

Environmental Appraisal of Newspaper Industry in India

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Abstract

Every industry needs to understand how changes will impact its business. It has to evolve strategies to deal with these changes to ensure continued survival. Indian newspaper industry is one of the few newspaper industries in the world that is showing a climbing graph. But at same time the consumers attention and time spent is splitting among the various media options available to them to obtain information and entertainment. The present article is an attempt to carry out an environmental appraisal of the newspaper industry in India.

Keywords: Newspaper industry, Entertainment, Environmental appraisal, Business

1. Introduction

Over the past years, the global newspaper market, especially in the developed regions like North America and Europe are witnessing a significant decline in circulation and revenue. Newspaper industry in India defies the trend. India is the second largest print industry in the world with 90 million copies in circulation daily (after China, 130 million copies). As per WAN report 2009, among the world top 50 newspaper titles (by circulation), highest 14 titles are from India. Indian newspaper industry is going strong and is expected to have steady growth. But in a dynamic, competitive and fast changing media environment in India, newspapers are facing several new challenges as well as new opportunities. The future prospects of the newspaper industry depend upon the strategic planning of the players. For that purpose environmental appraisal is necessary for the newspaper industry in India.

The SWOT analysis technique is used to discuss the overall strategic position of newspaper industry and its environment.

The acronym 'SWOT' represents 'Strengths', 'Weaknesses', 'Opportunities' and 'Threats'. The SWOT analysis provides information that is helpful in matching the newspaper industry's resources and capabilities to the competitive environment in

which it operates. The environmental factors internal to the industry can be classified as strengths (S) or weaknesses (W), and those external to the industry can be classified as opportunities (O) or threats (T). Following Figure shows the SWOT Matrix for newspaper industry in India.

	<i>Positive</i>	<i>Negative</i>
Internal Factors	<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Long history and credibility • Huge readership base • Content localization • Well managed distribution system 	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Increase in Competition leading to price war • Highly Fragmented Industry • Mostly Family Controlled Business • Unable to monetize Online versions
	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Improving literacy level • Low print penetration and Huge untapped market • Growth of market beyond metros. • Emerging new sectors of advertisers. 	<p><u>Threats</u></p> <ul style="list-style-type: none"> • Increasing competition from old as well as new media • Economic slowdown • Volatility in newsprint prices

Fig. 1: The SWOT Matrix for Newspaper Industry

Strengths

Long History and Credibility

The newspapers have a special position in Indian social life. With their long history and contribution during freedom struggle, they became the symbol of enlightenment and self empowerment. In the morning, reading a newspaper is still considered to be a civilised habit in India. The other mediums like TV and radio were controlled by the government for a long time, therefore, print has a higher credibility than these mediums. It is a well known fact that Indians are argumentative and they love to spend hours in debating a subject. Therefore, people do pick up newspapers to equip themselves with news and information.

Reading newspaper is an inspirational thing in India and it is considered as a potent means of developing one’s intellect and keeping abreast of everything that is happening around us. This is reflected by Juxt Indian Urbanites 2009 Study, that says, among the five urban Socio-Economic Class (A, B, C, D & E), newspaper is the second most important necessity of life (after mobile phone) for all SECs of urban India, except SEC ‘C’ where it is ranked third (Source: Marketing White Book, 2010-2011).

Huge Readership Base

With a readership base of over 356 million (IRS 2010 Q1), India is the second largest print market in the world. Readership is growing in India. Growing readership is increasing the faith of advertisers on print. Therefore, print is the largest segment in the advertising pie in India. The following table shows the advertising billing of different segments of Indian media industry for the last four years.

