

The Guardian's costly gap between traffic and profits

Written by The Conversation

The Guardian is a perplexing media phenomenon – a digital media company with the [third highest global readership in English](#) that nonetheless appears to be on the brink of a financial crisis.

Later this month employees at the London headquarters will find out how many of them face redundancy, as the company tries [to cut annual running costs by A\\$105 million](#).

[The Times](#) of London reported last week that The Guardian is hoping to do this without resorting to compulsory redundancies. According to The Times, The Guardian's management is said to have increased its cap on leaving packages from A\$174,000 to A\$289,000 in the hope of "encouraging the elite to take a bullet for the good of the workers".

Keen readers of the online editions will be heartened to know that the Australian and American operations are ["completely insulated"](#) from the cuts, according to Guardian Australia editor Emily Wilson.

[In a paper](#) published last week by The London School of Economics and Political Science, I explored aspects of The Guardian's transformation from a national newspaper into a global digital brand. One of the areas I investigated was its emerging strategic plan.

The principal part of the plan was, and continues to be, the growth of its online international readership. The Guardian was an early adopter in the digital arena, with online publication of various parts of its business from 1994/5 onwards. After success with a UK digital edition of the paper, the former editor-in-chief Alan Rusbridger gave the green light to a US edition in 2011.

Guardian US, now edited by Lee Glendinning, has 50 journalists and three offices in New York, Washington and San Francisco. It was ranked 17th in the country in 2015 in the [Pew Center's Digital Top 50 Online Entities](#). With over half of its readers now coming from mobile, it recently won [US\\$2.6 million from the Knight Foundation](#) to launch a news innovation lab, "focusing on using mobile technology to create deeper journalism".

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Guardian Australia was launched in 2013 with money from multi-millionaire Wotif.com co-founder Graeme Wood. The size of the investment loan has never been confirmed but was reported by [Crikey.com](#) to be A\$14.9 million. Editor-in-chief Katharine Viner (now UK-based) insisted that without this money, the edition would never have come into being.

Today the website has 42 journalists plus offices in Sydney, Melbourne and Canberra. The [Nielson Online Ratings](#) for the month of January 2016, show Guardian Australia came in at 7th position nationwide with 1.8 million unique viewers.

And finally in 2015, The Guardian launched an ["international edition"](#). This edition will be a lot cheaper to run as it will not be commissioning but will instead be aggregating the best global stories from the front pages of the other editions.

The Guardian has financed this overseas expansion through the [Scott Trust](#) an investment portfolio set up in 1936, which allows richer parts of the group to subsidise the poorer partner – in this case, the newspaper. But the fund's value has decreased by A\$194 million to A\$1.423 billion over the past six months, according to the [Financial Times](#).

Readership of the newspaper is falling, with year-on-year figures from the [Audit Bureau of Circulations](#) (July 2015) down by 7.07% to 168,369 readers.

But ditching the print version of The Guardian does not appear to be on the agenda. Back in October Katharine Viner told me:

"The newspaper model was a really good model and it still is, it's just we know it's got a time limit on it. I think some years ago, it looked more imminent than it does now."

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But given that the print version of the [Independent newspaper](#) finishes later this month, and the decline in revenue from print advertising is currently [down 25% per year](#), this timeline might need to come forwards.

With regards to paywalls, Viner was equally unmoved:

“I would never say never on pay-walls. I’m not convinced that they work financially.”

With these options seemingly off the table for the moment, The Guardian is left with trialling more acceptable forms of paying for stories. It has conducted a range of experiments with “branded content”, sponsorship and native advertising.

But the recent collapse in digital ad-spend has been a further blow – with advertisers preferring to spend their money on Google, Facebook and Twitter rather than on “legacy media”. According to Viner, this decrease in digital ads, combined with the arrival of ad blockers, means that this is “a precarious model”.

Like other media players, The Guardian has also been involved in an experiment with [“instant articles”](#) on Facebook. Viner was philosophical:

“You know, Facebook has 1.4 billion users. I wouldn’t mind getting close to a few of those.”

In the meantime, [speculation continues in the media](#) with some commentators wondering if the Guardian HQ at Kings Place might not get sold off along with its proposed events venue – the [Midland Goods Shed](#).

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For her part, Viner is persuaded of the value of tapping Guardian loyalty – by extracting cash in exchange for different levels of enhanced membership. She wants editorial to be much more involved in the program.

“It could be anything from a quarterly magazine to a members-only space to discuss an event online, or discuss a good piece online, talk boards, meet-ups, even phone calls from me!”

The new [three-year plan](#) aims to “focus international growth on the US and Australia, increasing their contribution to the overall business”. It has yet to be revealed how they will put this plan into action in Australia.

Colleen Murrell gathered the data for this paper while on sabbatical at LSE as a visiting senior research fellow.

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