



## ROLE OF NEWSPAPER MANAGEMENT IN OPTIMUM CIRCULATION STRATEGIES

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### ABSTRACT

*Because of the competition and purchasing Power of readers during last 8 years though cost of the newsprint have increased subsequently and newspapers selling price has become stagnant. Newspapers are sold twice as a cover price or per copy price as well as printed space is sold for advertisements. In India cost of the newspapers have remained low because of the people's low purchasing power and with aim to reach the masses. This research paper is based on my Phd thesis in which I have observed 4 Marathi newspapers published from Pune. I have studied costing, circulation figures, advertisement rates and have done comparative study on their circulation figures and viability. Which leads me to a question whether Marathi newspapers are leading toward free distribution.*

**Keywords :** Marathi newspapers , Pune , Marketing , Management Economics.

### Introduction

As a student of journalism and management, I was interested to study about use of the management theories and practices in newspaper industry. For last 12 years I have been shouldering the responsibility firstly as a Executive and then as a Manager in Kesari-Mahratta Trust. As marketing policies for newspaper media have reached optimum circulation strategies. Production costs of raw material have already crossed the sale prices. In last few years Indian newspapers as a matter of policy, influenced by compulsion of Vendors & ABC, restricted their

per copy price by increasing Vendor commission, who in return would attract readers or push readers to purchase their newspaper which can be profitable even if you sale it in 'raddi' or as a scrap or waste paper. Every Newspaper's management started thinking about the circulation revenue losses and to find alternatives to such aggressive marketing. The scope of this type of marketing was not limited to qualitative changes but financial stability and forced all the newspapers to find alternative income sources to cope up with time. In newspaper economics there is virtuous circle i.e. circulation - Advertisement - revenue - additional qualitative improvement - additional circulation - additional revenue. This traditional virtuous circle got additional input of forced circulation without revenue. It was a blow for all the medium & small newspapers. The volume of capital expenditure required was at large scale and medium & small newspapers could not act or defend themselves of this financial war in newspaper industry. There were various alternatives before all the newspaper unit.

### **Objectives:**

1. To have comparative analysis of major marathi newspapers published from PUNE
2. To analyse the economics and marketing strategies of newspapers with special reference to Marathi newspapers in Pune .

### **Hypothesis**

Development of a newspaper depends on the optimum circulation or readers. Advertisement revenue which is major source of income depends on the reach of media. In order to achieve this circulation or readership length in a modern competitive world not only print media but television and internet media need to expand its reach for survival.

### **Research Methodology**

The analysis and evaluation of the study attempts to make comparative input of new print cost, production cost and circulation details in the year 2015. Important information regarding newsprint cost, Circulation, No. of pages, Production cost, Commission to Vendor, can be ascertain by published data of Audit Beauru of Circulation (ABC) booklet, Newsprint traders, Vendors and Cost analysis of Kesari. Some other information about editorial style, advertisement rates is gathered through questioners. Two newspapers selected are members of ABC except two which are Kesari and Prabhat. All the four newspapers selected satisfy for selection and all of them are selected for the purpose of comparative study.

## **Brief Characteristic of Newspaper as Business Unit**

Today the newspaper industry is no longer views paper but it has become purely a business proposition. It has to be managed by professional management along with skills & integrity. Though all the newspapers are started with object of propagating views and educating the masses. Information they pass should be true as with profit motive newspaper have two more objects as service motive and social responsibility .Newspaper is believed to be fourth pillar of democracy and must contribute towards social, political, economic freedom and fight against injustice and conflicts in order to maintain peace for betterment of country at micro level and mankind at macro level.

### **1. The Editorial Policy**

Though news paper is treated as a consumer service product editorial policy have got important role to play. Editorial policy should maintain ethical criteria and maintain honesty and integrity. It should not violate individual right of privacy as well as social responsibility. It should not create conflicts but should work as a mediator between conflicts and peace. Mr. Steven Howard, Regional Director South Asia- Ref. Times- dated - 27-2-88."In this business, it is best to tell truth and build up your reputation which is what is most important in the long run and not short term hard sell strategies which could often be self defeating."