Table 1: Advertising Spend by Media (2007-2010)

Advertising Revenue (INR Bn)	2007	2008	2009	2010	CAGR (2007-10)
Television	71	83	88	103	13%
Print	100	108	110	126	8%
Radio	7	8	8	10	11%
Out of Home	14	16	14	17	6%
Digital Advertising	4	6	8	10	39%
Total	196	221	228	266	11%

Source: FICCI-KPMG Indian media and Entertainment Industry Report, 2011(FIICI FRAMES)

In 2010 print contributed 47% of the overall advertising pie. Among magazine and newspaper segments in print industry, the share of newspaper revenue contribution is more than 90%. With the huge readership base print has been the medium of choice by the majority of advertisers. TAM-AdEx data shows that in 2010 out of 650 odd categories of business advertising on various media platforms, nearly 450 categories have advertised in print.

Content Localization

One of the important features of Indian newspaper industry is the greater coverage of local news. Apart from national and regional news, local news is getting more prominence in Indian newspapers. To overcome the space constraint newspapers are using multiple editions, city centric supplements and pullouts. Hindi and vernacular dailies are perceived to be more local friendly as multiple editions and sub-editions strategy is very popular among them. National English newspapers are also working in this direction with the increasing need of market segmentation. Even some newspapers are publishing hyper local editions like Times of India has recently launched separate editions for South Mumbai and Navi Mumbai. Local flavor of the newspaper attracts those advertisers who are targeting niche audiences. City specific editions and customized local content provides better solution to target micro consumers to the newer and localized advertisers like education, jewelers, retailers, etc.

Well Managed Distribution System

India has a unique newspaper distribution system which is generally not found in other countries, especially in the west. In India newspapers are sold through an extensive network of agents and vendors for the sale and distribution of newspapers. The distribution system is multi-tiered. Generally printed papers are delivered to the circulation agents on the basis of fixed term

contracts. Generally trade commission is decided up to 40% of the retail price of the newspaper, plus the cost of returns or unsold. Agents distribute the newspapers to a network of hawkers. Every morning, the hawkers pick up the newspapers from the agents or sub agents and distribute them by delivery boys to every household in the area. This distribution system is the backbone of Indian newspaper industry with that they are able to manage distribution of huge copies in a large geographical area and making sure that newspapers reach every one. This also brings higher stability in newspaper business. As long as distribution is good, circulation can not come down overnight. Newspapers in India are not just delivered on the door step of the readers every morning, but also a month's supply on credit.

One important issue with this system is that agents and vendors are not distributing any particular newspaper on exclusive basis, and they also distribute newspapers of the competitors. Hence, commission and incentives of agents and vendors become a crucial factor in smooth newspaper distribution.

Weaknesses

Increase in Competition leading to Price War

The newspaper industry in India is intensively competitive. In each market several newspapers are competing with each other for circulation, readership and advertising pie. Competition for circulation and readership often resulted in reduction of cover price of the newspaper. Entries into newer geographies reduced cover prices drastically in some cases. When Dainik Bhaskar entered Ranchi, Hindustan, Dainik Jagran and Prabhat Khabar reduced their cover price to INR 2 from INR 3 and 4. Moreover, the new entrant enticed consumers by offering subscription schemes and gifts. Subscription schemes can be as low as INR 199 for HT in Mumbai for one year, effectively meaning that the cost to subscriber is INR 0.50 for a copy with the printed price of INR 3.

As per CMC report the average cover price of a daily in 1983 was INR 0.55. 20 years later average price of a daily has hardly increased four times. In 2008 it was around INR 2, despite the number of pages increased significantly. In this situation, the revenue model of the newspapers skewed towards advertising. The dependency on ad revenue makes a newspaper more vulnerable to the market fluctuation. Any slowdown and advertisers less faith on print can badly affect the newspaper business.

Furthermore, intense competition in market for advertisement often resulted in reducing advertising rates and other incentives to the advertiser.

