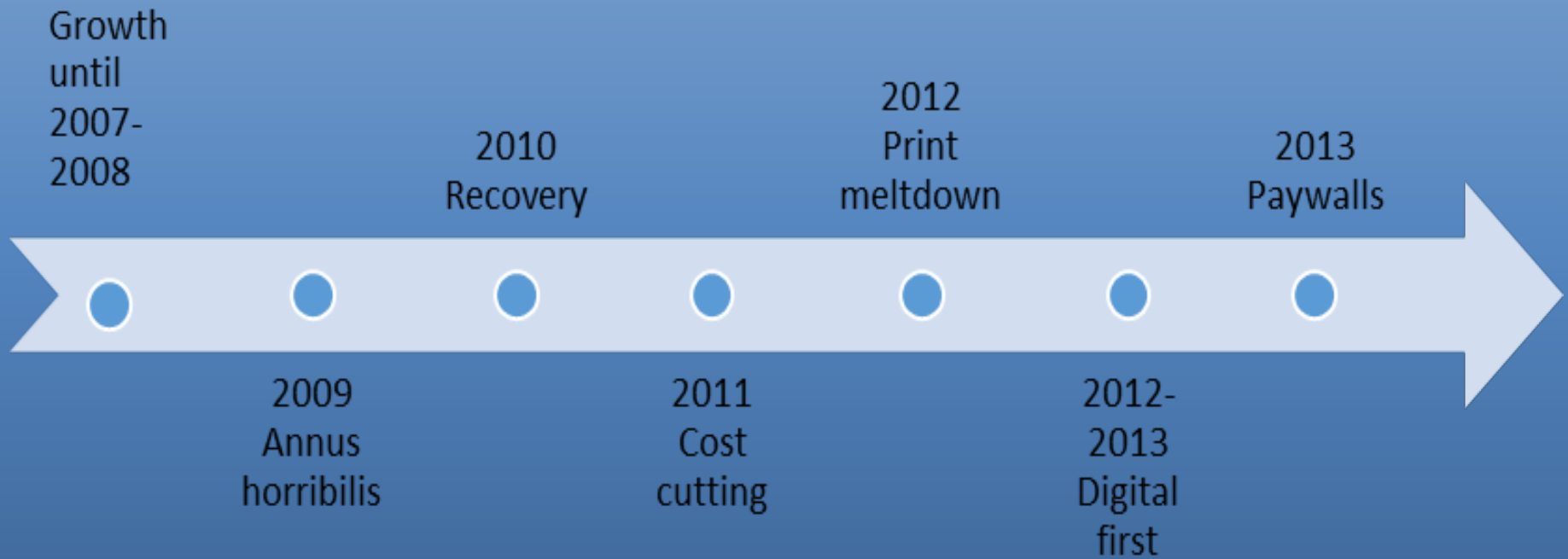


Revenue models of APN and Fairfax: How they struggled in digital transformation

Research undertaken

1. **Aim:** How the business models of APN and Fairfax evolved from a print to digital environment, and toward paywalls?
2. **Methodology:** case study and document analysis methods - data gathered from APN's and Fairfax's annual reports and other financial documents from 2004 to 2013
3. **Key concepts:** digitalisation of media; financialisation of media ownership; online news commodification

From growth to meltdown



Some business indicators 2004-2013

CHANGE %	FAIRFAX	APN
REVENUE	+14% (acquisitions)	-35.8%
PROFIT	-199.6%	-29%
EMPLOYEES	-28%	-49.8%
MARKET VALUE	-70%	-87%
DIGITAL REVENUE	+27%	+34%

Digitalisation changed news production and consumption

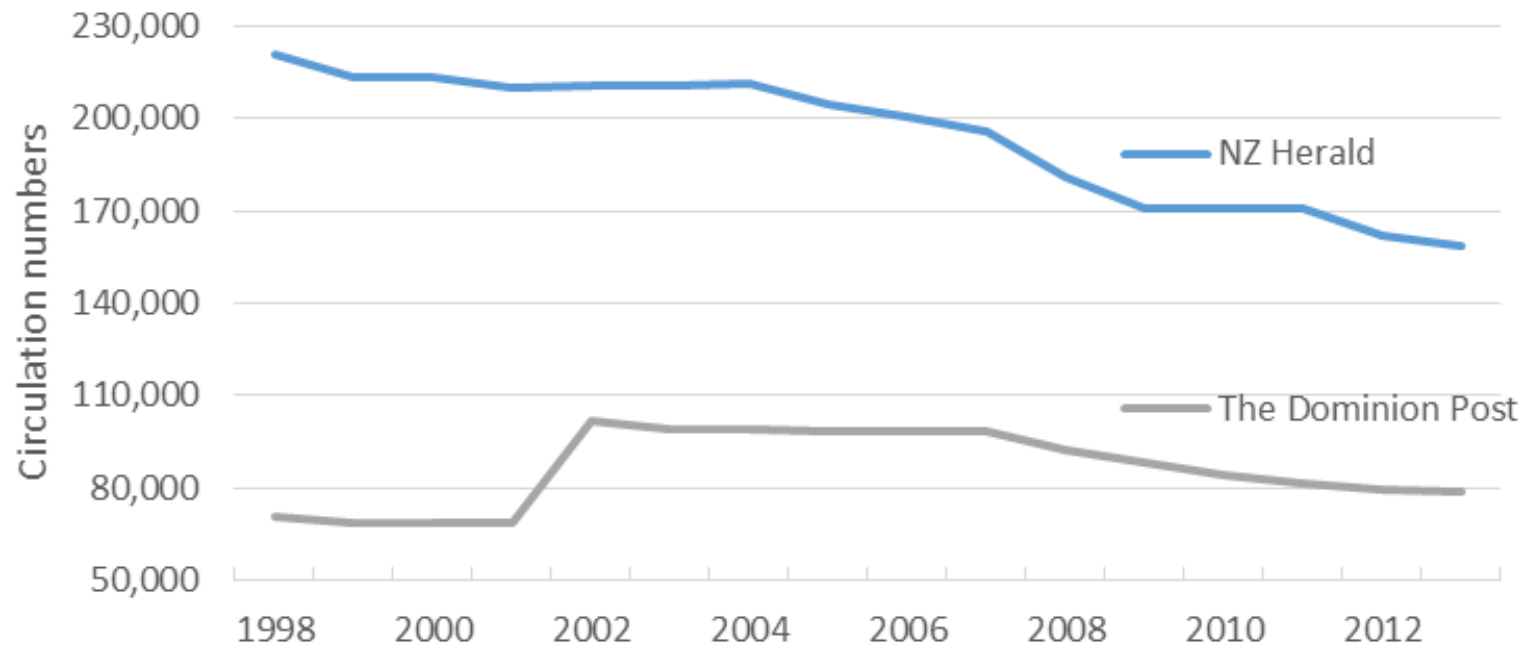
A former NZ senior journalist:

“Increased workload mean news editors no longer have time to edit (more pages, less time, fewer people) - they curate and process. Average time spent on a story is 5-10 minutes.”

