

Signs of local life

A new phase for local media

- Traditional local media are seen by an impressive 40 million people a month, a popularity we normally associate with tech platforms, albeit consumer spend, time spent and advertising yield are low, but growing
- Encouraging market innovations are sending a strong signal and building industry confidence. New foundations for consumer relevance and growth are being meticulously crafted
- A sustainable future will require publisher collaboration and a support framework from government, technology gatekeepers, investors and the public itself to accelerate momentum—with a prize not just for financial stakeholders but for citizens and the functioning of democracy

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Local media has experienced the most complex and comprehensive technological disruption of all media markets.

No other channel has been so systematically unbundled from its historical, lucrative offline proposition—and no other media disruption created a more rapid or transformational revenue decline. In less than 20 years nearly £2 billion of local and regional print classified advertising disappeared. Market activity in those categories was resurrected, reconfigured and enhanced on specialist and generalist online services (Rightmove, Autotrader, Google). Print circulations have fallen by more than half in the last decade. Cover price increases have largely offset the volume collapse, but cannot do so indefinitely. Meanwhile, the online services of local publishers are often immensely and impressively popular, but time spent there is growing from a small base, with consumer use-cases having spun off in various directions—to Meta (Facebook, WhatsApp), Nextdoor, Rightmove, The Athletic, Wordle, Google—and so on. If one framework has punished traditional local news media, it is that online rewards specialists: services that do one thing brilliantly. Smartphones in particular have upended consumer habits. The unique distribution channel of print, and the general yet varied content bundle it delivered, need to be kept alive as long as possible. This report is a snapshot and health-check on local media in the UK. Its message is positive, drawing on inspiring innovations and ambitions from both traditional and digital native publishers. It considers how the industry, government, technology gatekeepers, investors and the public itself will all help to reinvent the single most important media in any well-functioning democracy.

Executive summary

This report takes a deeper dive into the opportunities for local media provision in the UK, while acknowledging the many challenges and pitfalls. It defines local media as community media (in various guises and scales), and explains the importance of local media for democracy. The risks associated with local media decline are not merely financial.

The report highlights some encouraging innovations from traditional publishers and online native businesses, as well as partnerships with tech giants. There is much to be hopeful about. New foundations for consumer relevance and growth are being meticulously crafted. The sheer scale of local media audiences is impressive: most UK adults see local news content each month. Reach's local estate alone reaches 39 million. Deeper engagement has been more of a challenge, at least for some publishers, but is key to the transformational opportunity for the industry that this report purports. The social media age was unhelpful for local news media, but some of those consumption trends have stalled or are reversing—social media fragmentation is helpful for local media. The trust gap between some social platforms and local media could hardly be greater.

The humble newsletter—so critical to how the *New York Times* kick-started its extraordinary turnaround—is capturing publishers' imagination and their audiences' attention. Registrations and consumer data are no longer seen as friction to audience scale, but rather a crucial data threshold to mobilise product innovation, diversify audience experiences and create quality, higher-yield advertising opportunities. The shift from anonymous to known audiences, so easily articulated on PowerPoints and in meetings over the last 10 years, is now starting to codify the profound journalistic, cultural and business changes necessary to transform local media from its manufacturing past (with functional silos) to its digital service era (underpinned by a rhythm of deep, trusted functional collaboration).

This report considers the next 3-5 years to be a critical period for local media, as industrial print provision enters its final phase (print will continue indefinitely, but at a lower scale), during which businesses have to transform themselves into sustainable digital media. Many traditional businesses remain highly reliant on print for their profitability. High-profile Large Language Models (LLMs) bring a nerve-racking balance of risks and rewards for local media, a future that publishers have ideas for, but limited investment capacity. Policy outcomes for local media providers from the Digital Markets Unit (DMU)—the digital markets policy regime housed within the Competition and Markets Authority (CMA)—are as yet unknown but will be confirmed within a few short years.

In other words, the scale and nature of sustainability for local media will largely be settled during this relatively brief medium-term future. Therefore, it feels critical for government to step-up support for the industry. The size of the long-term prize is enormous, but market incentives remain stubbornly poor, and the ideal scale of investment is onerous compared to near-term benefits. The downside scenario is not difficult to envisage: that local media are systematically under-rated in the new digital markets regime; that online advertising revenues plateau; that LLMs cause more havoc for local media—perhaps crashing traffic—outweighing the gains hoped for; that the final phase of industrial print does not hold out long enough for local media to land a sustainable digital model; that investment in the longer-term future falls short of requirements.

Measuring the impact of BBC activities on the local market is notoriously difficult, but we consider it uncontroversial to observe the objectives and challenges of local commercial media bump up against—rather than perfectly complement—the BBC's mission and public purposes. Ideally, local media and the BBC would work closely together, at a much more granular planning level, to design and reinforce complementarity. The BBC could do even more to promote and link to independent and commercial local media services. Sustainability of local independent, commercial media should be a recognised aim and preferred outcome within the BBC, rather than a condition they respond to.

This report concludes by focusing on some firm recommendations for government. The Cairncross Review, from 2018, provides a foundation for support that is still relevant—and too-little implemented—today. In the medium term, stakeholders from across the business community, investors, local and regional institutions, technology firms, public policy designers and even the public itself all need to be encouraged to lean into—play a role in—supporting the efficiency, effectiveness, impact and commercial independence of local media. In this scenario, we are all winners.

Jeopardy, hopeful signs and a call to arms

The challenges thrown at the providers of local media by technological disruption are well understood, yet their effects continue to be underrated. This report will briefly summarise them, and the dangers they create. However, the report will also go on to highlight inspiring innovations to illustrate the industry opportunities that are belatedly coming into focus. Local media do unique things for society and local marketplaces. It is crucial the government installs the right support framework. But it is also crucial the industry constantly and convincingly reminds government, and the public, of the benefits those unique services secure—and, by inference, the far-reaching threats of inadvertently eschewing them.

To put it another way, it is not merely shareholder, stakeholder and proprietor pain that is at stake with a retreat in independent, commercial local media. It is society. Consumer survey methodologies vary but their findings on local media have a persuasive consistency: they are trusted by four-fifths of UK adults,¹ almost as trusted as the BBC, and roughly on a par with the *Financial Times*.² Local media are trusted much more than social media and digital platforms.³ During the COVID pandemic, the critical role of trusted, local news provision came to the fore: local news readership grew by almost a fifth in 2021.⁴ The US had similar findings.⁵ In plain English: a decline in local media is a risk to democracy itself. With the absence of local news provision, political participation is weakened: the presence of a local newspaper drives up local election voting by 1.3%.⁶ Again, US studies report directionally the same findings.⁷ *Washington Post* media columnist Margaret Sullivan has written an entire book on the topic, *Ghosting the News*.⁸

We are at a pivotal moment. All is not lost. Recent innovations by local media companies—both traditional publishers and digital native businesses—are encouraging. An industry that saw a net loss of more than 270 titles between 2005 and 2022⁹ is starting to see what sustainability could look like in the online era. There is no silver bullet for success, but as our case studies will illustrate, there are clear themes.

1. The relationships between audience, local journalism and the media product suite are being fundamentally re-appraised by the most innovative businesses. These transformation efforts bode well for the emergence of an audience economy (and they also reinforce a yield approach to advertising). Recent signals are promising: local media companies have undergone profound business transformation, asked delicate questions about journalism and created impressive new consumer interfaces

¹ News Media UK, [JICREG Trust Local: 40 Million People Read Local News Media Every Month](#), 19 January 2023.

² Press Gazette, [Five-year decline in UK news media trust sees BBC, Times and Telegraph have biggest drops](#), 30 September 2022.

³ Reuters Institute, [The trust gap: how and why news on digital platforms is viewed more sceptically versus news in general](#), 22 September 2022.

⁴ ISBA, [Surge in audiences for local media presents opportunity for brands](#), 23 November 2021.

⁵ Pew Research Center, [Local news is playing an important role for Americans during COVID-19](#), 2 July 2020.

⁶ Plum Consulting, [Research into recent dynamics of the press sector in the UK and globally](#), 20 May 2020.

⁷ Rubado, M., Jennings, J., [Political Consequences of the Endangered Local Watchdog: Newspaper Decline and Mayoral Elections in the United States](#), 3 April 2019.

⁸ Sullivan, M., [Ghosting the News: Local Journalism and the Crisis of American Democracy](#), 27 August 2020.

⁹ Press Gazette, [UK local newspaper closures: Launches in digital and print balance out decline](#), 26 July 2022.

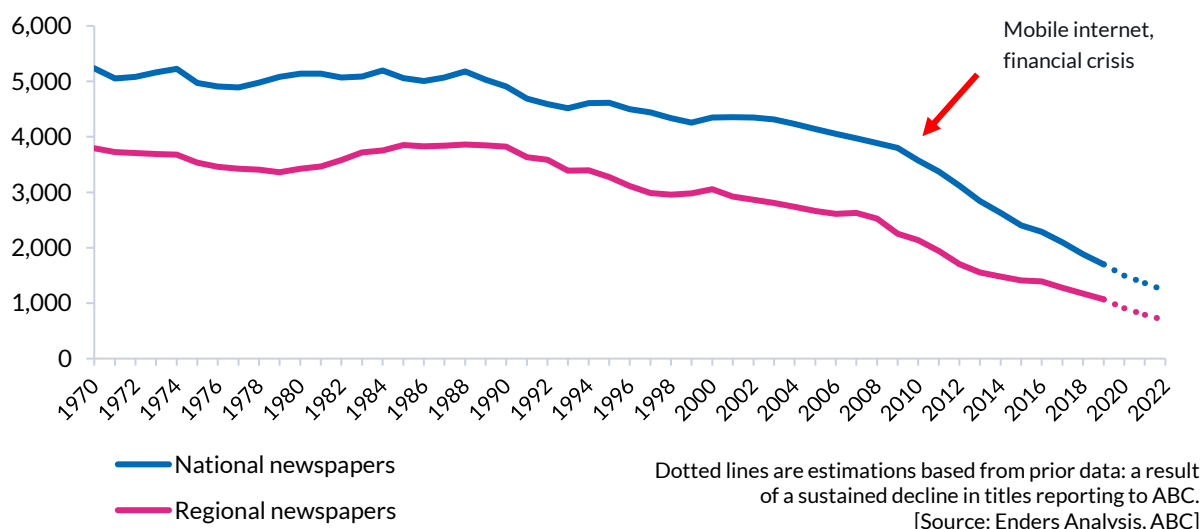
2. Local media online advertising has to offer a self-service layer that addresses real-world marketing challenges. Too often local media offer “eyeballs” for inventory, and provide limited evidence of success against too narrow a set of objectives. In sum, online advertising needs to provide targeting and effectiveness: a move from volume to yield. Collaboration here could deliver a sizeable prize

There is much to be positive about. However, these innovations alone will not guarantee sustainability for local media provision up and down the country. That is the umbrella challenge for local media: universal provision, with some semblance of consistency and standards. Maintaining vigorous, independent businesses that cover the entire nation is the right objective. To secure this, more will need to happen. This report highlights a multi-disciplinary collaborative effort, a focus on long-term outcomes, and the incentives that deliver them. The prize for proprietors and stakeholders is sustainable local media and a sound investment thesis. The prize for government—and for every citizen—is greater still.

Local media and the perfect storm

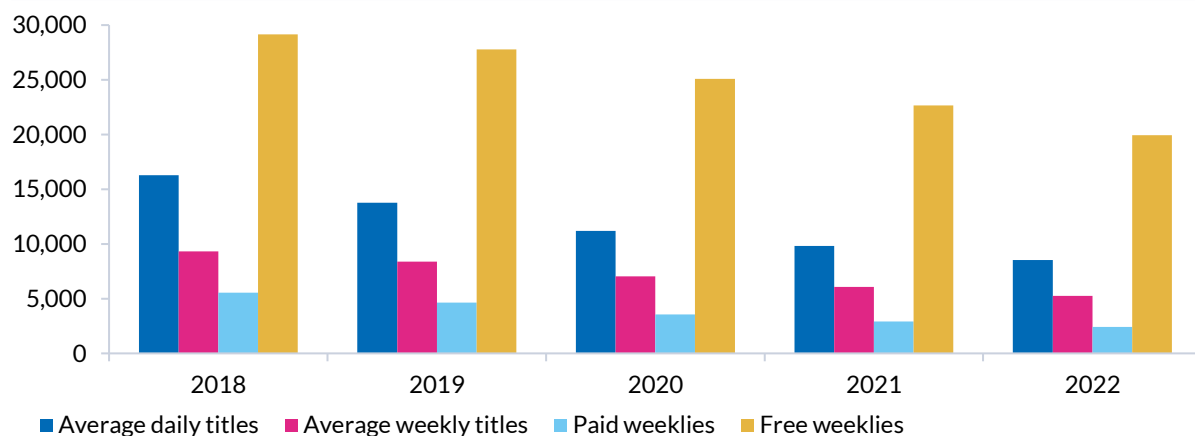
We start, though, with a brief picture of the perfect storm engulfing the industry. Print remains the bedrock of local news publishers' revenues and profitability, but circulation has trended downwards as internet consumption has grown, with mobile consumption materially accelerating that trend (see Figure 1). Long-held competitive advantages at certain times of day—commutes, coffee breaks—were brutally superseded. Local newspaper circulation has more than halved over the last decade, roughly in line with other print media. With smaller audiences, print advertising revenue has also fallen. The 2008-9 financial crisis massively damaged key local press advertising categories such as homes and property, and because the crisis broadly coincided with the mass-market adoption of the smartphone, such advertising was destined never to return.

Figure 1: UK circulation per annum (m)



Looking more deeply at regional circulation, weekly titles have declined faster than dailies—19% per annum versus 15% per annum—over the past five years. The free weeklies, with their greater reliance on advertising, but far lower journalism cost base, have been kept alive, falling at about 9% per annum. But the absolute numbers also matter: average reported daily titles are now under 10,000 copies, and the equivalent weekly average has fallen below 2,500. The unit costs of supply are becoming intolerable. In our view, the risk of a massive weekly newspaper market exodus in the next three years keeps growing, and it is certain many more titles will close—become online-only—in the next decade than the previous.

Figure 2: UK regional newspapers' daily and weekly average circulation per issue

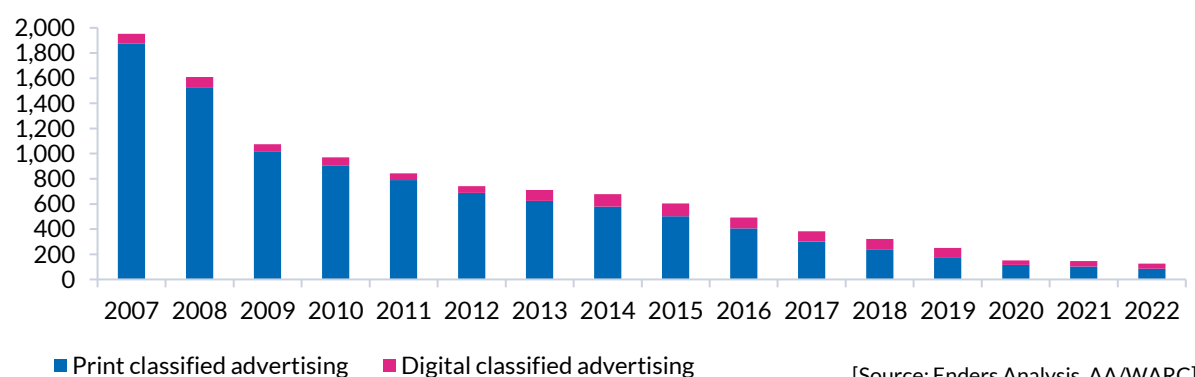


[Source: Enders Analysis, ABC]

Print volume decline can be offset by cover price increases: publishers have always had an instrument to limit revenue decline, sustain or even grow the contribution from readers—even as demand for their product retreats. Market-wide analysis of cover prices is notoriously challenging, but many publishers have indicated to us that pricing is becoming more of a high-wire act. As volume declines accelerate, and price increases, the already an artful balance of frequency and scale of increase becomes more important. Elasticity of demand—the degree to which price increases impact or are irrelevant to the volume of sales—is coming under severe pressure. A cost-of-living crisis of massive food inflation and disproportionate energy bills accentuates the problems. Paper prices in 2021, 2022 and into this year also exploded as a result of both energy price hikes (due to the war in Ukraine) and reduced paper mill supply (these costs should soften again this year). Certainly, publishers are putting their foot on the pedal: price increases of more than 90% over a five-year period can be seen at titles including the *Liverpool Echo*, *Birmingham Mail*, *Newcastle Chronicle*, and *Cambridge News*, and increases of 50% over that period are commonplace (though far from universal).

