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Remarks by Timothy Balding, Director General, FIEJ, at the first Asian Newspaper Publishers Conference, Singapore, 5 December 1995

Good Afternoon, Ladies and Gentlemen,

(Slide 1)

It is a pleasure to be here at this first Asian Newspaper Publishers Conference and a true honour to have been given the opportunity to address you. If I have understood correctly the mandate given to me, my task as the chief executive of the world association for the newspaper industry is to endeavour to give a global view on some of the issues facing this industry. The hope, presumably, is that a broader picture will help put into perspective some of the trends in this region.

For better or for worse, I did not intend when coming here to address freedom of the press issues. Not for a moment because I felt uncomfortable doing so. My organisation has confronted these issues in much more complicated and harsher environments than that to be found here. I and the publisher representatives of FIEJ spend a large part of our time promoting and defending freedom of the press, whether invited to do so or not. If I depart briefly from my earlier intention to abstain from directly confronting these issues here, it is primarily to exercise the right of reply to which - as we heard yesterday - Minister Yeo and his government are so attached and perhaps to also help put another nail in the coffin of a fiction. What I wish to reply to is an article published as an introduction to this conference by The Sunday Times of Singapore which suggests that international press organisations - and here FIEJ is named and singled out - place the protection of press freedom at the top of their agenda (and here I quote) "ignoring the fact that most Asian press systems are different from the Western liberal democratic model". That is a factual inaccuracy - we do not ignore the difference in some Asian press systems, we are aware of and we contest this difference and certainly the reasoning which seeks to justify it. Let me say this: "it is altogether shameful, if ingenious, to cite Asian values as an excuse for autocratic practices and denial of basic rights and civil liberties". This last statement, however, is not mine. These words are those of the Deputy Prime Minister of Malaysia. I do not often quote approvingly government representatives, but I do so here. The Deputy Prime Minister also said: "To say that freedom is Western or un-Asian is to offend our own traditions as well as our forefathers who gave their lives in the struggle against tyrannies and injustices. It is true that Asians lay great emphasis on order and societies' stability. But it is certainly wrong to regard society as a kind of false god upon whose altar the individual must constantly be sacrificed. No Asian tradition", he said "can be cited to support the proposition that in Asia the individual must melt into the faceless community".

I would only add to that that the autocratic attitude or model is very far from being an Asian exclusivity. It is practised today in much of Africa. It is practised in several countries of the Balkans, at the heart of Europe; it was practised - in harsher form - just yesterday in Eastern Europe or in much of Latin America. Conversely,
the so-called Western democratic model is as fiercely defended, again, by brave and
independent publishers in parts of Africa, it is defended by most Latin Americans
today, it is fought for by the newspaper community in countries all over Asia. We
heard notably about the Indian experience this morning. So let us please, as we take
this dialogue forward, get away from this simplistic and specious opposition
between the so-called Asian and Western traditions.

The Sunday Times article quotes Minister Yeo, approvingly it seems, as saying
foreign publishers who enter Asia must "take their shoes off". I speak only for
myself, as a representative of publishers not only in the west but in 80 countries
north, south, east and west, that I have kept my shoes on here, happily, and also
kept my mind open.

Finally, The Sunday Times reporter, clearly an adept of wishful thinking, writes
that I will speak on business trends today (and I quote again) - "In another sign of
the changing agenda"-away from press freedom, he meant. I can assure you that
there has been no change in any agenda. The struggle for press freedom remains
the first and foremost objective; in China, for example, where 27 journalists are
today held in prison, among them Gao Yu, a young woman to whom my
organisation gave an award for press freedom and who is currently serving a six-
year gaol term. The struggle goes on in a hundred other places around the world. It
will go on, let no mistake be made about that. More publishers and journalists are
killed - murdered-each year now than ever before. More are imprisoned - at least
120 - than for many years. Various forms of attack on the press run into the
thousands each year. I don't believe any true newspaper man or woman or any
democrat can accept that./So to my original presentation.

I shall do three things:

Firstly, give you some figures on World Press Trends, drawn from the latest FIEJ
survey;

Secondly, examine what may underlie some of these statistics;

Thirdly, take a look, as other speakers have done here, at where we may be heading,
particularly as regards the electronic distribution of information.

At the end of the nineteen eighties, FIEJ began to survey each year some of the main
trends affecting the newspaper industry, principally the trends in circulation and in
advertising. Our belief, then as now, was that it was necessary, in an epoque of
increasing internationalization of our industry, for the press to be in a position to
regularly take its own pulse, to see how it was faring, to reveal if possible the
fundamental trends in readership and in advertising.