### **2 . Newspaper Marketing Strategy and Market Mix**

Circulation and Advertising is what blood circulation is to a newspaper industry. These are the two main sources of income. But advertisement income depends on the circulation of a newspaper. Circulation is the force that makes advertising pay. So every newspaper's plans its strategy to increase their circulation. They plan their product to meet demands of customer or readers. Management plans 4 Ps of marketing which differentiate your product in market. i.e. product, price, place & promotion and to develop the brand name. This can be achieved only with help of editorial support . During last decade this was a great shock on freedom of expression of marathi newspaper editors. Marketing department started dictating the style and contents of the newspaper. The editors who were groomed for their writing and views were replaced by young journalist. Information, technology and globalisation forced the leaders in newspaper industry to change their marketing policy and search new avenues to increase circulation. All the promotional schemes were excluded from tread terms by A. B. C. All the newspapers tried to distribute their copies through there own staff but hackers resisted it. It become impossible for newspapers for door to door delivery. As newspapers dropped there circulation revenue. They become dependent on only

source i. e. advertisement.

This resulted various strategies to increase the revenue.

- 1) Innovative advertisements like Full page on front page, Advertisement matter in printed contents, colour advertisements were introduced.
- 2) As advertising in newspaper become costly for normal traders split rates for various editions were introduced.
- 3) Various advertisement special supplements were introduced along with matter.
- 4) Paid matter concept.
- 5) Various concession were introduced for fix days with specialized supplements like Wanted, Bazaar, Construction, Finance, Education , Legal Notices and Advertisements.

### **3 . Complexity of Newspaper economics**

To know the strategic changes in newspaper industry it is necessary to know the management accounting ratios in newspaper economy.

- 1) Newspaper is sold twice ie. cover price as well as advertisement space. That means newspaper have got two sources of income.
- 2) In general the ratio of income source for breakeven point of circulation revenue to advertisement revenue should be 40% to 60%. If advertisement revenue increase newspaper become a profitable unit.
- 3) Major raw material cost i.e. newsprint is 60% of the total expenditure. So any changes in newsprint price changes the profitability of a newspaper unit.
- 4) Till 1985 cover price of the newspaper used to correlate with newsprint cost.
- 5) For last 15 years there was big hike in newsprint cost as it correlates with fuel prizes. But newspaper cover price have remained stagnant.
- 6) Newspaper management tried to control the newsprint cost by reducing eight, width and weight or gramage of the newspaper.This have affected saving of 28% in newsprint cost.
- 7) On expenditure side all other costs like production 10%, salary 20%, interest etc. 10% are only 40% compare to newsprint cost.
- 8) After spread of information technology and stagnancy in cover price revenue ratio of circulation to advertisement was shifted to 20% to 80% instead of 40% to 60%.

