The Interaction of Production and Consumption in the News Media Social Space

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Abstract. Newspapers are operating in increasingly competitive and fragmented markets for audiences and advertising revenues, government media policy and changing audience requirements for news and the ways in which it is presented and delivered. A growing army of bloggers and amateur citizen journalists now delivers – but rarely edits – content for all media platforms, while new media technologies, combined with the changing structure of global news industries, are radically changing the ways in which newspapers and media business functions and struggles for profitability. Our research sought to answer the question of how the internet is impacting on producer/consumer value activities in the news media supply chain. To answer this question initial descriptive statistical analysis was performed on 51 newspapers. This was followed by a focus group undertaken with London-based news media organizations and bloggers. The findings showed that in spite of initial fear and rejection, the internet is now firmly embedded in news media supply chain operations. Firms are now using the internet as an operant resource and working proactively with consumers to develop various forms of relationship value. We highlight the role of consumers in the creation of news (editorial) content and consumer-driven moves toward a merged media platform of distribution (including television, online, mobile and printed forms). Regional news media organizations will probably continue to survive if they are able to supply a highly specialized and 'hyper local' community service. This will be in the form of 'hybrid' content: analysis, interpretation and investigative reporting in a print product that appears less than daily combined with constant updating and reader interaction on the web.

Keywords: Emerging Web Applications, News Social Media, Statistical Analysis, Innovation Processes, Digital Economy.

1 Introduction

The sustained decline in circulation, sales and readers for print editions of newspapers, coupled with the more recent challenge to advertising revenues posed by the

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internet, has prompted pundits to speculate about the fortunes of news media suppliers (Currah, 2009; Economist, 2006: 57-59). For instance, a rapid decline in reader numbers has been observed in regional newspapers: sales declined from 2.1 billion in 2000 to 1.7 billion in 2005 (Mintel, 2007). This decline is predicted to continue so that by 2010 sales will have fallen further to 1.4 billion copies. News media firms are changing and adapting their content, style and design, in response to the challenges they confront in an increasingly competitive and fragmented market for consumers and advertisers (Franklin, 2008). Furthermore, it is suggested by Freer (2007) that the biggest challenge facing the news media firm today is the changing means of distribution of news through the new media platforms of the internet and telephony, "… which deliver news, blogs, text alerts, news updates, podcasts and user-generated content (UGC) to 'consumers' at a greater pace; in more accessible formats and when consumers demand them" (ibid.,:101).

Our research therefore sought to investigate the important influence of the internet on the news media supply chain and the producer/consumer intersection. The paper is structured as follows: Section 2 presents the theoretical model and research aims; Section 3 outlines the research design and methodology; Section 4 presents the results of univariate analysis on a random sample of news media organizations while Section 5 provides a number of insights from focus group research; Section 6 concludes by reviewing the findings and assessing the strategic implications of the internet for news media suppliers.

2 Theoretical Model and Research Aims

Figure 1 presents the guiding theoretical model for this work. This model is derived from marketing theory grounded in debates on co-creation (Vargo & Lusch, 2004; Vargo &Lusch, 2006; Sawhney & Prandelli, 2000; Prahalad & Ramaswamy, 2004); operations management (Martinez, 2003; Martinez & Bititchi, 2006), value chains (Porter, 1985; 2001); and newspaper industry research (Hill, 2007; Clemons & Lang, 2003; Lowrey, 2007).

The theoretical model implies that there are a number of different environmental and objective factors impacting on the value creation system for a regional news media supply chain. The size of readership and level of advertising revenues directly impact on the profitability of news media firm supply chain operations. Actors who are participating in supplying raw materials and product distribution include: print manufacturers; ink and paper suppliers; distributors; trade associations and retailers.

There are also a number of external influences: stories are community sourced from the general public, police, courts and local government (though this view has been revised by Picard (2004) to include the increasing amount of local news content sourcing from interest groups and public relations professionals). The thick double headed arrow highlights the potential for value co-creation activities between firm, consumer and blogging community. However, the literature indicates a note of caution regarding the motivation of pro/consumers in their interactions with news organisations and the spaces within which such interaction takes place (Freer, 2007; Ofcom, 2008).

