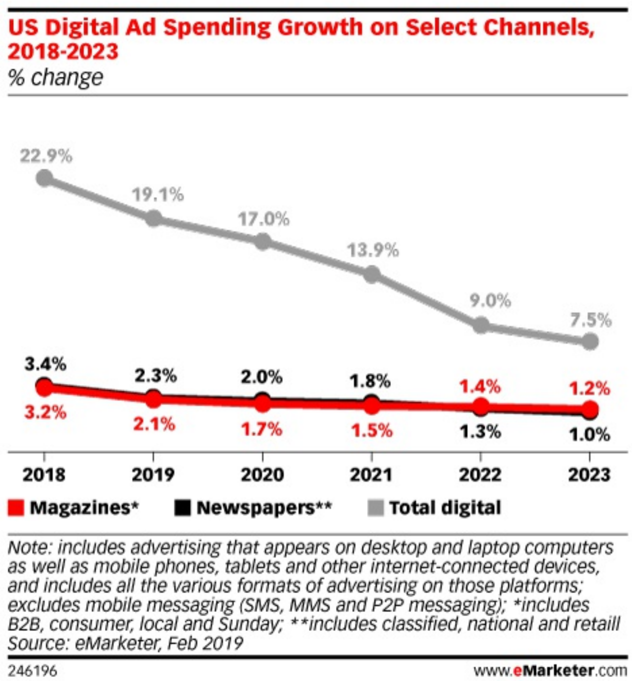
Digital Ad Revenue Gains Remain Elusive for Magazines and Newspapers

ARTICLE | **APRIL 01, 2019**

Ross Benes

Legacy publishers are having a heck of a time navigating digital advertising.

We estimate that US digital ad spend will grow 19.1% this year to $129.34 billion. However, print mediums are experiencing much slower growth than the rest of the market. This year, digital ad spending growth for newspapers and magazine will be just 2.3% and 2.1%, respectively.



The companies reaping the greatest shares of digital ad revenues—Google, Facebook and Amazon—are tech-driven, nontraditional publishers that have cracked the code for digital advertising. Meanwhile, newspapers and magazines have struggled to increase digital ad earnings for years.

Prominent print media companies used to routinely reap high profit margins through their ad businesses. But these days, many legacy media companies are getting sold and consolidated in an attempt to become more competitive in a digital world.

For instance, the once mighty Time Inc. was sold to Meredith Corp., which then began selling off Time's magazine brands. Rolling Stone turned down a $500 million sale offer, only to be sold years later in a deal that reportedly put the valuation of its parent company at around $100 million. Hearst acquired a struggling Rodale. And chains that control local newspapers continue to lose money, go bankrupt and lay off workers.

While print media's struggle to turn profits is apparent to those who closely follow the ad industry, it isn't as clear to the general public. In a fall 2018 Pew Research Center poll of 34,897 US adults, 71% of respondents believed their local news outlets were doing well financially.

Of course, not all legacy print media companies are struggling, and some are diversifying their business models with events, brand licensing and ecommerce to become less dependent on advertising. The New York Times and The Washington Post have been profitable lately. But their successes are largely due to surges in subscription revenues.

Few other print companies have been able to offset ad revenue declines with increases in subscriptions. Only 14% of the Pew survey respondents said that they subscribed or donated to a local news publication in the past year.