The future of newspapers: an analysis from the consumer's perspective

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Abstract: The newspaper industry faces the most significant transformation process since its inception in the sixteenth century. Emerging new media compete for both people's attention and advertisers' budgets, creating an increasingly challenging environment. Survey conducted in Brazil using structural equation modeling showed that control and trust constructs mediated by content and services explain newspapers' consumer satisfaction. Significant differences were found among consumers of print paper and newspaper websites coefficients. Based on the results are discussed and shown several strategic implications for the future of this industry, such as segmented customers and advertisers with strong effort based on customer relationship management.

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Introduction and objectives

The newspaper industry faces the most significant transformation process since its inception in the sixteenth century. Emerging new media compete for both people's attention and advertisers' budgets, creating an increasingly challenging environment. Above all, the emergence of new business models and the profound changes in the way information is produced, distributed and consumed compel to revisit the paradigms that for centuries held true. As for news production, the consumer, once passive, assumes a participating role by creating and disseminating information and news in real time. The content distribution, in turn, gained many new possibilities with the widespread of media such as the Internet and cellphones. The newspaper industry had already assimilated the impact of several new medium such as radio, broadcast and pay TV. However, this time, the setting gets a more dramatic contour, because of the intense competition for consumers and advertisers and the unique characteristics of the Internet, which effectively transforms the current business model and allows more control for consumers. The last and perhaps the most impacted subject is the main object of this article: the consumption of information.

As the control over what is consumed, and when it is consumed, has gradually migrated from the hands of the editors of newspapers to consumers, the consumption of information changed radically. On the internet, there is no grid or agenda, but rather a nearly limitless wealth of content that can be accessed anytime, from anywhere and at any depth level desired by reader. The emergence of new media also creates new information possibilities for consumers, transforming their habits. Recent research (Purcell, Rainie, Mitchell, Rosenstiel, & Olmstead, 2010) emphasized that people use on average 4 to 6 media everyday and that newspaper circulation has been falling, along with its advertising revenue. The reality is different in Brazil, and it requires a more detailed analysis. The Brazilian newspaper adverting revenue is growing. Actually, it grew at a compound annual growth rate (CAGR) of 5.5% since 2004, reaching US$2 billion in 2011. From 2010 to 2011, it grew 3.8%. However, those numbers can be misleading if they are not put into perspective. The Brazilian advertising industry reached almost US$18 billion in revenues in 2011 alone. Since 2004, it grew at a CAGR of 10.8%, and from 2010 to 2011 it grew 8.5% (Intermeios, 2012). The Brazilian newspapers are, in fact, losing ground: the industry constantly outgrew them, and the growth in absolute values disguises the real picture. Circulation presents a similar puzzle. Total industry circulation grew at a CAGR of 4.1% since 2004, reaching 8.6 million copies per day (ANJ, 2012). This growth is due mainly to recent newspapers, created in the middle 2000s, focused on the emerging Brazilian middle class. Even tough the numbers aren't in favor of Brazilian newspapers they still have some time to plan their actions. In the US, for example, several newspapers have already ceased their operations. The Brazilian newspapers can still prepare for a future quite different from the current paradigm.

Given the complexity and particularities of the Brazilian market and the lack of recent literature about the phenomenon, it urges to better understand which factors drive the consumer to a certain information media. Within a scenario of many changes and uncertainties, this study seeks to shed light on the possible future of newspapers in Brazil, given the changes in consumer behavior and the advent of new technologies that create new media. To this end, the research will answer the following question: Which factors influence information media satisfaction?

Literature review

Distinct fields of literature deal with decision making about the use of media, technology and user satisfaction. We discuss the main theoretical lines of those different fields, seeking an integrative approach, which will allow the proposition of a robust and unified theoretical model.

The *Uses and Gratifications Theory* emerged during the late 50's as a communications research paradigm that determines motivations by focusing on what people do with mass media (Katz, 1959). It was applied to the study of mass media innovations (Klapper, 1963) and conceptualized as the utilities that explain media choice by consumers (Picard, 1989). Process gratifications, including playing with the technology, browsing (Sttaford & Sttaford, 1996), affective needs, like aesthetic, pleasurable and emotional experiences, credibility, confidence, stability and the status of the individual (Hunter, 1996) and convenience (Papacharissi & Rubin, 2000). The studies about new uses and gratifications provided by the new media highlight some key aspects, which can influence the choice and the use of a specific media: content gratifications, including information or entertainment, needs related to escape, tension release and desire for diversion (D'Ambra & Rice, 2001) and social integrative needs, like contact with family, friends and the world (Stafford, Stafford, & Schkade, 2004). Research examining social networking sites has greatly increased in the past years, identifying dimensions of uses and gratifications for users of friend networking sites, such as Information, Friendship and Connection (Bonds-Raacke & Raacke, 2010). These gratifications vary depending on user demographics such as gender, hometown, and year in school (Park, Kee, & Valenzuela, 2009).

