in subscription revenue seldom offset lost advertising and other revenues.

- **Pandemic-led subscription gains are holding steady.** The curve in subscription growth is starting to flatten for some publishers, but still remains higher than before COVID-19. Publishers such as *Bloomberg Media*, *The New York Times* and *The Guardian* say that they are seeing signs of stronger retention rates from subscribers who have signed up since February and March 2020.

[52] *'Reuters Institute Digital News Report.' Reuters Institute (2020).*
[53] *'COVID-19's impact on the media, in 10 charts.' What's New In Publishing (October 2020).*

Box 2: Digital subscriptions on the rise during the pandemic

Telegraph Media Group, the publisher of the *Daily* and *Sunday Telegraph*, announced in mid-April 2020 it was furloughing 90 non-editorial workers until the end of May 2020 following "*material reductions*" in its advertising revenue as a result of the pandemic. Further, it put all remaining non-editorial staff on four-day weeks and cut salaries by 20%.

These "prudent" measures, combined with a "very strong subscription performance" helped it remain profitable. Therefore, it is now paying back all the money it claimed from HMRC to furlough workers as part of the job retention scheme. In addition, all staff have now returned to a five-day week and those who worked during May with a reduced salary and working hours will be compensated for lost earnings.

The Telegraph saw growth in new subscribers of more than 200% in March 2020 alone and reached the milestone of 500,000 subscribers. This brings it halfway to its goal of 1m paying subscribers by 2023.

Source: 'Telegraph follows Spectator to pay back furlough money after subscriptions reach 500,000.' Press Gazette (8 June 2020)

- **Global advertising is down in 2020, but digital remains strong.** Advertising spend was estimated to fall by 8.1% worldwide in 2020. However, social media, online video and search advertising revenues are still growing post-COVID-19. Specifically, the latest Advertising Association/WARC Expenditure Report expects the UK's ad market to grow by 15.2% in 2021, an upgrade of 0.8 percentage points from the last forecast in October 2020.[54] National news brands advertising is expected to grow 13.8% (of which online growth is expected to be 14.7%). Regional news brands are expected to increase their advertising spend by 12.3% in 2021 (of which 15.4% online).[55]

3.4.1 Online survey COVID-19 effects

Our online survey asked respondents what (if any) actions they had taken in relation to COVID-19.

- All of our **single website regional publisher** respondents said their website was still fully operational, bar one, who said they were closing the website in two months' time.

- Half of the remaining **multi-title / website regional publisher** respondents said all their publications and / or websites were still fully operational.

- The remaining ten respondents who took some other action were spread across the following, as illustrated in the table overleaf.

[54] *'UK ad spend to recover faster than key international markets in 2021.' AA/WARC (26 January 2021).*
[55] *'UK ad spend to recover faster than key international markets in 2021.' AA/WARC (26 January 2021), page 2.*

Table 7: Impact of COVID-19 on publishers who took action

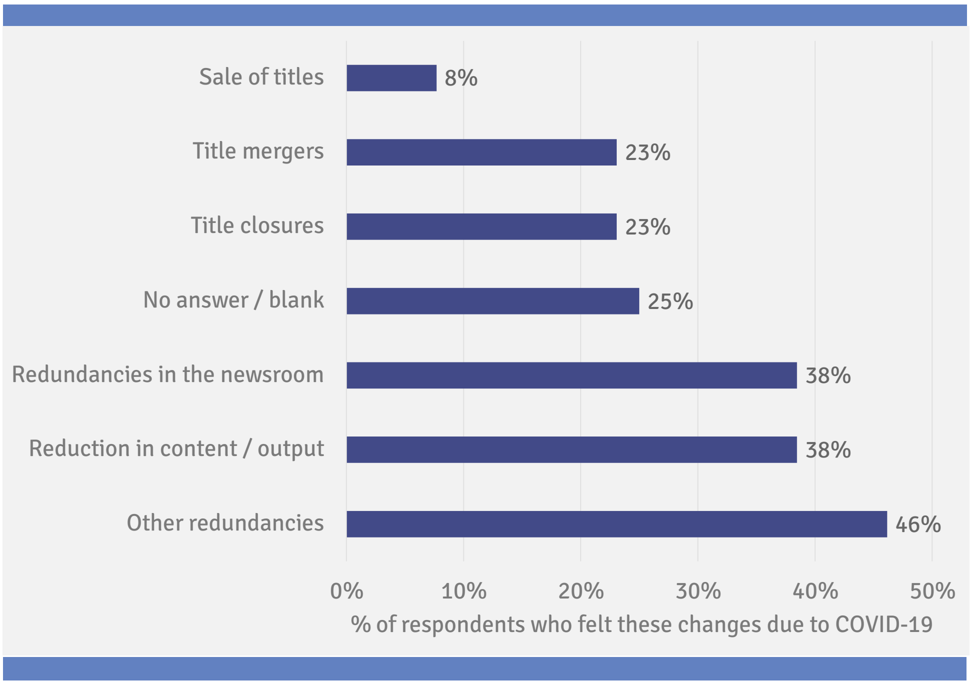
	%
We have reduced the print circulation of some of our titles	50%
We have temporarily paused some of our titles and will resume once the situation permits	40%
Some of our publications and / or websites are still operational	40%
We have merged some of our titles	30%
We have closed some of our titles	20%
We have temporarily paused all of our titles and will resume once the situation permits	10%
We have reduced the frequency of publication and / or website updates for all of our titles	10%
We have reduced the frequency of publication and / or website updates for some of our titles	10%

Source: Economic Insight online survey (N=10 respondents; 274 titles; 310 websites)

As can be seen, pausing and / or reducing circulation of some titles are the most frequently taken actions in light of COVID-19. Given the uncertainty the pandemic creates, this may well reflect a short-term attempt to cut costs. Notwithstanding this, some publishers have furloughed staff and taken other measures, as illustrated subsequently.

Further, we asked respondents whether they considered COVID-19 to have an impact on their overall finances. Almost half (43%) of our respondents did not consider COVID-19 to have any effect, whereas the remaining considered the following effects to be most pertinent, as summarised in the figure overleaf.

Figure 8: COVID-19 effects on finances for publishers who felt changes due to COVID-19



Source: Economic Insight online survey (N=13 respondents; 168 titles; 162 websites)

As can be seen, redundancies – both in the newsroom and elsewhere - were common responses, as was the reduction in content and output. This chimes with the above finding that first publishers will seek to reduce the frequency of their titles, hence requiring less content. This in turn has a direct impact on the workforce.

Press Gazette reported that the UK news industry claimed somewhere between £0.5m and £1.5m in January 2021 from the Government's furlough scheme.[56] To put these payments in context, total industry staff costs for 2018 were around £1.1bn, as we set out subsequently. Regional publishers JPIMedia, Archant and Midland News Association claimed between £100,001 and £250,000 each in that month.

The Guardian was the only national news publisher with staff on furlough in January 2021, in the £50,001 to £100,000 band. Other national publishers had used the scheme earlier in the pandemic, including the UK's largest commercial publisher: Reach; and *The Telegraph,* which returned the payments it had received after strong subscriptions growth helped it stay in profit, as set out in Box 2. Similarly, *The Guardian* subsequently paid back its £1.6m claimed in full, as its financial position was "substantially improved" due to job cuts made in the summer and an increase in reader contributions.[57]

Other major publishers that furloughed staff included Reach (nearly 1,000 employees), the *Evening Standard, City AM*, *The Independent* (a "limited" number of staff), JPIMedia (350 employees), Newsquest (about 10% of staff, mainly in advertising), and *The Guardian* (100 commercial staff).[58] News UK (publisher of *The Sun* and *The Times*) and DMGT (publisher of *Daily Mail, Metro* and *i*) did not take part in the furlough scheme. Instead, News UK asked staff to volunteer for unpaid leave or

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56 *'News publishers increase furlough claims: Al Jazeera and Tortoise join those needing UK gov support.' Press Gazette (30 March 2021).*
57 *'Guardian and PA pay back £3m in UK government furlough cash.' Press Gazette (22 April 2021).*
58 *'Telegraph follows Spectator to pay back furlough money after subscriptions reach 500,000.' Press Gazette (8 June 2020).*

reduce their working hours, with a corresponding cut in pay, whilst DMGT offered staff shares in the company to compensate them for taking a pay cut during the pandemic.[59]

[59] *'Telegraph follows Spectator to pay back furlough money after subscriptions reach 500,000.' Press Gazette (8 June 2020).*

4. Revenues

This chapter sets out the: (i) overall revenue movements across the UK press sector; and (ii) what publisher's revenue streams are comprised of, based on our primary research. We find that revenues across the industry have fallen by almost a fifth in the last decade from £4.5bn to £3.7bn. Further, we estimate that this is made up of £1.7bn circulation revenue and £1.4bn commercial advertising revenue, based on our surveyed publishers' responses. Moreover, surveyed publishers consider there is an opportunity to grow online circulation revenues, against the backdrop of a continued expectation of print circulation revenues declining. Specifically, we find that our survey respondents remain optimistic even where there is a low willingness to pay for online content – which they consider to be one of the main challenges over the next five years – as they generally expect income from digital subscriptions and deals with aggregators, bundling services and other news portals to increase over that same time period.

4.1 Key findings

Our key findings in relation to the UK press sector's revenues are as follows.

- **Overall industry revenues fell by almost a fifth between 2010 and 2018 from £4.5bn to £3.7bn**. This has been due to a mix of a decline in circulation, as noted above, as well as a fall in advertising revenues, evidenced by our primary research. Based on our online survey, combined with our financial analysis using Companies House data, we estimate that total industry revenues for 2018 were:
  - £1.7bn from circulation (of which £1.7bn from print and £29m from online);[60]
  - £1.4bn from commercial advertising (of which £0.6bn from print and £0.8bn from online);[61] and

[60] *This is based on a sample which does not include publishers whose business models rely on donations.*

[61] *As around half (51%) of our sample are digital-only publishers, the importance of online advertising might be slightly overstated, as those publishers do not have the ability to advertise in print. In particular, AA/Warc find that industry advertising expenditure for 2020 was £1.2bn, of which £0.7bn from print and £0.5bn from online. See here: 'Charted: UK media ad revenue collapsed in 2020 for everyone except the tech platforms'. Press Gazette (29 April 2021).*

  - £0.1bn from deals with aggregators, bundling services and other news portals.[62]

- **Our online survey finds that commercial advertising is an important income generator for UK publishers**. Specifically online advertising, which accounts for over half of commercial advertising revenues for both surveyed national and regional publishers. It should be borne in mind that due to our sampling, the importance of online advertising is somewhat overstated. For example, recent evidence on advertising expenditure shows that in 2020 print advertising still outweighs online advertising, at £0.7bn from print compared to £0.5bn from online.[63]

- **Publishers are still grasping how best to monetise their online editions – with evidence that this is on the uptick.** Online subscription revenues appear to be more important for national publishers, compared to regional ones, with deals with aggregators, bundling services and other news portals being as important for both.

- In relation to **statutory notices**, we estimate that these are worth **£63m** to regional publishers in the UK, with **planning notices accounting for £34m** of this, **traffic order regulations for £11m** and the remainder spread across the other notices.

- Finally, our online survey finds respondents remain optimistic that against a backdrop of **low willingness to pay for online content** – which respondents consider to be one of the main challenges over the next five years – **income from digital subscriptions and deals with aggregators, bundling services and other news portals are expected to increase over the next five years.**

62 *These estimates might slightly overemphasise the importance of online, given half our sample were digital-only publishers.*

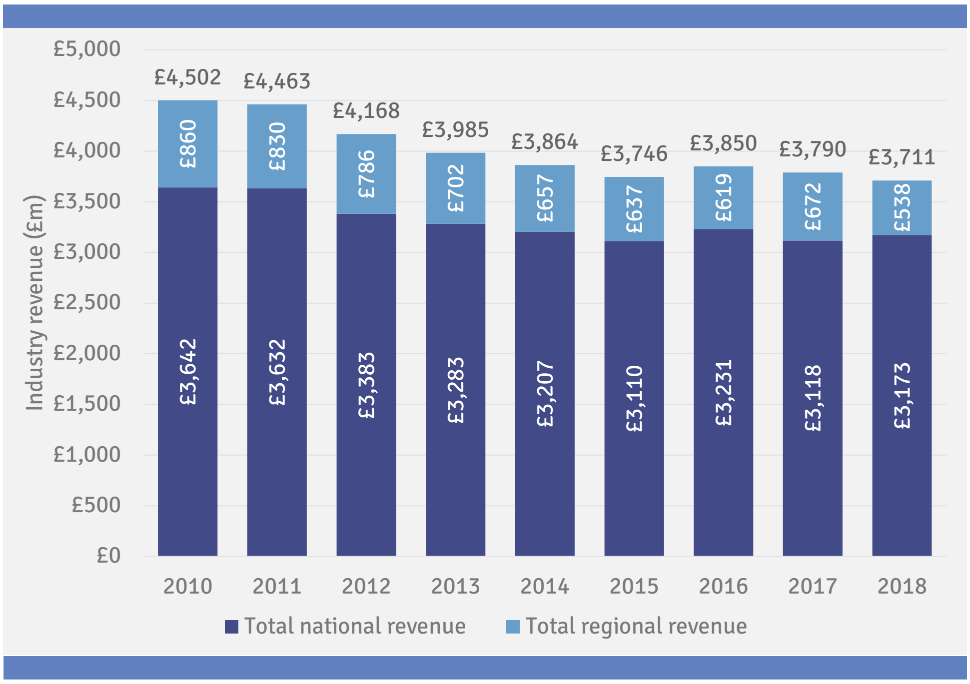
63 *'Strong rebound from pandemic losses forecast for UK ad market but full recovery will stretch into 2022'. Advertising Association / WARC (29 April 2021).*

OUR FINANCIAL ANALYSIS COVERS ALL NATIONAL PUBLISHERS' ACCOUNTS, AS WELL AS 90% OF THE LOCAL AND REGIONAL ONES.

4.2 Overall UK revenue

The following figure shows the movement for national, regional and total industry revenues, based on our sample of companies (set out in more detail in the Annex). It should be noted that our sample covers **all national publishers**, as well as **90% of local and regional publishers** by way of measured circulation based on ABC and JICREG data.

Figure 9: Total revenues, by segment excluding digital, 2010 – 2018



Source: Economic Insight analysis of Companies House data

As can be seen, between 2010 and 2018, total industry revenue fell by almost a fifth (ca. 17%, from £4.5bn in 2010 to £3.7bn in 2018). This chimes with Mediatique's[64] estimates that total core revenues (including circulation and net advertising) declined from £6.1bn in 2007 to £3.3bn in 2017.

Moreover, we can see that national publishers account for roughly 85% of total industry revenues in 2018 and are therefore one of the main drivers of total industry figures.

In the following sections, we explore what is driving these trends, based on our primary research. We start by looking at:

- what the different sources of revenue of national and regional publishers are;
- the different circulation revenues;
- the different commercial advertising revenue streams;
- the different statutory notices revenue streams; and
- other revenue streams.

[64] *'Overview of recent dynamics in the UK press market.' Mediatique (2018), page 37.*

Our online sample covers almost a quarter of industry revenue we estimated from the FAME database.

4.3 Sources of revenue

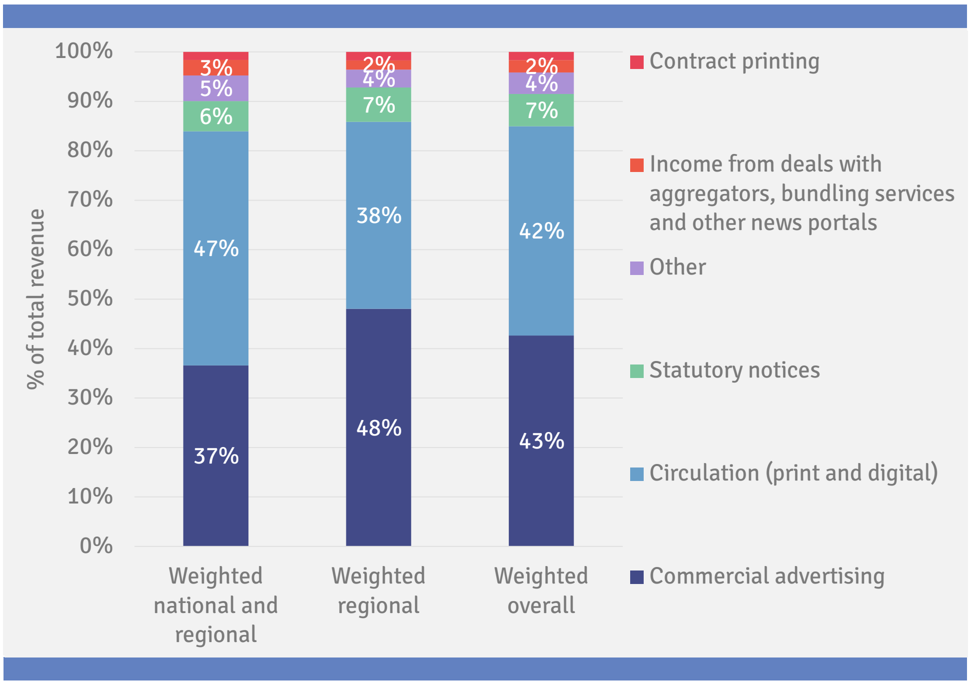
The combined **annual revenue** of respondents to our online survey was **£911m**. This amounts to almost a quarter of the industry revenue we estimated from the FAME data above.

Almost half (48%) our sample for the online survey considered their revenues had decreased over the last five years, whereas 15% considered it had remained the same, and just over a third (36%) thought it had increased. This is consistent with the overall decline in revenues we find from our FAME analysis.

The following figure shows the weighted average proportion of revenue derived from each revenue stream by our respondents, both in terms of national, regional and overall respondents.

CIRCULATION AND COMMERCIAL ADVERTISING ARE THE MOST IMPORTANT REVENUE STREAMS FOR SURVEYED UK PUBLISHERS.

Figure 10: Revenue split by segments, weighted average by total titles, online survey



Source: Economic Insight online survey (National: N=3 respondents, 255 titles, 213 websites; Regional: N=29 respondents, 268 titles, 257 websites; Overall: N=32 respondents, 523 titles, 470 websites)

Overall, commercial advertising and circulation (print and digital) account for a similar proportion of respondents' revenues. Statutory notices[65] account for 7% of our respondents' revenues, and contract printing and income from deals with aggregators, bundling services and other news portals account for 2% on average, respectively. This larger proportion of income from commercial advertising (compared to circulation) for regional publishers is in line with industry reports. For example, Reach Regionals' print advertising revenues were larger than circulation revenues in 2017-2018, accounting for just under half of the publisher's print revenues, compared to print circulation accounting for ca. 40%.

[65] *Please note that some respondents to our survey are both national and local / regional publishers. Where they are both, we have classed them as national, in line with the financial analysis. Therefore, some national revenues are derived from statutory notices in the above graph, albeit this revenue stream is only available to local / regional publishers.*

Therefore, if we extrapolate the weighted average proportions from our national and regional online survey respondents to the overall Companies House revenue estimates above, we can see that in 2018 industry revenue was the following across the different segments.

Table 8: Revenue across the different segments (£m), 2018

	National (£m)	Regional (£m)	Overall (£m)
Circulation (print and digital)	£1,503	£203	£1,706
Commercial advertising	£1,161	£258	£1,419
Statutory notices	£25	£37	£63
Contract printing	£52	£9	£61
Income from deals with aggregators, bundling services and other news portals	£100	£10	£110
Other	£164	£19	£184
Total	**£3,004**	**£538**	**£3,542**

Source: Economic Insight analysis of Companies House and online survey

As can be seen, overall industry circulation revenues amount to ca. £1.7bn, with commercial advertising amounting to £1.4bn and income from deals with aggregators, bundling services and other news portals amounting to £0.1bn.

Box 3: Financial Times – no need to sacrifice one revenue stream over another

The Financial Times' chief executive said news publishers "*can have your cake and eat it*" but only if they have a "*robust reader revenue foundation*".

He put forward that publishers do not have to choose between advertising and subscriptions as there is still "*strong growth*" to be had in both revenue streams.

He said the FT's digital content revenues are now bigger than all its other revenue streams combined and more than three times print advertising, which is the next biggest.

He also revealed digital advertising revenues at the FT were up by 30% in 2020 and overtook print in the final quarter of the year.

Therefore, this example illustrates that publishers do not need to choose one over the other, and that both revenue streams can be pursued concurrently.

Source: 'Financial Times CEO: Publishers don't have to choose between ads and subscriptions - they can have both.' Press Gazette (15 Mach 2021)

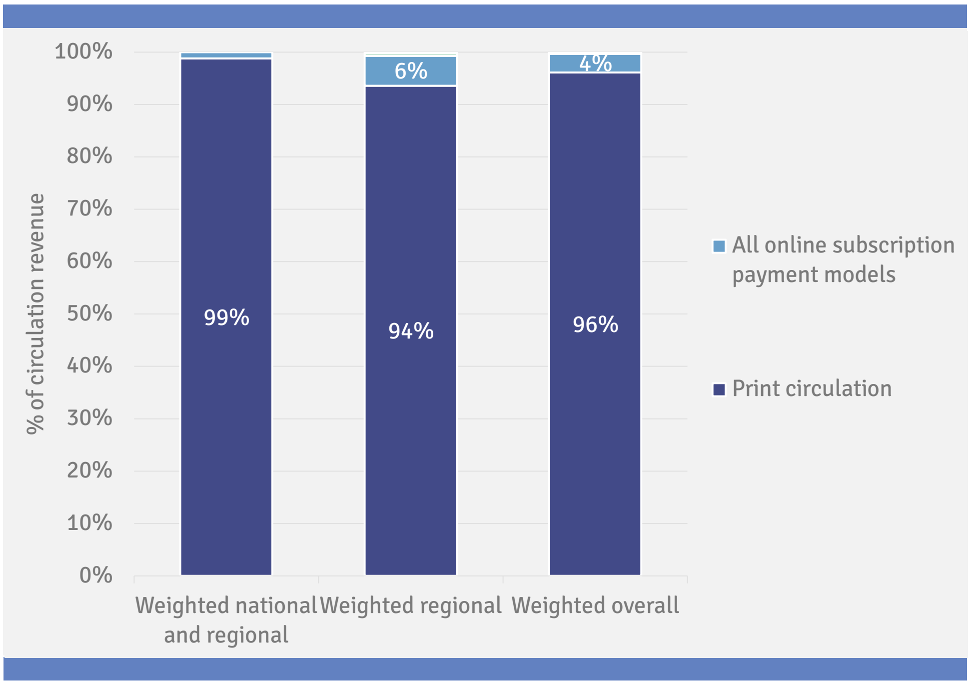
The following sections unpack the above revenue streams further.

4.3.1 Circulation breakdown

The following table illustrates whether circulation revenue comes from selling print copies, online subscriptions, or donations and micropayments.

THE MAJORITY OF CIRCULATION REVENUE COMES FROM PRINT CIRCULATION. THIS SUGGESTS THERE IS LIMITED WILLINGNESS TO PAY FOR NEWS ONLINE.

Figure 11: Circulation revenue breakdown by segments, weighted average by total titles



Source: Economic Insight online survey (National: N=2 respondents, 255 titles, 210 websites; Regional: N=13 respondents, 261 titles, 234 websites; Overall: N=15 respondents, 516 titles, 444 websites)

Most circulation revenue derives from print circulation (ca. 96%). Online subscription payment models account for, on average, 4% of publishers' circulation revenues respectively. It should be borne in mind that the above estimates are based on a sample which does not include publishers whose business models rely on donations.

The following table extrapolates these findings onto our 2018 revenues from the Companies House analysis, based on the national and regional proportions above.

Table 9: Circulation revenue across the different segments (£m), 2018

	National (£m)	Regional (£m)	Overall (£m)
Print circulation	£1,485	£190	£1,676
All online subscription payment models	£18	£12	£29
Donations and micropayments	£0	£1	£1
Other	£0	£0	£0
Total	**£1,503**	**£203**	**£1,706**

Source: Economic Insight analysis of Companies House and online survey

This shows that even in a sample with a large proportion of digital-only respondents, online subscription is not where the publishers derive their largest income from and is further evidence of a lack of consumer willingness to pay for news online.

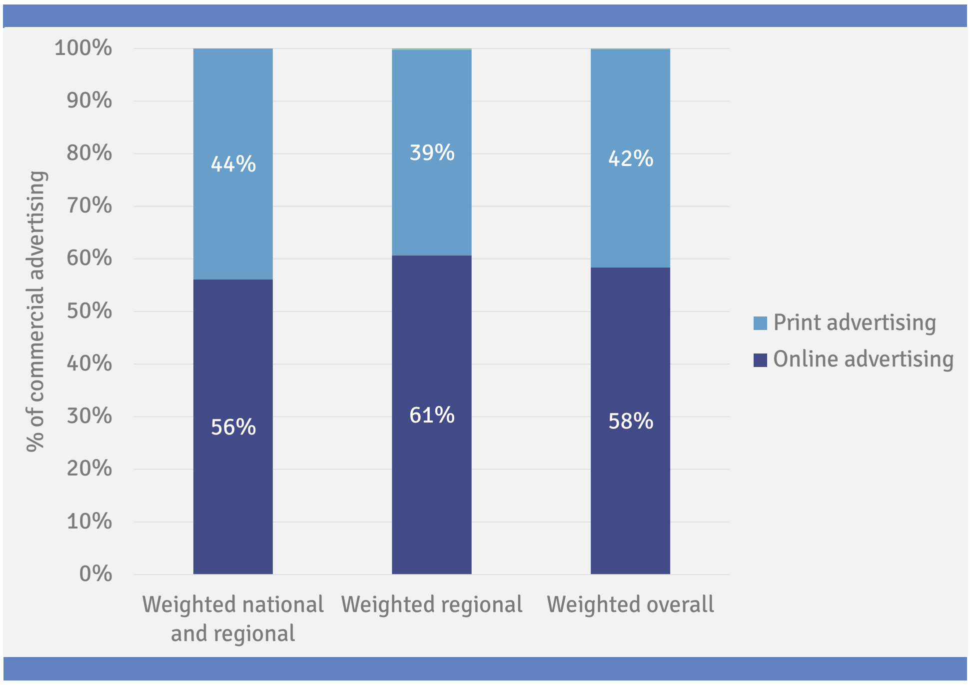
This is further supported by evidence from our online survey, where **83% of surveyed publishers agreed that the reluctance of people to pay for digital news was a major structural challenge for the sector**. It stands slightly at odds with the 67% of publishers expecting revenue from digital subscriptions to increase and the 52% expecting income from deals with aggregators, bundling services and other news portals to increase in the next five years. However, these expectations might demonstrate the importance of finding ways to monetise digital news content, given consumers reading more news online and their low propensity to pay for it – which Reuters put at 7% in 2020.[66]

4.3.2 Commercial advertising breakdown

As illustrated in the previous section, commercial advertising is the most important revenue stream for our survey respondents. Almost all respondents to our online survey that derive income from commercial advertising, do so from online advertising. The following figure shows the split between online and print commercial advertising from our survey respondents.

WITHIN COMMERCIAL ADVERTISING, ONLINE ADVERTISING TAKES THE LEAD AMONGST OUR SURVEY RESPONDENTS.

Figure 12: Commercial advertising revenue breakdown, weighted average by total titles



Source: Economic Insight online survey (National: N=2 respondents, 255 titles, 210 websites; Regional: N=11 respondents, 211 titles, 237 websites; Overall: N=27 respondents, 467 titles, 465 websites)

58% of commercial advertising revenue is derived from online advertising, on average. The following table extrapolates these findings to the 2018 Companies House revenues accordingly, based on the national and regional proportions set out above.

66 *'Reuters Institute Digital News Report 2020'. Reuters Institute (2020), page 61.*

Table 10: Commercial advertising revenue across the different segments (£m), 2018

	National (£m)	Regional (£m)	Overall (£m)
Print advertising	£651	£157	£808
Online advertising	£510	£101	£611
Other	£0	£1	£1
Total	**£1,161**	**£258**	**£1,419**

Source: Economic Insight analysis of Companies House and online survey

As around half (51%) of our sample are digital-only publishers, the importance of online advertising might be slightly overstated, as those publishers do not have the ability to advertise in print. In particular, previous research found that in 2017 circulation revenues were £1.7bn and newspaper advertising expenditure was £1.4bn (of which £487m online).[67] More recently, AA/Warc found that total industry advertising revenue for 2020 stood at £1.2bn, of which £0.7bn was from print and £0.5bn from online.[68] Therefore, although online advertising may have gained in importance (especially during the pandemic), it may not be as important as the figure above suggests.

Below, we illustrate where the revenues within print and online advertising are derived from.

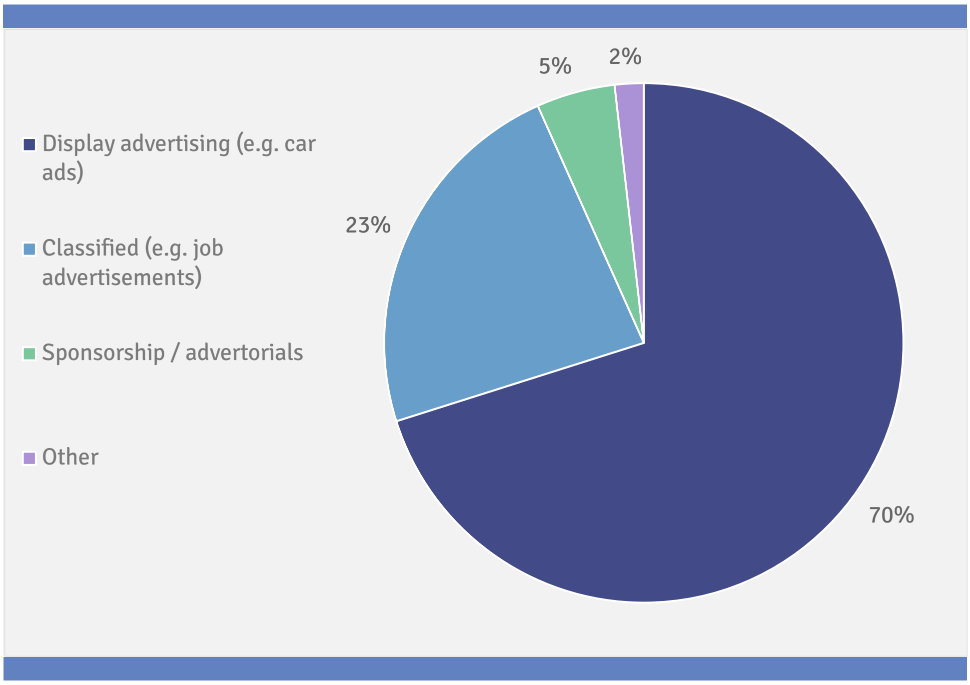
4.3.2.1 Print advertising revenue breakdown

All respondents who derived revenue from print advertising did so from display advertising (e.g. car ads), with all bar one deriving revenue from classifieds (e.g. job advertisements). Notwithstanding this ubiquity of classifieds and display advertising, on average 70% of print advertising revenue comes from display advertising, with classifieds accounting for 23% on average of print advertising revenues.

[67] *'Overview of recent dynamics in the UK press market.' Mediatique (2018); page 6.*
[68] *'Charted: UK media ad revenue collapsed in 2020 for everyone except the tech platforms'. Press Gazette (29 April 2021).*

MOST PRINT ADVERTISING REVENUES COME FROM DISPLAY ADVERTISING.

