

German News Media Landscape Trends

May 2021



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Estimates of newspaper revenues are based on a composite of public and proprietary sources. Key sources included the Global Media and Entertainment Outlook, World Association of Newspapers, and the Federal Association of German Newspaper Publishers (BDZV). This aggregate information was also tested against Accenture's proprietary datasets and publicly available company-level information and reporting. Where equally reliable and authoritative estimates varied from one another, an average of the available data is reported.

All figures in the report are quoted in Euros.



Executive summary

The German media landscape has fundamentally changed in the past two decades. The internet democratised how content is created and consumed, enabling new channels of communication between businesses and consumers.

These changes have significantly disrupted traditional newspaper revenues, which have fallen by 31% as the market for printed classifieds advertisements has all but disappeared.

Since the turn of the millenium, newspaper revenues fell €3.6 billion. The vast majority (89%) of this decline was from the loss of printed classifieds revenue, which once contributed €4.37 billion to newspaper coffers and now contributes just €1.15 billion. Classifieds advertising now happens on several pure play online sites: digital-only businesses which host listings for a specific niche such as job advertisements, second-hand cars and household items, or real-estate listings. These businesses are often supported by local investors, including news publishing businesses.

In the meantime, much (46%) of the growth of online advertising has come from new growth rather than displacing the existing markets of traditional advertising. These new advertising dollars are coming in part from the rapidly growing participation of small and medium-sized businesses in advertising spending, as they are now able to choose from a more diverse array of advertising platforms.

The decline of print classifieds and the increase in online advertising is ultimately driven by a change in reader behaviour. The share of the news-consuming population which rely on print news fell from 63% in 2013 to 34% in 2019, while reliance on online news stayed relatively constant and reliance on social media in particular increased steeply.



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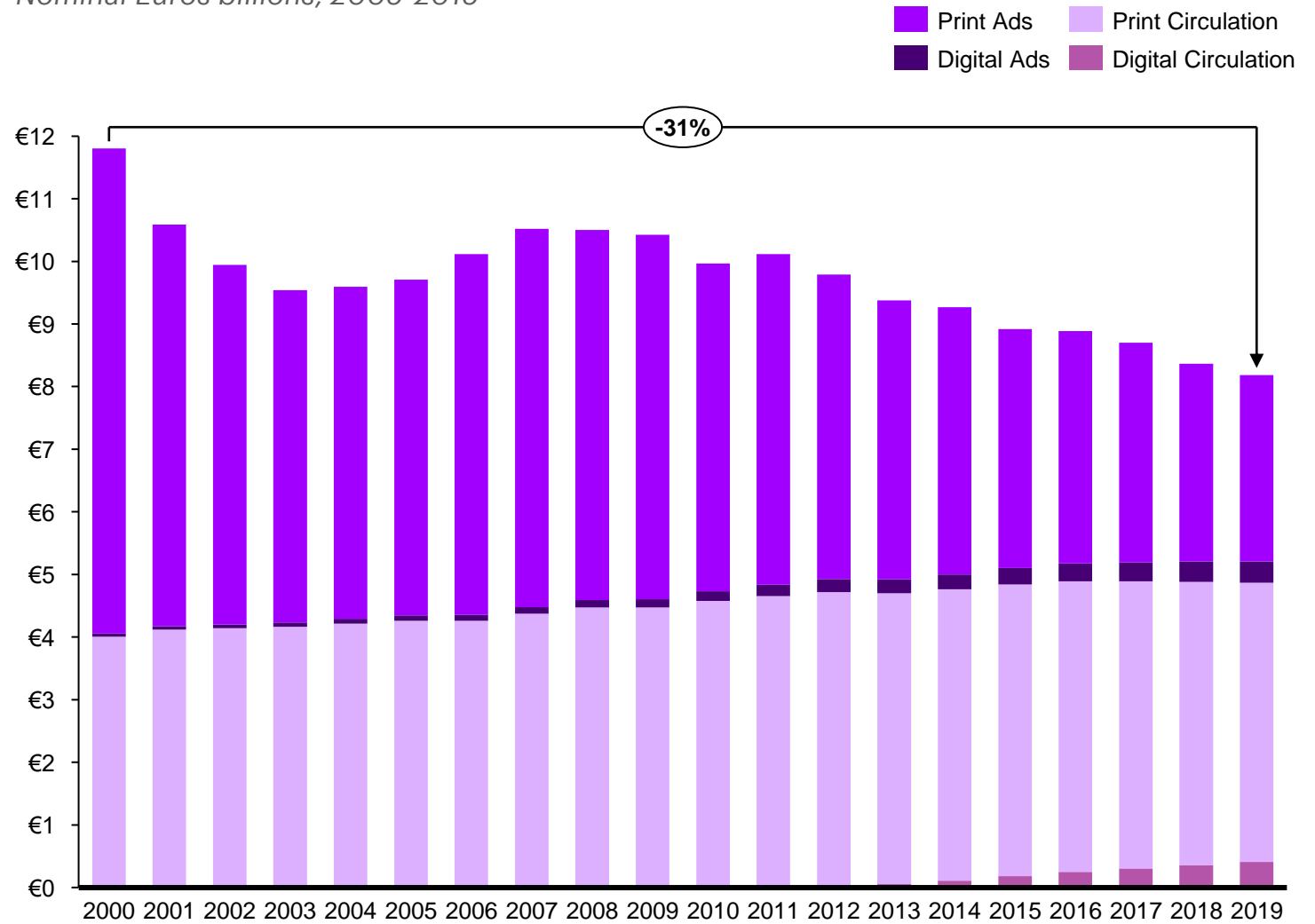
What caused the decline in newspaper revenues?