The *Media Substitution Theory* states that media sources compete for a finite amount of resources in terms of advertising dollars and consumer time, and that competition could drive weaker species toward extinction (McCombs, 1972). It assumes that people have the ability to evaluate, rank, order and select the medium that best gratifies their needs (Jeffres, 1978), and, in this sense, it follows the Uses and Gratification theoretical line of research. If a new technology is viewed as more desirable than a functionally similar old medium, people will reduce the time devoted to traditional media (Dimmick, Kline, & Stafford, 2000). Recent studies add a new concept to this field: the fragmentation. The most fundamental question about this is how far the process can go. Some authors believe ''winner-take-all'' markets will continue to characterize cultural consumption (Elberse, 2008) and offer arguments why audiences are likely to remain concentrated in the digital media marketplace: the differential quality of media products, the social desirability of media selections, and the media measures that inform user choices (Webster & Ksiazek, 2012).

Regarding *Technology Use Theories*, the Theory of Reasoned Action (TRA) is one of the most influential theories about human behavior based on social psychology theory proposed by Fishbein and Ajzen (1975) and Ajzen and Fishbein (1980). TRA was Davis (1989) basis to build the Technology Acceptance Model (TAM). The author developed his model so that the attitude of an individual with respect to the use of a technology and perceived usefulness are the independent variables that influence the intention to use a technology, which in turn influences the adoption and actual use of technology. Most research using the TAM concerns the application of information systems in business environments. Legris, Inghamb, and Collerettec (2003) conducted a review of work applying the model of Davis (1989). According to TAM, external variables influence Perceived Usefulness and Perceived Ease of Use. Those two variables influence Attitude, which influences Behavioral Intention to Use,

which, finally, influences Actual System Use. Venkatesh, Morris, Davis, and Davis (2003) formulated the Unified Theory of Acceptance and Use of Technology (UTAUT) a broader and more comprehensive model that unified aspects of the TAM, diffusion theory, motivation theory and self efficacy to explain the perceptions and attitudes that lead to usage intentions. These theories reveal the reasons why products or services with high level of technology are adopted. From experience derives satisfaction or not by the consumer. Thus, satisfaction can be defined as an assessment, a judgment made by the consumer on how particular product or service meets their expectations (Oliver, 2010). Satisfaction reflects therefore a cognitive and/or affective psychological state aiming their loyalty to a brand (Evrard, Pras, & Roux, 2009). Satisfaction is thus a key variable to retain the client and achieve higher customer lifetime value (Kamakura, Mittal, Rosa, & Mazzon, 2002).

Conceptual framework

Besides the tradition of the field, the literature review exposed that there are not many integrative models. Moreover, there aren't any models trying to explain the continuous use of information media based on its characteristics. Hence, the present study is relevant because it aims to address a gap in the literature, proposing and testing an integrative framework for information media satisfaction.

From the literature review and considering the recommendations of Dimmick et al (2004), we could produce a specific model to explain consumer's satisfaction with a news and information media (Figure 1), as follows: content will be influenced positively with the trustfulness of a media and also the perceived control of the browsing process (H_{1a} and H_{1b}). This hypothesis is suported by [D'Ambra & Rice, 2001; Stafford, Stafford, & Schkade, 2004]. The service a media does for its users is positively influenced by the trust he/she has in it and also the quality of its contents (H_{2a} and H_{2b}) [Bonds-Raacke & Raacke, 2010; Dimmick, Kline, & Stafford, 2000]. User satisfaction is positively influenced by the control of its experience with the media, the content's and services' quality (H_{3a}, H_{3b} and H_{3c}) [Dimmick, Kline, & Stafford, 2000; Elberse, 2008; Webster & Ksiazek, 2012]. The media (print and Web) was the moderator variable (H_{4a} and H_{4b}).
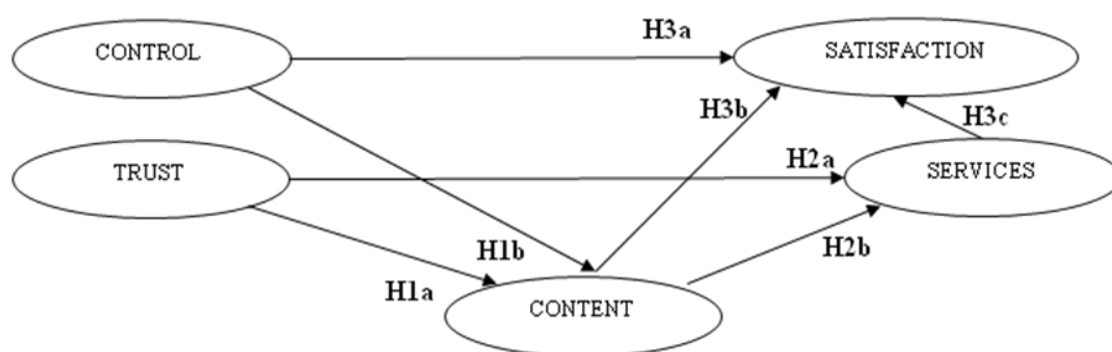