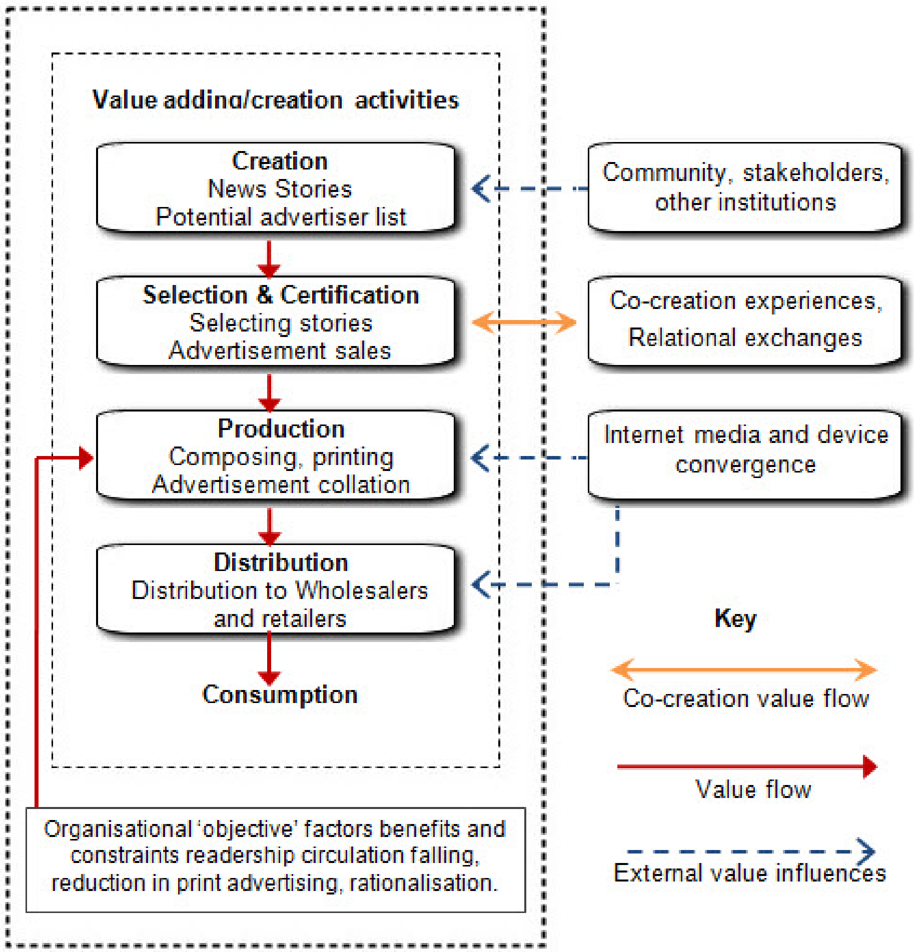

Fig. 1. A theoretical model of the news media value chain

The internet is clearly driving many convergences in media and devices. For instance, newspapers are increasingly being produced and distributed in multi-media formats (including television, online, mobile and printed forms) and this is leading to a relaxing of the rigid structuring of their missions, routines, practices, and relationships (Klinenberg, 2005). In addition, the traditional divide between production and consumption which influenced marketing thought is being eroded and marketing scholars (Prahalad & Ramaswamy, 2004; Vargo & Lusch, 2004; 2006) are now considering issues such as co-creation as central to our understanding of marketing, particularly when considering the online environment (Prahalad & Ramaswamy, 2004; Sawhney et al., 2005).

