

Crosscurrents

Special Issue

Small nations, the press and the digital challenge

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Online News: Between Private Enterprise and Public Subsidy

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Abstract

The Nordic countries' media systems are exemplary of the democratic corporatist model (Hallin & Mancini, 2004) and newspapers have occupied a very prominent position in the political public sphere supported by wide circulation and a political will to subsidize the press and still keep an arms-length's distance. During past decades, these features have come under pressure due to – among other things – the spread of digital media. In this article we explore two current structural-economic challenges to legacy newspaper organizations in Denmark. The first challenge regards the implementation of subscription on news websites since 2013. The second challenge concerns the revision of the Danish press subsidy law in 2013-14. The introduction of a 'platform neutral' subsidy law could be interpreted as a first step towards rethinking the entire press subsidies system. Taken together, these developments pose serious challenges to the printed press: on the one hand, no viable business model seems ready to replace the old one; on the other hand, a reorientation of the regulatory system, which subsidizes the press, seems under way. Despite the global nature of ongoing transformation (digitalization and commercialization) national particularities continue to influence developments and reflect continued support for the democratic corporatist model.

Keywords

Democratic corporatist media model, Denmark, digital subscription, media subsidy, the press

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Introduction

“Nothing is as old as yesterday's newspaper,” the saying goes. In view of the rapid proliferation of digital media technologies and the challenges they pose for journalism in general and printed newspapers in particular, it may increasingly look like “nothing is as old as today's newspaper”. In this article we consider some of the structural and economic changes that legacy newspaper organizations face in view of the spread of digital media. In particular, we discuss legacy newspapers' situation in a context of changing business models on the Internet and recent media laws designed to modernize press subsidy systems in view of the converging media environment. These changes not only have internal consequences in terms of declining income to the newspapers' sales department and a growing commercial awareness in the newsroom, they also have external repercussions on the ways news media and journalism need to legitimize their public role in society. The article builds upon our contributions to two seminars dedicated to discussing the political-economic state of the press in small nation contexts – an issue recently re-actualized by Scotland's referendum on independence and the ensuing discussions of an autonomous Scottish framework for press regulation.

Digitalization and commercialization affect news media globally but the ways these general processes are spelled out and the consequences they have may be very different depending on the context in question. We focus specifically on the influence of digital media in a Danish context. Here, formerly separate media sectors such as ‘the press’ have a particular history that continues to inform both the ways in which the legacy news media themselves act and react to external changes and the ways in which the political system interprets developments and suggests new regulatory frameworks. In order to understand how old newspapers try to accommodate to new digital realities we need to consider the historical trajectory of the press, the convergence between newspapers and the wider media system, and the emergence of a public regulatory system for the media as a whole. Whereas many of the technological and economic ‘logics’ of new media are of a global nature, the historical dependencies of media systems are predominantly national, and, in some cases, regional and local. By looking at the intersection between national trajectories and new global influences we may better understand how current developments are not only pushing news media towards a commercial or liberal model, but may also include specific national answers to global challenges.

Democratic corporatist media under siege?

The media system in the Nordic countries is considered the epitome of the democratic corporatist media model (Hallin & Mancini, 2004). In this respect, key characteristics of the media system in Denmark have been an early development of a mass-circulation press with a high level of readership, strong professionalization of journalism (including institutionalized forms of self-regulation), and a high level of public intervention in the media sector in terms of both state subsidies for legacy news media organizations and a strong presence of public service media, including public service news services in radio, television, Internet and mobile media. Politically,

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the press has been characterized by external pluralism at the national level, with newspapers reflecting various ideological positions parallel to the political system. During the twentieth century, the party political press was gradually transformed with newspapers taking a more neutral position, the so-called ‘omnibus press’ (Latin: ‘omni’= ‘for all’), but elements of political parallelism still exist in the press, in particular in opinion journalism genres (Hjarvard, 2010). A strong tradition of rational-legal authority in the political system and public administration has provided a safeguard against direct political influence on news media, allowing public intervention to go hand-in-hand with an ‘arm-lengths-principle’ of no-interference in editorial matters. The role of the state and public subsidy probably remain the most important dimensions that distinguish countries of the democratic corporatist (Denmark and Norway, for example) and the liberal (England and Scotland, for example) media models. Despite similarities between Denmark and Scotland in terms of size of nation and cultural values, the question of public intervention in the press clearly separates them from each other (Schlesinger and Benchimol, 2015).