Figure 1 - The conceptual framework

Method and findings

A survey was conducted with personal interviews in four statistical samples in four of the most important Brazilian cities – São Paulo, Rio de Janeiro, Recife and Porto Alegre. Data was screened for all respondents (n=999) for detection of abnormal distributions and univariate outliers. An exploratory factor analysis using principal components and oblimin rotation produced five factors, in compliance with the proposed constructs and explaining

75% of the total variance. The KMO was 0.953 and all communalities were above 0.600. Constructs' validity and reliability were assessed using Churchill (1979) and Hair, Black, Babin, and Anderson (2009) recommendations. Convergent validity is indicated by the factor loadings magnitude and also by the superior values of the average variance extracted (AVE) from each construct. Discriminant validity was confirmed from the comparison between AVE with the square of its correlation with the remaining ones. The constructs were also reliable, as can be seen from the magnitude of Cronbach's alpha. Table 1 summarizes these data.

Items	Average (6 points)	Content	Trust	Control	Service	Satis-faction	Commu-nality
Multiple Perspectives	3.990	0.917					0.736
In Depth Analysis	4.209	0.881					0.767
Information Breadth	4.312	0.841					0.712
Content Quantity	3.907	0.720					0.694
Content Quality	4.298	0.709					0.715
Content Relevance	4.231	0.615					0.626
Unbiased	3.240		0.868				0.727
Media Trust	3.581		0.856				0.779
News Audit	3.453		0.855				0.758
Credibility	3.804		0.823				0.782
Trustful Journalists	3.781		0.790				0.732
Skips Irrelevant Info	4.390			0.887			0.738
At your Time	4.344			0.825			0.746
In your Way	4.166			0.810			0.758
With your Selection	4.130			0.804			0.726
Complaints	3.188				0.857		0.769
Support Rights	3.197				0.809		0.730
Solve Problems	3.553				0.778		0.700
Ideal Media	3.727					0.904	0.832
Satisfy Needs	3.496					0.893	0.828
User Satisfaction	3.867					0.848	0.814
Meet Expectations	3.746					0.833	0.808
Helps Improvement	3.688					0.788	0.690
Eigenvalue		8.106	7.147	7.088	4.810	7.621	KMO=0.953 (p<.000)
Average Variance Explained (AVE)		0.695	0.748	0.740	0.727	0.790	
Cronbach's Alpha		0.912	0.916	0.883	0.813	0.933	

Table 1 - Descriptive statistics, factor analysis, validity and reliability.

The structural model was evaluated using Amos 18.0 and fit the data: χ^2/d.f. = 4.216, CFI = 0.981, TLI 0.976 and RMSEA = 0.040. The path coefficients were evaluated and their significance level was obtained by bootstrapping with 200 subsamples (table 2).

Constructs	Content	Service	Satisfaction
Trust	0.378	0.300	
Control	0.453		0.335
Content		0.386	0.244
Service			0.363
Squared Multiple Correlation	0.548	0.388	0.623

Table 2 - Standardized structural coefficients (all significant at p<0.01) and R^2.

To verify the moderation of media type (print media and websites) on the relations, a multigroup analysis was performed, according to Kline (2011) and Byrne (2010). The model fit the data: CMIN/d.f. = 2.907, CFI = 0.943, TLI = 0.973, RMSEA = 0.031. The discrepance difference (constrained versus base model) was 38.767 with 4 degrees of freedom, significant at p<0.001, indicating the moderation. Exploring those differences a comparison of the structural weights for both media is presented (Table 3).

Media	Content		Service		Satisfaction	
	Print	Web	Print	Web	Print	Web
Trust	0.433	0.347	0.398	0.302		
Control	0.355	0.509			0.317	0.294
Content			0.297	0.413	0.319	0.340
Service					0.300	0.292
Squared Multiple Correlation	0.475	0.603	0.374	0.428	0.582	0.639