Looking back at one or two of the earlier presentations in the light of what I have to
present today, the nineteen eighties seem now like a Golden Age for newspapers.
In 1990, circulation of daily newspapers grew in 80% of the countries surveyed.
Sales revenues were up in most countries for which we could get statistics; in only
two countries did we find a drop in advertising revenues - elsewhere they grew well
ahead of inflation.
The story has changed fairly dramatically since that period and I should like to indicate some of these changes. I must say, at the outset, that for the most part newspapers in this region seem to be escaping the negative trends which have appeared elsewhere in the world. That clearly has a lot to do with a combination of political, economic and social developments of which you are all fully aware.

Conversely, the poor advertising and circulation performance of newspapers in much of the industrialised world in recent years has clearly been caused in large measure by the economic recession at the beginning of this decade. This is, you might say, quite obvious as far as advertising revenues are concerned: newspapers have lost advertising in those sectors where the business activity has declined. It has been most clear in terms of classified advertising for sectors such as employment, real estate or cars. However, it is also clear that where the recession hit hardest, it also affected circulation, as households had to make choices on how to spend the family budgets.

The other preliminary remark I must make is that our picture of this region remains incomplete because of the difficulties we have encountered, despite considerable efforts, in obtaining the relevant data.

So, globally, the daily circulation of newspapers fell in 1994 in 23 of the 40 countries for which we have data. For the most part these 23 were in the so-called developed world.

(Slide 2)

This slide shows how the figures relate to four regions or countries: the European Union, Japan, the USA and EFTA, the trade block of five European countries which, until the beginning of 1995, were still all outside the European Union. In each case circulation fell.

The following three slides show that the decline in circulation in the European Union, in the USA and in Japan is even sharper if we go back a few years.

(Slide 3): in Europe, down 1.87% in 1994, but down 6.80% since 1986.

(Slide 4): in the USA, down 1.33% in 1994, but down 5.56% since 1986.

(Slide 5): in Japan, down 0.17% in 1994, but down 0.83% since 1990.

(Slide 6): This slide shows recent circulation trends in linear form.

Behind the global figure of a 1.87% decrease in circulation in European Union countries in 1994, one finds several countries with very significant circulation decreases, for example, Austria (-18%), Switzerland (down 9.98%), United Kingdom (down 7.63%), Finland (down 3.38%).

If one takes a longer period, generally five years, many of these figures become decidedly more dramatic: the United Kingdom down 16.41%, Switzerland down 14.38% (this between 92 and 94); Greece down 15.89%; Finland down 13.66%; Ireland down 10.9%; Sweden down 7.66% and so on.
Elsewhere in the world, we see large increases in daily circulation both last year and since 1990, in India (up 28.51% in 1994 and up 45% since 1990), in Singapore (up 5.87% and up 26% since 1990) and in Malaysia (up 4.68% last year and up 29% since 1990). In Brazil, they increased 37.9% between 1990 and 1994, though there was a drop last year.

In 1994, India sailed past the United Kingdom into fourth place in the world for total daily sales, at 21.7 millions. Japan still leads at 71.9 millions, with USA, at 59 millions in second place and Germany at 25.7 millions in third. Daily sales in Russia, said to be 96 millions in 1988 and 76 millions in 1990, have slumped in the latest figures, for 1993, to only 8 millions.

The situation with regard to Advertising Revenues is mixed, though it generally improved in 1994 as much of the world continued to recover from the economic recession of the past few years.

This slide (n° 8) shows the advertising revenues in 1993 and 1994, in millions of dollars, at current prices, for newspapers in the USA, the European Union, Japan and the EFTA countries. The next slide (n° 9) shows the same figures in another form. In figures this means: for the USA, an increase of 7.25% (followed by an increase of 6.1% in the first six months of 1995 - the biggest first semester increase since 1988); for Japan, a decrease (in 1993) of 8.9%, which was followed, in 1994, with a further decrease of 5.4%; for the European Union, an increase of 7.67% and for EFTA a decrease of 0.63%.

Globally, in only 7 of the 25 countries for which comparative statistics were available did the advertising revenues of newspapers fall at constant prices last year.

If one takes 1990 as a base, one does see, however, that even where there has been a constant increase, in the USA, for example, the revenue mass remains 6.28% lower than five years ago.

Countries where revenues did climb back significantly last year, in constant terms, include Brazil (up 45.63%), South Korea (up 29.98%), India (up 22.79% in 1993) and, in Europe, Greece (up 18.69%), Denmark (up 8.28%) and Sweden (up 7.14%).