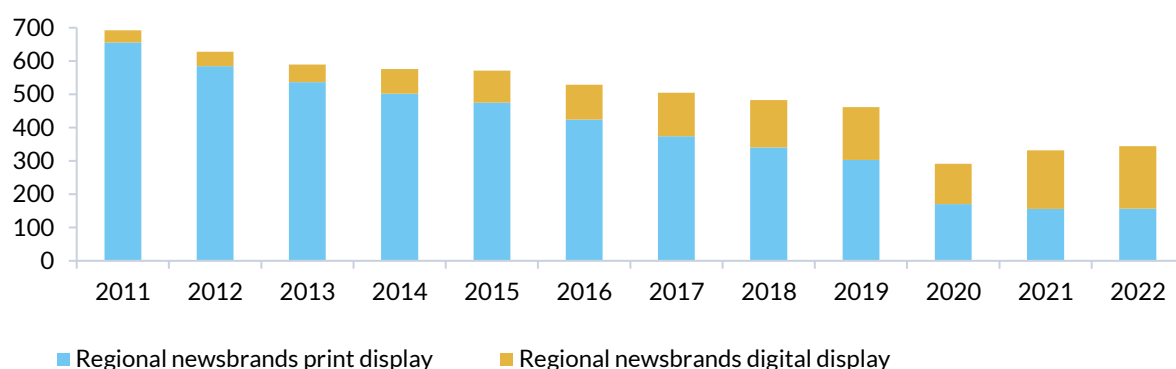
The reason we fear an exodus of weekly newspapers in the coming years is online versions cannot easily achieve offline visibility, nor the specific benefits, such as lucrative print advertising, of physical editions. Print advertising, meanwhile, has declined much more than circulation over the last 20 years, though has also steadied a little in more recent years. Since 2004, classifieds have fallen 96% from £2.1bn to less than £100m. Even a decade ago they were nearly £700m. The fall in display advertising, a mixture of corporate advertisers—such as supermarket chains—and local Small and Medium Enterprises (SMEs), has been marginally less severe, declining 73% in the last decade to £157m.

Figure 3: UK regional newspaper classified advertising (£m)



[Source: Enders Analysis, AA/WARC]

Figure 4: UK Regional newspaper display advertising (£m)



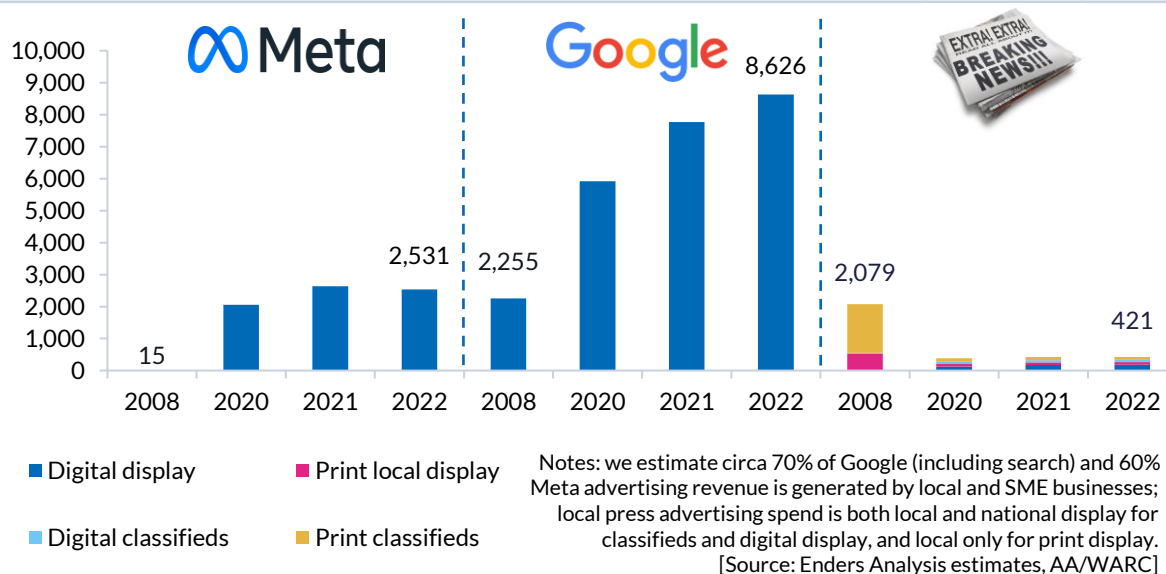
[Source: Enders Analysis, AA/WARC]

All this inevitably raises a question: how much of this revenue decline is being offset by digital growth? Taking a 20-year perspective, the tough answer is: not much. For two reasons. First, publishers have done very little to transition habitual paying print readers—or the next generation—into habitual paying digital audiences. Second, local media have lost the war on digital classifieds.

In 2022, the local media industry generated £42 million of digital classified advertising, about half the amount it generated in print (where categories such as Births, Deaths and Marriages remain important and print-centred). That online revenue line can grow again: it peaked at about £100 million in the middle of the last decade and should recover from the recent pandemic collapse. But there are battles and then there is the war: the classified war was won by specialist search engines with industry (that is, B2B) subscribers—Rightmove, Autotrader and the recruitment job boards (with Indeed becoming the aggregator of the jobs boards).

Additionally, Google Search swept up direct response advertising beyond those industry clusters, and in a way that local media could never easily replicate. It also grew the SME advertising market beyond local media's imagination. Meta (Facebook) built an equivalent SME tool for social media. By our estimates, SME expenditure with these two companies alone was in the region of £11 billion in 2022. That is five times what the entire local media sector achieved at its peak, having steadily built up trusted marketplaces over many decades. Many smaller advertisers that would never have used print media—with their expensive entry price and reluctance to provide success commitments—were encouraged to spend with Google Search and Facebook.

Figure 5: SME advertising spend on Meta, Google and UK local press (£m)

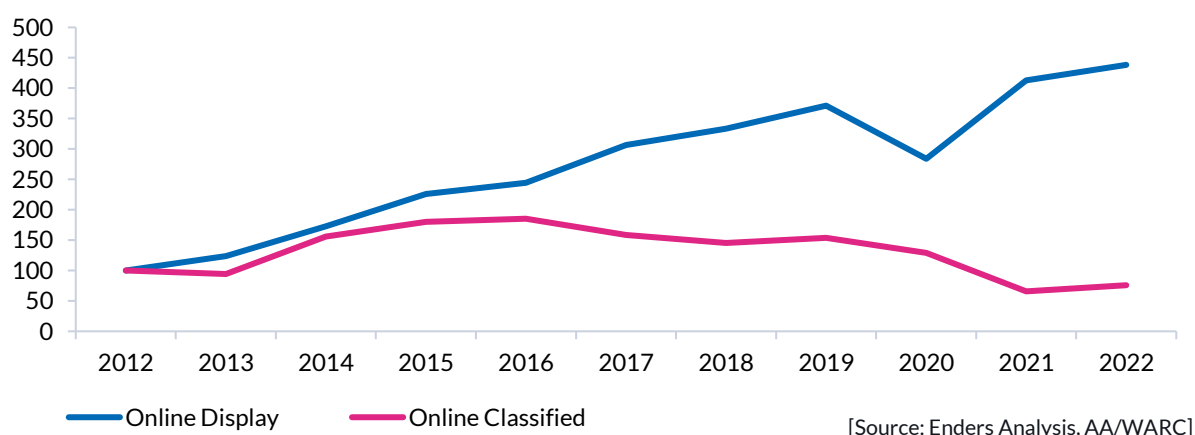


This report returns to this theme later, but critical to their success, Google and Meta (Facebook) provide easy-to-use, self-serve and precise targeting tools, and their services' focus on marketing outcomes, not just advertising placement. Google knows when someone wants a plumber, or wishes to check if the pizza restaurant is open, somewhat more immediately than a local newspaper does. Meta can show an advert to female users in a specified age band, with a birthday in the next week, and who live within a five-mile radius of a town. Local media are some way from providing such targeting precision.

The third issue is two types of unbundling: the unbundling of consumption of local media (every article and every social media post is experienced in isolation; the serendipity of a local newspapers has been replaced by that of Instagram, YouTube, TikTok, and Google) and the unbundling of advertising from content (the loss of elegant, integrated print layouts to promote advertising alongside articles).

This is one reason why online display advertising has not nearly offset the decline in print display advertising over the last 20 years, although things have changed more recently. Digital display was larger than print display for the first time in 2021, signalling an industry turning-point for its display offering overall, and one of the industry opportunities highlighted later in this report.

Figure 6: Online growth of UK regional news brands advertising spend (2012=100)



The CMA's 2020 study of digital advertising identified anti-competitive practices it will seek to address.¹⁰ As importantly, it is encouraging that all of these print-to-digital issues are being directly addressed by the most impressive innovations in the marketplace. However, before looking to those innovations, this report now turns to an additional element of the perfect storm engulfing local media.

Print supply challenges have cooled since 2021, but remain acute

Challenges to the print supply chain pose a medium-term existential threat to the whole news publishing industry, and publishers that acquire paper and print for the industry—notably, but not exclusively, DMG Media, News UK, and Reach—have been particularly, or were at least earlier, exposed (see [New perfect storm for print news: Newsprint and energy inflation \[2021-105\]](#)).

Figure 7: Domestic mill news and pams prices, indexed to 2015 (2015 = 1)



Average of high and low price listed.
[Source: Letsrecycle.com, Enders Analysis]

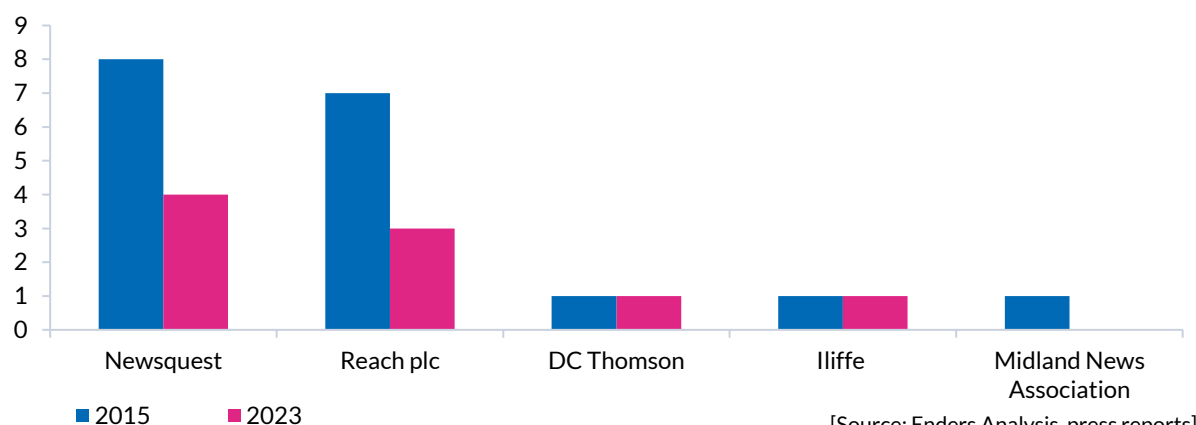
While input inflation was at its worst in mid-2022, paper prices are still 50% higher relative to our 2015 baseline. The immediate challenges threaten to continue to erode margins:

- **Dropping demand for newsprint** has meant a shift for manufacturers to cater to unpredictable fluctuations in ecommerce packaging demands. The investment case for newsprint has inevitably dwindled, and buyers have lost leverage
- Although lower than 2022 highs, **wholesale energy costs remain substantively higher** than they did before Russia's invasion of Ukraine
- Hangovers from pandemic-related supply chain issues, as well as continuing Brexit bottlenecks, have raised the **costs of raw materials** that create the print product. Data released by the BCF in September 2022 showed that the cost of raw materials was 23% higher than at the same point in 2021. Furthermore, lasting behavioural shifts such as sustained levels of homeworking have led to less paper use, and therefore lowered the amount of recycled paper that can be used for the core product

As a result, printing sites have gone through a phase of consolidation of printing, which has considerably accelerated in recent years (see Figure 8).

¹⁰ CMA Market Study [Report](#), Online platforms and digital advertising, July 2020.

Figure 8: Comparison of print sites 2015-2023



[Source: Enders Analysis, press reports]

In addition, print distribution is a further headache, as it is for the entire print sector of newspapers and magazines. After the 2009 administration of Dawson News, Smiths News and Menzies Distribution are the two final wholesale distributors standing—now operating as effective monopolies (geographies discretely carved out for each operator, with circa 25,000 retailers each), and, although both publicly reaffirm their commitment to newsprint distribution for the long term, the relationship between retailers and distributors is complex. Recent increases in carriage charges coupled with sustained consolidation have resulted in a perceived decline in service and a broader sense of dissatisfaction amongst retailers.¹¹ The net effect is simple: the unit costs for supplying print products into the market have risen, and the reasons for those cost increases look unlikely to change, or change dramatically, in the foreseeable future.

Publisher performance

No one in the industry would deny all this decline has driven investment sentiment away from the sector, and consequently depressed the value of local and regional media. There are few public businesses in local media today. Reach is one, and trades with a P/E ratio of around 4, while the classified giants—Rightmove and Autotrader—trade at around 20. Reach and National World (formerly JPI Media and Johnston Press) share prices have fallen a long way (see Figure 9). JPI Media (then, Johnston Press) had a market cap of £1.4 billion in mid-2005,¹² but was taken over by its creditors for £180.9 million in 2018, before the rump of the business was sold to National World Plc for just £10.2 million in early 2021 (see: [Montgomery shakes news market again: JPI, third largest local media, bought by National World \[2021-001\]](#)).

¹¹ Better Retailing, [Retailer complaints against Menzies and Smiths News rise to more than 7,000 per year](#), 9 March 2023.

¹² Investor's Chronicle, [Johnston Press](#), 8 September 2005.

Figure 9: Johnston Press and Trinity Mirror share price 1990-2023 (£)



[Source: Yahoo Finance, Enders Analysis]

Yet local media remain strong cash businesses, and many have strong margins (see Figure 10). Not every company in the media or other consumer sectors post 20% operating margins: arguably, the financial performance of local media was an outlier for 20 years, but has returned to industry norms. The fear, though, is the sector looks increasingly exposed, more so than other media categories. Reliance on print cannot continue indefinitely. There are two other fears that are uncomfortable but need to be aired. First, the online services of traditional local media publishers are not the best experience for consumers and, second, the breadth and depth of serious, public-interest journalism (in whatever format) may have retreated from the industry peak, when there was more investment in journalism.¹³

Figure 10: Financial snapshot of local and regional newspaper groups, based on the latest reported results

Company	Revenues (£m)	Operating Profit* (£m)	Operating Profit (%)
Reach Plc [^]	615.8	146.1	23.7%
Newsquest	142.0	29.9	21.1%
National World/JPI	86	9.0	10.5%
Iliffe Media Group	16.7	(1.1)	(6.6%)

Iliffe Media Group results as of 31 March 2022, and “reflect ongoing investment into new systems”.

National World, Newsquest and Reach plc results as of calendar 2021.

*Operating profit is stated excluding exceptional items.

[^]Reach plc generates significant revenues from non-local news media, which are not separable at an operating profit level (or even at a top line level, as Reach has not supplied a local media revenue figure since 2012).

[Source: Enders Analysis, company reports]

¹³ DCMS, [Sustainability of local journalism](#), 25 January 2023.

We reference these themes for two overlapping reasons. The first is because they matter for the sustainability of the local media sector, and for the benefits uniquely provided by the sector. The second is traditional local media publishers will need to be realistic about the nature and scale of the prize. The prize will be shaped by the future, not the industry's illustrious past. No amount of innovation or market intervention is going to bring £2bn of classified advertising into local media. But this report will go on to show that a prize is starting to come into focus, as are the means of achieving it. Suffice to say this report argues a measure of success will be commercial local media attracting meaningful, hard-nosed, growth investment again. We now turn to the question of definition, asking: what exactly is local media?

What is local media?