### **Findings and Observations**

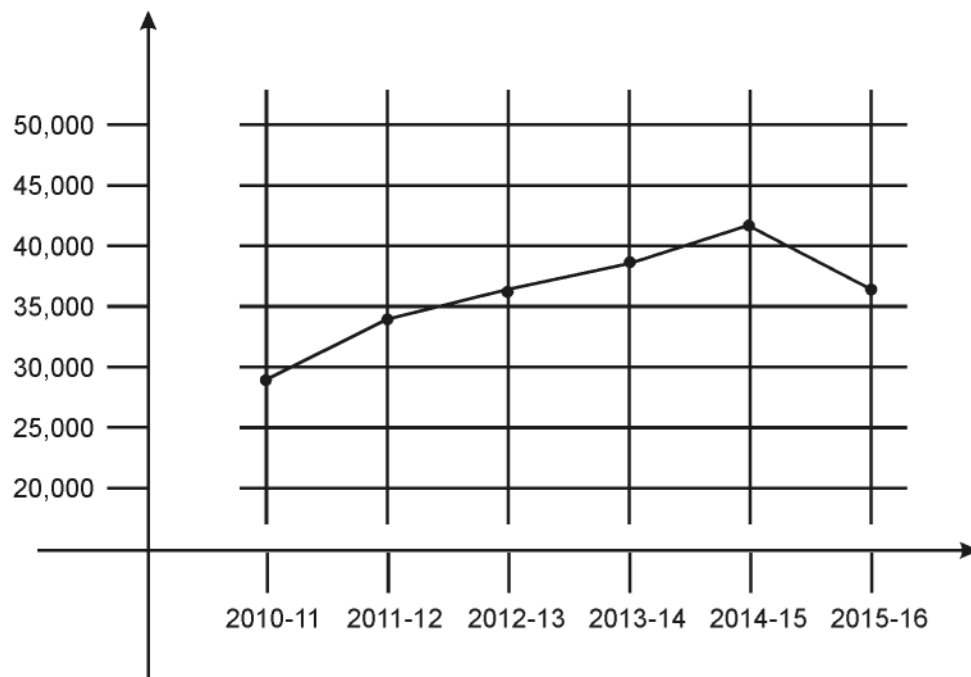
News Print is the major raw material required for a newspaper. It involves 50% to 60% cost of

total expenditure excluding ink, chemical and plates. After going through the various figures & statistics of newsprint expenditure and circulation revenue. It becomes necessary for everyone to study in depth about newsprint management.

**Chart I**  
**Newsprint Prices Per Ton**

	2010-10	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
<b>Indigenous</b>	<b>29350</b>	<b>34117</b>	<b>35520</b>	<b>39902</b>	<b>41670</b>	<b>35840</b>

**Chart II**  
**Increase in Newsprint cost**



As a consequence of increase in newsprint cost price per page rose from 0.20 paise to 0.32 paise per one page (Both sides).

**Chart III  
Newspapers In Pune (2015-16)**

<b>Name of Paper</b>	<b>Circulation</b>	<b>Average Trade term</b>	<b>Price in Rs.</b>
Sakal	5,35,000	35%	4.00
Lokmat	1,26,525	35%	4.00
Kesari	1,00,016	35%	3.00
Prabhat	38,000	39%	4.00

Increase in newsprint cost naturally increased the production cost of a newspaper

**Chart IV  
Circulation Income & Expenditure In Lacs**

<b>Name of paper</b>	<b>Circulation</b>	<b>Average Trade Term</b>	<b>Average pages</b>	<b>Cost per pg. in Paise</b>	<b>Rate per copy</b>	<b>Circulation Income in Lacs</b>	<b>Circulation Expenditure in Lacs</b>	<b>Profit &amp; Loss</b>
Sakal	5,35,000	35%	24	.35	4	13.91	22.47	-8.56
Lokmat	1,26,525	35%	28	.35	4	3.28	6.19	-2.91
Kesari	1,00,016	35%	12	.33	3	1.95	1.98	-0.03
Prabhat	38,000	39%	20	.36	4	0.98	1.36	-0.38

After observing Chart IV one can observe major points like

- 1) Overall circulation income remains same. Some variation is seen because of variation in price or trade term.
- 2) Newsprint cost have increased continuously. Variation is seen because of average no of pages and steps taken by management to save newsprint consumption. .
- 3) From 2010-2016 there is continuous loss or difference in newsprint expenditure and circulation income is increasing every year.

After going through the various figures & statistics of newsprint expenditure and circulation revenue. It becomes necessary for everyone to study the complications of these trends in depth .

Newsprint which is the main raw material affects the viability of a newspapers unit. About a decade back newsprint expenditure was 60% of total expenditure. After going through the economics or costing analysis of a newspaper unit, it was surprising that the percentage of newsprint expenditure went down by 8 to 10 % inspite of hike in newsprint prices.

To face the increase in newsprint prices and stagnancy in all the newspapers slowly tried to cut the consumption of newsprint without cutting number of pages.