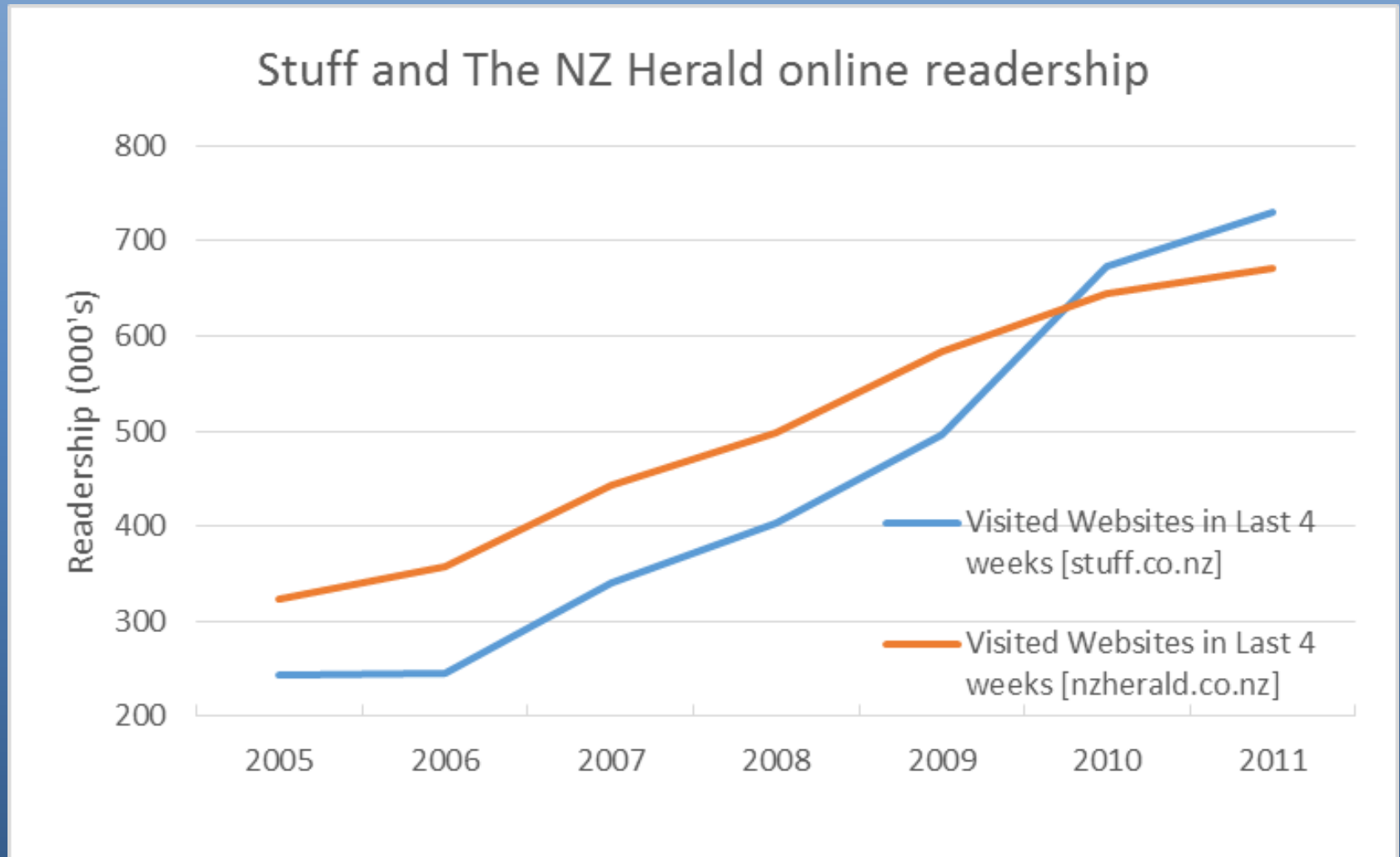
“Difficult subjects are dumped in favour of 'easy news'. Stories become shallower, fact-checking is neglected, research is minimal, copy is rushed through.”

Print circulation...