Figure 13: Print advertising revenue breakdown, weighted average by print titles

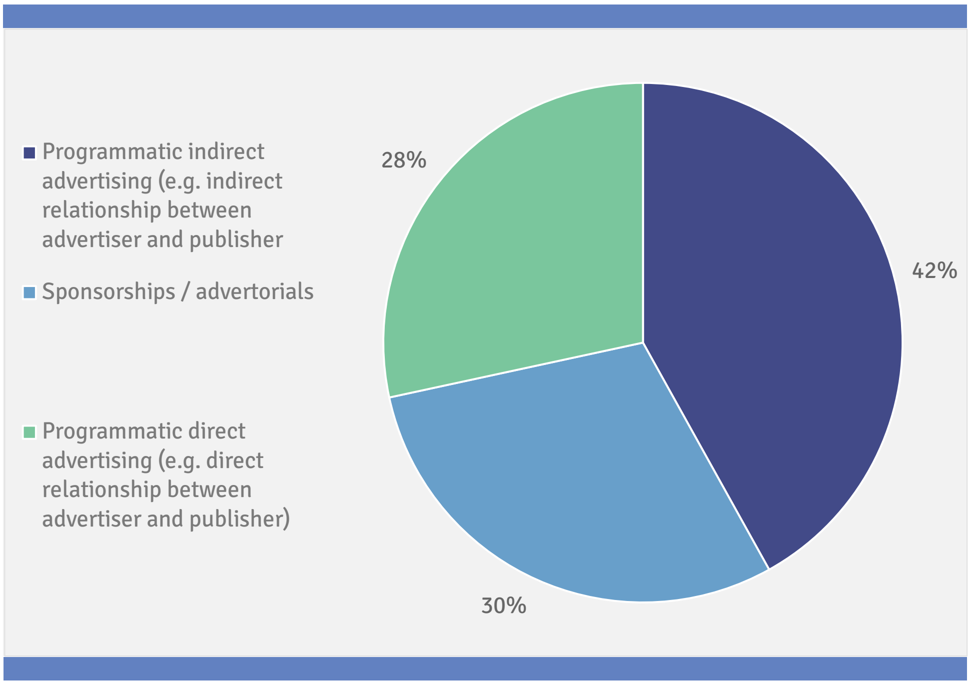


Source: Economic Insight online survey (Overall: N=13 respondents, 466 titles, 447 websites)

4.3.2.2 Online advertising revenue breakdown

Almost all respondents who derived revenue from online advertising did so from programmatic direct advertising. The spread of different online advertising revenue streams is shown in the next figure.

Figure 14: Online advertising revenue breakdown, weighted average by digital titles



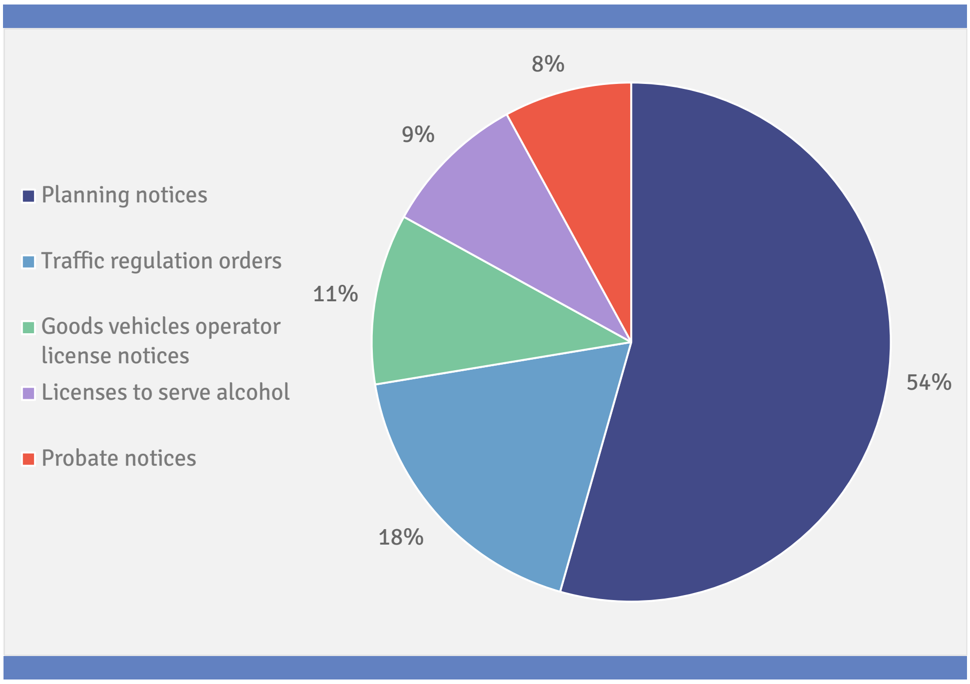
Source: Economic Insight online survey (Overall: N=26 respondents, 466 titles, 464 websites)

On average, programmatic indirect advertising made up 42% of online advertising revenues of respondents, with programmatic direct advertising making up 28% thereof.

4.3.3 Statutory notices breakdown

As noted earlier, just under half of all respondents eligible derived any income from statutory notices. Licenses to serve alcohol were the most common statutory notices for our sample. This was closely followed by goods vehicles operator license notices and probate notices. It is unclear why certain notices are more frequently published than others, as one would expect most Local Authorities to publish these. Notwithstanding this, the next figure shows what proportion of statutory notices revenue accounts for each different type of notice.

Figure 15: Statutory notices revenue breakdown, weighted average by print titles



Source: Economic Insight online survey (Overall: N=14 respondents, 330 titles, 310 websites)

As can be seen from the figure, planning notices account for over half (54%) of statutory notices' revenue. This is followed by traffic regulation orders (18%) and goods and vehicles operator license notices (11%). This indicates that planning notices, albeit less frequently published in our survey respondents' publications (9 out 14 derived revenue from here), are of higher value than other 'types' of statutory notices, such as licenses to serve alcohol and goods vehicles operator license notices (12 out of 14 derived revenue from here).

The subsequent table illustrates how these findings translate into £ values for statutory notices, based on 2018 data from Companies House.[69]

[69] *To do this, we have allocated 25% of national and regional publishers' total revenues to the regional 'arm' of the business, and applied the proportions set out above to obtain these £ estimates.*

Table 11: Statutory notices revenue (£m), 2018

	Overall (£m)
Planning notices	£34
Traffic regulation orders	£11
Goods vehicles operator license notices	£7
Probate notices	£6
Licenses to serve alcohol	£5
Total	**£63**

Source: Economic Insight analysis of Companies House and online survey

Overall, we estimate statutory notices to be worth £63m to regional publishers. This is somewhat higher than other estimates, such as for example the LGA, who put the value of statutory notices at £26m per year in 2013[70]. Notwithstanding this, our estimate of the order of magnitude of traffic regulation orders of £11m is somewhat below the Department for Transport, who estimate traffic regulation orders alone to be worth 20m per year[71], and PA Consulting, who estimate their value to be £35m[72]. The NMA estimates that the loss of planning notices in local newspapers would cost the industry £10m per year.[73]

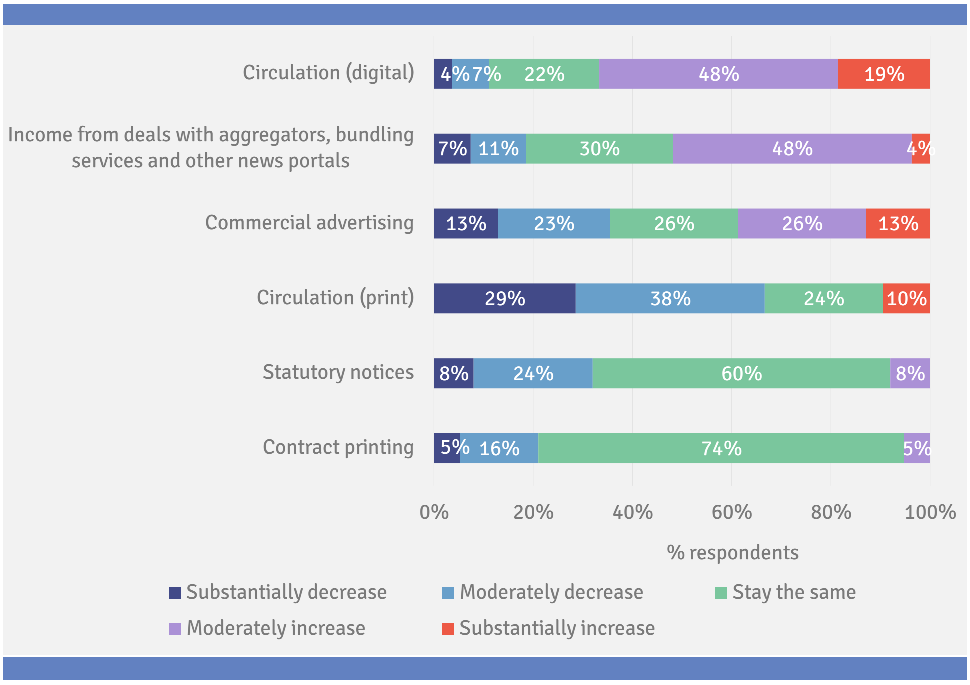
The next section sets out our respondents' future expectations.

70 *'Newspapers are the wrong place for statutory notices'. Local Government Chronicle (19 July 2013).*
71 *'Traffic Orders - Deregulating Publicity Requirements: Impact Assessment'. Department for Transport (22 August 2011).*
72 *'Traffic Regulation Orders and associated data policy: alpha report'. Department for Transport (18 August 2020).*
73 *'NUJ joins calls to protect planning notices in local newspapers.' National Union of Journalists (25 September 2020).*

4.4 Future outlook: revenue

Finally, the following figure illustrates how our survey respondents expect the different revenue streams to evolve over the next five years.

Figure 16: Revenues – outlook over the next five years



Source: Economic Insight online survey (N= 21, 27, 31, 25, 19, 27)

As can be seen, over two thirds of respondents believe digital circulation revenues will increase over the next five years; compared to over two thirds of respondents that believe income from print circulation will decrease. Over half (52%) of respondents also believe income from deals with aggregators, bundling services and other news portals will increase over the coming five years.

In relation to commercial advertising, just over a third of respondents (36%) believe this will decline over the next five years, whereas just over a third of respondents (39%) believe it will increase. On statutory notices and contract printing, most respondents believe this revenue stream will remain relatively constant over the next five years, though we note that the sector has expressed concern elsewhere about the Government potentially considering proposals to relax publicity requirements for planning notices and traffic orders.

This indicates that, whilst surveyed publishers consider the more traditional revenue streams will continue to decline in the near future, there are opportunities – especially in the digital space with online commercial advertising, as well as making deals with digital platforms and similar businesses. We note in the context of this latter point the commercial deals which Google and Facebook have been striking with news publishers as part of the recent launches of Google News Showcase and the Facebook News tab. That more than three quarters of respondents forecast only a moderate increase or no change in revenue here, may reflect some of the sector's concerns about the value and time-limited nature of such deals. [74]

Looking at the current use of such deals, our survey provides some insights into how publishers interact with these platforms. Most respondents who had financial deals with aggregators, did so with Google News Showcase (63%), followed by Facebook News tab (50%). 13% of respondents who had financial deals with aggregators did so with Readly and only one respondent had a deal with Pressreader. Other entities mentioned include: Taboola; Ecommerce; Daily Motion; NLA; SWNS; Proquest; Brightsolid; Microsoft; Lexis Nexis; Axate; as well as publishers' own bundled applications.

[74] *For example, see: '[Facebook's peace deal with Rupert Murdoch spooks the media world](#)'. The Telegraph (16 March 2021); and '[Daily Mail publisher rejected Google deal because 'money not adequate and terms too restrictive'](#).' Press Gazette (23 March 2021).*

5. Costs

This chapter sets out the: (i) overall cost of sales and staff cost movements across the UK press sector; and (ii) what publisher's cost base is made up of, based on our primary research. We find that cost of sales across the industry is falling, which is consistent with an overall reduction in print circulation. Further, we find that staff costs are the most important driver of overall costs. Respondents to our online survey believe costs will remain relatively constant over the next five years, except for staff costs, which are expected to increase.

5.1 Key findings

Our key findings in relation to the UK press sector's costs are as follows:

- **Cost of sales have decreased by a quarter (25%) between 2010 and 2018 across the whole UK press sector from £1.7bn to almost £1.4bn**. This is likely due to the reduction in overall print circulation, set out in chapter 3. Notwithstanding this overall reduction, it masks the slight difference between national and regional publishers, whereby cost of sales decreased by 21% for the former and decreased by 44% for the latter. This was driven by a large decrease in the large regional publishers' cost of sales, which was likely due to ongoing cost-cutting measures, as well as title closures and mergers amongst this group of publishers.

- **Similarly, staff costs decreased between 2010 and 2018 from £1.2bn to £1.1bn, albeit at a much lower rate (9%) than cost of sales, and not in line with the fall in staff during the same period of almost a third (30%) from over 29,000 employees to just over 20,000**. This is due to the proportion of staff costs that are pension contributions being relatively large in years where the proportion of wages and salaries of total staff costs has decreased. Therefore, the net effect of staff count decreasing, with increasing pension contributions (and potentially severance payments), means there has not been the same decrease in staff costs proportionate to the decrease in staff numbers.

- **Our online survey results confirm that staff costs are the most important driver of overall costs for publishers.** 54% of respondents' operating costs are staff costs. In terms of staff composition, respondents to our survey state that *content, production and editorial staff* account for 61% of their overall staff costs, followed by *commercial, sales and marketing* accounting for 26%. This is similar across both national and regional respondents, with national publishers having a slightly higher proportion of *content production and editorial staff* (55% vs 42% for regionals), but a slightly lower one in terms of *commercial, sales and marketing* roles (26% vs 27% for regionals). This further demonstrates the importance of frontline journalists across both national and regional publishers. Triangulating our survey results with Companies House analysis, we estimate that overall industry **frontline journalist staff costs amount to £580m** (of which **£486m are from national publishers** and **£94m from regional ones**).

- Generally, respondents to our survey believe costs will remain relatively constant over the next five years, except for staff costs, which 52% of respondents believe will increase. This stands at odds with the general decline set out above and may demonstrate a slight optimism from publishers in the need to retain to frontline journalists to deliver more and higher quality content given the pressures on the sector.

- Finally, **the largest tax expense for UK publishers is corporation tax**, which accounts on average for 41% of their total tax spend. VAT and other taxes account for 26% and 22% of total tax spend respectively, with business rates accounting for 10%. We expect the increase in corporation tax from 2023 to 25% to impact publishers significantly. The removal of VAT from digital content from May 2020 – and hence a price reduction for consumers on digital content - may lead more consumers to subscribe, however there will not be any direct impacts on publishers' costs arising from this initiative.

5.2 Overall UK costs

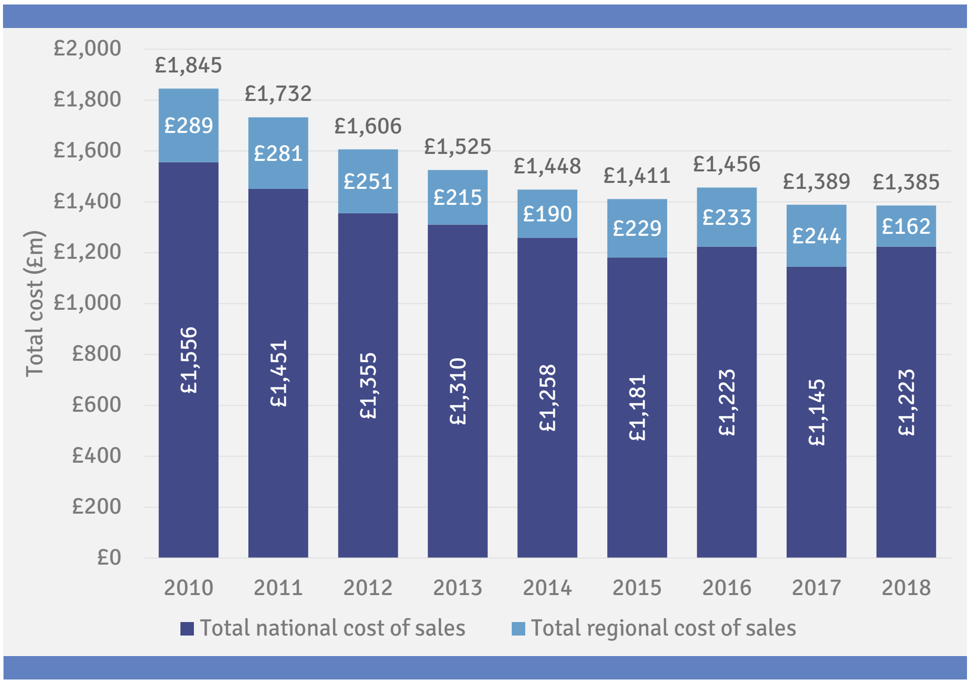
In the following section we set out changes in industry cost of sales and staff cost and numbers, based on our financial analysis. Subsequently, we provide more detail on individual cost drivers, based on our primary research.

5.2.1 Cost of sales

THE REDUCTION IN COST OF SALES IS ACCOMPANIED BY A LARGE REDUCTION IN PRINT CIRCULATION, BOTH AT A NATIONAL AND REGIONAL LEVEL.

The following figure shows national, regional and total industry cost of sales between 2010 and 2018 .

Figure 17: Cost of sales, by segment excluding digital, 2010 - 2018



Source: Economic Insight analysis of Companies House data

As can be seen, cost of sales has fallen by 25% between 2010 and 2018 (from £1.7bn to £1.4bn). This is made up of a 21% decrease in national costs and regional costs almost halving (44% decrease). This reduction is consistent with the halving of average daily circulation of national newspapers from 11.2m in 2007 to 5.8m in 2018, and an even larger reduction for average weekly circulation of local / regional newspapers during the same period, from 63.4m to 31.4m.[75]

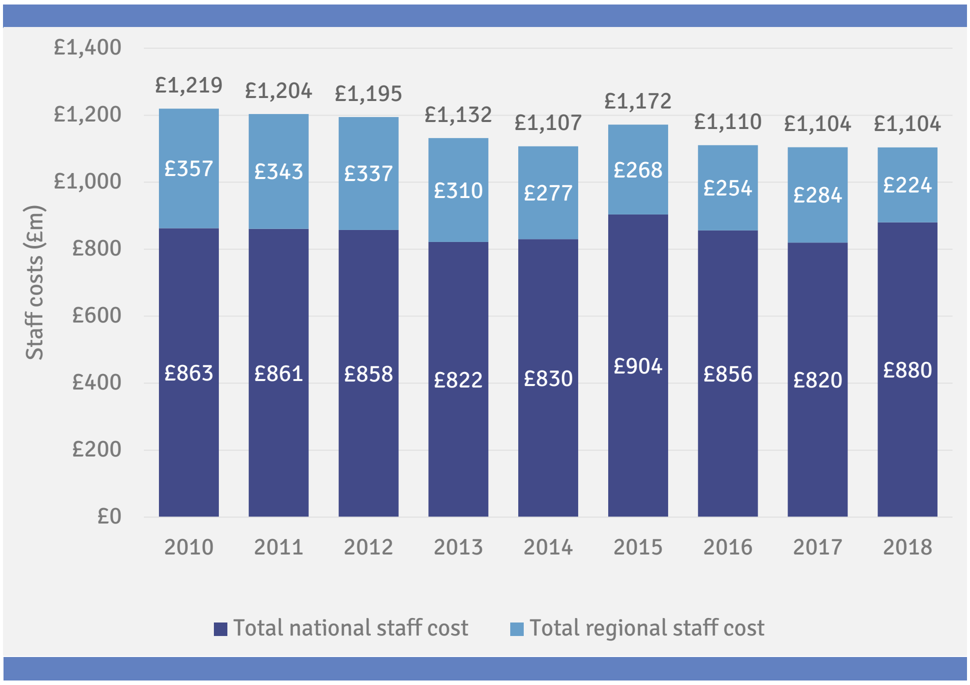
Moreover, as we set out subsequently, staff numbers have also reduced, and therefore overall, this reduction in cost of sales is both a manifestation of the contraction of the UK press sector, as well as the fruits of any cost-cutting exercises pursued by publishers, especially the larger regional ones – where for the sector to remain sustainable, these efficiencies need to be larger than the cost (and revenue) reduction from reduced circulation and content provision.

[75] *'Overview of recent dynamics in the UK press market.' Mediatique (2018); page 6.*

5.2.2 Staff costs

Industry staff costs, split by national and regional publishers between 2010 and 2018 are shown in the next figure. In line with overall industry revenues and cost of sales, national staff costs make up ca. 75% of total industry staff costs.

Figure 18: Staff cost, by segment excluding digital, 2010 - 2018

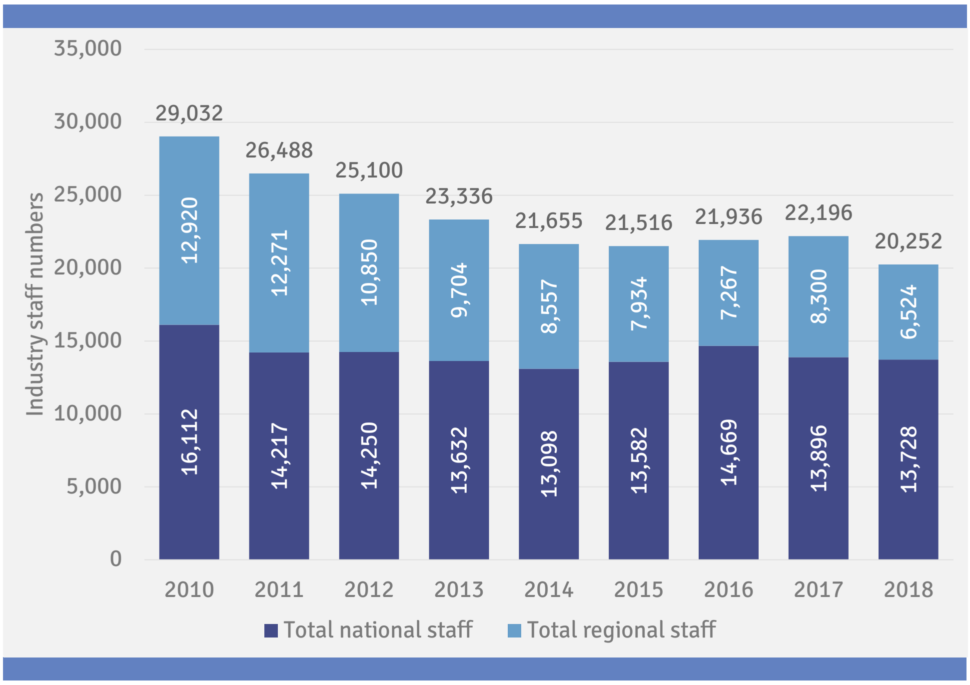


Source: Economic Insight analysis of Companies House data

As can be seen, overall industry staff costs reduced by 9% from 2010 to 2018. This total number masks some variation between the national and regional publishers, whereby staff costs for national publishers increased by 2% from £863m in 2010 to £880m in 2018, and those for regional publishers decreased by 37% from £357m in 2010 to £224m in 2018.

This slight decrease in overall staff costs from £1.2bn in 2010 to £1.1bn in 2018 is likely driven by the contribution of pension costs to overall staff costs – as illustrated subsequently. This is because, as staff costs have only reduced slightly between 2010 and 2018, total industry staff numbers have decreased by almost a third (30%). This is illustrated in the following figure, which highlights staff numbers across the national, regional and total industry between 2010 and 2018.

Figure 19: Industry staff numbers, by segment excluding digital, 2010 - 2018



Source: Economic Insight analysis of Companies House data

The largest decrease in staff numbers was felt in the regional publishers' segment, where staff numbers decreased by half (50%) between 2010 and 2018, from 12,920 employees to 6,524. This significant fall is likely due to a combination of title closures, as well as mergers of titles – therefore requiring less staff and achieving some efficiencies in terms of cutting staff costs (as mentioned previously). This is further corroborated by a report from the BBC that finds that "*since 2005 more than 200 local papers have closed in the UK and the number of regional journalists has halved to around 6,500, with staff cuts, centralised newsrooms, sub-editing and printers re-located miles from local communities, leaving press benches in councils and courtrooms increasingly empty*."[76] National publishers' staff count decreased by 15% during the same period, from 16,112 to 13,728.

Box 4: Overall staff numbers compared to ONS figures

Our estimate of just over 20,000 employees for 2018 squares with the ONS Business Register and Employment Survey (BRES) figure of 22,000 for total employees in the following industries: "5813 : Publishing of newspapers" and "1811: Printing of newspapers" in 2019. This ONS survey publishes employee and employment estimates at detailed geographical and industrial levels and is regarded as the definitive source of official government employee statistics by industry. Our estimate is based on company's reported average full-time equivalent staff.

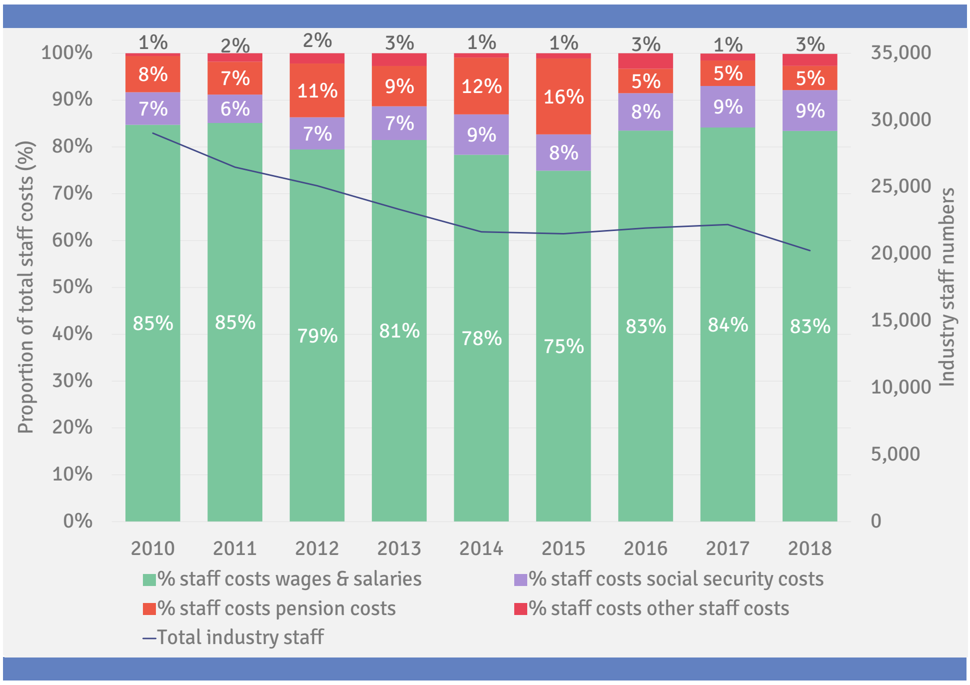
On the other hand, the ONS Annual Population Survey figure of 103,000 total employment in 2019 for "2471: Journalists, newspaper and periodical editors" is higher than our estimate above. The industry status in this ONS survey is based on respondent's self-classification, so it may not match the official industry status for their employer on the business register and therefore not square to the same extent as the BRES figure above.

Source: 'Comparison of labour market data source'. ONS (11 December 2020); and 'Business Register Employment Survey (BRES) QMI'. ONS (28 November 2014).

76 *'The death of the local newspaper?'. BBC News (20 February 2018).*

Notwithstanding this decrease in staff numbers, the proportion of total staff costs that are pension contributions has been relatively large in years where overall staff numbers have decreased / remained the same, as the following figure illustrates.

Figure 20: Staff costs split by source, total industry excluding digital, 2010 - 2018



Source: Economic Insight analysis of Companies House data

For example, in 2012, 2014 and 2015, the proportion of total staff costs that were pension costs was 11%, 12%, and 16% respectively. These staff costs are not as 'variable' as staff's wages and salaries for example, which mostly decrease in line with staff number reductions. Other staff costs not accounted for in the above include redundancy and severance payments, which also do not decrease in line with staff reductions (although they are responsible for staff number reductions).

The following sections explore the different operating costs splits in more detail, based on our primary research. We start by looking at:

- what the different sources of cost of national and regional publishers are;
- the different operating costs;
- the different staff costs; and
- the tax burden.

5.3 Sources of costs

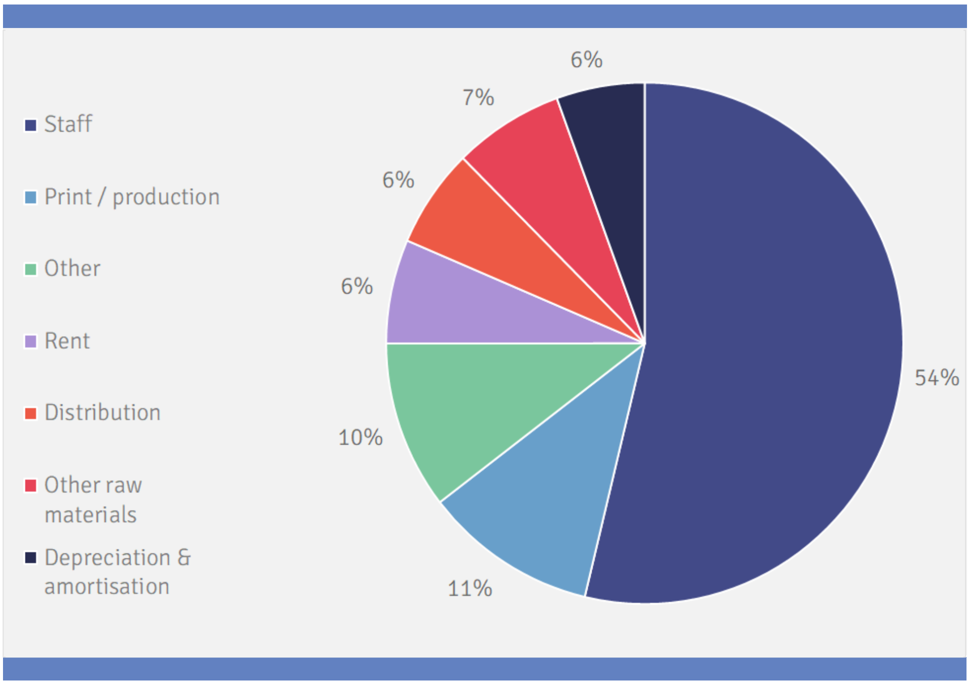
On average, the combined **annual operating costs** of respondents to our online survey was **£794m.** This amounts to over half of the cost of sales we estimated from the FAME data above.

Over half our sample for the online survey (52%) considered their operating costs had increased over the last five years, whereas 18% considered they had remained the same, and just under a third (30%) thought they had decreased.

In terms of main operating cost drivers, we have found that staff costs are the main one. This was followed by print / production costs. The following figure shows the different operating cost drivers, on average, for our survey respondents.

STAFF COSTS ARE THE MAIN DRIVER OF OVERALL COST.

