



**BBC**

The provision and consumption of online news – current and future

December 2014

## 1. Executive summary

2. Key dynamics in the provision of news
3. The provision and consumption of online news
4. The online news market in the UK
5. The future of online news provision
6. Appendices

*This report was commissioned by the BBC to analyse the most recent trends in the provision and consumption of online news in the UK, with reference to international market developments; further details on the background to this report, and other important information, are provided in the appendix*

## Key findings at a glance: broad dynamics

- The UK is home to one of the world's leading online news sectors – in the form of successful global champions such as Mail Online, the Guardian, the Telegraph, the Financial Times and the BBC
- UK news consumers have a wide array of online choices via multiple platforms (PCs, tablets and smartphones), using a growing range of sources in combination
- The UK's top-10 providers of online news come from broadcasting, newspapers and online-only providers, offering increasingly video-rich news content spanning multiple genres (global, national, local)
- Journalistic, marketing, technical and commercial skills are highly developed, feeding a vibrant ecology characterised by a range of business models
- New entrants are investing in granular online news and re-skilling has seen hundreds of new jobs filled in the online space by journalists migrating from print and TV
- These new entrants are growing quickly, reaching critical revenue mass much faster than did legacy operators when moving online – testament to lower barriers to entry and resultant service innovation
- As a result of these factors, the UK market for online news is large and competitive, characterised by a mix of legacy and new entrant players pursuing various business models – from paid-for access to payments for mobile apps, “freemium” hybrid pricing and free (ad funded)

### Key evidence

*These players between them (excluding the FT) have c460m visitors a month, with nearly two-thirds coming from outside the UK*

*The number of online news sources used on average in the UK has risen from just over three to just over five in the past two years, with younger cohorts more likely to use multiple sources and online users more promiscuous than those using traditional platforms only*

*With the BBC, newspaper brands and digital natives round out the top 20, which between them generate 75% of all usage (by time spent)*

*The UK sustains more journalists per capita than the US, and has taken a lead among international markets of re-skilling of journalists for the online world*

*Of c\$700m in revenues generated globally by online-only news providers in 2013, roughly £90m is estimated to have been generated in the UK, supporting significant investment in editorial*

*Buzzfeed took just four years (in its current iteration) to reach \$50m of revenues and Huffington Post just eight; newspaper sites Guardian, DMGT took considerably longer*

*“Free” is the favourite model in all key jurisdictions, whether or not there is a publicly funded provider of scale: willingness to pay for news trends between 7-15% of users in all major markets*

## Key findings at a glance: the prospects for legacy providers

### Key evidence

- While print is facing significant challenges in the UK as in every other major market – the result of shifting consumer behaviour enabled by technology – print titles are developing digital strategies that mitigate declines in core revenues; the newspaper sector as a whole remains profitable in the UK
- The prospects for generating incremental revenues from online news have been enhanced by increasing international opportunities for UK media companies, targeted advertising, data collection and monetisation
- The UK news sector is in transition, but it is not alone; in particular, the challenges facing the newspaper industry as it re-structures are similar in every market, whether or not there is a publicly funded, at-scale provider of traditional and/or online news
- The market is developing in the UK and internationally in line with dynamics that are not in any demonstrable way distorted by the BBC and its funding model
- ...for example, publicly funded news providers in other territories have not secured equivalent traction to the BBC, whose position in the marketplace has been effectively earned
- Moreover, while it remains the market leader, the BBC has seen its share moderate, as the market becomes more competitive, as the BBC's external linking policy accelerates and as new entrants secure bigger audiences. Recent data suggests that usage of BBC online news does not prevent – and indeed can encourage – consumption on other news sites

*UK newspapers have seen circulation and advertising revenue declines (sector wide down by £1.5bn since 2009), owing to fragmenting and declining print audiences; digital income has risen in mitigation (now nearing £500m excluding specialist financial news), but held back by lower dwell times, increased competition and commoditising ad prices*

*Both the FT and the Economist generate significant international revenues (behind a pay wall), with the FT Group securing 55% of its £450m revenues in 2013 from outside the UK; the Guardian and Mail Online have begun to derive (modest) ad revenues from outside the UK*

*The newspaper market is facing declines in its core revenue segments of circulation and press advertising in every major market reviewed in this report – irrespective of the presence in the market of a PSB online news player of scale*

*PSB players have not managed to build a leading online news presence in France, Germany, Italy or the US. Among PSBs in key European countries where public funded providers are active, only the BBC is a domestic leader*

*The BBC's share of online engagement (PC only) has declined to 27% from 36% over two years, with significant growth in the BBC's linking to third parties; BBC News online users are more than twice as likely than the average to consume content on newspaper sites*

## Key findings at a glance: the role of the BBC

- Despite the degree of multiple sourcing in the UK, the BBC continues to be the most trusted news source in survey results: the BBC’s online news output is regarded as “up-to-date”, “accurate” and “trustworthy” and is a major destination when users look for in-depth coverage
- These characteristics are also associated with the major newspaper titles, which are also regarded as offering expert analysis
- However, the BBC and the established newspaper groups score far lower when consumers are seeking entertaining stories, the ability to comment or to catch up on gossip
- This underlines the degree to which consumers of online news use different services for different reasons, as fresh survey data from the BBC shows. More broadly, the BBC provides a trusted source of online news that is recognised as accurate and without any corporate agenda
- The future of the online news market in the UK will be determined by the interplay of technology, consumer behaviour and economic factors – the BBC’s role will likely evolve with the grain of market change, and the BBC is set to become more important in ensuring a vibrant and plural news market

### Key evidence

*The BBC is five times more likely to be chosen as a source to “check whether something is true” than the next closest provider.*

*The BBC is five times less likely than Facebook to be chosen by consumers when they seek to learn the “latest gossip”*

*Recent survey data confirms a high degree of sophistication among users when sourcing online news, who profess to use different sources to achieve different objectives*

*In the key future scenarios explored in this report, the BBC’s role continues to be critical to the delivery of plurality given the reliance of UK consumers on the BBC for impartiality, accuracy and in-depth coverage, for which attributes other suppliers are less noted*

*The most likely market direction in the medium term is evolutionary, with growing displacement of broadcast and print news by online propositions, a greater availability of content on-the-move, an increasing market share for new entrants, a growing role for social media in generating online news engagement, a continuation of hybrid funding models (including pay walls for certain content and functionality) and further re-structuring of the newspaper industry – in this scenario, the BBC plays a critical role in maintaining plurality, impartiality, reliability and trust; it is also a crucial supplier of news to that minority of online news users that does not consume via multiple suppliers*

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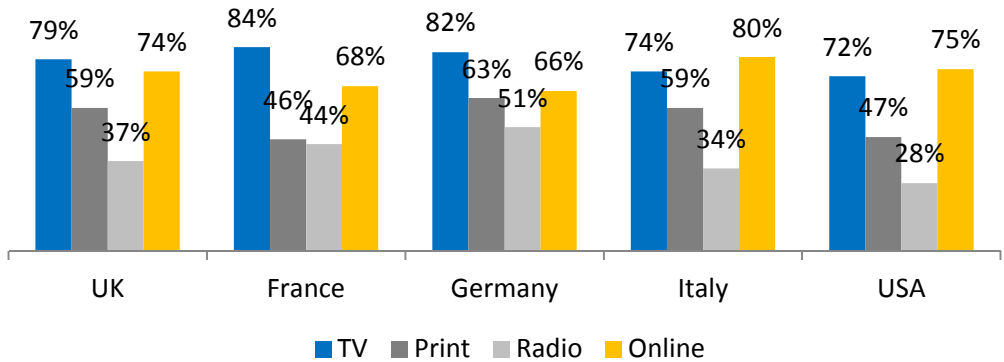
5. The future of online news provision

6. Appendices

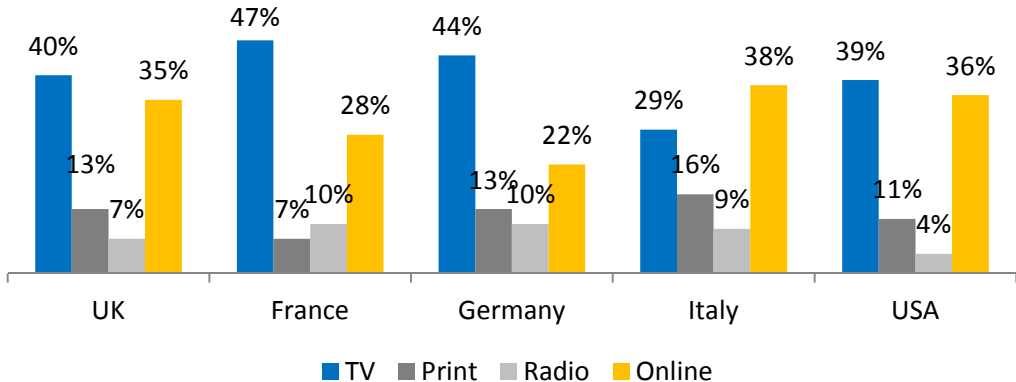
The provision and consumption of news is highly valued in major media markets throughout the world, and the market for news remains robust and competitive spanning multiple platforms

- TV remains the single most used platform to access news across all major territories: more than three-quarters of UK adults identify TV as one of their news sources
- Even among internet users, TV leads as the primary source of news in all the key markets we review except Italy, following by online and then print (see at right)
- Newspapers are named as the most important source news by just 13% of online news consumers surveyed in the UK by Ofcom – 35% of internet users name online as their primary source of national news
- The shift toward online has been accelerated in recent years by the growth in penetration of tablets and smartphones, which have grown their share of overall online consumption, by the rise of social media and by the inexorable growth in broadband connectivity – now 70% or above in every country we reviewed bar Italy (see overleaf)
- Further details on the share of news consumption via traditional and digital platforms are provided in the Appendix, page 55

Platforms used for consuming news (internet users, 2013)\*



Primary source of national news content (% of internet users, 2013)\*\*



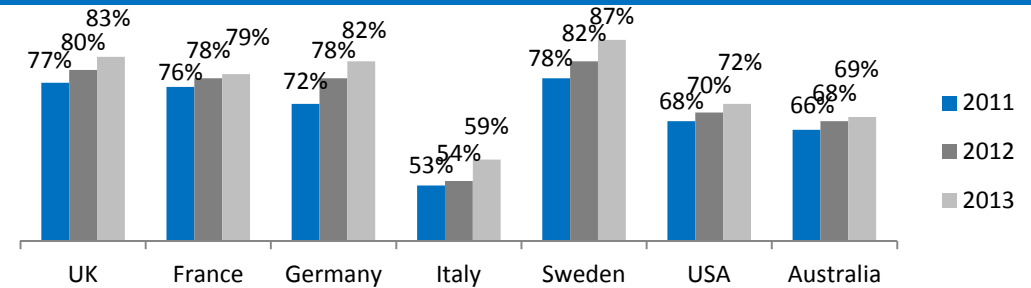
\* Source: Reuters Institute Digital News Report 2013. Survey asked to internet users only, leading to possible overstatement of online news usage

\*\* Source: Ofcom International Communications Report 2013, TS (Sweden)

# The provision of news has been deeply affected by increasing technological enablement, allowing “online” to emerge as a viable distribution media for news

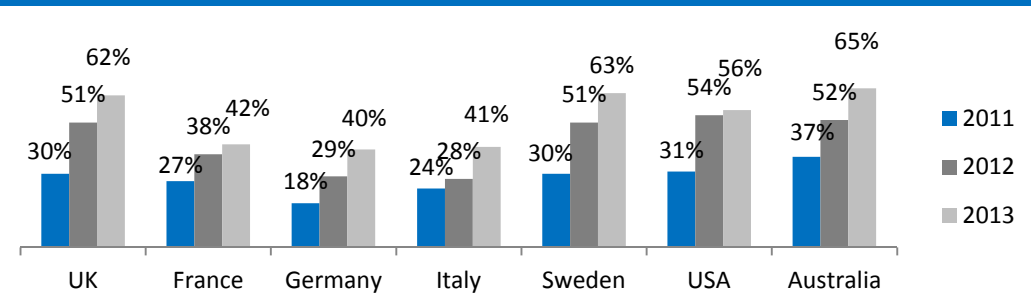
- A chief driver of online consumption has been the growth first of broadband penetration and latterly of smartphone and tablet take-up – these have rendered the online news space viable in terms of the number of consumers providers are able to address
- More than half of the adult population now own smartphones in the UK, Sweden, the USA and Australia; tablet sales have increased exponentially in all markets, with Australia currently the market leader
- It is worth noting that in the UK, roughly 80% of all tablets in use do not have a SIM-card, limiting use to the home, office and WiFi hotspots
- The relative penetration of tablets, smartphones and PCs in part determines the scale of online news consumption, as user sessions for PCs and tablets are typically longer than for smartphones
- Broadband speeds are increasing throughout the markets reviewed: the average speed in the UK is now 9.1 Mbps (see Appendix page 51 for market comparisons) and high 3G and 4G take up means that online news is increasingly quick to access and view on any device

## Broadband penetration (% households)



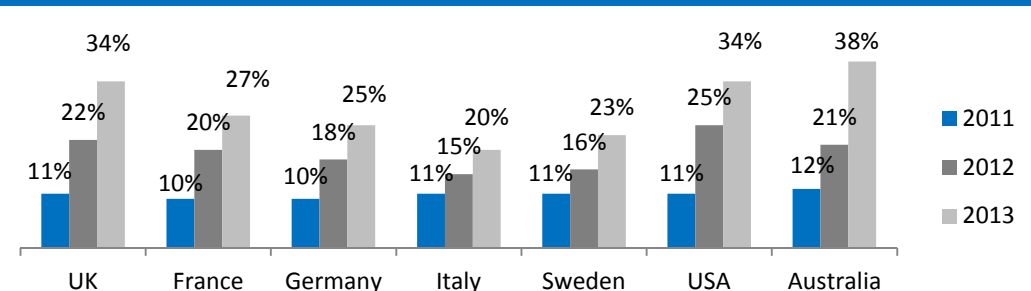
Sources: OECD, Akamai (local market estimates may differ)

## Smartphone penetration (% adults)



Source: Google Think insights: Our mobile planet 2013

## Tablet penetration (% adults)



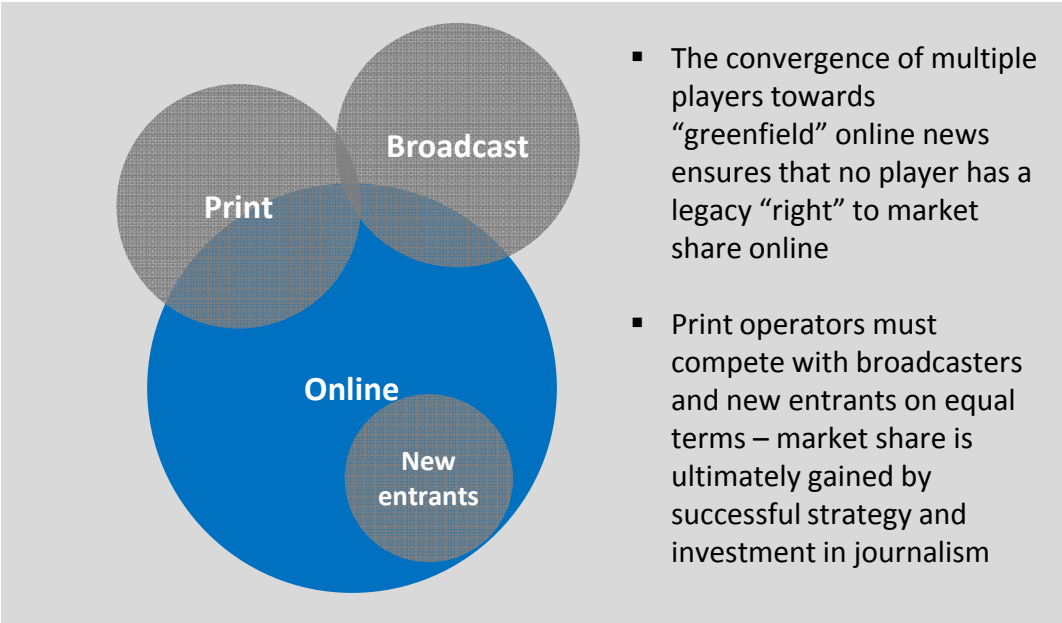
Source: eMarketer



**The rapid growth of online news consumption and shifting consumer preferences (immediacy, brevity) have led to a convergence of propositions from previously distinct media**

- The growth of online capability for the mass market has inevitably had an effect on the business models of legacy operators, with broadcasters and newspaper publishers obliged to migrate to online proposition in line with market demand
- What had therefore been quite distinct routes to market in the past are now converging, with newspaper groups and broadcasters investing to make their content available on PCs and mobile devices
- Meanwhile, digital “native” propositions have mushroomed, taking advantage of the lower costs of production and distribution and the lack of any significant barrier to market entry (see Appendix, page 56)
- There has also been a convergence in content, with online and App propositions more likely to offer video and user-friendly graphics and navigation tools (although text still dominates; see Appendix, page 57)
- Even websites for news look more like mobile Apps, with a trend toward thumbnail portraits, tiles, and emphasis on short-form video
- In very broad terms, the greater use of graphics, video and short text headings favours a skills set different to those previously associated with in-depth news and reporting
- Meanwhile, discoverability has been transformed by the role of social media in driving traffic directly to specific content rather than to branded home pages

**Convergence within the online space**



**Attributes of broadcast market:**

- Simple themes
- Visually rich by definition
- Emphasis on video and a favouring of brevity

**Attributes of print market:**

- Still key source of in-depth reporting and deep analysis
- Aimed at elucidating “why” not just “what” and “when”

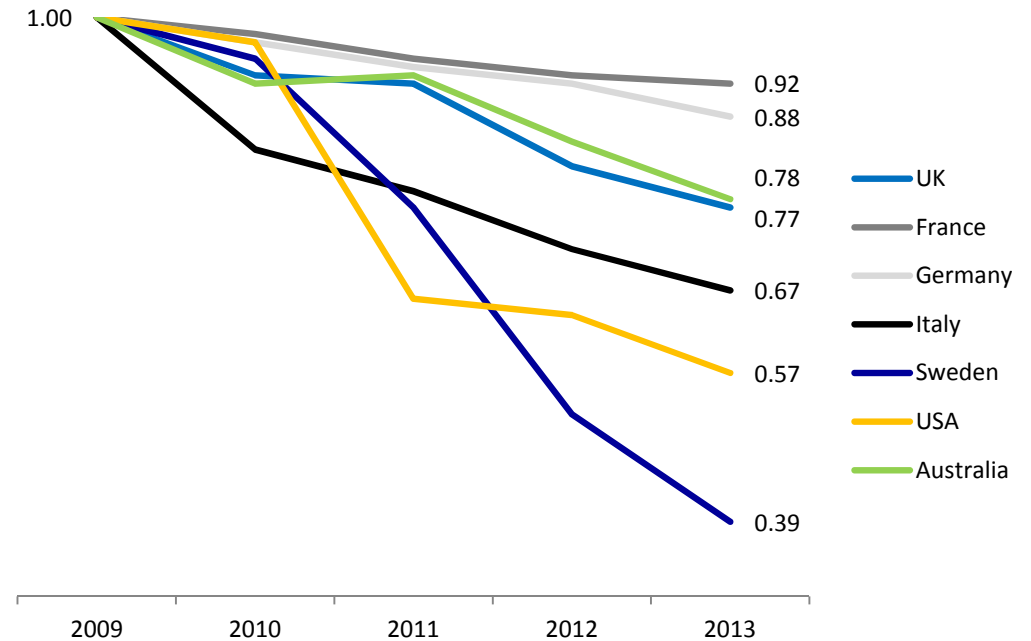
**Attributes of online market:**

- Immediacy and relevance are favoured
- Deeply intertwined with social media and citizen journalism