As Hallin & Mancini (2004) observe, the various media systems in Europe have developed within particular political and cultural contexts inside national boundaries, but they are gradually being transformed, accommodating to global pressures that push these different media systems towards the liberal model prevalent in the United Kingdom and the United States, in particular:

“Commercialization [...] is clearly shifting European media systems away from the world of politics and towards the world of commerce. This changes the social function of journalism, as the journalist’s main objective is no longer to disseminate ideas and create social consensus around them” (p. 277). Preston (2009) shares this view on current developments in European news media and emphasizes the influence of neoliberal politics, which has partly supplanted the earlier

Keynesian forms of regulation. Whereas older forms of regulation allowed for non-market values to inform media production and consumption and gave professional values and norms (for instance among journalists) a greater sway, Preston argues, a neoliberally inspired deregulation of media erodes the basis of such professional journalistic autonomy.

In line with this perspective, the proliferation of digital media and Internet-based news services has added insult to injury. Digitalization has accelerated the commercial pressure on news media in two important ways: while old revenue streams of advertising and classifieds are being taken by other, often global, businesses (like Google), the income from subscription and pay-per-copy sale of newspapers is eroding, because fewer people are willing to pay for news and may find free news from other suppliers online. The business model of newspaper publishers is breaking down at a point in time when a commercial logic has already gained momentum within the media system as a whole. As a result, the democratic corporatist media model's balance of private and public interests has come under pressure. Not only are many more commercial newcomers now competing with public service media, but newspapers' balancing act between serving the public interest and running a private business has become more difficult to perform.

Despite these pressures towards commercialization there are also contrary developments.

Examining the trajectories of Danish media policies, Søndergaard and Helles (2012; 2014) find that “the central values of Danish media policy have stayed remarkably constant: the political focus remains on securing the freedom of expression and pluralism of voices by actively supporting both private and public media” (2014: 41). The relatively stable support for these key values may in part reflect the very “democratic corporatist” tradition of Danish society and politics, which is reflected

in the – generally speaking – consensus-seeking nature of formal political practice and the adherence to welfare state politics in Denmark. It is furthermore sustained by socio-geographical realities, as Denmark is a small nation of only 5.6m inhabitants. The size of the nation makes the protection of national language and culture a recurrent rationale for cultural and media policies and it is recognized by most parties – albeit to a variable degree – that the market is too small to sustain cultural and political diversity on a purely commercial basis.

Even if Danish media policies continue to be informed by democratic corporatist values, the actual media policies and accompanying regulatory frameworks have altered significantly in order to take into account recent developments in the media sector. Earlier, individual media policies existed for each type of medium (newspapers, broadcasting, film, etc.), but media policies now increasingly aim at establishing regulatory frameworks across media sectors, not only because technological convergence makes this an obvious idea, but also because convergence makes formerly separate media compete in the same market. Due to both deregulation policies and media convergence, it has increasingly been necessary to supplement media policies' cultural and political concerns with competition regulation. The gradual emergence of 'media regulation' as an established field of public regulation, in contrast to formerly specific regulation of individual media, has, also, some consequences of its own. Gradually, general regulatory principles, particularly inspired by a 'New Public Management' philosophy, have come to inform the notion of good regulatory practices and this has shaped the particular regulatory instruments that have been applied to the media (Søndergaard and Helles, 2014). The recent introduction of a system of direct media subsidy to replace the former indirect press subsidy system has not only been spurred by media convergence in itself, but also by a growing demand for public accountability of cultural policies. In response, the

legacy newspapers have increasingly tried to legitimize their need for continuous subsidy through their commitment to the ‘publicist’ function of the press while they have also joined forces with other commercial media and criticized public service media for unfair competition by providing online news free of charge (Søndergaard, 2014). The balance between public and private media in the present Danish media landscape, therefore, is not only challenged by competition from global newcomers and new technologies, but also by an internal reconfiguration of actors in the field of news media and new ways of legitimizing public intervention.

Print circulation and digital subscription

With an increasingly online audience and decreases in circulation and readership of the printed newspaper, legacy newspaper organizations have implemented digital subscription on their news websites in order to compensate for vanishing revenue streams. So, while Danish broadcasting news exists within a public service framework and are, for the most part, financed through license fees and prevented from charging their online news audiences, most of the dominant Danish newspapers implemented digital subscription in 2012-13, in effect putting an end to the ‘giveaway’ policy of online news, which audiences had been accustomed to since the first Danish news websites launched in 1995.

When it comes to digital subscription, it is important to remember that one size does not fit all, and different news websites apply different models dependent on their target audiences, positions in the online news market, and general strategies. While basic economic theory has it that news websites carrying unique content (e.g., local or regional coverage, high quality multi-modal features, or investigative or particularly well-written journalism) should be able to monetize their journalistic

production, news websites with a more ‘omnibus’ profile might find it difficult to persuade audiences to pay for what they can get for free elsewhere online (Herbert & Thurman, 2007). So, a number of different models for digital subscription exist, and even though many different constellations and configurations are put into practice, three prominent types have crystallized in the online news market: the hard paywall (where access to any online content requires subscription); the metered model (where a specific number of articles is available within a limited timeframe without subscription); and the premium/freemium model (where some parts of the content requires subscription).