Figure 21: Overall operating cost split, weighted average by total titles



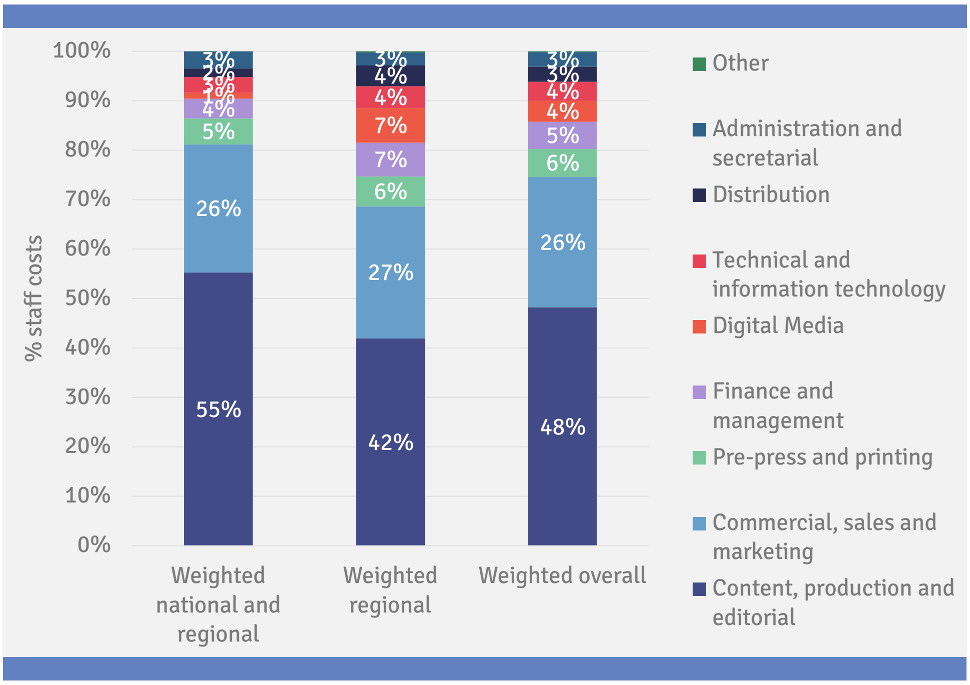
Source: Economic Insight online survey (Overall: N=32 respondents, 523 titles, 470 websites)

Again, this illustrates the importance of the workforce in the UK press sector, especially of frontline journalists, as we set out in more detail subsequently.

5.3.1 Staff costs splits

The following table illustrates where most staff costs lie for our surveyed publishers.

Figure 22: Staff cost split, online survey



Source: Economic Insight online survey (National: N=3 respondents, 255 titles, 213 websites; Regional: N=25 respondents, 268 titles, 253 websites; Overall: N=28 respondents, 523 titles, 466 websites)

As can be seen, the largest proportion of staff costs accrues to *content, production and editorial* staff (with an average of 48% of overall staff costs being in relation to these employees), followed by *commercial, sales and marketing*. This spread remains relatively similar across national and regional publishers surveyed, with *content, production and editorial* taking on a slightly more important role for national than regional publishers (55% vs 42% of total staff costs). This highlights the importance of frontline journalists for the UK press sector – as without content no print or digital title can drive circulation. This in turn impacts on the leverage publishers can achieve with commercial advertisers – as without readers, they cannot provide a credible offer to advertisers.

Triangulating our survey findings with our FAME analysis, we estimate the following staff costs by segment, based on the national and regional proportions set out above.

Table 12: Staff costs by segment, £m, 2018 base

	Total national staff costs (£m)	Total regional staff costs (£m)	Total industry staff costs (£m)
Content, production and editorial	£486	£94	£580
Commercial, sales and marketing	£228	£60	£288
Pre-press and printing	£46	£14	£60
Finance and management	£35	£15	£50
Digital Media	£10	£16	£26
Technical and information technology	£28	£10	£38
Distribution	£16	£9	£25
Administration and secretarial	£30	£6	£36
Other	£0	£1	£1
Total staff costs (FAME)	**£880**	**£224**	**£1,104**

Source: Economic Insight Companies House and online survey

Based on the 2018 industry staff costs, we estimate that around £580m of staff costs accrue to frontline journalists, where this is split between £486m for national publishers and £94m for regional publishers (of which £80m for large regional publishers' frontline journalists, with the remainder split between mid-sized and single-title publishers).

5.4 Taxation

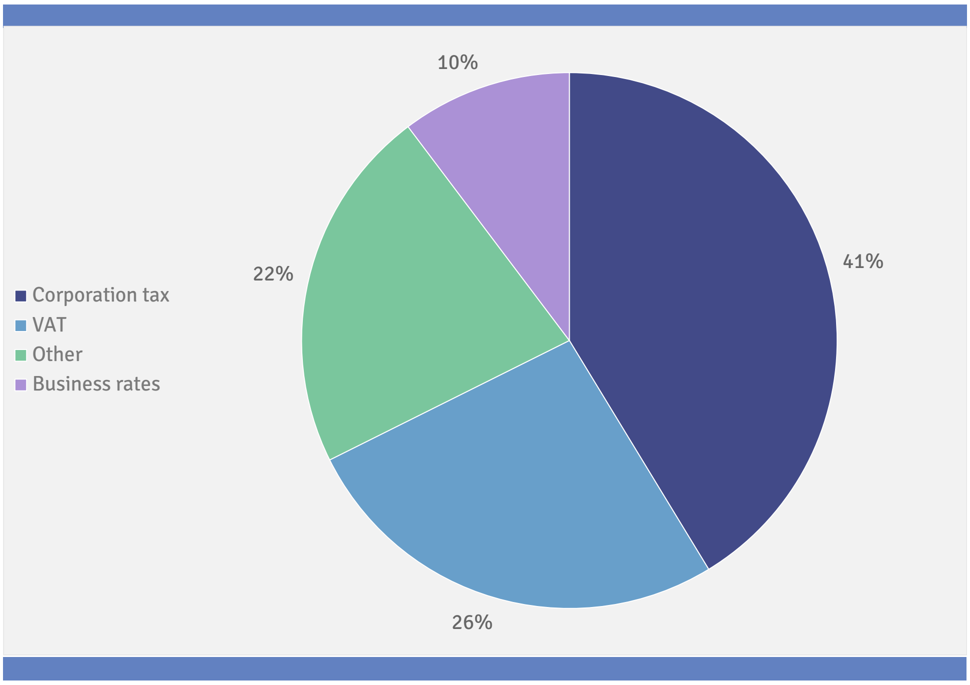
Finally, another 'cost' publishers face is taxation. On average, the **annual tax burden** of our online survey respondents was **£51m**.

70% of respondents considered that, over the last five years, this tax burden had remained the same. 21% of respondents considered it had decreased over the same time period, whereas 9% considered it had increased.

To get a better grasp of where this tax burden lies, the following table illustrates the spread of tax payments of our online survey respondents.

CORPORATION TAX IS THE MAIN TAX EXPENSE FOR SURVEYED PUBLISHERS.

Figure 23: Tax split, online survey



Source: Economic Insight online survey (N=31 respondents, 523 titles, 469 websites)

As can be seen, the largest tax expense is corporation tax, which accounts on average for 41% of their total tax spend. VAT and other taxes account for 26% and 22% of total tax spend respectively, with business rates accounting for 10%.

Currently there will be countervailing forces, with corporation tax rates set to increase from 2023 to 25%[77], whereas VAT rates were cut on digital content from May 2020.[78] Therefore, the net effect will likely still be a higher tax expense for UK news publishers. Business rates, which account for a relatively small portion of publishers' taxes make up ca. £5m. Given the likely move of some publishers to purely home working, as noted in the previous section, the importance of business rates is likely to fall further in the context of publishers' overall tax liability.

[77] *See here: https://www.gov.uk/government/publications/corporation-tax-charge-and-rates-from-1-april-2022-and-small-profits-rate-and-marginal-relief-from-1-april-2023/corporation-tax-charge-and-rates-from-1-april-2022-and-small-profits-rate-and-marginal-relief-from-1-april-2023*

[78] *See here: https://www.gov.uk/guidance/zero-rate-of-vat-for-electronic-publications*

Notwithstanding the above, one way to aid the press sector's financial sustainability, put forward by the Professional Publishers Association (PPA), is providing further relief on business rates – see the box below.

Box 5: PPA Reiterates Calls for Business Rates Relief for Publishers

In November 2020, as England entered a second national lockdown, the PPA wrote to Chancellor Rishi Sunak calling for the full business rates holiday currently afforded to retail, hospitality, and leisure properties to be expanded to encompass magazine and business media publishers.

The PPA repeated earlier calls for business rate relief for the sector, stating "*following instruction from Government… publishers have now had their entire staff working from home for the best part of nine months, with additional costs to support home working and the wellbeing of people working remotely. The high fixed costs of business rates, a tax on currently empty office space, is yet another hit to publishers' financial resilience*."

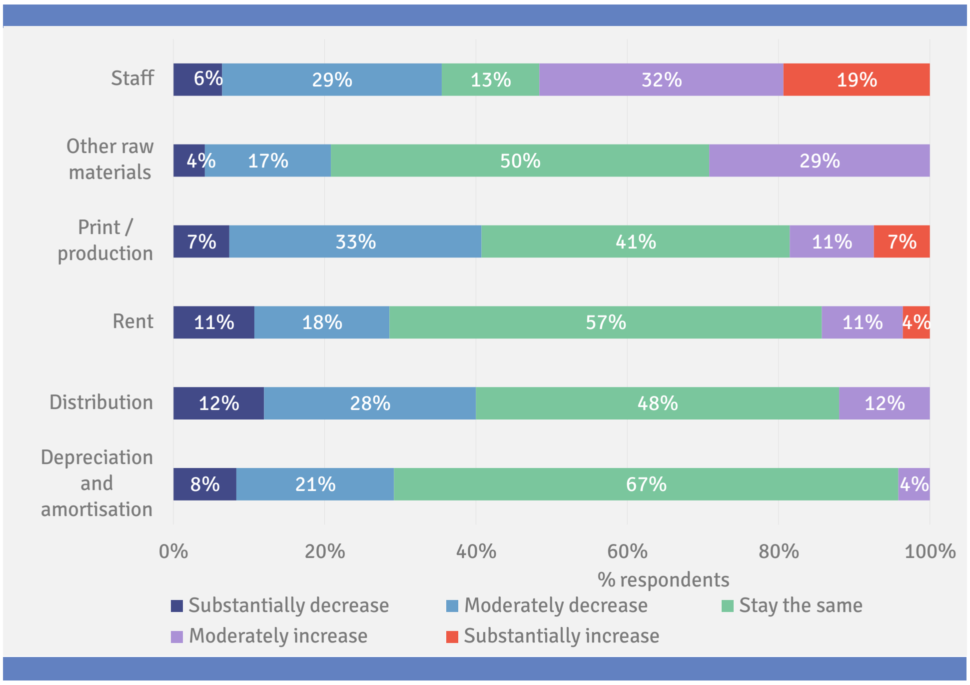
In their submission to the Government's Review of Business Rates, the PPA called for Government to **retain and expand the local newspaper business rates relief introduced in 2017**, to include all independent publishers. The current scheme, which benefits those properties used as office premises for journalists and reporters on a local newspaper, provides a £1,500 rates discount.[79]

Source: 'PPA Reiterates Calls for Business Rates Relief for Publishers.', PPA (17 November 2020).

5.5 Future outlook: costs

The following figure illustrates respondents' outlook on costs over the next five years.

Figure 24: Staff costs split by source, total industry excluding digital, 2010 - 2018



Source: Economic Insight online survey (N=31, 28, 27, 25, 24, 24)

As can be seen, generally respondents believe costs will remain relatively constant, except for staff costs, which 52% of respondents believe will increase. This stands at odds with the general decline we have set out at the start of the chapter, with overall industry staff costs declining since 2010. This may demonstrate a slight optimism

[79] *See here: https://www.gov.uk/apply-for-business-rate-relief/local-newspaper-relief*

from publishers in the need to retain to frontline journalists to deliver more and higher quality content given the pressures on the sector, which is further illustrated in the cost-cutting measures publishers are considering below.

To counteract this increase in staff costs, respondents said they were considering the following cost-cutting measures.

Table 13: Cost-cutting measures considered

	%
Other redundancies	79%
Title closures	71%
Reduction in content / output	71%
Redundancies in the news room	57%
Title mergers	50%
Sale of other assets	36%
Sale of titles	21%
Other	14%

Source: Economic Insight online survey (N=14 respondents, 462 titles, 392 websites)

The previous table suggests respondents are looking for redundancies outside the news room, before considering redundancies in the news room. Other cost-cutting measures considered by respondents included: (i) closing the office and moving to remote working; and (ii) a continued reduction in discretionary spend.

Reports from the media further corroborate that publishers are seeking cost cutting measures elsewhere. For example, Reach plc announced in March 2021 it plans to close their offices and make most employees work from home.[80]

[80] *'NUJ reacts to Reach plans.' National Union of Journalists (19 March 2021).*

Box 6: COVID-19 job losses

The Press Gazette found that more than 2,000 jobs at UK-based news organisations have been put at risk during the COVID-19 crisis. Specifically, cutbacks have fallen across the news industry as the decline in print sales has deepened and the advertising market has collapsed under lockdown.

In August 2020 more than 200 redundancies have been revealed, split between *Mail* publisher DMG Media and the *Evening Standard*. A large proportion of editorial staff are affected by the cutbacks, even at organisations that were able to avoid furloughing staff earlier on.

In April 2020, at the height of the pandemic, the Press Gazette reported that more than 2,000 staff across the UK's national and regional press had been furloughed. Many of these have now turned into real cuts. The press in particular has already been struggling with a declining print readership, disruption from mobile and online, and a digital ad market dominated by the tech giants.

Known COVID-19 cutbacks so far include:

- DMG Media – up to 100 staff facing redundancy;
- Evening Standard – up to 115 staff facing redundancy, including 69 in editorial;
- Guardian – up to 180 jobs at risk of redundancy, including 70 in editorial;
- Reach – 550 jobs to goat the UK's largest newspaper publisher (around 12% of its workforce);
- Newsquest – at least 38 journalism jobs at risk, plus more in advertising;
- News UK – no numbers yet, but warning of job cuts to come as transition to "digital future" accelerates;
- The Telegraph – branded content arm ditched ahead of schedule, with fewer than 100 non-editorial roles at risk;
- New York Times – 68 roles terminated, primarily in advertising; and
- Quartz – 80 jobs cut and London office closed.

Source: 'Covid-19 crisis leads to more than 2,000 job cuts across UK news organisations.', Press Gazette (14 August 2020).

6. Assets and liabilities

This chapter sets out the: (i) overall asset and liability movements across the UK press sector; (ii) the composition of publishers' asset base and liabilities; and (iii) industry solvency. We find that both overall industry assets and liabilities have declined between 2010 and 2018. In general, the balance sheet analysis reveals a picture consistent with that described in the previous chapters. Namely, an industry declining in size and going through structural change. Significant net outflows in investment have been more than matched by reductions in liabilities, consistent with consolidation, exit and retraction occurring as one might expect, without large-scale insolvency taking place. In addition, the sector as a whole is not overburdened with legacy debt that it cannot repay.

In this chapter, we explore changes in the industry's assets and liabilities. The UK press sector has a low level of capital intensity – as we set out subsequently – with the main 'asset' being its workforce (and intangibles, such as rights and brand), as set out in the previous chapter.

6.1 Key findings

Our key findings in relation to the UK press sector's assets and liabilities are as follows.

- **Total industry assets have declined significantly between 2010 and 2018, from £11.1bn to £5.8bn.** This is consistent with a net outflow of investment in the industry.
  - **Most total industry assets are non-current, of which most are intangible.** Generally, the UK press sector is not characterised by the need for heavy investment in physical assets. Rather, key assets are items such as publishing rights and brand value.
  - **The proportion of tangible assets is falling.** In addition to the industry being 'light' in tangible assets, the data shows that the proportion of assets that are tangible has been falling over time. The relative importance of

intangible assets to the industry is, therefore, increasing. This likely reflects the shift towards digitisation (and therefore there are good reasons to expect this trend to continue).

- **Total industry liabilities have also declined (and by more than total assets), and the UK press sector has (relatively) low gearing.** Whilst there has been a net reduction in investment (as noted above), the industry has (at an overall level) been able to reduce its liabilities (debt) in line with this.
  - Accordingly, in general the industry is not particularly constrained by legacy debt, or at risk of defaults.
  - However, regional publishers are more highly leveraged and have less financial resilience. If their profitability continues to decline, this could, therefore become a cause for concern (i.e. further exits and consolidations could occur amongst regional publishers).

- **Equity finance is playing an increasingly important role – and there may be a need to attract new equity investors into the industry.** Not only is the sector not particularly highly leveraged but (as above) as liabilities have fallen faster than assets, the share of investment funded by equity has gradually trended up. Looking ahead, the fact that the future of the industry is likely based around new (digital) business models, and said models require investment that is more amenable to equity (rather than debt) finance (due to the more intangible nature of assets used), would seem to imply:
  - that the trend towards equity finance is likely to continue; and
  - that potentially new / different equity investors (relative to those previously invested in the sector) may need to be attracted in.

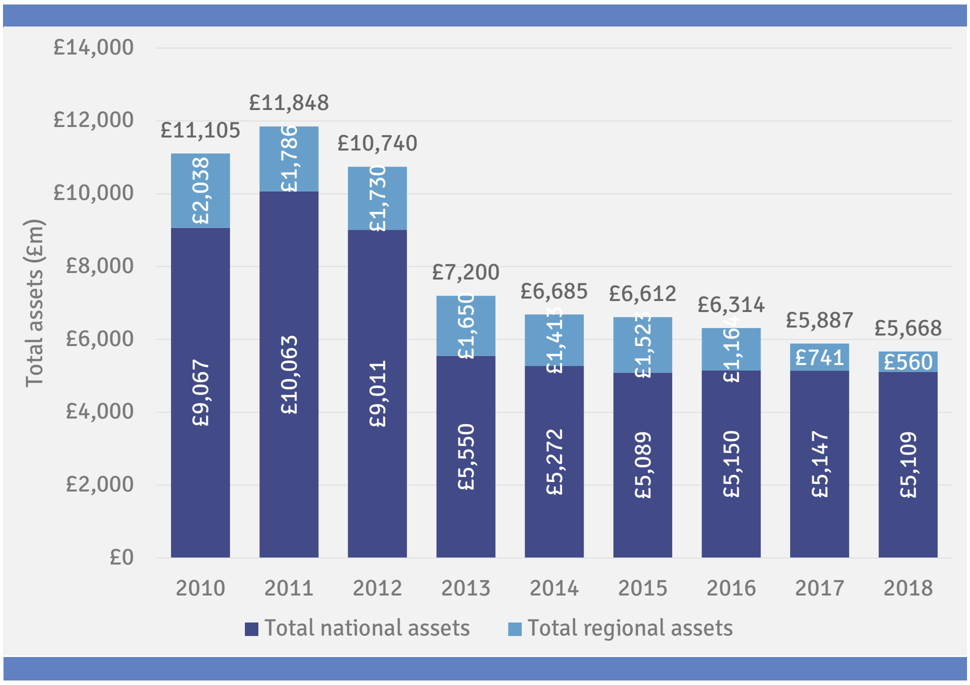
- **Pension liabilities as a proportion of operating profit are significant and suggest publishers need to achieve large profits to be able to stem those liabilities.** In particular, where a publisher becomes insolvent, Government may become liable for their pension liabilities. This may become an issue for policymakers, were more publishers to become insolvent and Government would become responsible for footing some of their liabilities.

In the following sections we set this out in more detail. First, we look at overall industry assets and their composition, followed by overall industry liabilities and gearing and their make-up, as well as examining some industry solvency measures.

6.2 Assets

Total industry assets reduced by 49% between 2010 and 2018, from £11.1bn to £5.8bn. This is shown in the following figure, which also provides a breakdown of assets between national and regional publishers.

Figure 25: Total assets, by segment excluding digital, 2010 - 2018



Source: Economic Insight analysis of Companies House data

The decrease in total assets is most pronounced for regional publishers, where total regional assets reduced by 73% between 2010 and 2018 (from £2.0bn to £560m)[81], compared to total national assets decreasing by 44% over the same period (from £9.0bn to £5.1bn).

The steep drop in total assets in 2013 for the nationals is in part due to the restructuring of the then News Corporation, which completed the separation of its publishing and media and entertainment businesses into two distinct publicly traded companies (the News Corporation; and 21st Century Fox) on 28th June 2013. However, even following this step-change, total assets have continued to fall.

The above data indicates that, overall, the UK press sector has experienced a significant net outflow of investment over recent years. This, of course, is unsurprising in the context of the general reduction in the overall 'size' of the sector (in terms of falling revenues; circulation; and staff) as described in the preceding chapters of this report; and the erosion of previous (physical infrastructure based) business models. Looking forward, whilst the shift to digitisation will itself require investment[82] (primarily in the form of intangible assets, such as software and brand) this is unlikely to be of the same order of magnitude as required under traditional

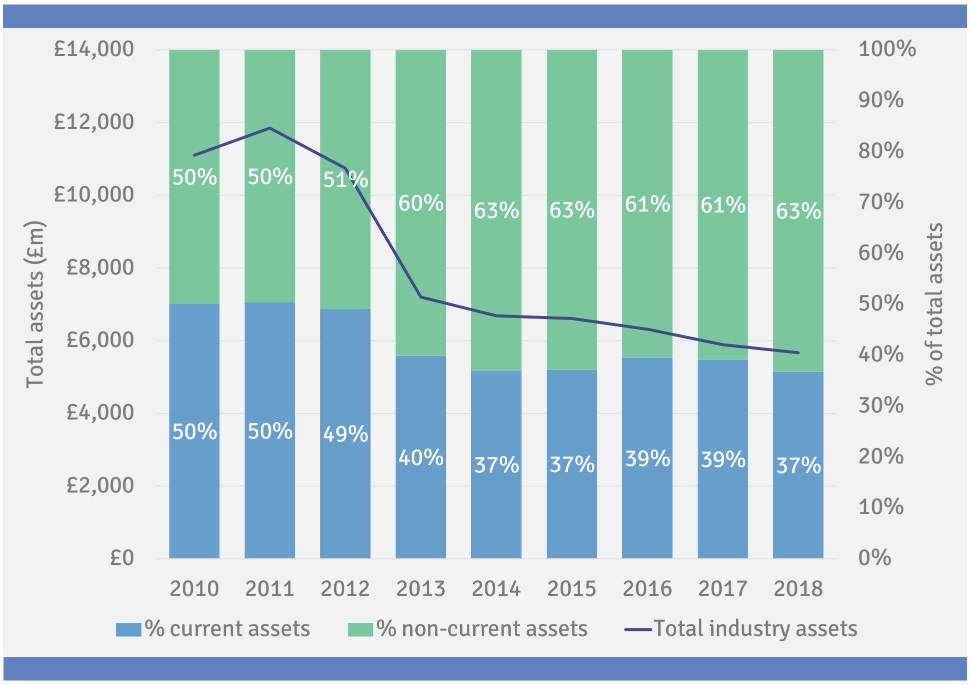
81 *This could in part be driven by the restructuring of one of the largest regional publishers (Neswquest) in 2017, where the business assets and liabilities of several subsidiaries were transferred to the company and re-distributed. Moreover, the largest regional publisher at the time (Johnston Press) also ceased trading in 2017.*

82 *'The Cairncross Review: a sustainable future for journalism.' (2019); page 15.*

publishing business models. Hence, this net outflow of investment may be expected to continue, until the structural change has completed.

The following figure shows how total assets are split between *current* (i.e. assets that are used in business operations during the course of a year, such as cash and receivables) and *non-current* (i.e. longer-term investments, the value of which will not be realised within the year).

Figure 26: Total assets split by current and non-current, total industry excluding digital, 2010 - 2018



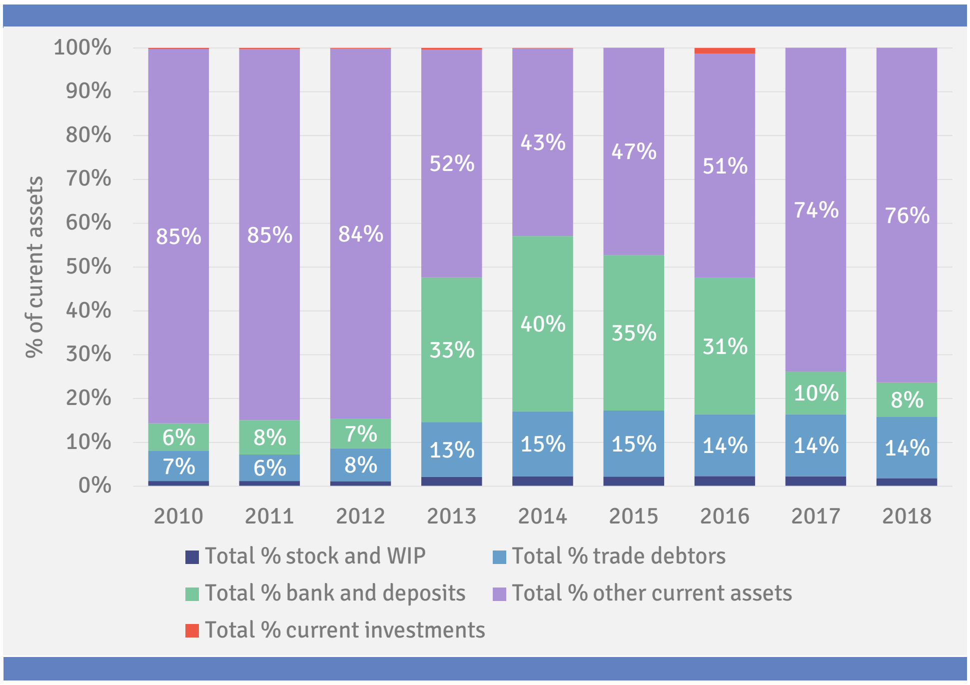
Source: Economic Insight analysis of Companies House data

As can be seen, the share of *non-current* assets (longer-term investments) has increased somewhat over time, and now represents more than half of total assets. As we explain subsequently, these primarily relate to: intellectual property, brand (and other intangibles) and property, plant and equipment (although the latter is becoming less important). Nonetheless, *current* assets still represent 37% of the total – and in the next subsection we therefore examine in more detail what these comprise of.

6.2.1 Current assets

Looking in more detail at the makeup of *current* assets in the industry, the following figure shows how this is broken down over the period 2010 to 2018.

Figure 27: Total industry current assets split, excluding digital, 2010 - 2018



Source: Economic Insight analysis of Companies House data

In general, publishing is not an industry that requires significant amounts of cash on the balance sheet, with cash making up between 6% and 10% of current assets in most years. This reflects the fact that a material proportion of industry revenues (e.g. monies paid by individuals for physical newspapers / subscriptions) are generated in line with consumption, meaning that there are not large lags between costs being incurred and income generated (which can give rise to much larger cash requirements in other industries). In fact, under digital subscription models, income may accrue in advance of consumption and costs being incurred, further reducing the need for cash and working capital, as we discuss briefly subsequently.

There was a notable increase in cash between 2013 and 2016. However, this was not due to any underlying change in liquidity. Rather, it was mainly driven by News Group Newspapers Limited (publisher of *The Sun,* and responsible for the liabilities / activities of *News of the World*) increasing its cash holdings. This was done *in lieu* of the potential need to make large pay-outs pertaining to the civil cases brought against the company, following the *News International phone-hacking* inquiry.

Box 7: News International phone-hacking

The *News International* phone-hacking scandal was a controversy involving the now-defunct *News of the World* and other British newspapers owned by Rupert Murdoch. Employees of the newspaper were accused of engaging in phone-hacking, police bribery, and exercising improper influence in the pursuit of stories.

Following the closure of *News of the World* on 10 July 2011, Murdoch printed the first edition of *The Sun on Sunday* on 26 February 2012.

Source: 'Phone-hacking trial explained', BBC (25 June 2014).

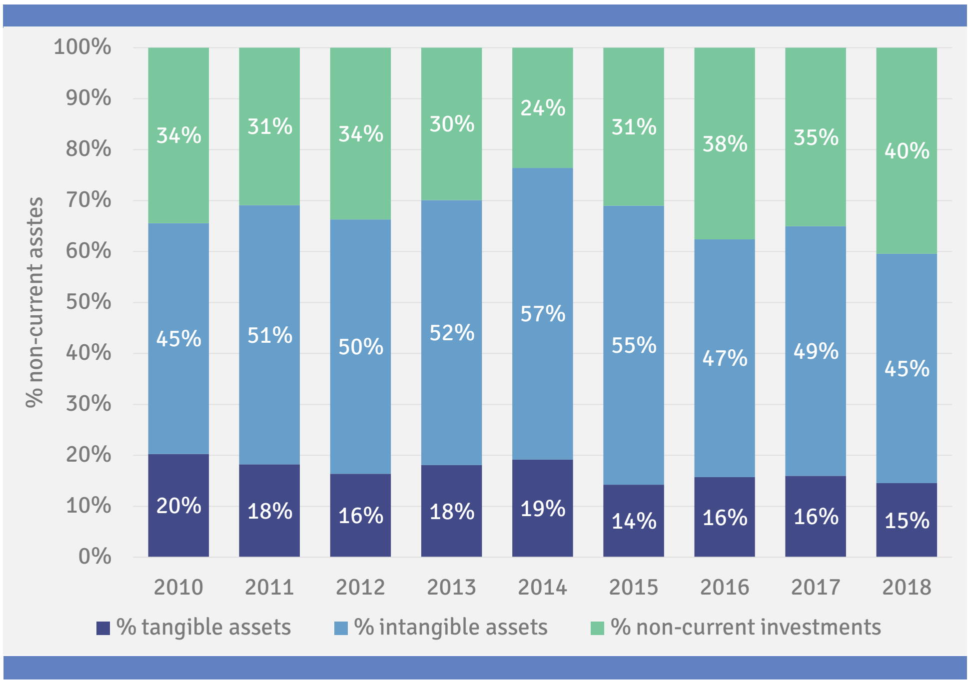
6.2.2 Non-current assets

Turning to *non-current* assets (i.e. longer-term investments) the following figure shows how these are broken down between:

- *tangible* assets (e.g. physical assets, such as property, plant and equipment);
- *intangible* assets (e.g. non-physical assets, such as intellectual property); and
- *investments* (e.g. investments in other firms, stocks etc).

Data is shown from 2010 to 2018 (inclusive).

Figure 28: Total industry non-current assets split, excluding digital, 2010 - 2018



Source: Economic Insight analysis of Companies House data

As can be seen, *intangible* assets are the most significant component of all non-current assets (45% in 2018). The relatively high proportion of *intangible* assets reflects the fact that the publishing sector is one in which key assets include: publishing and printing rights (a form of intellectual property); brand value of news titles; and, increasingly, software related investments. In contrast, physical (*tangible*) assets are a much less important feature, accounting for just 15% of total assets in 2018.

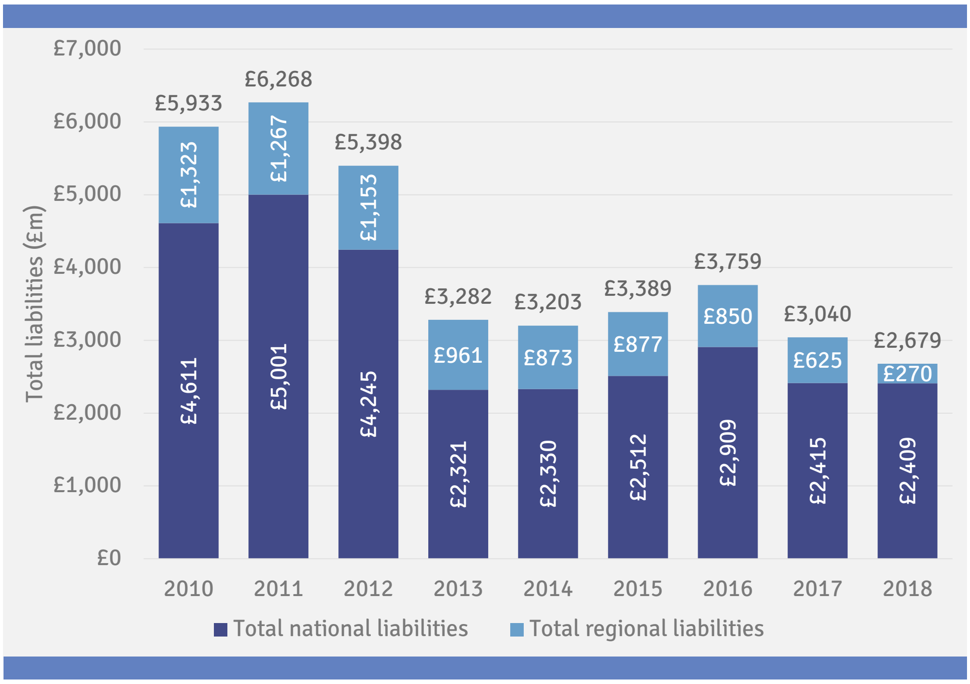
Whilst there are no particularly overtly 'strong' trends in the above mix, one can see that the share of *tangible* assets has fallen somewhat over time. One might expect this to continue, in light of the need to invest in a *digital future*, which would seem more consistent with an increased focus on *intangible* assets (e.g. software and brand).