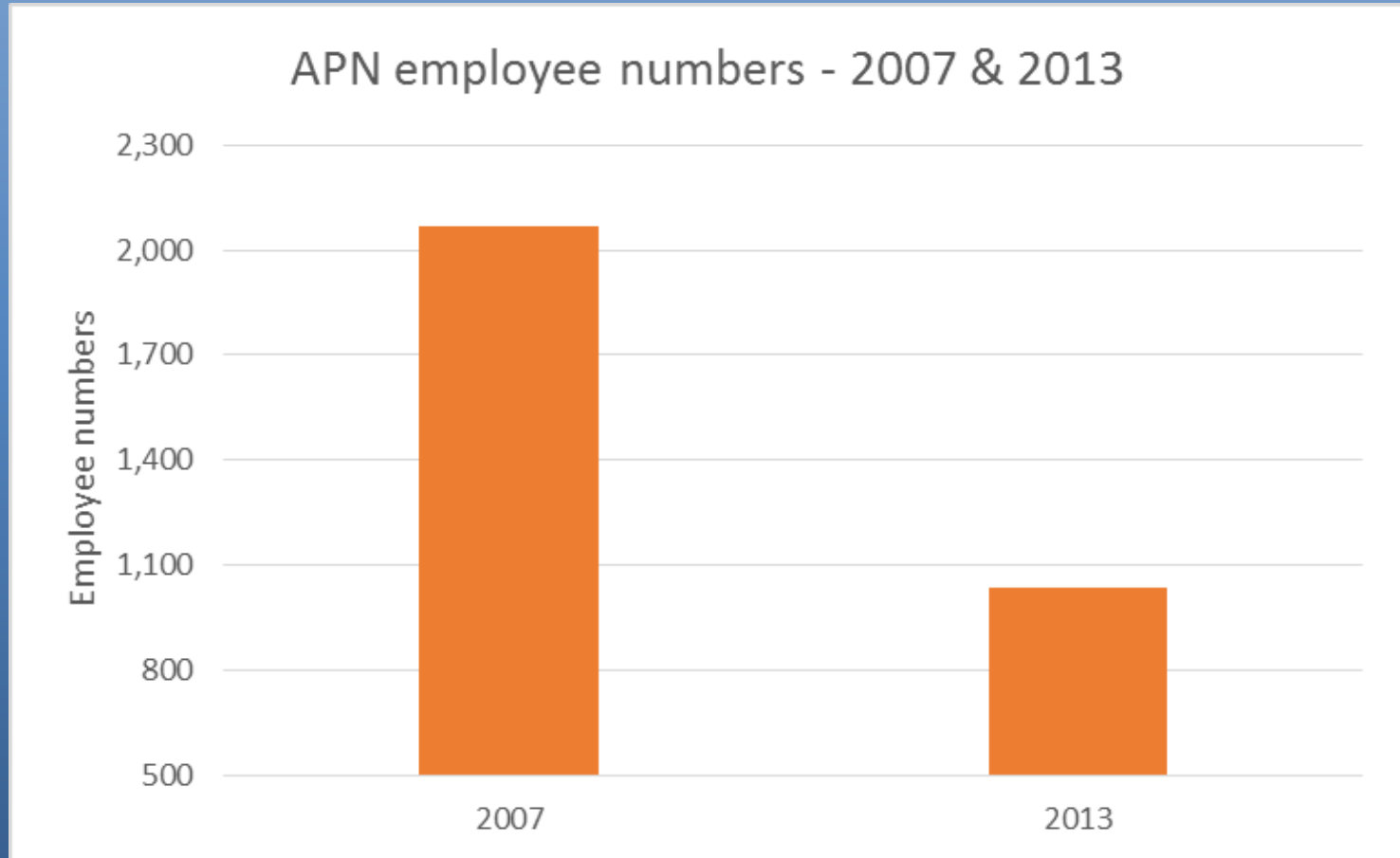
Circulation of The NZ Herald and Dominion Post
1998-2013



... and online readership

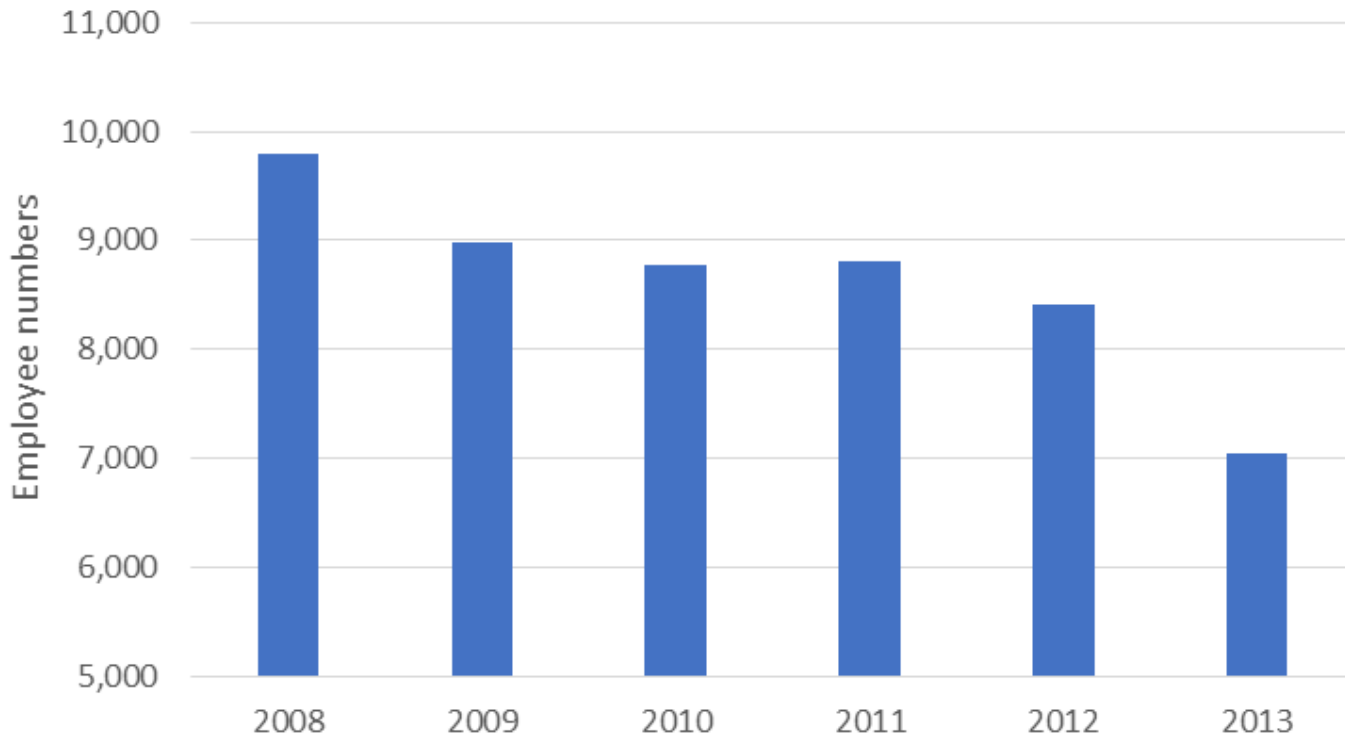


Number of APN employees...



...and Fairfax's

Fairfax employee numbers - 2008-2013



Financialisation intensified profit motives

- During the research period both APN and Fairfax gained in financial ownership, and this intensified their profit motives
- In 2014, New Zealand journalists identified “profit making pressures” as one of the key elements that had changed in newsrooms (Hannis et al., 2014)