Let me take two other aspects of advertising revenues: the market share of newspapers, and the ratio between advertising and sales revenues in total income:

1994 figures on advertising market share per media once again show that newspapers, or more generally the print media, continue to lose ground almost everywhere. In 28 of the 37 countries where this information is available, newspapers now take less than 50% of advertising revenues, in many cases much less: in Italy, for example, the figure is now down to 22.1% or in the USA 22.8%. Globally, newspaper advertising as a percentage of all advertising declined from 42.5% to 38.8% between 1987 and 1993. Those countries still above 50% are generally new to commercial television, which is the chief beneficiary of the market share loss of newspapers. This slide (n° 10) shows the market share loss for print media
(newspapers and magazines) in the 10 European Union countries which have this information, between 1991 and 1994. Only the United Kingdom, where print has gained 3.9% market share, is the figure up.

Elsewhere print media share is down, 11.05% in Greece, down 7% in the Netherlands, down 6.8% in Denmark, down 5.6% in France, down 3.8% in Belgium, down 3% in Ireland, down 2.9% in Italy, down 1% in Germany. The next slide (n° 11) shows a similar pattern, though generally less brutal, in the USA (down 2.3%), in Japan, down 1.9% and in Canada, down 1.5%. In EFTA countries (slide 12), some of the figures are impressive - Norway down 25% and Sweden down 15%, for example. The few figures on market share available from this region show, against global trends, increases in Singapore and South Korea (slide 13).

One interesting feature of our survey is an examination of where newspaper income comes from in the various countries: the USA and Japan, for example, are at either end of the scale if one looks at the ratio of advertising and sales revenues in total income. (Slide 14): In the USA, 85% of total income came from advertising (in 1993); in Japan, this figure was only 40%. This slide shows that the difference is in fact growing: in the USA, the ratio in favour of advertising grew six points between 1989 and 1993; in Japan, it dropped nine points.

Singapore is much closer to the U.S. model, with 79% of the income of newspapers coming from advertising, two points up from 1990, and only 21% from circulation.

If you haven’t had enough figures already, I have a last set: those on the percentage of a country’s population which buys newspapers. These are perhaps the most important figures of all from which to judge the relative impact of newspapers in the different societies we are considering. The 1995 survey again shows very large disparities. This slide (n° 15) shows the top of the league and a country from further down the table. Norway continues to be the world leader, with 610 newspapers sold per thousand population; in second place, is Japan, with 575; in third, Sweden, with 472, and in fourth, Finland, with 471. Singapore rates very highly, in sixth place, with 355 newspaper buyers per one thousand population. Down in fifteenth place we find the USA with 226 people per thousand buying a newspaper each day. The full table of 42 countries appears in the survey book. Not only is Norway again top, it is one of the very few countries where this penetration actually increased last year and is one of only two (the other is Spain), where it is higher than in 1986. We do not have Singapore figures since 1986, but since 1990 penetration has increased by almost 20%.

These then are the headlines from the statistics:

- Newspaper circulation, and particularly penetration, are down in a majority of countries, and this is now looking like a long-term trend, especially in the more developed nations. Since 1990, newspaper circulation across the world has declined by around 1% per year.

- Newspapers in most countries continued to claw back advertising revenues lost in the recession but have still some way to go to regain pre-recession levels. It can also be remarked that all advertising (including TV, radio and magazines) is growing as a proportion of Gross Domestic Product from an estimated average of
0.71% in 1990 to 0.87% in 1993. The biggest growth areas are in Latin America, where both growth and the percentage of GDP tend to be larger. In Asia, whilst growth has been high, the percentage of GDP remains relatively low.

- The market share of advertising in the print media is apparently in permanent decline, most obviously, again, in the most mature countries. Although print advertising is again showing growth, its share is declining as other advertising sectors meet the changed needs in marketing activity.

- As I said earlier, the newspaper industries in this region are for the most part resisting these trends and indeed prospering. I do, however, believe that in the longer term you may find yourselves having to deal with similar negative phenomena and that it is useful for you to see what is happening elsewhere in the world.

Beyond the data, I believe there are several trends which have significant implications for newspaper publishers:

- There is considerable fragmentation taking place, with readers and other media consumers demanding more tailored information. (This is probably most apparent in magazine markets; to give one example, the number of consumer magazine titles in the United Kingdom has risen by more than 65% in the last 15 years, while magazine sales have declined; this picture is reflected elsewhere). Newspapers are already fragmented products. Individual newspaper sections stand up well against specialist magazines in terms of coverage, targeting, cost-effectiveness. As the markets move quickly from mass to niche, publishers are well positioned to tailor their newspapers to the needs of readers and advertisers.

- Marketeers are seeking far closer relationships with their customers and their prospects. Businesses are obsessed with databases and customer care surveys. At one time, the shopkeeper understood the housewife’s needs. We moved into the supermarket era. Now retailers are seeking close, detailed relationships with millions of customers.

Whilst newspaper sales may be in decline, their markets and consumer base are not. Newspapers are perfectly placed - given their closeness to their readers and their immediacy - to satisfy the demand for closer relationships between marketeer and customer. Not only can publishers introduce advertisers to their customers but they can use their databases and pages to propropate the detail of the relationship.