Mostly Family Controlled Business

In terms of ownership structure, newspaper publishing firms are typically family oriented or under private ownership in India. According to the The Registrar of Newspapers of India (RNI) report 2006-07, 65% of the dailies are owned by Individuals, 28.24% are by Joint Stock Company and 2.27% are by Partnership Firms. Family or other private type of ownership structure has several advantages like more flexibility, quick decision and simple accounting rules. But major disadvantage with individual firm structure of a newspaper is that, it is difficult for

them to get long term loan and debt funding from organised funding institutions. For expansion of a firm organized funding is necessary. A joint stock company has a better access to capital and debt market. Therefore, several newspaper firms in India are restructuring ownership in form of public or private equity firms. None of newspaper firm was listed in any stock exchange till 2005. Now, Jagran Prakashn Limited, DB Corp. Limited, HT Media Limited, Mid Day Infotech Limited, Hindustan Ventures Limited are the listed public limited newspaper publishing companies in India. The recent liberalisation of foreign investment restrictions have opened the doors of foreign investment in the newspaper publishing business. Relaxation of foreign investment norms have helped newspaper publishers access capital for expansion and diversification. However, foreign investment is restricted to 26% of equity.

Highly Fragmented Industry

Newspaper industry in India is highly fragmented. Regional diversity is the basic characteristics of Indian print industry. Out of 22 languages listed in Eighth Schedule of the Constitution, English and 17 other principal languages and 12 dialects were publishing daily newspapers (except Kashmiri, Dogri, Maithili and Santhali) in the year 2006-07. The largest number of newspapers were in Hindi (1057) followed by English (233), Urdu (217), Telugu (183) and Marathi (137). Hindi newspapers comprised 45.23% of newspapers, while English comprise only 9.97% newspapers. All other language newspapers, considered in the aggregate, comprised the remaining 44.80% of newspapers. Circulation wise Hindi newspapers comprised 42.36% of total daily circulation and the share of English newspaper was 14.53%. The rest 43.12% comprised other language newspapers in aggregate.

Apart from linguistic variety, regional diversity is an important characteristic of Indian newspaper industry. Therefore, no single newspaper is dominating national circulation. Although Hindi-language newspapers in aggregate have the highest circulation throughout India, but newspaper business in India can be broken down into regional strongholds with each region having its own leader. Thus, selection of newspapers is a big task for the media planners and advertisers, who want to target audience in a larger geographical area or entire country.

Unable to Monetize Online Versions

The newspapers in India need to focus on online editions to tap into potential migration onto the internet. As the internet and broadband penetration will grow, audience will constantly migrate onto online news. It is happening in the west, which though is not a major concern in India, but it is inevitable with the growth of internet penetration. In most of the newspapers, the electronic versions are primarily reproduction of the printed edition and it is available free of cost. Therefore, advertisement is the only source of revenue from online version of newspapers. The competition in online edition is not limited to geography, as in the case of print newspapers. Hence, newspaper websites have to face competition from websites of the other dailies, TV channels, pure dotcoms, blogs, social networking sites, etc, for the eye-balls of the audiences and accordingly advertisers' attention. In that case newspapers are lagging behind. Newspapers are required to focus more on the opportunities to monetise online versions.

Opportunities

Improving Literacy Level

One reason for the growth of newspapers in India, unlike other advanced markets, is that only 68% of 12+ population in India is literate. There is a scope to grow. As the literacy rate increases, new readers are likely to be the consumers of newspapers.

As per census, a person is literate if a person can sign his name, while the IRS defines a person literate if he or she can read and write one language. Literacy rate in major Hindi speaking states are much lower. Hence, with growing literacy larger scope is open for Hindi newspapers to grow and expand. Following Table shows literacy rate in Hindi speaking states

Table 2: Literacy rates in Hindi speaking states (IRS 2009, R1)

States	Literacy (%)
Rajasthan	56.8
Punjab	73.7
Haryana	70.1
Himachal Pradesh	77.2
Uttar Pradesh	59.8
Uttarakhand	76.4
Jharkhand	58.4
Bihar	51.0
Chhattisgarh	63.7
Madhya Pradesh	58.1

In the coming years, literacy is to increase. So there is a strong benchmark strength waiting for the newspapers in India.