Sharp revenue declines

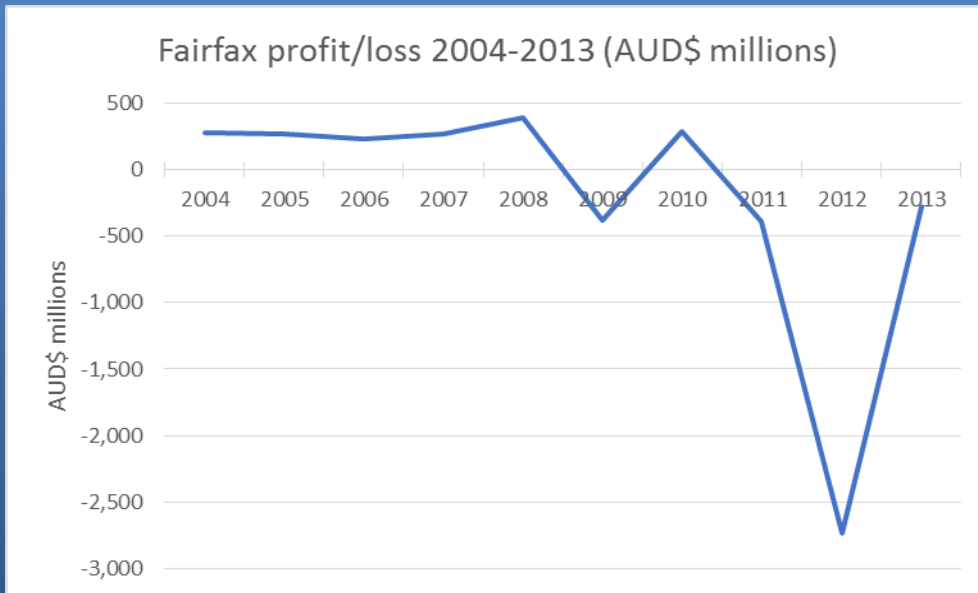
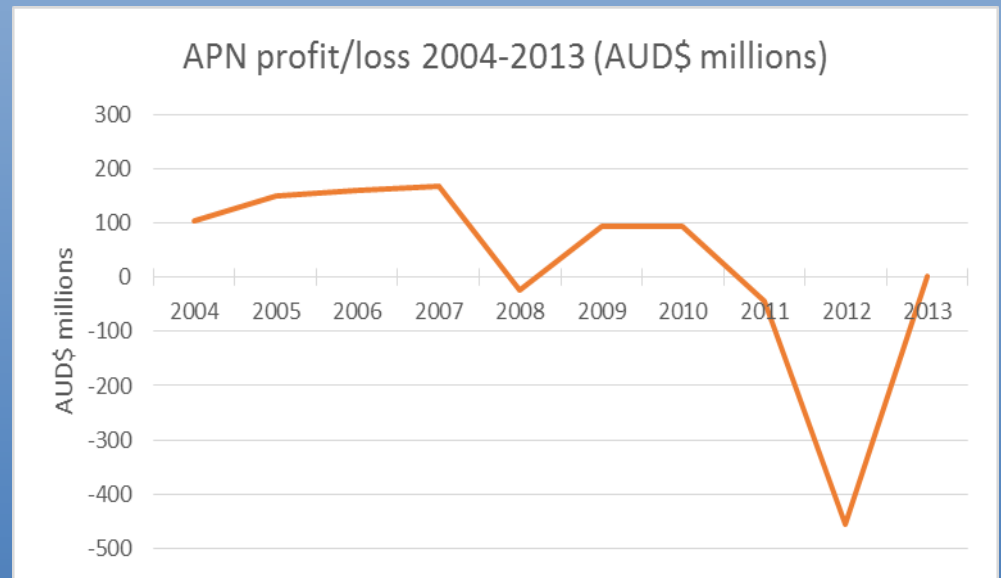
APN total revenue 2004-2013 (AUD\$ millions)



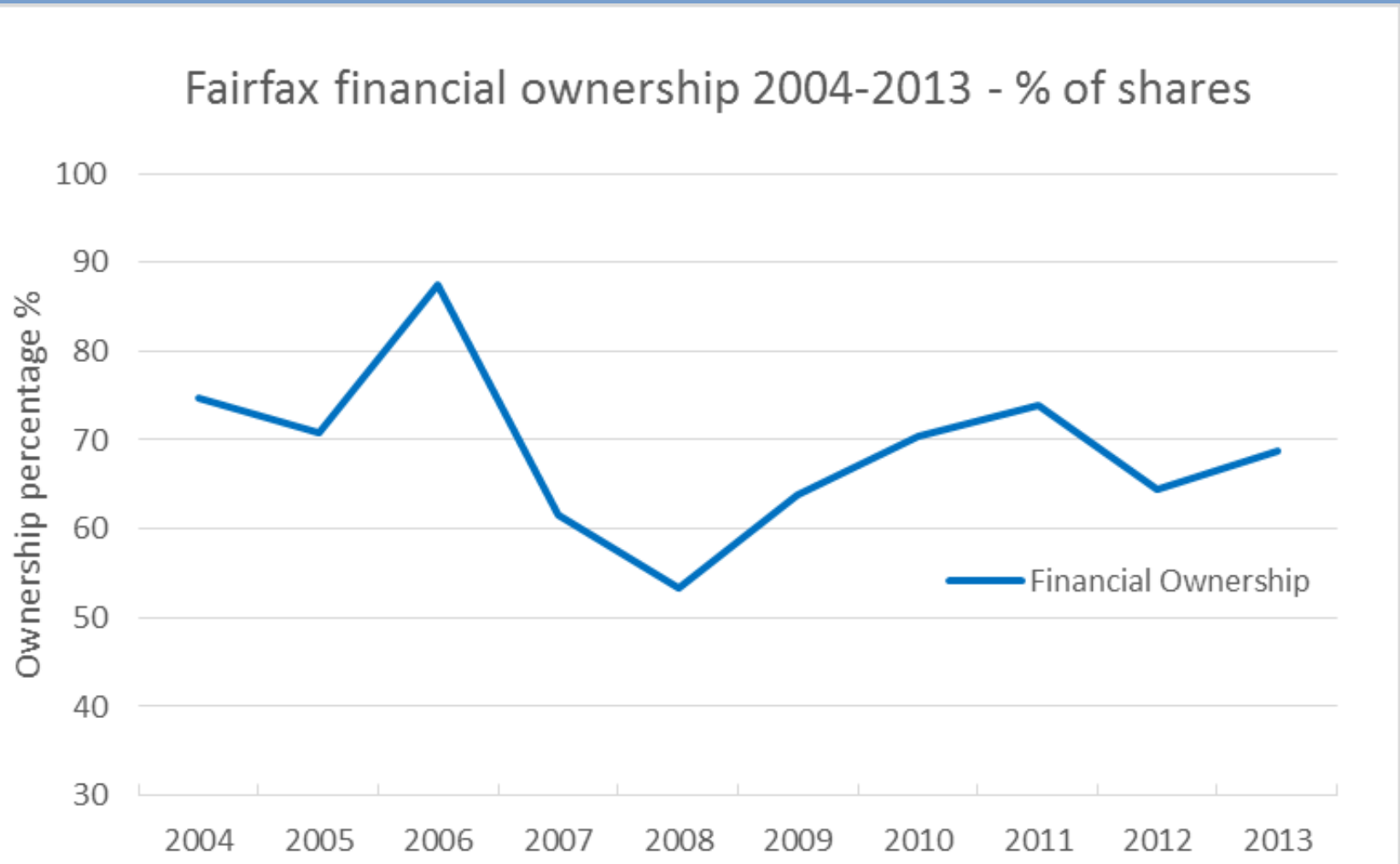
Fairfax total revenue 2004-2013 (AUD\$ millions)