# A direct impact of the emergence of online news has been a major decline in press circulation and readership

- The growth of online usage generally (not just for news consumption) has had a very direct impact on the newspaper industry in all jurisdictions, compounding challenges faced by the sector that were already apparent before the advent of the internet
- Initially owing to the easy substitution of newspapers for online in the classified arena, readership has declined sharply as readers moved to online sources of information and data (e.g., for property, recruitment, travel, automotive) – this has led to two sources of revenue impairment: circulation revenue for those newspapers distributed on a paid basis and advertising
- The loss of advertising revenues has been compounded by the inability of newspaper groups to offset lost classified income from their own online propositions – not only do they face competition from digital natives in that space, but confront search and navigation giants able to charge small per-unit prices on vast inventories
- The rout has been compounded now in display advertising as well – where online and particularly mobile have taken share, as online propositions become more visual, and as mobile propositions begin to secure advertising in line with their growing share of consumer usage; newspapers have sought to shift to online and mobile distribution but face increase competition from new entrants as they do so
- In the UK, paid for circulation has declined by 25% in the past five years

Changes in paid national newspaper circulation (2009-2013)



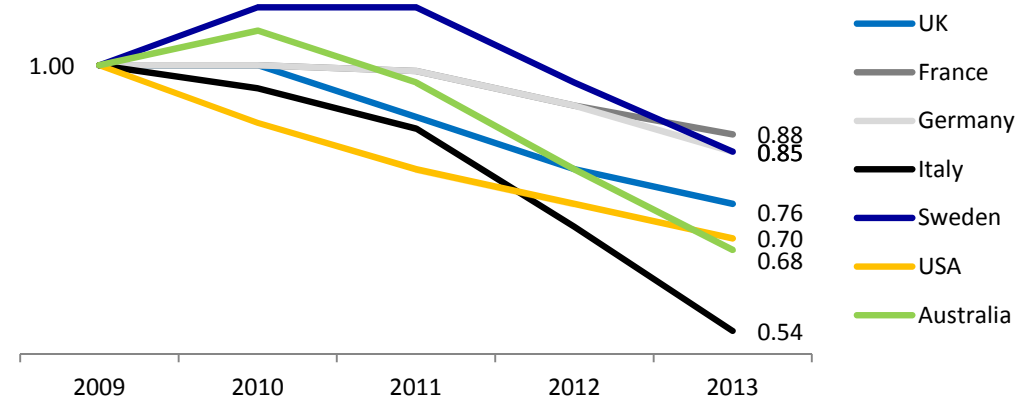
Rebased to 1.00

Sources: BDZV, ADS, ABC, ABC Australia, IFABC

**An indication of the degree of substitution between print media and online propositions can be seen in the relevant advertising market shares of the two**

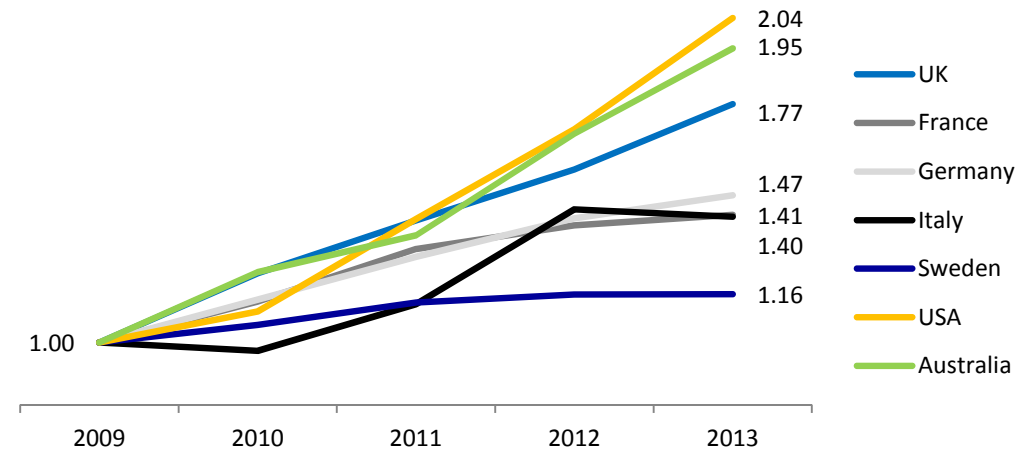
- The impact on revenues has been significant – with a spiralling cycle of lower readership, declining classified and display advertising income
- While there has been a broadly similar increase in the share of total online (excluding search) compared to the decline in newspaper advertising income in major markets in the past five years (see at right), the online income has been shared among a number of players, not just the newspaper groups with online propositions
- Thus, legacy newspaper groups have seen “traditional” advertising income decline by more than their digital propositions could compensate – with online competition for consumer eyeballs coming from a host of sources, including social media, gaming, entertainment and with the compelling tailoring and targeting possible via online
- Looking specifically at the UK, online advertising (excluding search) has risen from £1.2bn in 2009 to £2.1bn in 2013; in the same period, newspaper advertising in the UK (across national and regional titles) has declined to £2.1bn from £2.8bn
- In that same period, online advertising income accruing to newspapers (excluding the Financial Times) has gone from just over £100m to nearly £300m (over a period when legacy advertising revenues declined by c£700m)

**Total newspaper NAR (national and regional, 2009-2013)**



Rebased to 1.00  
Source: ZenithOptimedia

**Online NAR (excluding search, 2009-2013)**



Rebased to 1.00  
Source: ZenithOptimedia

## Newspaper publishers have responded to the structural challenges in two ways – cost cutting and digital diversification – and now play a major role in the online news market

- Globally, newspaper publishers have responded on various fronts to address challenges in their core markets
- Nearly everywhere, format sizes have been reduced, pagination decreased and frequency changed (for example, daily to weekly); these cost-cutting measures have been amplified by outright closures of titles, consolidation of print operations and staff reductions, including of frontline journalists
- Newspaper publishers have experimented with a range of new products and services, including loyalty clubs, specialist retail offerings (wine, music, books) and more recently online propositions ranging from websites to mobile Apps
- For their online propositions, publishers have increasingly tested a range of business models, from full-blown pay walls around newspaper content online, to payments for portability (via tablets in particular) to ad-funded access
- Some (notably in the UK and Scandinavia) are developing data collection and monetisation projects
- In addition, publishers are introducing more video content, specifically to compete with new entrants and to secure advertising premia associated with video ad insertion

### Examples of newspaper groups' diversification in cohort markets

Newspaper/ Publisher	Diversification strategy
<b>Johnston Press</b>	As part of Sky's investment, Sky's AdSmart will be made available to parts of Johnston Press' sales network
<b>News UK</b>	Paid £20m for premier league highlights in order to drive subscriptions in their pay-wall propositions
<b>Le Monde</b>	Shareholder in Le Huffington Post, providing local editorial resources in return for increased traffic to Le Monde's own website
<b>Bild</b>	Adopted a 'freemium' mobile strategy in 2013, providing some content outside a pay wall on its mobile sites, but charging for content with more "added value" and for access via apps
<b>Die Welt</b>	Axel Springer acquired German TV channel N24 in 2013, in order to combine with the Die Welt newspaper, bolstering the paper's ability to convey news stories through AV means
<b>Dagens Nyheter</b>	Launched a re-vamped video service in March 2014, delivering a full suite of services including advertising integrations, on demand viewing and live streaming capabilities
<b>New York Times</b>	Introducing a range of cheaper services, including a news digest app and a recipe app, to seek new revenues from readers who won't pay for a full digital subscription
<b>The Australian</b>	Subscribers can access a number of clubs, providing offers on wine, sports merchandise, travel and memorabilia

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# Market characteristics and attributes affecting online news consumption reveal the extent of the UK's global advantages

**Key evidence**

## List of attributes affecting online news consumption

<b>Network speeds</b>	<ul style="list-style-type: none"> <li>Broadband speeds are increasing worldwide, enabling faster access to websites and audio visual content. Combined with greater mobile speeds, this is enabling news providers to devote more funds and page space to video and graphics</li> </ul>	<p><i>The average speed in the UK is now 9.1 Mbps, behind only Sweden and the US in the markets reviewed. Italy has the slowest (4.9 Mbps)</i></p>
<b>Device take up</b>	<ul style="list-style-type: none"> <li>Smartphone and tablet take up are also on the rise across all the key markets. These have rendered the online news space viable in terms of the number of consumers it is able to address, and in part determines usage, as user sessions for PCs and tablets are longer than for smartphones</li> </ul>	<p><i>Over half the adult population now own smartphones in the UK, Sweden, the USA and Australia; The UK is second behind Australia in tablet penetration</i></p>
<b>Newspaper readership</b>	<ul style="list-style-type: none"> <li>Printed newspapers have come increasingly under threat in all markets, with the proliferation of online news partly accountable. Circulation has dropped significantly in all studied markets</li> </ul>	<p><i>Of the cohort markets, 57% of Italians regularly read national newspapers, 55% of UK adults do, 34% in France, 30% in Germany and only 17% in the US</i></p>
<b>Internet news users</b>	<ul style="list-style-type: none"> <li>Online news use is increasing in popularity as quantity, quality and means of accessing content all improve. Across most major territories that we reviewed, over two thirds of all internet users consume news online</li> </ul>	<p><i>35% of UK internet users use online as their primary source for national news. This rises to a high of 38% in Italy, and falls to a low of 22% in Germany</i></p>
<b>Promiscuity</b>	<ul style="list-style-type: none"> <li>An influx of new entrants to the news market and the increasing focus of legacy news providers on the online arena has led to increased availability of online news around the world, especially in English-language markets where global brands with English variants are numerous</li> </ul>	<p><i>On average, news consumers in the UK use an average of 5 sources of news via PCs online, although fewer sources via mobiles and tablets</i></p>
<b>Global champions</b>	<ul style="list-style-type: none"> <li>US and UK news sites hold a distinct global advantage due to the prevalence of English as a global language, enabling news providers such as the BBC, Daily Mail, BuzzFeed, HuffPost and the Guardian to reach a global audience</li> </ul>	<p><i>Of the top 10 visited online newspaper websites in the world in 2012, 5 were US papers, 3 were from the UK, and 2 from China</i></p>
<b>Brand loyalty</b>	<ul style="list-style-type: none"> <li>Brand loyalty still plays an important role in the online news market, especially in the UK; indeed, of the countries reviewed, the UK has the highest identification of brand as critical</li> </ul>	<p><i>In the UK, only 16% of internet users claim that "I don't really notice which sites I am using". The least loyal market appears to be France (37% of respondents)</i></p>

Source: Reuters Digital News Report 2013, Ofcom, comScore, Akamai

# Online news provision is effectively tri-partite in structure – broadcaster services, newspaper services and standalone online-only players, including the leading search and aggregation companies

## Categories and characteristics of suppliers in the online market

- There is significant, and indeed growing, choice of online news outlets from a range of domestic and international suppliers of news including general and specialist – this is supplemented by a growing role played by social media which has enabled citizen journalism
- The key suppliers of news online and to mobile devices in all major territories are either legacy providers (newspapers/magazines, broadcasters), search engines (e.g., Google) or digital native start-ups (e.g., BuzzFeed, Vox, the Intercept)
- Market shares of these categories of provider are partly determined by the structure of the legacy market (e.g., whether highly oriented toward print/newspapers or TV, degree of cross-platform activity by a relevant public service (publicly funded) player, nature of advertising market) and partly by the speed/extent of broadband take-up and use of mobile devices and the penetration of social media
- There is no firm trend internationally around whether broadcasters or newspaper publishers are the more successful in migrating to online

### Broadcasters

- In all key markets, the legacy broadcasters have sought to have an online presence, to varying effect; the BBC (and to a lesser extent Sky) have significant online following, as does TF1 in France
- In other markets, network (non-PSB) players have secured significant share (e.g., Pro-Sieben in Germany)
- These broadcasters have not sought incremental profit online

### Newspaper operators

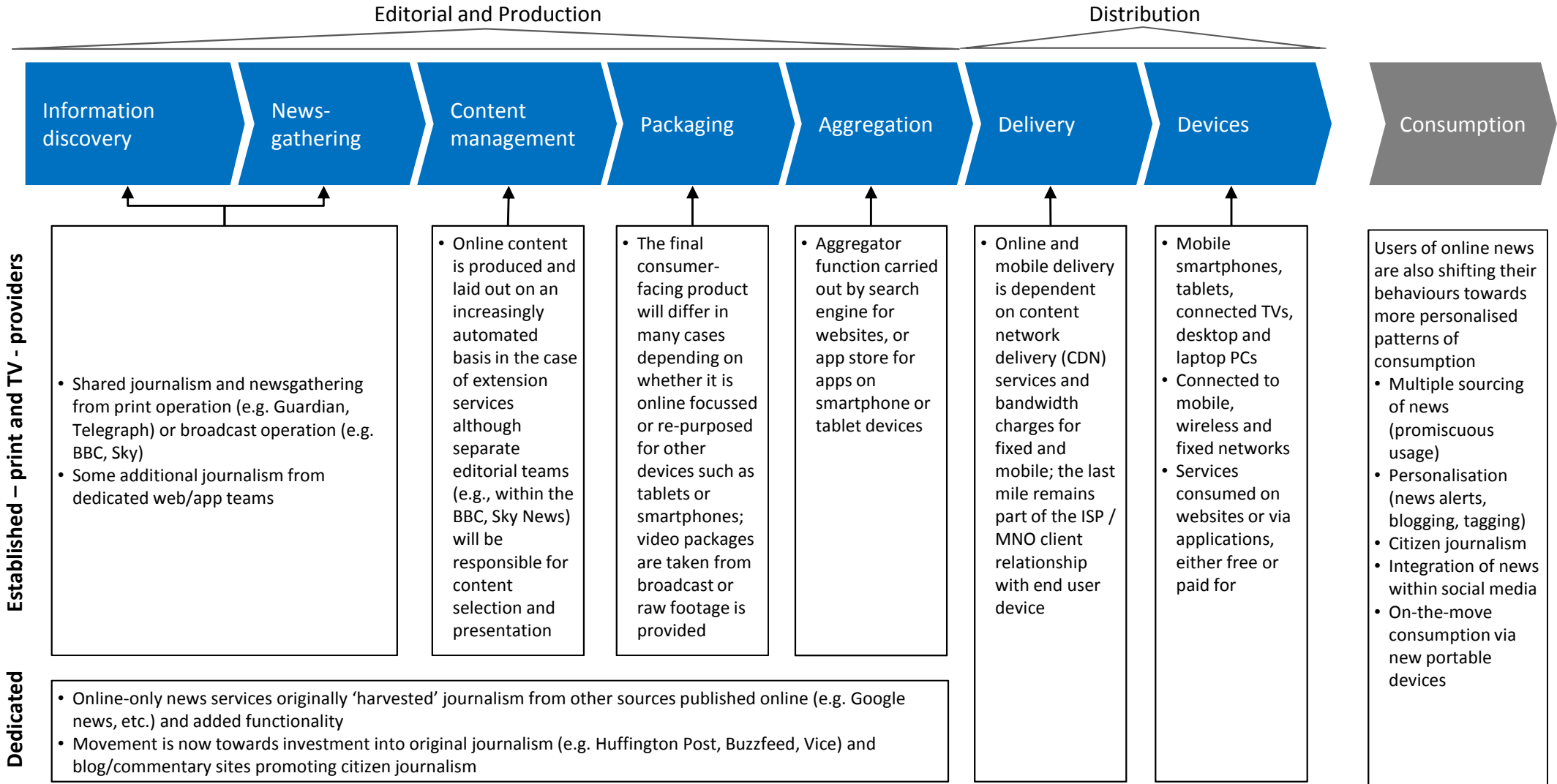
- Newspaper operators have made the move into online in order to attempt to offset declining print revenues
- Newspapers have adopted a range of business models, from almost completely free (e.g., The Mirror in the UK, Figaro in France), to charging for portability (e.g., The Guardian in the UK, most newspapers in Italy), to full pay wall (e.g., The Times in the UK, NYT in the US, all national newspapers in Australia)
- The Daily Mail's digital proposition, Mail Online, is the most successful newspaper extension so far in terms of visits

### Standalone online-only players

- The open nature of the internet has enable new players to enter the news market, ranging from the light entertainment news provider BuzzFeed, to the more serious online proposition Huffington Post
- Blogging sites such as Vox enable citizen journalism to reach wide audiences
- News aggregators, such as Flipboard, enable mobile users to tailor their news provision to specific interests; of the current top 10 paid for apps in the Apple store, 8 are for various news aggregators
- Key digital operators with an impact on news delivery and consumption include the main search engines Google and Bing, as well as aggregator site Yahoo and social media (Facebook, Twitter)

The combination of broadband and device take-up, coupled with the shift by legacy operators to engage with changes in consumer behaviour, has created an online news market that is crowded and competitive

The online news value chain





## New entrants are emerging as investors in newsgathering – part of a broader trend towards the re-skilling of “old media” journalists in a digital environment

- While there is no single source to track revenues or investments by digital native news operators, we have compiled a reasonably comprehensive list of the key new entrants that have gained traction globally
- This has allowed us to estimate the 2013 revenues of these groups, and to posit a total “digital native” revenue segment of c\$700m and funding in excess of \$500m (not counting investments in “failed” start-ups)
- Based on industry analyst commentary, we have also provided guidance on the growth between 2013 and 2014, which is forecast to be significant across the new entrant cohort
- On a pro-rated basis (adjusting for size of market), we might expect £90m of revenues to be generated within the UK by this segment in 2013
- The new entrant market is characterised by rapid growth and has attracted considerable investment from trade players and venture capital
- Significant investments have been made to build editorial teams – with a clear migration path between “old” and “new media”

### Profiles of key international online news providers

Company	Employees (estimates)	Monthly uniques (m)	Funding (\$m)	Revenue (2013, \$m)	Revenue (2014, \$m) (f)	Ratio
Vice Media	700	100	80.0	175	500	1.75
Huffington Post	850	75	37.0**	100	150	1.33
SAY Media	400	68	60.9	100	200	1.47
Buzzfeed	300	86	96.3	60	120	0.70
TMZ	200	27	<i>undisclosed</i>	55	110	2.04
Gawker Media	200	67	<i>undisclosed</i>	50	100	0.75
Vox Media	400	47	61.1	50	100	1.06
Business Insider	70	40	30.6	25	50	0.63
GigaOm	200	7	22.3	15	25	2.14
Upworthy	40	43	12.0			
Examiner	200	27	<i>undisclosed</i>			
Distractify	30	25	<i>undisclosed</i>			
<b>Total</b>	<b>3,590</b>	<b>612</b>	<b>450</b>	<b>630</b>	<b>1,355</b>	<b>1.32 (ave.)</b>