### **The steps taken by all the Newspaper units are**

#### **1) Reduction in grammage, i.e. thickness of the paper**

As I have mentioned earlier, there was no choice for newspapers for purchase of newsprint. It was licensed raj and indigenious mills used to produce newsprint with more thickness i. e. 52 to 53 grammage. That too was not controlled and used to vary for every six inches for lengthwise as well as widthwise.

In 1982 to 86 all the newspapers shifted themselves form letterpress to offset technology. Offset technology helped them for better printing, photo compose and mainly it became possible for them to use newsprint with less grammage or thickness.

As newsprint became import free item, Newspapers started importing fine or thin newsprint up to 45 grammage. Even indigenious mills with new machinery started manufacturing newsprint with 45 gsm. This helped newspapers to get additional length or copies in same weight.

Which resulted to save newsprint cost up to 12%. That was the major advantage for all the newspapers.

#### **2) Reduction in Width**

In early day standard size for width of a newspaper (for two pages) was 33.5". Few newspapers like Times of India having double width machinery used to have 67" width reels.

As the newsprint prices started rising, Newspapers started demanding the 32" width newsprint. Few new mills introduced 32" width paper and even big newspapers changed their policy to have 32" width. The reduction in width was continued, and Times of India came with an advertisement of their product with words : "It is easy to handle."

And all the newspapers started using newsprint with 30" width. Whereas few newspapers started using 28" width.

This helped all the newspapers to save expenditure on newsprint up to 9.5%. (3% for 1")

### 3) Height of a newspaper

Height of a newspaper depends on the cutoff size of a printing press. It cannot be changed overnight. But looking at price rise in newsprint every management started thinking of it. Whenever they get chance to change the machine which is costly investment they thought of returns by saving newsprint cost which will be long term saving.

Therefore in first step everyone whenever they change the machine, it went for 560 m.m. cutoff from traditional 579 cutoff which saved 3% of newsprint cost to pay back their investment.

Whereas smaller newspapers purchased machines with 545 m.m. cutoff which saved additional 4% of their newsprint cost.

Few newspapers purchased 508 m.m. cut of which helped them to reduce newsprint cost up to 7%.

In short journey from 579 to 508 m.m. saved the newsprint cost by 14%.

### 4) Handling of newsprint reels

As newsprint became a major expenditure, management of every newspaper started observing it with maximum efficiency.

Earlier days there was very less choice. As the main transport mode for newsprint was railway. From factory or dock to railway by truck and again from railway station to godown and godown to machine room costed damage to newsprint reels and this amounted to the tune of 3 to 4% of total expenditure.

After free economy management started taking care of handling and transportation of news reels, which are heavy as 340 kg. per reel.

Direct transport from Mill to godown by truck and smooth transport from godown to machine room can save at least 2% of newsprint cost.

5) Other Means for saving newsprint expenditure. As the fuel cost hike up transportation became costlier. Newspaper started to purchase the newsprint from nearest mills to save transportation cost and intend of 12 ton truck to for truck.

Similarly after free economy policy one can get the quantity as per their requirement. So management brought the stock of newsprint to one month and saved interest and storage charges. Even there was the choice in newspaper quality. So management started using cheaper newsprint for non commercial pages and costly newsprint for front page and colour commercial pages. Now all the newspapers are switching towards colour pages so this strategy have less impact.

The wastage of newsprint is also a big percentage to the tune of 10% as per ABC norms. With



latest technology management tried to minimize the wastage in printing process.

All these steps helped newspaper to reduce its newsprint cost

- |    |                       |       |
|----|-----------------------|-------|
| 1) | Reduction in grammage | 12%   |
| 2) | Reduction in width    | 9.5%  |
| 3) | Height of a newspaper | 14.0% |
| 4) | other savings         | 4.50% |

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40.00%

This 40% of reduction in newsprint expenditure have helped newspapers to survive inspite of increase in newsprint rates and to maintain per copy price.