We consider this question from three parameters:

1. **Kinds of company.** Local media comes in many guises, large and small, generalist and specialist, public and private. Companies can be large corporate estates or the proverbial 'start-up in the garage'. Some might focus more on listings or marketplaces than news, and many will not pretend to offer comprehensive news and information coverage. However, they will all focus on a community or communities within a specified geography (and geographies can be hyper-local, rural, suburban, urban, regional). There will also be a massive range of incentives and objectives: one business might focus on short-term revenues and margins, another on journalism while keeping-the-show-on-the-road financially, while another might focus on longer-term sustainability. Some will be owner-operated, others will have shareholders with clear objectives and an investment timeframe
2. **Remit and use-cases.** Local media, as with any business model, is defined by the firm choices of "what" and "what not". Those categories change as the world—and therefore consumer (and advertiser) options—changes. But, loosely speaking, the use-cases continue to be a mixture of: "need to know" information; traditional news coverage, such as crimes and court reporting, accidents, local council decision-making and behaviour, welfare, sport, businesses and institutions; joyful local colour that celebrates and reinforces local communities; information and listings; local celebrities; and marketplace advertising. Publishers need to decide if their ability to cover these themes are enhanced or reduced by being online, or whether alternative, superior options have come into the market. In other words, "what not" is a harder but more important question than "what". Additionally, there is the product: the consumer experience. Consumer expectations are always changing, increasingly determined by the usability excellence of tech platforms. Finally, unlike the advertising in national news media, which is leveraged by sheer reach and premium context, local advertising is commercially relevant to audiences. To put it another way, advertising is more emphatically an integral part of the content and experience of local media than it is in national media. In local media advertising shares with specialist media a relevance and purpose that TV or national press mass market media only sometimes achieve. Nevertheless, as with consumers, advertiser expectations have also changed dramatically in recent years, determined by the great utility and effectiveness measurement dashboards of tech platforms
3. **Raison d'être.** In one word: community (or communities). Local news, information and entertainment provision are prioritised by their relevance to communities. Again, the "what not" and "what" questions apply; but also it is here that the expression "use-case" comes into focus. What does a community need from each type of content, service or experience, and therefore what is the optimal timing, format, content duration; what degree of audience interaction, what balance of news and background, what tone is right, what goal or purpose, what outcome is being sought? It seems unlikely in the mobile age the optimal communication

technique for most information would be a 400 or 900-word article, even if a printed edition requires such an output

Industries and companies that do not redefine themselves through enormously disruptive shifts in consumption and supply will always be at greater risk than those that embrace, and judiciously build onto, waves of change. In the early 2000s Nokia was doing little wrong, and seemed to understand the future of the mobile phone product market it dominated. But its inability to design forward rather than protect past triumphs is a salutary case study.¹⁴ Local media needs to return to its first principles, consider how technology has changed those principles, and reason how best to deliver in the future.

The sector's strengths are fundamental: local journalism is a separate place from the rest of the internet. Professional journalists originate content and their publishers are accountable for it—and will have lawyers defend it if need be. The origination and production of content are defined by standards: an editors' code.¹⁵ Errors are corrected in public. Journalists' salaries are not directly linked to the revenues generated by audiences or advertisers. Journalistic values and governance are different from social media content and non-journalism content. Local media is also highly precious: it operates at very low levels of plurality, and often without plurality at all.

At one time all of these distinctions were obvious because they were visible in the physical world: print was plain different from other content and consumption. Online, these distinctions evaporate. The public itself inadvertently blurs boundaries when articulating digital experiences as against offline consumption. When survey respondents are asked by Ofcom where they get their news, they frequently answer "Facebook" or "TikTok", but no one would ever dream of answering "WH Smith". The public are right: WH Smith is not a news publisher, it does not originate news content. But they are also wrong: neither Facebook nor TikTok are news publishers, they do not originate news content. These companies are all distributors.¹⁶

The local media industry (along with their peers in national news and magazines) needs to shout these distinctions from the rooftops: journalism is a different offering with different values. The importance of this distinction will grow in the AI age: the internet will proliferate ever more quickly with false and fake content. Provenance will increasingly matter to the public. Trust will be a battleground. Verification will be highly valued. Local media should not make assumptions about the public or government fully understanding the role of trusted media when it matters most. Recent advertising by Which?¹⁷ and BBC News¹⁸ are fine case studies eloquently expressing these points.

Investment—in whatever form—is the biggest risk to the local media sector. Most commentary has focused on the lack of revenue coming into local media, and clearly revenue decline is a serious issue. But as Figure 10 above demonstrates it is not a revenue *absence* that defines local media's challenges. It is investment during a phase of revenue decline and structural transformation. This issue has a number of downstream effects, such as the difficulty the sector has attracting top-class talent in technology, product design, business development, management¹⁹—and even journalists.²⁰ These issues in turn make it harder to transform businesses and for leaders to confidently attract new investment.

Further, because local media has non-commercial benefits as a public good²¹, the investment question is more complicated. Does government directly intervene and invest? That is evidently impossible for a

¹⁴ Siilasmaa, R. [Transforming NOKIA: The Power of Paranoid Optimism to Lead Through Colossal Change](#), 16 November 2018.

¹⁵ Editors' code of practice committee, [The Code](#), 1 January 2021.

¹⁶ Ofcom, [News Consumption in the UK 2022](#), 21 July 2022.

¹⁷ Campaign, [Which? "Fake reviews" by Grey London](#), 26 October 2018.

¹⁸ Campaign, [BBC brings editorial guidelines to life to show impartial reporting](#), 26 September 2022.

¹⁹ Digiday, [Transparency and talent remain top challenges for media buyers and other marketers](#), 9 March 2023.

²⁰ Reuters Institute, [Are Journalists Today's Coal Miners?](#), 15 July 2019.

²¹ Investopedia, [What Are Public Goods? Definition, How They Work, and Example](#), 20 March 2022.

media that holds politicians and other powerful people to account and prides itself on economic and political independence. But government can indirectly intervene, and provide an investment and sustainability framework for local media to go on and thrive commercially and independently once transformation has been more widely understood and adopted.

Investment in local media is an investment in community and democracy

How important local news media are to the community they serve is key to their influence and commercial success. But in a broader international context, UK local media starts in a weak place: people here are less attached to their community than in some other countries. The reasons for this will vary from place-to-place, and a low average does not capture the scale of local differences. But a weak starting place is also a strong opportunity: local media's transformation in the UK can focus not just on reflecting community strengths, but literally on setting them, creating a new sense of them, building them—living and being them every day.²² The extent to which local news can strengthen attachment was particularly evident during the COVID pandemic where trust was particularly significant—a key advantage of local news.²³

The counterfactual is ugly for government and for all of us. Decline of local media reinforces the hollowing-out of community, the fracture of society's connecting tissue and a deterioration in the relationship between people and governance. Local authorities held to account through amateur monitoring are less effective than when trained, professional local journalism is involved. Well-known local journalists, very much a part of the local community rather than outside it, reduce local council malpractice by just existing.²⁴

Even formats play a role. There are multiple reasons why local news publishers must maintain print products for as long as they reasonably can: profitability; visibility of the brand (marketing for the journalism and digital products); but also because they play such a disproportionate role in the lives of older demographics. Newspapers are considered the main source of news for 32% of those aged 35+, but just 13% for those aged 16-34.²⁵ Of the over 35s, a significant proportion of loyal print readers are over the age of 70, preferring a print product over consumption online.

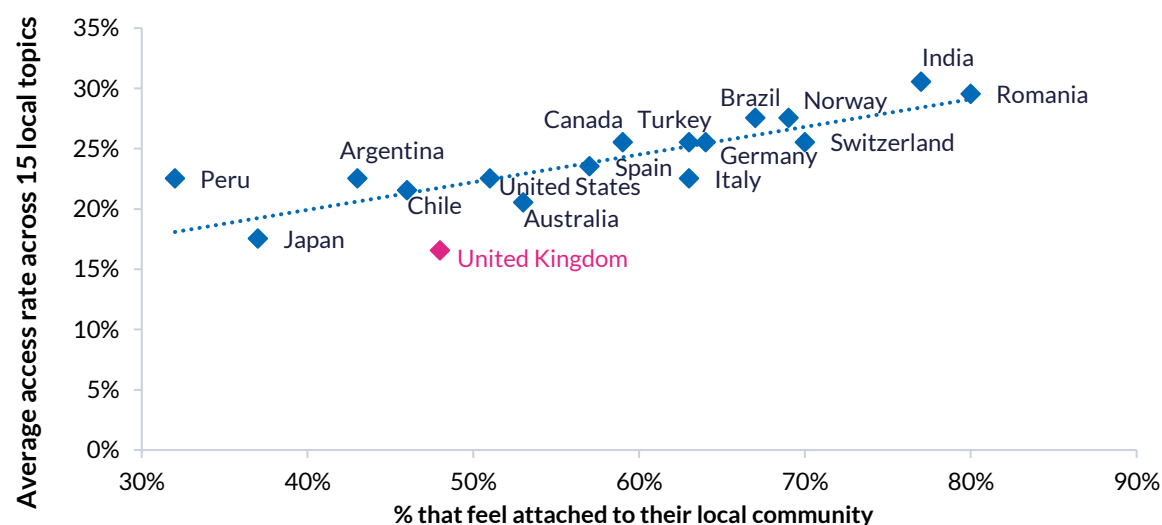
²² One of the authors of this report has seen this in action, with the energetic launches of the Dulwich Diverter, Camberwell Clarion and Peckham Peculiar local magazine/newspapers in South East London. These titles are not “hard news” newspapers but they reflect and reinforce communities at a time of substantial change in their postcodes. Their visibility—freely available in local shops, bars and cafés—means the titles and their content are constantly being referenced in conversations.

²³ The Conversation, [Coronavirus: people turn to their local news sites in record numbers during pandemic](#), 8 December 2020.

²⁴ Governing, [When No News Isn't Good News: What the Decline of Newspapers Means for Government](#), 23 April 2019.

²⁵ Ofcom, [News Consumption in the UK 2022](#), 21 July 2022.

Figure 11: Market-level community attachment by market-level average access rate across 15 local topics



[Source: Reuters Digital News Report 2021, Enders Analysis]

For these readers, in particular, local newspapers provide a critical community lifeline. The local newspaper helps with their loneliness: half of them live alone.²⁶ Community is expressed well in the print format because people find things there that they were not actively looking for in a unique way not replicated online. Print's use-case is browsing, the benefits of content and advertising serendipity that arise from layout and the narrative arc of flicking through a newspaper: readers can feel they have been involved in a community discussion. At the same time, print products are not stressful: they cannot be interrupted (by alerts) and they are not an endless scroll. Print products have a front page and an end.

We do not believe local news media will disappear: when print end, digital continues. But sustaining local print newspapers for as long as at all possible would be reason alone for the government to explore intervention. It is a different use-case, for different demographics, in different circumstances.

Local media innovation

What publishers are wrestling with

Before we look at good innovations in online local media, it is worth stepping back to ask: what are local media innovations trying to overcome? In one sense it is obvious: revenue and profitability decline. But how does local media reverse those trends? Through discussions with a wide variety of publishers in the UK and Europe, a few common themes have emerged as the principal blockers to success.

1. **Consumer attention and frequency is too low compared to other types of online content service** (though is growing, as evidenced by many companies in this report)
2. **Consumers are not coming to local media directly.** Proportionately too much local media activity is a by-product of another activity
3. **Being the indispensable source of truth is much harder** is more important in the online era, with proliferating misinformation, but distinctive professional local journalism can feel drowned out

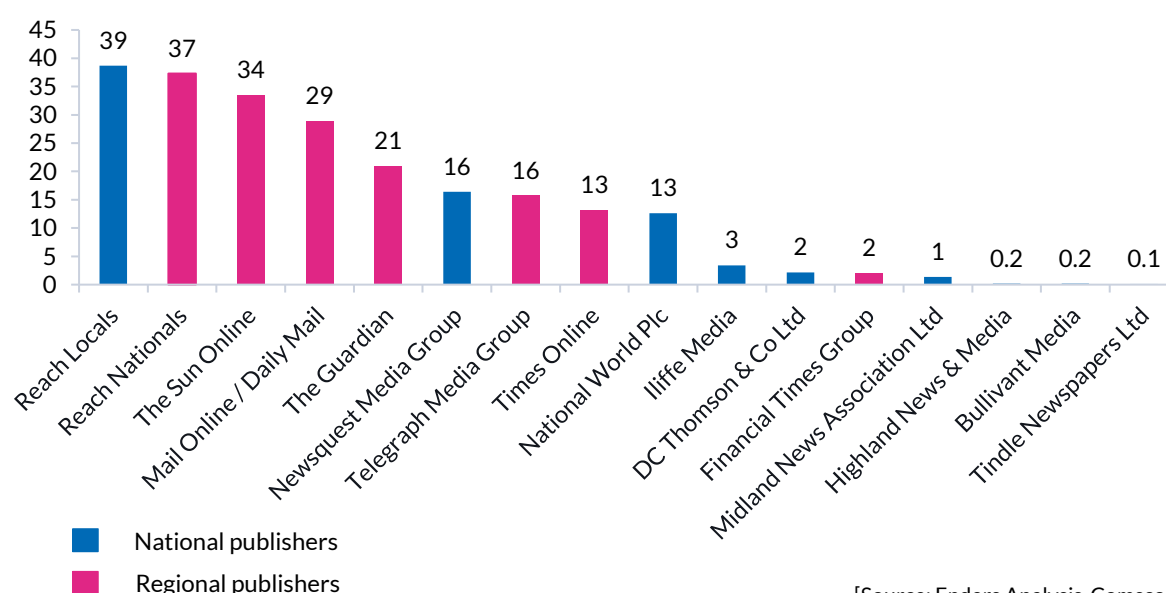
²⁶ Campaign to End Loneliness, [Checklist: Statistics](#), 2015.

4. **Advertising trade is anchored by volume rather than yield.** Too much of it is sold through programmatic systems rather than premium direct and agile self-serve solutions
5. **Confidence.** Not every issue directly relates to structural change effected through new consumer technology. The industry has also lost confidence (doubtless an indirect or downstream effect of structural changes). Managing decline for 20 years can mean that a company's core skill becomes decline management rather than entrepreneurial growth

Over the last decade, local publishers have been able to utilise the transformation of the digital landscape to facilitate and attract huge traffic. Online has its advantages; it allows publishers to seek audiences beyond the geographic limitations of print and so reach people outside the local.

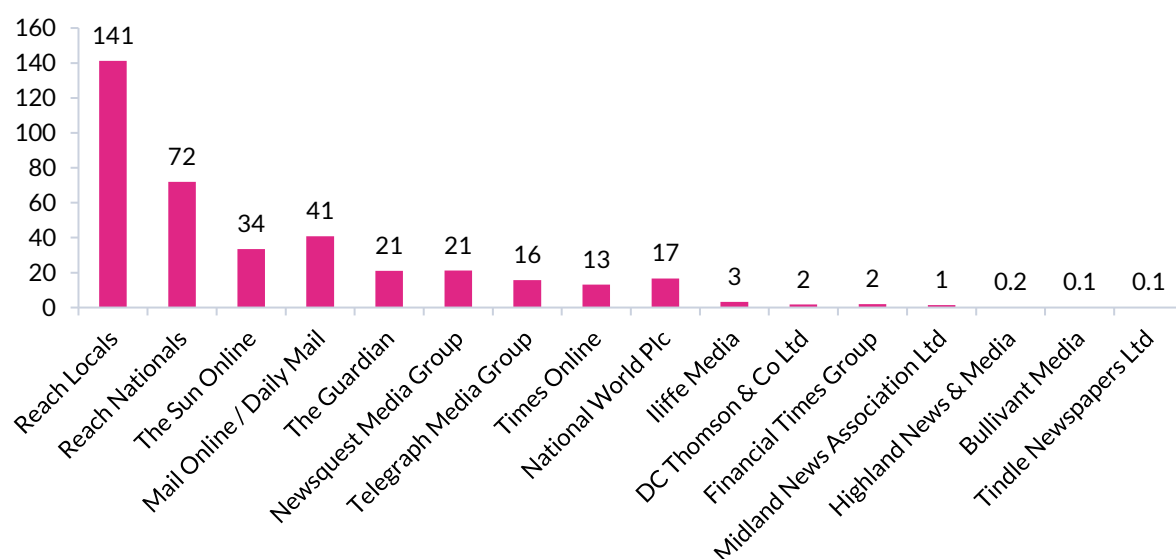
The sheer scale of local media traffic is mind-boggling. One way or another Reach's journalism is seen by well-nigh every UK adult. To give a more precise example: a Newsquest weekly newspaper—the Bucks Free Press—covers the towns of High Wycombe, Beaconsfield and Marlow, which have a combined population of roughly 120,000 people. Online, the site attracts 730,000 people a month, 182,000 of whom visit at least twice and read five articles or more. That is a quite engaged audience by any journalism standards.