Publishers need to measure themselves not in terms of market share against other newspapers but against share of total marketing expenditure.

As circulations decline in may mature markets, product quality, editorial quality, is sure to be of ever-growing concern. One good effect of the spiralling newsprint prices has been to force publishers to once again look at product formats and operating efficiency. Better distribution, better tailoring of the newspaper, better targeting are likely to result. But the squeeze on editorial budgets - and indeed space - is also bringing once more to the fore the whole debate about journalistic quality and meeting readers' real needs and whether quality has not suffered too much in the rush for profits. One also sees that it is becoming increasingly difficult
for major metropolitan titles, whether in the US or elsewhere, to retain circulation. Strength of community is proving to be a key determinant of circulation success and small titles are surviving far better, on the whole, than large metropolitan ones.

A few words, finally, about the trend towards price wars between newspapers. As you may know, there has been a ferocious war in the UK and others are now being waged in Belgium, Denmark and, I am told, in Hong Kong.

It would be well for publishers contemplating such strategies to look at what happened in Britain: there, the value of the daily newspaper market was reduced by £80M and at most it increased the size of the market by only 4% for a few months. (It is now in decline again).

The Times increased its circulation by over 60% but circulation growth was achieved by making casual readers read the paper more frequently. In fact the title attracted virtually no new readers. It merely exploited the casual nature of the UK quality market. All the evidence suggests that these readers remain fickle and price driven and will return to their old promiscuous habits as prices return.

What evidence there is suggests that The Times has not been able to convert the increase in sales into increased share of the advertising market.

While many titles dropped their price, the Daily Mail and The Guardian retained market share by investing heavily in their products, demonstrating that product beats price in the reader's mind.

The only justifiable reason for the Murdoch strategy would have been if he could force the closure of a competitor (the up-market Independent, and downmarket Star are vulnerable financially). The only closure has been the mid-market Today ... owned by Murdoch. Ironically, The Times has attracted most of its readership at the expense of the middle market.

In conclusion, I will join other speakers here to say a few words about electronic publishing. I don't have a crystal ball any more than they do and I am rather reassured to hear the remark made by Andy Grove, Chief Executive of the microchip giant Intel, at a recent newspaper conference: He said, "I don't know what the hell I'm talking about really. We'll know the truth when we get there". I don't know if Neil Blackley, who spoke earlier, is aware that one of his reported statements, I quote: "It is one of the biggest breakthroughs this century" - is now circulating in a compendium of remarks on Interactive Media that will certainly be held against their authors at some future date.

What is clear, in my view, is that a true technological revolution is underway. What is less clear is what effect this will have on the future of newspapers in print. Few, if any, newspaper publishers that I have met believe that print journalism is truly threatened. This is not to say for a moment that they are unaware of the arguments or even unwilling to make the investments in this medium. More than five hundred newspapers around the world today have editions of one kind or other on the Internet. That figure is growing at an astonishing rate. I saw two
weeks ago that the first Vietnamese electronic newspaper was set to launch on 17 November.

The publishers of these newspapers presumably believe, as I do, that whatever the long-term effect of electronic publishing on the traditional newspaper, a business is developing which they are uniquely placed to exploit. The technological trends from analogue to digital, from parallel to integrated media, from broadcast to interactive networks, will create, are creating, new opportunities for information distribution and exchange which will, in my view, inevitably find a market, and inevitably provide revenue possibilities. It would be absurd for newspaper companies, with all their strengths, both commercial and editorial, to turn their backs on these developments, which are destined to be exploited by someone, if not them. I personally do not believe that the newspaper as we know it will suffer from these developments. I believe that electronic products will for the foreseeable future only be supplements to the print product. If newspapers are to continue to decline, it will be for a host of other reasons connected principally to their relevance and their place in their communities and to their ability to convince advertisers that they are the best supports for marketing investments.

A European newspaper publisher recently castigated his colleagues for following the 'hope' strategy emboldened by the conviction that "newspapers will never disappear". His message was that they should not follow their readers to the new world of electronic information distribution but that they should be there to welcome them and meet their needs. "We must show we are thinking about the future and have a project for that future", he said. I would invite you to ponder those words. In the meantime, it would also be well to remember that with more than half the world's population still waiting to make their first phone call, the potential for the growth of the printed media is as great as ever.

In closing, Ladies and Gentlemen, I would like to extend a cordial invitation to each and every one of you to participate, from 19 to 22 May 1996, in the next World Newspaper Congress which FIEJ is organising in Washington, D.C., USA. This is a unique opportunity in itself to meet your colleagues from around the world to exchange information and ideas on many of the issues we have been addressing here at this conference.

Thank you.
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