6.3 Liabilities

Total liabilities refers to the totality of debt and other financial obligations of companies. Here, the key point to highlight from the data is that the industry has seen a significant decline in its overall liabilities, which have reduced by over half (55%) between 2010 and 2018, from £5.9bn to £2.7bn, respectively.

This means that the large reductions in total assets (as previously reported) have not given rise to any immediate balance sheet solvency issues in the industry, because publishers have generally been able to reduce their debt in line with net outflows in investment. Indeed, throughout the period, despite the structural change that has occurred, total assets remained in excess of total liabilities, meaning that the 'realisable' value of the assets of publishers is in excess of total debt. For example, in 2018 total industry assets stood at £5.6bn, whereas total industry liabilities were £2.7bn.

Figure 29: Total liabilities, by segment excluding digital, 2010 - 2018



Source: Economic Insight analysis of Companies House data

A LOW (AND DECREASING) PROPORTION OF TANGIBLE ASSETS IS CONSISTENT WITH A LESS IMPORTANT ROLE FOR DEBT FINANCING IN THE INDUSTRY – AND HENCE A REDUCTION IN NON-CURRENT LIABILITIES, TOO.

Again, the decrease in total industry liabilities is most pronounced for regional publishers, where total regional liabilities decreased by 80% between 2010 and 2018 from £1.3bn to £0.3bn (compared to total national liabilities, which decreased by 48% over the same time period, from £4.6bn to £2.4bn). This reinforces the picture previously set out (i.e. closures / consolidations occurring within regional publishers).

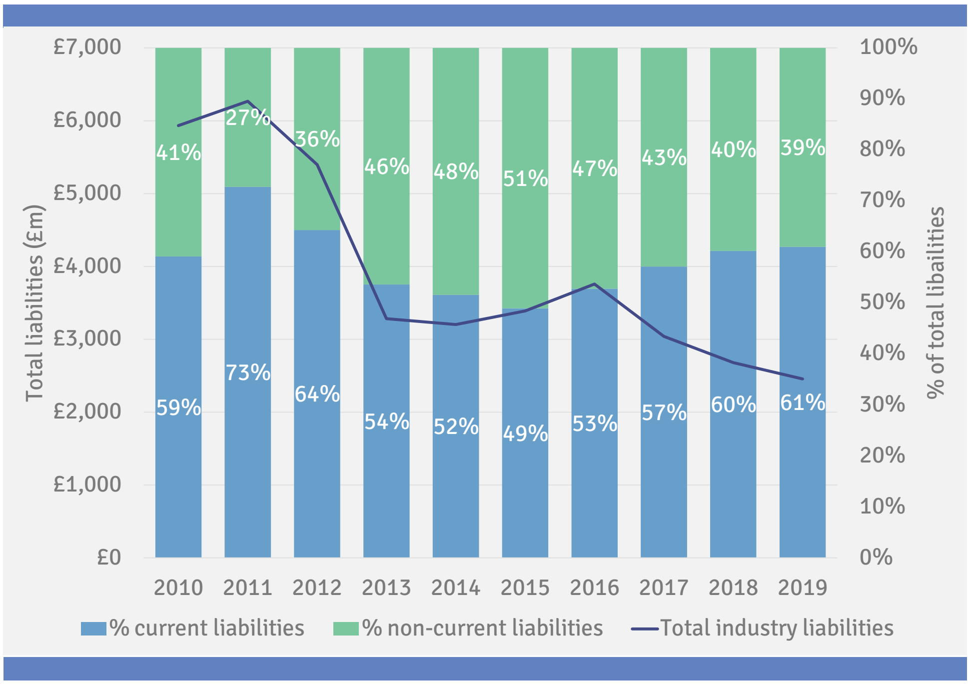
Following from the above trends in total industry assets and liabilities, which have both declined between 2010 and 2018, the former by almost half (49%) and the latter by over half (55%), we can see that total industry equity must have increased slightly. Thus, debt finance is playing a lesser role. This may reflect both:

- as per Figure 28, *tangible* assets are becoming 'less important' over time, which may naturally reduce the need for debt finance; and / or
- the structural decline of the industry may make it harder to raise debt finance on the same terms that was previously possible.

In the following passages, we take a closer look at the breakdown of liabilities, both in terms of the proportion of *current* and *non-current* liabilities in the industry, as well as what these are made-up of.

The figure below shows the proportion of total industry liabilities that are *current* and *non-current* between 2010 and 2018.

Figure 30: Total liabilities split by current and non-current, total industry excluding digital, 2010 - 2018



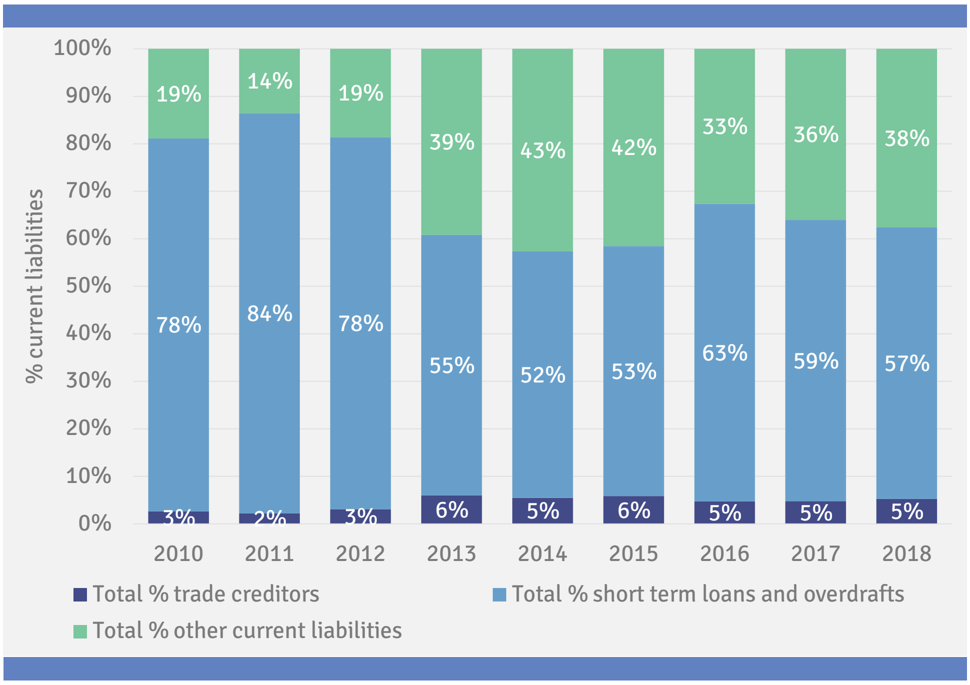
Source: Economic Insight analysis of Companies House data

Most industry liabilities are *current* (61% of total liabilities in 2018). Further, the proportion of liabilities that are *current* has been slightly trending up since around 2014. This seems to be consistent with the relatively low (and reducing) need for long-term investment in physical assets in the industry.

6.3.1 Current liabilities

Current liabilities refer to a company's near-term financial obligations (such as short-term borrowings) – those that need to be repaid within a year. The following figure shows the composition of *current* liabilities for the industry between 2010 and 2018.

Figure 31: Total industry current liabilities split, excluding digital, 2010 - 2018



Source: Economic Insight analysis of Companies House data

Most current liabilities are *short-term loans and overdrafts* (57% of total *current* liabilities in 2018); followed by *other current* liabilities (38%); and *trade creditors* (5%). The data shows that the proportion of *current* liabilities that are *trade creditors* (i.e. suppliers to whom money is owed within the year) has increased somewhat. This may be related to the shift to digitisation, where suppliers may increasingly be marketing, brand and software development firms, who are often compensated in arrears for work completed.

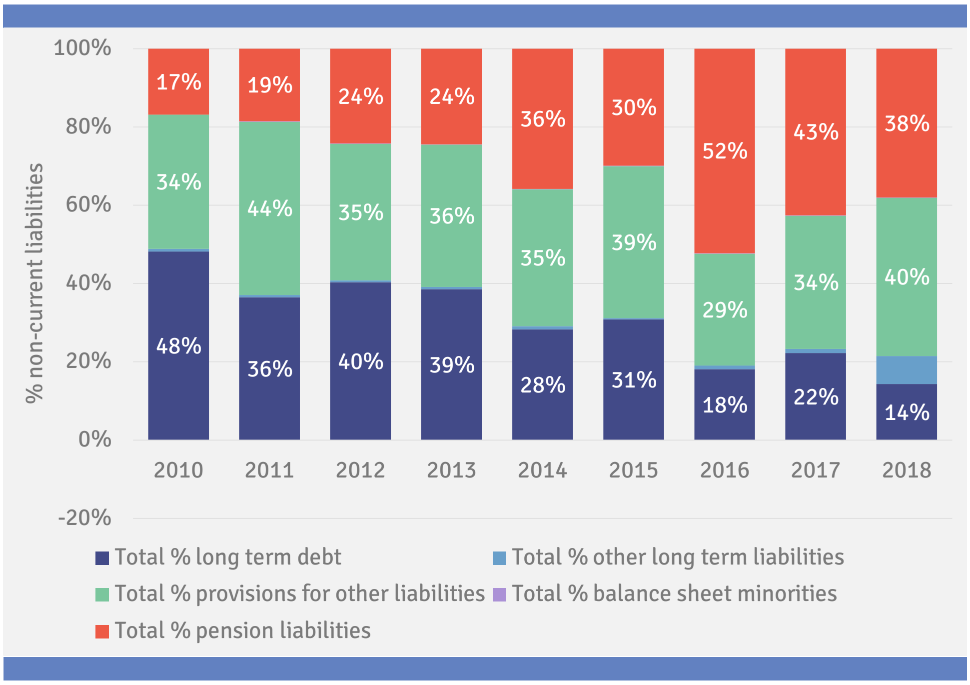
In relation to *other current* liabilities, these mostly relate to *accruals & deferred income*, which usually occurs where companies accept payments prior to delivering their goods and services. In relation to the UK national and regional press sector, this most likely relates to the use of subscription business models, where customers pay in advance on a weekly, monthly, or yearly basis for their print or (more often) digital editions. This deferred revenue is recorded as a liability because, whilst publishers will have received income, they are consequently obliged to provide a service (and incur costs in doing so) over the subscription period. The growth in this category of liabilities since 2012 is likely due to the increase in digital subscription models.

6.3.2 Non-current liabilities

Non-current liabilities refer to longer-term debt and obligations, typically repaid over a period longer than one year. The figure below shows how these are split by category between 2010 and 2018, distinguishing between:

- *long-term debt* (e.g. loans from debt finance providers);
- *provisions* (e.g. money set aside to cover future negative impacts on the profit and loss account, such as: restructuring; deferred tax; asset impairments; provisions for litigations; bad debt write downs etc.);
- *pension liabilities* (the difference between the amount due to retirees and the assets of pension funds); and
- *other long-term liabilities* (i.e. any 'other' ongoing / long-term obligation).

Figure 32: Total industry non-current liabilities split, excluding digital, 2010 - 2018



Source: Economic Insight analysis of Companies House data

As can be seen, *provisions* (40% in 2018) represent a significant component of *non-current* liabilities. This likely reflects risk exposure to historical (and ongoing) litigations, such as those relating to the *News International phone-hacking scandal.* It may also be likely that the ongoing structural change (with a decline of existing business models and a shift to digital) means that publishers face ongoing restructuring costs for the foreseeable future, as they seek to reorganise their workforces. These costs may remain material, and so provisions are set aside future losses they may give rise to.

Like many industries (particularly those facing structural change) *pensions* represent a significant liability (38% of the total in 2018). It is notable that *pensions* have increased their share of total liabilities from 17% in 2010, consistent with them becoming an increasingly challenging issue for the industry. For example, compared to other industries, the ratio of *pension liabilities* to operating profit is rather large. This is problematic, as this deficit can only be addressed by turning enough profits to be able to do so – which, as we set out in the subsequent chapter, the UK press sector has not been able to do (or at least not to the extent required to 'plug' this gap).

Table 14: Pension liabilities as a proportion of operating profit (EBIT), 2015 - 2018

	2015	2016	2017	2018
National press	-189%	1244%	321%	-154%
Regional press	-650%	-114%	-37%	102%
Total industry	-267%	-377%	-166%	-228%
Utilities	58%	46%	80%	52%

Source: Economic Insight analysis of Companies House data

As the table above shows, the regional press sector also appears to struggle more with pension liabilities as a proportion of their operating profits – which we set out in more detail subsequently.

6.4 Solvency measures

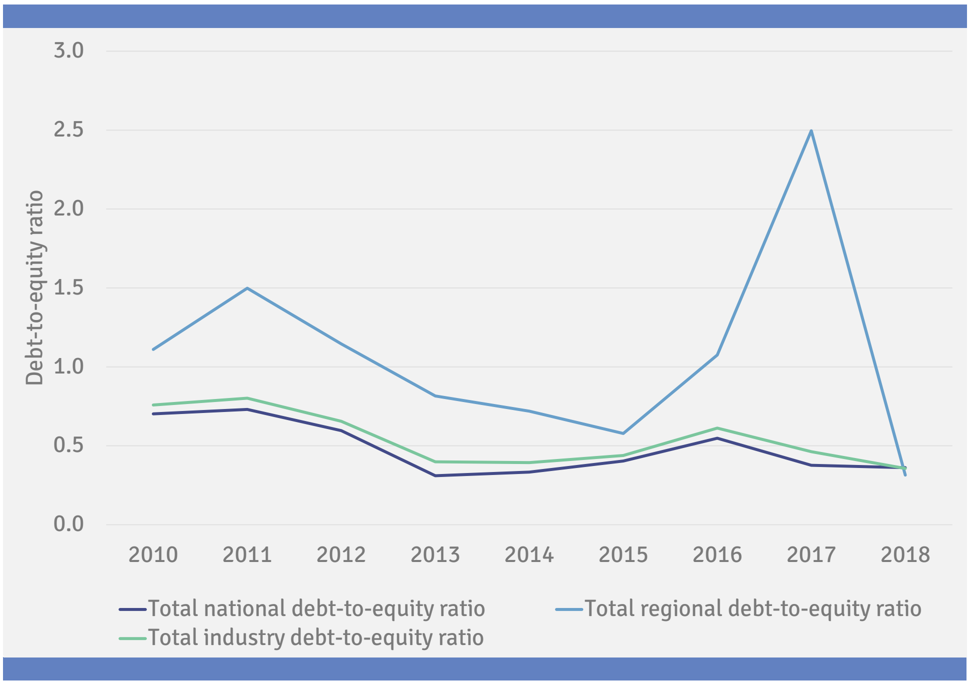
Finally, taking all the above into consideration, we set out our key findings in relation to the UK press sector's balance sheet solvency. Specifically, we explore both the debt-to-equity ratio and the debt-to-assets ratio, which provide us with an indication as to how quickly the UK press sector could service its debts, which is an important indicator of the sector's sustainability.

6.4.1 Debt-to-equity ratio

To help assess the leverage of the UK press sector, we have looked at the debt-to-equity ratio. This indicates the amount of debt and equity being used to finance a company's assets.[83] The following figure shows the debt-to-equity ratio across the industry between 2010 and 2018.

[83] *Debt-to-equity ratio is calculated by dividing a firm's total debt (in this case, long-term debt and short-term loans and overdrafts) by total shareholders' equity.*

Figure 33: Debt-to-equity ratio, by segment excluding digital, 2010 - 2018



Source: Economic Insight analysis of Companies House data

The debt-to-equity ratio has been relatively stable for the UK press sector as a whole throughout the period (see the green line). In addition, the sector is not highly leveraged (geared), with a debt-to-equity ratio below 1 for most of the time period. However, as can be seen, regional publishers tend to be more highly leveraged (and leverage has been more volatile for regional publishers over time). However, the volatility is mostly driven by Johnston Press plc (see Box overleaf for more details), who transferred all their assets to JPIMedia in 2018, resulting in it having large negative equity in that year.

In terms of levels, we can see that regional publishers tend to have a debt-to-equity ratios above 1. That is to say, debt financing is as large as equity financing. Whilst the underlying value of firms is theoretically independent of their capital structure, this does indicate that regional publishers have a lower level of financial resilience with which to withstand shocks. This may become more problematic if the underlying profitability of those publishers continues to decline, either making existing debt financing difficult to manage and / or rendering refinancing challenging, without a significant equity injection. Results from our online survey further corroborate these findings (namely, that regional publishers are more heavily debt financed than national ones). The following text box highlights the example of Johnston Press plc, which ultimately was unable to refinance its existing debt.

Box 8: Johnston Press plc – how too much debt was unsustainable in the long-run

Johnston Press began as a family printing business based in Falkirk, Scotland. The family purchased its first newspaper, *The Falkirk Herald*, in 1846, and over the next 170 years continued to grow by acquisition, slowly expanding its portfolio to include nearly 200 newspaper titles across Scotland, England, Northern Ireland and the Republic of Ireland, including *The Scotsman*, the *i* newspaper, *The Yorkshire Post* and *The News Letter* (Northern Ireland).

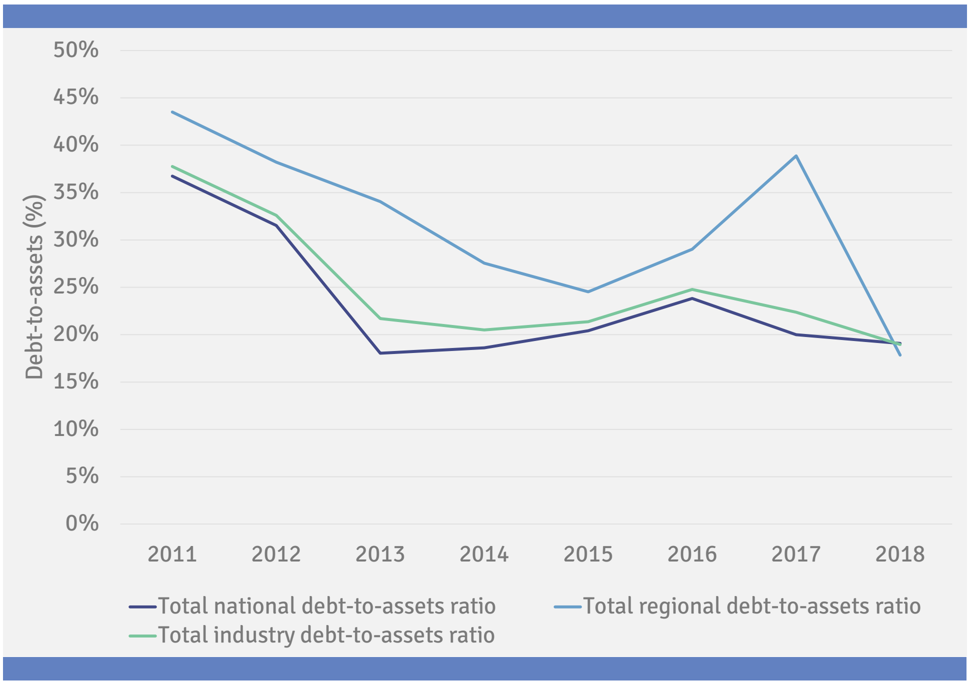
The business, which by the mid-1980s was a multimedia organisation providing news and information services to local, regional and national communities through its portfolio of publications, was floated on the London Stock Exchange as Johnston Press in 1988. It was one of the UK's largest regional newspaper publishers, but in 2018 it had **debts of £220m** which were due for repayment in June 2019. With no sign of a refinancing deal, and with the **market valuation of the whole company below £3m**, Johnston Press had to put itself up for sale – and was subsequently purchased by JPIMedia.

Source: 'Johnston Press: Publisher of i paper bought out', BBC (17 November 2018).

6.4.2 Debt-to-assets ratio

The debt-to-assets ratio shows the degree to which a company has used debt to finance its assets (or rather, the value of assets relative to debt, and thus the security of that debt – i.e. whether assets are sufficient to repay debt). The following figure shows the debt-to-assets ratio across the industry between 2010 and 2018.

Figure 34: Debt-to-assets ratio, by segment excluding digital, 2010 – 2018



Source: Economic Insight analysis of Companies House data

As can be seen, this ratio has been decreasing over time for the UK press sector, indicating an increase in equity financing. As per the debt-to-equity ratio, we again see a marked difference between national and regional publishers, with the latter being significantly more reliant on debt than the former. Around 20% of industry assets are financed by creditors, with the remainder being financed by the owners.

6.5 Policy implications

In general, the balance sheet analysis reveals a picture consistent with that described in the previous chapters. Namely, an industry declining in size and going through structural change. Significant net outflows in investment have been more than matched by reductions in liabilities, consistent with consolidation, exit and retraction occurring as one might expect, without large-scale insolvency taking place. In addition, the sector as a whole is not overburdened with legacy debt that it cannot repay. Notwithstanding this, policy considerations that arise include the following.

- The structural change in the industry is yet to complete – with the shift to digitisation still unwinding. This implies both a continuation of the net outflow of investment in totality, but also a greater reliance on equity (rather than debt) finance, given the more intangible nature of assets required under digital models. The greater need for equity, paired with new business models, might indicate a need to attract 'new and different' equity investors into the sector. Policymakers may wish to consider whether / what role they might be able to play in facilitating this.

- Regional publishers have less financial resilience, and their resilience appears to be declining. This might mean further exit and consolidation could occur. Policymakers will need to consider with care both whether this is (i) 'efficient' (in an economic sense); and (ii) even if it is 'efficient', whether there are social value reasons for thinking this is a cause for concern – potentially meriting intervention. The Cairncross Review had specifically identified a market failure in the supply of public interest news,[84] and Government accepted the case for intervention.[85] Therefore, there is social value in supplying public interest news, as well as the importance of traditional print newspapers in reaching the digitally excluded / less confident.

- In relation to pensions, pension liabilities *per se* do not appear to be untenable. That is, as mentioned previously, in principle, publishers have enough liquidity to stem all liabilities – including pensions – with their existing asset base. Notwithstanding this, for the sector in general pension liabilities as a proportion of operating profit are significant and suggest publishers need to achieve large profits to be able to stem those liabilities. In particular, for certain individual publishers, this balance may not hold, and where a publisher becomes insolvent, Government may become liable for their pension liabilities.[86] This may become an issue for policymakers, were more publishers to become insolvent and Government would become responsible for footing some of their liabilities.

Having looked at some of the UK press sector's solvency measures here, we now turn to the overall profitability of the sector in the following chapter.

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[84] *'The Cairncross Review: a sustainable future for journalism.' (2019); page 22.*

[85] *'Government response to the Cairncross Review: a sustainable future for journalism'. Department for Digital, Culture, Media and Sport (Updated 27 Janaury 2020).*

[86] *See fore example: 'Pensions committee head criticises Johnston Press for 'dumping' pension scheme days before £800,000 payment due'. Press Gazette (6 December 2018); 'Archant bought by private equity: Shareholders wiped out, government set to take over pension fund'. Press Gazette (28 august 2020).*

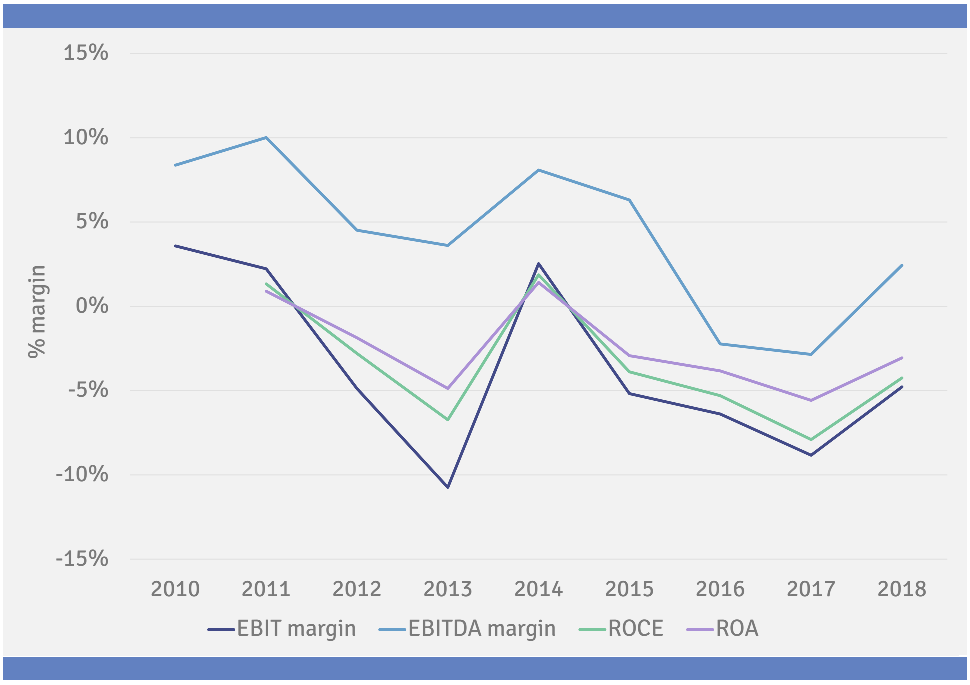
7. Profitability

This chapter sets out the UK's press sector profitability by looking at: (i) EBIT margins; (ii) EBITDA margins; (iii) ROCE; and (iv) ROA. Different profitability ratios provide different useful insights into the financial health and performance of the sector. For example, profit ratios such as EBIT and EBITDA margins tell how well expenses are managed across the industry, whereas ROCE tells how well the sector is using capital employed to generate returns. ROA tells whether the sector is generating enough profits from its assets. We find that overall sector profitability has been declining since 2010, regardless of metric used. This is consistent with our previous findings of reduced income and costs, as well as a reduction of investment and relatedly capital employed in the sector. It also suggests that (at present at least) the shift towards digitisation may not be sufficient to offset the decline in more traditional areas. Moreover, print newspapers play an important role in reaching the digitally excluded and less confident. However, it might still be the case that digital models are commercially viable in their own right – the implication being, however, that legacy models may largely disappear.

7.1 Key findings

Overall, we find that profitability across the UK press sector has been declining since 2010. This is illustrated by the following figure, which shows total industry EBIT; and EBITDA margins; ROCE; and ROA between 2010 and 2018.

Figure 35: Profitability metrics, total industry excl. digital, 2010 – 2018



Source: Economic Insight analysis of Companies House data

As can be seen, the four profitability metrics chosen all fluctuate during the time period. However, they all have reduced since 2010. Specifically:

- **EBIT margin** fell from 3.6% in 2010 to -4.8% in 2018.
- **EBITDA margin** fell from 8.4% in 2010 to 2.4% in 2018.
- **ROCE** fell from 1.3% in 2011 to -4.3% in 2018.
- **ROA** fell from 0.9% in 2011 to -3.1% in 2018.

The EBIT margin, ROCE and ROA dropped significantly in 2013 (and rebounded in 2014). This is attributable to a large operating loss of one of the largest national and regional publishers – Reach plc.[87]

Therefore, to understand these trends better, we calculated the 2- and 3-year trailing averages for these metrics. This smooths out year-on-year fluctuations (which inevitably arise when using raw accounting metrics), and therefore shows the trends more clearly. The following figure shows the above four profitability metrics on a 3-year trailing average. Throughout, we show the figure excluding digital-only publishers. Including these in the analysis would have limited impacts. Specifically in relation to overall profitability it would not change the overall direction of travel and would only change the actual metrics by decimal percentage points.[88]

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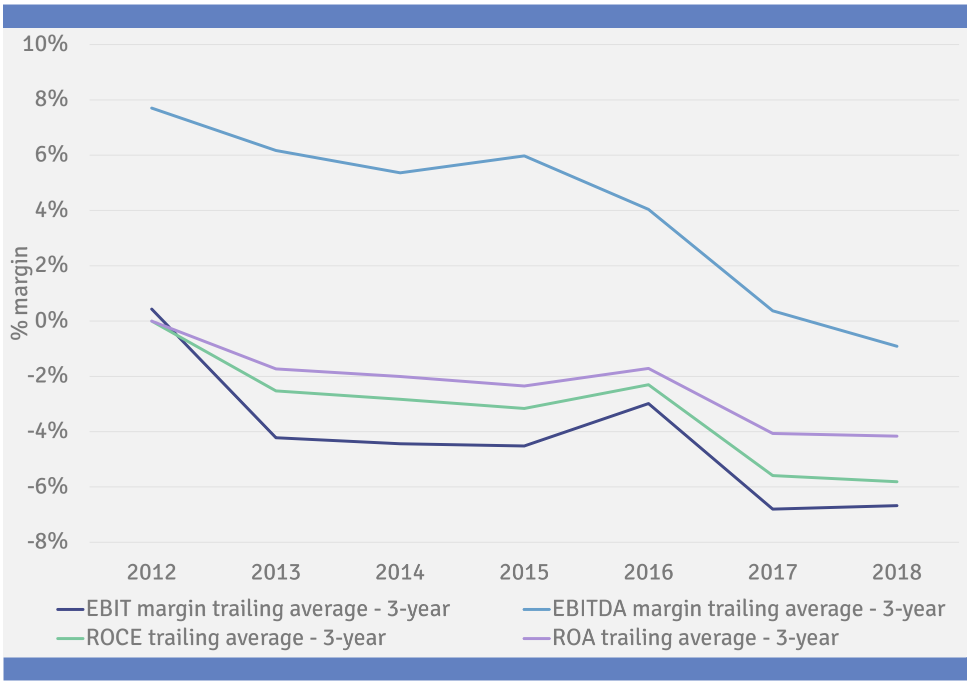
[87] *Given the differences between publishers, we have also looked at the implied margins from our online survey. It should be noted that these results are based on average values and only provide a snap-shot for a small sample of companies. For example, we only had three respondents that publish at a 'national and regional' level (with no 'pure' national respondents), and therefore we consider the findings from the FAME analysis above to provide a better view as to the financial sustainability of the sector. Notwithstanding this, for 2019-20, our survey implies significantly healthier margins, with a 22% EBIT margin; 33% EBITDA margin; and a 10% ROA for the industry. As noted in the Annex, our survey sample is skewed towards digital-only publishers, and therefore these higher operating margins may reflect leaner business models.*

[88] *For instance, digital operating profit is about 6% of total industry operating profit (including digital), and digital revenues are about 4% of total industry revenues (including digital). Therefore, the impacts on overall industry profits (including digital), would be minimal.*

Figure 36: Profitability metrics 3-year trailing average, total industry excl. digital, 2012 – 2018



Source: Economic Insight analysis of Companies House data

As can be seen, the EBITDA margin has fallen more sharply from 2015 to 2018, whereas the EBIT margin fell most sharply between 2012 and 2013, then remained relatively flat until 2015, increasing slightly for 2016 and then falling sharply in 2017 and remaining low thereafter. Both ROCE and ROA have remained relatively stable until 2016, then also falling sharply, in line with the EBIT margin decrease.