Low Print Penetration and Huge Untapped Market

The penetration of dailies is only 37% in India. It is much lower among rural population at 28.6% against 55.2% of urban population (Source: IRS 2009 R1). Among the urban and rural population, the print penetration is less in the lower socio-economic classes.

Table 6.4 shows that percentage wise print penetration is higher in upper socio-economic classes in both urban and rural India. But the absolute numbers of readers in lower socio-economic classes outnumber those in upper socio-economic class, both in urban and rural India. This indicates that there is plenty of potential in growth of readership numbers in urban and rural India.

Table 3: Print penetration in different Socio Economic Class of Urban and Rural India (IRS 2009, R1)

SEC	Urban Print TR		SEC	Rural Print TR	
	Numbers (000's)	%		Number (000's)	%
A1	8304	94.1	R1	24785	68.6
A2	16215	88.8	R2	74420	57.4
B1, B2	34866	79.5	R3	237127	36.2
C	36459	67.5	R4	247920	11.6
D	32018	51.3			
E	23390	29.0			

The NRS (National Readership Survey) 2006, revealed an important fact that, 359 million people in India can read but do not currently read any publication. Out of these people 68% can read Hindi. Moreover, 20 million of these literate non-readers belong to the upscale SEC A and B segments.

Growth of Market beyond Metros

The growth story in India has been largely driven by metros, but the situation is now changing and smaller towns and cities are emerging with larger growth potentials. Hence, the focus of marketers is now moving beyond metros into smaller towns. Tier-II cities (cities having population of 10-40 lakhs) are experiencing the highest growth rate in the number of households, growing 7.4% from 2005 to 2007. Tier-III cities (cities having population of 5-10 lakhs) witnessed 6.9% growth in the number of households for the same period, as compared to 6.6% growth rate in Tier-I cities (cities having population more than 40 lakhs). As a result it is estimated that by 2025 the combined population of Tier-II and Tier-III cities will equal the population of Tier-I cities (Source: Marketing White Book 2008).

Even in upper socio-economic class, population growth is much higher in Tier-II and Tier-III towns

Table 4: Faster Population Growth in Non-metros

	CAGR 06-09
SEC A (Upper Class)	
Metro	2.2%
Tier-II & Tier-III Towns	3.5%
SEC B (Upper Middle Class)	
Metro	2.5%
Tier-II & Tier-III Towns	3.2%

Source: IRS 2009 R1; DRHP D B Corp. Ltd

Not only in numbers, the smaller towns are also emerging due to increase in purchasing power of the population residing in these cities. As per the study by Ernst and Young in March 2008, named 'The Dhoni Effect: Rise of Small Town India', metros constitute only 30% of total consumption market. Studies says that affluence level of towns such as Chandigarh, Ahmedabad, Jaipur, Lucknow, Indore and Pune is three-quarters or more of the affluence level of Mumbai.

Table 5: Higher Consumption Growth in Tier-II & III Towns

Growth 2008 Vs 2009	Metros	Tier-II	Tier-III
Consumers Durable Ownership	7%	9%	11%
IT & Communication Product Ownership	13%	16%	19%
Automobile Ownership	5%	4%	10%
FMCG Product Purchases	7%	10%	5%

Similarly, the paradigm that consumption power is concentrated in urban area is also gradually changing with the growth of middle and higher income households in rural India. In absolute terms, the size of middle and higher income households in rural India was expected to be doubled of the urban India in 2007 (source: FICCI KPMG Report, 2009).