The aim of this paper is to understand the impact of UGC on the traditional newspaper supply chain; to examine the perception of consumer engagement and value creation within the online environment and to question the manner within which newspapers organisations are engaging with consumers within the online environment. In posing these questions, our research will engage with the new dominant logic of services marketing as initially proposed by Vargo and Lusch (2004) and its further refinement by them (Vargo & Lusch, 2006). Taking the newspaper industry as the research setting, is highly appropriate, as what was once a physical product - the newspaper - has now itself transformed into a service experience (news provision) which is delivered in a variety of ways. Therefore, our paper contributes to marketing theory through exploring the transformation of products into services in the digital economy, rather than a simple increase in the service dimension of products as discussed by Vargo and Lusch (2004).

While their work and those which followed have focused on the goods/service divide, this paper considers moving forward to embrace the notion of goods and services being intertwined. Additionally, Vargo and Lusch (ibid.,:1) introduced the idea that value can only be created and acknowledged by the consumer in the act of consumption. Value cannot be abstractly defined in isolation from the consumption experience, therefore they move from notions of value in exchange (which has underpinned much marketing thought) to value in use. Vargo and Lusch (2006,:44) introduced a refined notion of 'co-production' referring to the customer as 'co-creator of value' rather than the earlier concept of 'co-production' which critics attributed to a more goods dominated approach. Coupled with co-creation of value, they (ibid.,:48) define 'co-production' as "the participation in the creation of the core offering itself".

This provides the ideal theoretical framework within which to examine the changes to the supply chain which are occurring in the news media industry. Firstly, as stated above, news organizations can be viewed as moving from providers of goods, to providers of services. The traditional 'good', the physical newspaper product is being replaced by the mode of distribution of the service. Secondly, the digital economy is placing the consumer as a central figure in the 'co-production' of media products. The notion of the passive consumer of news content no longer holds in the new fragmented media landscape and Vargo and Lusch's conceptualisation of the co-creation of value in use and co-production can shed light on the changes occurring in this industry.

3 Descriptive Statistical Research of the Regional Newspaper Industry

A sample of 51 firms were selected randomly from the Newspaper Society (industry trade association) database of regional newspaper firms operating in the UK. These were then statistically analysed to present general insights into changes in circulation levels (1995 – 2008), the levels of online/offline convergence, website functionality and interactivity. Further comparisons were made between morning and evening editions and also rural to urban-based publications. These initial insights and findings would be explored further in the focus group.

3.1 Description of the Research Method

A focus group was conducted with a dedicated group of professionals from radio, television and newspaper organizations as well as citizen journalists. This was conducted in London in February 2009 and grounded in the theoretical model in order to generate further insights, knowledge and practical advice. It was important to evaluate the level of awareness of virtual consumer behaviour, perceptions of the role of the consumer in the co-creation of value and co-production processes. In addition, we wished to look further into the interaction with suppliers among news media organisations. The expert focus group technique was selected as the most appropriate method of gathering the data for a number of reasons; for example, it is seen to be ideal for obtaining data about feelings and opinions (Basch, 1987).

The ‘radio’ group - two participants involved in the production and distribution of offline/online content.
The ‘television’ group – one participant who develops online content to support evening news programmes.
The ‘newspaper’ group - two participants who are developing online social (community) eco-systems.
The ‘blogging’ group – two participants who are professional bloggers providing training programmes to news media organisations.

Fig. 2. Focus Group Participants

The focus group followed Krueger and Casey (2000) in design. Three groups of news media suppliers and one group of bloggers took part in the research (see Figure 2). Group discussion was recorded and later transcribed. From the transcripts, key themes were pulled together to allow comparisons to be made.

3.2 Results of the Statistical Analysis

Table 1 reports the changes in the average newspaper sizes for the sample of newspapers from 1995 to 2008. There has been a steady decline from 64,857 (in 1995) to 41,852 (in 2008). This represents a decline in circulation of -35%. Further research of the sample showed that the decline seems to be greater for the evening newspapers such as the Birmingham Mail (which showed the greatest decline among the sample of -62%) compared to the mornings (who had the lowest decline with the Western Morning News (Plymouth) of -12%). This could be because the mornings have a more targeted readership audience than the evenings. Furthermore it is the urban newspapers in the north (Manchester, Liverpool, Leeds, Sheffield) which seem to be having a much steeper decline than rural area publications (Gloucestershire Echo, Daily Post (North Wales) and The Argus, Sussex). To some extent this could reflect the level of internet penetration being much greater in towns and city areas (Ofcom, 2008).