Based on the above, we can see that the UK press sector is experiencing a clear downward trend in profitability. We can see that stripping out the effects of capital structure, tax rates and depreciation and amortisation the industry operates positive – albeit very low – EBITDA margins. Therefore, financial performance based on earnings from core business operations remains profitable – just. This is consistent with our findings set out previously, regarding declining circulation, readership and advertising revenues.

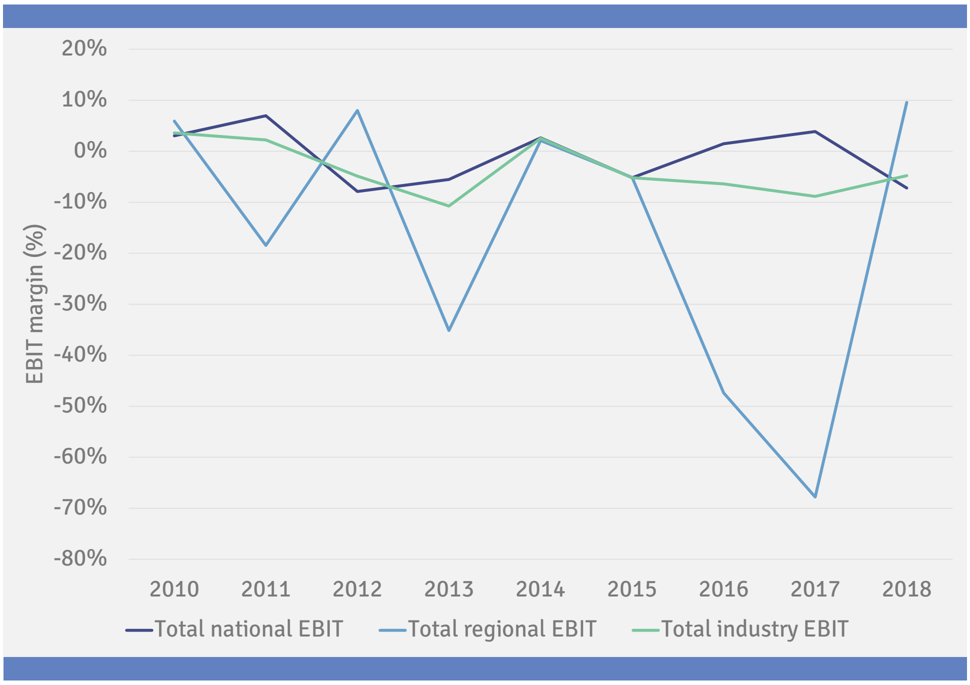
Below, we provide more detail on the individual profitability metrics, whilst also breaking them down at the national and regional level, as there are some differences between the two. This is natural, given the relative size and scope of the national compared to the regional UK press sector, as detailed previously.

7.2 EBIT margin

As set out in the chapter 2, the **EBIT margin**, or operating profit margin, is the amount of profit generated by a company, as a percentage of its revenue.

The following figure illustrates the EBIT margin across the UK press sector between 2010 and 2018, by total national, regional, and industry figures. It illustrates this has been fluctuating since 2010, with some increases in 2014 and larger fluctuations for the regional publishers.[89]

Figure 37: EBIT margin, by segment excluding digital, 2010 - 2018

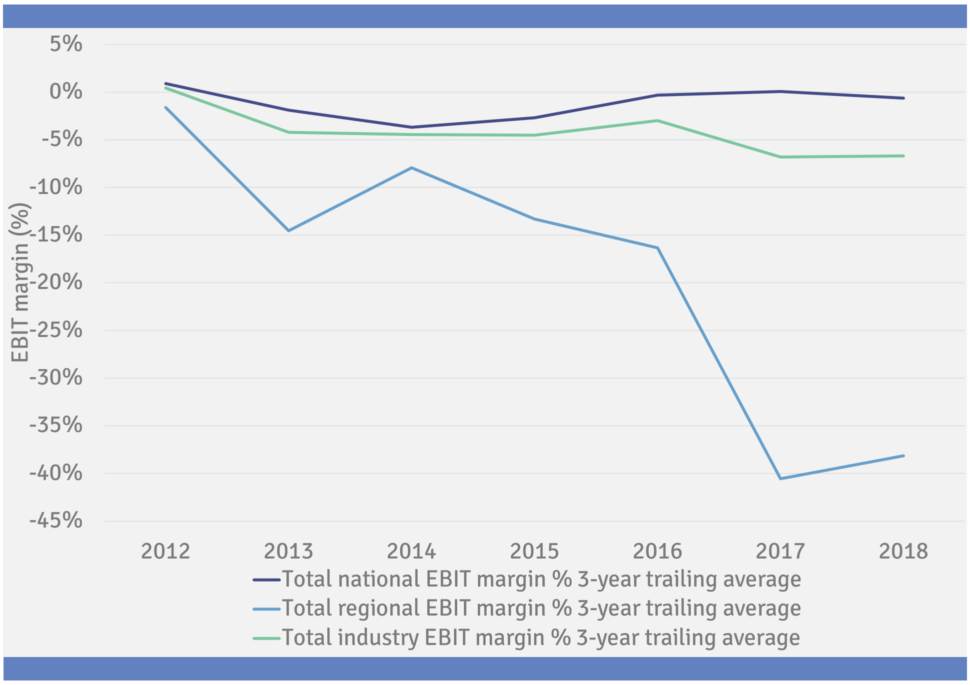


Source: Economic Insight analysis of Companies House data

To smoothen out some of these fluctuations, below we show the EBIT margin on a 3-year trailing average basis. As can be seen, this shows the declining trend in EBIT margin more clearly across the board.

[89] *Please note some of these larger differences are due to accounting profitability diverging from economic one. For example, in 2017 one regional publisher writing down a large investment in subsidiaries, which we would likely exclude when considering economic profitability, as we would consider this an exceptional item from an economic sense.*

Figure 38: EBIT margin 3-year trailing average, by segment excluding digital, 2012 - 2018



Source: Economic Insight analysis of Companies House data

As can be seen, national and total industry EBIT 3-year trailing average margins have remained relatively stable and low, with the former increasing slightly in 2016, and the latter decreasing slightly from 2016 onwards.

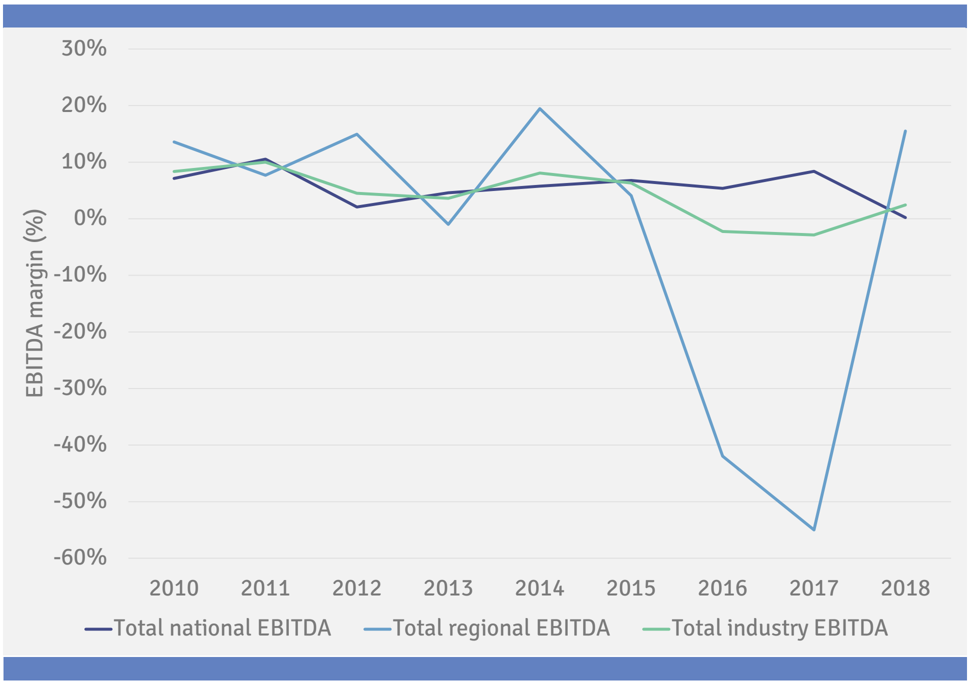
Interestingly, regional EBIT trailing average margins have reduced considerably between 2012 and 2018, with the sharpest fall occurring in 2017. As set out in footnote 89, this large drop is likely due to how accounting profitability is recorded for some of the larger regional publishers, rather than an underlying structural event.

Notwithstanding this, it is noteworthy that national and regional publishers clearly appear to be on a diverging trend – where the former can maintain stable – albeit low – EBIT margins; and the latter cannot. This is likely due to the various pressures on revenues and costs, which are slightly exacerbated for regional publishers. Most likely due to the decline of legacy business models for regional publishers, where the value of newspaper print advertising has declined and regional publishers have not been able to offset this through a shift to digital (e.g. by implementing online paywalls etc.)

7.3 EBITDA margin

The following figure illustrates the EBITDA margin across the UK press sector between 2010 and 2018, by total national, regional, and industry figures. The EBITDA margin ignores financing related costs, as it excludes depreciation and amortisation.

Figure 39: EBITDA margin, by segment excluding digital, 2010 - 2018



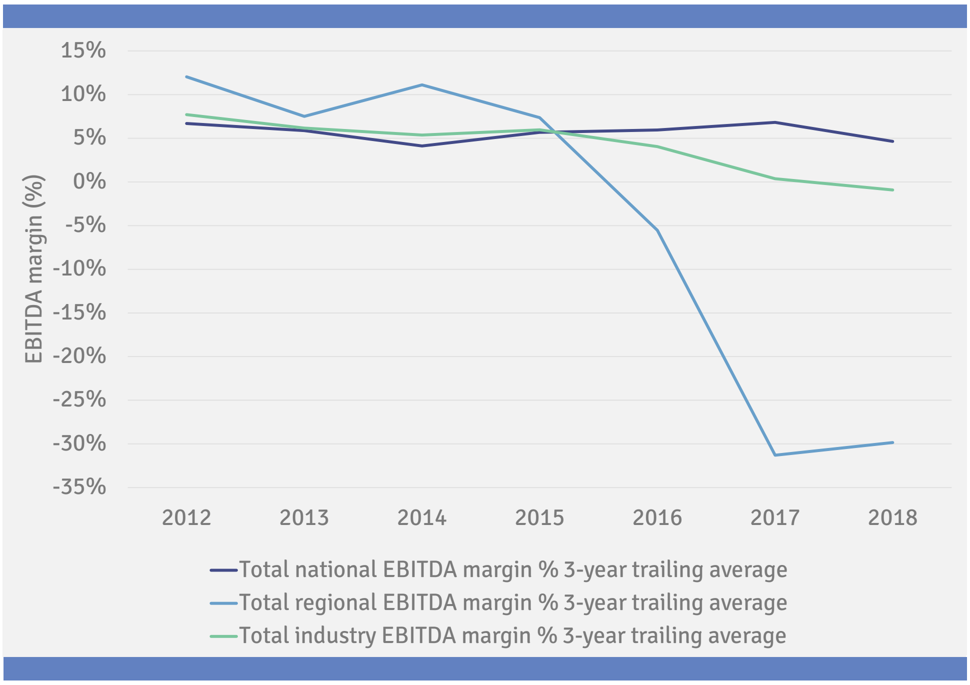
Source: Economic Insight analysis of Companies House data

It shows that this has been relatively stable since 2010, across the national publishers, with some larger fluctuations across the regional publishers.[90] Given the comparative size of the national publishers, the overall industry average EBITDA margin also remains relatively stable.

Again, to understand the underlying trends in the EBITDA margin across the UK press sector, the following figure illustrates the EBITDA 3-year trailing average margin.

[9090] *See footnote 89.*

Figure 40: EBITDA margin 3-year trailing average, by segment excluding digital, 2012 - 2018



Source: Economic Insight analysis of Companies House data

As can be seen the overall movements are very similar to the ones of the EBIT 3-year trailing average margin, with national and total industry margins being relatively stable, only decreasing slightly overall. On the other hand, the regional EBITDA 3-year tailing average margin has again decreased sharply from 2015 to 2017 and appears to be 'bouncing back' slightly for 2018.[91]

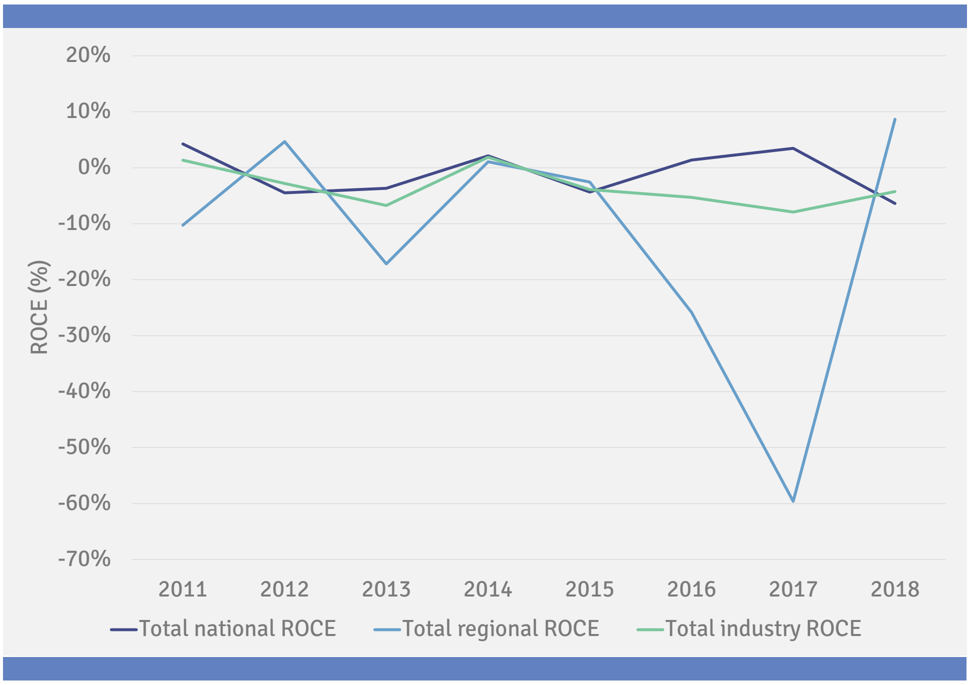
[91] *Again, see previous footnotes to understand the 2017 outlier.*

7.4 ROCE

ROCE reflects a company's ability to earn a return on all of the capital it employs. A higher ROCE indicates a more efficient use of capital. ROCE should be higher than the company's cost of capital; otherwise, it indicates that the company is not employing its capital effectively and is not generating shareholder value.

The following figure illustrates the ROCE across the UK press sector between 2011 and 2018, by total national, regional, and industry figures.[92]

Figure 41: ROCE, by segment excluding digital, 2011 - 2018



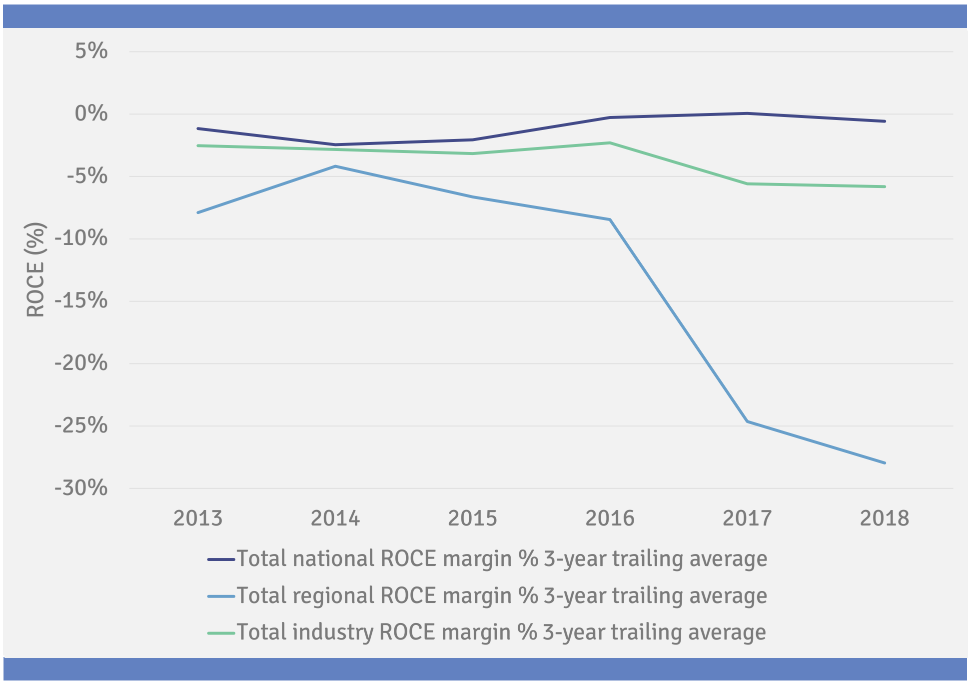
Source: Economic Insight analysis of Companies House data

The above illustrates this has been fluctuating since 2011, across both national and regional publishers, and generally trending downwards. The sharp decrease in 2017 for regional publishers is due to accounting differences, set out in preceding footnotes. Therefore, overall, ROCE has been low, which indicates that the UK press sector has not been using its capital efficiently.

Once more, we show the 3-year trailing average ROCE figure below, to discern overall trends more clearly without year-on-year fluctuations.

92 *Please note that for ROCE and ROA figures subsequently, the time frame spans 2011 to 2018, as we had to use the average values of capital employed and total assets, as they are both balance sheet figures, and we are comparing them to P&L figures.*

Figure 42: ROCE 3-year trailing average, by segment excluding digital, 2013 - 2018



Source: Economic Insight analysis of Companies House data

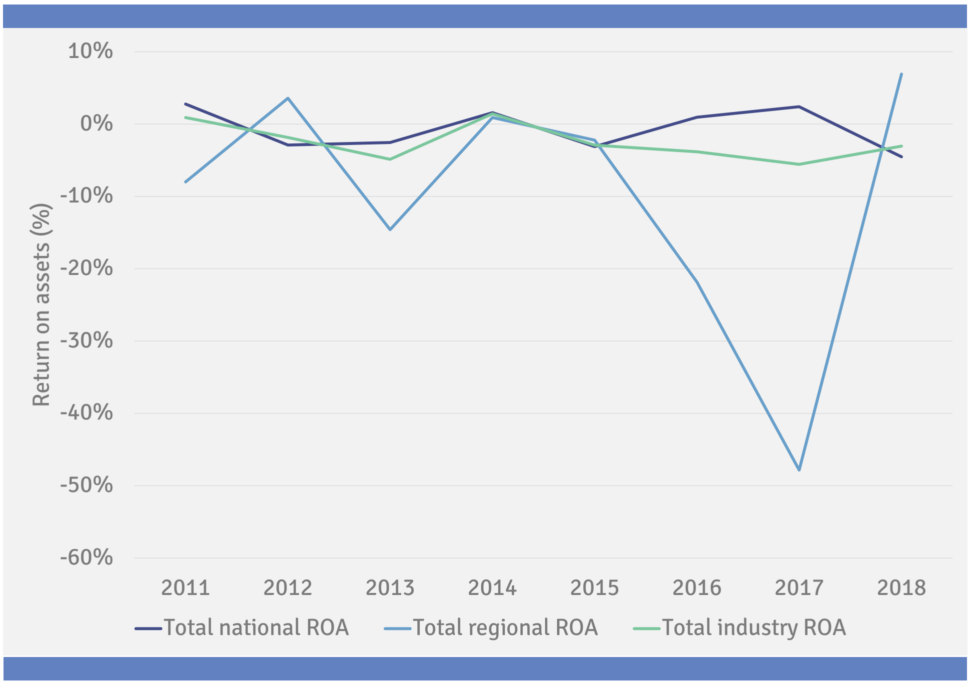
Regardless of the smoothing out, the decline in total industry ROCE is still driven by the sharp decline in regional ROCE from 2016 to 2017. Notwithstanding this, it does paint a slightly more positive picture, with total industry ROCE being positive – albeit low – until 2017.

7.5 ROA

The ROA ratio shows how efficient a company is at using its assets to generate profits. An ROA that rises over time indicates the company is doing a good job of increasing its profits with each investment pound it spends.

The following figure illustrates the ROA across the UK press sector between 2011 and 2018, by total national, regional, and industry figures.

Figure 43: ROA, by segment excluding digital, 2011 - 2018



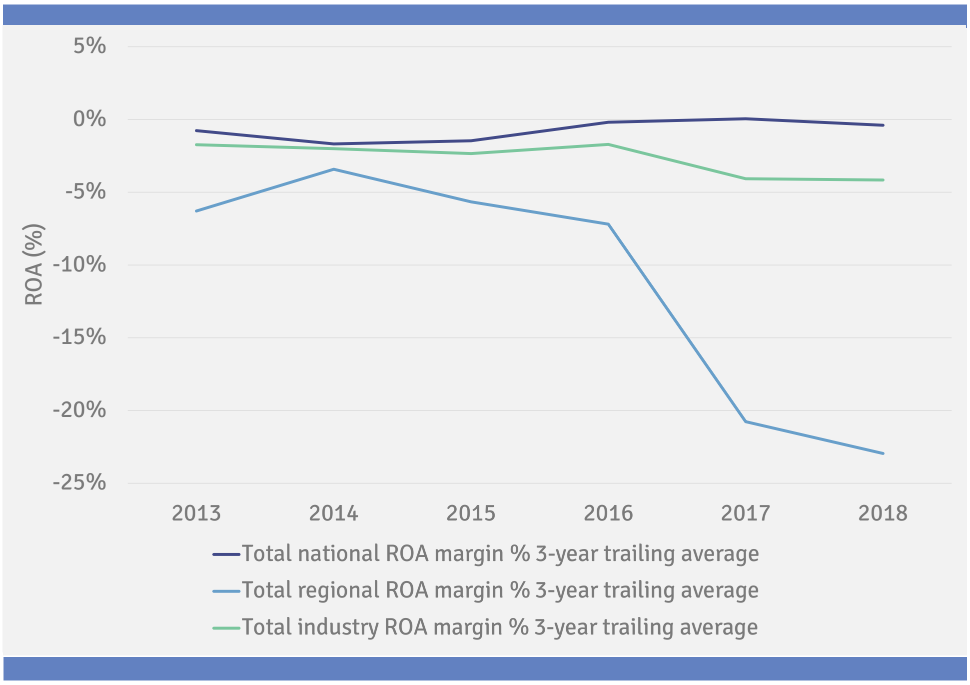
Source: Economic Insight analysis of Companies House data

It illustrates this has been relatively stable – albeit low – for national publishers, and relatively volatile for regional publishers.[93]

As above, the following figure shows the 3-year trailing average ROA ratio, to examine overall trends devoid year-on-year fluctuations.

[93] *Note previous footnotes set out the 2017 outlier for regional publishers in more detail.*

Figure 44: ROA 3-year trailing average, by segment excluding digital, 2013 - 2018



Source: Economic Insight analysis of Companies House data

As can be seen, the decline in overall industry ROA is driven by a sharp decline in regional ROA, again between 2016 and 2017, with national ROA following a slight upwards trend from 2016 onwards, indicating that national publishers may be generating more profits from their existing assets.

7.6 Policy implications

Following from the above, the profitability analysis has the following implications:

- **The industry is characterised by low levels of profitability across all the metrics we examined.**
  - Negative margins are not uncommon.
  - Even where margins are not negative, the ROCE is so low that it is unlikely the industry is recovering its cost of capital, on average. Critically, this means that, at present, it would be unlikely for investors to choose to invest further (which is consistent with the net outflow of investment we observed in the previous chapter).
- **Profitability has been declining over time.**
  - Across all the measures, downward trends in profitability from 2013 to 2018 can be observed. This would seem to suggest that (at present at least) the shift towards digitisation may not be sufficient to offset the decline in more traditional areas.
  - However, it might still be the case that digital models are commercially viable in their own right – the implication being, however, that legacy models may largely disappear. From a policy perspective, this raises the question as to how to balance supporting legacy publishers versus supporting 'new' investors and entrants. Moreover, print newspapers play an important role in

reaching the digitally excluded and less confident and this will also need to be considered in these trade-offs.

- **Profitability of regionals is particularly weak.**
  - Highly negative operating margins can be seen for regional publishers in recent years – and margins have trended down.
  - When seen in the context of regional publishers having greater debt finance, this suggests they will face considerable challenges over the coming years.
  - From a policy perspective, as noted in the previous chapter, this raises the question of whether there is a 'social value' for such publishers that merits policy support.

8. Key findings

This chapter brings together all our key findings from the previous chapters and analyses and summarises the key structural changes our online survey respondents expect to see in the next five years.

8.1 Key findings

We find that the UK press sector's financial sustainability has been declining, both in terms of its drivers and overall profitability. A reduction in print circulation revenues is not currently offset with digital income streams; and the current state of the industry's capital employed is not consistent with any investment in a shift to digital. Although our online survey shows that publishers expect commercial advertising and income from online sources to increase over the coming years, they must do so at quite a fast rate to offset all the reductions in other revenue streams without cutting even more costs –mostly in terms of redundancies.

Below, we set out our key findings from all preceding chapters.

8.1.1 Findings on circulation

We have found the following for **national publishers**.

- Overall, in November 2020, total average print circulation per issue stood at **4.1m for daily national titles**, and at **3.9m for Sunday titles**, based on ABC print circulation data. This is a decline compared to November 2018, where total average print circulation per issue stood at **5.2m for daily national titles**, and at **4.7m for Sunday titles**; as well as compared to previous research from Mediatique, which put daily national titles average circulation at 5.8m in March 2018.[94] We note that this drop in average print circulation per issue is consistent with the downward trend that has been observable since December 2017 with ABC data. During 2020, we further observe an additional decline in average print circulation per issue figures both due to COVID-19 effects, as well as large national publishers stopping providing their circulation figures publicly.

[94] *'Overview of recent dynamics in the UK press market.' Mediatique (2018); page 44.*

  - On the COVID-19 impact, there has been an **18% decrease in total average print circulation per issue for daily national titles** between March 2020 and March 2021 (compared to an 8% decrease between March 2019 and March 2020) and a **13% decrease in average print circulation per issue for Sunday national titles** over the same time period (compared to a 9% decrease between March 2019 and March 2020).[95]
  - The impact of two publishers not publishing their average print circulation per issue figures publicly anymore resulted in a reduction of about 40% in total average print circulation per issue figures for the industry for both daily and Sunday national titles.

- In terms of national publishers and number of titles, these have remained relatively stable.

  - Reach plc and News UK remain the largest **national publishers,** in terms of average print circulation per issue and number of titles.
  - The number of national titles – both daily and Sundays – remains similar compared to Mediatique, which identified ten daily and nine Sunday UK-wide national newspapers in 2018, compared to now twelve daily and eleven Sunday titles.[96]

Our key findings in relation to **regional publishers**, are set out below.

- We estimate that the **regional sector's total average print circulation per issue is 10.5m in September / November 2020**. This comprises a total average print circulation per issue for daily regional titles of 6.0m[97], for weekly regional titles of 4.0m and for other publication frequencies of 0.5m. This is based on our method of combining both ABC and JICREG circulation data for November and September 2020. Based solely on ABC data (which allows us to draw temporal comparisons), average print circulation per issue for local and regional publishers declined from **15.5m in 2018** to **8.0m in 2020**. [98]

- The NMA estimate there are **872 regional titles in 2021**. Both the number of local and regional publishers, and titles, have reduced over time.

  - Newsquest and Reach Regionals remain the largest **regional publishers**, in terms of circulation. JPIMedia also remains large in terms of number of titles published.
  - The number of regional titles has declined from 394 titles audited by ABC in 2017, to 333 in 2020.[99]

[95] *ABC did not collect / publish circulation figures between April – July 2020.*
[96] *'Overview of recent dynamics in the UK press market.' Mediatique (2018); page 17. Mediatique have not considered some of the Scottish editions as separate titles.*
[97] *Please note this includes about 4.0m from the Evening Standard alone.*
[98] *Please refer to the Annex to see why further temporal analysis is not achievable by combining these two databases, and why ABC data will underestimate the size of the sector. Please also note these figures are not comparable to Mediatique's, as they are based on different sources.*
[99] *This includes possibly two effects – an actual reduction in number of titles, but also Newsquest titles not being audited by ABC anymore, which reduces overall number of titles significantly. Please refer to the Annex for further information on this.*

8.1.2 Findings on revenues

Our key findings in relation to the UK press sector's revenues are as follows.

- **Overall industry revenues fell by almost a fifth between 2010 and 2018 from from £4.5bn to £3.7bn.** This has been due to a mix of a decline in circulation, as noted above, as well as a fall in advertising revenues, evidenced by our primary research. Based on our online survey, combined with our financial analysis using Companies House data, we estimate that total industry revenues for 2018 were:
  - £1.7bn from circulation (of which £1.7bn from print and £29m from online);[100]
  - £1.4bn from commercial advertising (of which £0.6bn from print and £0.8bn from online);[101] and
  - £0.1bn from deals with deals with aggregators, bundling services and other news portals.[102]

- **Our online survey finds that commercial advertising is an important income generator for UK publishers**. Specifically online advertising, which accounts for over half of commercial advertising revenues for both surveyed national and regional publishers. It should be borne in mind that due to our sampling, the importance of online advertising is somewhat overstated. For example, recent evidence on advertising expenditure shows that in 2020 print advertising still outweighs online advertising, at £0.7bn from print compared to £0.5bn from online.[103]

- **Publishers are still grasping how best to monetise their online editions – with evidence that this is on the uptick.** Online subscription revenues appear to be more important for national publishers, compared to regional ones, with deals with aggregators, bundling services and other news portals being as important for both.

- In relation to **statutory notices**, we estimate that these are worth **£63m** to regional publishers in the UK, with **planning notices accounting for £34m** of this, **traffic order regulations for £11m** and the remainder spread across the other notices.

- Finally, our online survey finds respondents remain optimistic that against a backdrop of **low willingness to pay for online content** – which respondents consider to be one of the main challenges over the next five years **– income from digital subscriptions and deals with aggregators, bundling services and other news portals are expected to increase over the next five years.**

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100 *This is based on a sample which does not include publishers whose business models rely on donations.*

101 *As around half (51%) of our sample are digital-only publishers, the importance of online advertising might be slightly overstated, as those publishers do not have the ability to advertise in print. In particular, AA/Warc find that industry advertising expenditure for 2020 was £1.2bn, of which £0.7bn from print and £0.5bn from online. See here: 'Charted: UK media ad revenue collapsed in 2020 for everyone except the tech platforms'. Press Gazette (29 April 2021).*

102 *These estimates might slightly overemphasise the importance of online, given half our sample were digital-only publishers.*

103 *'Strong rebound from pandemic losses forecast for UK ad market but full recovery will stretch into 2022'. Advertising Association / WARC (29 April 2021).*

8.1.3 Findings on costs

Our key findings in relation to the UK press sector's costs are as follows:

- **Cost of sales have decreased by a quarter (25%) between 2010 and 2018 across the whole UK press sector from £1.8bn to £1.3bn.** This is likely due to the reduction in overall print circulation, set out above. Notwithstanding this overall reduction, it masks the slight difference between national and regional publishers, whereby cost of sales decreased by 21% for the former and decreased by 44% for the latter. This was likely due to ongoing cost-cutting measures, as well as title closures and mergers amongst this group of publishers.

- **Similarly, staff costs decreased between 2010 and 2018 from £1.2bn to £1.1bn, albeit at a much lower rate (9%) than cost of sales, and not in line with the fall in staff during the same period of almost a third (30%) from over 29,000 employees to just over 20,000.** This is due to the proportion of staff costs that are pension contributions being relatively large in years where the proportion of wages and salaries of total staff costs has decreased. Therefore, the net effect of staff count decreasing, with increasing pension contributions (and potentially severance payments), means there has not been the same decrease in staff costs proportionate to the decrease in staff numbers.

