

# TIF - Covid-19 Accelerates the Transformation of India's Newspaper Industry

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February 5, 2021



Reading a daily in Kerala: Can print publications recover the sales they lost during the lockdown? | Vishwaant Avk (CC BY 2.0)

*India's newspapers grew by relying on advertising, a dependence that began to unravel before the pandemic struck. Dailies have shut down and journalists have lost jobs. To revive their fortunes, they are now—belatedly—trying to build incomes from digital.*

Change cometh, even to the seemingly invincible.

A pandemic can speed up a change in the making. In 2020, Covid-19 became the trigger for a media consumption shift that was both swift and brutal in its consequences.

Covid-19 gave a decisive push to a transition that has accelerated ever since the advent of Jio in 2016. The entry of Jio significantly widened the universe of internet users and moved a generation of news consumers from the broadsheet to the smart phone. And then in the first quarter (April-June) of the fiscal year 2020-21 (Q1FY21), India's newspaper market shrank dramatically on account of doorstep delivery fears about virus contagion. The industry's finances were further strained with the disappearance of commercial advertising (itself a consequence

of disrupted circulation and the lockdown-induced economic contraction).

India's newspapers are unlikely to regain their numbers anytime soon, if ever. Of readers lost to online editions, many will not return to print. It is also doubtful if print will gain new readers since the millennials are getting their news and information online.

*The newspaper industry was unprepared for the accelerated digitisation catalysed by the pandemic.*

The story of 2020 then was one of circulation disruption, financial pain as advertising collapsed, hundreds of journalists rendered suddenly jobless, newspaper editions shuttered all over the country, and the visible vulnerability of the country's biggest publishing news brands.

The newspaper industry was unprepared for the accelerated digitisation catalysed by the pandemic. It had been slow to build online revenues, unlike its counterparts in other countries. Future viability now hinges on building paid subscriptions in digital, regaining some readership in print, and continuing to offer fewer pages for the same cover price as they did during the lockdown.

## The impact of Covid-19

Through more than a decade of digital transition around the globe, India had remained one of the last bastions of print. The circulation of most (English and Indian language) newspapers kept rising over the years. The market leader, the *Times of India* even boasted of being the most widely circulated English newspaper on the planet. The newspaper industry had seen a sudden turn in its fortunes earlier too, as during and after the global financial crisis of 2008.

But the industry had seen nothing like the sweeping disruption caused by Covid-19.

Fears that the newspapers would carry the contagious virus led to housing societies across the country blocking delivery (see this, this and this). Some newspapers even temporarily halted production in the last week of March, immediately after the lockdown was imposed. Circulation plummeted and advertising disappeared. As the incidence of Covid-19 waxes and wanes, the block against delivery continues in group housing societies of many cities. Ten months after the crisis of delivery began, PDF versions of newspaper and magazines issues are still being emailed free to presumed readers around the country.

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Some of this then could explain the panicked reaction of the market leader, the Times Group. Just two days after, the lockdown was imposed on March 27, the *Economic Times* was asserting that newspapers were safe. "There is growing scientific evidence that newspapers are safe, and that there's really no risk of catching an infection from them." When an article in *The Print* quoted an expert to say "If a newspaper delivery boy has the infection, and decides to sneeze on a paper, then yes, the virus could get transmitted to your home," the Times Group served *The Print* with a Rs 100 crore legal notice for this report, calling its claims "absolutely without basis

and without appropriate findings by any health or statutory authority”.<sup>1</sup>

The result of the Covid-19 disruption was that during the first quarter of FY21, major print media players witnessed a hefty revenue decline of over 67% year on year (yoy), according to a September 2020 analysis by the firm India Ratings and Research (Ind-Ra). This was the outcome of a 76% drop in advertisement revenue and a 32% drop in circulation revenue. The decline was higher for English print media players than Hindi print media players. Ind-Ra said earnings before interest, taxes, depreciation and amortisation (EBITDA) of print media would shrink 10% in the fiscal year 2020-21 that is to end on 31 March. The agency sees a 29% growth in revenue FY22 (built partly on a base effect) and it estimates that even with this recovery, revenue will remain lower than in FY20.<sup>2</sup>

A desperate newspaper industry is now seeking government support.

On 12 December 2020 the Indian Newspaper Society (INS) issued a statement, as it did earlier in May that year, asking for a government bailout if the industry were to avert a collapse. It said that in the previous months, the industry had already lost around Rs 12,500 crore and the annual loss was likely to be around Rs 16,000 crore. It urged the government to remove the residual 5% customs duty on newsprint and provide a two-year tax holiday. It asked for a 50% increase in the government advertisement rates, and a 200% increase in the government spend on print media. It also wanted immediate settlement of outstanding bills for government advertisements carried by the newspapers. (The government is notorious for delaying payments.)