Figure 12: De-duplicated newspaper unique visitors by publisher, February 2023 (m)



[Source: Enders Analysis, Comscore]

Figure 13: Aggregate newspaper unique visitors by publisher, February 2023 (m)

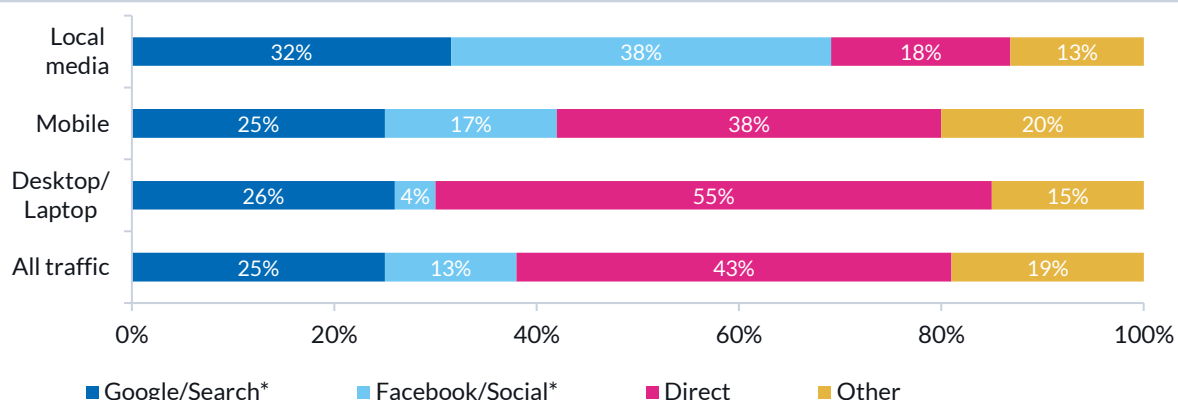


Aggregate represents the sum of all unique visitors to each newspaper owned by a company.
[Source: Enders Analysis, Comscore]

However, local media sites are arguably on average more reliant on search and social media than other news and content media. (The DMU, in its coming regime, is likely to require greater information and data sharing between platforms and publishers). This has a variety of implications. Local media are subject to the vagaries of algorithm changes to a larger degree than national and general content media. The risk is publishers—journalists, producers, traffic experts—spend more time, or too much time, trying to second-guess the needs of search or social media algorithms rather than originating news stories of value to their readers and potential readers, irrespective of how search or social media “score” them. The job of local media is not simply to reflect an ever-evolving online zeitgeist, however popular such an approach might make local media. Indeed, for local media such distraction is the enemy of purpose and utility.

Nonetheless, things have massively improved since 2021 (see Figure 14). For example, Newsquest estimates 40% of its traffic is now direct, with the Archant estate particularly effective in this sense. Indeed, if direct traffic has roughly doubled as a share of all traffic, social media has nearly halved to approximately 20%, a steady decline in Facebook in particular.

Figure 14: Sources of website traffic (visits) for general and national online publishers and local media



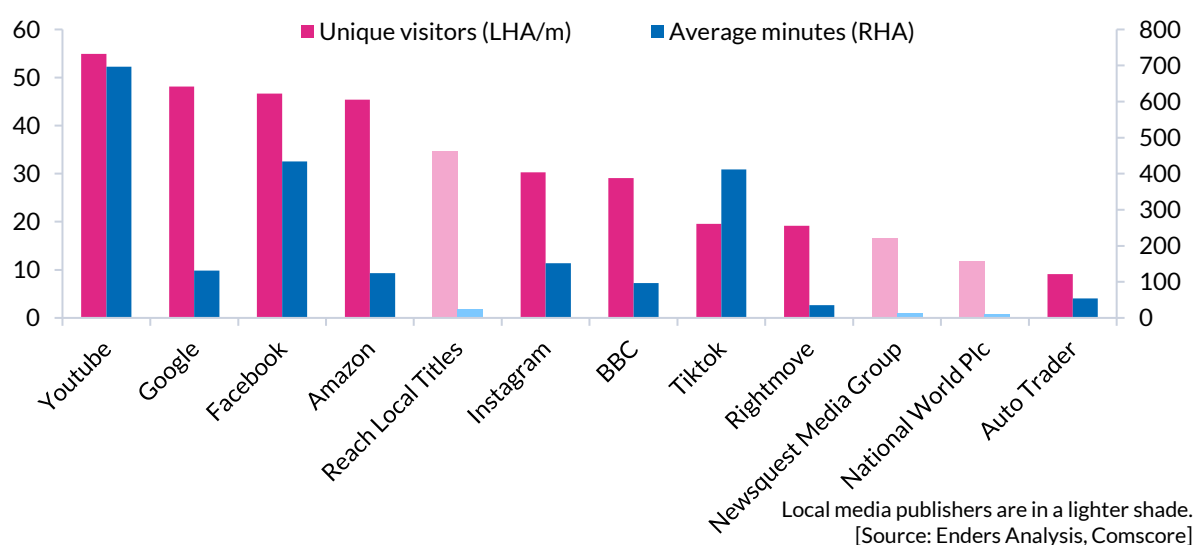
*The categories are slightly different. For local media it is Search and Social, For CMA publishers it is Google and Facebook. It is assumed that almost all search would come from Google and most social from Facebook.

Data for all publishers from 2019, local media is based on average across 2021. Websites included were The Independent, The Sun, The Times, Mail Online, The Telegraph, Reach plc websites, Sky websites and all Vice websites. Some publishers included Google AMP in the 'referred from Google properties' data estimate but not all. If all AMP referrals were included then this percentage would increase.
[Source: Enders Analysis, CMA analysis of publisher data]

This is reassuring and an important foundation for innovations this report highlights later. Local media need greater control over their user experience than they have accepted in the relatively near past, creating value for their audiences through distinctive content and services. If local media destinations feel like a by-product, anchored by other activities, the industry cannot sustainably flourish.

In August 2022, National World, Newsquest, and Reach's regional titles each attracted over 10 million unique visitors, with Reach's local titles cumulatively driving traffic that is larger than Instagram and TikTok (see Figure 15 below). Appetite for local journalism is hardly trivial. Nevertheless, time spent on local sites barely registers on a chart showing the huge volumes of time spent on YouTube, TikTok and Facebook. Time spent is not the only parameter that matters of course: as Google demonstrates, consumers will often want to be in and out of great utilities quickly. Comparing a professional journalism service with a UGC video service might be instructive—but it is hardly fair.

Figure 15: Traffic and time spent on tech platforms, local news and services websites, August 2022



Nonetheless, time spent is quite a good proxy for the perceived value audiences glean from them, and is also a factor in how advertising yield might be calculated. Local media should also develop their utility—their service layer—which we return to in our case studies. Such a layer may reduce the need to capture consumer time as a principal measure of value for local media services, but for now, that feels a second-order, longer-term development. The primary challenge for local media in the nearer term is to build and sustain usage, not just users. Here a service blending news and local information, satisfying consumers' needs, is vital.

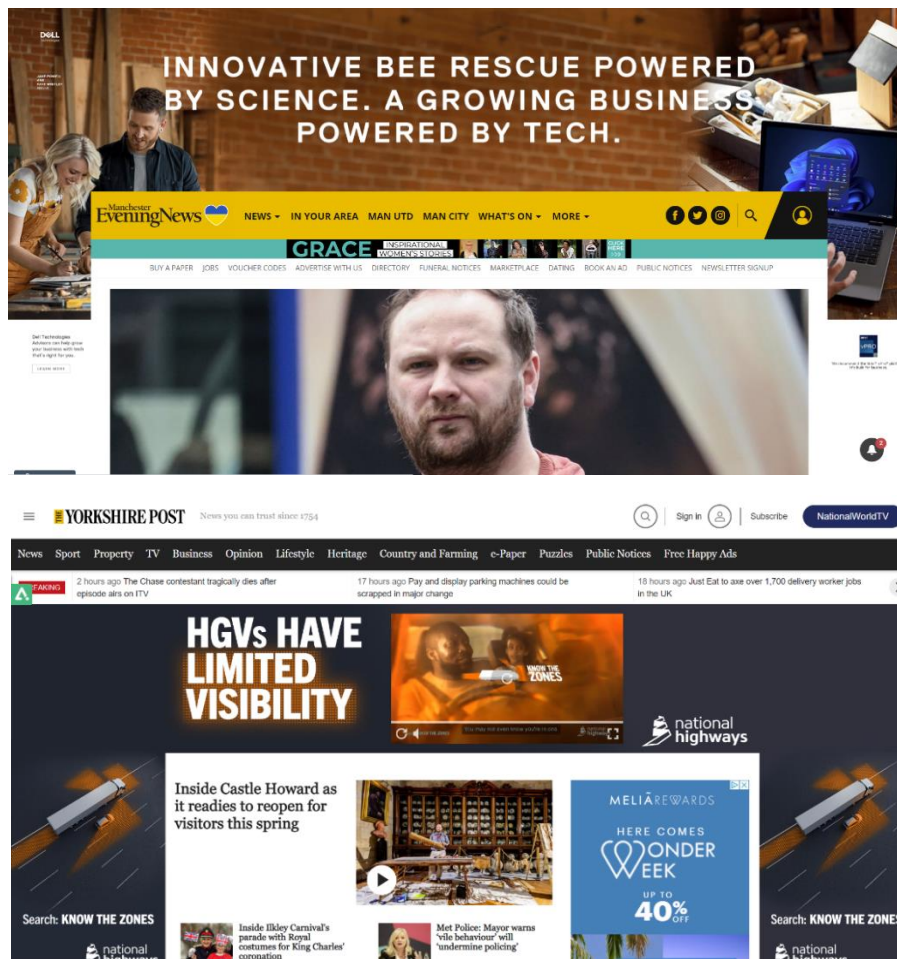
A secondary benefit for this focus is the opportunity it will generate for local media to shift the publisher advertising model from volume to yield. Too much revenue today is reliant on low-yield programmatic advertising. Such a model has a variety of effects. It puts pressure on commercial teams and even producers and journalists to create as much content as possible, and to impose as much inventory on content pages as possible. Publishers become focused on scale, volume and the sheer amount of supply rather than the disciplines and product attributes that are more likely to be valued by consumers and advertisers, which tend to include concision, relevance, usefulness, and effectiveness. To put it another way, some local media are more focused on what they can do to generate visibility on search and social media rather than what value they can uniquely provide. A January 2023 report by the Digital, Culture, Media and Sport Committee—Sustainability of Local Journalism—claims local titles of some major publishers have compromised the quality of articles in favour of "click-bait stories"—accusations publishers themselves deny.²⁷

Our perspective would be, while all media publishing is a balance of relevance, delight and commercial need—and that media publishing in any format was ever thus—the balance has been pushed off-kilter for some manifestations of online local media publishing. It is not so-called "click-bait" that is the issue *per se*, it is that the consumer experience of some local media is materially less pleasant or rewarding than other news and information services. Low-clutter, no-advertising, usability-centred services such as the BBC and Wikipedia have always worried local media. Now that subscription, membership, and donation models are becoming the norm for commercial news and content media too, the risk for some local media publishers is that they look like product experience outliers (see Figure 16). Meanwhile, the BBC's services are increasingly mobile, with push notifications and a personalised news app based on postcode data, putting further competitive pressure on local commercial media.

Local media—as an industry—has to return to first principles and carve out its place in public life. It needs to help people live locally, on their terms. It needs to interject in digital conversations, and also know which ones to start. It needs to know how to see them through. It needs to learn to tell its story, about what makes its content and service distinctive. This is not just a question about the "high end" of local journalism – investigations and such like. It is also about school sports day, the new shop opening: how they are covered, what is celebrated. Californian-based platforms can provide platforms for schools, teachers, parents and businesses to cover events, but only local media can wrap coverage from within and as part of the local community. Media would be pretentious to assume it does not need to make those points to the public, or to institutions or business people. The public need to believe and trust local media will be there when they need them. Utility and trust are where value reside.

²⁷ DCMS, [Sustainability of local journalism](#), 17 January 2023.

Figure 16: Intrusive advertising in local media



[Sources: Manchester Evening News, Yorkshire Post]

It will become harder for publishers to argue simply or neutrally that services with overwhelming volumes of content, with heavy advertising code (slowing page downloads) and with reams of layout clutter, including multiple and interruptive adverts, are all necessary because they are “the way the internet works”. Consumer expectations are moving on. At their most extreme, local publishers could risk looking as if *their* preferred internet look-and-feel is the very type that consumers will grow to least trust: the opposite of the position and reputation local media would prefer to own.

Local media publishers have diagnosed this cluster of issues for many years, but a number of recent projects and launches demonstrate a substantial change of pace, and what we would describe as a new level of corporate permission to tackle challenges head-on. Owners, proprietors, leadership teams, executives and journalists are leaning into each other. This process is not mentioned in passing, as an aside. It is the very essence of the change we see. When local and regional newspapers were founded in the 18th and 19th centuries leadership was typically an entrepreneurial editor or a journalism and commercial partnership. They were defining a new market and necessarily evolving with agility. Revenue was hard to come by, and profits pretty elusive. The thirty years leading into the online era was a period of business growth and especially advertising success—the entrepreneurialism was commercial and

financial, while product and journalism were well-defined and largely predictable. Indeed, one might argue the business tip-toed around the journalism to accelerate revenue growth.

It is the smaller, most community-ingrained titles that have been picked out by the DCMS Select Committee as being drivers of change for the broader industry.²⁸ Our thesis is different. Today's challenges will be overcome by the same spirit and process as the 19th century founders who invented the media in the first place. Their starting point: journalism *is* the business, rather than journalism as an activity upon which businesses might be built. There are many things that need to change and there are no silver bullets. So, what are these publishers creating?

DC Thomson: business transformation

The most interesting innovations we have seen are all focused on communities. Dundee-based, family-owned DC Thomson describes its ambitious transformation project thus (it covers categories beyond its local media brands): “building from our traditional core in local news and lifestyle we are becoming the advocates, advisors and connectors of our communities, at a local, national and international level”. Having built 30,000 digital subscriptions for its combined Dundee title *The Courier* and Aberdeen-based *Press & Journal*, most outsiders (including journalists) refer to DC Thomson’s “subscription model”. It’s an understandable shorthand, but it belittles the scale of the underlying transformation and process.

DC Thomson did not apply a paywall to an existing set of webpages, which had themselves fallen out of a print process from a different era. A transformation project was permitted, funded and championed by the Board, populated by the Thomson family.²⁹ Sponsorship of the project was not held at executive level. The project was initiated, inspired and designed by the Board working closely with executives and editors. The Board dared to ask ambitious questions. For example, rather than ask “who around Europe and the world is doing interesting things?” the Board decided a measure of the success of their project would be if other publishers came to them to ask, “what have you done, why has it worked so well?”

Journalists and executives visited successful digital news services, such as those at Schibsted, and spoke to industry luminaries such as Mark Thompson, former CEO of the *New York Times*. The business joined Table Stakes,³⁰ WAN-IFRA’s local media initiative run in partnership with Google’s Digital Growth Programme,³¹ part of the Google News Initiative work.³² Yet while the Board cared about such efforts, it also wanted to ensure its team carved out their own mission and execution plan. The Board bravely set a challenging expectation for executives: “be” rather than copy the industry’s future. It specifically instructed its teams to quantify the project’s ambition by parameters beyond what the industry says is possible—an inevitable limitation, as they saw it. Everyone was permitted—instructed—to look to product developments in other industries, to imagine an entirely different future for local audiences, use-cases, information hierarchies and formats. The DC Thomson Board reset the exam questions the industry asks of itself. It wrestled first with the over-arching challenge described above: industry confidence.