- **Our online survey results confirm that staff costs are the most important driver of overall costs for publishers.** 54% of respondents' operating costs are staff costs. In terms of staff composition, respondents to our survey state that *content, production and editorial staff* account for 61% of their overall staff costs, followed by *commercial, sales and marketing* accounting for 17%. This is similar across both national and regional respondents, with national publishers having a slightly lower proportion of content production and editorial staff (55% vs 61% for regionals), but a slightly higher one in terms of commercial, sales and marketing roles (26% vs 16% for regionals). This further demonstrates the importance of frontline journalists across both national and regional publishers. Triangulating our survey results with Companies House analysis, we estimate that overall industry **frontline journalist staff costs amount to £580m** (of which **£486m are from national publishers** and **£94m from regional ones**).

- Generally, respondents to our survey believe **costs will remain relatively constant over the next five years, except for staff costs, which 52% of respondents believe will increase.** This stands at odds with the general decline set out above and may demonstrate a slight optimism from publishers in the need to retain to frontline journalists to deliver more and higher quality content given the pressures on the sector.

- **The largest tax expense for UK publishers is corporation tax**, which accounts on average for 41% of their total tax spend. VAT and other taxes account for 26% and 22% of total tax spend respectively, with business rates accounting for 10%. We expect the increase in corporation tax from 2023 to 25% to impact publishers significantly. The removal of VAT from digital content from May 2020 – and hence a price reduction for consumers on digital content - may lead more consumers to subscribe, however there will not be any direct impacts on publishers' costs arising from this initiative.

8.1.4 Findings on assets and liabilities

Our key findings in relation to assets and liabilities can be summarised as follows.

- **Total industry assets have declined significantly between 2010 and 2018, from £11.1bn to £5.8bn.** This is consistent with a net outflow of investment in the industry.
  - **Most total industry assets are non-current, of which most are intangible.** Generally, the UK press sector is not characterised by the need for heavy investment in physical assets. Rather, key assets are items such as publishing rights and brand value.
  - **The proportion of tangible assets is falling.** In addition to the industry being 'light' in tangible assets, the data shows that the proportion of assets that are tangible has been falling over time. The relative importance of intangible assets to the industry is, therefore, increasing. This likely reflects the shift towards digitisation (and therefore there are good reasons to expect this trend to continue).
- **Total industry liabilities have also declined (and by more than total assets), and the UK press sector has (relatively) low gearing.** Whilst there has been a net reduction in investment (as noted above), the industry has (at an overall level) been able to reduce its liabilities (debt) in line with this.
  - Accordingly, in general the industry is not particularly constrained by legacy debt, or at risk of defaults.
  - However, regional publishers are more highly leveraged and have less financial resilience. If their profitability continues to decline, this could, therefore become a cause for concern (i.e. further exits and consolidations could occur amongst regional publishers).
- **Equity finance is playing an increasingly important role – and there may be a need to attract new equity investors into the industry.** Not only is the sector not particularly highly leveraged but (as above) as liabilities have fallen faster than assets, the share of investment funded by equity has gradually trended up. Looking ahead, the fact that the future of the industry is based around new (digital) business models, and said models require investment that is more amenable to equity (rather than debt) finance (due to the more intangible nature of assets used), would seem to imply that:
  - the trend towards equity finance is likely to continue; and
  - potentially new / different equity investors (relative to those previously invested in the sector) may need to be attracted in.
- **Pension liabilities as a proportion of operating profit are significant and suggest publishers need to achieve large profits to be able to stem those liabilities.** In particular, where a publisher becomes insolvent, Government may become liable for their pension liabilities. This may become an issue for policymakers, were more publishers to become insolvent and Government would become responsible for footing some of their liabilities.

8.1.5 Findings on financial sustainability

Our main findings in relation to financial sustainability are as follows.

- **The industry is characterised by low levels of profitability across all the metrics we examined**, where negative margins are not uncommon. Even where margins are not negative, the ROCE is so low that it is unlikely the industry is recovering its cost of capital, on average. Critically, this means that, at present, it would be unlikely for investors to choose to invest further (which is consistent with the net outflow of investment we set out above).

- **Overall, we find that profitability across the UK press sector has been declining since 2010.** The EBIT margin reduced by 234%, with the EBITDA one declining by 71%. Both ROA and ROCE decreased by over 400% between 2010 and 2018. This is consistent with our findings above of reduced income and costs, as well as reduction of investment and relatedly capital employed in the sector.

  – This would seem to suggest that (at present at least) the shift towards digitisation may not be sufficient to offset the decline in more traditional areas.
  – However, it might still be the case that digital models are commercially viable in their own right – the implication being, however, that legacy models may largely disappear. From a policy perspective, this raises the question as to how to balance supporting legacy publishers versus supporting 'new' investors and entrants. Moreover, print newspapers play an important role in reaching the digitally excluded and less confident and this will also need to be considered in these trade-offs.

- **Profitability of regionals is particularly weak.**

  – Highly negative operating margins can be seen for regional publishers in recent years – and margins have trended down.
  – When seen in the context of regional publishers having greater debt finance, this suggests they will face considerable challenges over the coming years.
  – From a policy perspective, this raises the question of whether there is a 'social value' for such publishers that merits policy support.

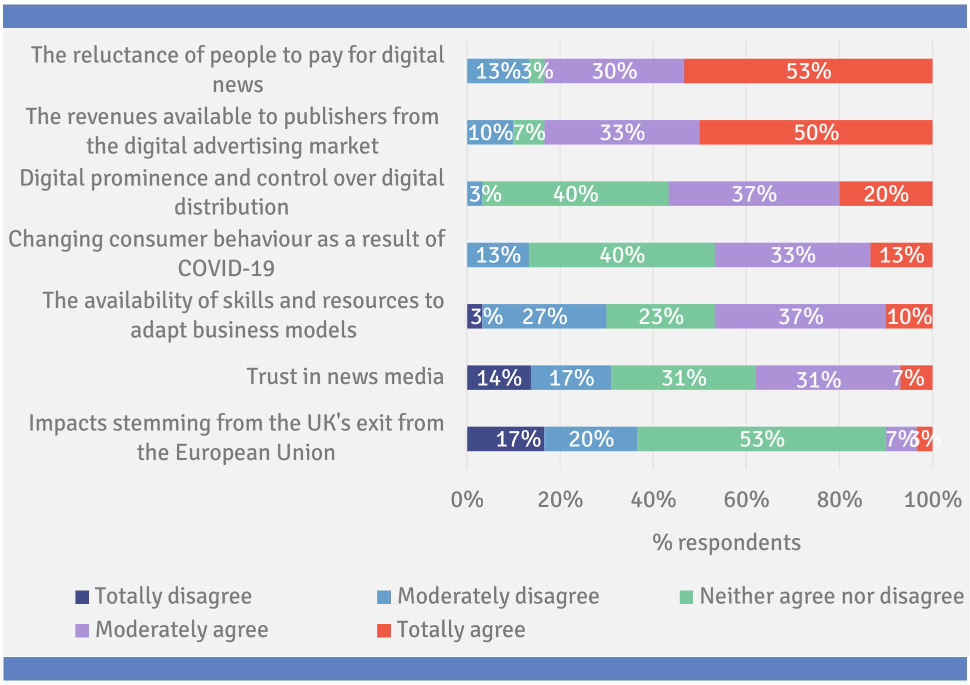
8.2 Structural change

Finally, we asked respondents whether they agreed or disagreed with the following key structural changes of the sector.

– The reluctance of people to pay for digital news.
– The revenues available to publishers from the digital advertising market.
– Digital prominence and control over digital distribution.
– Changing consumer behaviour as a result of COVID-19.
– Trust in news media.
– Impacts stemming from the UK's exit from the European Union.
– The availability of skills and resources to adapt business models.

The following figure illustrates their responses.

Figure 45: Structural changes over the next five years



Source: Economic Insight online survey (N=30 respondents, 521 titles, 467 websites)

When asked about any other changes that might affect them, some publishers also mentioned the following:

- (i) lack of business support / skills for smaller independent titles;
- (ii) continued support for traditional legacy publishers in terms of funding schemes and statutory notices as well as access to public health advertising during the COVID-19 pandemic, meaning those who remain in communities but don't own a print product often cannot benefit;
- (iii) a lack of UK Government policy support for non-profit / social enterprise public interest news business models;
- (iv) platforms such as Facebook and Nextdoor being rivals for local news;
- (v) issues with representing all sections of the community; and
- (vi) threats to journalists from politicians.

Most respondents agreed that consumers' willingness to pay for digital news and the availability of revenues from the digital advertising market would pose a challenge for UK publishers in the future. These are two key areas in which UK publishers will need to overcome structural challenges to be able to derive revenue from not only the consumer, but also the advertising side, to stem the decline in print circulation revenues. The Government's removal of VAT on digital content may go some way in alleviating some concerns in this area, although larger shifts in consumer behaviour may be required, as well as a change in incentives in the digital advertising space. As noted previously, corporation tax makes up a significant amount of publishers' tax expense. Therefore, this could warrant further investigation in terms of finding ways of alleviating publishers' tax liability.

These two points are closely linked to the importance of publishers' control over their digital distribution, as well as consumer behaviour shifts in light of COVID-19, whereby the move to online news consumption is likely to stay post-COVID-19. In particular, issues around digital competition and the prominence of digital platforms and their leverage in the digital advertising space might pose challenges for UK publishers being able to earn revenues here. This would also warrant further investigation from Government – recognising that as part of its response to the CMA's investigation into online platforms and digital advertising it has agreed to an enforceable code of conduct for firms with substantial and enduring market power.[104] Specifically, Government is currently developing these codes with the Digital Markets Unit (DMU) and will consult on them soon, which will govern the relationships between online platforms and news publishers. This will be crucial in ensuring the sustainability of high-quality journalism and news publishing, especially given the recent introduction of Facebook News, whereby the platform is paying publishers a flat licensing fee for the use of their content.

Therefore, based on the above findings, it would be useful to undertake further research into the different regional and online news publishing business models that are arising, and how best UK Government could provide support for those – especially considering global shifts to online news consumption and other issues set out in this report.

[104] *'Response to the CMA's market study into online platforms and digital advertising'. Department for Business, Energy and Industrial Strategy and Department for Digital, Culture, Media and Sport (November 2020).*

9. Annex

This Annex provides more detail on our methodology for identifying local and regional publishers – and how this compares to previous research; our method for undertaking the financial analysis of the data; as well as the approach and key sample characteristics of our online survey. We set these out in turn subsequently, as well as additional survey results not included in the main report.

9.1 How this research fits into previous analyses

In the following, we first set out our approach to identifying local and regional titles and publishers, and then we compare this to Mediatique's[105] and more recently Plum Consulting's[106] research methodologies.

9.1.1 Our approach to identifying local and regional publishers and titles

We have used multiple sources to identify local and regional publishers and their titles. We set these out in turn below.

- **ABC data**. We have used the ABC regional database, which identified 333 unique titles for 2020.
- **JICREG data**. We have used the JICREG database covering September 2020 and have identified 462 titles, 251 of which were also contained in the ABC data set out above. Therefore, this data source provided an additional 211 unique titles.
- **Independent Community News Network (ICNN) members**. We identified 106 members of the ICNN from their website as of February 2021. Of these, only one was contained in the above data sources, and therefore we identified an additional 105 unique titles.
- **Hold the Front Page**. We identified 27 titles from Hold the Front Page. However, most of these were contained in the previous data sources, and only four

[105] *'Overview of recent dynamics in the UK press market.' Mediatique (2018).*
[106] *'Research into recent dynamics of the press sector in the UK and globally.' Plum Consulting (2020).*

additional unique titles were identified over and above the ones identified previously.

- **Desk-research**. We added a further three digital titles based on our desk-research.

Therefore, in total, we have identified **656 unique local and regional titles** using the methods set out above.

We have excluded the *Sunday Post* (published by D.C. Thomson) from the local and regional figures, as it was classified as a national title in ABC, whereas it featured as a regional in JICREG. We have not excluded any further publications, and therefore numbers might differ from the Plum report, as set out subsequently.

9.1.2 Mediatique

In 2018, Mediatique published a report looking into the dynamics of the UK press sector, commissioned by DCMS as part of the Cairncross Review.

They used data from the ABC to derive their figures; and they estimate the following metrics, which we also estimate in this report.

Table 15: Mediatique key findings

	2007	2012	2017
Number of daily national newspapers	10	11	10
Number of local and regional newspapers measured by ABC	1,303	1,086	986
Newspaper advertising expenditure (£m)	£4,625m	£2,651m	£1,432m
Newspaper digital advertising expenditure (£m)	N.A.	£284m	£487m
Average daily circulation national newspapers (weekday)	11.2m	8.8m	6.1m
Average weekly circulation local / regional newspapers	63.4m	43.9m	31.4m
Circulation revenues (£m)	£2.2bn	£1.9bn	£1.7bn
Number of frontline journalists employed by news brands	ca. 23,000	ca. 19,000	ca. 17,000

Source: 'Overview of recent dynamics in the UK press market.' Mediatique (2018), page 6.

We highlight the following key methodological changes in our figures, presented in the main report.

- Mediatique identified ten **daily national newspapers** as of 2017. They did not include *Metro*, which is available across multiple cities in the UK, nor did they include the Scottish variations of some national titles (such as T*he Daily Mail* and *The Sun*). Our analysis identifies eleven daily national newspapers, as we similarly exclude the *Metro*, but we include some of the Scottish variations, such as the *Daily Record*.

- Mediatique identified 1,043 **local and regional newspaper titles**, made up of 982 local and regional titles from the ABC, supplemented by an additional 61 discovered by Mediatque.[107] Our analysis is based on a combination of ABC and JICREG data, as well as desk-based research of the ICNN and Hold the Front Page, to identify further titles.

- Mediatique derived **newspaper advertising revenues** from Advertising Association (AA) / WARC reports, whereas we base our estimates on our primary research, coupled with our financial analysis.

- **Average daily circulation national newspapers** and **average weekly circulation local / regional newspapers** were derived from ABC by Mediatique. Our analysis combines ABC and JICREG circulation figures.

- **Circulation revenue** was estimated by applying a retailers' share on circulation figures and from interviews and press reports by Mediatique.[108] Our estimation of circulation revenues is based on our primary research, and we also estimate total industry revenues (including advertising etc.), rather than separate circulation and advertising revenues.

- Mediatique also provided **profit margins** for selected publishers between 2007 and 2016, which together accounted for more than 92% of the total newspaper market by circulation. This analysis only included eleven companies: DMGT, News UK, Archant, Financial Times, Johnston Press, Trinity Mirror, ESI, Telegraph Group, Newsquest, Northern & Shell, GMG.[109] Our financial analysis includes 47 companies, and covers the whole national newspaper market and at least 90% of the local and regional market, by circulation.

- Mediatique estimated the **number of frontline journalists** by updating calculations established for Ofcom in its submission to the Levenson enquiry. They also used annual reports of eleven companies (DMGT, News UK, Archant, Financial Times, Johnston Press, Trinity Mirror, ESI, Telegraph Group, Newsquest, Northern & Shell, GMG) to help arrive at these numbers. [110] Our estimates do not consider specifically frontline journalists – rather we examine the whole sector employment, as ultimately everyone involved in the publishing of a newspaper title will contribute to the sustainability of the sector. Moreover, our estimates are based on information from 47 annual reports, as well as responses to our online survey, which do isolate content and production staff, and so allow us to infer journalist staff costs and numbers across the sector.

[107] *'Overview of recent dynamics in the UK press market.' Mediatique (2018), page 11.*
[108] *'Overview of recent dynamics in the UK press market.' Mediatique (2018), Annex 2.*
[109] *'Overview of recent dynamics in the UK press market.' Mediatique (2018), Annex 2.*
[110] *'Overview of recent dynamics in the UK press market.' Mediatique (2018), Annex 2.*

9.1.3 Plum Consulting

In 2020, commissioned by DCMS, Plum Consulting published a research report into recent dynamics of the press sector in the UK and globally.[111] The study involved a review of publicly available information, relevant industry reports and academic studies, as well as analysis of local newspaper data supplied by the Joint Industry Currency for Regional Media Research (JICREG).

Plum's research focused on local newspaper titles, reach and circulation across LAD areas and found that there has been a significant decline of daily and weekly local newspaper circulation from 2007 to 2019.[112]

- On **identifying 'local' newspapers**, Plum excluded national newspapers for Scotland and Wales that were captured in the data source. Namely: *The Daily Record*, *Sunday Mail*, *Sunday Post*, *Scotland on Sunday*, *The National*, *The Scotlaman*, *The Herald*, and *Herald on Sunday*[113] for Scotland; and *Western Mail* and *Wales on Sunday* for Wales.[114] They based their analysis on the 520 titles contained in the JICREG database – and therefore their total sample used was lower than that – as they have excluded some titles. Our analysis only excludes the *Sunday Post* from the regional analysis, as mentioned above.

9.1.4 Summary comparison of methods

As set out above, ABC reported a total of **333** local and regional newspapers being printed in the UK at the end of 2020. We identified a further **323** titles from a mix of JICREG, the ICNN, Hold the Front Page, and desk-research. This brings the **total of identified local and regional titles to 656 in 2020**.

The following table compares the number of regional and local titles, as estimated by different sources.

111 '*Research into recent dynamics of the press sector in the UK and globally.*' *Plum Consulting (2020).*
112 '*Research into recent dynamics of the press sector in the UK and globally.*' *Plum Consulting (2020), page 6.*
113 *Note this one closed in 2018.*
114 '*Research into recent dynamics of the press sector in the UK and globally.*' *Plum Consulting (2020), page 135.*

Table 16: Local and regional newspaper title estimates

	2017	2018	2019	2020
Mediatique	1,043			
ABC	394	355	232[115]	333
JICREG				520
Economic Insight				**656**

Source: Mediatique, ABC, JICREG, ICNN, Hold the Front Page, desk-research

As can be seen, the only consistent source over time is the ABC, which suggests the local and regional newspaper market faced a reduction of 15% in number of titles. However, the absolute number of titles (and publishers) as set out in ABC is likely to be an underestimate of the local and regional market. This is further illustrated subsequently.

To give a sense of movement over time, we provide a timeline of the top ten publishers and the number of titles they publish, as audited by the ABC in the following table.

Newsquest is audited by BPA Worldwide as of 2019. This explains the reduction in titles reported in the ABC database between 2018 and 2019.

Table 17: Number of titles published, 2018 - 2020

	2018	2019	2020
JPIMedia Limited	14	7	115
Reach Regionals Limited	104	103	101
Archant Ltd	53	51	46
Media Scotland Ltd	19	19	19
Highland News and Media Ltd	0	15	15
Newsquest Media Group	114	6	6
Shropshire Newspapers Ltd	5	5	5
D.C. Thomson Media	4	4	4
DNG Media	0	3	3
Wyvex Media Ltd	3	3	3

Source: Economic Insight analysis of ABC

As can be seen, as of 2020, JPIMedia had the most titles audited by the ABC. The stark increase in JPIMedia's number of titles from 2019 to 2020 is due to the change in ownership from Johnston Press to JPIMedia. Moreover, the stark decline in titles published by Newsquest is **not due to an actual reduction in the market**. Rather,

[115] *In 2019 Newsquest resigned its titles from ABC membership – meaning the auditor no longer publishes circulation figures from the regional publisher. See here:* https://www.holdthefrontpage.co.uk/2019/news/newsquest-pulls-titles-out-of-abc-membership/

this is an artefact of Newsquest now being audited by BPA Worldwide.[116] This is why our approach of triangulating ABC, JICREG, and other data is so important to give a fuller picture of the size of the local and regional sector.

9.2 Characteristics of regional publishers identified

Based on the method set out above, we have identified the following main local and regional newspaper publishers as of the end of 2020.[117] These can be grouped into three distinct categories:

- **large regional groups** that account for a substantial portion of newspaper titles (and circulation) between eight organisations;
- **mid-size publishers** that own several titles; and
- publishers publishing **single titles.**

Table 18: Local newspaper publishers and number of titles, 2020

Publisher	Number of titles
Large regional groups	
Newsquest Media Group	131
JPIMedia Limited[118]	119
Reach Regionals Ltd	107
Archant Ltd	46
Iliffe Media	24
Tindle Newspapers Ltd	20
Bullivant Media Limited	9
Midlands News Association Ltd	2
Mid-size regional publishers	
Media Scotland Ltd	19
Highland News and Media Ltd	15
Remaining 20 mid-size publishers	54
Single-title publishers	
Remaining 110 single-title publishers	110

Source: Economic Insight analysis of multiple sources

[116] *'Newsquest pulls titles out of ABC membership.' Hold the Front Page (21 August 2019).*
[117] *Note ABC circulation figures are up to December 2020, whereas JICREG ones are for September 2020. To undertake this analysis, we have combined both. This is because JICREG's audit rules closely follow ABC's, and indeed use ABC figures, where the publisher has ABC membership. See here: https://www.jicreg.co.uk/pdfs/JICREGAuditRules.pdf*
[118] *As of 4th January 2021, JPIMedia Limited has been acquired by National World. See here: https://www.printweek.com/news/article/jpi-media-acquired-by-national-world*

Overall, we find that local and regional titles have the following characteristics:

- **They are mostly published on a weekly basis** (82% of all regional titles). There are some exceptions for large regional publishers, with some publishing daily.
- **Over half (66%) of regional titles are paid for**, with eight being provided free of charge.

We provide a detailed overview of the key characteristics of these separate groups below, and the implications for financial sustainability.

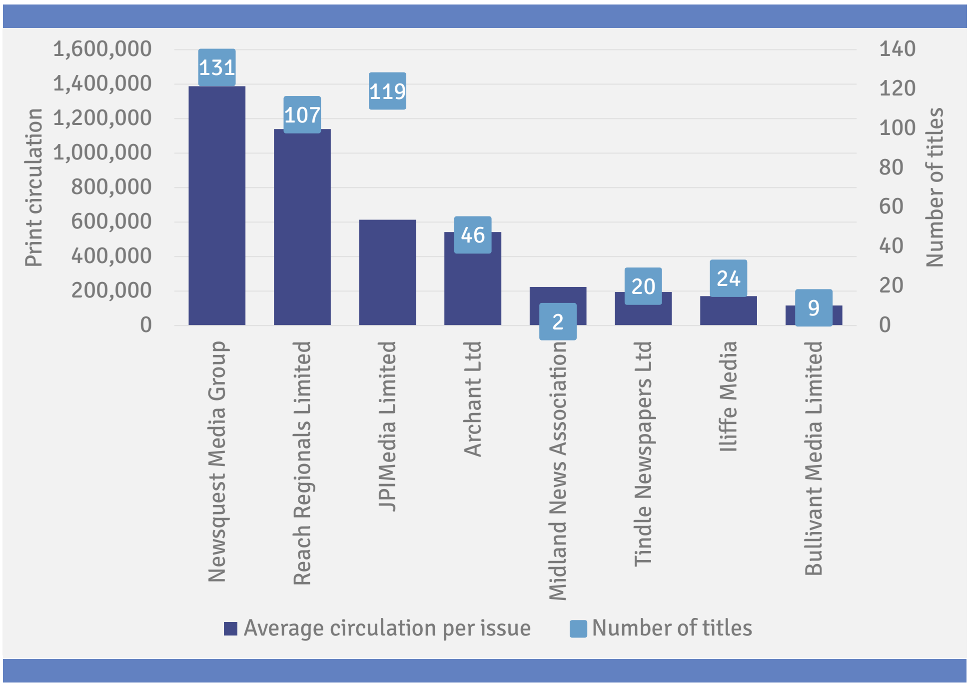
9.2.1 Large regional groups

We consider eight organisations to be large regional publishers, by way of their average circulation per issue figures (>100,000) and number of titles (>2). This group accounts for 458 identified regional titles.

9.2.1.1 Audiences / reach

The largest regional publishers are Newsquest Media Group (*Newsquest*) and Reach Regionals Ltd (*Reach Regionals*), both in terms of number of titles owned and average circulation per issue. In terms of circulation figures, they are followed by JPIMedia Limited (*JPIMedia)* and Archant Ltd (*Archant)*. These are then followed by Midland News Association Ltd (*Midland News Association)*, Tindle Newspapers Ltd (*Tindle)*, Illife Media (*Illife)* and Bullivant Media Limited (*Bullivant)* in terms of circulation numbers, as illustrated in the following figure.

Figure 46: Large regional publishers, average circulation per issue and number of titles, 2020



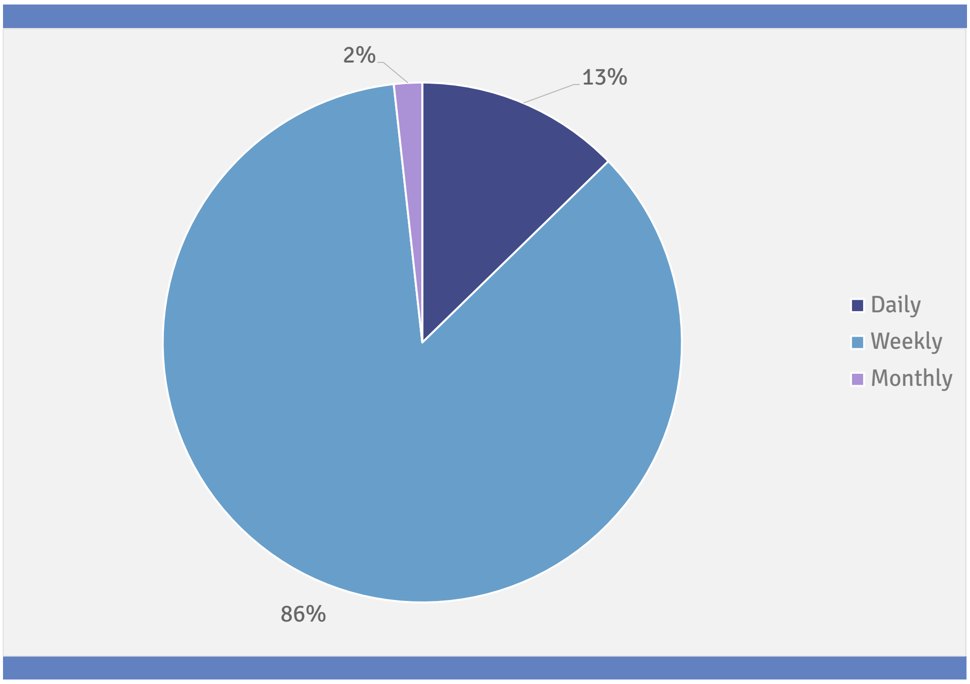
Source: Economic Insight analysis of multiple sources

This illustrates that looking just at circulation or just at number of titles individually does not provide the full picture on resilience of these publishers, as some may have many titles, with less reach than others.

9.2.1.2 Frequency of publication

Most titles of large regional publishers (86%) are published on a **weekly** basis. This is illustrated in the following figure, which shows the frequency of publication of titles of the large regional publishers.

Figure 47: Large regional publishers, frequency of publication, 2020



Source: Economic Insight analysis of ABC, JICREG and desk-research

Of those that are published **daily**, Reach and Newsquest publish most of those. This illustrates that generally, local and regional publishers seek to reduce their costs by publishing less frequently, as daily publications are less sustainable, in particular if there is not sufficient reach for the publications.

9.2.1.3 Cover prices

Across the eight large regional publishers, **over 74% of titles published are paid for**. This chimes with historically, print revenue being the main source of income for newspapers. The different publishers follow different strategies, as set out below.

- Reach Regionals and Newsquest have different pricing strategies.
  - 96% of Reach Regionals titles are paid for, with the remainder being free. They use no other pricing policies.
  - 65% of Newsquest titles are paid for, and only 1% are free. 9% are sold in bulk, with the remainder sold under mixed pricing strategies.
- 83% of Iliffe Media's and 93% of JPIMedia's titles are paid for or bulk.

- Bullivant and Archant have a different strategy: 67% and 68% of their respective titles are free.
- Tindle operates a mixed approach in between these two strategies, with most of their titles charging for some of their copies, whilst providing others free of charge.

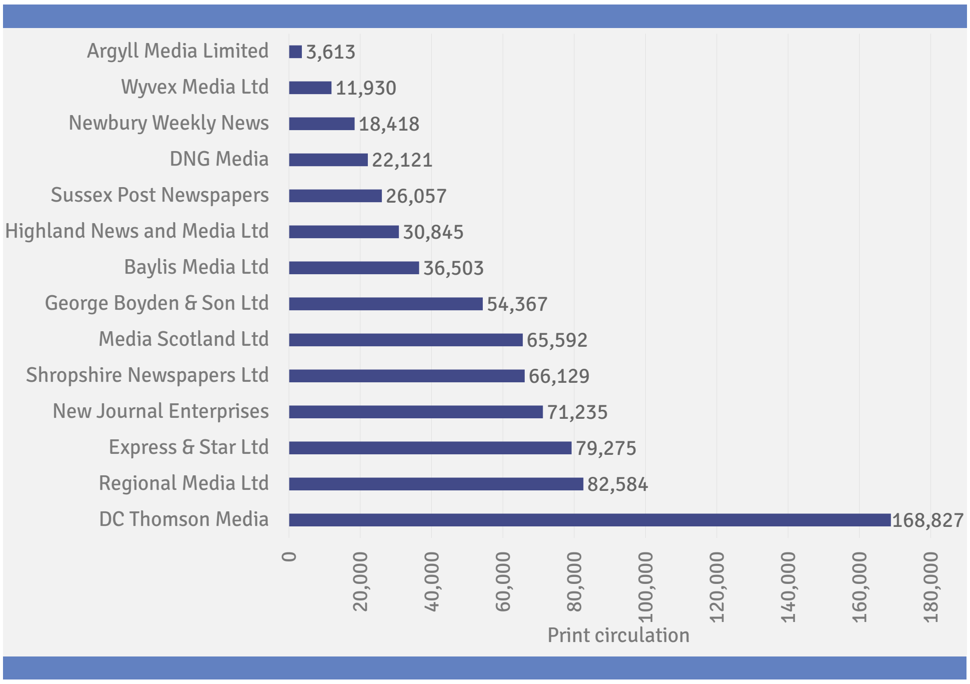
9.2.2 Mid-size publishers

As set out above, mid-sized publishers are those who own more than one title, but do not include the large regional publishers. This group accounts for 89 identified regional titles.

9.2.2.1 Audiences / reach

The following graph shows the average circulation per issue figures for mid-sized regional publishers.[119]

Figure 48: Mid-sized regional publishers, average circulation per issue, 2020



Source: Economic Insight analysis of ABC, JICREG and desk-based research

As can be seen, D.C. Thomson[120] is the largest mid-size regional publisher of paid for copies in terms of circulation, followed by Regional Media Ltd.

