Economics of Mass Media – New York Times

Joshua Peltz

Franklin University

Economics of Mass Media – New York Times

"Print is dead."

-Egon Spangler, Ghostbuster (played by Harold Ramis)

The New York Times has been a staple of American journalism since its founding in 1851 by Henry Raymond and George Jones.

For most of its history, the New York Times has been part of the print oligopoly, alongside publishing giants like The Wall Street Journal, USA Today, and the Los Angeles Times. From their inceptions, most of these print media outlets gained revenue through sales to consumers of the periodical, both of individual issues, and later by offering subscription services and delivery to a consumer's home each morning. Over time there have been different iterations of this process, such as a lower-cost weekday-only subscription. Many of these companies produced larger weekend issues, particularly on Sunday, which also came bundled with advertisements from local businesses. These Sunday issues commanded a price premium as they were larger and contained news articles on subjects too large for a single volume. These Sunday issues also brought an additional income stream to the publisher in the form of advertising revenue, which, over time, has become as important as the revenue from the consumer. The reach of the New York Times over their 170+ year existence has forged them into a $1.81 Billion per year company (2019 numbers) and, in concert with outside investors, has enabled the New York Times Company to venture into additional outlets of media, including television and internet. Today, New York Times has almost 5.5 million subscribers, with almost 85% of those being 'digital-only' subscribers.

Being one of the most successful, well-known, and trusted news periodicals for over 120 years, the New York Times was a late arrival to the digital age, not pushing hard into other media forms heavily until the mid-1990s, when they made their initial forays into television by purchasing the Popcorn Channel, which was a New York cable television station broadcasting information on new movies, and Palmer Communications, a Midwest media company who owned several news channels in Oklahoma. As more and more consumers shifted to getting their news from the internet, the sales and popularity of the New York Times waned, and the New York Times Company was required to change some of their business model to stay relevant in today's digital world. Today, the New York Times Company has expanded from simply being a newspaper publisher to being a true media conglomerate. Now, there are niche publications covering everything from food to travel under the Times moniker. There are the Times Wine Club and the Times Film Club, as well as TimesTalks and even the School of the New York Times, which educates and mentors those with an eye on journalism as a career. They also own The Athletic, a web-based sports magazine, Wirecutter, an online product-review database, and, curiously, Wordle, the enigmatic word game appearing on so many Facebook posts currently.

The acquisition of all these outlets has enabled the New York Times Company a high degree of vertical integration, which is used by media companies to reduce overall operating costs and to ensure a measure of control and unification of the messages being put out by the outlet. For example, New York Times owns several media companies in Oklahoma, which is notorious for outbreaks of severe weather. If Oklahoma news outlet KFOR-TV gets compelling footage of an outbreak of tornados, New York Times can then pick up that footage without worrying about paying to license it for nationwide broadcast. Moreover, they can turn around and license it to other media outlets who do not own rights to said footage. The Oklahoma-based company benefits as well because first-copy costs, the costs associated with getting a story, from buying cameras and microphones to paying the news-team's salaries, to leasing vans, are prohibitively high. New York Times shoulders a portion of that burden through their licensing of those stories and footage, as well as through the revenue generated by distributed advertising across all their platforms. This vertical integration also has advantage in the digital space of enabling the media outlet's message to be tailored to how an audience prefers to receive their information and reduces the first-copy costs of transitioning a story to multiple media formats. New York Times can take that story on Oklahoma Tornadoes and format it to a full-length news article for print, a television news-story, and a video on their YouTube channel faster and with much less effort than if the story had to be licensed, broadcast, interpreted, uploaded, etc. across all those outlets. This ability to operate as close to real time as possible ensures the continued relevance and credibility of New York Times as consumers are much less apt to subscribe to a media company who doesn't put out timely information. In today's market, information can flow at nearly the speed of light to almost anywhere on the planet.

Not everyone in the world has access to the internet however, and this digital divide has created a set of issues all its own in terms of how information flows. Information is a commodity, and the flow of information has a huge impact on how people see and experience the world. Wars have been started, stopped, won, lost, and continued based on the speed and reach of information. Economic markets rise and fall based on real time information of supply and consumption. It is no longer acceptable in today's world to receive a newspaper days after its release, or in many cases, even hours, because now, as fast as information can flow across the planet, once someone accesses it, that information may already be out of date. These factors have meant that communities with access to the internet have essentially outpaced those who have not.

Moreover, communities and businesses who have proved agile enough to adapt to processing and acting on information rapidly enough are set apart from their competitors. An excellent example of this was how Al Qaeda – Iraq utilized internet cafes to disseminate broad stroke strategy to its terrorist cells across Iraq to provoke a massive outbreak in sectarian violence, destabilizing Iraq and irreparably damaging US interests there. They were able to accomplish this because their decentralized decision-making authority could move faster than the entire technological might of the US military to keep up. Even the most elite Joint Special Operations Command, who can get a battalion of elite Rangers on an objective anywhere in the world in 12 hours was caught flatfooted, and it took a near-heretical set of changes to adjust to the speed of the modern battlefield. Ground commanders had to be given broad authority to conduct operations in the vein of Admiral Horatio Nelson, who gave the captains of ships under his command the advice ‘no captain can do very wrong who puts his ship alongside that of the enemy’, meaning that ground Commanders be given the latitude to make decisions independent of their chain of command. This same process of agile performers outpacing large corporations is seen throughout the business world as well, and it is squarely based in those smaller entities having the agility to maneuver into a market segment before many larger corporations can bring their assets to bear. The vertical integration utilized by media conglomerates allows those conglomerates to be successful because of how those small subsidy companies can work and generate news independently, and then feed those stories through the network for broadcast across the globe.

References

University of Minnesota Libraries Publishing. (2016). *Understanding media and culture: An introduction to mass communication*.

Doyle, Gillian. *Understanding Media Economics* (Thousand Oaks, CA: Sage, 2002).

Shapiro, Carl. and Hal R. Varian, *Information Rules: A Strategic Guide to the Network Economy* (Cambridge, MA: Harvard Business School Press, 1998).

Tarik Sabry. (2017). Selling the ‘Authentic Past’: The New York Times and the Branding of History. *Westminster Papers in Communication and Culture*, *4*(4). https://doi-org.links.franklin.edu/10.16997/wpcc.109