



Swiss Entertainment & Media Outlook 2020-2024

Newspaper and consumer magazines

Pulling the future forward: The
entertainment and media industry
reconfigures amid recovery

Newspaper and consumer magazines

Segment definition

This segment comprises revenue from both circulation (consumer spend) and advertising in newspapers and consumer magazines. It addresses both physical print editions and digital editions, as well as all daily newspapers, including weekend editions and free dailies. Weekly newspapers are considered in markets where data is available. This revenue reflects digital and non-digital income, and is derived from both consumer and advertising spending. Newspaper circulation revenue comprises consumer spend on newspapers, including print (newsstand purchases and subscriptions to the print edition) and digital (digital subscriptions and payments for newspapers delivered directly to connected devices such as a PC, tablet or smartphone, plus paywall fees for accessing online content). Circulation revenue from consumer magazines comprises spending by readers on either single sales from retail outlets or via subscriptions in print, and via downloads of individual digital copies or subscriptions delivered direct to a connected user device. Advertising revenue reflects advertising spend on both print editions of newspapers and digital newspapers, which includes all advertising on newspaper websites, tablet apps and smartphone apps. It also includes advertising spend for traditional print as well as digital online consumer magazines accessed either directly via a magazine website or a connected user device. Licensing of merchandise, live events and e-commerce are not included in this segment. In the US and Canada only, print newspaper advertising revenue is split between classified advertising revenue, national advertising revenue and retail advertising revenue in printed newspapers. Other markets do not make this breakdown. The associated revenue is non-digital and solely from advertising.

Global Market drivers

The cost of printing, distribution and paper, together with the increased connectivity of consumers to the Internet and the popularity of smartphones and social media, mean that legacy newspapers struggle to compete with the immediacy and lower cost structure of online news sources. Print and online newspapers have to compete with alternative advertising and communication models, and face diminishing reader interest. This has led to significant declines in revenue and thus job losses across the globe.

At the same time, the perception that information – and by implication, news – should be cost-free has become prevalent in many parts of the world, with an increasing number of consumers being reluctant to pay for the news they read.

Traditionally, newspapers have built their business models on circulation supported by advertising. As reading habits change and more people turn to social media and search engines for news, publishers have to find ways to adapt and identify new revenue streams. They also are examining how they deliver news and engage with audiences, with some success being seen here. Digital circulation revenue is projected to increase at an 8.8% CAGR through 2024.

The mass migration of advertising to US technology giants such as Facebook, Google and Amazon, along with Baidu and Naver in Asia, has also negatively affected revenue. Nonetheless, newspapers' digital advertising revenue globally can be expected to increase at a 3.7% CAGR.

The impact of the disrupters

The playing field for newspaper companies and the tech giants is uneven. The latter's use of technology to gather data, build user profiles and offer precise targeting of readers to online advertisers has left publishers struggling to compete for digital advertising revenue.

Meanwhile, news aggregators such as Google News, Facebook News, Apple News and Flipboard, which use algorithms to collect and rank content from publishers, have become a source of debate. Although aggregators and publishers have different revenue models, all the content from publishers that appears on the aggregator sites is subject to changes in the algorithms, which vary in terms of how and when the publishers' content is seen online. Although publishers benefit from reaching new audiences through the digital platforms, they can't hold the platforms to account for potentially biased editorial selection.

There are signs that some digital platforms are responding positively to these concerns. Google offers a subscription service that provides tools for publishers to set up and manage paywalls in return for a small cut of the revenue generated from subscriptions. By means of the Digital News Initiative, Google also helps news organisations build new strategies around their digital subscription businesses.

Trust in the press

The spread of false, misleading and extreme content online continues to dominate the news. The popularity of social media apps, particularly WhatsApp in countries such as India, has contributed to a rise of populism and the polarisation of elections around the world.

The damage that "fake news" causes to providers of traditional news content has been borne out by several surveys, notably from the Reuters Institute, which found that trust in news, with a few exceptions, is declining worldwide. Digital literacy is an issue, as is partisan reporting. But the fake news phenomenon can help elevate the importance of journalistic fact-checking as well as the traditional news media's reputation for delivering credible and accurate information. This in turn can be attractive to advertisers who want to be perceived as operating in a transparent environment.