*[C]ommercial advertisers have reduced their advertising rates so the industry is caught between low commercial rates and even lower government rates.*

A less known aspect of the government-media advertising relationship is that the publishing industry has always accepted significantly lower advertising rates for government insertions, because that is the take-it-or-leave-it principle the government follows. Hence the demand for an increase of 50% in government advertisement rates. Post-Covid-19, commercial advertisers have reduced their advertising rates so the industry is caught between low commercial rates and even lower government rates.

It remains to be seen whether the Union Budget next month will remove the 5% customs duty on newsprint and concede the tax holiday demanded by the INS<sup>3</sup>.

## **A decline in fortunes from before Covid-19**

The Covid-19 shock however should not obscure a pre-Covid-19 trend of decline and the shrinking of the financial dominance of print brands.

The India-Ratings analysis of revenue growth in print showed that print media growth halved between FY15 and FY19 from 8% to 4% and turned negative (estimated) in FY20, though the lockdown came only in the last week of FY20. In FY20, according to the same analysis, key listed print media players— Jagran Prakashan Ltd (publisher of *Dainik Jagran*), DB Corp Ltd, (*Dainik Bhaskar*), Hindustan Media Ventures Ltd (*Hindustan*) and HT Media Limited (*Hindustan Times*)—showed declines in advertisement, circulation and overall revenue, with a *negative* growth in total income that increased steadily to -19% from -3% over four quarters. (Three of the four quarters were pre-Covid-19).

*For both the Times of India and the Hindustan Times, print advertising has sustained the profitability of their empires...*

Last month the website exchange4media.com reported that the media conglomerate Bennett Coleman and Company Ltd (BCCL)—the Times Group—had posted a consolidated net loss of Rs 451.63 crore for FY20, compared with a net profit of Rs 484.27 crore in the previous year. It sourced the data from the business intelligence platform Tofler. BCCL's total income from the print stream declined to Rs 5,627.12 in FY20 from Rs 6,259.89 crore in FY19. Revenue from the sale of publications declined to Rs 629.96 crore from Rs 656.09 crore during the same period.

Newslandry meanwhile was reporting that HT Media had posted losses of Rs 138 crore in 2019, after registering standalone profits of Rs 213 crore in 2018, Rs 62 crore in 2017, and Rs 108 crore in 2016.

For both the *Times of India* and the *Hindustan Times*, print advertising has sustained the profitability of their empires whereas diversification into non-traditional media brought no returns comparable to newspaper advertising.

According to a detailed analysis based on filings with the Ministry of Corporate Affairs and published in the December 2020 issue of *The Caravan* ("The Fine Print"), BCCL's total revenues in 2018-19 of Rs 10,468 crore from all operations were roughly five times those of its nearest competitors: HT Media, DB Corp, and Jagran Prakashan. It was also 22 times those of the Indian Express (P) Ltd. But in terms of revenue growth, it was at 6.6% the same year, compared with a 0.4% negative growth for HT Media, 5.4% growth for DB Corp and 2.2% for Jagran Prakashan. For Kasturi and Sons, which publishes *The Hindu*, the figure was -7.9%. The Indian Express (P) Ltd managed a revenue growth of 2.1% the same year. The same analysis points out that for all six media houses except DB Corp the net cash flow from revenue had declined between 2013-14 and 2018-19.

The decline in the fortunes of India's newspaper industry can be traced to the near complete dependence on advertising and the very hesitant embrace in recent years of building revenue from digital streams.

## **The trajectory of advertising dependence**

Newspaper circulations have grown in India over the past quarter century by incentivising the reader to pay as little as possible for their media. Whether it was the *Times of India* seeking to undercut the *Hindustan Times* in 1994 by dropping its price, or the *Dainik Bhaskar* expanding its market in the 1990s and early 2000s by offering gift coupons for everyday items like plastic buckets for new subscriptions, in a country where literacy was expanding and people had limited buying power, a business was built by focusing on reader numbers to offer advertisers.

*When advertising is king it will invade every part of the paper including the masthead.*

The Times Group used the same strategy to enter new markets, venturing into Chennai and Kolkata in the early 2000s by offering a daily newspaper priced at much less than the market leader. In 2012 Vineet Jain, Managing Director of Bennett, Coleman and Co. Ltd (BCCL) explained to a journalist from the New Yorker that his brother Samir Jain, Vice Chairman of the Times Group had got the idea for his innovative pricing strategy in 1994 from seeing long lines at the Calcutta zoo as he was walking by on a Monday. He learned that the zoo dropped its

admission price on that day of the week to boost visitors. Jain went on to experiment with dropping the price of the *Times of India* first on one day of the week, then three, and circulation grew.