Of course, success and specific deliverables can only be secured by the executive team, a mixture of seasoned DC Thomson and new executives, managed by trading group CEO Rebecca Miskin, who has experience in a wide variety of telco and media sectors, all of it focused on digital transformation. This team has defined the mission and objectives of the local business and of its local journalism products. It has asked people to stop framing their role and their function as effective decline management. There may be parts of the business that will decline, but the overall goal of journalists and executives has to be to grow the business. In other words, part of the transformation the team has installed is a switch to an

²⁸ DCMS, [Sustainability of local journalism](#), 17 January 2023.

²⁹ DC Thomson, [‘About Us’](#).

³⁰ Table Stakes Europe, [Becoming audience first](#).

³¹ GNI Digital Growth Programme.

³² Google News Initiative, [Everyone, everywhere benefits from a healthy news industry](#).

entrepreneurial, bullish mindset, focused on describing and realising a better future, rather than on what has been lost in the past or today's apparently insurmountable obstacles.

Success in such projects needs to be measured over the long term rather than the short term, but nonetheless an immediate indication has been that the two largest online subscription volumes in UK local and regional publishing are held by two of the three largest circulation titles in the same space. DC Thomson has more systematically ripped-up the print-digital cannibalisation argument than any publisher anywhere. Print and online services present consumers with two different use-case options, and both can thrive together. Sustained investment in journalism works in any format. What does not work, a case study might infer, is creating an "online newspaper" from a print edition: indeed, that may be a product with no target audience at all.

Figure 17: Top 10 average print circulation, regional daily titles 2022

Title	Owner	Average circulation (Rounded to the nearest ten)
<i>Press & Journal</i>	DC Thomson	26,230
<i>Irish News</i>	Irish News	24,510
<i>The Courier</i>	DC Thomson	20,560
<i>Liverpool Echo</i>	Reach	16,950
<i>Manchester Evening News</i>	Reach	16,010
<i>Eastern Daily Press</i>	Newsquest	15,830
<i>Express & Star</i>	Express & Star	15,100
<i>Yorkshire Post</i>	National World	11,640
<i>Shropshire Star</i>	Express & Star	11,330
<i>The Sentinel</i>	Reach	10,940

Average across H1 and H2 2022 data.
[Source: ABC, Enders Analysis]

Companies are struggling to attract massive numbers of digital subscribers in general. Newsquest has some 61,000 paying digital subscribers across its portfolio (some 250+ local news brands³³), and it is unlikely that any other company has exceeded this number. DC Thomson reached some 30,000 paying digital subscribers across two titles, and is targeting 75,000 by 2025, but at the most fundamental level, regional papers are not creating services fundamentally different to that of 20-year-old free offerings.

Community, journalism, business

DC Thomson also understood the very simple principle described above: the business *is* journalism. The business is not something fabricated from the existence of journalism. They are one and the same. It is

³³ Newsquest, [Publishing](#).

often assumed it is easier or necessary to keep journalism and business separate, but the opposite is broadly true. The editor of a newsbrand has to be the most commercial person in the operation: they are responsible for creating a product that a market—a community—cares about. No advertising sales executive, no matter how senior, has such commercial authority. This report is not suggesting editors should sell advertising space, but making a conceptual point that removes tension between journalism and commercial. In other words, advertising that is detrimental to the consumer experience—in volume, creative, size, and intrusiveness—is by definition not right for the product. But advertising that delights consumers, is relevant and noticeable without being in any way intrusive or annoying, will be more effective, and can be sold at a substantially higher yield. Editors need to care about these drivers: they are integral to the product and ultimately community development.

Community is the vehicle for DC Thomson's vision. A transformation project reset teams and individuals (no role was unchanged, no structures left intact). Designing growth was a necessary condition. But the marketplace where success would be delivered was long understood. Executives and journalists set out to define community in useful and actionable ways for the 2020s. Geography was the obvious starting point. But geographies can also be a limitation: DC Thomson additionally publishes a Scottish national title, *The Sunday Post*.

Additionally, advertisers were seen as part of the community: business owners, enterprise executives and leaders who also employ many people in the wider community. The executive and journalism team was codifying something obvious yet rarely acted upon. Thinking of advertisers as advertisers dehumanise them into transaction contacts. But they are better defined as the advocates, influencers and champions of community and therefore community media. By engaging with any community's most visible 1,000 leaders, local media does its first job in reinforcing the purpose, meaning and values of community itself. This in turn leverages media: its purpose, its use-case, its necessity. It secures far stronger relationships with influential people, and so drives stronger commercial opportunities.

Then, within the broader community, a massive jigsaw of cohorts can be carved out, defined by classic demographic measures (gender, age, household, wealth), but also by criteria such as lifestyle, aspirations, preferences, measured behaviours. With cohort definitions comes opportunities, for content personalisation, for the type and timing of product touchpoints and offerings, and for the advertising, ecommerce and other commercial services that are provided.

In line with this thinking the DC Thomson teams had a laser focus on the welfare and issues of its core communities. They asked simple questions: what needs to improve? What changes will make a difference? Journalists sought tighter engagement with the community. More journalism than ever can be done online and through sound data research (and this report describes some of that shortly), but local journalism is also by definition social media: it needs to lean into real people in the real world, and not merely report aloofly about public 'stuff' that has happened. Town halls where journalists gather community members to discuss what matters—the public's perception of the hierarchy of issues and their potential remedies—is a massive help in determining what to resource as the local media provider. Doing so regularly is such a clear message about the degree to which local media cares, a position that no tech giant or algorithm can ever express.

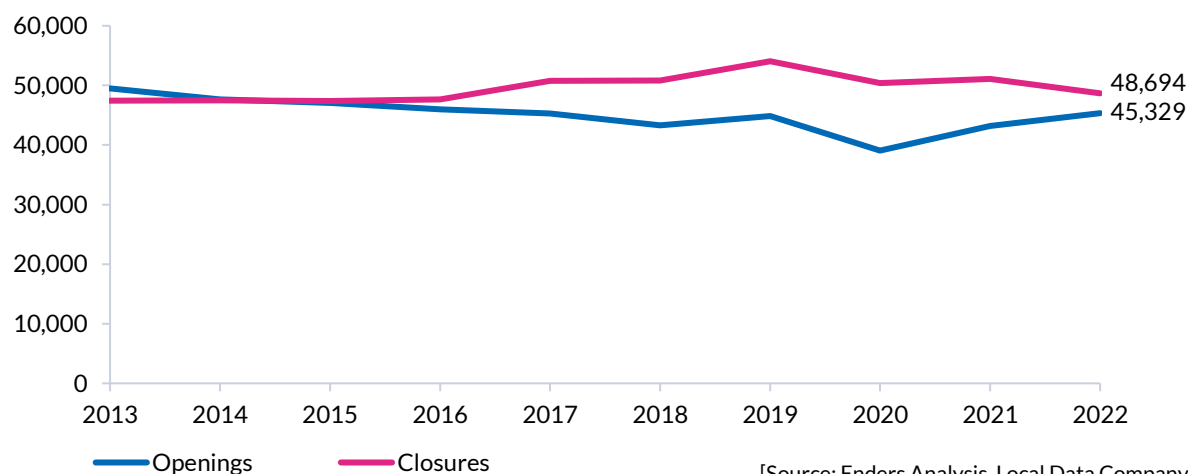
In other words, just as the local news business thought more positively about its own future, it thought more positively about the community's future. Without making a political point, initiatives such as "levelling up" are extremely important.³⁴ Should more cities have mayors, and should their freedoms be expanded or curtailed?³⁵ How does any specific location or community compare with regional and national averages across a massive database of criteria—health, education, employment, income, housing

³⁴ UK Parliament, [Levelling-up and Regeneration Bill](#), 5 April 2023.

³⁵ House of Commons Library, [Directly-elected mayors](#), 11 November 2022.

stock, diversity, lifespan, retail openings and closures,³⁶ happiness, access to culture—and a hundred others? At its heart, the message developed by DC Thomson was an investment in local media is an investment in yourself—in your welfare, in your family’s welfare, in the community you live in. Such a message only works if most people believe, deep down, that the local media believes in a future for the community, and is actively helping to achieve that future.

Figure 18: Total annual retail and business openings and closures across GB



We believe this last point could be one of the harder elements for local media businesses to achieve but as we will see shortly with National World, there are some hopeful signs. Many journalists may intuitively feel uncomfortable with helping facilitate or even design improvements and solutions that improve the welfare of a community, but in reality, that is what people want, and that is what makes local media useful and valued. It is a big part of the service that local media are uniquely positioned to deliver on.

Meta (Facebook and WhatsApp) can provide exemplary tools for people to complain about the new road system or inform each other there is a bike thief in the street. But only local media can facilitate a meeting with an MP or the head of the local health board and community members, and then go on to propose a change or a better compromise or a new initiative. Local media can and should intervene in *this* sense. It is no longer enough for a local media journalist to jump for joy because she has reported on the local councillor with his hands in the till. Rather, it is with a heavy heart that local media has found a community leader misbehaving because they are disrupting the central mission of improving the community’s welfare. Good journalism will always report undisclosed bad stuff happening, but in local media, the purpose of doing so increasingly needs a community lens, rather than a cold exposure lens. Local media should set a positive tone rather than relentless scare-mongering and talking down communities. As described above, successful local media will build back community, and reinforce it at every turn: create, don’t merely reflect.

Most traditional publishers have reorganised and downsized their newsrooms but DC Thomson’s process has been radical, focusing on the development of new structures:

1. **Specialist beats;** emphasis on depth and expertise rather than a structure of geographic coverage
2. **Impact-based journalism;** longer-form and different format coverage for investigations and critical topics. One documentary created by this team is understood to have secured 1,000 subscriptions

³⁶ [Local Data Company](#).

3. **Community development;** audience and usage experts brought into the newsrooms, not sitting separately, away from the journalism practice

Critically, the core metrics of the newsroom changed. Like many publishers DC Thomson used to focus on users and page views, but they switched to engagement: time spent, frequency of visits and how recently people have visited. Articles, newsletters, podcasts (and any other consumer touchpoint) are primarily assessed for their appeal and relevance to loyal users and only secondarily for their ability to attract new users. Not all content considered important by an editor and the community will drive huge traffic, which is why regular, additional engagement with the community will always matter. Editors should not fear pushing relevant content that does not maximise usage, provided that content is valued by the community. Sometimes communities will pay for vegetables while they eat chocolate, but publishers cannot be complacent and make assumptions they cannot verify. It is legitimate to regularly ask: which vegetables, which healthy outcomes?

And it is not just the most serious public-interest themes of civil society that matter. The connecting tissue of communities comes in a variety of forms. Obituaries in local newspapers have always had a special place: summarising and respecting the lives of people in the community, from any background. This is content that is not found anywhere else. Online, such content often disappears, located in hard-to-find corners. Newspaper leader columns often suffer in the same way. It is an illustration of DC Thomson's commitment to community that they created a new obituaries team to ensure local people and their families and friends were visibly highlighted and celebrated as a mark of respect. Create, not merely reflect.

Benchmarks, targets, continuous improvement

In our discussions with many publishers in national and local media—and with subscription services outside of publishing—we have inevitably encountered an enormous range of insights and ideas. To us, two over-arching themes seem critical to those businesses that have been most successful. The first is the degree to which the organisation sets an entirely new rhythm specifically to handle the nexus of journalism, product, technology, data and revenues. Unsuccessful transformation projects often fail because this rhythm has tension, or decision-makers do not meet often enough, or functions work around each other using disparate objectives and criteria for decisions. The leadership teams of successful online audience economies work into and through each other, seeking alignment and holistic consumer-centred development at all times.

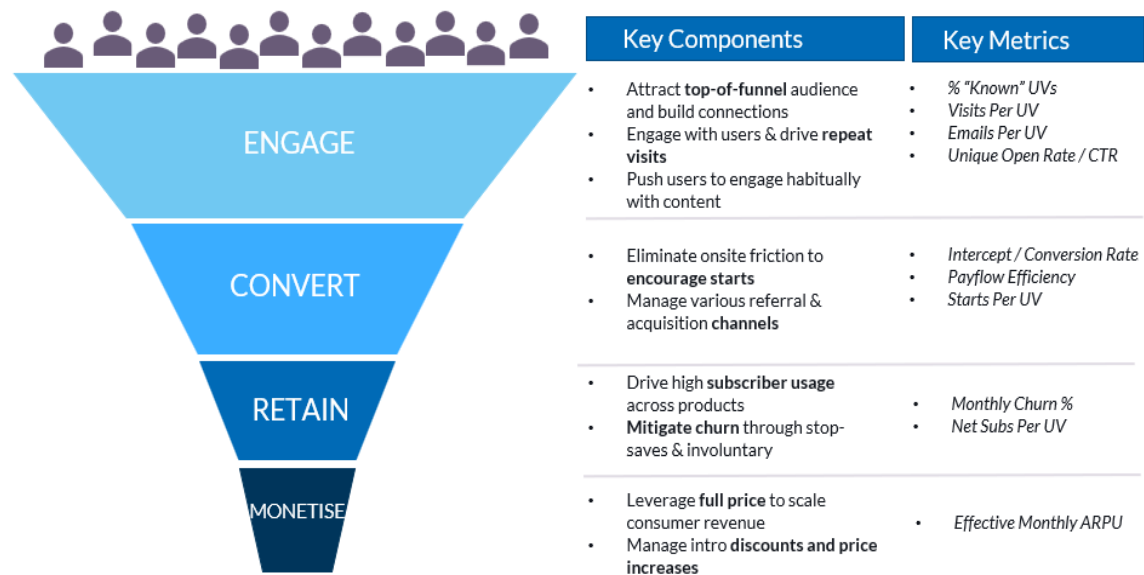
The Guardian is a relevant and evocative case study. Rather than building a paywall, it has found the means of expressing a mission and asks people to contribute if they value that mission existing in the world. More than 1 million people are doing so on an on-going basis. The articulation of that mission and the reader's "ask" is central to such a model's success. It is written by the editor, Katharine Viner, rather than being anonymously authored marketing collateral—which a less holistic business might have assumed to be the more appropriate approach.

The second theme is the degree to which the entire organisation selects the right data to track, centred on the lifetime value of core users, and embraces the incremental development of data. Successful businesses celebrate declines in churn of 0.1%—such a change can add millions of profits in larger news operations, and if the churn rate has been sustainably achieved, that profit is secured for the long term. They also track the penetration level of their core market, precise conversion rates and pricing (and pricing frequency), which are in turn expressions of the value and benefits of the products and experiences created by publishers. Such data is more meaningful than audience reach, page views and the other glamorous "big numbers" of online media. Successful online audience economies do not consume management time obsessing about the size of the top of the funnel: that remains a traditional marketing

budget discipline, calculated by sizing opportunities. The industry that has traditionally mastered this granular approach to core consumer tracking is retail.

In the later stages of this first phase of transformation DC Thomson worked closely with FTI Consulting, an advisory firm, to kick the tyres on their approach, but crucially to drill into performance metrics and expose strengths and weaknesses set against a wide peer group (mostly in the US). FTI helped DC Thomson understand what average looks like, and what world-leading looks like.

Figure 19: FTI Consulting Subscriber Diagnostic Overview



[Source: Enders Analysis, FTI Consulting]

FTI and DC Thomson worked together to calculate data from the online versions of *The Courier* and the *Press & Journal* for each of the 10 metrics across the four stages in FTI's detailed funnel. Critically, though, the advisor was then able to use its database of case studies to illustrate the gap in performance between *The Courier* and *Press & Journal*, and a range of industry averages and best practice data. From these data gaps, FTI constructed a forensic portrait of the strengths and weaknesses of the Dundee and Aberdeen brands and threaded together an action plan that prioritised DC Thomson's workflow and attention. Many of the publisher's data points fell well short of the target—as would be expected at such an early stage—but the plan does not simply prioritise actions and management attention by 'scale of shortfall'. The plan is a carefully designed sequence. To be specific, churn rates were identified as the highest priority, not just because they fell short of the target, but because churn is an expression of a number of inter-related issues, including the very nature of the product itself, and how it defines and expresses its value and benefits to core reader cohorts. There is a huge breadth of inter-related, incremental improvements that can be explored in all the layers highlighted above.