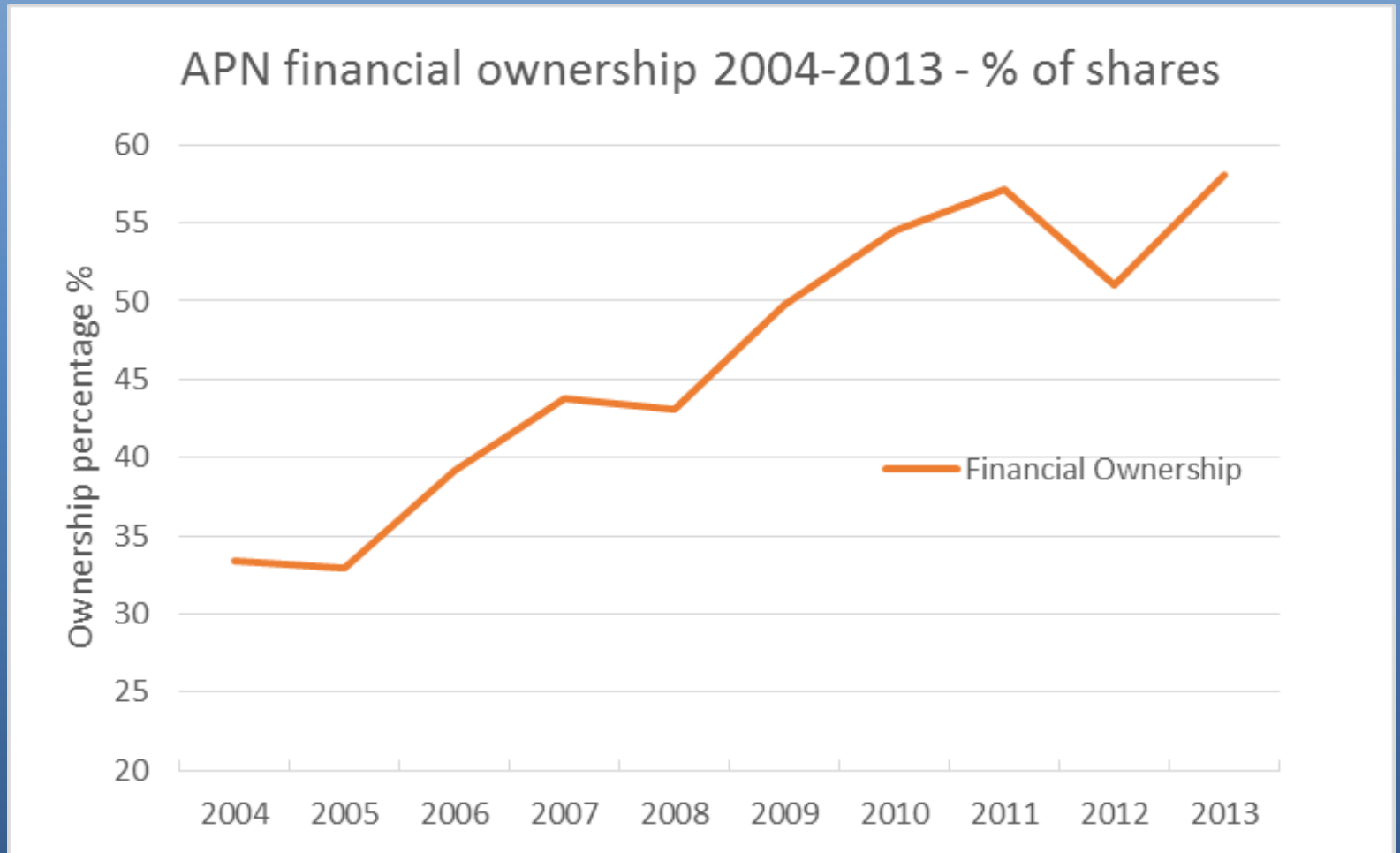
...and sinking profits



Fairfax financial ownership



APN financial ownership



Some key findings

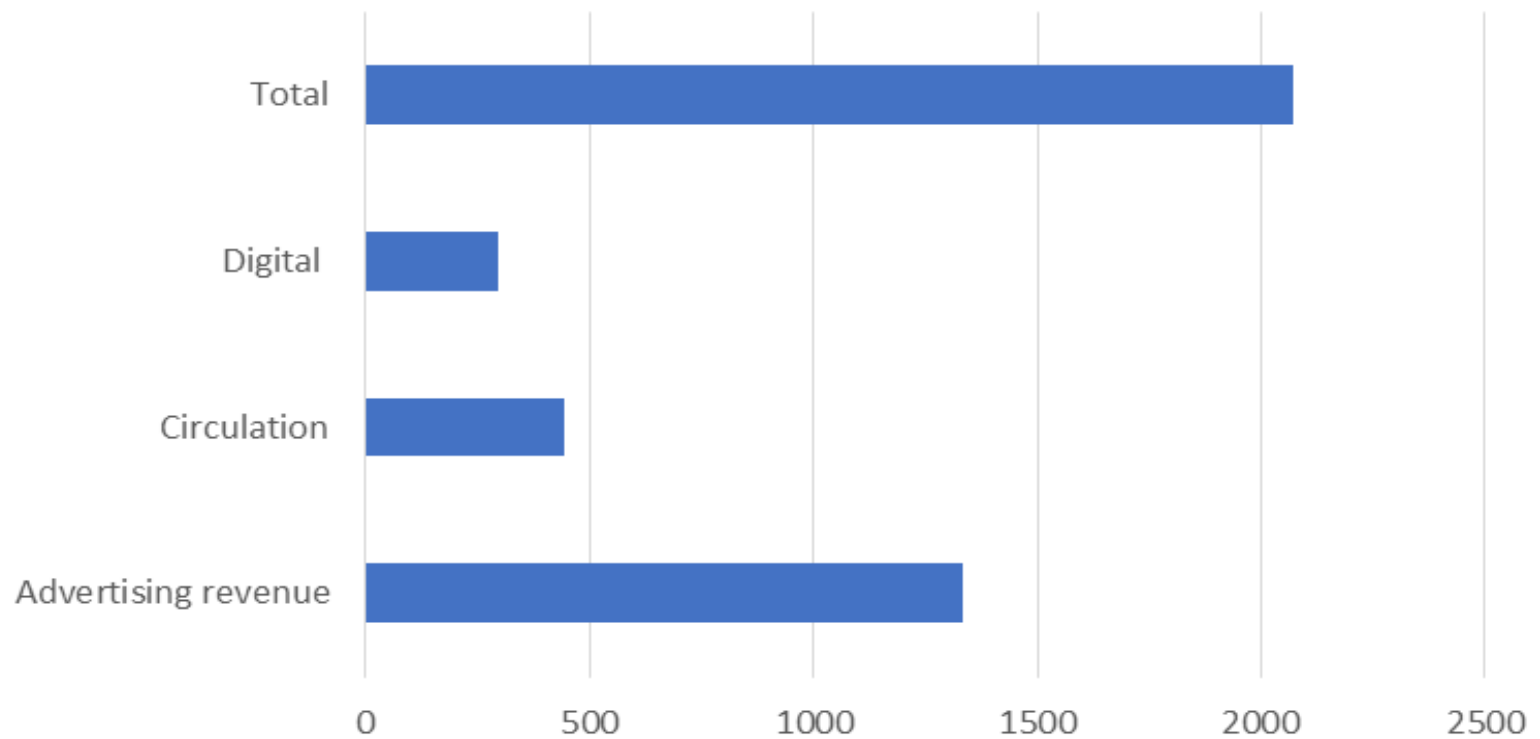
- APN and Fairfax failed to adapt their print based business models to digital media environment
- Both companies lacked a long-term digital strategy, and their attempts to build new digital revenue streams were not well considered
- As they failed to translate their print advertising models into the online sphere, they lost the online classified advertising market to new competitors

Former APN Director:

- “Newspaper publishers are still trying to sell content to customers - they should first ask what kind of content/services customers want and need.
- Advertising departments have not adapted to online world - ad space is sold as in old print environment, and there is lack of innovation there.
- Publishers pin their hopes on advertising picking up again. The truth is that advertising will not ever again offer similar kind of revenue as it used to in newspapers golden years.”