As did the dependence on advertising. In a now widely quoted statement, the younger Jain also explained to the *New Yorker* that they were not in the newspaper business, they were in the advertising business: "If ninety per cent of your revenues come from advertising, you're in the advertising business." That description for the group has stuck and explains a series of innovations over three decades that cock a snook at what is taught in journalism schools.

When advertising is king it will invade every part of the paper including the masthead. News about celebrities can be treated as personal advertising and published for a price to undercut a growing public relations business. When the Times Group began to do this in 2002 it was dubbed as 'paid news'. Around the same time another version of this was taking root in Hindi newspapers such as the *Dainik Bhaskar* during elections, where newspaper editions would carry paid news stories on candidates. And write 'Advt' in tiny letters.

The BCCL's overwhelming dependence on advertising revenue is brought out by the split in revenue streams. According to *The Caravan* analysis, revenue from sale of publications as a percentage of ad revenue is the lowest for BCCL at 11%. It is 18% for HT Media, 30% for DB Corp, 31% for Jagran Prakashan, and 20% for The Indian Express (P) Ltd.

*The complete dependence on advertising income for financial sustenance meant that the newspapers were vulnerable to a change in advertisers' preferences.*

Each of the Times Group innovations has been copied by competitors. Including private treaties that involve entering into barter arrangements with companies, offering advertising space in exchange for equity. The MCA filings cited by *The Caravan* show that as of March 2019 each of the following companies had investments in other companies— BCCL, HT Media, DB Corp, Jagran Prakashan, and The Indian Express (P) Ltd. BCCL's investments were worth Rs 6,587 crore, HT Media came second at Rs 996 crore, and the Express had Rs 64 crore.

Event sponsorship by media houses has become a revenue generating stream over the last decade, and one that directly impacts editorial independence. Government leaders boycott events if they are displeased with a newspaper's coverage.

The complete dependence on advertising income for financial sustenance meant that the newspapers were vulnerable to a change in advertisers' preferences.

Advertising revenue patterns were beginning to show shifts even before the advent of Covid-19 turned newspapers untouchable. *The Caravan's* analysis showed that the central government's spending on print advertising, for instance, has been shrinking since 2012-13 when growth dropped by 5%. It has continued barring two years: 2015-16 and 2017-18. In 2018-19 the government's spend on print media dropped by 36%, and in 2019-20 by even more, by 56%. Meanwhile the share of government advertising spend on digital (classified as TV and websites) exceeded print in the three years of 2014-17. And though it dropped from 2017-18 onwards, the gain went to outdoor advertising, which grew to 20% in 2018-19 from 8% in 2014-15.

This is without taking into account cancellation of display and tender advertising to select newspapers that the government wanted to put pressure on. Hence the Indian Newspaper Society's recent demand for a 200% increase in government ad spend on print media.

At the state level, central government advertising was used strategically for state elections, rising sharply in the

year preceding an election and dropping equally sharply in the subsequent year.

## Shutdowns and sackings

The difficulties newspapers have found themselves in have led to closures of some editions and loss of jobs, all of which began even before Covid-19 struck.

In October 2019 the Essel Group of Subhash Chandra, proprietor of the Zee TV Network, shut down the print editions of its English daily *DNA*. The Deccan Chronicle Group closed its Bengaluru and Kerala editions, and Mumbai and Kolkata editions of *Asian Age* over the past few years. *The Telegraph* shuttered its Bihar edition in 2018.

*The edition closures only deepened the job crisis for journalists. They began to be laid off from April 2020 from a range of publications...*

Post Covid-19, a wave of shutdowns of newspaper editions began. *The Times of India* shuttered two of its four editions in Kerala. Sakal Media closed operations of *Sakal Times* and *Gomantak Times*. *Business Standard* discontinued its Patna and Raipur Hindi editions along with the *Sunday Business Standard*. *Hamara Mahanagar*, a Hindi newspaper published from Mumbai, closed three editions — from Mumbai, Pune and Nashik. The English daily *Star of Mysore*, a 43-year-old evening paper, too stopped publishing. *The Telegraph* closed its Jharkhand and Guwahati editions. The print edition of *Mail Today* was suspended in August.

The edition closures only deepened the job crisis for journalists. They began to be laid off from April 2020 from a range of publications that included the *Times of India*, *Economic Times*, *Hindustan Times*, *The Hindu*, *The Indian Express*, *Mint*, *Business Standard*, and *Outlook*, among others. Some of these laid off 100 or more employees. There is less information available about job losses in the regional language media. There were pay cuts, and reduction in page numbers to the point that the *Economic Times* in Delhi, for instance, was down to 10 pages on some days even in January 2021, less than the number of pages offered by its two nearest competitors.