Table 1. Average newspaper sizes

1995	64857	2003	58767
1996	62113	2004	56438
1997	59583	2005	54795
1998	58194	2006	53014
1999	57083	2007	51111
2001	56528	2008	41,852
2002	58356		
% change: - 35%			

Table 2. Newspaper circulation and website users

Newspaper/Website	Circulation (Daily)	Unique Daily Users
Manchester Evening News – MEN.co.uk	153,724	58,826
The Scotsman – Scotsman.co.uk	49,158	67,959
Western Mail – walesonline.co.uk	33,693	24,655
Liverpool Echo – liverpoolecho.co.uk	97,779	18,266
The Herald, Scotland – theherald.co.uk	60,147	16,244
Liverpool Daily Post – liverpooldailypost.co.uk	12,190	13,649
Birmingham Mail – birminghammail.net	61,526	10,192
Lancashire Evening Post – lep.co.uk	28,275	9,954
Evening Chronicle, Newcastle – chroniclelive.co.uk	67,103	9,754
Yorkshire Post – yorkshirepost.co.uk	45,718	9,569
Nottingham Evening Post – thisisnottingham.co.uk	51,526	9,253
Evening Gazette, Teesside – gazettelive.co.uk	46,692	9,117
The Argus, Sussex – theargus.co.uk	30,070	87,444
Derby Evening Telegraph – thisisderbyshire.co.uk	39,152	8,370
Sheffield Star – thestar.co.uk	47,216	8,202
Evening Times, Glasgow – eveningtimes.co.uk	68,422	8,141
Yorkshire Evening Post – yorkshireveningpost.co.uk	49,064	8136
Hull Daily Mail – thisishull.co.uk	51,886	7,906
The Sentinel, Stoke – thisisthesentinel.co.uk	58,049	7,642
Leicester Mercury – thisisleicestershire.co.uk	64,919	7,412
Bristol Evening Post – thisisbristol.co.uk	46,522	7325
Telegraph & Argus, Bradford – thetelegraphandargus.co.uk	34,042	7,043
The Northern Echo, Darlington – thenorthernecho.co.uk	48,783	7,027
Southern Daily Echo, Southampton – dailyecho.co.uk	36,906	6,999
Coventry Telegraph – coventryelegraph.net	43,594	6,936
The Gazette, Blackpool – blackpoolgazette.co.uk	26,698	15767
Portsmouth News – Portsmouth.co.uk	49,628	6,730
Birmingham Post – birminghampost.net	12,795	6,696
Sunderland Echo – sunderlandecho.co.uk	39,159	6,634
Western Morning News, Plymouth – thisisplymouth.co.uk	37,819	6,506
Gloucestershire Echo, The Citizen – thisisgloucestershire.co.uk	18,850	6,365
Lancashire Telegraph, Blackburn – lancashiretelegraph.co.uk	28,569	6,350
The Journal, Newcastle – journallive.co.uk	32,859	5,763
Sunday Herald, Scotland – sundayherald.com	41,419	5,584
Daily Post, North Wales – dailypost.co.uk	34,601	5,465

Table 2. (*continued*)