Newspaper revenue has declined by 31% due to declining advertising revenue

German newspaper revenue has fallen by almost a third from €11.8 billion in 2000 to €8.18 billion in 2019. In 2000, newspaper revenue totalled €11.8 billion across online circulation, print circulation, online advertising, and print advertising. This represented the peak of newspaper revenues, after which revenue fell steeply in the early 2000s before stabilising and then falling consistently since the global financial crisis in 2008.

The period since 2008 was characterised by significant innovation in the media sector. New advertising developments included Google AdSense which launched in 2003, YouTube in 2005 and Facebook ads in 2007. The growth of programmatic advertising and digital classifieds websites upended traditional advertising models in the news market. There were also changes in consumer behaviour associated with the launch of the iPhone in 2007, the growth of mobile technologies and devices and the advent of ubiquitous high speed mobile broadband.

German newspaper revenues over time
Nominal Euros billions, 2009-2019



Sources: PwC, WAN-INFRA, S&P Global Market Intelligence 2020 (Kagan), BDZV.
Notes: The proportional split between digital and print circulation and advertising was derived from the most recent BDZV report. This split was not included prior to 2009 so a CAGR was used to interpolate data based on this growth rate. Newspaper advertising revenues were calculated by averaging the available sources from PwC, WAN-INFRA, S&P Global Market Intelligence 2020 (Kagan), and BDZV.

Declining classifieds revenue accounts for 89% of the overall decline in newspaper revenues

The total decline of €3.62 billion between 2000 and 2019 involved a significant change across the segments of newspaper revenue