The growth of non-metro towns and rural market is gradually increasing resulting in changed perception of marketers and advertisers in paying more attention and spending in these areas. As the advertising expenditure will grow in Tier-II and Tier-III cities and rural areas, the media will follow them. To tap these markets, advertisers rely on mediums carrying local content in local languages. Therefore, regional and Hindi dailies are expected to grow faster than so-called English national dailies. Even English newspapers are also realizing the potential of regional market, therefore, they are also entering into regional market. For example Economic Times has started Gujarati version in 2007 and Hindi version in 2008. Its competitor Business Standard also introduced the Hindi edition in same year 2008.

Emerging New Sectors of Advertisers

With the growth and development, new breed of advertisers are emerging in India. Especially service brands like retails, hotels, health care, education, tour and tourism, real estate, telecom, etc. emerged in last few years. In India, advertising aim of most of these service sectors is communicating the value that is being offered and little advertising efforts are directed at building the brand. Hence, newspaper is considered as a best medium for advertising of these product categories. The retailers, education institutions, tour packages, etc., have number of offers. Advertising in print helps consumers to pick and chose, and compare competing offers of different firms/ institutions. The nature of most of these businesses is also local specific.

The following table shows that most of the advertising revenue of print is coming from these emerging sectors

Table 6: Sector wise contribution to print media advertisement

Sectors	% Share 2009	% Share 2010
Educational Institutions	15%	15%
Services	12%	12%
Banking/Finance/Investment	9%	10%
Auto	7%	6%
Retail	6%	5%
Durables	4%	3%
Personal accessories	4%	4%
Personal Healthcare	3%	3%
Corporate/ Brand Image	2%	3%
Textile/ Clothing	2%	3%

Source: TAMAdEx, Exchang4media.com

These growing sectors are also looking beyond the metros by penetrating more into Tier-II and Tier-III towns and cities. Therefore, regional language and Hindi newspapers has more opportunities to flourish.

Threats

Increasing Competition from Old as well as New Media

Traditional media of all forms (print, television and radio), librated in the last ten years are growing and booming in India. Due to the accelerated technological growth, several new forms of media are emerging (internet, mobile, gaming, etc.). Therefore, Indian media scenario is becoming more competitive where 300+ TV channels, thousand of websites and hundreds of newspapers and magazines are fighting for the time and attention of the audiences. The total time spent of audiences on media decreased in this decade and is also splitting among more and more vehicles. The following table shows the battle among the media for time and mind-space of the audiences.

Table 7: Battle for Eyeballs and Mind-space

Medium	No of readers/viewers/ listeners/users In Millions		Time Spends In Minutes	
	2000	2007	2000	2007
Print	292	302	32	27
Television	333	437	114	92
Radio	122	173	64	69
Internet	65	69	3	11

Source: The Future of News, Brand Reporter, Special Report, July, 2008

The competition for the consumers' attention is not just seen among the different media vehicles, but with a host of other things also. The malls, multiplex, Pizza chain, mp3, iPod, gaming and even socialising, whether on internet or on ground are the few examples. Therefore, consumers have endless choices available to obtain information and entertainment (see figure 2).



Fig. 2: Endless choices for consumers

The situation is becoming more complex, as the consumers are fragmented in their interests and media consumption patterns. Hence, it is a big challenge for the newspaper industry to keep the readers under its fold and cater the fragmented interest of the readers. Revenue from ad is directly related to the number of audience one has.

Economic Slowdown

Lower price strategy of the Hindi newspapers is skewing business towards advertising revenue. About 60% to 70% of the consolidated revenue of big newspaper houses is coming from advertising. Therefore, any economic slowdown or reduction in flow of advertising to newspapers adversely affects the business of newspapers. In any slowing down marketing, advertising spending is the first causality. Years 2008 and 2009 were tough for Indian media industry because of the global economic slowdown. Indian print industry was the worst hit by economic slowdown. As per Pitch-Madison Advertising Expenditure Survey, print industry lost its top position in ad expenditure share in India to television in 2009. The print media de-grew by a massive 21% in year 2009 in comparison with 2008.