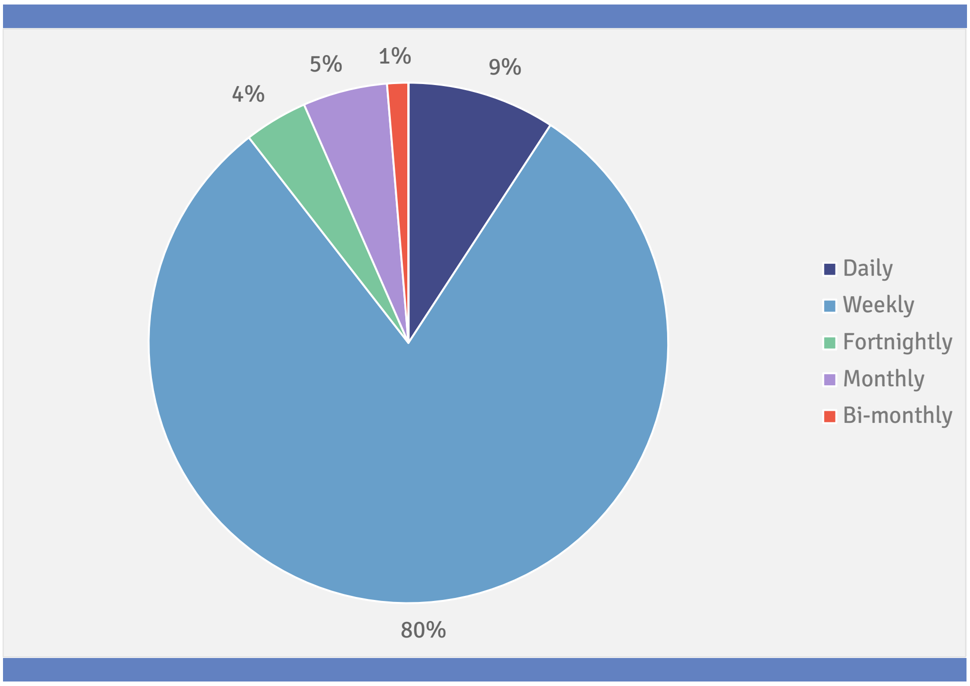
[119] *Figures are a combination of ABC and JICREG circulation figures. As the date they record is different (ABC analyses November 2020, JICREG analyses September 2020), there might be a slight discrepancy between the two values.*

[120] *As we included the Sunday Post in the figures for national newspapers, we have removed it from DC Thomson's circulation figures for the mid-sized regional comparison. Including the Sunday Post would add approximately 100,000 to their circulation figures. We have not been able to remove circulation from any magazines that may be included in these datasets.*

9.2.2.3 Frequency of publication

The following figure shows the frequency of publication of titles of mid-size regional publishers.

Figure 49: Mid-sized regional publishers ,frequency of publication, 2020



Source: Economic Insight analysis of ABC, JICREG and desk-research

As can be seen, most titles (80%) are circulated **weekly**, 9% on a **daily** basis, 4% **fortnightly**, and 5% on a **monthly** basis. The remainder of titles publish on a bi-monthly basis. Again, the prevalence of weekly distribution of regional titles further illustrates that for publishers with a smaller reach it is not sustainable to publish on a daily basis.

9.2.2.4 Cover prices

Of the mid-sized regionals, 59% of publishers charge for their copies, 30% offer them for free, whilst the remainder operate an approach that charges for some copies whilst giving others away for free. As above, this further illustrates that mid-size regional publishers cannot rely on commercial advertising to remain sustainable and require print circulation income.

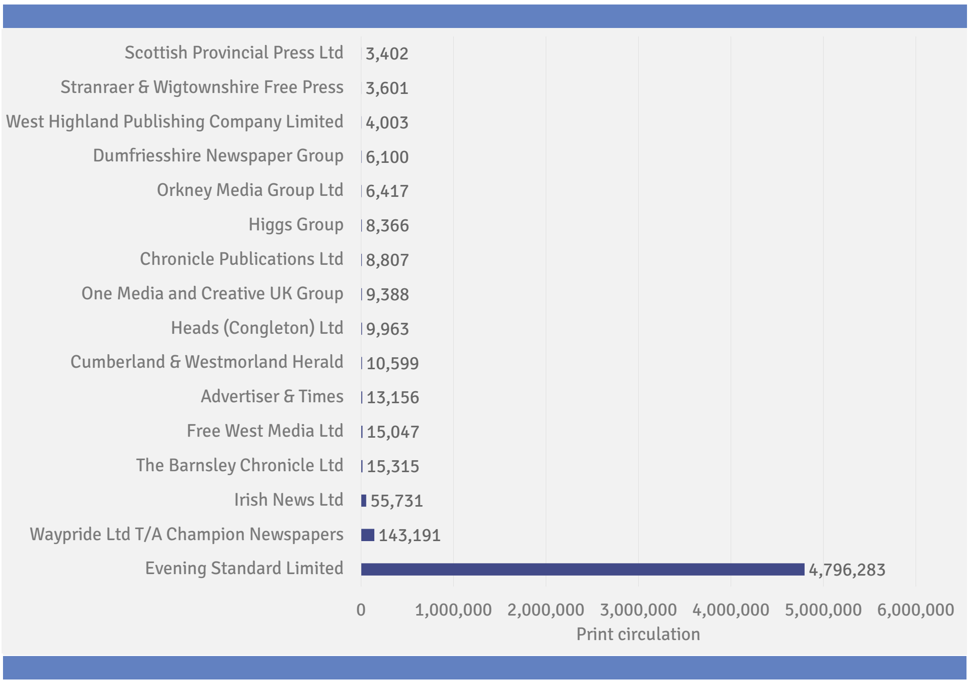
9.2.3 Single regional publishers

Our analysis identified 110 regional publishers who only publish one title. We provide more details on them below.

9.2.3.1 Audiences / reach

The following chart shows the average circulation per issue figures for single-title regional publishers.[121]

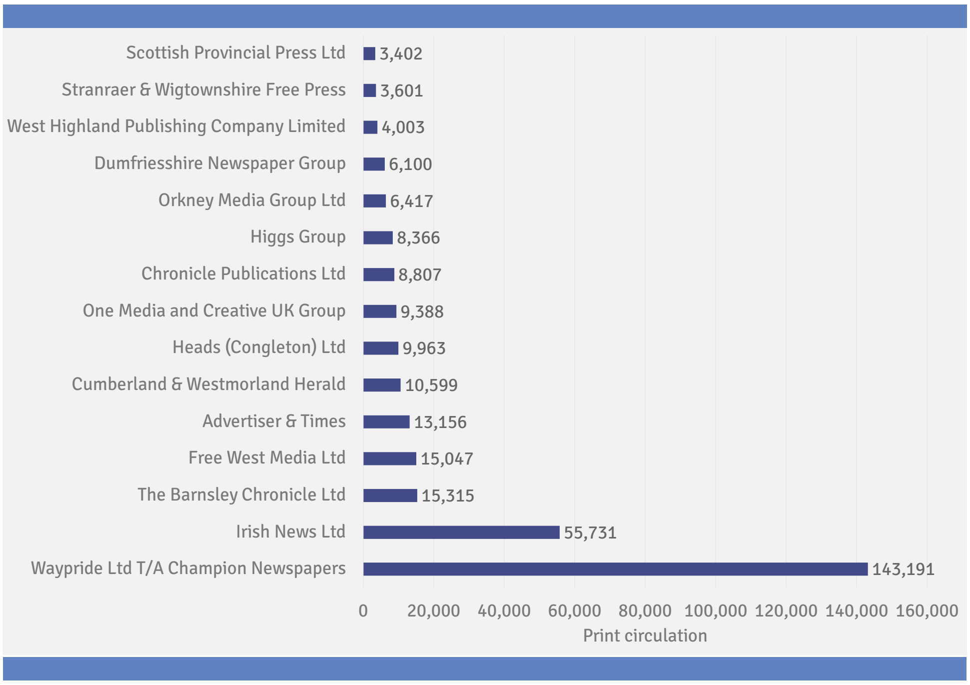
Figure 50: Single-title regional publisher, average circulation per issue, 2020



Source: Economic Insight analysis of ABC, JICREG

[121] *The chart excludes all single titles with zero print circulation, as not all titles were identified through ABC and JICREG, which provide circulation figures. As we accessed the circulation data of these titles from JICREG and ABC, we would expect these circulation figures to represent the upper end for single titles. Smaller titles would not be registered or recorded by these bodies.*

Figure 51: Single-title regional publisher, average circulation per issue, excluding Evening Standard Limited, 2020



Source: Economic Insight analysis of ABC, JICREG

The Evening Standard Limited is a clear anomaly due to its position in the London market with its high average print circulation per issue figure. We can see that only four titles have an average circulation per issue over 100,000. All of these are circulated in major cities such as London and Liverpool, which likely explains such high circulation figures. For example, Waypride Ltd T/A Champion Newspapers publishes the *Champion Series* across Merseyside,[122] and London Borough of Waltham Forest publishes *Waltham Forest News* on a quarterly basis and distributed freely across the borough.

9.2.3.2 Frequency of publication

For the single-title publishers we have information on, the frequency of publication varies. 25% are published **daily**, 42% are published **weekly** and 17% are published on a monthly basis. The remainder are published at other frequencies. It is worth bearing in mind this excludes digital publications, which account for a significant proportion of single-title copies.

9.2.3.3 Cover prices

21% of publishers charge for their copies, 73% give copies away for free and the remainder operate a mixed approach.

[122] See here: http://www.championmediagroup.com/newspapers.html

9.3 Financial analysis

The financial analysis is based on yearly income statements and balance sheets for 47 UK publishers from the last ten years, as filed with Companies House and downloaded from the FAME database.

The years ranged between FY2010 and FY2019, although the exact dates of the accounts vary by each company according to their accounting period. Of the single-title publishers, we only included the larger ones, as the smallest single-title publishers are subject to less extensive accounting requirements.

We determined the key metrics and ratios available in this dataset to assess the sustainability of the sector. In general, these focused on costs, revenues, asset and debt levels in addition to the ability to withstand shocks. After collecting these for each company we analysed them to identify whether there were any large outliers. Where outliers were identified, we separately searched in those company's annual accounts to see if the outlier was as a consequence of an input error. If it was, we either updated the value from these accounts, where available, or took an average across other correct years.

Once we were confident in the accuracy of the data, we aggregated publishers into the following groups: (i) national; (ii) national and regional; (iii) large regional; (iv) mid-sized regional; (v) small regional; and (vi) digital. We further grouped national; and national and regional as **national papers**. Large regional; mid-sized regional; and small regional were categorised as **regional papers**. Aggregating like this improves the accuracy, as it limits the impact of individual company variation, as they become only a small part of a larger sample. The following table illustrate the companies in each group.

Table 19: List of publishers included in analysis, by category

	Publishers included
National	
National	Financial Times Limited(The); Telegraph Media Group Limited; Guardian News & Media Limited; Times Newspapers Limited; and News Group Newspapers Limited.
National and regional	Associated Newspapers Limited; D. C. Thomson & Company Limited; and Reach plc.
Regional	
Large regional	Newsquest Media Group; Archant Ltd; Iliffe Media; Tindle Newspapers Ltd; JPIMedia Limited; Midland News Association Limited; Claverley Group Limited; CN Group Limited[123]; Bullivant Media Limited; Johnston Press plc[124].
Mid-sized regional	MyTown Media Limited; Social Spider Community Interest Company; Wyvex Media Limited; New Journal Enterprises Limited; Wrexham Dotcom Limited; Regional Media Limited; Wiltshire Publications LTD; News Today Limited; Neighbour Net Limited; George Boyden and Son Limited; Baylis Media LTD; Newbury Weekly News Limited.
Small regional	Evening Standard Limited; Irish News Limited; Scottish Provincial Press Limited; One Media and Creative UK Limited; Amble Development Trust; The Wokingham Paper Limited; Chronicle Publications Limited.
Digital	
Digital	Independent News & Media (UK) Ltd; Verizon Media UK Limited; Buzzfeed UK Limited.

Source: Economic Insight analysis of Companies House / FAME

For each group we analysed year-on-year changes in the metrics and identified causes of these where they were available. Our focus was on both the size of absolute values, the composition of these metrics across different areas of the business and variations in the rate of change where trends were clear over time, particularly when these could not be explained by underlying economic conditions.

123 *Dissolved, but part of Newsquest Media Group.*
124 *We have included Johnston to provide a complete picture temporally, as they dissolved in 2017, with most being purchased by JPIMedia, which in turn was sold to National World in January 2021.*

9.4 Online publisher survey

We have conducted a survey of publishers in the UK, to help understand the underlying financial drivers of UK newspapers. Our survey covered all types of publishers – from those publishing national newspapers, to those who own multiple regional titles, to those who just own a single regional title, including some digital natives.

The survey helped us obtain more detailed information on the financial metrics than is available in Companies House reports – in particular the make up of the publishers' revenues and costs, as well as their assets and liabilities.

9.4.1 Sample

DCMS approached the following sector bodies, who asked their members to fill out the online survey:

- **NMA.** The NMA is the voice of national, regional and local news media organisations in the UK.
- **ICNN.** The ICNN supports independent community and hyperlocal news outlets and promotes quality journalism; helps address the democratic deficit in news poor communities; and helps create more jobs at the local level. They have over 100 members.
- **Public Interest News Foundation (PINF).** The PINF supports independent news providers through grants, advice and networking.

We complemented this by contacting further 80 local and regional publishers for survey completion.

9.4.2 Implementation

We have undertaken:

- a **pilot** of the survey between 25th February – 4th March 2021, obtaining six usable responses (out of eight responses received);
- with a **full roll-out** taking place between 12th March – 5th April 2021, obtaining a further 29 responses (out of a further 41 responses received).

Overall, we have received 49 responses to our online survey, of which 35 were usable and complete.[125]

[125] *10 respondents were not well placed in the business to be able to respond to the survey and a further 4 responses were incomplete.*

9.4.3 Results

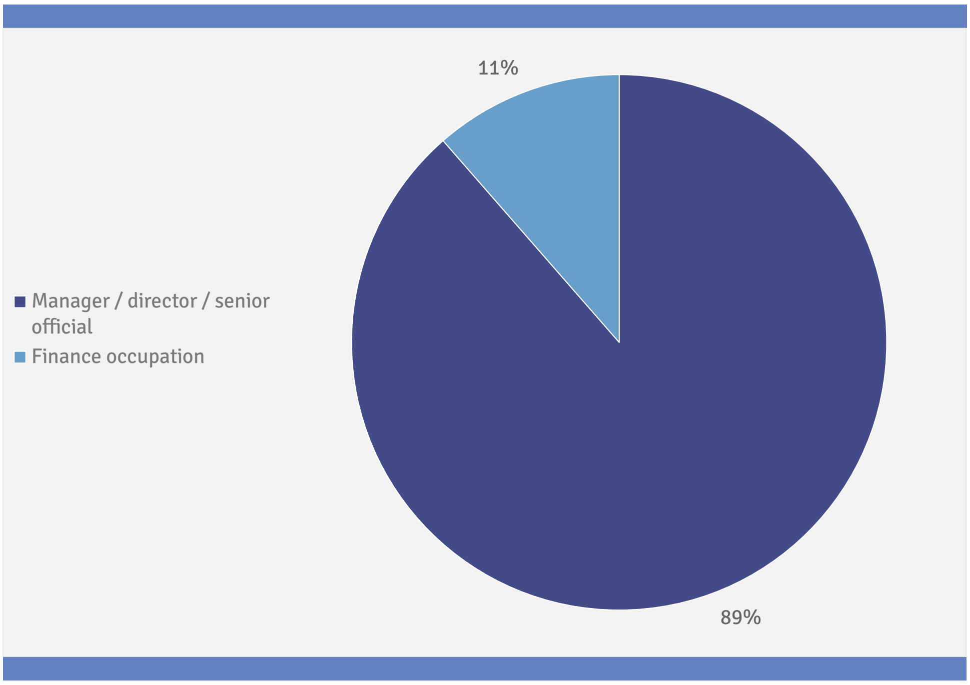
In the following, we set out details about respondents to the survey, as well as some profiling results.

9.4.3.1 Respondents' and organisations' profiles

Most respondents (71%) provided their financial answers in relation to the latest financial year (2019-20), with the remainder providing it for the previous one.

The following figure shows respondents' occupation within the business.

Figure 52: Respondents' occupation within the business

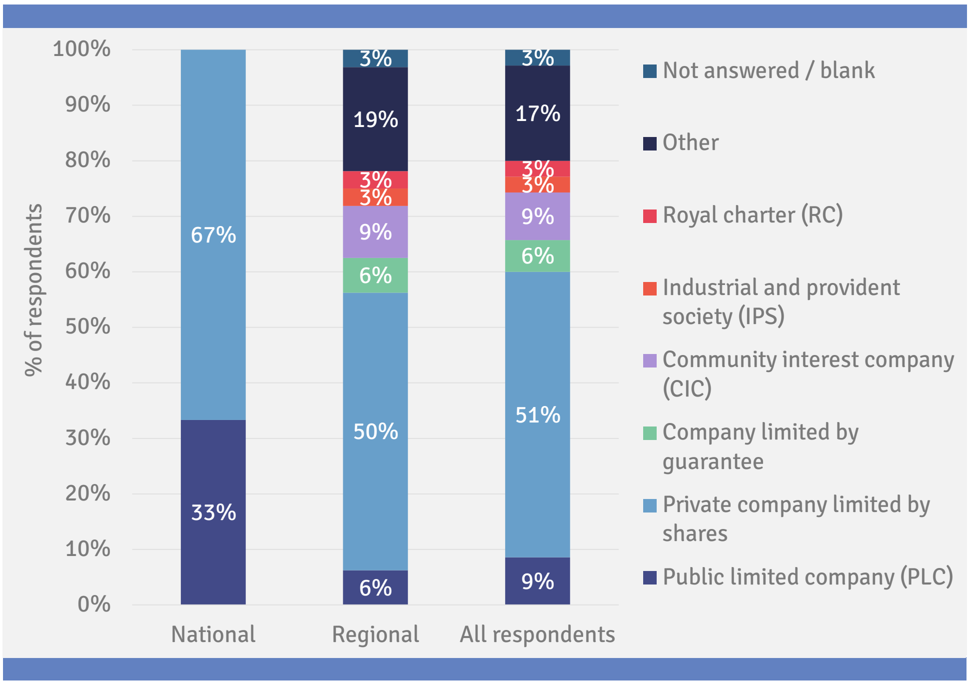


Source: Economic Insight online survey (N=35)

As can be seen, most respondents had a senior role within their organisation or were in a finance occupation and were, therefore, well-placed to answer this survey.

The next figure shows what type of organisation they work for.

Figure 53: Type of business

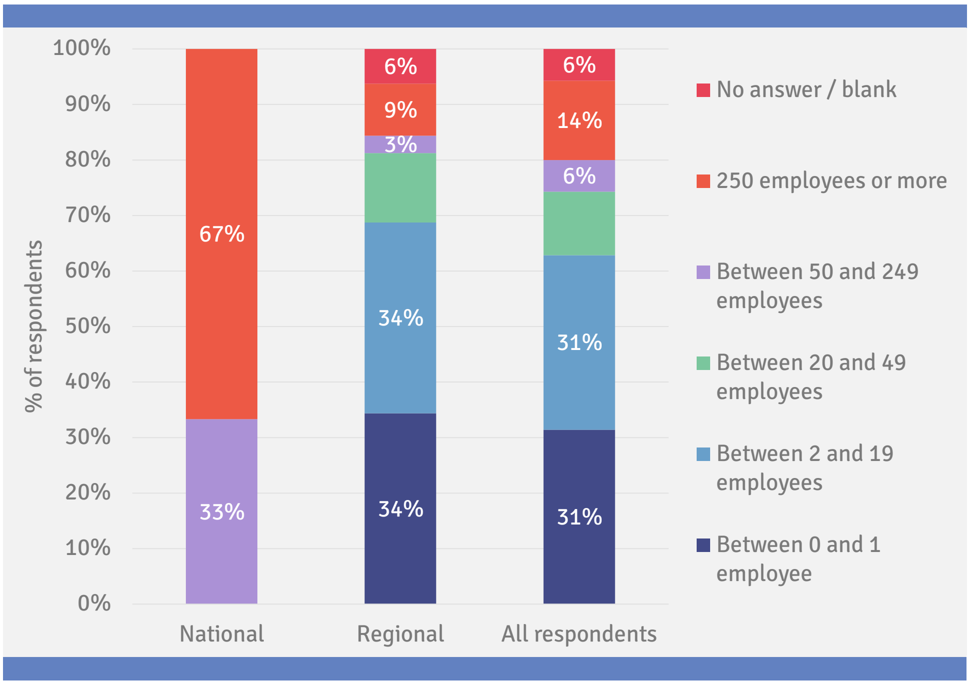


Source: Economic Insight online survey (National: N=3 respondents; 255 titles; 213 websites; Regional N=32 respondents; 269 titles; 260 websites; All respondents: N=35 respondents; 524 titles; 473 websites)

As shown, most publishers who responded to the survey are private limited companies. National publishers are either a PLC or a private limited company, whereas regional publishers have a more varied constellation, although around half of them are also private limited companies. Other types of businesses included: (i) hyperlocal not for profit community news; (ii) Cooperative Society; (iii) sole trader / start-up; (iv) voluntary organisation; and (v) constituted community group.

The following figure illustrates the size of the publishers that responded to the survey, by way of number of employees they have.

Figure 54: Size of business



Source: Economic Insight online survey (National: N=3 respondents; 255 titles; 213 websites; Regional N=32 respondents; 269 titles; 260 websites; All respondents: N=35 respondents; 524 titles; 473 websites)

As can be seen, there was a large spread of business sizes across regional publishers – from zero to one employee (34% of regional respondents) to more than 250 employees (9% of regional respondents). National publishers tend to be larger, with more than 50 employees. Therefore, we believe this sample captures a wide array of respondents.

9.4.3.2 Title numbers

Between them, respondents to our survey publish **524 newspaper titles** and **473 newspaper websites**. The following table illustrates the number of respondents that fall into each category, such as single digital title publishers with no print presence, compared to multiple print and digital title publishers.

Table 20: Distribution of respondents by number of titles

		Digital titles		
		0	1	>1
Print titles	0		15	3
	1	0	5	1
	>1	1	0	10

Source: Economic Insight online survey (N=35 respondents, 524 titles, 473 websites)

As the table demonstrates, fifteen respondents were single website publishers, with five being single print and digital title publishers. 10 respondents publish multiple print and digital titles, with one respondent publishing multiple print titles with no digital presence, and another publishing one print title and multiple websites.

Therefore, compared to the FAME database, our online survey sample focuses on the smaller, digital publishers, providing useful insights into their financial arrangements. It also covers some larger regional and even national publishers. We explore this in more detail in the following section.

9.4.3.3 Geographic coverage

The following table illustrates the geographic coverage of the publications of the respondents to our online survey.

Table 21: Geographic spread of title publications

	Single website respondents (%)	Multi-website title respondents (%)	Multi-print title respondents (%)
Whole of the UK	0%	11%	6%
North East	0%	1%	1%
North West	7%	3%	5%
Yorkshire & Humber	13%	9%	18%
East Midlands	7%	10%	5%
West Midlands	13%	14%	17%
East Of England	7%	2%	3%
London	7%	15%	1%
South East	27%	20%	24%
South West	0%	1%	2%
Wales	0%	1%	2%
Scotland	13%	12%	16%
Northern Ireland	7%	1%	1%

Source: Economic Insight online survey (Single website: N=15 respondents, 15 websites; Multi-website: N=14 respondents, 453 websites; Multi-print: N=11 respondents; 518 titles)

Note that multi-website, multi-title and combined responses do not add up to 100%.

As can be seen, our sample's geographic coverage spans quite broadly and is in line with the overall sector's geographic coverage.

9.4.3.4 Frequency of updates

The following table illustrates the frequency of updates of both digital and print publications.

Table 22: Frequency of title updates

	Single website respondents (%)	Multi-website respondents (%)	Multi-print respondents (%)	Combined respondents (%)
At least 5 times a day	47%	36%		30%
Between 1-5 times a day	33%	36%		25%
More than once a day			9%	3%
Daily, every day	7%	21%	0%	10%
Daily, weekdays only	7%	0%	9%	5%
Daily, Mon - Sat only	7%	7%	45%	18%
Weekly	0%	7%	91%	28%
Fortnightly	0%	0%	0%	0%
Quarterly	0%	0%	9%	3%

Source: Economic Insight online survey (Single website: N=15 respondents, 15 websites; Multi-website: N=14 respondents, 453 websites; Multi-print: N=11 respondents; 518 titles; Combined: N=40 responses, 468 websites, 518 titles)

Note that multi-website, multi-title and combined responses do not add up to 100%.

Digital publications tend to be updated multiple times a day, whereas print publications tend to be update on a weekly basis.

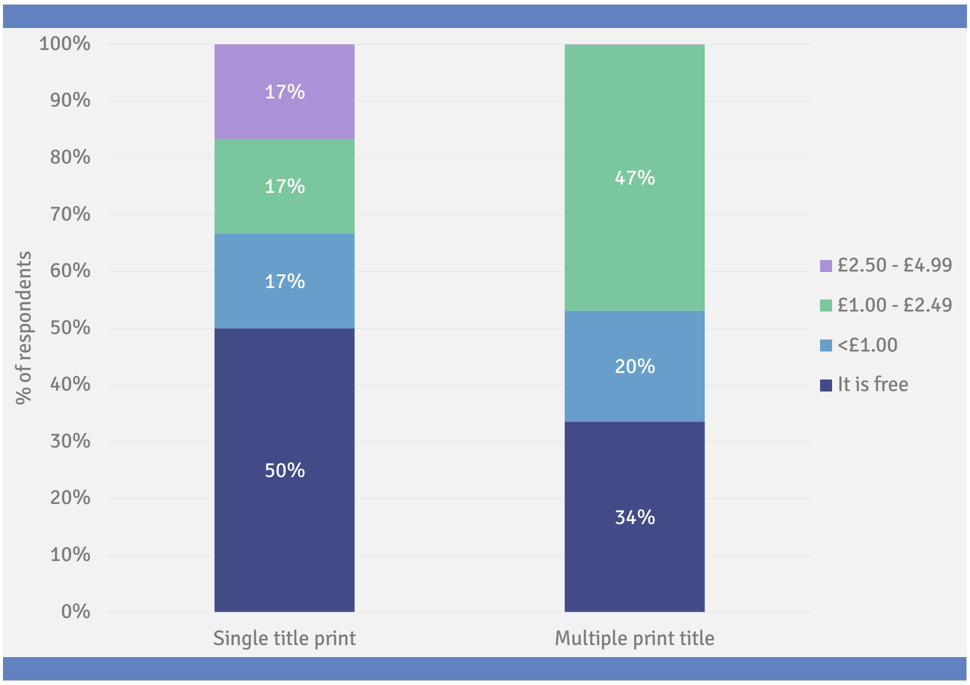
9.4.3.5 Price

In the following sections, we set out both the pricing models for both print and digital publications.

Print

The following figure sets out the prices of print single and multiple title publishers.

Figure 55: Print single and multiple title publishers prices



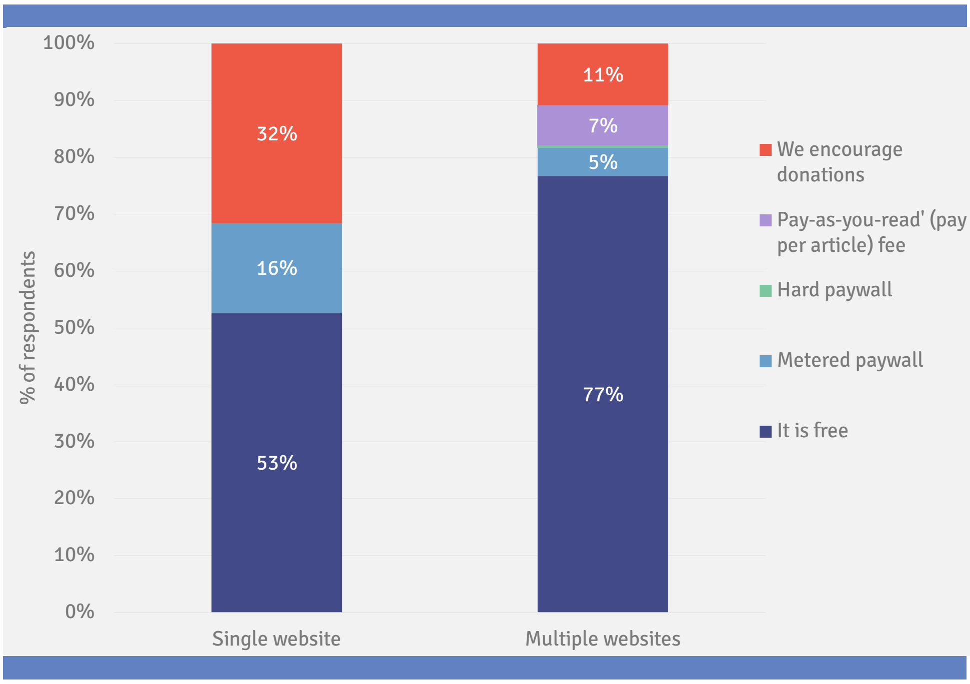
Source: Economic Insight online survey (Single: N=6 respondents, 6 titles, Multi: N=11 respondents, 518 titles)

As can be seen, half of the print titles in circulation from single-title publishers are distributed for free, compared to 34% of those of multiple title publishers.

Digital

The following figure sets out the payment models of digital single and multiple title publishers.

Figure 56: Digital single and multiple title publishers prices



Source: Economic Insight online survey (Single: N=19 respondents, 19 websites, Multi: N=14 respondents, 453 titles)

Across both single and multi-website publishers, news consumption is generally free (53% and 77% of titles accordingly). Almost a third (32%) of single website publishers encourage donations and 16% have a metered paywall.

Comparing both print and digital news publishers, around half of single-title print publishers distribute their titles on a paid for basis, compared to just 16% of single website publishers asking for direct payment for the consumption of news content. Similarly, on the multi-website publishers, a very small proportion has a hard paywall for online news. This further illustrates one of the key tensions identified by our survey – that there is a reluctance from consumers to pay for online news content, which is considered the main challenge by our survey respondents. So, even though online news consumption is growing at a fast pace, publishers are unable to monetise on this directly from consumers as there is a perceived lack of willingness to pay.

9.4.4 Questionnaire

The survey comprised five sections: ***profiling***; ***overall financials***; ***detailed revenues***; ***detailed costs*** and ***future outlook***, illustrated in the figure below. Respondents were unlikely to be asked every question. Rather, respondents were asked the questions that were relevant to them, which was determined by answers to previous questions within the survey.

Figure 57: Survey sections

A: Profiling	This section establishes the 'type' of respondent.
B: Overall financials	This section elicits overall financial information.
C: Detailed revenues	This section elicits detailed revenue information.
D: Detailed costs	This section elicits detailed costs information.
G: Future outlook	This section elicits future outlook opinions.

Source: Economic Insight

The following formatting is used in the rest of this document.

[Question number and label] LOGIC

[Question type]

Question text

[Notes / instructions]

9.4.4.1 Introduction and profiling questions

[Intro] ASK ALL

[Text only]

Thank you for taking the time to participate in this survey.

During these exceptional times, we hope that you and your loved ones are keeping healthy and safe.

Economic Insight has been commissioned by the Department for Digital, Culture, Media and Sport (DCMS) to undertake this independent study to develop a deep understanding of the financial landscape of the UK press sector. The information gathered in **this survey will help DCMS improve and explore additional policies to assist the press sector in the current circumstances**.

We understand that due to the impact of COVID-19, this period may be difficult for news publishers and your time is much appreciated.

This survey should preferably be completed at the publisher, rather than individual title (or website), level. Given the nature of this research is to better understand the underlying financial metrics of the UK press sector, **you may find it useful to have your latest annual accounts (preferably 2018-19 or 2019-20) with you, or other sources you may use to source financial information.**

All participants of the survey will remain anonymous and all information provided will be treated confidentially. Additionally, results will be published at an aggregated level in a way that will ensure that it will not be possible to identify specific publishers.

Economic Insight are bound by the Market Research Society Code of Conduct and the Data Protection Act. All information will be held securely at all times, and in compliance with the GDPR rules, and your responses will be treated confidentially.

The survey should take around 20 minutes to complete.