If newspaper management is successful in taking economy measures in the various area of production, transport and product differentiation its capacity to survive in the short run. In the long run, break-even position (Average revenue = Average newsprint cost) can be achieved even in inflationary tend at macro level.

## **Conclusion**

After observing data collected from primary and secondary data like, history of newspaper, questionnaire, available ABC certification, market mix schemes, Newsprint prices, economics of newspaper as a business unit for local Marathi newspapers, discussion with experienced personalities and my own experience in Kesari , I have reached to various conclusions which can support or expand the depth in my statement of hypothesis.

### 1. Newspaper is a Business Proposition

After studying the history of marathi newspapers and the progress achieved by the marathi newspaper industry, it is observed that the basic ideologicistic approach of marathi newspapers to educate people and responsible role of fourth estate could be achieved only when newspaper economics is taken care of and it is run as a business proposal. All the newspapers based on only ideology without viability and managerial support were closed down in short time or after death of the founder or editor. The prominent example in history of marathi newspaper is 'Muknayak' and 'Bahishkrut Bharat' founded and edited by Dr. Babasaheb Ambedkar or 'Sudharak' by G. G. Agarkar.

## 2. Optimum Circulation is the Essence of Newspaper Unit

Circulation for a newspaper unit is the priority or necessary objective to attract advertisement revenue. If newspaper is a product, without sale all the efforts are nullified. In comparison to other business newspaper have got a uniqueness that it is sold twice i.e. as a product as well as the sale of space. But advertisement revenue depends on the readership length. This makes circulation a main motive of the industry in spite of its ideology. As the news paper is sold in loss. Increase in circulation has to be balanced by advertisement income. This can be achieved by increase in advertisement rate. ie if percentage of circulation is increased it amounts to loss so ratio between advertisement and circulation should be 65% to 35 % any increase in circulation income leads to loss.

## 3. Technological Challenges

Introduction of Television Media, Satellite Channels, Information Technology opened new avenues of free information flow on global level. These challenges created new competitor to newspaper industry not only for retaining their own loyal readership but new generation preferred uncensored free information around the world at there convenient time. These changes also diverted newspaper advertisement revenue to television and web media. Boundaries like national level newspapers, state level newspapers or regional language newspapers vanished. And all the newspapers faced the only challenge to expand their circulation at whatever the cost. These newspapers who were having large financial support could easily responded these changes, but small newspapers had to struggle hard for survival. For survival of newspaper unit all the newspaper adopted the stagnancy in price and various market mix strategies like invitation price, gifts and duping of free copies. This did helped them to retain market position but transformed their dependency on advertisement or other revenues.

Newspaper is a business proposition which converts the power of mass media to profit. No one can predict what will be the future. Satellite and internet technology which have created sudden new competitive media world in a short span of two decades. Percentage of illiteracy or semi literacy will help regional newspapers for next two to three decades. But in this competition money power will empower idealism.

## Scope for Further Research

While studying newspaper management, strategies and complexity in newspaper industry, I have touched various aspects. like -

- 1) Newspaper economics
- 2) Effects of technology and information technology on newspaper media.
- 3) Importance of newspaper circulation
- 4) Distribution
- 5) Market mix
- 6) Newsprint management
- 7) Survival in competition
- 8) Expansion after survival
- 9) Newspaper unit as variable business proposition
- 10) Restoration of credibility or its social responsibility as fourth estate
- 11) Economics of Free newspapers
- 12) Organizational, Modernization, Strategies
- 13) Idealism and Business

Many of these aspects like -

- a) Technological change and competition
- b) Ethical role of newspapers as a fourth estate
- c) Future of Small and Medium newspapers
- d) New challenges of internet and other Medias before print media
- e) Editorial changes in print media
- f) Future of regional language newspapers.
- g) Code of conduct and laws for mass media.

All these aspects needs further research with specialised approach.

The new technology and free uncensored flow of information will lead new challenges before all the mass media. It will become necessary for every media management to face the changes for survival. Researchers should study these aspects in depth which can help the media to plan or create their path for survival.

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