Source: Mediatique industry sources

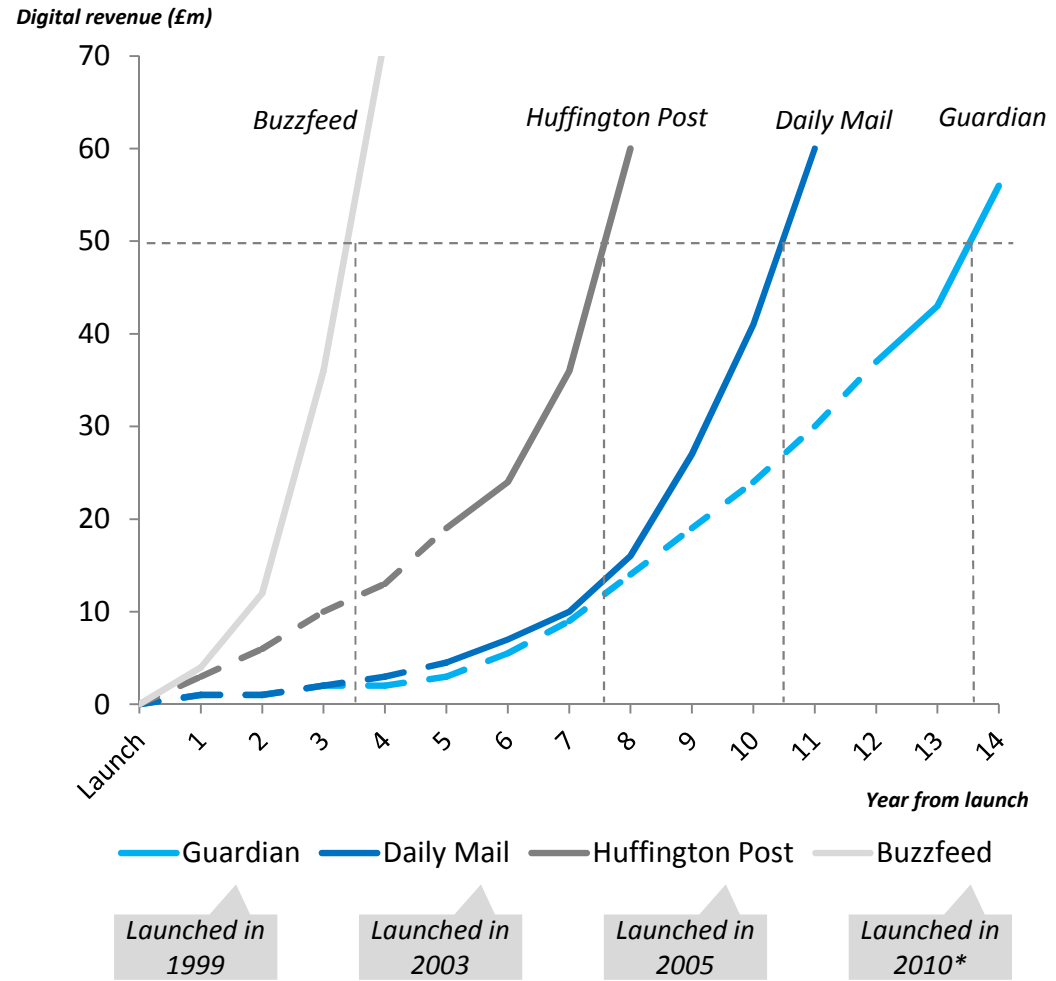
\*We provide a ratio of monthly uniques to revenues (2013) to indicate potential size of total market

\*\*The Huffington Post was the recipient of \$37m in funding before it was acquired by AOL for US\$315 million in 2012

# New entrants have been able to acquire critical mass quickly in recent years, benefiting from an expansion in broadband connections and growth in audience numbers

- The leaders among new entrants have secured audience traction relatively quickly, with BuzzFeed expected to push through the £50m annual revenue mark this year, four years after the launch of its current iteration, with the Huffington Post reaching this milestone within eight years
- The leading newspaper groups took much longer to reach this level – 11 years in the case of Mail Online and 14 years in the case of the Guardian
- It should be noted, however, that both newspapers launched their online products well before broadband ubiquity and at a time when the digital advertising market was in its infancy; new entrants are able to address a sizeable potential audience from launch, benefiting from the lack of barriers to entry and a relatively easy means of extracting advertising revenues (through, for example, ad networks)
- The new entrants have also benefited from the significant growth of both search and social media in recent years, both of which generate audiences for online news propositions; BuzzFeed is particularly helped by social media and explicitly creates its editorial to be easily tagged for multiple means of discovery and ease of recommendation
- All news sites today are also able to secure video online advertising, which generates premium pricing

**Time taken to reach £50m annual online revenues (yrs from launch)**



Source: Mediatique, company financial records  
 Dotted line represents Mediatique estimates where financial data is absent. Daily Mail and BuzzFeed predicted revenues for 2014 included  
 \* BuzzFeed launched as a viral tracking and testing project in 2006, with buzzfeed.com launching as a content generator in 2010

## The means of “discovery” of online news are various – with search (general and specialist) and social media named as key routes by consumers in major markets

- Brand, search, and social media are the most important discovery mechanisms of online news, with search particularly important in European countries such as Germany and Italy
- Brand affiliation is particularly strong in the UK, leading to a greater reliance on trusted sources for news content (e.g., newspaper titles, the BBC)\*, with third-party search engines and networks playing a lesser role here
- The growth of social media and ever more sophisticated search engines have also conditioned the character of online news, which increasingly favours strong visual content and multiple tags in headlines and summaries to promote search optimisation
- Use of social media to determine news access may also condition the extent of impartiality and breadth of news consumed, for example via increased recourse to single-issue or biased news within social networks
- The widespread use of Google and social networks such as Twitter and Facebook has led to these platforms to occupy increasingly important positions as news gatekeepers

### Popular gateways to news content (2014)

	UK	France	Germany	Italy	USA
<b>Directly via brand</b>	45%	22%	27%	39%	33%
<b>Search engine</b>	29%	40%	42%	59%	40%
<b>Social networks</b>	17%	14%	15%	34%	28%
<b>Email</b>	9%	24%	12%	12%	27%
<b>News aggregator</b>	4%	5%	9%	6%	8%
<b>Mobile phone alert</b>	3%	6%	4%	4%	6%

Source: Reuters Institute Digital News Report 2014  
(Note: Comparable data for Sweden and Australia not available)

### Regulatory impacts on news provision

With the European Commission appearing to be moving towards a settlement in the EU anti-trust case into Google’s activities, European newspaper and news media publishers have adopted the Rome Resolution, calling on the EU and national governments to “recognise fair competition and equal search as essential components for a thriving digital media market”

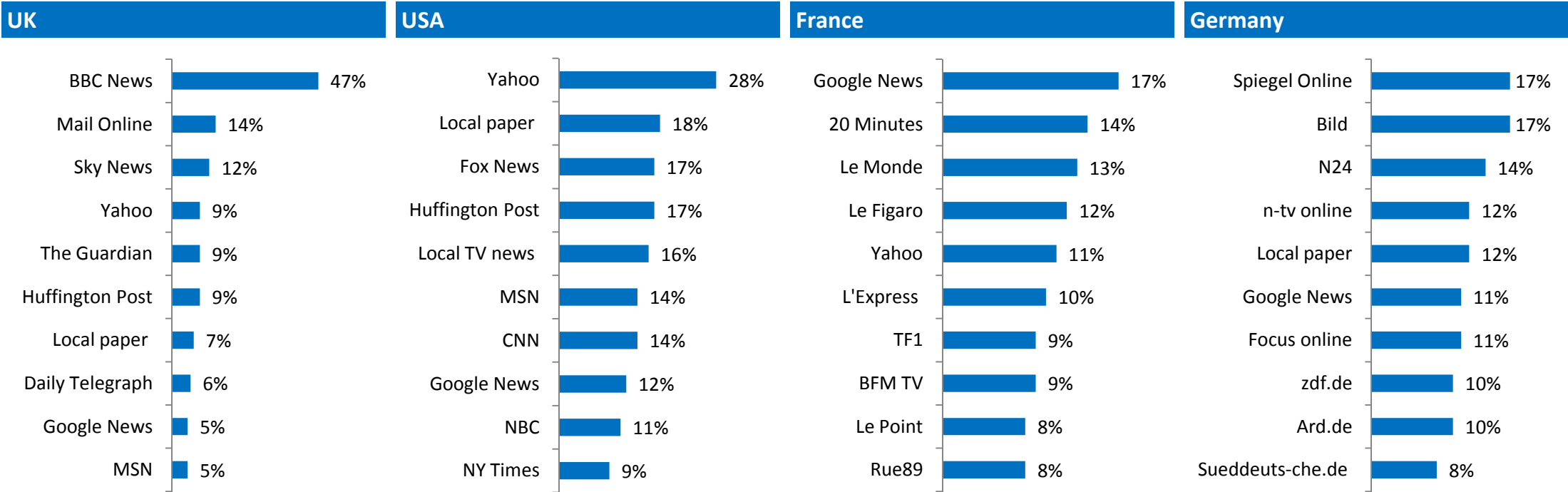
The key issues to be addressed are:

- Fair competition and equal search are key to an innovative digital market
- Copyright is the essential basis of the digital content economy
- EU VAT system should promote the democratic role of the press sector

\* Further analysis of trust and brand attributes is set out in section 4 of this report

# New entrants face significant competition from newspaper and broadcaster brands, with news propositions from legacy media players holding a strong online presence in all key markets

## Top 10 news websites in target markets (% internet users who visit website)



- This breakdown of top news websites confirms the tri-partite structure of the news market, split among broadcasters, newspapers and new entrants. In the UK, six of the top 10 brands (and three of the top four) are either newspaper groups or broadcasters; in the US, the top 10 has the same number of legacy brands (6), while in France and Germany, brand leadership is even more legacy dominated
- The BBC holds major market share in the UK, although publicly funded broadcasters have not necessarily secured a large share of domestic markets in other territories – the German online news market is dominated by newspaper extensions and new entrants, with ZDF and ARD posting a market share of just 10% each (the German PSBs may have been held back by limits imposed on their online expenditure). In France, publicly funded France Televisions is not represented among the top 10 sites, although private-sector broadcaster TF1 is

Source: Reuters Institute Digital News Report 2014

# Usage of different sources of news is determined by whether it is available for free or on a paid basis – with non-specialist news the least likely to sustain a paid-for model

- The willingness or otherwise of users to pay for online news typically reflects the underlying nature of the news being presented and the propensity of consumers to accept charges from particular providers/categories
- In all major markets, consumers have a wide choice of online news available on different platforms in different formats, which has enabled a range of business models to emerge on a continuum of free to pay
- There are reasons, however, why most international markets demonstrate a fairly consistent pattern of sustaining access to general news without any consumer payment – as we outline opposite
- Broadly speaking, those players offering specialist news or bespoke analysis/commentary are typically more able to offer pay models. Reuters Institute (2014 Digital News Report) identified the main factors in getting people to pay for news including the quality of content, a desire to access content anytime on any platform and a fear of not being able to access that content for free elsewhere
- A number of newspaper publishers have recently offered subscription-only access beyond a set number of free articles (e.g., the New York Times, the Telegraph and the Times). This reflects their ability to offer a portfolio of news information, including valuable commentary from high-profile journalists and typically bundled with underlying print subscriptions. Other players – including new entrants and broadcasters such as Huffington Post or Sky – have remained resolutely free. Nine out of the top-10 news sites in the UK and US are free

## Drivers of a free market for online news

- Early entrants to the online news market pursued an expansionist strategy of maximising traffic to their sites by offering free access. This has influenced user expectations towards thinking “online equals free” and subsequent attempts to introduce pay have been challenging
- Low barriers to entry online have enabled new entrants to emerge, with no legacy business to protect and with access to syndicated content at low or zero cost. They have been willing to provide free access to content to drive traffic to their sites, in many cases to deliberately undercut legacy players
- Many players have depended on search engines to drive eyeballs to their online news sites – coupled with the launch of news aggregators that pick up and package news content from multiple sites. As a consequence, users can access general news via multiple sources, and this has redefined such news as a commodity

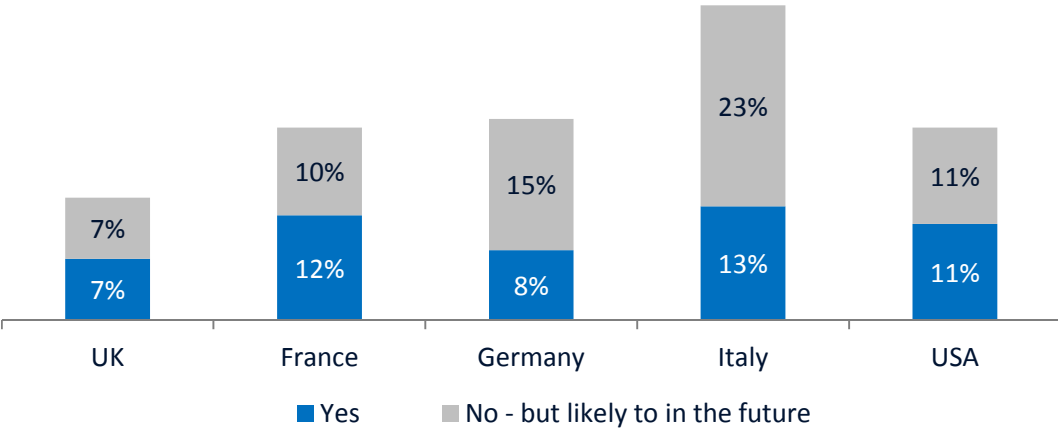
## Categories of online news provision



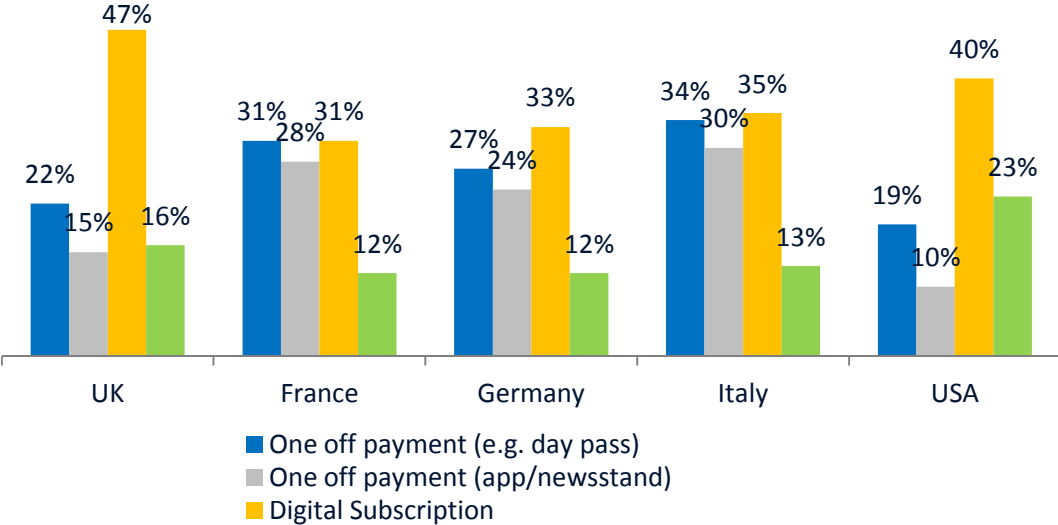
# Advertising has become the primary commercial model for general news online, and only a small percentage of users pay for online news

- While growing in line with the most recent attempts (notably in the UK and the US) to place more content behind a pay wall by leading newspaper brands, there is a distinct unwillingness to pay for general news in every market reviewed
- In all key international markets, more than 85% of respondents in each country have yet to pay for online news; with the exception of Italy, between only 7% (UK) and 15% (Germany) believe that they would be likely to pay at some time in the future
- The UK has the lowest proportion of readers paying for online news – broadly in line with Germany, although lower than France, Italy and the US. This is in large part reflective of the plentiful supply of free quality news from major providers in the UK, including Mail Online, The Guardian, Sky News and the BBC (see overleaf)
- The low levels of payment for online news in the UK is offset by the high levels of those who do pay electing to pay by subscription. Paying users of online news in the UK are the most likely among the markets surveyed to have a digital subscription (47%) – such digital subscribers are likely the highest yield customers of all
- There may be, however, a growing and sustainable trend toward charging on certain platforms, and for certain service functionality: namely, on-the-move access, personalisation and greater editorial curation (see Appendix, page 58 for further details on willingness to pay on mobile devices)

**% online news readers that have paid for online news (2014)**



**Types of digital payment by country (2014)\***



Source: Reuters Institute Digital News Report 2014  
 \* "Which, if any, of the following types of payment have you used in the last year"

## Broadcaster sites routinely do not seek to earn an incremental profit online (and are broadly free in the UK); key newspaper brands have conditioned the market to expect “free” in the online news segment

### UK broadcasters and most newspaper brands do not charge online

- The lower propensity to pay for online news in the UK is likely to have at least two main drivers – the popularity of broadcaster-sourced online news propositions (e.g., the BBC, Sky News, CNN); and the commitment to “free” by several major newspaper groups
- Broadcasters (whether publicly funded or not) have pursued a “free” model in their transition to online (and indeed with the exception of CNN do not view news *per se* as a profit centre)
  - Sky News is loss-making on a stand-alone basis as a news channel, but critical to the company’s ambition to be a full-service TV operator; it is freely available on TV platforms including Freeview and Freesat, via online and on smartphones; Sky News via a tablet App is only available for free to Sky TV subscribers although the website version (not optimised for mobile use) can be accessed via browsers on tablets and smartphones
- In the case of all broadcasters with online news propositions, without exception, no payment is required for online via a PC (e.g., CNN, Bloomberg News, ITN, ITV News, Channel 4 News, Sky News, the BBC)
- For newspapers, the market has been conditioned to expect at least general news for free – in the case of the Telegraph, for example, even its pay wall service permits up to 20 articles a month to be accessed without payment; for the Guardian and Mail Online, the intention is to remain free online, with only the convenience of a mobile proposition subject to payment (and even here, the website version can be accessed on mobile devices for free)

### UK newspapers have conditioned expectations that online is “free”

- DMGT has determined it will remain free online as a business model; it told investors in 2010\*:
  - “Like it or not, the web is free with one or two players in each sector becoming big winners”
  - “MailOnline – uniquely among UK newspaper sites - is now **big enough to make the advertising model pay**”
  - “Staying free also allows us to expand our news brand internationally”
  - “And protect and promote our group's paid-for products and services”
  - “**A pay-wall MIGHT make a little money – we will make a lot**”
- The Guardian has explicitly targeted a domestic and international audience with freely available content online
  - Alan Rusbridger, editor of the Guardian, told the Today Programme in 2014 that the Guardian would not be “hiding behind big paywalls, which is essentially a 19th century business model...There is no question that the open model is not miles better, light years better”\*\*
- The Independent has gone further, making even its iPad App free (*albeit* with less content than the full mobile newspaper product): “And it’s free. Not just as a trial. I mean, it’s really free”\*\*\*

\*Original emphasis; reported by Paid Content UK and reported in the Guardian, April 2010:

<http://www.theguardian.com/media/pda/2010/apr/20/mailonline-strategy-paywall>

\*\*Today Programme, reported in the Press Gazette, 4 June 2014:

<http://www.pressgazette.co.uk/guardian-editor-alan-rusbridger-describes-paywall-approach-rivals-19th-century-business-model>

\*\*\*Launch advert, the Independent digital edition for iPad, February 2014

# The online news sector across all major markets face a number of challenges with potential implications on the quality and plurality of journalism and news provision

## Key challenges confronting the online news sector

**The funding of news provision may be threatened by market dynamics**

- The funding of news in major markets continues to be heavily reliant on traditional players whose legacy business models are variously challenged – newspapers and broadcasters; native online providers are either reliant on aggregation models or at a relatively early stage of core investment in news content creation
- Of the new entrants with a generalist/populist character, the model has been wholly “free” (ad funded) – the “paid for” model has tended to be an extension by newspaper publishers in particular aiming to bundle print and online access, or for specialist news
- There are signs of an increase in funding from the digital native segment (i.e., beyond the “harvesting” and aggregation model that typified early movers in the digital online space) although it is unclear whether the scale of such investment is sufficient to offset any declines in investment among legacy players

