Stop press! Healthy prospects for newspapers in Spain

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Higher income, greater post-tax profits, more advertising: Who says the press is in crisis? The only bad news: distribution is falling.

Naysayers mourn the inexorable decline of daily newspapers. Indeed, in certain markets such as the United States, the gloom is real, with uninterrupted annual decline there since the '90s. Yet the situation is not so dire elsewhere.

Carat, Deloitte and IESE's International Research Center for the Media Companies (CIEC) have once again studied the situation of newspapers accounting for 98 percent of the sector in Spain. Their findings, published by AEDE as the Daily Press White Book 2008, reveal few signs that the ink is running dry.

In 2006 the total income generated by newspaper sales (not free sheets) amounted to 2.7 billion euros, an annual rise of 2.3 percent, and 2007 was expected to close another 1 percent higher. These papers registered post-tax profits of 280 million euros in 2006, an annual increase of 4.6 percent. In terms of gross margins, earnings before interest, depreciation, tax and amortization (EBIDTA) grew 1.4 percent in 2006, to 502 million euros, with further increases of 1.2 percent expected in 2007, up to approximately 509 million euros.

It would appear that the only reason to "stop the press" in Spain would be for more headline-grabbing results such as these.

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Higher income through advertising

According to the White Book, the increase in newspaper business income stems principally from advertising sales, which rose 8.6 percent in 2006 and close to 7.4 percent in 2007.

Circulation sales show more stable behavior, rising 0.2 percent in 2006 and dipping 4 percent in 2007.

The main change in income for 2006 corresponded to 1,575 product launches, which contributed almost 282 million euros. While this figure is 15 percent less than the year before, income from promotions increased 2.7 percent in 2007 to 289 million euros.

Operating expenses of all newspapers went from 2.25 billion euros in 2005 to 2.3 billion euros in 2006, an increase of 2.1 percent. As the White Book went to press, it was expected that expenses in 2007 would stay under control, rising less than 1 percent.

Personnel expenses are what have increased most, going from 585 million euros in 2005 to 611 million euros in 2006 (up 4.3 percent), with a further rise to 627 million euros (up 2.7 percent) forecast for 2007.

More readers, especially of business press

Estimated circulation of Spanish newspapers in 2006 reached an average of 4,138,000 copies a day, 1.4 percent lower than the previous year. Official figures from the OJD, the controlling body of the Spanish press, suggest it was lower by another 1.4 percent, giving a daily average of 3,976,620 copies during the same period. That said, the number of readers of daily newspapers went up by 13.7 million people, a rise of 1.2 percent.

Newspapers of general interest reached an average of 3,077,541 daily copies sold, according to the OJD, with a decline of 2.4 percent compared to the previous year. Sports newspapers dropped 1.4 percent over the same period, with a daily average of 762,485 copies. Sales of business press, on the other hand, grew 29.1 percent, up to 136,954 daily copies - an absolute record.

Within the European Union, this movement in the Spanish press is among the best in the last decade. In the face of an average drop of 12.1 percent, equivalent to almost 10 million copies, across 15 countries, Spanish circulation figures were third best, with an accumulated decrease of 0.7 percent, behind only Ireland and Belgium.

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However, in terms of the European distribution index, Spain ranks at the bottom with Portugal, with 94 copies sold per 1,000 inhabitants. One reason for Spain's low distribution is the low number of female readers. Only 27.1 percent of Spanish women read a newspaper every day, as opposed to 46.6 percent of men. Of total newspaper readership, only 37.8 percent are women, barely 0.8 percent more than the situation a decade ago.

That said, the number of female readers seems to have increased significantly in the general press. In 2000 women represented 39.5 percent of total readership, but in 2006 that figure was up by 42.9 percent of the total.

Loss of younger readers

In other areas, the White Book gives the reading comprehension abilities of Spanish students 461 points, 31 points lower than the average within OECD countries. In just six years, Spanish students have slipped 6.3 percent.

In 2006, 26.2 percent of people between 14 and 19 were habitual newspaper readers, when press penetration in the whole population was 10 points higher. Also, in 1997, readers aged 14 to 19 represented 7 percent of the total readership for general press, while 10 years later they barely represent 4.7 percent of the total readership. In absolute numbers, among Spanish readers aged 14 to 19, there are now approximately 100,000 fewer readers than 10 years ago, equivalent to a real decrease of 14.2 percent.

Heyday of digital press, online advertising

Readership of digital newspapers has reached a daily average of 5,184,000 - 8.8 percent more than the previous year. The accumulated increase of digital readership from 2001 rises 140 percent, according to official media data from EGM. The same source points out that those only reading newspapers online amounted to 1,045,093 people per day, 51.4 percent more than the previous year.

The profile of online press readership is younger than that of the printed press, is of slightly higher than average social class, has a recognizably higher level of education and is predominantly male (64.8 percent of the total).

Running an advertising campaign in online newspapers as well as in the printed version increases penetration by 15 to 20 percentage points. It also increases report recognition, brand association and respect, according to a specific report included in the White Book.

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The study compares the reaction to advertising of a group who only reads printed newspapers with that of another group who reads, in the same day, both printed and online editions. The study finds that, when the same advertising campaign appears simultaneously in two types of media, the efficiency of the campaign is substantially greater than the sum of the parts.

Furthermore, the Internet maintains its exponential growth. Spanish connections to the World Wide Web went from 4 percent in 1997 to 42.4 percent currently. In the same decade, the number of daily online users has gone from 1 percent to 25 percent.

Investment in advertising on the Internet in 2006 represented 23 percent of the total, with the biggest index of growth of all the media and the best expectations. In fact, annual investment in advertising on the Internet has gone from 71.2 million euros in 2002 to 492 million euros estimated for 2007, a year-on-year increase of 58 percent.

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