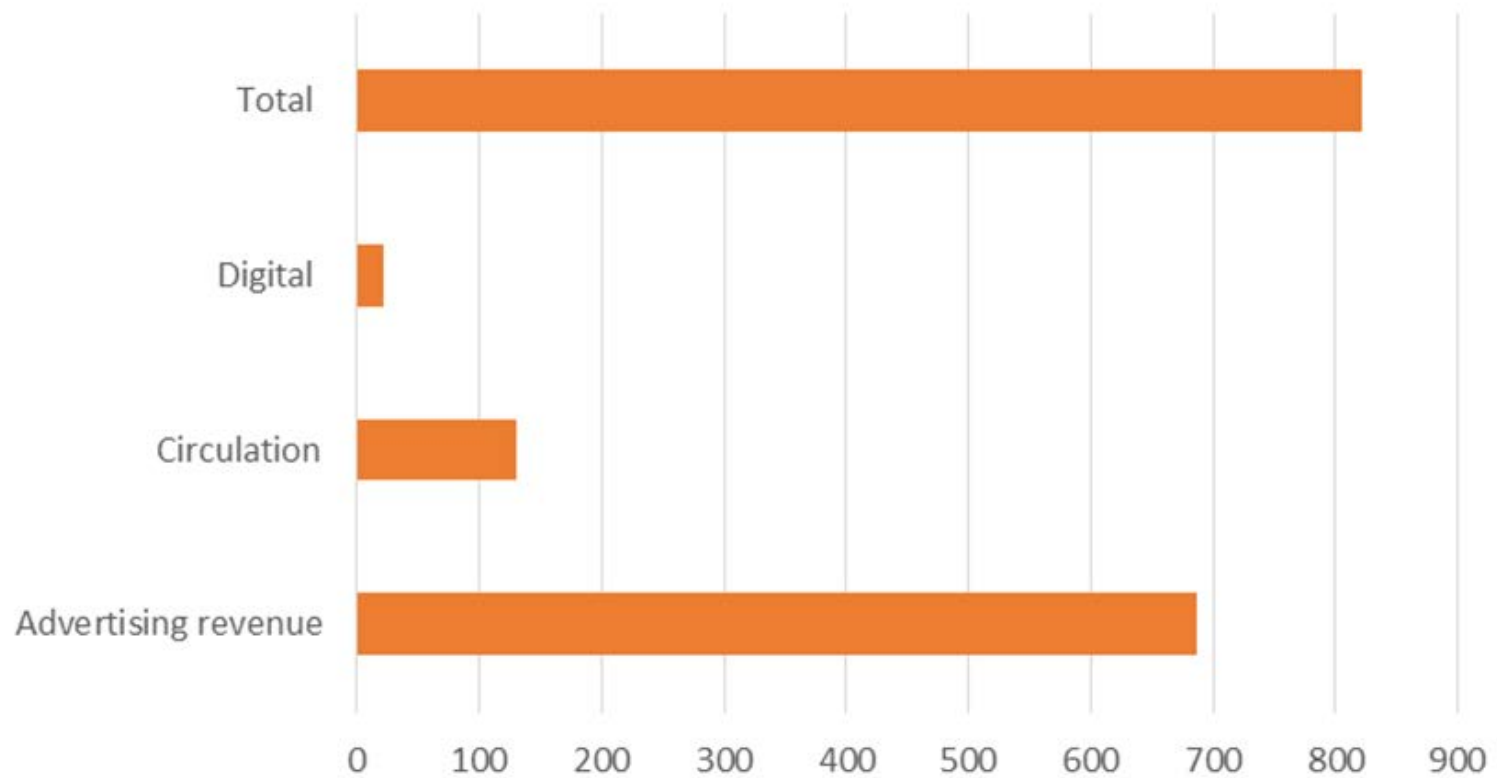
Digital income of Fairfax

Fairfax revenue sources 2013 AUD\$ million

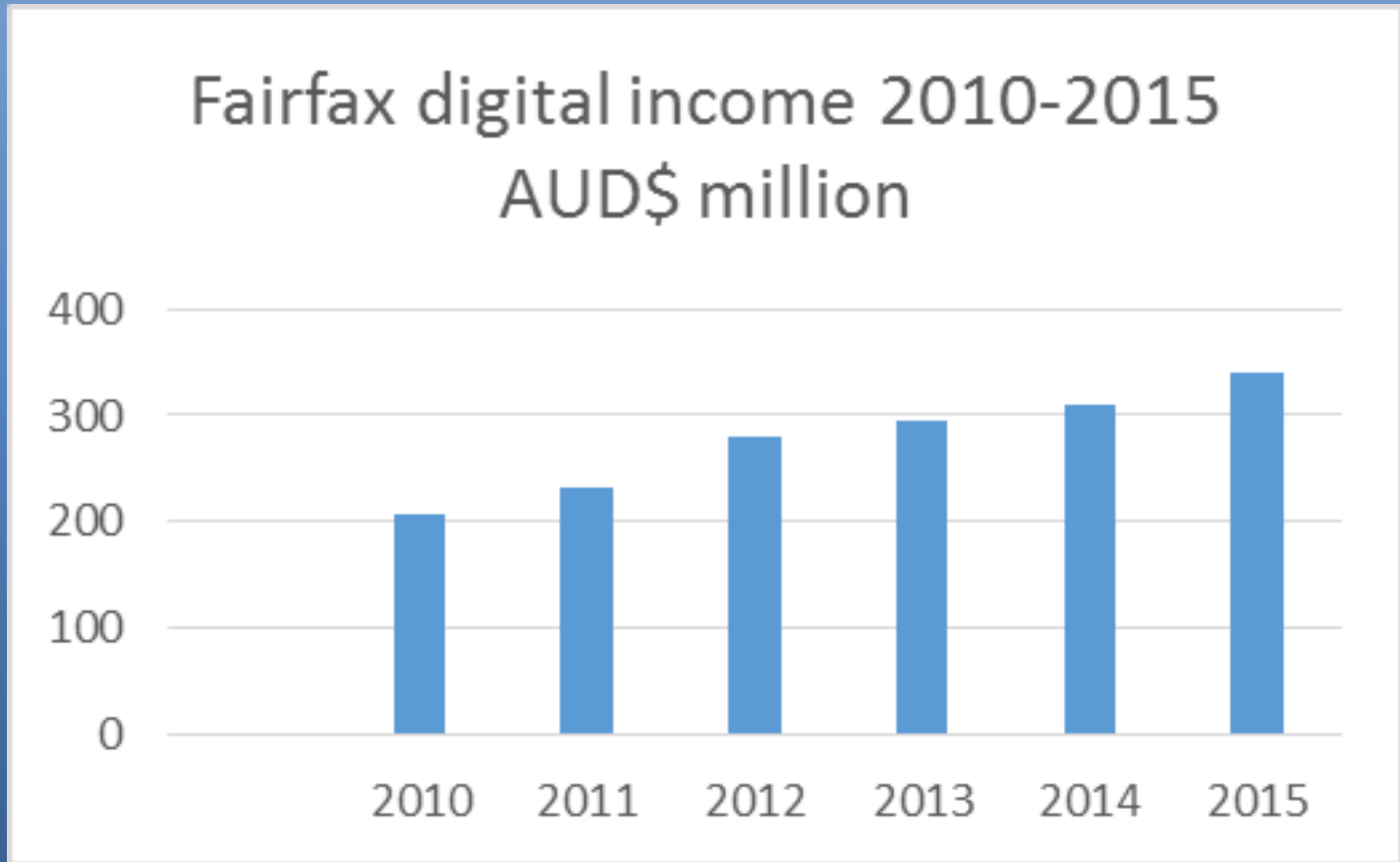