**New sources of newsgathering pose issues for reliability and impartiality**

- Newsgathering has been transformed by broadband/mobile ubiquity, social networks/media and the lower barriers to entry of content uploading – however, there are issues of trust and reliability in instances where the on-the-ground journalism is not checked through editorial filters
- Indeed, the proliferation in depth and breadth of news sources – and the ease with which users can access these, comment upon and even supply news themselves – has placed a premium on trusted brands
- The downsizing of journalist staff levels, both at national and international level, has revealed further concerns about objectivity and plurality in regard to newsgathering and distribution

**Pressures to regulate the online sector may impede new entry**

- There are already conflicts around network neutrality and search/navigation gatekeepers, and resolution does not seem certain in the short term – this may restrict the ability of new entrants to secure traction in this crowded environment
- Meanwhile, existing regulations around news (impartiality, plurality) are more likely to be linked to traditional sectors (broadcast, newspapers) rather than the online space (where consumers are increasingly turning for news)

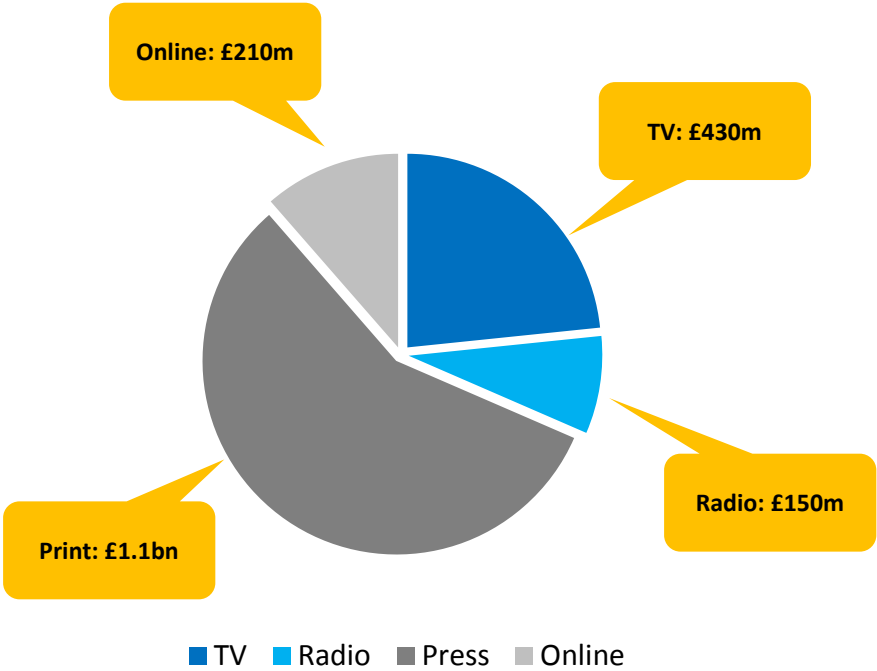


- 
1. Executive summary
  2. Key dynamics in the provision of news
  3. The provision and consumption of online news
  - 4. The online news market in the UK**
  5. The future of online news provision
  6. Appendices

# News is funded by a range of business models in the UK, and via three key segments – print, broadcast and online

- The TV, newspaper and online news sectors collectively generate £22bn in the UK (2013), and it is these revenues that effectively underpin investment in online news
- We estimate that the newspaper industry, despite the challenges it faces, continues to be the main source of funding for granular journalism, with a total editorial budget of £1.1bn in 2013
- The broadcast sector contributes £580m across TV and radio, while “online” expenditure on news (including by legacy print and operators) is £210m
- Put another way, of the £4.4bn of revenues generated last year by newspapers from advertising and circulation, roughly 25% was spent on news content; of online revenues (£5.3bn in 2013), news content expenditure represented just 4%, with a similar share (5%) of TV revenues dedicated to news content production
- The sector most challenged in terms of funding model makes the largest contribution to news content creation
- There are signs, however, that the online segment is growing its editorial expenditure significantly, driven by new entrants; this is likely to at least partially compensate for cuts in legacy budgets (for example, at newspaper groups and broadcasters, including the BBC)

**Total funds spent on news by news providers in the UK (2013)**



*Sources: AA/Warc, Internet Advertising Bureau, Ofcom, Mediatique analysis, interviews*  
 We have allocated the BBC licence fee across TV (£2.8bn), radio (£680m) and online (£180m) and discounted BBC Worldwide; we have also excluded non-retail pay TV revenues generated by Virgin, Sky, BT, etc. (e.g., broadband, telephony, commercial premises, home shopping, betting) and non-core press revenues, including B2B

# The UK is a world class provider of news, both online and traditional, and is actively helping new and existing journalists to reskill to adapt to the online news world

- By most measurements, the UK is one of the world’s most vibrant news markets, in terms of newspaper readership, consumption of news programmes on TV and radio and via online
- A sign of that vibrancy can be found in the number of journalists working in the UK – adjusted for the size of market, there are more journalists in the UK than in the US, and a comparable number to continental markets
- A comparison of the US and the UK, both benefiting from similar core advantages of a global language, strong newspaper and broadcast news cultures and well developed internet economies, is instructive:
  - In both countries, press revenues have been under equal pressure; the UK has responded with faster digital growth in recent quarters and boasts four newspaper brands in the top 10 providers of online news in the domestic market (the Mail, the Guardian, the Telegraph and “local” newspapers in the aggregate, compared to two in the US (the New York Times and “local” newspapers)
  - The UK has also taken a lead in generating training and re-skilling opportunities, encouraging journalists leaving print and TV to develop online skills

## Key metrics in news provision in the UK and US

	UK	USA
<b>Journalists*</b>	24,000	82,000
<b>...as % of population</b>	0.04%	0.03%
<b>CAGR of paid-for newspaper circulation (2009-13)</b>	-7%	-11%
<b>No. of newspaper websites in top-10 most visited online news sources**</b>	4	2
<b>Reach of newspaper brands (print and online)</b>	72%	58%
<b>CAGR of online news revenues (2011-13)</b>	28%	3%
<b>CAGR of print news revenues (2011-13)</b>	-8%	-9%

Source: Mediatique, Nieman Journalism Lab, Pew Research Center, ZenithOptimedia, ABC, Reuters Institute Digital News Report 2014

\*Includes newspapers, radio, TV and online news. Excludes magazines \*\* ‘Local newspaper websites’ grouped together to count as one single source

## Examples of online journalism courses in the UK

Cardiff university have introduced a Masters course in ‘Computational Journalism’ in order to supply more journalists with coding abilities

The Broadcast Journalism Training Council (BJTC) accredits a number of degree courses around the UK, including MAs in International Multimedia Journalism (Newcastle), Multimedia Journalism (Glasgow, Canterbury, Westminster) and BAs in Multimedia Journalism at a number of universities

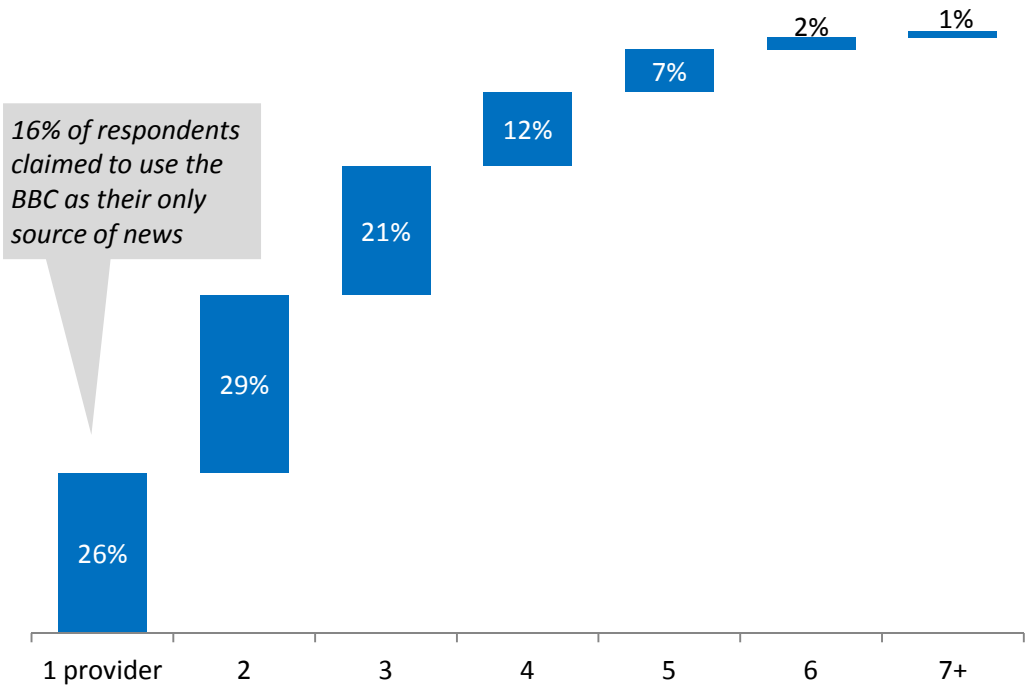
The BBC provides a range of courses for both new and experienced journalists, providing training on, among other areas, ‘using social media as the journalist’s tool’ and ‘working in a multi media environment’

The National Council for the Training of Journalists (NCTJ) runs a number of accredited courses that include training in online writing, video editing and social media use

**Across all sources of news (legacy and digital), users display a significant degree of promiscuity, relying on multiple sources of news; however, a significant minority use just one or two sources**

- More than 40% of UK consumers use at least three different sources of news, including specific sources of broadcast news (Sky, BBC, ITN), commercial and BBC radio, and online sources (including search and social media)
- A significant number of consumers report just one source of news (26%) and of these more than half rely on the BBC as that source
- This is likely to reflect very light consumption of news – for instance, via bulletins on Radio 1 and broadcast news on the BBC
- For those who use online news services, the degree of multi-sourcing is significant via websites, although less marked on smartphones and tablets – we look specifically at online multi-sourcing overleaf

**Number of news providers used at a wholesale\* level (2014)**



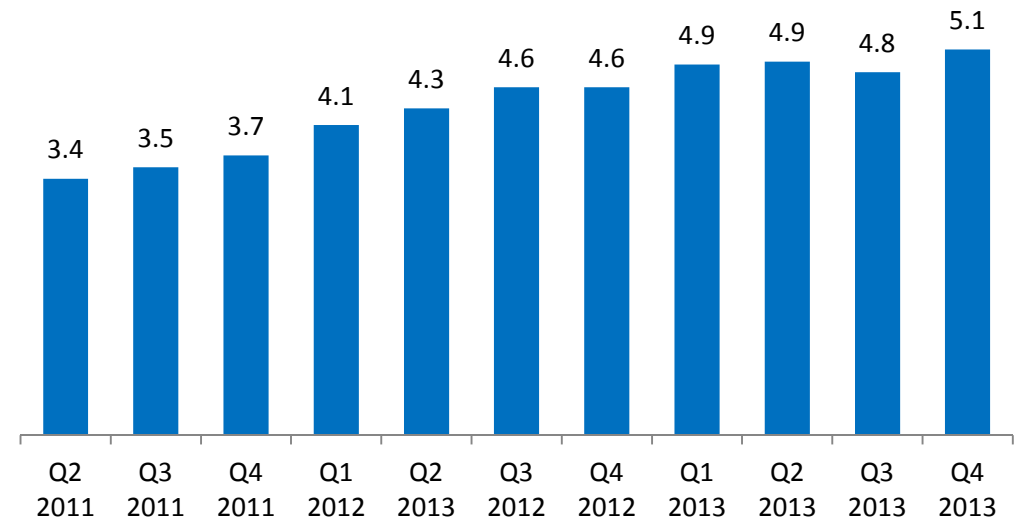
*\* Ofcom classify 'wholesale' as "the company that provides the news for the given source", as opposed to 'retail' which is classified as "the owner of the branded title/service through which the news is provided (except the three generic categories 'commercial radio', 'aggregators' and 'social media')"*  
 Survey conducted by Kantar Media in March and April 2014  
 Figures relate to all sources of news – TV, print, radio and online

Source: Ofcom News Consumption in the UK: 2014 Report

## Consumers of online news typically consult multiple sources of news via PCs – far in excess of the average (for all news consumers) and at an increasing rate

- Users of online news do so for a variety of reasons, including social, civic and personal reasons across local, national and global confines
- The dynamics of the online news market in the UK have enabled users to source different categories of news from different sources and have fuelled a greater promiscuity of usage among consumers:
  - A proliferation of sources of online news – from legacy brands to new online-only entrants – has enabled a wider choice of news outlets
  - Demand-side trends have favoured multiple sourcing of news, personalisation and greater use of search to find news stories
- In 2013, UK adults used an average of 3.7 different sources to consume news (Ofcom – all adults; digital and legacy platforms)
- By contrast, the average online user was visiting 5.1 sources by the end of 2013 – a number that has increased from 3.4 sources in early 2011 (Comscore data analysed by the BBC – online users via PCs)

Average number of online news sources visited per month (UK)

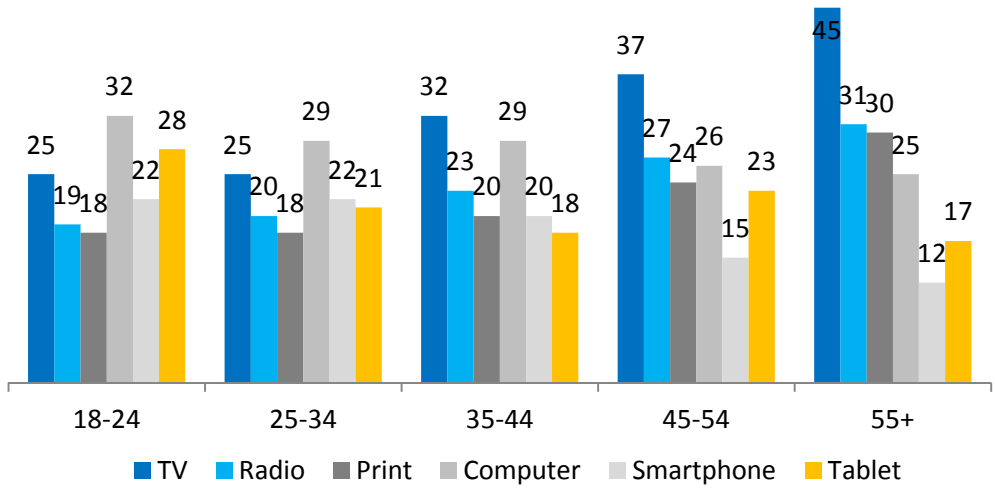


*Data relates to computer based internet usage only. Excludes mobiles and tablets  
Source: BBC, comScore MMX*

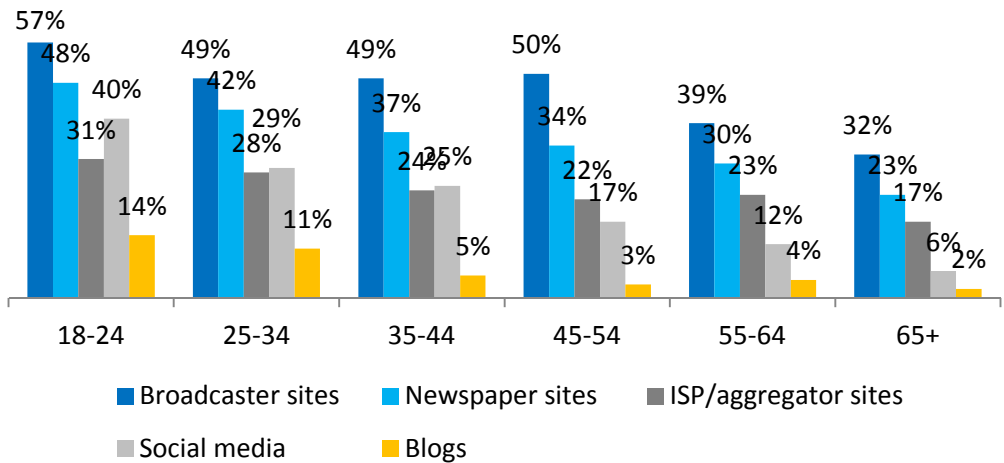
**While there is a range of behaviour across age groups, promiscuity of usage in relation to online news is characteristic of all demographics, with the major difference being usage of social media**

- The 18-24 demographic spends more time accessing news via a PC, smartphone and tablet than via the television, radio or print
- By contrast, those aged 55 and older spend significantly more time watching TV news, listening to radio news and reading newspapers than they do online
- All key age demos evince considerable promiscuity in relation to their online news consumption, as they consistently consume news content from a range of platforms and sources
- Unsurprisingly, the 18-24 cohort is more likely to identify social media as a key source of news (40% of this group), compared to those aged over 65 (2%), and younger demos are more likely to use all online sources more than older cohorts
- However, for all demos, broadcaster and newspaper sites are important (between 50% and 57% of those aged 54 and younger use broadcaster sites, while the equivalent for newspaper sites is between 34% and 48%)
- Further details on promiscuity are provided in the Appendix, page 59

**Mean time spent accessing news by device per day in the UK (minutes)**



**Types of online news consumed, by age (UK, 2013)**

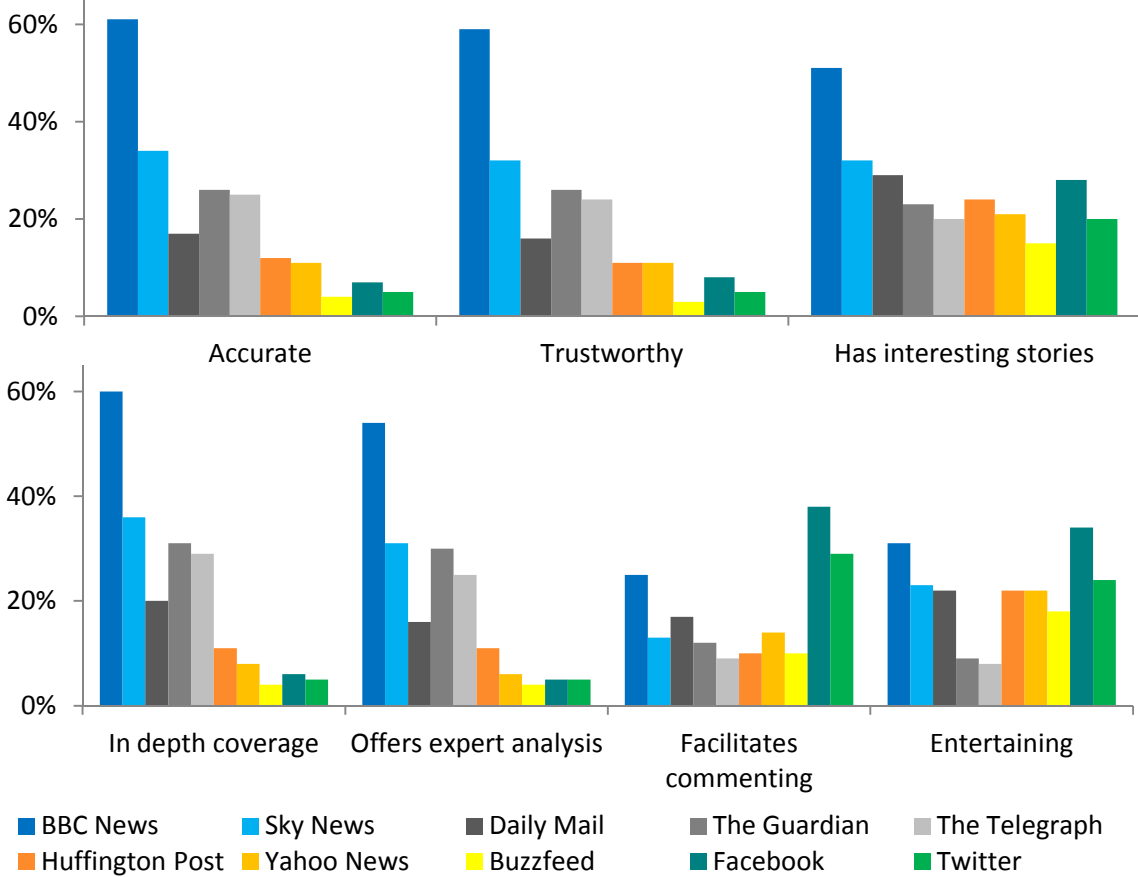


Source: Reuters Institute Digital News Report 2013

**A recent BBC survey confirms that users of online news associate different qualities to broadcasters, newspapers and online-only players – notably, the BBC is associated most with accuracy and trustworthiness**