DC Thomson is still at the foothills of its long climb towards a sustainable, community-centred multimedia business operation. There are always obstacles ahead. But the summit continues to be expressed by executives and journalists, sponsored by the Board, and this will be a crucial factor in determining success. Many opportunities can be seen going forward. For example, the company owns local radio stations that

are not fully integrated with its newsbrands.³⁷ The successful Times Radio could prove an instructive case study.

National World and the rise of the expert

The CEO of National World, owner of the former JPI Media newspaper estate, David Montgomery hosts a daily call with his senior executive and editors. He proactively insists on journalism, product, technology and commercial leaders debating and informing each other every 24 hours. Strategically, the leadership team have focused on reconfiguring the business through the expression of expertise.

Journalists are no longer positioned merely as reporters, tracking a beat and writing articles in a staccato manner about 'what just happened'. Rather, experts are positioned as champions of key themes and are responsible for judging how to design and allocate resources most effectively to maximise consumer interest and value. A Health expert might spend time developing longer-term features about health board challenges or an investigation into an emerging health problem, or a database of health information from the Office of National Statistics and other data sets, and so provide a valuable interactive tool for audiences. The expert might provide health board interviews on podcasts or video, and perhaps do so with an audience from the community, people affected by the board's decisions and challenges.

Journalists would hate the nomenclature, but conceptually National World, as also DC Thomson, is turning reporters into community producers and even entrepreneurs. None of this precludes them from being professional reporters: the story of a new health scandal still has to be covered. But in the round, local media organisations are increasingly focused on the benefits they bring to communities and the use-cases that people value. Such thinking is closer to 19th century founders, proprietors and editors than the advertising-centred Private Equity investment thesis of the late 20th century and early 21st.

A few additional comments on traditional publishing

In 2019, Archant, a Norwich-based local publisher (now owned by Newsquest) struck a three-year deal with Google, Project Neon,³⁸ with the aim of reimagining the local media model—journalism, product design and revenues (a similar project was set up with McClatchy in the US). Both companies speak very favourably about Neon, though it might not be unreasonable to assume both companies might also be marginally disappointed by the impact it has had. But early experiments are rarely those that define a breakthrough. It is pretty clear why Archant was a good company for Google to partner with: they were then already adopting some of the community practices outlined above. Some of their East Anglian geographies were nonetheless considered underserved. The project launched new sites, such as Peterborough Matters. Many traditional publishers have launched new sites, but often to existing templates, rather than as reimagined services, undiluted by existing corporate thinking, structures and practices. New websites can effectively be start-ups, an opportunity to apply entrepreneurial thinking. Archant has laid some useful groundwork that will inform the ideas and implementations of future local media.

The development of non-text formats in some news media has gathered pace. For example, some Newsquest sites like the South Wales Argus have a video news section; Reach has launched nine titles adopting a "newsletter-led approach"; and Iliffe Media has started daily podcasts for Kent Online and Suffolk News. Moreover, publisher content can be personalised through data solutions that combine identifiable personal data with a back catalogue of aggregated data, enabling personalised content curation and organisation. This continuous learning from data can even inform the production of content.

³⁷ DC Thomson, [DC Thomson brands](#).

³⁸ Google News Initiative, [An experimental lab for local news in the U.K.](#), 19 September 2019.

Publishers have optimised their products for users through the ease, low cost, and advancement of user experience technology such as third-party websites and app builders. PressReader creates interactive, digital versions of over 6,000 newspaper titles, and places them on its platform available on web browser and as an app, working with larger regional and national titles such as Newsquest's the *Herald* and National World's the *Scotsman*, and smaller titles such as Iliffe's *Kentish Gazette*. Iliffe has since developed its own Media App with Pagesuite, which contains all the publisher's titles in one place for a single price and includes back editions. Readers are brought to their preferred title, but recommended content can be sourced from the wider portfolio: engagement on this product is about 35 minutes per day, much closer to engagement levels achieved by print products than digital manifestations. Elsewhere, the Google News Initiative supports its partnered titles' digital transformation through training and access to Google products.

An increased focus on service utility by many publishers has pushed journalism and product development towards consumer relevance and habits. Publishers have taken inspiration from tech platforms which focus on local utility such as the parking app Ringo. Reach's InYourArea service brings together journalism and other location-based content, such as events and property listings. Such developments build targeted—and voluminous—advertising opportunities, but they also articulate publisher activities on consumer usefulness, and should continuously improve (assuming behaviours are closely tracked and acted upon). InYourArea has a digital audience of about 10 million people and is the largest app in Reach's footprint. A Reach service aimed at 25-34 year-olds called Curiously integrates video and text content and explores zeitgeisty themes, ideas and news, often in explainer form.³⁹ As Reach has commented to Enders, while this is not a local media development *per se*, it has helped adjust the focus and rhythm of newsrooms in a positive way, helping teams evolve their definition, role and perception of utility in news. Of course, collecting user data also brings value. Ecommerce links are also increasingly becoming a part of local media digital environments, which again can be precisely targeted and are more practicable than advertising.

Data journalism is becoming more widespread in local media and represents a huge medium-term opportunity. One of the “asks” the industry should be pushing with government—nationally and locally—is for data to be provided in a more timely manner and formats for media businesses to be able to utilise them. If local media will increasingly be about expertise and long-term narrative rather than staccato “what just happened” articles, then data is a key toolkit. A live tracker on local unemployment, absolute numbers and as a league table of other geographies, would require easy-to-capture, timely data, and a media plan to work with councils, businesses and institutions to improve the prospects of employment, highlighting successful changes.

As we outline below, we believe there may be industry-wide opportunities to develop a greater utility for all local consumers in the future. For example, over the last 20 years, local media have experimented with citizen engagement in a variety of ways, to create greater dialogue between professional journalism and consumers. Still, the sheer scale of interactive opportunity remains elusive. Local media have not created destination local social media. Rather, they have tended to operate highly distributed models, relying on Facebook pages and the like.

Finally, we note traditional publisher appetite for developing a reader economy is gathering some momentum once more, perhaps out of necessity during a difficult phase for programmatic advertising.⁴⁰ *Manchester Evening News*, a Reach brand, has launched a metered paywall.⁴¹ The title had previously experimented with micropayments. These developments must be welcomed. What the industry has long

³⁹ Curiously, [Reach Solutions](#).

⁴⁰ Insider Intelligence, [Bad news for publishers: Over half of marketers expect a decline in programmatic ad spending in 2023](#), 7 December 2022.

⁴¹ Press Gazette, [Reach launches first metered paywall experiment on MEN app](#), 27 June 2023.

suffered from is a general reluctance to charge, considering it in conflict with advertising, rather than as complimentary mechanisms of a two-sided business model. This reluctance has two effects.

The first relates to setting expectations with consumers (in the case of local media, the entire adult population of the UK), and creating a density of usage and experience in paid content. If occasional titles try subscriptions or micropayments, they will tend to struggle, being alone in the world. If *everyone* does, the whole ecosystem will quickly realign, and a new economy evolve. The second effect relates to unseen limitations on advertising. Audience economies do not necessarily restrict audiences (*The New York Times*, a high-profile digital subscription, hardly lacks audience scale). Advertising has favourable yield when audiences are paying, and audiences are evidently highly engaged, valuing an online experience. Absent a focus on yield, advertising is a volume game, relying on the weakest of news media's two value propositions.

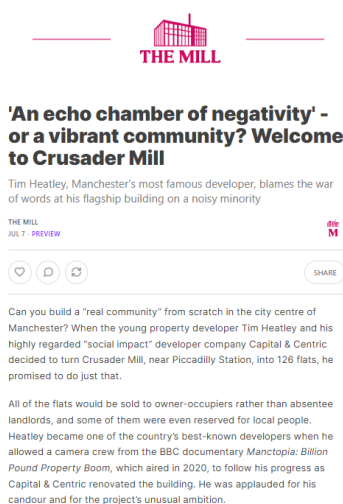
The Mill and sister titles

Healthy industries also encourage new investment and new business formation. There is a growing and impressive category of local media start-ups emerging which aim to not only fill news voids but also develop deep and trusted relationships with consumers.

The Mill, a local news outlet for Greater Manchester, founded in June 2020, is a narrow, exceptional quality publication. Its utility—its product purpose, relevance, delivery and tone—feel paramount. It focusses on in-depth, long-form, and feature journalism concerning politics, education, business, and culture. It received a \$100,000 investment (along with its sister titles, the Post and the Tribune), from the newsletter platform Substack through a fund, 'Substack Local' fund, an initiative designed to help build and develop subscription-based local news start-ups.

The Mill provides purposeful community-centred news and unapologetically expresses a passion for the welfare and advancement of Manchester. The content covers local people, politics, or places to go in the area. It is not attempting to be a comprehensive content service, it is selective and therefore achieves an air of personal curation. The tone of its exemplary newsletters is conversational, and intimate: a friend reaching out. It balances deep seriousness with lightness of touch very judiciously. It feels deeply, locally human. This format—along with the absence of advertising clutter—gives it a simple and readable layout.

Figure 20: The Mill newsletter



[Source: The Mill newsletter, 7 July 2023]

Other audience touchpoints such as the fluent and natural onboarding process—“*please hit reply to this email and tell us who you are and why you signed up*”—and freely available podcast episodes twice a week, create an engaging and immersive experience. The Substack platform also allows the publisher to have full control over output and pricing, creating independence and experimental flexibility.

The Mill has c.30,000 people on its mailing list and more than 1,600 subscribers (it is aiming for 2,200 by October 2023). The free service lets readers access a limited number of articles, whilst the paid version gives users stories in their inboxes four days a week for a £7 monthly subscription or £70 for a year. It has two sibling titles—The Post covering Liverpool and Merseyside and The Tribune covering Sheffield and South Yorkshire—each have around 1000 subscribers, starting respectively in 2020 and 2021.

This small-scale but instructive achievement is particularly impressive because all three titles have competition from big beasts: long-established and strong local newspapers, the *Manchester Evening News*, *Liverpool Echo* and the *Sheffield Star*. Industry giants are responding to the success of micro-business newsletters like The Mill: Reach launched a newsletter, in February 2022, with a 12-person team covering five cities including Manchester and Liverpool, partially funded by the Google News Initiative.

The key question—as ever—is whether these businesses are sustainable. The Mill reached profitability last year; impressive given the short period it has been up and running. The Tribune has a larger local population and a paying subscriber base that has grown significantly more quickly than the Post. On the assumption that all readers are paying at a monthly rate for a whole year, and that there is no churn, this gives an annualised subscription revenue in the region of £300,000. The costs are low, with no print infrastructure, and they pay nothing for their tech stack due to a 10% revenue share agreement with Substack. The costs are journalists. The Mill is a tiny business, and may seem a million miles from the investment thesis of Reach, National World and Newsquest. DCMS is right, though: sometimes tiny start-ups can help industry giants envisage a future.

Mill editor and founder Joshi Hermann has said that although he wants subscriptions to be his primary source of revenue, he will explore other avenues which could include advertisements as well as local brand partnerships and sponsorships. The business has trialled bulk subscriptions, selling to companies who may want their employees to be up-to-date on the local area or as an added perk of the job. At the end of 2021, The Mill produced 15,000 copies of a 56-page physical paper edition in celebration of its first year, and to drive brand awareness and online subscriptions. Although it does not have a regular print edition, it still sees a use for print as a marketing vehicle, which will become more relevant as the commercial model diversifies. Tortoise, the digital news service co-founded by former *Times* editor and BBC News chief, James Harding, likewise distributes a quarterly print product to its more than 50,000 subscribers. Tortoise has had particular success with its newsletters, podcasts and B2B services (facilitating discussions inside enterprises).

Funding small enterprises, a relentless challenge of local

The UK can take some learnings of successful US projects which aim to tackle news deserts—even if the US has a larger market, initiatives are more mature, and philanthropy for such activities is far more established. Local Independent Online News (LION) primarily focuses on the business side of independent local news, helping more than 450 of its local news organisation members in the U.S. and Canada to build more sustainable businesses. It provided \$1.8 million in support of its members in 2022. LION members, most of which have been operating for less than 10 years, recorded a median average revenue of \$125,000 in 2022, up 33% YoY. The UK’s Public Interest News Foundation (PINF), a charity designed to address the risks of news deserts and weaker provision of public interest news in the mobile online era, supports a wide range of initiatives including tiny and small enterprises determined to create

sustainable news services. PINF estimates the average independent news publisher in the UK generated £36,000 in 2021.

A different model, the American Journalism Project, looks to provide 'venture philanthropy' to not-for-profit local news outlets, where venture capital investing processes are applied with philanthropic objectives to foster a sustainable organisation.⁴² The American Journalism Project invests in the business capacity of digital newsrooms, providing access to training to make these organisations financially sustainable.

Relatedly, the *New York Times* has created a local investigations fellowship, which covers 8-12 journalists' salaries whilst they do investigative work which will be published in the *New York Times* and provided for free to the relevant local newsroom.⁴³ Investment of this nature, and cross-national & local subscriptions (pioneered by the *Washington Post*) have not really taken off in the UK but could represent an interesting collaboration opportunity. The *Guardian*, *Telegraph* or *Times* could be among the obvious homes.

Pricing, young people and local media

For decades—centuries—publishers created an audience economy by offering a single product every 24 hours. Newspapers were habitually purchased with remarkable consistency, rather as coffee is and cigarettes used to be. For their local media people sometimes subscribed to a newsagent, but rarely to a publisher. Many publishers also provided a free service: a push product (through letterboxes) rather than a pull product. Online, publishers have tended to throw all this thinking out of the window and adopted a completely new trading mechanism.

Overall, publishers have tended to assume there are two charging options: free or premium subscription. There have been a few examples of complimentary premium and free products (online versions of daily and evening print mastheads, for example). Moreover, generally, publishers have used these two options for effectively the same product, delivered in the same way with little difference in the offerings. We believe this charging philosophy reveals a deeper, philosophical dichotomy in the industry: that local media is either about investigations and very serious, high-end journalism, or it is about a range of less worthy, less valuable activities that no one would seriously expect to pay for in the online era. This feels flawed to us. There are obviously limits to an 'All the President's Men', or Bellingcat, approach to local journalism.⁴⁴ School Sports Day is the very essence of local community, not just flagship council decisions.

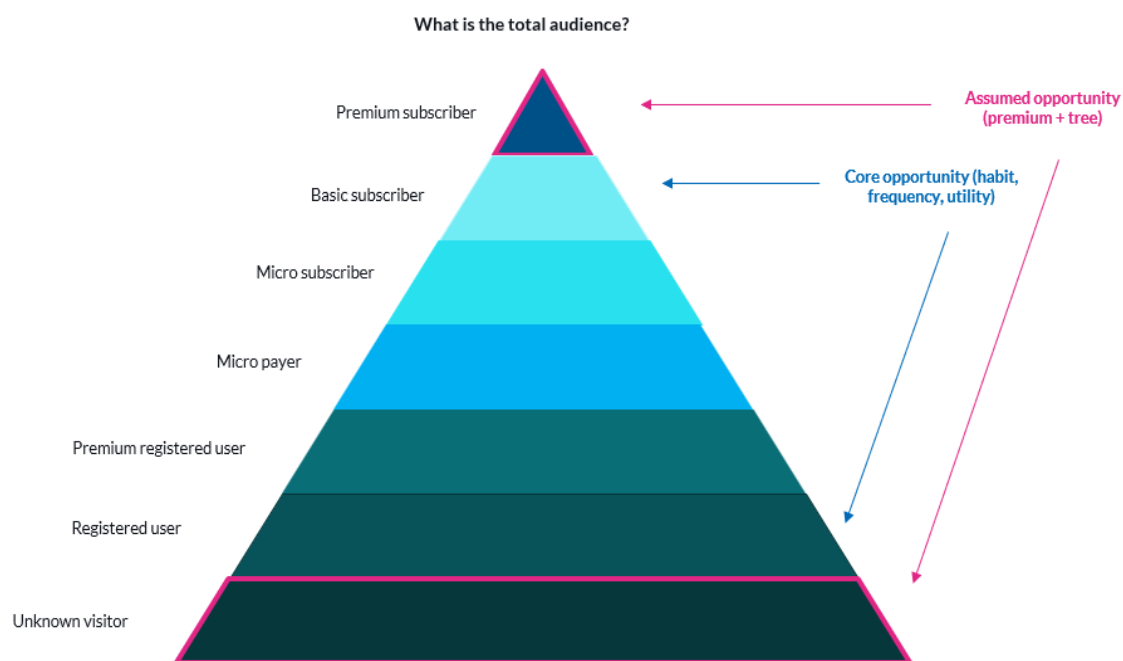
Publishers have declined to offer paid 24-hour access to a service. For micropayments there have been a small number of isolated experiments with limited traction with consumers and—arguably—limited strategic commitment from publishers. However, the industry has not thought to develop an infrastructure laid over all published media—national newspapers, local newspapers, magazines—to facilitate an audience economy across journalism as a whole. Such an infrastructure worked very effectively for many decades, creating economies of scale, industry synergies and publisher profitability, and yet it was systematically abandoned at the arrival of the mass market internet in the early 2000s.