Digital income of APN

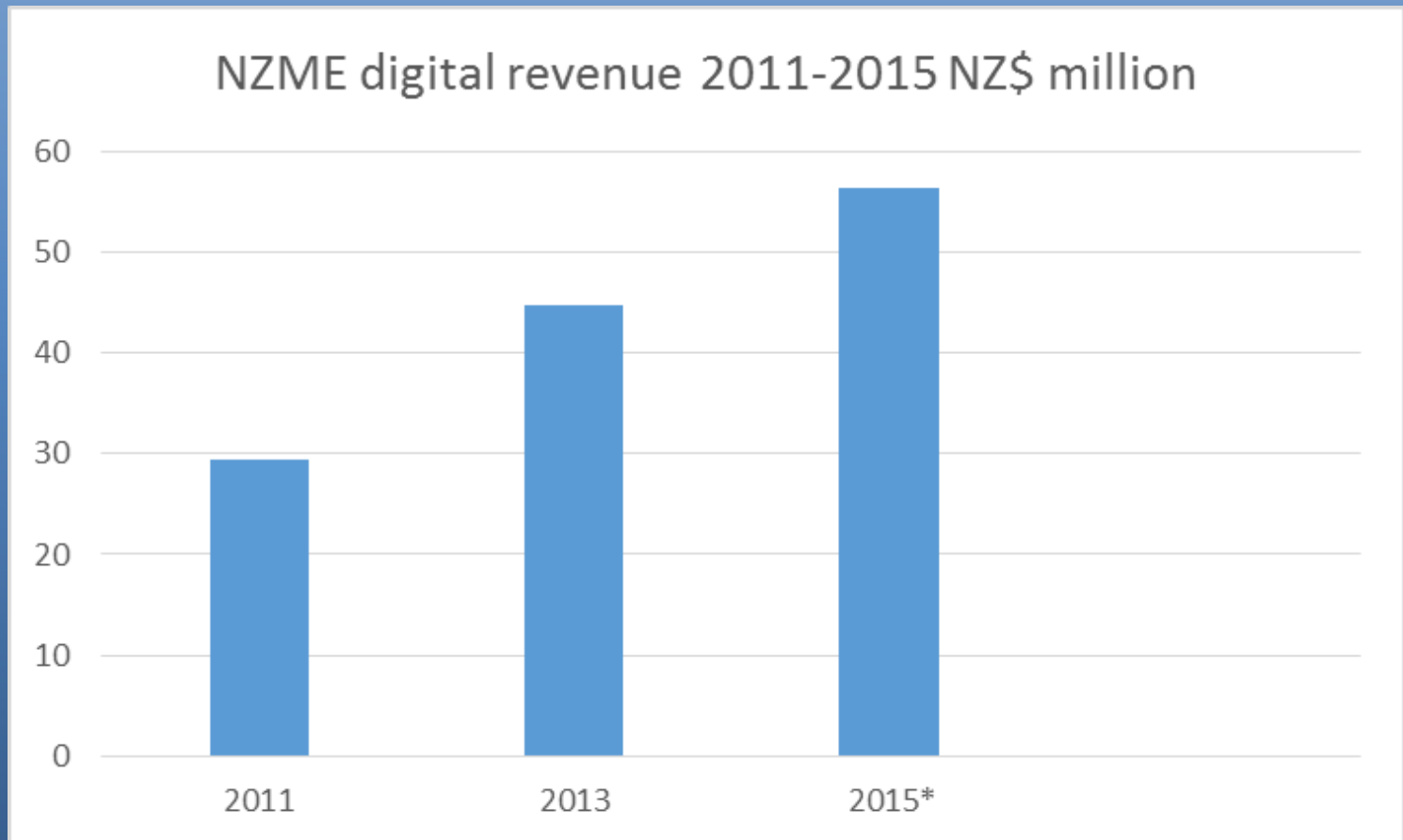
APN news revenue sources 2013 AUD\$ million