- Across a range of key qualities associated with online news services, the BBC scores highly across all categories among the major providers – only ceding primary position when respondents were asked to rate sites/destinations on whether they were “entertaining” or “facilitated commenting” (where social networks scored highest)
- In categories related to accuracy and trustworthiness, the BBC, followed by newspapers, scored highest; however, leading the survey in categories of providing “entertaining” content and facilitating comment, were the social media sites Facebook and Twitter
- The BBC scored particularly highly in relation to accuracy and trustworthiness, and users also associated the BBC highly with being up-to-date and in-depth. The main newspaper groups scored highly in relation to offering expert analysis and offering interesting stories
- The survey results highlight key differences in users’ views of the major providers, and underpins the important role that the BBC plays in delivering news that is deemed to be trustworthy, accurate, expert and in-depth

**Qualities associated with news websites/apps by online users (2014)**

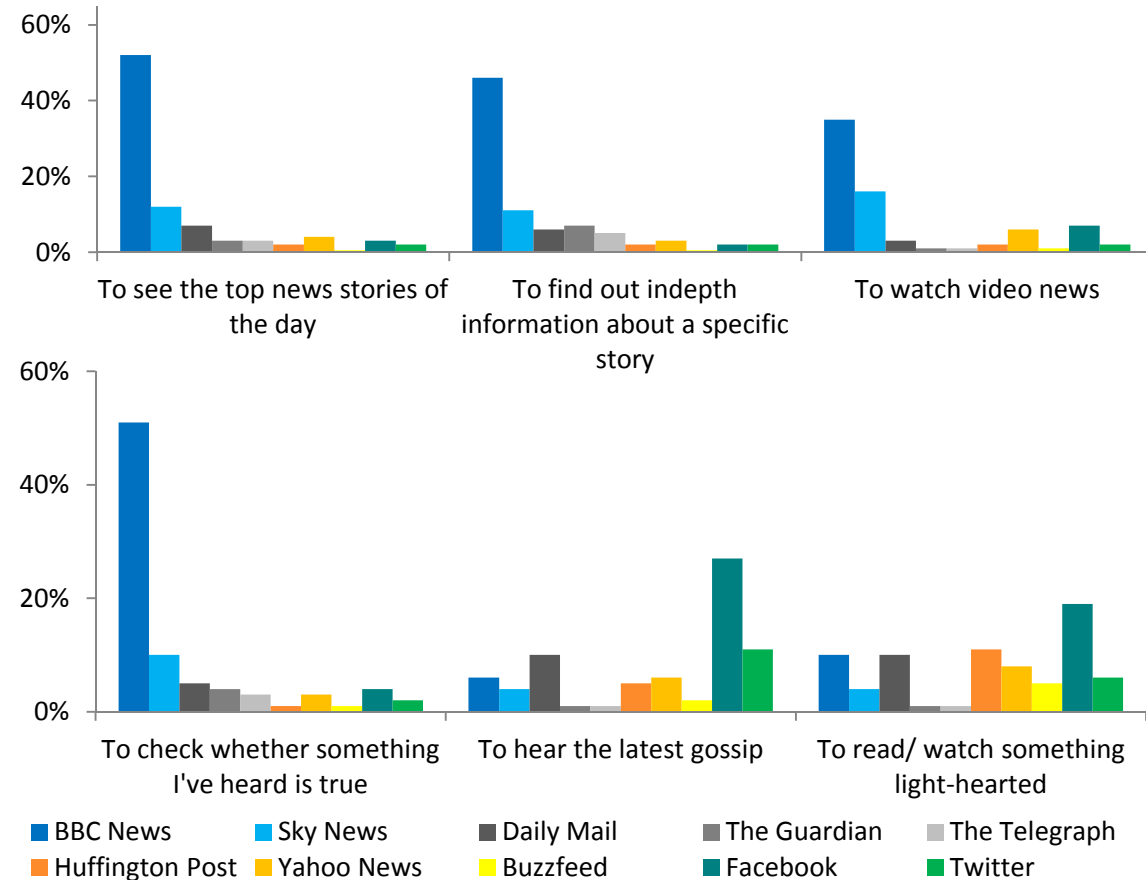


Question: Please indicate which sites/ apps you associate with each of the following criteria.  
 Source: Populus survey data analysed by BBC  
 The Populus online omnibus survey for the BBC was conducted on the 25<sup>th</sup> and 26<sup>th</sup> June 2014; sample consisted of 2,073 UK adults

# The same survey suggests a high degree of sophistication among online users, who profess to use different sources to achieve different objectives

- The BBC also asked respondents to report their online access according to a number of prompted motivations
- In the case of looking to see “the top news stories of the day”, to find out “in depth information about a specific story” and to “check whether something I’ve heard is true”, respondents scored the BBC as the most mentioned site/app, followed by Sky News the newspaper brands
- The newspaper brands were more highly rated than social media or digital online news natives when users were seeking to “find out in depth information”
- In order to “hear the latest gossip” or to read or watch “something light-hearted”, respondents were more likely to use Facebook, Twitter, Mail Online or one of the digital native sites
- Even those who said the BBC was their favourite online news source preferred social networks when asked about “the latest gossip” or facilitating commenting
- Again, these results confirm key differences among online news providers and the range of motivations in place which determine a user’s choice of online provider

## Motivations for using news sites and apps (2014)



Question: Please indicate which ONE site/app you associate with each of the following criteria...

Source: Populus survey data analysed by BBC

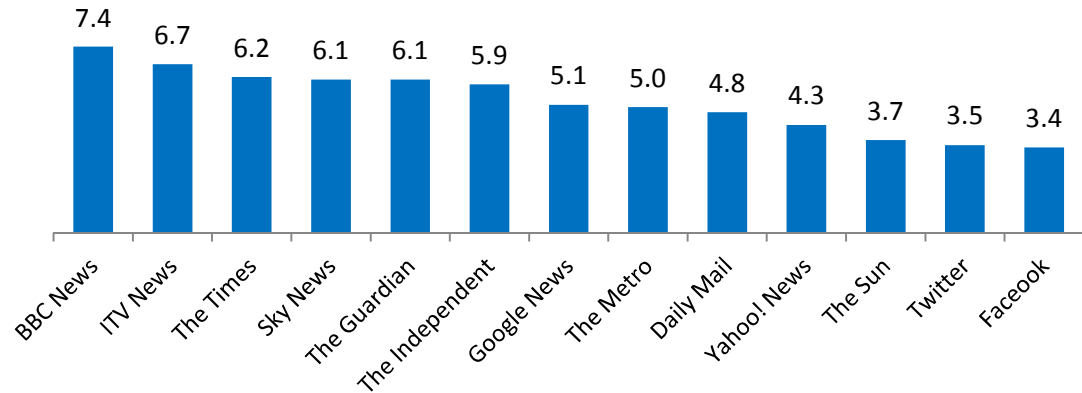
The Populus online omnibus survey for the BBC was conducted on the 25<sup>th</sup> and 26<sup>th</sup> June 2014; sample consisted of 2,073 UK adults



# The BBC's role in the UK's online news market reflects audiences' appreciation of its central proposition – with its large-scale audiences trusting BBC news more than its cohort

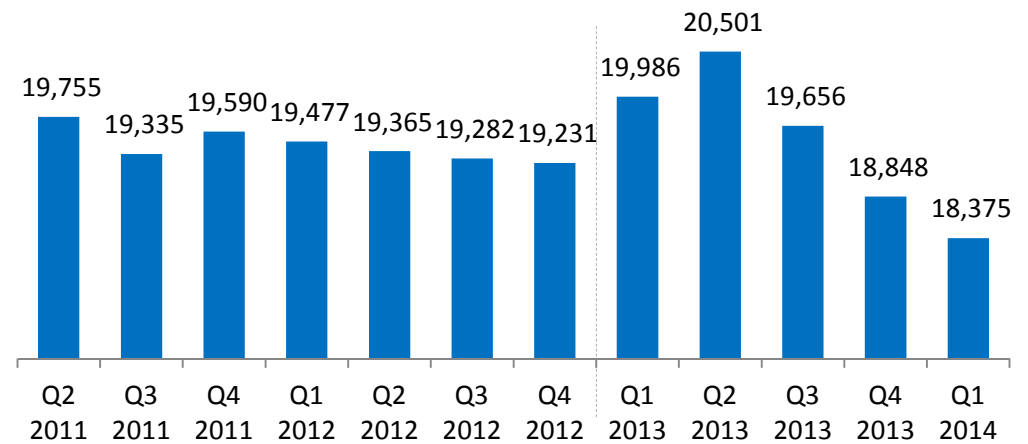
- In terms of measurements of “trust”, UK consumers rate UK broadcasters (including the BBC) highest, followed by websites provided by UK newspaper groups – least trusted are social networks such as Facebook and Twitter
- This provides a crucial underpinning for the scale of traffic to the BBC's online news services
- The BBC has the UK's largest number of unique visitors to its news and information websites (accessed via PC), although this has been declining in recent quarters, in line with greater competition
- On the measure of reach, the BBC remains in a very strong position (across all routes to market, digital and legacy)
- Fully 82% of UK adults consumed BBC News each week across television, radio and online; according to the 2013/14 annual report:
  - TV News remained the main audience platform, reaching over 32 million UK adults every week
  - Radio news and current affairs hit a new record of 29.2 million in the final quarter of 2013
  - Use of the BBC News website rose to an average of 25 million UK weekly browsers in early 2014

## Extent of trust in news sources (average score out of 10, 2013)



Source: Ipsos Mori for BBC, UK adults 16+ who follow news (half sample answering about trust: 954); interviewed face to face, February 2013. Newspaper titles include the Sunday editions. “To what extent do you Trust [name source] as a news source? Please give your answer on a scale of 1 to 10 where 1 means you do not trust it at all and 10 means you trust it a great deal.”

## Unique visitors to the BBC web services (000s)

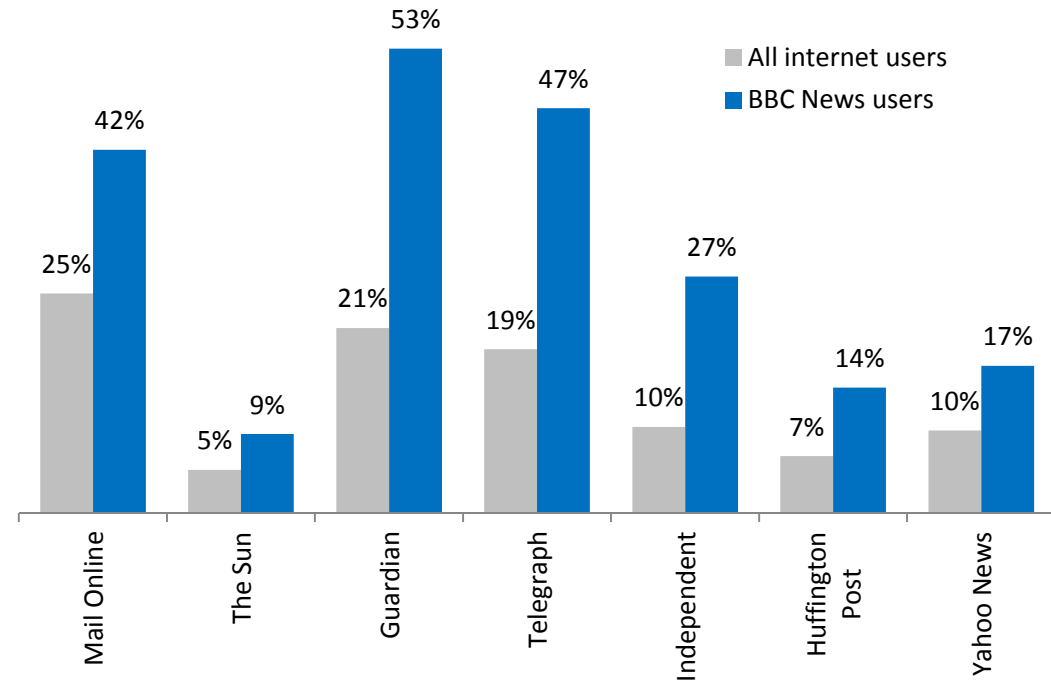


Source: BBC comScore MMX  
Date relates to computer usage only. Does not include mobile or tablet viewing. Dotted line represents change in comScore's weighting methodology

# The BBC plays a complementary role in the online news market, with regular users of the BBC's online services being more likely to source news from multiple sources

- The average BBC online user is more than twice as likely as the general online population to access the Guardian and Telegraph websites
- This degree of over-indexation holds true across the political spectrum: the reach of BBC users also accessing Mail Online and the Sun is 1.4x the average and 1.8x the average respectively
- As part of the 2010 BBC Strategy Review, the BBC Trust explicitly targeted increasing the number of monthly click-throughs to external sites, by ensuring that *“there is at least one external link on every page of the website where editorially appropriate, making the best of what is available elsewhere online an integral part of the BBC’s offer to audiences”*
  - In April 2013, the BBC News site amassed over 134m unique browsers worldwide, who clicked on more than 9m links to external sites; April 2014 saw 151m unique browsers clicking on nearly 12m external links
  - In the UK alone, the number of external links clicked rose from 6.2m in April 2013 to 7.7m in April 2014
- These metrics confirm that usage of BBC online news does not prevent – and indeed can encourage – consumption of other news sources

Reach among UK internet users (%)

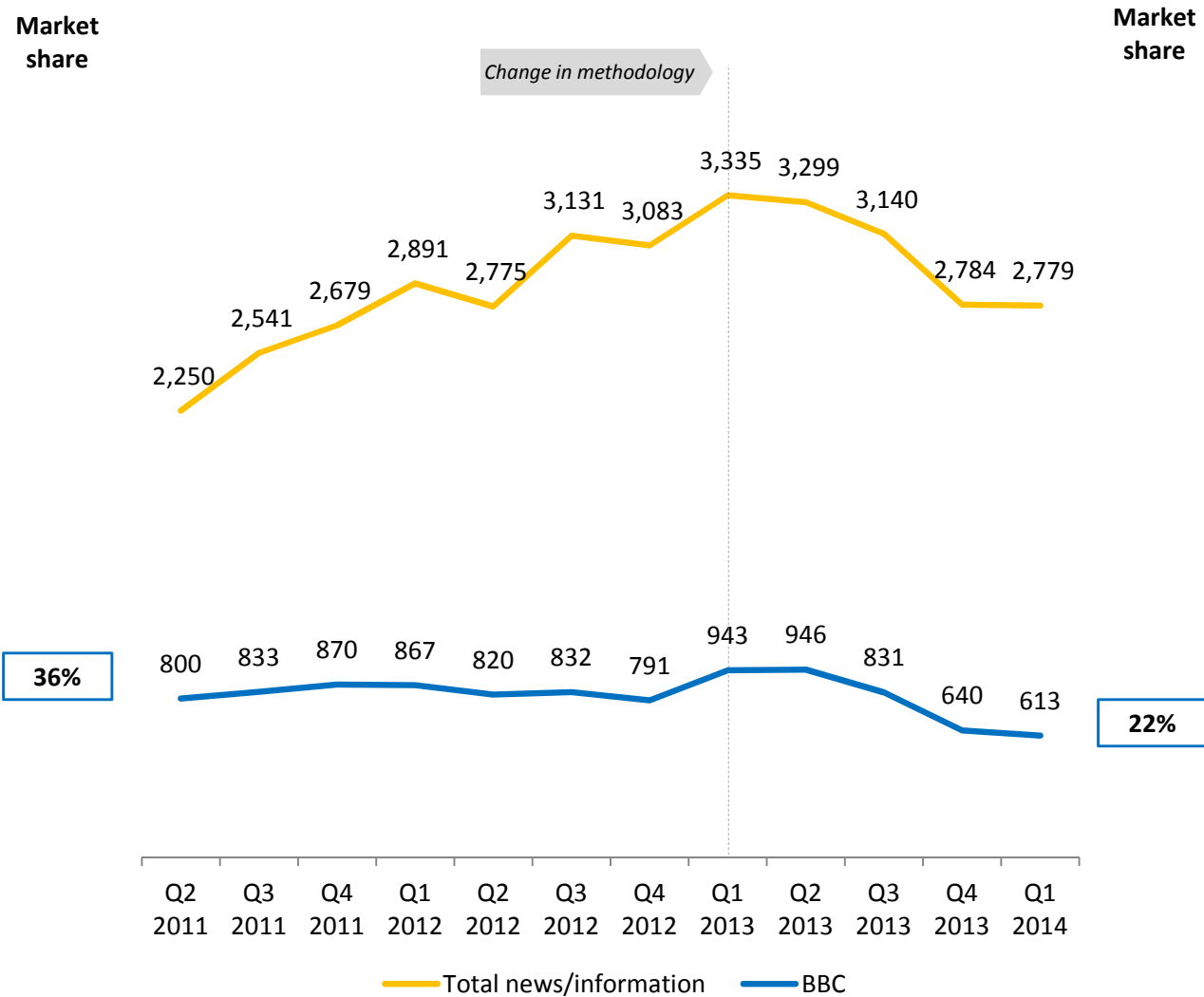


Source: BBC comScore MMX

**By any measure analysed, the BBC is the UK's most read news website (e.g., by minutes spent reading online news), although its share of consumption has been reducing**

- The BBC continues to be the biggest single provider of online news in the UK, with a 27% share in 2013 (and trending toward 22% by the first quarter of 2014), as measured by average minutes spent on news and information websites\*
- This compares to a market share of 36% in the second quarter of 2011, with the decline reflective of the increased competition in the online news space and the persistent degree of promiscuity of consumers of news
- These trends underscore the success of the BBC's external linking policy, under which it explicitly seeks to send traffic to other news providers
- A league table of UK online news providers is provided in the Appendix, page 60