Paywalls, subscriptions and technology

News providers are increasingly using technology to grow their subscriber base, personalise content and strengthen their relationships with readers. Some operate paywalls that offer readers the option to allow ads or pay for an "ad-removal pass". Others, such as The Guardian in the UK, have invested in video as a way of attracting the elusive under-35 readership. This age group tends to access the news through social media, aggregators and other non-traditional media.

The Guardian also applies a unique model. Rather than using a paywall, it relies on voluntary contributions from its readers. It now has 655,000 monthly paying supporters and had 300,000 one-off contributions in the past year. In 2019, it earned a small profit.

Audio is another area for potential growth, with podcasts and voice assistant technology becoming increasingly significant ways for audiences to access content. Podcasts are a relatively new form of entertainment and have not been monetised to anything near the extent of radio, which suggests that there is considerable room for growth here.

Worldwide, four in ten Internet users employ voice commands or voice search at least once a month. This is forecast to grow as more programs enable voice-recognition technology in different languages. The major tech companies will target the distribution of journalism through voice search and in audio form, so it remains to be seen how content providers can monetise this. The New York Times, for example, has a podcast, The Daily, which now averages 1.75mn downloads per day and has been brought to Amazon's Alexa and Echo.

CONSUMER MAGAZINES

Market drivers

The challenge for traditional publishers (aside from the devastating impact of COVID-19) remains the same it has been for several years: how to compete against the likes of Facebook, Google and YouTube for a share of digital advertising revenue, whilst at the same time maximising value from their print properties – or at least stopping the decline. A number of strategies are beginning to emerge.

Streamlining the brand and getting rid of surplus titles has been one way forward. Companies such as Meredith in the US and Lagardère and Gruppo Mondadori in Europe, which previously had been on the acquisition trail, are now starting to divest those parts of their purchased portfolios that don't easily fit into their core brands. At the same time, it is surprising and perhaps reassuring that there are apparently plenty of buyers for these discarded print titles – a ray of hope for the print industry. Digital publishers, too, especially in the US, are looking to acquire traditional magazine titles as a way to boost their image and legitimise their brands. Just as the arrival of Kindle and other e-readers hasn't affected the book business to the extent originally forecast, and a balance appears to have been reached between print and digital books, the same accommodation might end up applying to the consumer magazine market.

Cooperation is another possible way forward for the consumer magazine industry. This tactic is being used in Germany, where four of the nation's largest publishing houses have formed an alliance to offer advertisers a joint marketing platform that allows for product promotion across all of the publishers' digital titles and access to more than 50mn users. Whether this alliance of former competitors can hold together remains to be seen, but major publishers in other countries will no doubt be monitoring it to determine whether a similar alliance might work for them.

Publishing companies also need to consider whether agreeing to offer their titles to digital magazine aggregators such as Readly, Apple News+ and myNEWSSTAND could provide an opportunity for another lucrative distribution outlet, or instead sabotages the potential for attracting subscribers directly to their own proprietary websites.

The impact of COVID-19

The global outbreak of COVID-19 in early 2020 is having a significant effect on both the newspaper and consumer magazine sectors.

Advertising revenue for the segment will fall drastically in 2020, as businesses reduce budgets in order to contain costs. This will be worse for the newspaper industry since businesses, in an attempt to preserve brand reputation, are uncomfortable about their promotions appearing alongside stories covering the virus.

Regional news publications will be particularly hard hit, as many rely on small, local businesses buying ad space, i.e. the ones that are likely to be the first to suffer from the economic downturn. Some publications already running on low budgets will be forced to make cuts and eliminate redundancies; others will close.

Newspapers in 2020 will benefit from a spike in digital readership and growth in digital subscriptions to paywalled content, with the result being a noticeable increase in digital daily unit circulation and digital circulation revenue. However, many publications have switched off their paywalls for articles covering the coronavirus pandemic.

While lockdowns or social distancing measures are in place, many specialised consumer magazines that focus on sectors such as travel, sports, film and music will need to be innovative with their content as they wait for restrictions to ease; many of them will come under significant financial pressure.