Fairfax digital revenue



APN digital revenue



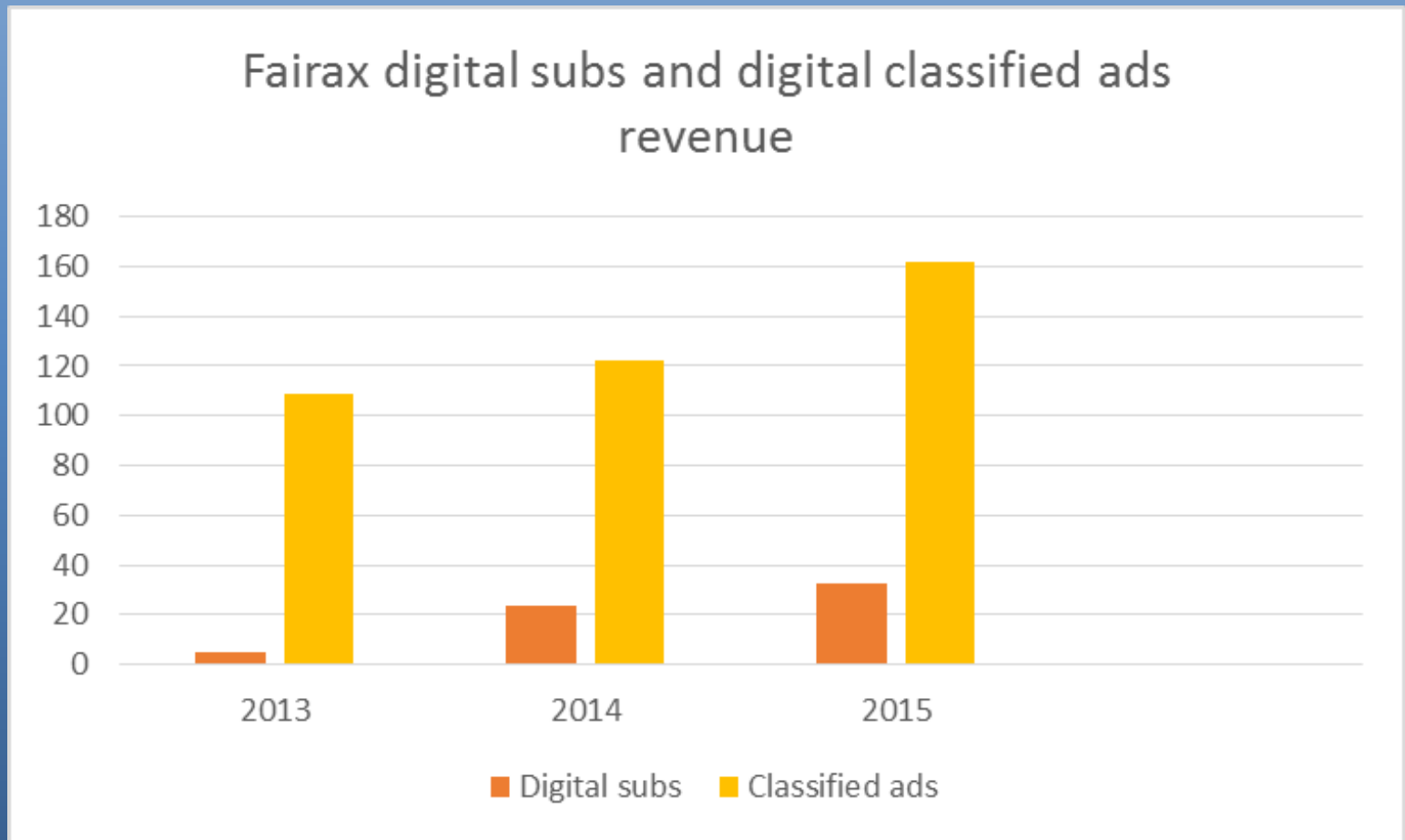
Some key arguments

- Digitalisation made it difficult for APN and Fairfax to commodify their print products as audiences and advertisers moved online
- In 2013, Fairfax's digital income 14% of total, APN's 3% of total
- Therefore it is not surprising that Fairfax introduced paywalls for its general newspapers

Fairfax implemented
paywalls for *The Sydney
Morning Herald* and *The
Age* in 2013



Fairfax paywall income increasing, but its not viable business model on its own



Paywalls for APN's regional papers in Australia in 2015



WHY Fairfax has paywalls, not APN?

- Fairfax had more substantial losses, more debts
- Fairfax's financial ownership more substantial
- Fairfax more print reliant than APN
- Other companies in Australia had already implemented paywalls

In February
2015, Gina
Rinehart
sells all her
Fairfax shares



John Klepec, CDO, Hancock Prospecting:

“A series of bad decisions by the leadership team has increased the number of publication errors and reduced the company’s performance to cover news.”

<http://hotcopper.com.au/threads/news-gina-rinehart-sells-out-of-fairfax-media.2453331/#.VkvWGL-YLTE>

In March 2015,
Rupert Murdoch's
News Corp
becomes the 2nd
largest shareholder
of APN



News describes the holding as an "investment stake."

"It's not untypical for News to buy these strategic stakes as part of a bigger-picture move or a bigger play."

<http://www.smh.com.au/business/media-and-marketing/ruPERT-murdochs-news-corp-takes-149-stake-in-apn-as-independent-news--media-exits-20150319-1m2sxh.html>