**Average minutes spent on BBC news/information websites (millions mins/month)\*\***

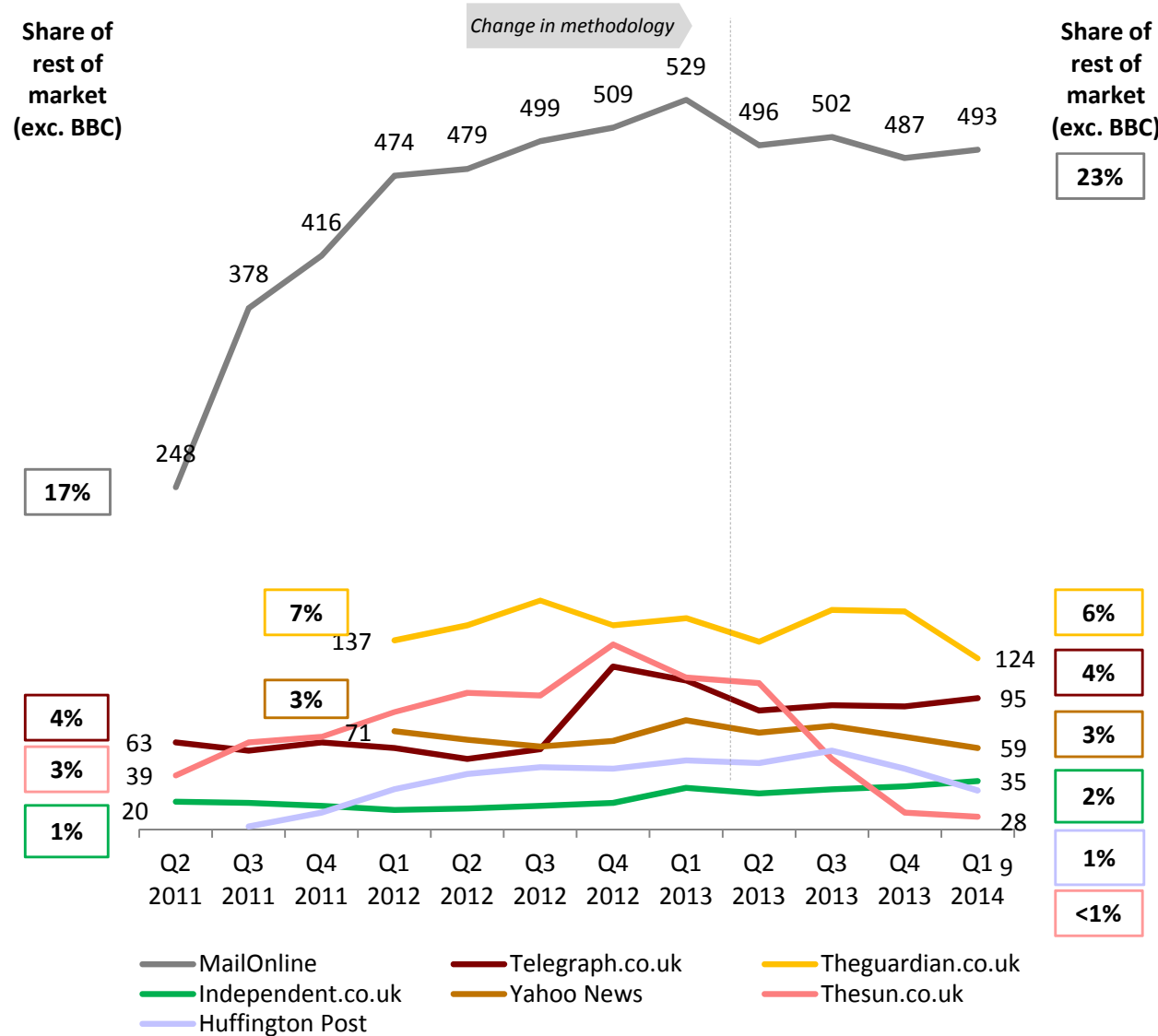


Source: BBC, comScore MMX  
 \*These figures are based on PC use only. \*\* Computer usage only. Does not include mobile or tablet viewing.  
 comScore weighting methodology altered in January 2013

# The UK's top online commercial brands include two newspaper groups, Mail Online and the Guardian, which pursue an ad-funded model for their core online propositions

- The commercial online news market is competitive and crowded, although Mail Online is a clear leader with 23% of the non-BBC market, followed by the Guardian at 6%
- A number of other players, including Yahoo, Telegraph, Independent and Huffington Post, aggregate to a commercial share of 16%
- Put another way, in the commercial online market (ex. the BBC), six players have a combined market share of 40%
- Including the BBC, the top 20 providers of online news represent 75% of total minutes spent consuming online news
- Of the top 20 providers, only one – the Telegraph Group – has a pay wall for its general online news proposition (although consumers can access 20 articles a month for free)
- Some other providers charge for tablet access (not represented in these usage data) and Sky News via the tablet App requires either a Sky TV subscription or a stand-alone subscription

**Average minutes spent on other news websites (millions mins/month)**



Source: BBC, comScore MMX  
 Computer usage only. Does not include mobile or tablet viewing. comScore weighting methodology altered in January 2013

Traditional newspapers are still experimenting with a range of business models, with a charge for portability  
the most common method of extracting payment directly from consumers

### Online news business models (Prices based on apple devices)

Title	Online business model	Website price	Mobile app price (best value price)	Tablet app price (best value price)
<b>Mail Online</b>	Tablet subscription	Free	Free	<b>£19.99/year</b> 'Mail Plus' - <b>£9.99/month</b> 'Mail Online Mini' – Free
<b>Independent</b>	Portable device subscription (e-editions only)	Free	Free <b>£149.99/year</b> for e-editions	Free <b>£159.99/year</b> for e-editions
<b>Mirror</b>	Tablet subscription (weekend only)	Free	Free	Free (Weekday issues) <b>£3.99/month</b> (Sat&Sun issues)
<b>Express</b>	Bundled portable device subscription	Free	<b>£64.99/year</b>	
<b>Star</b>	Bundled portable device subscription	Free	<b>£49.99/year</b>	
<b>Guardian</b>	Portable device subscription for ad-free experience	Free	Free (with ads) <b>£2.49/month</b> (ad free)	
<b>Sun</b>	All inclusive subscription	<b>£2/week</b> (full website access, mobile and tablet apps)		
<b>Financial Times</b>	All inclusive subscription	<b>£5.19/week</b> (full website, mobile and tablet access) <b>£6.79/week</b> (As above with additional content extras)		
<b>Times</b>	Tiered subscription	<b>£2/week</b> (web access only)	<b>From £6-£9/week</b> (full website access, mobile and tablet apps) <b>£14.99/month</b> (Tablet app only, Mon-Sat editions) <b>£2.49/month</b> (Tablet app only, Sun edition)	
<b>Telegraph</b>	Tiered subscription	20 articles free per month (then <b>£40/year</b> )	<b>£40/year</b> (includes unlimited website access)	<b>£100/year</b> (includes unlimited website access)
<b>BBC</b>	Free	Free	Free	Free
<b>Huffington Post</b>	Free	Free	Free	Free
<b>Sky News</b>	Tablet subscription	Free	Free	Free for Sky subscribers <b>£4.99/month</b> for non-Sky subscribers

Source: Mediatique; news operators. Correct as of May 2014

**Strategies and legacy market challenges combine such that newspaper groups have been the most aggressive in experimenting with pay walls, while broadcasters, new entrants and aggregators are reliant on advertising**

- The decline in newspaper revenues in recent years has been the most severe of the effects of the transition to digital in news media – and the decline has been witnessed in every mature market
- The newspaper industry in the UK has been significantly affected, with both circulation and advertising revenues falling sharply
- Offsetting these declines have been the growth in digital advertising and digital subscriptions generated by newspaper groups (from £250m in 2011 to c£375m in 2013), although it is inescapably true that the traditional revenue declines are far greater than the contribution to date from digital diversification thus far

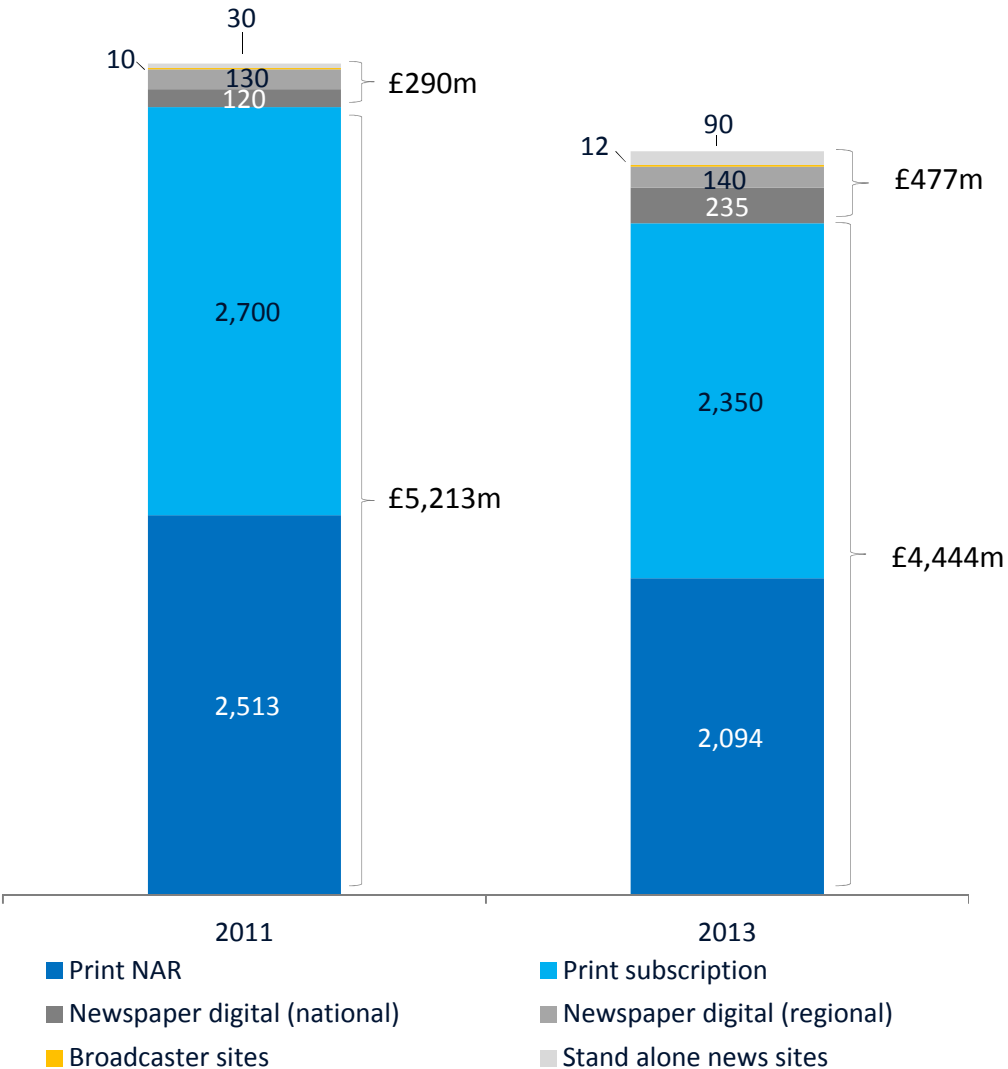
**Restructuring at key newspaper groups**

In response to structural decline in key revenues, newspaper groups have been responding through diversification (online) and cost cutting, including of frontline journalists (c5,000 fewer such jobs than in 2003, although this has been offset by re-skilling/migration from print to online). Other cost containment measures include the closure of regional titles, transitioning from daily to weekly frequency, downsizing editorial production staff and cutting overseas bureaux

The relative economics of press media continue to prove challenging as some of these costs are not incurred by other media – notably in relation to high input costs (newsprint), the requirement to deliver physical product around the region/country and to share retail proceeds with end distributors

In both regional and national press markets, newsprint is an essential cost of production, at around 15% of revenues.

**UK news revenues, excluding broadcast, by source (£m)**



Source: Mediatique, ZenithOptimedia

**While having to re-structure significantly, the UK newspaper industry, even if the profitable Financial Times is excluded, continues to generate operating profits in the aggregate; this is true for the regional press as well**

- Despite the revenue challenge facing newspapers, the UK newspaper industry (ex the Financial Times) is profitable in the aggregate, largely accomplished by the mid market tabloids; for those groups with exposure to both national and regional titles (DMGT via Local World and Trinity Mirror directly and via Local World), both categories are in profit
- Pure regional players Johnston Press, Gannett, Local World are also profitable – for example, Johnston Press earned £54m in 2013, posting margins of 18%
- Moreover, the Guardian is poised to reduce its losses by 30% in the current financial year (as digital revenues accelerate), and News Group has yet to provide details about the success of recent innovations such as Premier League clips and the free tablet give away
- There may come a time for certain titles when digital revenue match underlying editorial costs and it may be possible to offer a digital-only proposition
- In general, the newspaper market appears to be moving toward a sustainable digital model around advertising, premium payments for portability and experimentation with other pay walls
- Moreover, some of the key generalist UK newspaper brands, notably the Mail (via Mail Online), the Guardian and the Telegraph, continue to have success outside the UK, where revenue generation may improve

### Newspaper group revenues key national titles (FY 12/13, £m)

Company	Total revenues	Digital revenues	Operating profit (loss)
Guardian News & Media	196	56	(31)*
Independent Print Ltd	58 <sup>†</sup>	15 <sup>†</sup>	(12)
DMGT	683**	41	80
News UK	514	62 <sup>†</sup>	(6)***
Telegraph Media Group	325	36 <sup>†</sup>	61
Trinity Mirror Publishing	576****	20	119
Express Newspapers	220 <sup>†</sup>	15 <sup>†</sup>	30 <sup>†</sup>
<b>Total</b>	<b>2,572</b>	<b>245</b>	<b>241</b>

*Financial Times and regional press groups excluded from calculations*

*\* Operating loss estimated to reduce to c£20m in FY 13/14, with digital revenues increasing to c£70m*

*\*\* Includes revenues from the Metro of £80m; digital revenues are for Mail Online only, with other digital revenues (e.g., verticals) included in total. DMGT has since reported digital revenues of £15m for Q3 of FY13/14, in line with the necessary growth required to reach £60m for the year. We have not updated the table as to ensure the data is comparable*

*\*\*\*excludes exceptional items, including costs of closing News of the World and write-downs related to hacking scandal*

*\*\*\*\*Includes regional titles (not separately reported by company)*

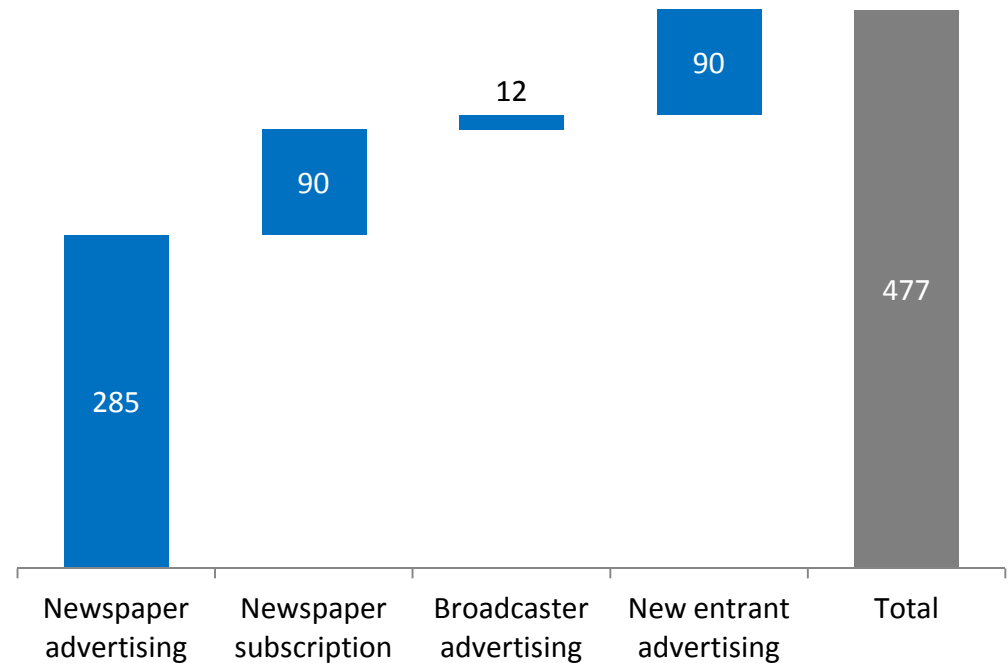
*† Mediatique estimate*

*Source: Mediatique, company annual reports, Companies House*

# The online news market generates revenues of roughly £500m, with the majority of these generated by the major national newspaper brands

- Digital revenues are contributing the fastest growth in the news sector, by definition, and this is true for legacy players with news operations from broadcasting and print
- We estimate that the newspaper groups in the UK (not counting the specialist Financial Times), generated digital advertising revenues of £285m in 2013, and a further £90m from digital subscriptions
- This represented roughly 80% of the total digital income across all news online (again, excepting the FT)
- The only other significant revenues generated in the UK online news sector came from standalone players, which generated £90m last year (from advertising)
- By focussing on digital markets, key UK news brands are able cost effectively to target international markets: this option has largely proved too expensive for print and broadcast legacy operations – outside a handful of examples in 24-hour news (the BBC and Sky) and print (the Economist, the Financial Times)

**Digital news revenues in the UK (2013, £m)\***



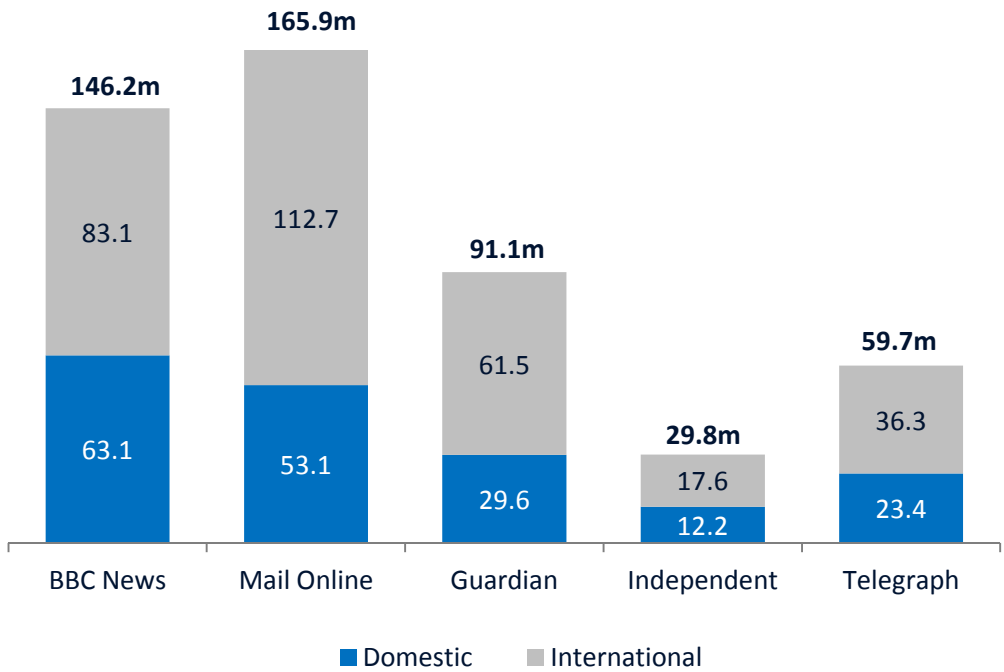
Source: Mediatique  
 \*Regional and national newspaper titles only, excluding FT; broadcasting sites do not include any share of Sky subscription (bundling Sky News access); new entrant figure is estimate based on review of company announcements



# The UK's major online news providers are gaining market traction in international markets, with the Mail Online securing almost 70% of its online users from outside the UK

- Owing to a number of attributes – including a global language, access to a journalistic skills base and traditional ties to key international markets (the US, the Commonwealth) – the UK online news industry is beginning to generate revenues from outside the UK
- Of the main newspaper groups, the Mail and the Guardian have proved most successful at securing consumption globally, and this in turn has allowed them to invest internationally to further extend global reach
  - The Daily Mail launched a US office in 2011, and a tailored Australian edition of its site opened in early 2014
  - The Guardian has offices in the UK, US and Australia; the Guardian's New York office, opened in 2011, now has 57 employees, including 29 editorial staff
- Along with the BBC, at 146m unique monthly browsers, these three players generate significant audience traction outside the UK
- All three players are building strategies to expand their brands further and monetise their traffic – including introducing global branding, integrating stories with social media and highlighting points of differentiation with domestic providers