P1

***[1. Occupation within business] ASK ALL**

[Single code]

Which of the following best describes your occupation within your business?

1. Manager / director / senior official
2. Finance occupation
3. Production and editorial occupation
4. Secretarial and related occupation
5. Customer service occupation
6. Commercial or advertising occupation
7. Other, please specify: [Open text box]

Q1 IN [C3, C4, C5, C6, C7] => SKIP to P21

[2. Type of business] ASK ALL

[Single code]

How would you best describe the type of business you work for?

1. Public limited company (plc)
2. Private company limited by shares
3. Company limited by guarantee
4. Unlimited company
5. Community interest company (CIC)

6. Industrial and provident society (IPS)
7. Royal charter (RC)
8. Charitable organisation
9. Other, please specify: [Open text box]

***[3. Publisher – number of titles] ASK ALL**

[Single code]

Roughly, how many news titles (print and / or digital) does your publishing company operate? If you have a print and digital version of the same title, please consider this as two separate titles.

	Number
1. Newspaper titles	[Only allow numbers between 0 – 999.]
2. Websites	[Only allow numbers between 0– 999.]

P3

[4. Impact of COVID-19 on news publishers] [Q3.R1= 1 AND Q3.R2 = 0 => SHOW Q4: Show this question if respondent has 1 print title and no digital title]

[Single code]

We understand that this is an exceptional time for news publishers in the UK. Can you please select the option which most appropriately reflects the current state of your (print) publishing company?

1. We have closed our title
2. We have temporarily paused our title and will resume once the situation permits
3. We have reduced the print circulation of our title
4. We have reduced the frequency of our title
5. Our title is still fully operational
6. Other, please specify: [Open text box]

[5. Impact of COVID-19 on news publishers] [Q3.R1 = 0 AND Q3.R2 = 1 SHOW Q5: Show this question if the respondent has no print title and only 1 website]

[Single code]

We understand that this is an exceptional time for news publishers in the UK. Can you please select the option which most appropriately reflects the current state of your (digital) publishing company?

1. We have closed our website
2. We have temporarily paused our website and will resume once the situation permits

3. We have reduced the frequency of website updates of our title
4. Our website is still fully operational
5. Other, please specify: [Open text box]

[6. Impact of COVID-19 on news publishers] [Q3.R1 = 1 AND Q3.R2 = 0 => HIDE Q6; Q3.R1 = 0 AND Q3.R2 = 1 => HIDE Q6: Hide this question for respondents who only have one title]

[Multi code]

We understand that this is an exceptional time for news publishers in the UK. Can you please select all the options which most appropriately reflect the current state of your publishing company?

1. We have closed **all** titles
2. We have closed **some** of our titles
3. We have temporarily paused **all** of our titles and will resume once the situation permits
4. We have temporarily paused **some** of our titles and will resume once the situation permits
5. We have merged **all** of our titles
6. We have merged **some** of our titles
7. We have reduced the print circulation of **all** our titles
8. We have reduced the print circulation of **some** of our titles
9. We have reduced the frequency of publication and/or website updates for **all** of our titles
10. We have reduced the frequency of publication and/or website updates for **some** of our titles
11. **All** of our publications and/or websites are still fully operational
12. **Some** of our publications and/or websites are still operational
13. Other, please specify: [Open text box]

P4

[7. Financial data - scope] ASK ALL

[Single code]

As stated in the introduction, throughout this survey, we will be asking you questions about your news **publisher's** finances. At no point will we collect specific data, other than ranges and / or proportions. Accordingly, we are looking for your 'best estimate' in each case, rather than precise figures, so please do attempt all questions.

To ensure the information is up-to-date, it may be helpful to base your responses on your latest available data (e.g. financial reports and / or your latest accounting period), prior to the onset of COVID-19. Please provide this information at a publisher – and not an individual title – level.

Could you please select which timeframe most appropriately reflects your financial data? (and make a note for yourself to look back at further on in the survey).

1. 2019 – 2020 (preferred)
2. 2018 - 2019

[8. Financial data - scope] [Q3.R1 = 1 AND Q3.R2 = 0 => HIDE Q8; Q3.R1 = 0 AND Q3.R2 = 1 => HIDE Q8: Hide this questions for respondents who only have one title]

[Matrix]

Please select either TRUE or FALSE for each of the statements below regarding the financial arrangements across your different titles.

If you only publish on title (either print or digital), please skip to the next question.

	True	False
Finances are managed individually across titles or groups of titles (i.e. by region)		
Minor financial transactions are made across titles (e.g. to provide limited support)		
Major financial transactions are made across titles (e.g. significant cross-subsidisation)		

[9. Publication – location: single] [Q3.R1 = 1 AND Q3.R2 = 0 => SHOW Q9; Q3.R1 = 0 AND Q3.R2 = 1 => SHOW Q9: Show this question for respondents who only have one title]

[Multi code]

Broadly, which of the following UK regions does your publication / website cover? If you publish across England, please select all 9 English regions. (approximately, based on your best understanding)

1. North East
2. North West
3. Yorkshire and the Humber
4. East Midlands
5. West Midlands
6. East of England
7. London
8. South East
9. South West
10. Wales
11. Scotland
12. Northern Ireland
13. All of the above

[10. Publication – location: multi] [Q3.R1 = 0 OR 1 => HIDE Q10: Hide this question for respondents who have at most 1 print title]

[Multi code]

Approximately, what proportion of your print publications covers the following UK regions? Please enter the proportion out of 100 (approximately, based on your best understanding).

	Titles (proportion out of 100)
1. North East	[Open text box – allow numbers 0 – 100]
2. North West	[Open text box – allow numbers 0 – 100]
3. Yorkshire and the Humber	[Open text box – allow numbers 0 – 100]
4. East Midlands	[Open text box – allow numbers 0 – 100]
5. West Midlands	[Open text box – allow numbers 0 – 100]
6. East of England	[Open text box – allow numbers 0 – 100]
7. London	[Open text box – allow numbers 0 – 100]
8. South East	[Open text box – allow numbers 0 – 100]
9. South West	[Open text box – allow numbers 0 – 100]
10. Wales	[Open text box – allow numbers 0 – 100]
11. Scotland	[Open text box – allow numbers 0 – 100]
12. Northern Ireland	[Open text box – allow numbers 0 – 100]
13. UK	[Open text box – allow numbers 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: "The total of your proportions is not adding up to a 100, please revise your estimates."]

[11. Publication – location: multi] [Q3.R2 = 0 OR 1 => HIDE Q11: Hide this question for respondents who have at most 1 digital title]

[Multi code]

Approximately, what proportion of your websites covers the following UK regions? Please enter the proportion out of 100 (approximately, based on your best understanding).

	Websites (proportion out of 100)
1. North East	[Open text box – allow numbers 0 – 100]

2. North West	[Open text box – allow numbers 0 – 100]
3. Yorkshire and the Humber	[Open text box – allow numbers 0 – 100]
4. East Midlands	[Open text box – allow numbers 0 – 100]
5. West Midlands	[Open text box – allow numbers 0 – 100]
6. East of England	[Open text box – allow numbers 0 – 100]
7. London	[Open text box – allow numbers 0 – 100]
8. South East	[Open text box – allow numbers 0 – 100]
9. South West	[Open text box – allow numbers 0 – 100]
10. Wales	[Open text box – allow numbers 0 – 100]
11. Scotland	[Open text box – allow numbers 0 – 100]
12. Northern Ireland	[Open text box – allow numbers 0 – 100]
13. UK	[Open text box – allow numbers 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: "The total of your proportions is not adding up to a 100, please revise your estimates."]

P5

[12. Publication – frequency: single-title print] [Q3.R1 = 1 AND Q3.R2 = 0 => SHOW Q12: Show this question if the respondent has only 1 print title and no digital presence]

[Single code]

Roughly, how frequently is your print news title published? (approximately, based on your best understanding)

1. More than once a day
2. Daily, every day
3. Daily, weekdays only
4. Daily, Monday – Saturday only
5. Weekly
6. Fortnightly
7. Quarterly
8. Bi-annually
9. Yearly
10. Other, please specify: [Open text box]

[13. Publication – frequency-single-title digital] [Q3.R1 = 0 AND Q3.R2 = 1 => SHOW Q13: Show this question if the respondent has only 1 digital title and no print presence]

[Single code]

Roughly, how frequently is your website updated? (approximately, based on your best understanding)

1. At least five times a day
2. Between one and five times a day
3. Daily, every day
4. Daily, weekdays only
5. Daily, Monday – Saturday only
6. Weekly
7. Fortnightly
8. Quarterly
9. Bi-annually
10. Yearly

[14. Publication – frequency-multiple title print] [Q3.R1 = 0 OR 1 => HIDE Q14: Hide this question for respondents who have at most 1 print title]

[Multi code – textbox next to every answer to allow numbers to be inputted]

Please state approximately how many of your print publications are published according to the following frequencies. (approximately, based on your best understanding)

	Titles
1. At least five times a day	[Open text box – allow numbers 0 – 999]
2. Between one and five times a day	[Open text box – allow numbers 0 – 999]
3. Daily, every day	[Open text box – allow numbers 0 – 999]
4. Daily, weekdays only	[Open text box – allow numbers 0 – 999]
5. Daily, Monday – Saturday only	[Open text box – allow numbers 0 – 999]
6. Weekly	[Open text box – allow numbers 0 – 999]
7. Fortnightly	[Open text box – allow numbers 0 – 999]
8. Quarterly	[Open text box – allow numbers 0 – 999]
9. Bi-annually	[Open text box – allow numbers 0 – 999]
10. Yearly	[Open text box – allow numbers 0 – 999]

[15. Publication – frequency-multiple title print] Q3.R2 = 0 OR 1 => HIDE Q15: Hide this question for respondents who have at most 1 digital title.

[Multi code – textbox next to every answer to allow numbers to be inputted]

Please state approximately how many of your websites are updated according to the following frequencies. (approximately, based on your best understanding)

	Websites
1. At least five times a day	[Open text box – allow numbers 0 – 999]
2. Between one and five times a day	[Open text box – allow numbers 0 – 999]
3. Daily, every day	[Open text box – allow numbers 0 – 999]
4. Daily, weekdays only	[Open text box – allow numbers 0 – 999]
5. Daily, Monday – Saturday only	[Open text box – allow numbers 0 – 999]
6. Weekly	[Open text box – allow numbers 0 – 999]
7. Fortnightly	[Open text box – allow numbers 0 – 999]
8. Quarterly	[Open text box – allow numbers 0 – 999]
9. Bi-annually	[Open text box – allow numbers 0 – 999]
10. Yearly	[Open text box – allow numbers 0 – 999]

P6

[16. Publication – price: print single] [Q3.R1 = 1 => SHOW Q16: Show this question for respondents who have 1 print title]

[Single code]

Generally, what is the price of your newspaper? (approximately, based on your best understanding)

1. It is free.
2. < £1.00
3. £1.00 - £2.49
4. £2.50 - £4.99
5. >£5.00
6. We encourage donations.
7. Other, please specify: [Open text box]

[17. Publication – price: print multiple] [Q3.R1 = 0 OR 1 => HIDE Q17: Hide this question for respondents who have at most 1 print title]

[Single code]

Please state what proportion approximately of your newspaper prices fall into the following categories from your overall titles. Please enter the proportion out of 100 (approximately, based on your best understanding) .

	Proportion
1. It is free	[Only allow numbers between 0 – 100]
2. < £1.00	[Only allow numbers between 0 – 100]
3. £1.00 - £2.49	[Only allow numbers between 0 – 100]
4. £2.50 - £4.99	[Only allow numbers between 0 – 100]
5. >£5.00	[Only allow numbers between 0 – 100]
6. We encourage donations	[Only allow numbers between 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: "The total of your proportions is not adding up to a 100, please revise your estimates."]

[18. Publication – price: digital single] [Q3.R2 = 1 SHOW Q18: show this question for respondents who have 1 website]

[Single code]

Which payment model best describes your website? (approximately, based on your best understanding)

1. It is free.
2. Metered paywall.
3. Hard paywall.
4. 'Pay as you read' (pay per article) fee.
5. We encourage donations.
6. Other, please specify: [Open text box]

[19. Publication – price: digital multiple] Q3.R2 = 0 OR 1 => HIDE Q19: Hide this question for respondents who have at most 1 digital title.

[Single code]

Generally, which payment model best describes your publishers' websites? Please state approximately what proportion (out of 100) of your websites fall into the following categories. (approximately, based on your best understanding)

	Proportion
1. It is free	[Only allow numbers between 0 – 100]
2. Metered paywall	[Only allow numbers between 0 – 100]
3. Hard paywall	[Only allow numbers between 0 – 100]
4. 'Pay as you read' (pay per article) fee	[Only allow numbers between 0 – 100]
5. We encourage donations	[Only allow numbers between 0 – 100]

6. Other	[Only allow numbers between 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: "The total of your revenues is not adding up to a 100, please revise your estimates."]

P7

[20. Price: digital subscription] [Q3.R2 = 0 => HIDE Q20: Hide this question for respondents who have no digital presence; Q18 = C2 => SHOW Q20: Show this question for single website publishers who charge a subscription fee; Q19.R2 IS NOT EMPTY AND Q19.R2 != 0 => SHOW Q20: show this question for respondents who have multi digital titles and charge a subscription fee for a positive proportion of them]

[Single code]

What is the approximate price of your monthly subscription of your digital title / across all your digital titles?

1. < £5.00 per month
2. £5.00 - £5.99 per month
3. £6.00 - £6.99 per month
4. £7.00 - £7.99 per month
5. £8.00 - £8.99 per month
6. £9.00 - £9.99 per month
7. > £10.00 per month

[21. Publication – price: digital] [Q18 = C2 AND Q3.R1 != 0 => SHOW Q21: show this question for single website owners who also have a print presence; Q19.R2 IS NOT EMPTY AND Q19.R2 != 0 AND Q3.R1 != 0 => Show Q21: show this to multi digital publishers who also have a print presence]

[Single code]

What is the approximate price of your monthly print and digital subscription across all your titles generally? (approximately, based on your best understanding)

1. < £10.00 per month
2. £10.00 - £10.99 per month
3. £11.00 - £11.99 per month
4. £12.00 - £12.99 per month
5. £13.00 - £13.99 per month
6. £14.00 - £14.99 per month
7. > £15.00 per month

P8

[22. Digital gatekeepers] [Q3.R2 = 0 => HIDE Q22: Hide this question for respondents who have no digital presence]

[Multi code]

Which of the following subscription bundling sites / licensing initiatives / aggregators do you have financial deals with? Please select all that apply.

1. Google News Showcase
2. Facebook News tab
3. Pressreader
4. Readly
5. Other, please specify: [Open textbook]

9.4.4.2 Overall financials

P9

[B0. Overall financials - introduction] ASK ALL

In this section of the survey, we will be asking you questions about the overall financial position and profitability of your news title/titles.

We would like to remind you that **all information provided will be treated confidentially and all participants will remain anonymous**, as stated in the introduction.

To help you answer these questions, please consider your latest available data (e.g. financial reports and / or your latest accounting period).

[23. Employees - total] ASK ALL

[Single code]

Which of the following best describes the **size of your business**, by **number of employees**? (approximately, based on your best understanding)

1. Zero employees
2. 1 employee
3. Between 2 and 4 employees
4. Between 5 and 9 employees
5. Between 10 and 19 employees
6. Between 20 and 49 employees
7. Between 50 and 249 employees
8. 250 employees or more

[24. Revenues - total] ASK ALL

[Single code]

Which of the following best describes the **size of your business**, by **annual turnover**? (approximately, based on your best understanding)

1. < £10 000
2. £10 000 - £49 999
3. £50 000 - £99 999
4. £100 000 - £199 999
5. £200 000 - £499 999
6. £500 000 - £999 999
7. £1m – £4.9m
8. £5m – £9.9m
9. £10m – £24.9m
10. £25m – £49.9m
11. £50m – £99.9m
12. £100m– £249.9m
13. £250m – £499.9m
14. > £500m

[25. Costs – total: operating] ASK ALL

Which of the following best describes the size of your **annual operating costs**? (approximately, based on your best understanding)

[Single code]

1. < £10 000
2. £10 000 - £49 999
3. £50 000 - £99 999
4. £100 000 - £199 999
5. £200 000 - £499 999
6. £500 000 - £999 999
7. £1m – £4.9m
8. £5m – £9.9m
9. £10m – £24.9m
10. £25m – £49.9m
11. £50m – £99.9m
12. £100m– £249.9m
13. > £250m

[26. Assets – total] ASK ALL

[Single code]

Which of the following best describes the size of your **total asset base** (including both current and non-current assets)? (approximately, based on your best understanding)

1. < £10 000
2. £10 000 - £49 999
3. £50 000 - £99 999
4. £100 000 - £199 999
5. £200 000 - £499 999
6. £500 000 - £999 999
7. £1m – £4.9m

8. £5m – £9.9m
9. £10m – £24.9m
10. £25m – £49.9m
11. £50m – £99.9m
12. £100m– £249.9m
13. £250m – £499.9m
14. £500m - £999.9m
15. £1 000m – 2 499m
16. >£2 500m

[27. Liabilities – total] ASK ALL

[Single code]

Which of the following best describes the size of your **total liabilities** (including both current and non-current liabilities)? (approximately, based on your best understanding)

1. < £10 000
2. £10 000 - £49 999
3. £50 000 - £99 999
4. £100 000 - £199 999
5. £200 000 - £499 999
6. £500 000 - £999 999
7. £1m – £4.9m
8. £5m – £9.9m
9. £10m – £24.9m
10. £25m – £49.9m
11. £50m – £99.9m
12. £100m– £249.9m
13. £250m – £499.9m
14. £500m - £999.9m
15. £1 000m – 2 499m
16. >£2 500m

[28. Tax burden – total] ASK ALL

[Single code]

Which of the following best describes the size of your **total annual tax burden**? (approximately, based on your best understanding)

1. < £10 000
2. £10 000 - £49 999
3. £50 000 - £99 999
4. £100 000 - £199 999
5. £200 000 - £499 999
6. £500 000 - £999 999
7. £1m – £4.9m
8. £1m – £4.9m
9. £5m – £9.9m
10. £10m – £24.9m

11. £25m – £49.9m
12. > £50m

[29. EBIT – total] ASK ALL

[Single code]

Which of the following best describes the size of your **annual operating profit** (**EBIT**)? (approximately, based on your best understanding)

1. < £10 000
2. £10 000 - £49 999
3. £50 000 - £99 999
4. £100 000 - £199 999
5. £200 000 - £499 999
6. £500 000 - £999 999
7. £1m – £4.9m
8. £1m – £4.9m
9. £5m – £9.9m
10. £10m – £24.9m
11. £25m – £49.9m
12. £50m – £99.9m
13. £100m– £249.9m
14. > £250m

[30. EBITDA – total] ASK ALL

[Single code]

Which of the following best describes the size of your **annual operating profit before depreciation and amortisation** (**EBITDA**)? (approximately, based on your best understanding)

1. < £10 000
2. £10 000 - £49 999
3. £50 000 - £99 999
4. £100 000 - £199 999
5. £200 000 - £499 999
6. £500 000 - £999 999
7. £1m – £4.9m
8. £1m – £4.9m
9. £5m – £9.9m
10. £10m – £24.9m
11. £25m – £49.9m
12. £50m – £99.9m
13. £100m– £249.9m
14. > £250m

[31. Liabilities – pensions] ASK ALL

[Single code]

Are your pension liabilities larger than your operating profit?

1. Yes
2. No

P10

[32. Changes over time] ASK ALL

[Single code]

Which of the following best describes changes in these financial metrics over the last five years? Please select whether they have decreased, stayed the same, or increased.

	Substantially decreased	Moderately decreased	Stayed the same	Moderately increased	Substantially increased
1. Employees					
2. Revenue					
3. Operating costs					
4. Assets					
5. Liabilities					
6. Tax burden					
7. EBIT					
8. EBITDA					

[33. Changes over time – free text] ASK ALL

[Multi code]

Can you please select the appropriate key changes across these financials over the last five years (prior to the onset of COVID-19)? Please select all that apply.

1. Title closures
2. Title mergers
3. Sale of titles
4. Reduction in content / output
5. Sale of other assets
6. Redundancies in the newsroom
7. Other redundancies
8. Other, please specify: [Open text box]

9. None of the above

9.4.4.3 Revenues

P11

[34. Revenues – splits: overall] ASK ALL

[Single code]

In this section of the survey, we will be asking you more detailed questions about your different revenue streams.

Again, we would like to remind you that **all information provided will be treated confidentially and all participants will remain anonymous**.

To help you answer these questions, please consider your latest available data (e.g. financial reports and / or your latest accounting period).

Earlier, you selected the range of your annual revenues.

Thinking about your different **revenue** streams, **approximately** what proportion do you earn from each of these segments? Please enter the proportion out of 100. (approximately, based on your best understanding)

	Proportion out of 100
1. Circulation (print and digital)	[Only allow numbers between 0 – 100]
2. Commercial advertising	[Only allow numbers between 0 – 100]
3. Statutory notices	[Only allow numbers between 0 – 100]
4. Contract printing	[Only allow numbers between 0 – 100]
5. Income from deals with aggregators, bundling services and other news portals	[Only allow numbers between 0 – 100]
6. Other	[Only allow numbers between 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: “The total of your revenues is not adding up to a 100, please revise your estimates.”]

P12

[35. Revenues – splits: circulation] [Q33.R1 IS NOT EMPTY AND Q33.R1 != 0 => SHOW Q34: Show this question to respondents who entered a positive proportion for circulation revenue in question 33]

[Single code]

Now, thinking about your **circulation revenue**, **approximately** what proportion do you earn from each of these segments? Please enter the proportion out of 100. (approximately, based on your best understanding)

	Proportion out of 100
1. Print circulation	[Only allow numbers between 0 – 100]
2. All online subscription payment models	[Only allow numbers between 0 – 100]
3. Donations and micropayments	[Only allow numbers between 0 – 100]
4. Other	[Only allow numbers between 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: "The total of your circulation revenues is not adding up to a 100, please revise your estimates."]

[36. Revenues – splits: commercial advertising] [Q33.R2 IS NOT EMPTY AND Q33.R2 != 0 => SHOW Q35: Show this question to respondents who entered a positive proportion for commercial advertising in question 33]

[Single code]

Now, thinking about your **commercial advertising revenue**, **approximately** what proportion do you earn from each of these segments? Please enter the proportion out of 100. (approximately, based on your best understanding)

	Proportion out of 100
1. Print advertising	[Only allow numbers between 0 – 100]
2. Online advertising	[Only allow numbers between 0 – 100]
3. Other	[Only allow numbers between 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: "The total of your commercial advertising revenues is not adding up to a 100, please revise your estimates."]

P13

[37. Revenues – splits: commercial advertising: print] [Q35.R1 IS NOT EMPTY AND Q35.R1 != 0 => SHOW Q36: Show this question for respondents who entered a positive value for print advertising in question 35]

[Single code]

Now, thinking about your **print advertising revenue**, **approximately** what proportion do you earn from each of these segments? Please enter the proportion out of 100. (approximately, based on your best understanding)

	Proportion out of 100
1. Classifieds (e.g. job ads)	[Only allow numbers between 0 – 100]
2. Display advertising (e.g. car ads)	[Only allow numbers between 0 – 100]
3. Sponsorships / advertorials	[Only allow numbers between 0 – 100]
4. Other	[Only allow numbers between 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: "The total of your commercial print advertising revenues is not adding up to a 100, please revise your estimates."]

[38. Revenues – splits: commercial advertising: online] [Q35.R2 IS NOT EMPTY AND Q35.R2 != 0 => SHOW Q37: Show this question to respondents who entered a positive value for online advertising in question 35]

[Single code]

Now, thinking about your **online advertising revenue**, **approximately** what proportion do you earn from each of these segments? Please enter the proportion out of 100. (approximately, based on your best understanding)

	Proportion out of 100
1. Programmatic direct advertising (e.g. direct relationship between advertiser and publisher)	[Only allow numbers between 0 – 100]
2. Programmatic indirect advertising (e.g. indirect relationship between advertiser and publisher)	[Only allow numbers between 0 – 100]
3. Sponsorships / advertorials	[Only allow numbers between 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: "The total of your commercial online advertising revenues is not adding up to a 100, please revise your estimates."]

P14

[39. Revenues – splits: statutory notices] [Q33.R3 IS NOT EMPTY AND Q33.3 != 0 => SHOW Q38: show this question to respondents who entered a positive value for statutory notices in question 33]

[Single code]

Now, thinking about your **statutory notices revenue**, **approximately** what proportion do you earn from each of these segments? Please enter the proportion out of 100. (approximately, based on your best understanding)

	Proportion out of 100
1. Planning notices	[Only allow numbers between 0 – 100]
2. Traffic regulation orders	[Only allow numbers between 0 – 100]
3. Goods vehicles operator license notices	[Only allow numbers between 0 – 100]
4. Probate notices	[Only allow numbers between 0 – 100]
5. Licenses to serve alcohol	[Only allow numbers between 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: "The total of your statutory notices revenues is not adding up to a 100, please revise your estimates."]

[40. Revenues – splits: other] [Q33.R6 IS NOT EMPTY AND Q33.R6 !=0 => SHOW Q39: show this question to respondents who entered a positive value for other in question 33]

[Single code]

Now, thinking about your **'other' revenue**, **approximately** what proportion do you earn from each of these segments? Please enter the proportion out of 100. (approximately, based on your best understanding)

	Proportion out of 100
1. Marketing services	[Only allow numbers between 0 – 100]
2. Competitions	[Only allow numbers between 0 – 100]
3. B2B services	[Only allow numbers between 0 – 100]
4. Events	[Only allow numbers between 0 – 100]
5. Other	[Only allow numbers between 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: "The total of your other revenues is not adding up to a 100, please revise your estimates."]

9.4.4.4 Costs

P15

[41. Costs – splits: operating] ASK ALL

[Single code]

In this section of the survey, we will be asking you more detailed questions about your different operating costs.

Again, we would like to remind you that **all information provided will be treated confidentially and all participants will remain anonymous**.

To help you answer these questions, please consider your latest available data (e.g. financial reports and / or your latest accounting period).

Earlier, you selected the range of your operating costs.

Thinking about the **different sources of your operating costs, approximately** what proportion accrues to each of these segments? Please enter the proportion out of 100. (approximately, based on your best understanding)

	Proportion out of 100
1. Staff	[Only allow numbers between 0 – 100]
2. Rent	[Only allow numbers between 0 – 100]
3. Print / production	[Only allow numbers between 0 – 100]
4. Distribution	[Only allow numbers between 0 – 100]
5. Other raw materials	[Only allow numbers between 0 – 100]
6. Depreciation & amortisation	[Only allow numbers between 0 – 100]
7. Other	[Only allow numbers between 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: "The total of your operating costs is not adding up to a 100, please revise your estimates."]

P16

[42. Costs – splits: operating - staff] [Q40.R1 IS NOT EMPTY AND Q40.R1 != 0 => SHOW Q41: show this question to respondents who entered a positive value for staff costs in question 40]

[Multi code]

Now, thinking about your **staff costs**, what proportion **approximately** accrues to the different staff functions? Please enter the proportion out of 100. (approximately, based on your best understanding)

	Proportion out of 100
1. Content, production and editorial	[Only allow numbers between 0 – 100]
2. Pre-press and printing	[Only allow numbers between 0 – 100]

3. Commercial, sales and marketing	[Only allow numbers between 0 – 100]
4. Technical and information technology	[Only allow numbers between 0 – 100]
5. Distribution	[Only allow numbers between 0 – 100]
6. Finance and management	[Only allow numbers between 0 – 100]
7. Digital media	[Only allow numbers between 0 – 100]
8. Administration and secretarial	[Only allow numbers between 0 – 100]
9. Other	[Only allow numbers between 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: "The total of your staff costs is not adding up to a 100, please revise your estimates."]

P17

[43. Costs – splits: tax] ASK ALL

[Single code]

Thinking about the different sources of your **tax burden**, **approximately** what proportion accrues to each of these segments? Please enter the proportion out of 100. (approximately, based on your best understanding)

	Proportion out of 100
1. Corporation tax	[Only allow numbers between 0 – 100]
2. Business rates	[Only allow numbers between 0 – 100]
3. VAT	[Only allow numbers between 0 – 100]
4. Other	[Only allow numbers between 0 – 100]

[Ensure the total of all cells = 100. If unequal, please show the following message: "The total of your tax burden is not adding up to a 100, please revise your estimates."]

9.4.4.5 Future outlook

P19

[44. Future outlook – overall trends] ASK ALL

[Single code]

In this section of the survey, we will be asking you questions about your outlook to the future.

Which of the following best describes how you envisage these sources of revenue changing over the **next five years**? Please select whether you expect they will decrease, stay the same, or increase.

	Substantially decrease	Moderately decrease	Stay the same	Moderately increase	Substantially increase
1. Circulation (print)					
2. Circulation (digital)					
3. Commercial advertising					
4. Statutory notices					
5. Contract printing					
6. Income from deals with aggregators, bundling services and other news portals					

[45. Future outlook – overall trends] ASK ALL

[Single code]

Which of the following best describes how you envisage your operating costs changing over the **next five years**? Please select whether you expect they will decrease, stay the same, or increase.

	Substantially decrease	Moderately decrease	Stay the same	Moderately increase	Substantially increase
1. Staff					
2. Rent					
3. Print / production					
4. Distribution					
5. Other raw materials					
6. Depreciation and amortisation					

P19

[46. Future outlook – overall trends: checkbox]
[Q46.R1 IN [C1, C2] OR Q46.R3 IN [C1, C2] OR Q46.R4 IN [C1, C2] OR Q46.R5 IN [C

1, C2] OR Q46.R6 IN [C1, C2] => SHOW Q50: Show this question to respondents if they selected substantially decrease or moderately decrease for any source of revenue]

[Multi code]

If you forecast a negative trend in your financial outlook, which of the following cost-cutting measures are likely to be under consideration? Please select all that apply.

1. Title closures
2. Title mergers
3. Sale of titles
4. Reduction in content / output
5. Sale of other assets
6. Redundancies in the newsroom
7. Other redundancies
8. Other, please specify: [Open text box]

[47. Future outlook – challenges: next year] ASK ALL

[Single code]

What do you see being the major structural challenges facing your organisation and the sector over the **next five years** ? Please state how much you agree or disagree with the following statements.

	Totally disagree	Moderately disagree	Neither agree nor disagree	Moderately agree	Totally agree
1. The reluctance of people to pay for digital news					
2. The revenues available to publishers from the digital advertising market					
3. Digital prominence and control over digital distribution					
4. Changing consumer behaviour as a result of COVID-19					
5. Trust in news media					
6. Impacts stemming from the UK's exit from the European Union					
7. The availability of skills and resources to adapt business models					

8. Other, please specify: [Open text box]					

9.4.4.6 Salutation

P21

[48. Salutation] [Q1 IN [C3, C4, C5, C6, C7] => SKIP TO P21: Skip to this text if options 3-7 were selected in question 1; Q1 IN [C1, C2] => HIDE P21: Hide this text if options 1 or 2 were selected in question 1]

[Text only]

We would be grateful if you could forward this survey onto a colleague that falls into any of the following categories and has knowledge of your business' finances: manager; director; senior official; or finance department.

P22

[49. Salutation] SHOW ALL

[Text only]

Thank you for your time in filling out this survey.

The information you have provided will help DCMS improve and explore additional policies to assist the sector in the current circumstances and will help DCMS target their support to where it is needed most.

We hope that you keep safe and healthy during these exceptional times.

WE MAKE ECONOMICS RELEVANT

Economic Insight Limited

125 Old Broad Street
London
EC2N 1AR
0207 100 3746
www.economic-insight.com