Table 8: Ad Billing to Indian Print Industry (2003-2009)

Year	Ad Ex. (in Cr.)	Growth Rate (Y-o-Y) (in %)
2003	4,303	-
2004	4,961	15
2005	5,700	15
2006	7,000	23
2007	8,470	21
2008	9,825	16
2009	7,806	-21

Source: Pitch –Madison Ad Expenditure Survey for the respective years

While all the sectors of the newspaper industry in India were not equally affected by the economic slowdown, the regional press, especially Hindi press, was less impacted by the pressure of advertisement off take. Following table shows a comparison of the ad volume growth by language

Table 9: Language- wise Comparison of Advertising Volume of Print (Million Col. Cm.)

Language	2008	2009	Growth
English	59.5	58.6	-1.5%
Hindi	48.3	54.8	13.5%
Vernacular	69.9	69.5	-0.1%
Total	177.4	182.9	3.1%

Source: Adex data presented in KPMG FIICI Frames 2010

A slight de-growth shown in vernacular press was due to 16% decline in advertising volume of Telegu newspapers. Volumes of all other languages grew in 2009. The main reason behind the better performance of Hindi and regional press is that their market is non-metro cites and towns and they were less affected by slow down in comparison to metros, the market of the English newspapers.

Although Hindi and regional language newspapers has shown a growth in ad volume during economic slow down, the profitability and margins of Hindi newspaper companies has been reduced. In this slow down, advertisers have put pressure on advertising rates and demanded for discount, that reduces the revenue and margins.

Volatility in Newsprint Prices

Another key concern for the newspaper industry in India is price volatility of newsprint in international market. The newsprint costs generally account for 45-50 % of total expenditure and 30-40% of total revenue for a newspaper. India imports almost 70% of its newsprint requirements. Therefore, any price hikes in newsprint affect newspaper business in India. International newsprint prices have been volatile over the last couple of years. Newsprint prices hit the highest peak USD 960/ton in December 2008 from USD 660/ton in 2006. Although subsequently price declined in most of 2009, helped newspaper companies to partially protect their margins from the reduction in ad revenue during economic slowdown. Again, international prices for newsprint had started to increase from the third quarter of 2010. When newsprint price in international market increases, domestic newsprint also shows an upward trend.

Due to competition, increasing number of pages has become a popular strategy of the newspapers in India. Add-on's and supplements are the order of the day to accommodate increasing volume of advertisements in newspapers. Therefore, high newsprint price affects the publishing bottom line.

Discussion & Conclusion

The SWOT analysis of newspaper industry systematically describes the strengths, weaknesses, opportunities and threats pertaining to the industry. On the basis of SWOT analysis

following strategy can be suggested for the industry players:

- Newspapers should enhance their presence in regional and local market, as the smaller towns are growing in terms of per capita income and consumer spending. Inorganic growth is a better strategy for the players to maintain their growth momentum.
- The narrowcasting is getting prominence in media. The economic slowdown accelerated this shift as advertisers are moving from mass markets to niche audiences for more accurate targeting. Newspapers, to address niche markets, should pay attention to the location specific and topic specific contents for segmented audience.
- Divergence and developing as a multimedia company rather than being standalone publisher can be an attractive business model for players, as newspaper industry is facing big threat from old and as well as new media. Newspapers should explore alternative platforms to maximize and monetize content.
- Keeping future migration to digital media in mind, players should find avenues to monetize online version. Only distinctive and premium content can generate revenue from online versions. Development of internet verticals like job portals, matrimonial, e-shopping, classifieds, etc. can help newspapers to face emerging challenges from internet.
- To mitigate rising newsprint prices players can collectively negotiate by bulk purchase of newsprint from a common purchasing agency. Keeping inventory and long term contracts can be other counter strategies.
- Any major growth in cover price is not possible in near future due to intense competition in each market. Competition and price war, with high operational costs, may lead to industry consolidation.

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