Table 3 - Regression weights comparison - Printed Paper and Newspaper Websites
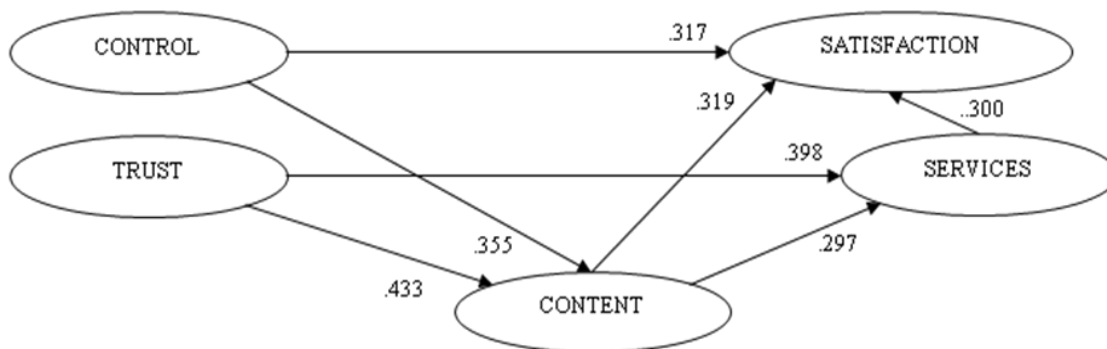(all significant at p<0.01).

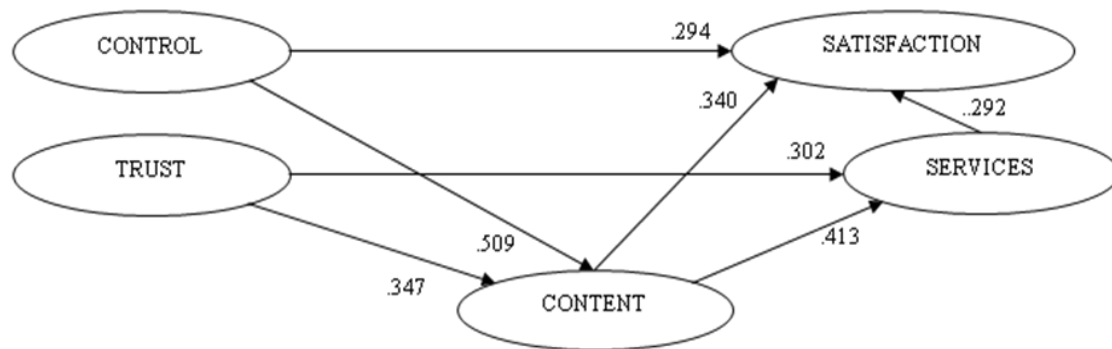Figure 2 - Structural coefficients for the two media – Print (all significant at p<0.01).

Figure 3 – Path Coefficients for Newspapers' websites (all significant at p<0.01).

Discussion and managerial implications

From the structured equation model it can be seen that content is perceived better when it came from a trusted source and also when the user has more control over its selection and browsing. The better the content and trust, the more someone will use the news organization to complain about poor services, to support consumers' rights and to solve their problems. Service is the most important predictor of user's satisfaction, followed by control and content. There is no significant direct influence of trust upon satisfaction. This is an important finding. Trust is a pre-requisite for readership and involvement but does impact satisfaction only if the last two are considered relevant from user's perspective. This could also mean that old brands and high reputation are no longer sufficient. Users demand service first, good interface (control) and in third place came content.

Comparing the two media (print news and news website) some interesting issues arises: content is better perceived in newspapers when you trust in its brand and journalists – the design that will allow you to select, skip and browse content comes second. With news on the web is the inverse. Moving to service on print media the most important again is trust, then content. For the web the pattern is again the opposite. Newspaper readers associate their satisfaction first to content and its layout and service in second place. For news websites content comes first and then services and navigation. A possible implication would be the lessen value of news brands on the web. In the internet service and content comes first, then the brand.

News organizations should think about these results. In an era of information overload the ones that will remain (and even thrieve) are those that become market oriented, take advantage of the new media and serve their audience. With this direction they could keep contact with their readers during all day, helping them, educating them, keeping them informed and also contributing with data, images that will be audited and analyzed by the journalists and so transformed into news and information. This will promote relevance. From relevance comes audience, from audience comes advertising, from advertising comes revenues and profits, so needed in news companies nowadays.

The future and the technological innovations bring not only threats to the incumbent newspapers. There are opportunities like, for instance, specific advertising to each user. With this technology, a news company could charge more for their service to advertisers. As this is a two-sided market, with strong cross-sided effects (Eisenmann, 2007), segmented advertising could enhance user experience and reduce dispersion. Both opportunities need strong CRM – customer relationship management support and will not be possible if the incumbents decide

to focus exclusively on production. The problem is that while all these changes are in course, most newspapers are struggling to keep their control over the advertising market without upgrading their offers to advertisers and consumers, or in other words, without changing their business model.

Limitations and further research

In spite of its contributions, this study does have limitations. A conceptual model is always a simplification of reality, so that the model does not encompass all factors that drive user's satisfaction towards one media, such as political, regulatory and cultural issues, which may be addressed in future research.

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