⁴² [American Journalism Project](#).

⁴³ The New York Times Company, [Local Investigations Fellowship](#).

⁴⁴ See [Bellingcat](#), a digital journalism investigations service.

Figure 21: Enders' acquisition and conversion pillar for publishers



[Source: Enders Analysis]

Things are starting to change, and publishers large and small might reasonably hope that industry applications tend to gather momentum, whereas isolated experiments often go nowhere. Timing is also critical. Experiments that did not work in 2016 or 2020 do not dictate failure in 2023 or 2024. A wide variety of applications and advisory services are available in the market, including Axate, Piano, Zuora, Sesamy and FTI Consulting. Sesamy data shows conversion rates from single purchases to subscriptions are a healthy 5.5%. Cornwall Reports, one of 15 outlets using an Axate wallet for casual payments, day passes and the like, has identified this approach as its best tool for recruiting and creating new subscribers.⁴⁵ A number of publishers have experimented with casual payments, but experimentation has been erratic, staccato, and isolated. No density or network of usage has been advocated by publishers, so arguably national momentum was never a realistic outcome. Arthur D Little, an advisory service, runs a 40-strong digital problem-solving practice, which layers data science including AI across many of these inter-related issues. Local media might be a fascinating marketplace for them to play in but individual publishers are perhaps unlikely customers of their services.

⁴⁵ See a [Press Gazette](#) article on micro and casual payments, 20 April 2023.

Figure 22: Alternative charging models

	Company	Free deliverables	Paid deliverables	Further comments
Tiered membership	Newbury Today (Iliffe Media)	Website news content	No ads, access to app with exclusive, archives, puzzles and 30 other local papers	The bundling of 30 newspapers streamlined digital efforts, and highlighted breadth and depth
	The Mill	Free editions only	Two members-only editions, access to the back catalogue and access to a member's community	c.30,000 registrants with 1,600 paying
Casual payments	Iliffe Media	Limited free content	Paid-for content was 20p per article	Experimentation since stopped
	Kvartal (Swedish political paper)	One free article	Paid-for content is 39 SEK (c.£2.91). There is also a subscription option	Transitioned from a donations model to paid subscriptions and single article purchase

[Source: Enders Analysis, company reports]

The most purchased individual articles at Iliffe Media were those covering the Courts: Court reporting has an audience. The publisher advocates digital access to the Court's transcripts, with public access granted. In reality, many local courtrooms have centralised to locations that local newsrooms can no longer justify travelling to. Transcripts should be made available in real-time. Iliffe argues asking the taxpayer to fund journalists to sit in courts is not a good use of money.

One common challenge that is often highlighted for local media is young people do not pay for news. There are two reasons for dismissing this observation. First, the evidence points in the opposite direction. Over half of young people would pay for a service which includes news content (and online services more generally), more than older people on average.⁴⁶ Young people will pay for trusted and relevant content: they are more inclined to sign up to Spotify or a preferred YouTube channel than older adults. Second, young people have never paid for news as a *category*: that is not an internet phenomenon or a new consideration for current young generations.

Young people did not buy newspapers in 1970, 1990 or 2000. They will follow individual news stories of relevance to them—climate change and the green economy might be examples. But for most people news as a category, in the round, does not come into focus until later life stages, such as when people have a family or take on a mortgage. Commentary often confuses life stages and the generation gap, frequently exaggerating the latter.⁴⁷ Local media only becomes interesting when people literally start investing in a local community. The difference between the past and today is that local providers have to assume habits will not simply be passed down as they once were. Indeed, there were signs that the pattern was eroding

⁴⁶ Knight Foundation, [American Views 2022: Part 1, News in America: Public Good or Private Enterprise?](#), October 2022.

⁴⁷ Bobby Duffy, [Generations](#), 3 September 2021.

even in the golden era for print: after all, circulation has been declining for a long time. Local media must find people and be found by people, and they have to demonstrate their relevance and their value. They have to evolve their use-case, their purpose. More profoundly, they have to create community, not merely reflect existing community. They need to develop habits and reasons for people to stay. Studies show the public is largely unaware of the financial pressures of news media (why would they be aware?).⁴⁸ When they are precisely informed of the challenges and risks their sympathy for news providers grows, and they frankly expect businesses to adapt.

Online advertising, some context for change

For 20 years advertising has been the crucial online revenue stream for local media companies. There are a few reasons why data on online visitors is becoming harder to collect and use for advertising, where once it was cheap and ubiquitous.

GDPR and other regulations. In May 2018 the General Data Protection Regulation (GDPR) came into force in the EU. In brief, this regulation says that, for any organisation, in order to collect or process personal information, it needs a lawful basis for that processing. Personal information is broadly defined, and the lawful bases are comparatively narrow, at least those that regulators see as valid for advertising purposes; in almost all cases, the consent of the person in question is the only safe basis for such processing. This law had the immediate effect of making many practices of data brokers unlawful. Data brokers aggregate and sell large databases of information about people and were a common feature of online programmatic advertising, enabling publishers and advertisers to layer on information about otherwise anonymous impressions.

As more cases are handed down, it is becoming clear that regulators take a much stricter interpretation of GDPR when applied to advertising than the industry had hoped. For example, service provision cannot be made conditional on a user consenting to have their data used for advertising—i.e. ‘consent walls’ are not permitted.

GDPR was transferred into UK law to ensure equivalence, and thus free data transfers, with the EU, though Eurosceptic Conservatives occasionally take up the cause of wrecking UK data protection. Meanwhile, the US inches closer to its own privacy regime. Although the path to federal privacy regulations is fraught, to say the least, states are forging ahead, generally falling into one of two buckets, typified by the first two states to enact comprehensive privacy regulations: California-style rules, similar to though less stringent than GDPR; and Virginia-style, which includes many additional exemptions and carveouts and is, therefore, more compatible with status-quo processing of personal information.

Browser and operating-system-level restrictions on IDs. While legislation takes years to draft, pass, interpret, enforce and appeal, technical changes to the browsers and app stores that mediate almost every online touchpoint with end users can have profound effects straight away. Most of these changes target cookies and mobile ad IDs. Cookies are persistent files that websites can send to a user’s computer, that can be read when that user visits at a later date, to re-identify them, remember their site settings, and so on. Third-party cookies are the main focus of privacy protections: these are cookies that are set by sites other than the one the user is currently visiting, through bits of code that the website owner integrates. These are highly privacy-unfriendly, as the cookie setter can identify a visitor across a range of partner websites, as well as their own. But they are for that reason useful for advertising, as a website can target advertising at a prior visitor across properties, or check whether a new customer saw their ad on another site. Mobile ad IDs (MAIDs) are unique numbers associated with a mobile phone, that app developers can read and store to identify users who don’t log into their accounts. For advertising, they function much like cookies, but for app-based rather than web-based marketers.

⁴⁸ Kantar Media, [Attitudes to paying for online news: Qualitative research report Prepared for the Reuters Institute for the Study of Journalism](#), University of Oxford, August 2017.

Apple's browser engine, which powers Safari and all browsers on the iPhone and iPad, has a set of functions called Intelligent Tracking Prevention, or ITP, which among other protections blocks all third-party cookies by default, and includes some interaction-based restrictions on first-party cookies. In 2021, Apple introduced App Tracking Transparency (ATT) which has the effect of sharply restricting the availability of the iPhone MAID, IDFA, that advertisers and app developers used to target and measure advertising.

Google, meanwhile, has had long-standing plans to block third-party cookies on Chrome, the world's most popular web browser, but the timeline keeps getting pushed back due to challenges replicating cookie's functionality for advertisers and publishers without the privacy harms associated with free use of third-party cookies. The deprecation is currently slated for 2024. Google can't be seen to act unilaterally in the ad tech space, given its market power there, which limits its freedom of movement compared to Apple. But a perpetually delayed timeline for implementing user protections is also not acceptable. There are also restrictions on what kinds of data can be integrated with ad tech platforms (for example, Google has general prohibitions on device and browser 'fingerprinting' across its advertising ecosystem).

As behavioural (what someone has done) and demographic (who someone is) data becomes less available, online advertisers and publishers are seeking alternative ways to achieve the same results—advertising that *drives measurable sales*. Some of these amount to **technical workarounds**, bits of web technology that can do the same work as cookies, but aren't caught up in cookie blocking. This is a short-term solution at best, as Apple and Google are playing whack-a-mole with anything that quacks like a cookie.

Another option is greater reliance on **first-party data**, particularly given willingly by users. Registering users allows publishers to collect email addresses and real names, robust identifiers that can be used for ad targeting and measurement,⁴⁹ and which advertisers themselves generally find harder to collect, improving publishers' bargaining positions.

A related trend is trying to capture more of the user journey within a single '**walled garden**'. Many of the legal and technical restrictions on data processing relate to *matching* data *between* properties; tracking what a user does within a single app or site is less strictly regulated, and much easier. This makes ecommerce strategies more attractive for media owners, less for the direct revenue associated with selling stuff, and more by improving the effectiveness, targeting and measurability—and therefore yield—of on-site advertising. However, it remains very difficult to bring ecommerce sales on-site: competition is fierce, and both buyers and sellers have to be enticed. Even large, wealthy platform owners like Meta have failed to bring transactions on-platform, even though its advertisers would also benefit from the shorter customer journeys and better oversight of those journeys. Amazon is the best positioned because strapping an advertising business onto an ecommerce business is more straightforward than building an ecommerce business out of an advertising business.

Finally, **contextual targeting** has been discussed for years as a privacy-friendly alternative to tracking technology. Context clearly contributes to the value of advertising. Ask any planner, and they would rather their brand appear on a premium publisher with a good reputation and user experience every time. At the other end of the scale, the blacklisted 'three Ps' of agencies—pills, porn, poker—that almost all mainstream advertisers refuse to appear next to, are further evidence of the importance of context.

However, the situations where context can really stand in for the behavioural targeting that drives huge amounts of value in online advertising are more limited: there we are talking about *commercially relevant* context; places where the context alone gives a reliable signal of commercial intent. A roundup of what's on in Granada in September is a valuable context for a business advertising flights to Spain. Ditto product reviews or comparisons, though these are often better addressed through affiliate links than ad units. In this sense, even search advertising can be thought of as contextually targeted: although Google layers on

⁴⁹ Though legal requirements to get consent for such uses still apply.

various demographic and behavioural data to optimise search advertising, most of the heavy lifting in search pricing is done by the keyword: what is being searched for.

Local online advertising: risks rising, yet opportunities growing

Local media have a unique opportunity that is only barely tapped: the UK's SMEs spend about £11 billion with Google and Facebook by our estimates (see Figure 5, above). Meanwhile, the yield on programmatic advertising is under intense downward pressure. The end of cookies and other IDs represents an opportunity for local media advertising, though growth is reliant on a few moving parts:

- Publishers large and small building out exemplary first-party data (and ideally agree on industry-wide standards), and focus on their destination services, less on their breadth of distribution
- Publishers developing exceptional targeting tools to use this data effectively, and a shared tech stack to continuously improve advertising effectiveness (and so drive up yield)
- Publishers constructing a simple self-service buying tool for SMEs (that can also be used by large advertisers such as retailers), and provide simple dashboards to demonstrate effectiveness against a range of criteria: number of advertising impressions seen, volume of click-throughs, and—importantly—an awareness measure for the advertiser. Ideally, content would be fully tagged to industry-wide standards so that the context of all local media advertising can be shown to have increased effectiveness, and so improved yields can be sought over time

The larger publishers already provide marketing suites for SMEs, such as Newsquest's LocaliQ.⁵⁰ The opportunity this report describes is a platform for trading high-yield advertising for local media's distinctive journalism-based pages and apps. Hundreds of thousands—perhaps millions—of advertisers should be able to serve their creative campaigns across trusted and valued local media content that is viewed at scale by logged-in, registered users. All of this is possible today, but there are blockers and tripwires at every turn: self-service is not of the quality offered by Google and Meta; effectiveness data and advertising performance dashboards are not of the quality offered by Autotrader or Rightmove (see Figure 23); user and usage information—and audience experiences—are not consistent from publisher to publisher.

Figure 23: Autotrader dashboard for its self-service advertising solution



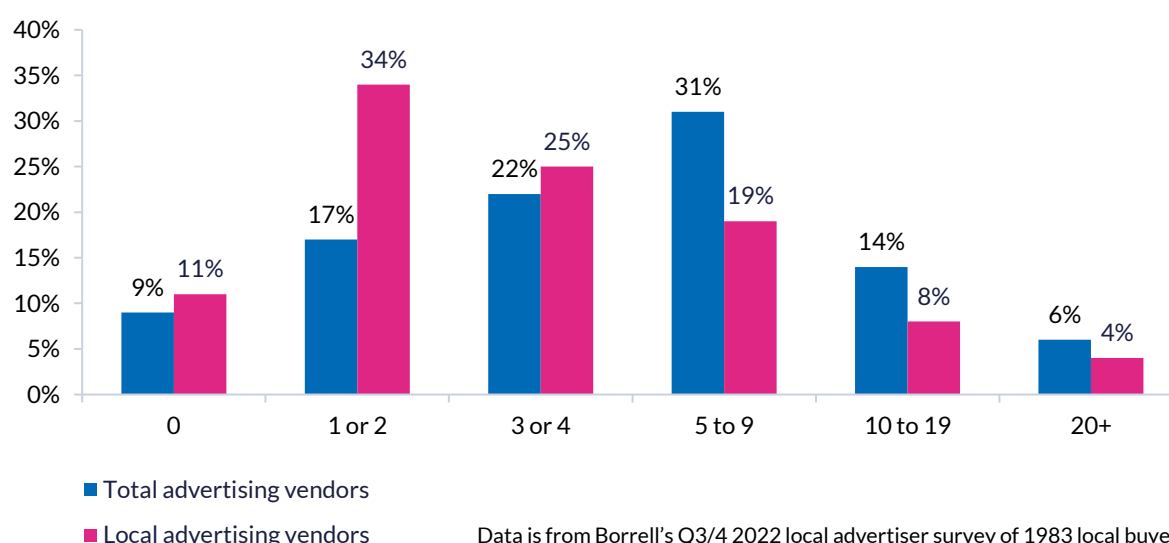
[Source: Autotrader]

⁵⁰ LocaliQ, [Digital Marketing Services](#).

Local media do something different from much of the rest of the internet: their content is verified. There is an editors' code, a formal process between content origination and publishing.⁵¹ Mistakes are corrected. Journalists are trained professionals, and owners defend their published content; they are accountable by law. Local media accept money from third-party advertisers, but journalist incomes and company revenues are disconnected: no such safety net exists in the influencer world, or social media more broadly. The cacophony of coverage and noise on AI, generative search, and ChatGPT reinforces all of these arguments, amplifying a role for local journalism of all kinds as a trusted verification advisor for the general public.

Today, in terms of valuing their advertising, local media exploit too few of these factors that make them distinctive from the rest of the internet. Too often advertising is sold programmatically at low yields, creating less satisfactory consumer experiences. The methodology for generating an advertising economy underrates the unique journalism proposition local media collectively provide. LocaliQ and their equivalent services provide some of that rationale already, but the industry has not built a systematic trading mechanic to realise that value across all its core commercial activities. This report is advocating a shift from volume to yield for local media advertising, and perhaps consideration for a subscription model for advertisers themselves, as Autotrader and Rightmove effectively operate. We also note that SMEs and local advertisers, as distinct from national and global advertisers, tend to use relatively few advertising outlets: local media needs to be one of the core “one or two” options, not merely picked up through programmatic scale and good pricing.

Figure 24: Total number of advertising vendors that local buyers use



Government intervention

It is four years since Dame Frances Cairncross published her report outlining a sustainable future for journalism and the challenges to that outcome.⁵² Her review put specific emphasis on the importance of local news sustainability. She distilled nine interconnected recommendations, all relevant to local media.