**Total monthly unique browsers (January 2014, millions)**



Source: ABC Circulation and BBC iStats

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# The future of the online news market in the UK will be determined by the extent to which various social, technological, and economic factors condition the relationship between legacy players and new entrants

## Drivers of change in the news landscape

- As we have demonstrated, current market trends are typified by growth in new entrant online news platforms and decreased revenues accruing to legacy providers in the aggregate
- The future landscape of online news provision in the UK will be determined by the interaction within the market of legacy providers (engaged in restructuring and diversifying) and new entrants (seeking to develop the credibility to offer news propositions of scale)
- In this section, we identify the specific drivers of change – as set out opposite– and the future scenarios that may emerge as a result
- We then situate the BBC’s role in this changing environment and consider a rationale for its ongoing presence as both an actor and product of change, considering its public/private obligations

### Technology

- Speed, capacity and consumer price of delivery networks – fixed or wireless – and reduced barriers to entry
- The roll-out of infrastructure supporting internet access in rural and other underserved or disadvantaged communities
- Increasingly sophisticated data capture, filtering, manipulation, and presentation methods

### Consumer behaviour

- Device usage, platform penetration, and consumer adoption of new technologies
- Preferences for genre –e.g., summaries versus in-depth, video/text mix
- Promiscuity in terms of the variety and number of news sources consulted
- Consumer propensity to pay and attitudes toward payment, including non-monetary forms (e.g., fame/recognition)
- The availability and relevance of international news, and the effects of a globalised news industry on local markets
- Social engagement and practices of information sharing and discovery

### Business models

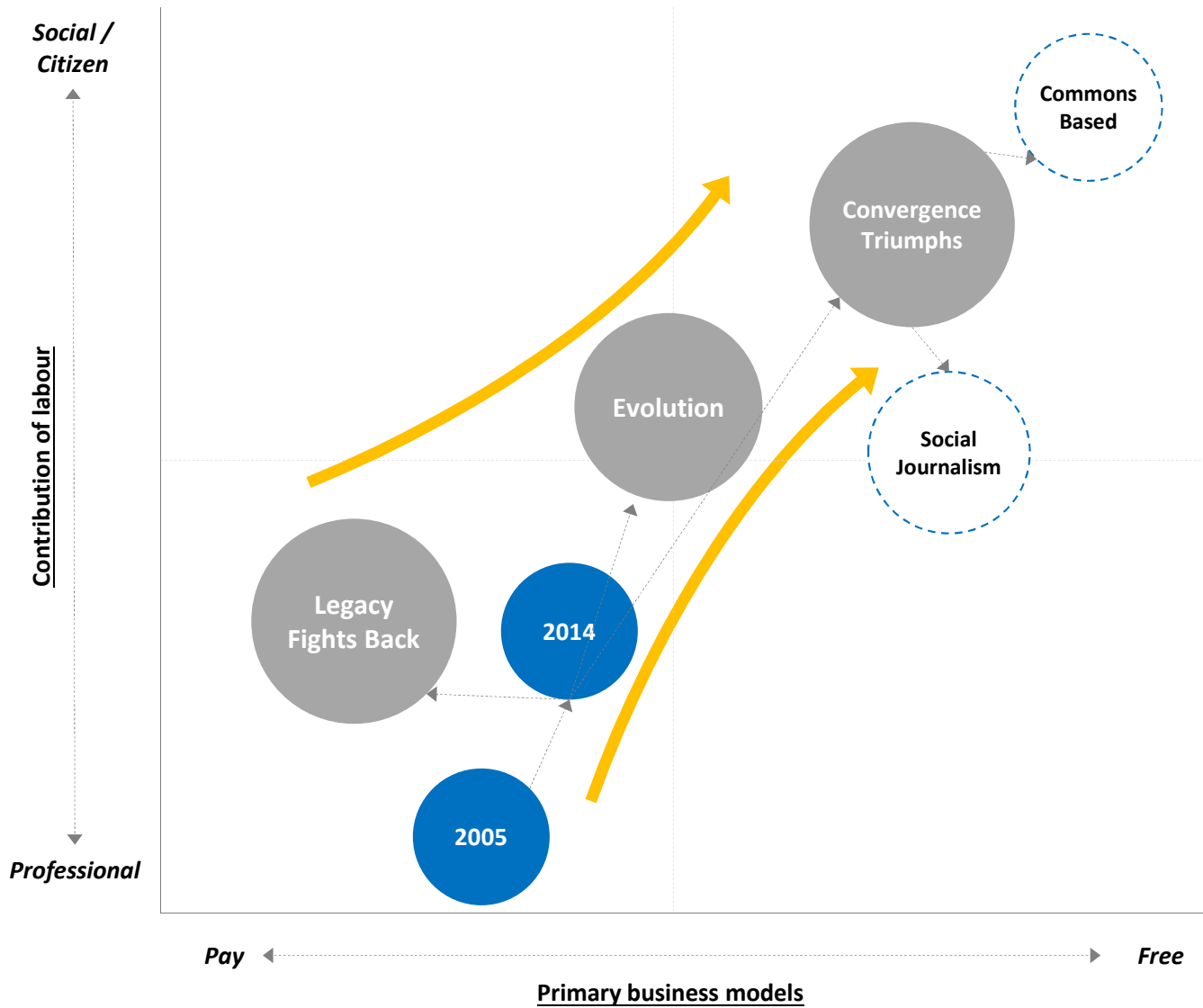
- Competition between legacy providers and new entrants, and the strategic responses and dynamics within the value chain
- The role of pay walls, micro-payments, payments for portability or ad avoidance
- “App-ification” of news platforms, unbundled services, and greater personalisation
- Citizen journalism and the blurring of traditional notions of the professional and the amateur
- Data monetisation
- Supply side economics of print versus digital in news production

### Public policy & regulation

- The dominant copyright regime and the protection of intellectual property rights
- Public funding, subsidy, market participation, and other forms of government intervention
- Findability and prominence of news sources
- Privacy and the “right to be forgotten”





We have identified three key scenarios, each of which would result in starkly different market outcomes

The parameters of a changed world: outcomes in 2024 (illustrative)



- We have developed three scenarios that attempt to capture the range of possible outcomes for news provision in the UK:
  - Current dynamics may endure, leading to further restructuring of traditional news outlets, a growing share of news consumption moving online, and a diverse mix of free and pay propositions,
  - A legacy sector might be reinvigorated by the successful erection of pay walls, strengthened copyright protection and continued preference for professional status among journalists. Legacy players may adopt a variety of payment schemes to discriminate consumers on price and functionality
  - A truly convergent future may see the development of a free and collaborative news model alongside elements of professional journalism – typified by new forms of collaboration, compensation and reward

In summary, a range of outcomes are possible from the interplay of structural changes in content funding, creation, and consumption under each scenario

Scenario	Parameters of change within each scenario			Online news impact
	Content funding/business models	Content creation/aggregation	Consumption	
<b>Evolution</b> <i>(...from status quo)</i>	<ul style="list-style-type: none"> <li>▪ Efficient publishing platforms allow digital native ad revenues to scale with traffic, attracting new investment</li> <li>▪ Greater use/awareness of data as currency in online advertising</li> <li>▪ Legacy providers cut costs and use pay models to make up lost print revenue</li> </ul>	<ul style="list-style-type: none"> <li>▪ Professional and amateur journalists co-exist in a competitive, fragmented landscape</li> <li>▪ Algorithmic search and aggregation technologies and social networks enable news sharing and discovery</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consumers seek a multitude of news sources from a variety of access points and devices</li> <li>▪ Peer recommendations, sharing, and the personalisation of content drive consumption</li> </ul>	
<b>Legacy fights back</b> <i>(Digital migration)</i>	<ul style="list-style-type: none"> <li>▪ Direct payment schemes successfully discriminate consumers on price and functionality, supporting traditional market-based production models</li> <li>▪ Content ownership/exclusivity a larger determinant of market outcomes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Professionals retain a comparative advantage in newsgathering</li> <li>▪ Content providers protect online revenues from search and aggregation services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consumers exhibit a preference for 'hard news' and expert opinion</li> <li>▪ Provider bias towards closed platforms to protect quality and integrity of content</li> </ul>	
<b>Convergent media triumphs</b> <i>(social journalism model)</i>	<ul style="list-style-type: none"> <li>▪ Hybrid sharing and commercial economies allocate journalistic labour efficiently</li> <li>▪ Democratic funding mechanisms (e.g. crowd-sourcing and pay-what-you-want) offer alternative revenue models</li> </ul>	<ul style="list-style-type: none"> <li>▪ Blurring of the 'professional' and the 'amateur' in content production</li> <li>▪ Social news aggregation platforms play a key role in steering the news cycle, and bringing stories to the fore</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increased engagement between news providers and audience at the point of consumption</li> <li>▪ Social engagement and community development leads platform innovation</li> </ul>	
<b>Convergent media triumphs</b> <i>(commons based production model)</i>	<ul style="list-style-type: none"> <li>▪ Reputation, leisure, and other non-monetary motivations govern the allocation of labour</li> <li>▪ Content rights are disaggregated and distributed among many players</li> </ul>	<ul style="list-style-type: none"> <li>▪ Non-hierarchical, collaborative production the dominant newsgathering model</li> <li>▪ Equal, distributed participation afforded to many users with diverse backgrounds and skills</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consumption defined by open, universal access to information</li> <li>▪ Production and consumption an ongoing, reflexive process</li> </ul>	

## The likely future scenario for online news – Evolution – is expected to render the BBC’s role as impartial and trusted provider of news of increasing rather than decreasing importance

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- The BBC is losing share in the online news market as competition increases; but it still plays critical role in maintaining plurality, impartiality, reliability and trust; it is also a crucial supplier of news to that minority of online news users that does not consume via multiple suppliers
- The most likely market direction between now and 2024 is represented by the *Evolution* case, with growing displacement of broadcast and print news by online propositions, a greater availability of content on-the-move, a growing role for new entrants, a continuation of hybrid funding models (including pay walls for certain content and functionality) and further re-structuring of the newspaper industry (staffing reductions, production savings around pagination, format, frequency)
  - The role of social media and multiple sourcing of news by increasingly promiscuous consumers are likely to be further entrenched, particularly with the coming of age of the digital cohort
  - Internationalisation of news – both as a business model for domestic operators seeking traction globally and in terms of competition within the UK from global players – is likely to continue, with the prospect of new and sustainable business models emerging for some key legacy players (likely to be advertising and data related)
- In this scenario, the BBC continues to have an important role to play; from being a prime and early mover in online news, the Corporation will be able now to move with the grain of consumer expectations around personalisation and curation
- There will be a need for impartial, trusted news particularly for those less likely to move with the pace of technological changes – older, poorer and more rural citizens; even for heavy online users, the role of the BBC in a broader mix also retains salience as a trusted source of impartial, authoritative news online, particularly to ensure exposure to a broad range of news and views otherwise not viewed by online users dependent on social networks
- In the event of a “fight back” typified by pay walls, a strengthening of exclusivity and a reinforcement of professional status for journalism, the availability of free and fair news content will have an incalculable value. In a convergent future, particularly one typified by a commons-based exchange of information, the BBC’s role will inevitably be different: one of enablement and investor of last resort

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## **6. Appendices**

**Important information**

**Scope of our work**

- Mediatique was engaged by the BBC to provide research and analysis of the UK and international online markets in 2014
- We have reviewed key data and trends around supply and demand factors in the provision and consumption of online news; we then considered the dynamics of legacy businesses (chiefly print) and determined the degree of endemic challenge these face; we then analysed the extent and character of online news funding models and outlined a range of future possible scenarios for the online news market

**About Mediatique**

- Mediatique is a strategic advisory and research firm specialising in the communications industries in the UK and internationally; it provides bespoke advice and market intelligence to companies across three main areas: strategy consulting, commercial due diligence and independent research
- The firm has worked for major UK, US and European media companies, and has particular experience in content creation, platform and distribution developments, commercial strategies and public policy

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- For the avoidance of doubt, all observations and references to the commercial strategies of key players are those of Mediatique and should not be assumed to reflect any privileged or confidential information
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# We have provided comparative analysis of the news market in several international territories

## Overview of advertising revenues and technology penetration in selected territories (2013)

	UK	France	Germany	Italy	Sweden	USA	Australia
<b>Total NAR (£m)</b>	12,843	7,668	14,639	3,964	2,157	105,451	8,250
<b>Newspaper NAR (£m)</b>	2,094	761	4,092	478	560	14,517	1,534
<b><i>Newspaper NAR as % of total</i></b>	16%	10%	28%	12%	26%	14%	19%
<b>Online NAR (£m)</b>	5,251	1,719	3,221	632	747	22,925	2,667
<b><i>Online NAR as % of total</i></b>	41%	22%	22%	16%	35%	22%	32%
<b>TV NAR (£m)</b>	3,388	2,557	3,402	2,109	553	40,655	2,617
<b><i>TV NAR as % of total</i></b>	26%	33%	23%	53%	26%	39%	32%
<b>Households</b>	26.4m	26.9m	38.1m	24.7m	4.2m	114m	7.8m
<b>Broadband penetration</b>	83%	79%	82%	59%	87%	72%	69%
<b>Average broadband speed (Mbps)*</b>	9.1	6.5	7.6	4.9	9.3	9.8	5.5
<b>Desktop penetration</b>	64%	68%	67%	68%	58%	73%	69%
<b>Laptop penetration</b>	83%	76%	77%	79%	78%	70%	81%
<b>Smartphone penetration</b>	62%	42%	40%	41%	63%	56%	65%
<b>Tablet penetration</b>	34%	27%	25%	20%	23%	34%	38%
<b>Average mobile download speed (Mbps)</b>	3.5	3.2	3.2	3.6	3.8	5.4	3.0

Source: Akamai, Ofcom International Communications Market Report 2013, eMarketer, Google Insights, ZenithOptimedia, OECD

\*We have used Akamai to ensure a common basis for broadband speed comparisons; local market estimates may differ

**Our work is focused on the online news market in the UK, with comparisons to other territories where relevant; our analysis is informed by a number of primary and secondary sources**

- Our definition of online news extends to consumption across a range of connected devices including PCs, laptops, smartphones and tablets. It also extends to a broad range of news categories including general and specialist news content, entertainment, and social media where this reflects the exchange of information/analysis
- Our focus is on the UK market, although we incorporate international comparisons – specifically developments in Sweden, Italy, France, Germany, Australia and the US
- In our initial consideration of market context, we have analysed the broad provision of news across all relevant legacy and “new” markets, covering TV, radio, print and online in order to situate online developments within a broader market of news delivery and consumption
- ...in particular, this permits us to look at the degree to which different sectors are moving from legacy models to online/app propositions, and the impact of this on revenue/business models and on the funding of news content
- Where possible, we have used industry standard definitions and data sources (although there are a number of caveats – as detailed opposite)

### Data caveats

- We have sourced evidence from comScore (online consumption), ABC (tracking newspaper sites), Zenith Optimedia (international profiles), the BBC (including the Populus online Omnibus survey, June 2014) Ofcom, DCMS, the Reuters Institute Survey and various international data suppliers
- There is no one source for all online news consumption and different sources are based on different methodologies and categories – as a result, share information, demographic breakdowns and other metrics are not always consistent across multiple sources
- In particular, comScore’s multi-platform data is still in development and only goes back 16 months; in this report, we have made clear where we reference PC-only consumption versus total online (including mobile and tablet usage)
- There is no accurate single source of smartphone/tablet versus online consumption in terms of duration. There is also no obvious way of checking out-of-home use of tablets versus in-home use (via WiFi) that is likely to be directly substitutive of PC use
- International measurement is rendered difficult through incompatibility of data
- The data contained herein is based on sources available as at September 2014

# We have identified the key drivers of online news consumption as a starting point for our comparative market analysis

- The online news market has experienced significant growth in usage over time, which has fuelled new entry and business and commercial strategies
- A crucial enabler of online has been the growth in network connectivity and speeds, giving consumers access via fixed line and mobile instant access to multiple sources
- Thus enabled, consumers have responded to the availability of diverse sources of news and can be addressed by providers able to target/tailor advertising and optimise calls to action for consumer purchases
- The online space is increasingly typified by two broad features – more use of A/V content in preference to text (tapping the premium accorded to video advertising) and a App-like User Interface, even for websites (this may also incorporate accessible news content featuring entertainment, celebrity)
- More recently, the growth of tablet and smartphone ownership has enabled significant innovation around mobile Apps for news, augmented by the role played by search and aggregation and by social media

## Key drivers in the online news market

### Broadband access

- Broadband penetration is now at a mature level, reaching c83% of the UK and between 60-80% in most of the other markets under consideration
- The average internet speeds have also increased throughout the cohort markets, enabling A/V

### Consumer behaviour

- Online usage has increased in line with broadband connectivity, and been further accelerated via mobile propositions (tablets, smartphones)
- A key characteristic of news consumption in major markets is the degree of multi-sourcing of content

### New entry

- In addition to online propositions from newspaper groups and broadcasters, two new entrant categories have grown in importance – aggregators, including those with a search-driven business model and “digital natives” prepared to invest in news provision

### Commercial strategies

- The key model for general news online remains “free” or ad-funded (in addition to significant PSB availability)
- Where there is a pay model, it tends to be hybrid (payment for portability, customisation, curation)
- “Hard” pay walls for general news are less common

### Technology

- The key technological innovation in news in recent years has been the growth in mobile connectivity
- Tablets remain relatively house and/or hot-spot bound, given the role of WiFi in enabling the majority of tablets
- While this has given rise to deferred consumption via downloads (e.g., of TV programmes), this is less salient for breaking news

## The key metrics that inform a review of the UK online news market include broadband penetration, device take-up and revenues associated with the main segments underpinning investment in news content

- The UK has followed a similar trajectory to other mature media markets such as the US, Germany and most continental economies
- Broadband connectivity is a key driver of online use (across key categories of emailing, retailing, news, entertainment, gaming and social networking)
- Equally, device penetration is a crucial driver of consumption, particularly of news (via smartphones and tablets as well as via PCs in broadband-enabled homes and via office use)
- Overlaid on these network and device metrics, the key revenues generated by newspapers, broadcasters and online propositions constitute the total revenues across the commercial value chain that supports investments in news content
- This continues to underline the degree to which the key revenue streams currently underpinning editorial investment in the UK (as elsewhere) are the traditional sources of broadcasting and newspapers, with “online” as a category making the smallest (albeit growing) contribution

### Selected media revenues and device penetration (UK)

£m	2009	2010	2011	2012	2013
Newspaper ad revenue	2,757	2,746	2,513	2,255	2,094
Newspaper circulation revenue	3,240	2,980	2,700	2,525	2,350
<i>Total newspaper revenues (core)</i>	<i>5,997</i>	<i>5,726</i>	<i>5,213</i>	<i>4,780</i>	<i>4,444</i>
TV ad revenue	2,858	3,258	3,290	3,258	3,388
TV subscription revenue	4,596	4,839	5,251	5,300	5,350*
BBC income allocated to TV	2,586	2,607	2,628	2,719	2,800*
<i>Total TV Revenues</i>	<i>10,040</i>	<i>10,704</i>	<i>11,169</i>	<i>11,277</i>	<i>11,538</i>
<i>Online ad revenue (exc. Search)</i>	<i>1,179</i>	<i>1,441</i>	<i>1,641</i>	<i>1,834</i>	<i>2,083</i>
<b>Total</b>	<b>17,216</b>	<b>17,871</b>	<b>18,023</b>	<b>17,891</b>	<b>18,065</b>
<b>Broadband (% HH)</b>	68%	73%	77%	80%	83%
<b>Smartphones (%)</b>	21%	26%	30%	51%	62%
<b>Tablets (%)</b>	-	2%	11%	24%	34%