Assessing the Danish press’ experiences with digital subscription, we examine the current status of one of the largest legacy newspaper organizations in the country, namely JP/Politikens Hus, which owns both national broadsheets *Jyllands-Posten* and *Politiken* and tabloid *Ekstra Bladet*. These newspapers are among the Danish news media with the highest readership, both in print and online. Online, *Jyllands-Posten* and *Ekstra Bladet* use the premium model, *Politiken* the metered model. The introduction of digital subscription was feared to influence web traffic and thereby advertising revenue negatively and to encourage users to move to other digital news sources where they would still be able to get their news for free. As is apparent from Table 1, however, such a decline in web traffic did not seem to be the overall trend.

News website	Period	No. of unique users	No. of page views	Ave. page views per user	Ave. time spent per user (h:m:s)	Internet reach
ekstrabladet.dk	Nov. 2012	1,294,088	160,380,402	123.93	02:59:29	28.49%
	Dec.	1,298,928	156,231,466	120.28	03:02:06	28.48%

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	2013					
jyllands-posten.dk	Nov. 2012	580,873	28,403,967	48.90	01:19:23	12.79%
	Dec. 2013	604,779	29,131,219	48.17	01:08:19	13.26%
politiken.dk	Nov. 2012	792,148	43,522,377	54.94	01:16:46	17.44%
	Dec. 2013	1,021,689	32,625,857	31.93	00:42:37	22.40%

Table 1. Web traffic before and after introduction of digital subscription: November 2012 and December 2013. Monthly data for national news websites of *JP/Politikens Hus*, *Ekstra Bladet* (tabloid), *Jyllands-Posten* (broadsheet), and *Politiken* (broadsheet). Source: GemiusAudience.

Comparing monthly web traffic in November 2012 and December 2013, the web edition of *Ekstra Bladet* (ekstrabladet.dk) did not experience any significant change in traffic. Numbers of unique users, time spent on site, and overall reach are roughly the same; only in terms of numbers of page views is a minor drop discernible. The web traffic of *Jyllands-Posten* (jyllands-posten.dk) shows a slight increase in numbers of unique users, but the general pattern is one of stability as regards average numbers of page views, average time spent per user, and overall reach. The website of *Politiken* (politiken.dk) managed to increase the overall number of unique users considerably from November 2012 to December 2013, but on average users spent less time on site and viewed fewer pages compared to the situation before the introduction of online subscription. This reduction is most likely a consequence of the metered model. The stability – and in some cases increase – in web traffic after the introduction of digital subscription may allow for some cautious optimism on the part of legacy newspapers.

Meanwhile, print circulation has continued its gradual decline. From 2012 to 2013, *Jyllands-Posten* dropped 6.4 percent in print circulation (from an average net circulation per issue on weekdays of 89,614 in the second half of 2012, to 83,848 one year later). However, while print circulation is decreasing, an estimated 13,000 readers are digital subscribers, and with a 10.80 GBP¹ monthly

subscription rate, *Jyllands-Posten*'s premium subscription model generates 140,283 GBP per month (112,226 GBP when adjusted for VAT, see below). Just like *Jyllands-Posten*, *Politiken* has also experienced a decrease in circulation; here, the decrease is 5.9 percent (from 94,169 to 88,597) over the same period of time. Online, with a subscription rate of 7.19 GBP and approximately 10,000 digital subscribers, the digital subscription generates monthly revenues of approximately 71,940 GBP (57,552 GBP after VAT). We see the same pattern with *Ekstra Bladet*: here, the decrease in circulation is 13.8 percent (from 58,592 to 50,508), and the digital subscription generates 41,093 GBP per month (32,874 GBP after VAT) with an estimated 13,000 digital subscribers and a monthly subscription rate of 3.16 GBP.ⁱⁱ

This way, with the current subscription rates and numbers of subscribers, the three news websites generate total annual subscription revenues of 3,039,792 GBP (2,431,833, GBP after VAT).