## Solutions

The truth though is that the devastation in the making has been created by the industry itself, led by the Times Group, newspapers have been slow in building up circulation income from digital subscriptions.

*[I]n India it will be a challenge to make readers pay after they have grown used to letting the advertiser pay for the news they consume.*

Leading international brands abroad such as *Financial Times*, *Washington Post*, *Wall Street Journal* and *New York Times* began to build online subscriptions a decade or more ago, and now have more subscribers online than for their print editions. The FT for instance put its online content behind a pay wall in 2002, and reached a milestone of a million paying readers in 2019. *The New York Times* started charging for digital content in 2011, and Covid-19 helped its digital revenue quarterly print revenue for the first time last year. It reached a figure of 7 million paying subscribers during the pandemic.

But in India it will be a challenge to make readers pay after they have grown used to letting the advertiser pay for the news they consume. Newspaper websites here have only begun to go pay in the last few years.

The Covid-19 disruption has, however, already accelerated this process. The KPMG report of September 2020 tells us that digital platforms of both English and language newspapers saw their unique visitors double after newspaper delivery was blocked. Industry players expect 50-60% of this gain to be sustained even after the threat from Covid-19 subsides. And newspapers brands were quick to convert their free e-papers to paid ones. The *Times of India* went behind a paywall by the middle of May 2020. *The Hindu* group whose e-paper and website had gone pay earlier took the remaining products of their brand behind a paywall post-Covid-19. *Dainik Jagran* also went pay.

The transition from print to digital that is occurring within newspaper brands also presents a circulation measurement challenge for advertisers and media planners, and for the industry that is selling space. Publishers have begun voicing their need for a combined measurement currency that takes into account the digital extension of publications as well, so that the total audience of a legacy title can be measured, print as well as e-paper readership.

## Journalists as publishers

Digitisation makes start-ups by journalists possible. Over the past decade, the more enterprising among journalists have set up news sites and niche ventures such as fact-checking sites, community sites, legal trackers, and data-driven ventures. If jobs are disappearing at the print end of the spectrum, they are opening up at the digital end. There are at least 50 of these now, in English and regional languages. Funding for journalism is shifting from corporate sources to philanthropy, including corporate philanthropy, and to crowd funding too. In most cases the phenomenon has increased the independence of journalism even as financial viability remains precarious for most of these ventures.

*Rural local editions of newspapers have been replaced by district-level digital start-ups. The stringers of yore have been replaced by the WhatsApp warriors of today...*

But there is a less visible aspect of the trend of journalists striking out on their own, and that is the Hindi journalism start-ups that have proliferated in the Hindi heartland. Rural local editions of newspapers have been replaced by district-level digital start ups. The stringers of yore have been replaced by the WhatsApp warriors of today, who promote their dotcoms and Facebook lives. Much of the ground reporting on how Covid-19 was affecting people in the countryside came from them. Most of the cases filed by district magistrates against such reports were also directed at them.

In Baddi in Himachal Pradesh a reporter for *Divya Himachal* who did a Facebook live on hungry migrant workers was charged under Section 54 (Punishment for false warning) of the Disaster Management Act and provisions of the Indian Penal Code. In April, the Chhattisgarh government issued a show cause notice to *Bastar ki Awaaz* for “spreading fear” and “spoiling the image of the administration” for a story on a woman from Geedam who was forced to sell her fridge to buy food. She had told the reporter she had not received any assistance from the administration. In April, a web journalist, was arrested in Munger in Bihar on the charges of spreading misinformation about the death of COVID-19 patient through his social media account. He was sent to judicial custody in Munger jail.

Heightened vulnerability, then, is part of the territory when journalists strike out on their own.

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*Write to editor@theindiaforum.in.*

**Tags:** Media  
Newspaper  
Print  
Digital  
Advertising  
COVID-19

**Footnotes:**

1. *The Times of India* also interviewed top lawyers on how blocking newspaper delivery is a legal offence, and *Economic Times* began to carry text below its masthead on how the paper was safe to hold and read. Both papers got political leaders to pose with their product. Other Indian dailies too began running full page ads, even TV ads, explaining that they were a product untouched by human hands.

The Times Group took the battle to other fronts as well. In April the *Times of India* argued in an editorial that “With Covid-19 sending advertising revenues crashing, authorities must urgently address the glaring asymmetry between digital platforms and news outlets...If Google and Facebook succeed in devastating the newspaper industry, it won’t be good news for democracy, public order or livelihoods.”

2. The projection for FY21 of print media titles is based on the assessment of major companies by circulation, accounting for about 58% of the overall print media sector.
3. The duty used to be 10% and was reduced to 5% in the last budget.