Peterborough Evening Telegraph – peterboroughtoday.co.uk	16,428	5,432
South Wales Evening Post – thisissouthwales.co.uk	47,875	5,225
Oxford Mail – oxfordmail.co.uk	22,402	4,969
The Bolton News – theboltonnews.co.uk	27,540	4,618
Cambridge Evening News – cambridge-news.co.uk	25,195	4,578
The Press, York – thepress.co.uk	31,569	4,396
Grimsby Telegraph – thisisgrimsby.co.uk	31,538	4,102
Lincolnshire Echo – thisislincolnshire.co.uk	20,181	4,073
Evening Courier, Halifax – halifaxcourier.co.uk	19,128	3936
Newsshopper – newsshopper.co.uk	113,504	3784
Reading Evening Post – getreading.co.uk	12,879	3661
Swindon Advertiser – swindonadvertiser.co.uk	20,845	2612
Surrey Advertiser – getsurrey.co.uk	27,472	2332
Scunthorpe Telegraph – thisisscunthorpe.co.uk	18,823	2235
Rochdale Observer – rochdaleobserver.co.uk	35,916	1578
Stockport Express – stockportexpress.co.uk	14,611	1361
Average circulation: 41,852		
Average unique users: 11,123		
Convergence: Multiple 10%, Dual 90%		
Offline/online ratio: 0.3		
Website creation: 2008		
Functionality: 80% UGC, 25% Digital editions, 90% RSS		
Interactivity: 45% blogs, 35% forums, 30% journalist email		

Table 2 presents the daily circulations and website users of the sampled newspapers. The average circulation of the sample is 41,852 while the number of daily unique users registered is 11,123. This gives an offline/online ratio of 0.3. In short, daily physical circulations are three times greater than the number of unique daily website users. This might to some extent reflect the struggles of newspapers in dealing with the influence of the internet on their operations and also a need to improve their functionality and interactivity (Franklin, 2008).

The level of multi-platform convergence in respect to distribution is quite low for the sampled newspapers. While 90% have dual distribution platforms – print and online, only 10% of the sample had ‘multiple platforms’ of distribution (print/online and either television, mobile or radio). All the multiple platforms were for the larger regional newspapers owned by holding companies notably the Manchester Evening News (Guardian Media Group) and the Liverpool Echo (Trinity Mirror). In the case of the Evening News they operate their own television station, Channel M and the Echo, who broadcast through televisions in the back of taxis in the Liverpool area.

The functionality of the sampled websites is developing quickly. Two thirds of the websites have been redeveloped and redesigned in 2008 and now 80% of them are now offering UGC facilities whereby stories, video and photos can be submitted. 90% of them provide RSS feeds. It is only larger sized firms in the sample which provide digital editions of their publications (Bolton News, Cambridge Evening News). In respect to Zheng's (2002) measures of newspaper interactivity levels are still quite low with only 45% of websites having blogs, 35% discussion forums and 30% having personal journalist email contacts directly linked to articles.

3.3 Focus Group Results: London News Media Organizations

Three key questions were posed during the expert focus group. Firstly, we asked participants about the level of disruption evident in media sector as a result of the development of social media/UGC (changing business models, media operations and the manner of interaction). Secondly, we were interested in the potential for wealth/value creation being generated in these networks and finally, we asked about the organizations, control and management of the interactions between the media organizations.

Some clear consensus emerged from the group. Firstly, there was discussion regarding the term 'disruption' being applied to the changes occurring. Bustamante (2004:805) makes a convincing case for rejecting the notion that the digital economy is a revolutionary disruption which is 'rupturing' old media. The focus group respondents also rejected the notion that changes in the creation, distribution and consumption of news and the concurrent intensification of engagement with the consumer was a disruption; but that it should be more appropriately viewed as a development or innovation. Moving away from the concept of disruption could be seen as acceptance of the new dominant logic being proposed by Vargo and Lusch (2004; 2006). News media organizations were providing spaces within which news consumers could engage with each other and with the news provider. In this way, through providing commentary and proposing news stories, consumers could be seen as enacting their consumption of news through the provision of commentary on news stories. Additionally, news organizations are drawing on consumers in order to fact check and to enhance their own news provision, in effect empowering consumers as the producers of news. This follows Pires et al., (2006) conclusions regarding the role of information and communication technologies in empowering the consumer. In this way, news providers are moving beyond what Fellenz and Brady (2008:43) refer to as "transaction focused ICT use in service delivery". However, the news organizations were aware that 'allowing space' for these activities was in a way a spurious act, as the rise in citizen journalism, blogging and provision of news takes place in consumer produced and controlled environments in addition to branded spaces.