However, when we take into account that *JP/Politikens Hus* is a media corporation with a turnover of 346.08m GBP in 2013, it seems unlikely that the revenues from digital subscription currently substitute for the substantial decreases in print circulation, and so digital subscription is still due to constitute itself as a viable business model for legacy newspaper organizations.ⁱⁱⁱ

The reorientation of press subsidies

Concurrent with the news industry's reorganization towards generating revenues from online audiences, a moderate reorientation has also occurred within the regulatory framework of the press with revised subsidy legislation (LOV nr 1604 af 26/12/2013), effective on 1 January, 2014, to be gradually implemented over three years. Even though the scale and implications of the reorientation

seem limited in the short run, the revision signals a shift in focus for the political system that subsidizes the press. What is new about this piece of legislation is its platform neutrality. Before, press subsidies would only be granted to printed newspapers, and newspapers' individual subsidies would be calculated on the basis of circulation. However, the privileged position of print journalism is now challenged by revisions to the law so that online news can also be subsidized. With the 2014 law, the basis for calculating subsidies is no longer circulation numbers but the number of "journalistic full-time equivalents" employed, and subsidies are no longer limited to newspaper organizations, but are potentially available for anyone conducting journalism. A small part of the total press subsidies (0.65m GBP) is earmarked for online news.

The system of Danish press subsidies consists of both direct and indirect subsidies. The direct subsidies, on the one hand, are the funds transferred directly from the state to news organizations (still within the 'arm-lengths-principle') and amount to 43.99m GBP in 2014 (Kulturministeren, 2013). This total amount of money is equivalent to the direct press subsidies in 2012 (adjusted for inflation), but there are minor changes in the specific allocation of the money. Most important in this context, 1.08m GBP was granted to written, online-only news media. The indirect subsidies, on the other hand, are funds that the news organizations are exempt from paying to the state in VAT exemption. For historical reasons, printed newspapers are exempted from VAT, and in 2011 that indirect subsidy amounted to 106.48m GBP (Styrelsen for Bibliotek og Medier, 2011). However, revenues from digital subscription are not VAT exempt, so news organizations must pay one fifth of what they earn digitally to the state. This way, within the current legislative framework, the increase in digital subscriptions will not counter the structural development of decreasing indirect press subsidies following from decreasing print circulation.

Taken together, the political willingness to subsidize online-only news media, the specific earmarking of an amount of money (although at present this is only 1.5 percent of the total direct press subsidies), and the initial, systemic erosion of indirect press subsidies imply an eventual reconfiguration of the press subsidy system. It is not a reconfiguration that in the short run radically alters or undermines the existing system, but it can be interpreted as heralding a new regulatory orientation where legacy news organizations with a basis in print hold a less central position, and where other journalistic enterprises than the legacy newspapers get a share.

A final word

Legacy newspapers are clearly being challenged by current developments, but it is premature to assess the consequences for the system of news media in Denmark in general and the survival of legacy newspapers in particular. Instead, in conclusion we will point to interesting dynamics that characterize the ways in which newspapers and regulators have reacted in the face of a converging news media environment. Previously, legacy newspapers considered themselves to be private ventures in contrast to the public service media of radio and television. Consequently, the press was rarely spoken of as a publicly subsidized activity, but was rather considered a private media industry endowed with particular business conditions. Due to media convergence and the gradual development of media regulation as a unified regulatory domain, print newspapers' past regulatory privileges have increasingly become difficult to justify, and newspapers have had to develop arguments that are much more concerned with the public value they provide for society. The emergence of the size of the journalistic workforce as an important measure for receiving public funding to replace the old measure of circulation figures reflects the fact that public legitimacy for

public subsidy must be argued in terms of the content (i.e., the public value) that the news media provide to society and not by the size of particular businesses.

Developments also bear witness to the continued political support for the democratic corporatist model of mixed private and public media. The private newspapers, for their part, have increasingly emphasized their publicist objectives in order to legitimize their need for public subsidy at the same time as the political parties have tried to develop subsidy schemes that would both enable digital newcomers to receive funding for journalistic news media and ensure the survival of the major legacy newspapers in Denmark. Current public regulation in Denmark is clearly trying to strike a compromise between the demands of platform neutral regulation, public accountability of subsidy for private enterprises, and a political will to ensure the continuation of a news media system of political parallelism, for example, news media reflecting the spectrum of existing political interests. In a comparative perspective looking at the possible trajectories of legacy news media in various smaller countries in Europe and elsewhere, the challenges may in many respects be similar (e.g. digitalization and commercialization) but the answers are more variable and dependent on national conditions and political cultures. In the Danish democratic corporatist context both newspapers and political regulators tend not only to accommodate to a new and more liberal media environment, but also try to accentuate the public merits of newspapers.

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NOTES

ⁱ All amounts are converted from Danish *kroner* (currency exchange rate: 1 DKK = 0.109 GBP).

ⁱⁱ Sources: The Danish Audit Bureau of Circulation (<http://www.do.dk/>), interviews with media executives, and Paywall Watch (<http://paywallwatch.net/>).

ⁱⁱⁱ As news organizations are often unwilling to share numbers that can be perceived as ‘business secrets’, and as *JP/Politikens Hus* does not constitute an exception in this regard, the exact economic implications of the transition to digital can be difficult to assess.