I think it’s time to take a reality check on the state of news publishers digital transformation. While digital revenue streams may be delivering, there’s still a strong reliance on print for revenue and research shows readers engage more with print.

Media economist [Robert G. Picard.] summarises well the key problem with digital transformation. He notes that as news publishers focus on growing digital revenue, they forget their customers and their needs.

He notes that while journalism institutions have embraced the challenge of monetising digital media and increase revenue, this “institutionally focused strategy is designed to serve institutional interests not improve its offerings”.

In fact, newspapers keep offering the wrong things to their audiences. In Picard’s words, they sell readers horses when they actually prefer sports cars.

I think his words also apply accurately to Fairfax Media. Its digital strategy is focused on increasing shareholder revenue, and has very little to do with its journalism or journalistic offerings.

My recent research focused on the digital strategies of Fairfax Media and The New York Times Co. While the two “journalism institutions” pursue different digital strategies, the outcomes for two newsrooms are somewhat different. The New York Times strategy is based on digital-only subscriptions, whereas Fairfax is betting on its digital property listing service (Domain).

The main difference between the two is that while The New York Times continues to invest in its newsrooms and expand internationally (it has journalists filing stories from over 150 countries), Fairfax continues to chop newsroom jobs. It’s currently planning to cut 25% its newsroom staff from its Australian flagship papers to save $A30 million.

Digital is growing, but so what?

In 2016 major newspapers in the United States saw strong growth in digital subscriptions: The New York Times recorded a 47% rise and The Wall Street Journal 23% growth, according to the recently published State of the News Media report by Pew Research Center .

However, the report also notes that “these gains did not translate into circulation growth for the industry overall” and the combined digital and print circulation of newspapers fell 8% – “marking the 28th consecutive year of declines”. Digital advertising revenue also declined, but the proportion of digital advertising revenue of total revenue grew to 29%, because print advertising income continued to decline.

Fairfax, currently in the midst of a bidding war among private equity firms , is still driven by digital revenue from Domain. But the management of the company changed its tune in February, in terms of its print strategy.

Fairfax CEO Greg Hywood explained “while we have considered many options, the model we have developed involves continuing to print our publications daily for some years yet”, adding that “this is the best commercial outcome for shareholders based on current advertising and subscription trends”.

In May, media industry commentator Mark Westfield said that Hellman & Friedman, which is bidding for Fairfax’s media assets, “wouldn’t be interested in buying [Fairfax] unless they saw the assets of The Age, Sydney Morning Herald and Australian Financial Review and Domain as good assets to maintain”.

The sale or closure of newspapers wouldn’t make sense as Fairfax is still print reliant in terms of its revenue, and the same applies to The New York Times. My research shows in 2016 Fairfax print still delivered 78.6% of revenue, while digital was only 21.4% of its total revenue. Digital advertising made 18.5% of the total revenue, and digital subscriptions 2.86% of total.

I also found in a six-year period from 2011 to 2016, digital revenue of Fairfax grew 69% and at the same time print & other revenue declined 31.5%.

In comparison, in a five-year period from 2012 to 2016 (when figures were available) The New York Times digital revenue grew 32% – more slowly than Fairfax's, but its print revenue dropped less than Fairfax's - 11.5%. In 2016, digital made 27.8% of its total revenue and print 72.2%. The New York Times also continues to be print reliant in terms of its revenue.

Recent studies by media scholars Neil Thurman and Iris Chyi & Ori Tenenboim suggest that print continues to be strong in terms of readership. A study of 11 British newspapers by Thurman shows that the readers spent more time with print newspapers than with the online edition.

In their study, Chyi and Teneboim found that the "(supposedly dying) print product still reaches far more readers than the (supposedly promising) digital product in these newspapers' home markets".

In the light of this, it can be argued that digital transformation is continuing, but being fully reliant on digital readers may be a myth – as academic Vincent Mosco puts it: "a captivating fiction, a promise unfulfilled and perhaps unfulfillable."

Merja Myllylahti does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

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