Switzerland

Newspaper and consumer magazines in Switzerland

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019 - 2024 CAGR
Newspaper and consumer magazine in Switzerland (CHF mn)	2'355	2'161	1'991	1'855	1'737	1'439	1'398	1'346	1'284	1'229	-4.05%
Consumer magazine (CHFmn)	847	786	730	693	658	546	545	535	519	506	-3.57%
Consumer magazine advertising (CHFmn)	517	477	431	404	379	322	297	295	286	278	-4.60%
Digital consumer magazine advertising (CHF mn)	33	36	41	45	49	51	52	56	59	63	3.82%
Print consumer magazine advertising (CHF mn)	484	441	390	358	330	272	245	239	226	215	-11.10%
Consumer magazine circulation (CHFmn)	329	309	300	289	278	223	247	240	234	228	-2.94%
Digital consumer magazine circulation (CHF mn)	4	5	6	7	7	8	8	9	9	9	3.87%
Print consumer magazine circulation (CHF mn)	325	304	294	282	271	214	239	232	224	219	-3.77%
Newspaper (CHF mn)	1'509	1'375	1'261	1'161	1'079	894	853	811	764	722	-4.37%
Newspaper advertising (CHF mn)	903	803	724	659	607	504	451	439	422	410	-6.11%
Digital newspaper advertising (CHF mn)	78	84	89	93	98	103	106	109	114	118	3.75%
Print newspaper advertising (CHF mn)	824	719	635	565	509	400	345	329	309	292	-10.05%
Newspaper circulation (CHF mn)	607	572	537	503	473	390	402	372	342	312	-3.00%
Digital newspaper circulation (CHF mn)	15	20	26	30	35	39	43	47	49	52	8.85%
Print newspaper circulation (CHF mn)	591	552	511	473	438	351	359	326	292	260	-4.31%

Notes: Numbers shown are rounded. Totals may not equal the sum of their parts due to rounding.

Sources: PwC, Omdia, World Association of Newspapers and News Publishers, Zentralverband der Deutschen Werbewirtschaft (Germany), Bundesverband der Zeitungsverleger (Germany)

Switzerland's newspaper industry is in decline. Revenue will fall from US\$1.2bn in 2019 to US\$792mn by 2024, at a -7.7% CAGR. Print circulation revenue is falling rapidly in Switzerland, a trend which will be accelerated by the outbreak of COVID-19 in 2020. Publishers' attempts to offset these losses through digital platforms will face competition from larger French and German online news outlets as well as from the tech giants.

The Swiss news industry has responded by consolidating and cutting costs. CH Media, the new joint venture between AZ Medien and NZZ-Regionalmedien, is merging all of the two companies' content except regional news. Tamedia, Switzerland's largest private media company, now has central newsrooms for its German and French language services, with only its popular tabloid-style online offerings, 20 Minuten and 20 Minutes, retaining their independence.

Only 11% of the Swiss populace are willing to pay for news online, and those deemed "news deprived", i.e. people who read low-quality news, only sporadically or through social media platforms, account for 36% of the population.

Faced with advertising revenue competition from the tech giants, some organisations have opted for increased collaboration and are planning a "log-in alliance" that enables them to share user data for targeted advertising. Ad revenue accounted for 56% of newspaper revenues in 2019, and that percentage is set to increase over the forecast period. As in the EU, Swiss publishers are seeking financial compensation from Google and others through new copyright laws.

Consumer magazines

Switzerland's consumer magazine market has been contracting rapidly from US\$928mn in 2015 to US\$721mn in 2019, and this trend is forecast to continue at a -5.1% CAGR to reach US\$555mn in 2024. Although insufficient to offset the decline in the print sector, the positive news for Swiss publishers is that digital revenue should increase steadily from US\$62mn in 2019 to US\$79mn in 2024 at a 4.9% CAGR.

In September 2019, Swiss media giant Tamedia sold its women's magazine Annabelle to the relatively new publisher Medienart, which was established 2016. Reportedly, Tamedia wishes to concentrate on its subscription-based magazines rather than those like Annabelle that depend mostly on advertising. According to media metrics firm WEMF, as at June 2019 Annabelle had a readership of 210,000, down 17,000 from the previous quarter. The company's other top-selling magazine, Schweizer Familie, was also down (-12%) to 510,000 from 577,000 readers over the same period. Medienart publishes the cooking magazine Le Menu (236,000), while free magazines from retail giants Coop and Migros have the highest circulation, serving a combined weekly readership of around 4.8mn consumers.