⁵¹ Independent press standards organisation, [Editors' Code of Practice](#), 1 January 2021.

⁵² Gov.uk, [The Cairncross Review: a sustainable future for journalism](#), 12 February 2019.

Taken in the round, the purpose of these recommendations is to support the industry's transformation—and set it fair for a sustainable future. Only VAT exemption has been fully realised to date.

The Queen's Speech in May 2022 announced the Digital Markets, Competition and Consumer Bill to “boost competition by introducing a new regime to address the far-reaching market power of a small number of very powerful tech firms, to create new competition rules for digital markets and the largest digital firms”.⁵³ The Act will formalise the Digital Markets Unit (DMU, established in April 2021) in the CMA, which will designate firms with “Strategic Market Status” (SMS). This will likely include Google and Meta due to their high share of the market for digital advertising (around two-thirds), and Apple due to its gatekeeper status in the mobile app market. But some major tech platforms, such as Meta⁵⁴ and Amazon⁵⁵ have been pretty clear they are walking away from prioritising news and the more formalised partnerships with newsbrands.

This report contends the DMU should take a particular interest in how platforms carry, highlight and support local news provision. The UK's regime—conduct requirements set by the UK's DMU—will be the third such regime after Australia's established News Media Bargaining Code, and Canada's Online News Act, currently in the final stages of legislative passage. It was initially noted that local media and small publishers did not fair well in the Australian regime, but those circumstances evolved. Rod Sims, former chair of the Australian Competition & Consumer Commission and architect of the Australian News Media Bargaining Code, has stated that the claims that it is only the big companies that have secured deals are incorrect, adding that some smaller companies are being paid “a bit more per journalist than the big players”.⁵⁶

This report encourages the UK regime to emphasise the disproportionate value of sustainable local media (and the risks of failing to deliver on them). The system should incentivise local journalism content origination, not simply reward traffic to giant publisher sites.

As part of its latest charter commitment, the Local Democracy Reporting Service (LDRS) created 165 journalism jobs to help fill a gap in the reporting of local democracy across the UK, allocating them to news organisations in England, Scotland, Wales and Northern Ireland.⁵⁷ The BBC spends about £8 million a year on the service. Stories written by the democracy reporters are shared with more than 1,000 media titles and outlets that have signed up to be part of the Local News Partnerships scheme. For the period July 2021 to June 2024, 18 news organisations have been allocated reporters through the scheme. Reach has the highest number of local democracy reporters with 75. The scheme is set up as a procurement process open to all publishers irrespective of size, though smaller companies may find the administration onerous as well as the provision of employment conditions consistent with public money. The aim was not to “heat map” the UK's areas of worst democratic deficits and cover everything. This being said London is widely perceived to be well-covered by local journalism, so the LDRS only has 12 reporters in London covering 3 huge boroughs each—an issue raised by commercial local media. In addition, the Shared Data Unit offers training and content to any newsroom that is part of the Local News Partnerships. To date, more than 250 journalists from regional and national newsrooms have received training from the unit.

⁵³ Prime Minister's Office, [The Queen's Speech 2022](#) (a background briefing note), 10 May 2022, p. 34.

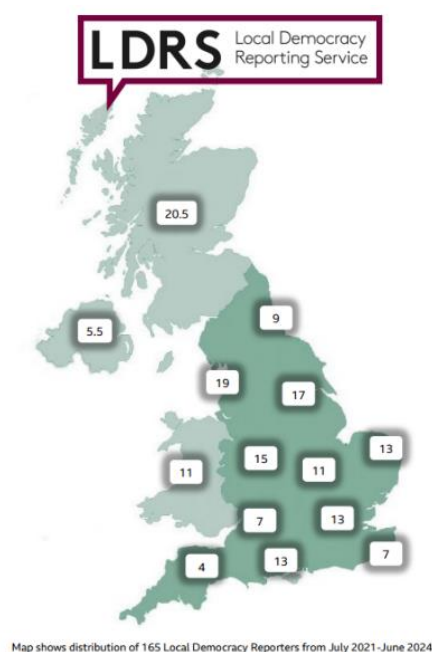
⁵⁴ Axios, [Meta officially cuts funding for U.S. news publishers](#), 28 July 2022.

⁵⁵ Nieman Lab, [Amazon calls it quits on newspaper and magazine subscriptions for Kindle and print](#), 16 March 2023.

⁵⁶ Rod Sims AO, [Instruments and objectives: explaining the News Media Bargaining Code](#), 2 June 2022.

⁵⁷ BBC, [Local News Partnerships](#).

Figure 25: BBC Local Democracy Reporting Service



[Source: BBC]

Five publishers—Archant, Johnston Press, MNA Media, Newsquest and Reach—put forward a more radical intervention to the Cairncross Review in September 2018. They recommended an expansion of the LDRS scheme with an additional 277 reporters to cover 418 councils in the UK. They also recommended an investment in 516 court reporters to cover all the courts of England, Wales, Scotland and Northern Ireland; 502 reporters to cover NHS Health Trusts and Clinical Commissioning Groups; 92 reporters and journalists to cover fire authorities and Crime Commissioner areas; 250 videographers; and 100 apprentice journalists. In total, the publishers made a case for 1,737 additional public interest journalists. One way of thinking about this ambition is whether the innovation and local media funding recommendations of the review could be used to experiment with a more ambitious programme of public interest news support, perhaps in geographies where such coverage is considered very weak. As highlighted above, the risks in an economically challenged sector are that public interest news provision retreats. Guarantees of quality and comprehensive coverage consistently delivered across the country are extremely difficult to secure without funding.

The BBC's Director of Nations Rhodri Talfan Davies in June 2022 reiterated the corporation's commitment to funding the partnership with the regional press industry until the end of its current Charter in 2027, adding the scheme "may still be a good idea" beyond that. However, appearing before the Digital, Culture, Media and Sport Select Committee's inquiry into the sustainability of local journalism, Rhodri said he felt it would be "difficult" for the service to expand into court reporting (as recommended by some publishers).

In October 2022, the BBC announced cuts to local radio, and the creation of 11 investigative reporting teams across the country to provide more analysis of key local issues across TV, radio and online.⁵⁸ This has created 71 new journalism roles; the launch of new dedicated local online services for Bradford, Wolverhampton, Sunderland and Peterborough, and also 20 TV documentary programmes each year and a new fund to commission original local programmes and podcasts. These new multi-media news operations across the country will reprioritise around £19 million from broadcast services towards online

⁵⁸ BBC, [BBC local radio faces significant cuts to programming](#), 31 October 2022.

and multimedia production, increasing the BBC's investment in local current affairs by about 40%. The idea is to add to their investigative capabilities. Investigative teams will generally revolve around old regional broadcast TV areas. These are technical areas rather than cultural ones, and journalists will have to cover stories that come from a variety of places. In other plans, the BBC intends to recruit a thousand apprentices by 2026, with 80% based outside London. Journalism schemes for those 18 and over include the Journalism Apprenticeship Fast Track, Journalism Apprenticeship Advanced, and Journalism Apprenticeship Advanced (Welsh Language), with opportunities based in London, Salford, Birmingham, Hull, Tunbridge Wells, Leeds and Cardiff. A new Apprentice Hub in Birmingham will see the BBC partnering with Google which will fund training. In January 2022, 200 new apprentices started with the BBC in a variety of production, journalism, technology and business support roles.

The BBC's objective is to deliver value to licence fee payers rather than compete for market share with commercial titles, but arguably the latter cannot be eschewed entirely when delivering the former. The BBC is certainly not planning to publish the same scale of content as larger commercial titles, but publisher utility is changing (as highlighted above), which may reduce their content volume. The BBC's aggregator product promoting local news stories sends an average of 575,000 referrals to local newspapers' sites every week.⁵⁹ The BBC also ensures support for the wider ecosystem through the BBC's external linking practices. These are reinforced by editorial guidelines and are reviewed by Ofcom as part of the BBC's operating licence. A recent restructure of BBC News Online has created a new post of Head of Curation whose remit will include upholding editorial guidelines and best practice for in-article (hyperlinks) to external sources. The BBC's local online news services are accessed by almost 20 million unique browsers each week according to their own data.

Enders' perspective is that measuring the local market impact of BBC activities is notoriously difficult, but we consider it uncontroversial to observe the objectives and challenges of local commercial media bump up against—rather than perfectly complement—the BBC's mission and public purposes. Ideally, local media and the BBC would work closely together (as demonstrated through the Local News Partnership and Local Democracy Reporters), at a much more granular planning level, to design and reinforce complementarity. The BBC could do even more to promote and link to independent and commercial local media services. UK local commercial media should be considered a special case within the BBC's external link framework. Sustainability of local independent, commercial media should be a recognised aim and preferred outcome within the BBC, rather than a condition they respond to.

Relatedly, we note a small but interesting aside in the local radio provision of the Media Bill: "The provisions do not require stations to directly employ journalists to gather this local news, but allow for the possibility of, for example, a station entering into a relationship with a newspaper, agency or freelance journalist who gathers news in the local area."⁶⁰ There may be productive partnerships to explore here.

Finally, we note that as local media services build the usefulness of their services—the utility of their apps for example—their need to access and automatically deploy local data will massively increase. One of the key supporting developments the government might look at is the range of data that local media would ideally deploy, and to reverse engineer what services the Office of National Statistics and other data services could provide to enable the consumer utility desired by local media.

Collaboration: designing a new ecosystem

This report highlights a perfect storm of challenges for local media, yet remains optimistic about the industry's future, provided a number of admittedly large changes and interventions can be brought to bear.

⁵⁹ BBC Written evidence in DCMS Select Committee, [Sustainability of local journalism](#), 17 April 2023, p. 5.

⁶⁰ Explanatory notes for the [Media Bill](#), p. 48.

- Local media should ask for government commitments to funding the discovery of local media and to provide ancillary support such as national, regional and local data processing, design and an easy-to-use interface. Local media support in terms of tax breaks should also be reviewed
- Local media pursue, and government and policy-makers support, industry consolidation manifestations necessary to improve efficiencies—portfolio consolidation, printing consolidation, and advertising sales consolidation. Publishers might consider joint-ownership options where feasible
- Local media should ask government to use its might as one of the UK's largest advertising spenders to invest in local news in print and online, using the platform of the most trusted, commercial media, accessing a massive audience, and in so doing, directly supporting local journalism (the solution worked very effectively during Covid)
- The new DMU regime outlines a framework for incentivising local news origination through journalism enterprises. Ideally, the special status of local news provision should be recognised
- Government support to appraise the risks and rewards of LLMs for local media, with a commitment to help the industry protect itself against risks, and to invest appropriately to optimise rewards. We note OpenAI, the company that runs ChatGPT, has struck a deal with the American Journalism Project—a US non-profit that supports non-profit local news media—to support local media experiments with AI.⁶¹ Such an approach risks alienating some of the more impactful—often larger, profitable—local media organisations
- Publishers commit to developing industry-wide data and service standards that help codify the unique value of local media provision for advertisers and the general public
- Publishers develop closer partnership and licensing deals to syndicate content and services bundling more effectively, providing superior offers, experiences and value to audiences in locations all over the UK. Local media should reverse engineer what the New York Times' portfolio of consumer entry points has created. That is, decentralised content, social, service and data options originated across the industry, and co-owned or licenced by local media
- The publishing industry considers a shared publishing and commercial platform to build and grow an audience economy for local media and a high-yield advertising and ecommerce economy
- Local media asks a deep, cultural question about its relationship with the general public. The golden age of the broadcast, big package local media has passed. In that era, publishers asked the public a big question: pay for this service or feel left out of the loop. In the mobile, platform era, the service, incentive, and articulation of value all need to be redesigned. There remains plenty of evidence the public cares about local information, local media intervention and local community. Publishers need to design the right product and the mechanism for expressing and retailing those utilities and services in the online world. All of these questions require radical change, not marginal tweaks to journalism, product implementation and marketing

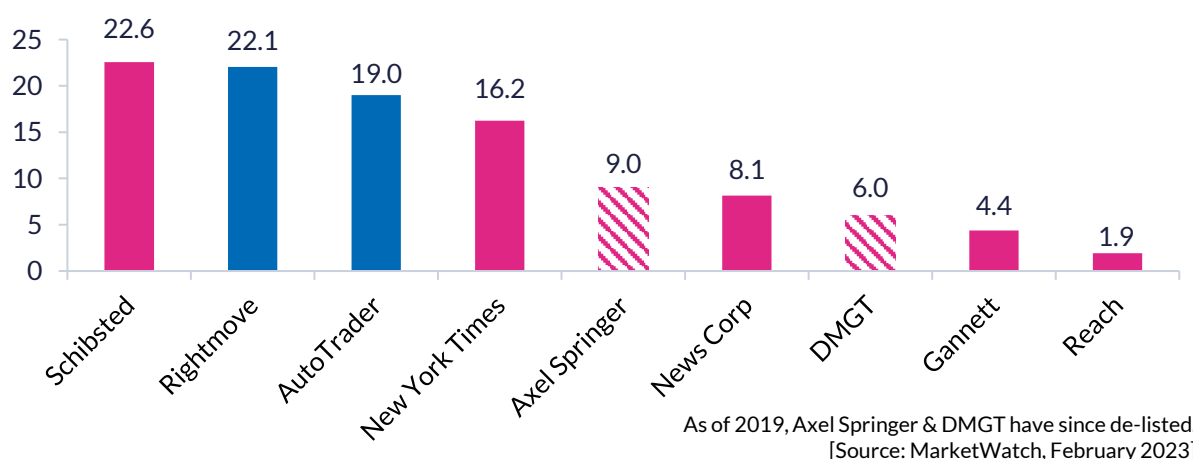
Local news organisations have recently focused on cross-industry collaboration to define their future. The News Media Association (NMA) and local publishers convinced the government that public notices, adverts placed by local authorities to inform the public of information that may affect them, should remain as a statutory requirement for local authorities in local newspapers. The NMA fought against their removal from print, as it would risk leaving digitally-excluded readers unable to access vital information (and for local publishers, the £40 million annual advertising charge is a vital revenue stream). With fears that the likes of Google could become a natural home for public notices, but also to take advantage of the

⁶¹ Coverage of the deal reported by [Axios](#) on 18th July 2023.

accessibility and searchability of online data, the local news industry came together with Google in 2021 to digitise the public notice process. The industry built a centralised online portal where notices can be uploaded, and which also appear in local newspapers. The Google News Initiative granted £1 million in funding, and Google supported the technical development creating a user-friendly platform which integrated Google maps, alerts and sharing capabilities. This partnership was politically savvy by all parties; local news maintained and cemented its position as the voice for public information and kept a critical revenue stream—and Google was seen to support local news for a relatively trivial investment.

Such collaboration may be critical to the future of the sector. The print era was profitable not just because of the genius of individual publishers, but because of the industrial collaboration that strung together printing, wholesale distribution and retail into a highly efficient supply chain. In the online era, publishers have tended to work in isolation to maximise traffic rather than design a new collaboration that differentiates local media services from the rest of the internet. This report contends that local media provision is meaningfully more valuable to citizens and to advertisers than current trading would suggest. Some shared technologies, and data and service standards—though hard to define, design and monitor—might provide a solid foundation stone for a more sustainable future.

Figure 26: EV/EBITDA



The prize of a new sustainable local media ecosystem is hardly trivial. With the public paying for digital services and content, and advertisers paying a context and performance yield, the underlying value of local media could be considerably redrawn, an impressive signal of success. For decades local media have been strong cash businesses, and while recreating the sheer scale of their heyday may be impossible in the 2020s, investors would see interesting opportunities again. Local media with huge audience memberships or subscribers and diverse revenue streams could move left on Figure 26, with enterprise values to EBITDA of 12x, rather than 4x and below. In this scenario, everyone wins.

The 360-degree collaboration we envisage is elaborate but practical, not abstract. It asks of government, it asks of tech platforms. But it also asks of publishers, who need to express confidence in the value of their journalism and their role in communities. The general public and advertisers need to be informed of that value; the industry risks taking it for granted. A government-funded marketing campaign for local media itself, orchestrated at the right time, should be part of this transformation phase. Finally, the plan asks of the public: invest in media to invest in the community. Local media are highly trusted, but they need to reinforce the value of that trust every day.

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