In terms of wealth creation, this was an area of much debate. Consensus appeared around the idea of news organisations developing highly specialised commercially valuable 'news' focusing on specific areas such as finance, technology and offering this to consumers for a fee alongside freely available conventional news sources. Finally, the issues of the uncontrollable consumer came to the fore. A consumers' willingness to participate and contribute content is likely to differ throughout the day and the week with most participation occurring at the weekend.

4 Discussion and Concluding Remarks

The research question asked how the internet is impacting on the different producer/consumer value activities within the news media supply chain. The results of the focus group demonstrated that the internet's influence on the newspaper industry supply chain model (presented in Figure 1) is considerable: newspapers are caught in a revenue trap composed of decreasing advertising revenue coupled with declining circulation revenue. The industry is therefore under severe pressure to create value in order to maintain their existing consumer base and to acquire new customers. News media organizations are responding to this pressure by developing a 'multi-tasking' strategy based on media convergence, with the internet seemingly acting as the linking medium.

Our work confirms that of Geyskens et al., (2002) who found that employing both printed and online editions can result in improvements in both. Online editions are attracting more revenue through greater advertising, increased sales, and reader offers; however, at least for the near future, traditional printed newspapers will remain the core offering and revenue source for the three newspaper firms. Although the news media industry is moving towards co-creating value with its consumers through internet mechanisms such as blogs and discussion forums, it is still very much at the customisation stage. Macdonald and Uncles (2007) stress that consumers have different levels of sophistication in engaging with technology, but our study moves beyond existing studies of technology bridging the producer consumer interface in examining how pro/consumers have instigated moving into online modes of distribution, rather than organisations looking to save costs through incorporating information and communication technologies.

The focus group indicates that socio-technical networks and systems are changing the balance of power in news production and distribution. Bloggers and citizen journalists are challenging the traditional power and control of news production systems by creating their own distribution mechanisms. The very idea of news is changing, as bloggers jostle with journalists for 'scoops'. However, our research setting allows us to clearly contribute to the debate around Vargo and Lusch (2004; 2006) new dominant logic for services. Newspaper organisations engagement with consumers has intensified in the digital economy. While many of the 'interactions' which occur can be seen merely as new versions of existing practices (the letters page replaced by opportunities to post comments), pro/consumers are engaging more with both setting the news agenda and contributing to shaping and fact checking news stories. As Busmante (2004:803) notes, the function of old media is to inform society. However, news organizations are finding themselves less relevant as consumers turn to other, non corporate sources for 'news'. This is leading to falling advertising revenues, the cutting down of their market share, and the marginalising of previous sources of firm strength.

However this research indicates that regional news media firms are not a dying breed as predicted by Meyer (2004; 2008), but are evolving from product supplier into a multimedia content service provider. In response to the challenges of the internet they are retaining their community influence - for being trusted sources of locally produced news, analysis and investigative reporting about public affairs. Though there are concerns that news media organizations are moving online into the (virtual) space rather than creating their own space. This raises questions over whether consumers will be willing to interact in these spaces or whether they will wish to create/find their own spaces. Therefore there is a need for more understanding and greater marketing knowledge about the quality of producer/consumer interaction occurring in these spaces, so as to assess the viability to generate future online value chains and business models.

In examining the changes taking place within news media organizations, in the digital economy, this paper contributes to evolving theories of the co-production of value between a producer and consumer, within a reframed notion of the 'service'. In addition to this theoretical contribution, the paper has clear managerial implications. As acknowledged by the respondents, traditionally media organizations may be too large at present to sustain the drop in advertising revenue occurring. However, many of the central functions of news organizations remain. News organizations should seek revenue creating opportunities through specialising in commercially valuable specialist publications and through a focus on 'hyper localised' community news provision. Future research questions posed by this paper should focus on profiling consumer engagement with news media and investigating perceptions of value in the digital age.

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