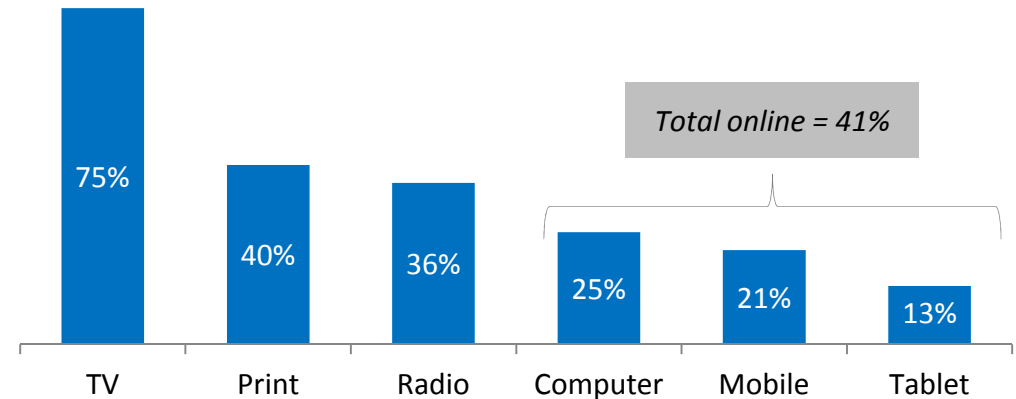
\*Mediatique estimate

Source: Mediatique, Ofcom Communications Market Report 2013, ZenithOptimedia, Google Think Insights, eMarketer

# While TV and newspapers continue to be important sources of news in the UK market, online is growing its share of usage (and is now second only to TV as the single most important news source for consumers)

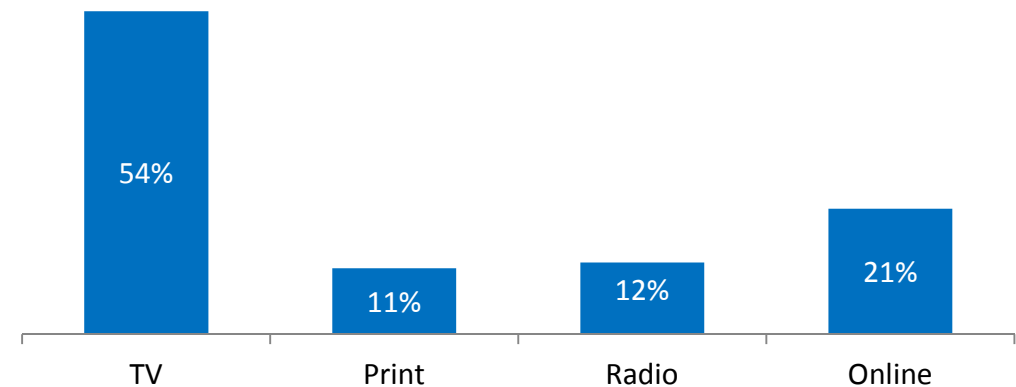
- As in other markets, the UK continues to be typified by a strong market role played by legacy news providers, including broadcasters and newspaper publishers
- In 2014, TV is still the most important way consumers get their news, followed by online (PC, mobile and tablet), print and radio
- However, Ofcom’s most recent News Omnibus Survey revealed that more respondents identified online than print or radio as the *single most important* source of news to them
- Even so, TV maintains its importance across all demographics (age and social class) according to Ofcom’s latest audience Tracker Survey\*, although there are clear variations:
  - 77% of those aged 65 and older say that their “main source” of UK and overseas news is TV, compared to 63% of the 16-34 age group
  - For C2DEs, TV is the main source for 75%, compared to 68% for ABC1s

## Platforms used for consuming news (UK, 2014)



Ofcom News Omnibus 2014

## Single most important news source (UK, 2014)



Source: Ofcom News Omnibus 2014

\*Source: BDRC Continental Ofcom Media tracker, 2013, published in July 2014

## New entrants have forged a significant role in the online news market, with US players leveraging market size and language advantages

- New entrants have emerged with considerable regularity in recent years – most of them from the US
- In most cases, these digital natives seek to customise for different markets (e.g., Huffington Post and BuzzFeed both default to a UK proposition online – subject to consumer over-ride)
- A key recent dynamic is the move by new entrants to invest directly in their own content (as opposed to providing aggregation and links to other courses) and by social media propositions to create news verticals
- By the end of 2013, we estimate that these new entrants (e.g., those at right in addition to Vox, Vice Media, Gawker, SayMedia, etc.) have secured funding of at least \$500m and are responsible for revenues of c\$700m in the aggregate (see overleaf)
- However, legacy providers continue to be the key funders of granular journalism, through investments in newsgathering, journalists and distribution

### Key examples of “digital native” online news providers

#### Huffington Post

- Launched in 2005 and owned by AOL, the Huffington Post is an American online newspaper, aggregator and blog
- The site offers news, blogs, and original content on topics including politics, business, entertainment, and popular media
- A UK dedicated site launched in July 2011, and is part of 8 country specific websites (excluding the original US version)
- The Huffington Post reaches c92m unique monthly viewers worldwide, 40.6m of which are via PC and 51.3m of which are via mobile/tablet
- Huffingtonpost.co.uk sees c5m unique monthly visitors

#### Buzzfeed

- BuzzFeed is a social sharing news and entertainment website
- It attracted more than 10 million UK users in November 2013, the first time it has provided official figures since launching a London office earlier in the year
- Country specific BuzzFeed sites now include operations in Brazil, France and ‘Buzzfeed en Espanol’, and saw a record high of 130 million global unique users in January 2014

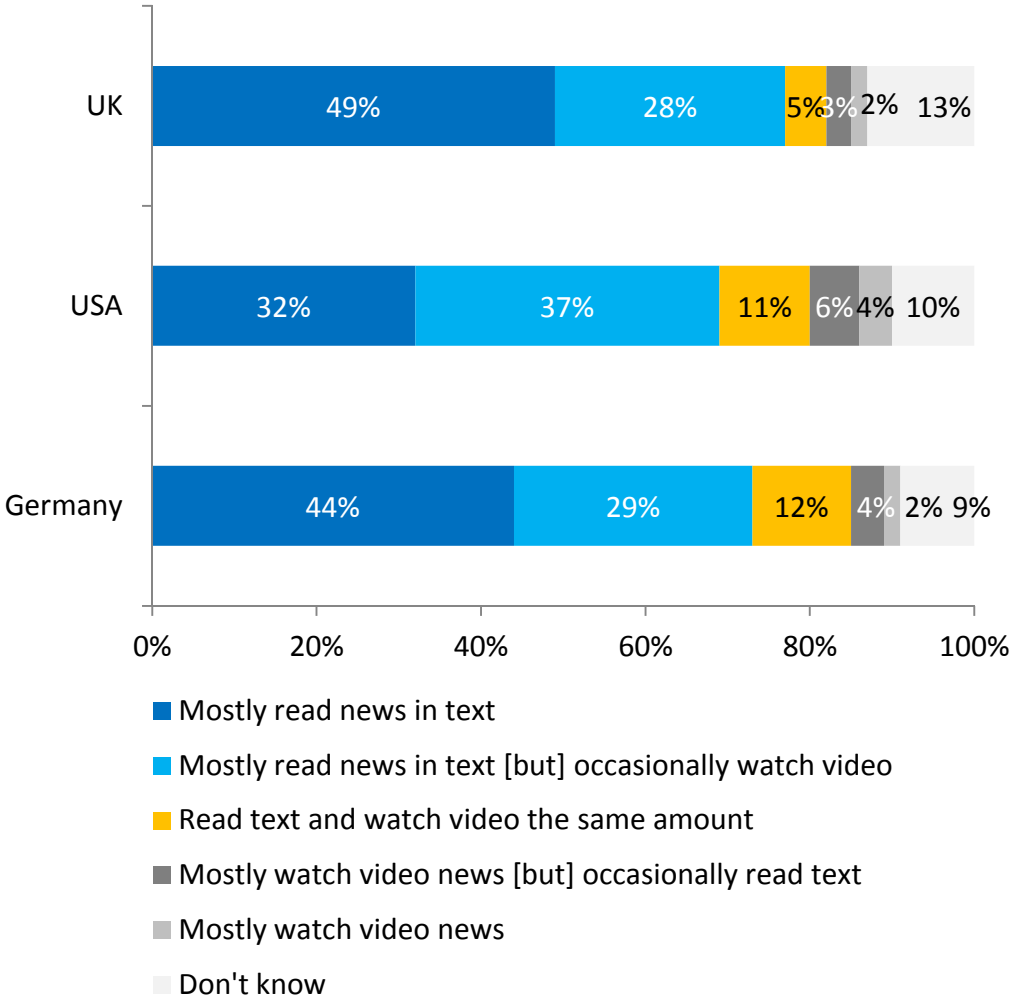
#### The Intercept

- The Intercept is an online publication launched in February 2014 by First Look Media, the news organization created and funded by eBay founder Pierre Omidyar
- It will serve as a platform to report on the documents released by Edward Snowden in the short term, and to "produce fearless, adversarial journalism across a wide range of issues" in the long term

**Increasing use of smartphones and tablets may over time reduce the amount of news consumption that is text-based; for now, however, text is overwhelmingly more popular than video**

- In addition to evidence of willingness to pay for portability and mobile access, there is a growing presumption that mobile users will be more likely to want to access video while using smartphones and tablets – behaviour that is appealing to online news providers given that video advertising generates a premium compared to display
- This presumption may be confirmed as news consumption transitions further from PC to tablet and smartphone (in line with recent trends); however, the prevalence of news consumption currently remains text – in all major markets, even if increasingly accessed via potentially portable means
- In the UK, 49% of online news users surveyed by Reuters said they mostly read news in text format and only 2% said they mostly watched news in video form

**Preferences around reading or watching online news (2014)**

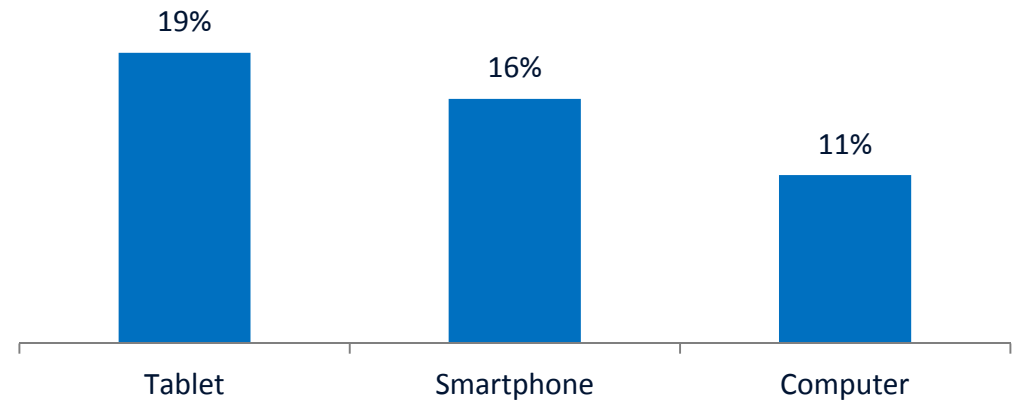


Source: Reuters Institute Digital News Report 2014

# Mobile users of news appear more willing to pay – reflecting a propensity among news users to accept charges for portability

- In its review of several key markets in 2014, the Reuters Institute identified a significant variation in willingness to pay across multiple platforms – revealing in essence a premium for portability
- Nearly twice as many tablet users (19%) as PC users (11%) of online news said that they had paid to access news, with paid-for smartphone access falling in between the two
- As a further indication of willingness to pay, we reviewed the top 10 news Apps on the Apple Store in the UK in May 2014 (see table, right)
  - Nearly all were aggregator apps (i.e., giving consumers access to multiple titles, but only those available for free or to the free elements of paid-for sites - e.g., headlines and up to a specified number of free articles per month)
  - Of the top 10 “free” news Apps in May 2014, all were linked to legacy news brands and included “free Apps” that only provide full access to content if consumers purchase (or have already purchased) an online subscription

## Paid for digital news content by device (% device users, UK, 2014)



Source: Reuters Institute Digital News Report 2014

## Top news apps downloaded from the Apple Store

Top 10 paid for news apps	Top 10 free* news apps
Alien Blue (Reddit Client)***	BBC News
Downcast	Sky News**
Pocket Casts	Daily Mirror
News for Minecraft	Mail Plus**
UK Newspapers Plus***	The Times**
Reeder 2	Metro
Police Scanner Radio Pro***	The Guardian**
Instapaper	The Telegraph**
UK Newspapers***	The Economist**
City Papers	MailOnline

\*Free at point of download

\*\* App requires in-app purchase or subscription to access content

\*\*\* Payment only required for an ad-free experience

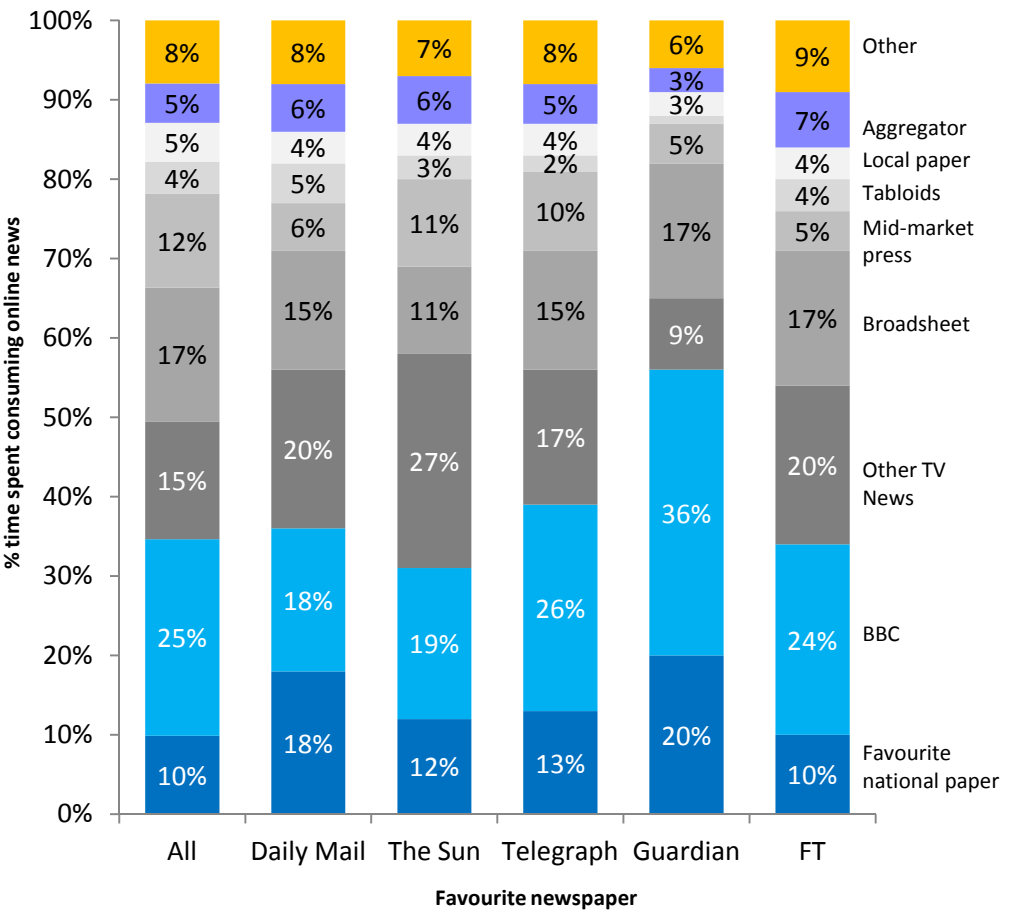
Source: Apple store, week commencing 5/5/14



**Promiscuity of usage appears to be a trait of various social groups; for example, a survey of UK readers by their newspaper of choice (tabloid, mid market, broadsheet) revealed a broadly similar picture**

- Readers of major UK newspapers were asked to specify which online sources they used (and for how long) in addition to the website/portal of their favourite newspaper
- Mail readers spent as much time with BBC Online as they did with Mail Online, while Financial Times readers spent more time online with other “broadsheet” brands than they did with FT.com
- Sun readers said they spent just 12% of their online news minutes with Sun online, and nearly as much time on broadsheet online sites/portals and more than twice as much on non-BBC TV news

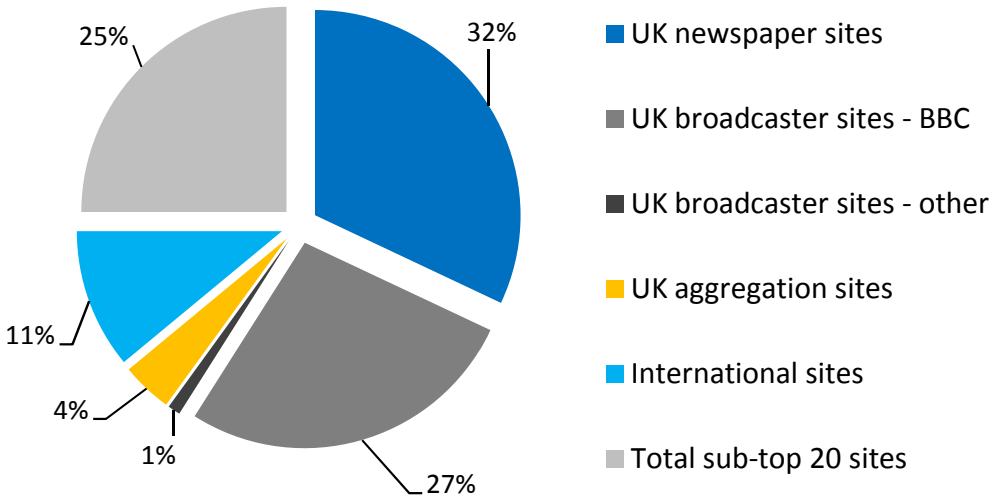
**Online promiscuity of usage in the UK**



Source: O&O report for Google, 2013

The UK's top online news brands include domestic players (with legacy news operations) and international providers (largely rooted in search and navigation)

Top 20 news sites\* in the UK (% of total news minutes viewed)



Top 20 online news sites\* in the UK (total minutes, 2013, m)

Brand	Country of content origin	Market share	Cumulative market share
BBC	UK	27%	27%
Mail Online	UK	16%	43%
The Guardian	UK	5%	48%
Yahoo-ABC News Network	USA	4%	52%
NewsNow Publishing	UK	4%	55%
Telegraph Media Group	UK	3%	58%
The Sun Online	UK	3%	61%
Gannett (Newsquest)	UK	2%	63%
Huffington Post	USA/UK	2%	65%
Mirror Online	UK	1%	66%
Sky News	UK	1%	67%
CNN Network	USA	1%	69%
About	USA	1%	70%
Independent.co.uk	UK	1%	71%
Johnston Press Plc	UK	<1%	71%
Buzzfeed.com	USA/UK	<1%	72%
MSN News	USA/UK	<1%	73%
Gazeta.pl Group	Poland	<1%	74%
PressTV.ir	Iran	<1%	74%
Le Figaro	France	<1%	75%

Source: BBC comScore MMX; based on PC usage only; there are no reliable figures for our chosen period to compare duration of visits via smartphones, tablets and PC. Mediatique assumes that all providers of news online are experiencing growth with their mobile propositions, and that the BBC does not necessarily over-index or under-index on mobile.

\*Specialist weather websites have been removed from the list, although their total minutes are accounted for in market share for consistency

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