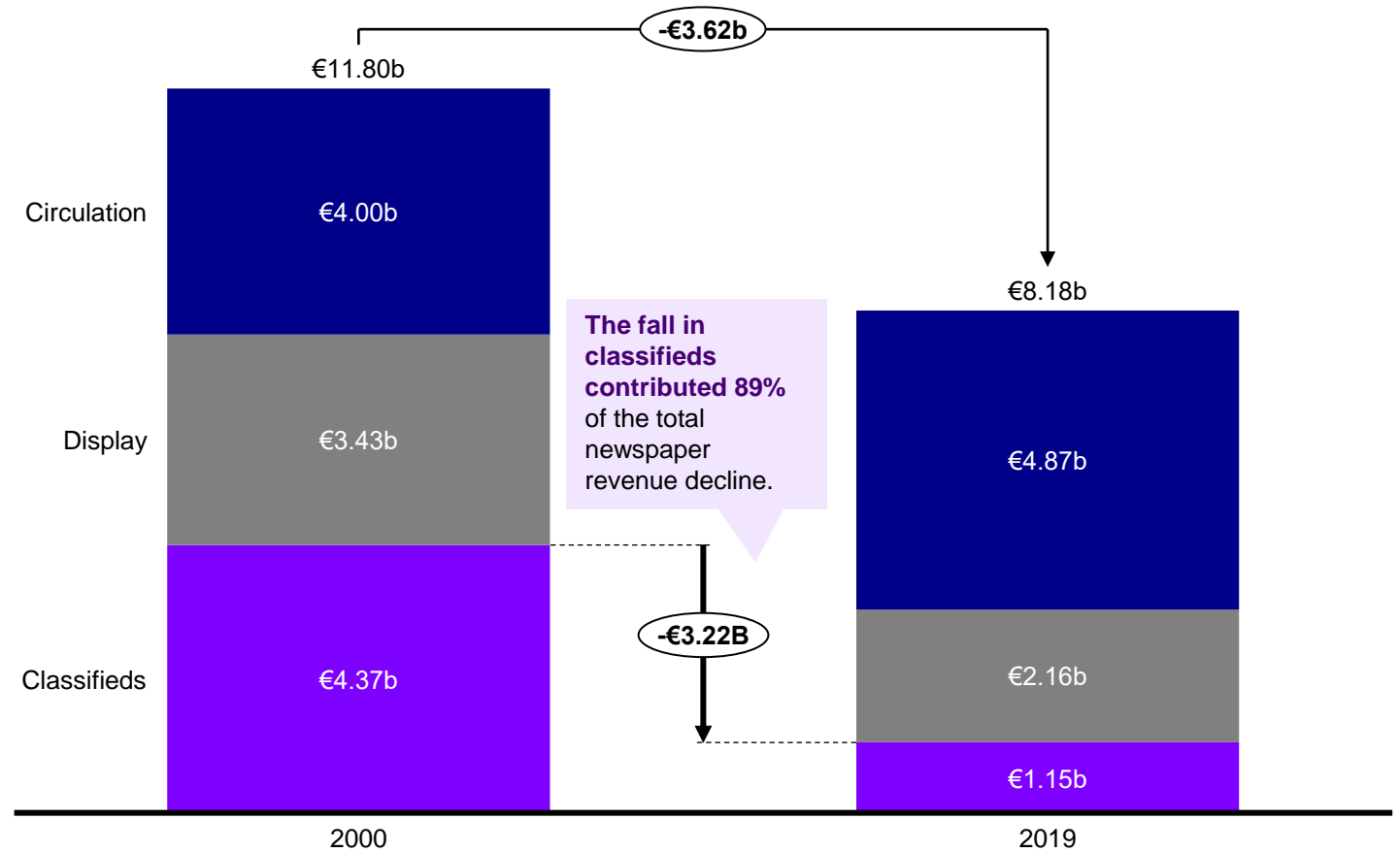
Most of the overall €3.62 billion decline has come from the loss of newspaper classifieds. These small, pay-per-line advertisements contributed €4.37 billion – or 37% – of newspaper revenue in 2000. But by 2019, newspaper classifieds generated just €1.15 billion, accounting for 14% of newspapers' total revenue. This accounted for 89% of the total newspaper revenue decline due to the high level of circulation revenue.

Unlike many other countries, circulation revenue in Germany grew over the period. Combined print and online circulation revenues increased from €4.00 billion to €4.87 billion between 2000 and 2019.

Display advertising revenue decreased from €3.43 billion to €2.16 billion between 2000 and 2019. This involved a €1.47 billion decrease in print display advertising, offset by an additional €0.2 billion increase from display advertising on online news sites.

German newspaper revenues

Nominal Euros billions, 2000 and 2019



Newspapers have lost classifieds revenue to “pure play” classifieds websites

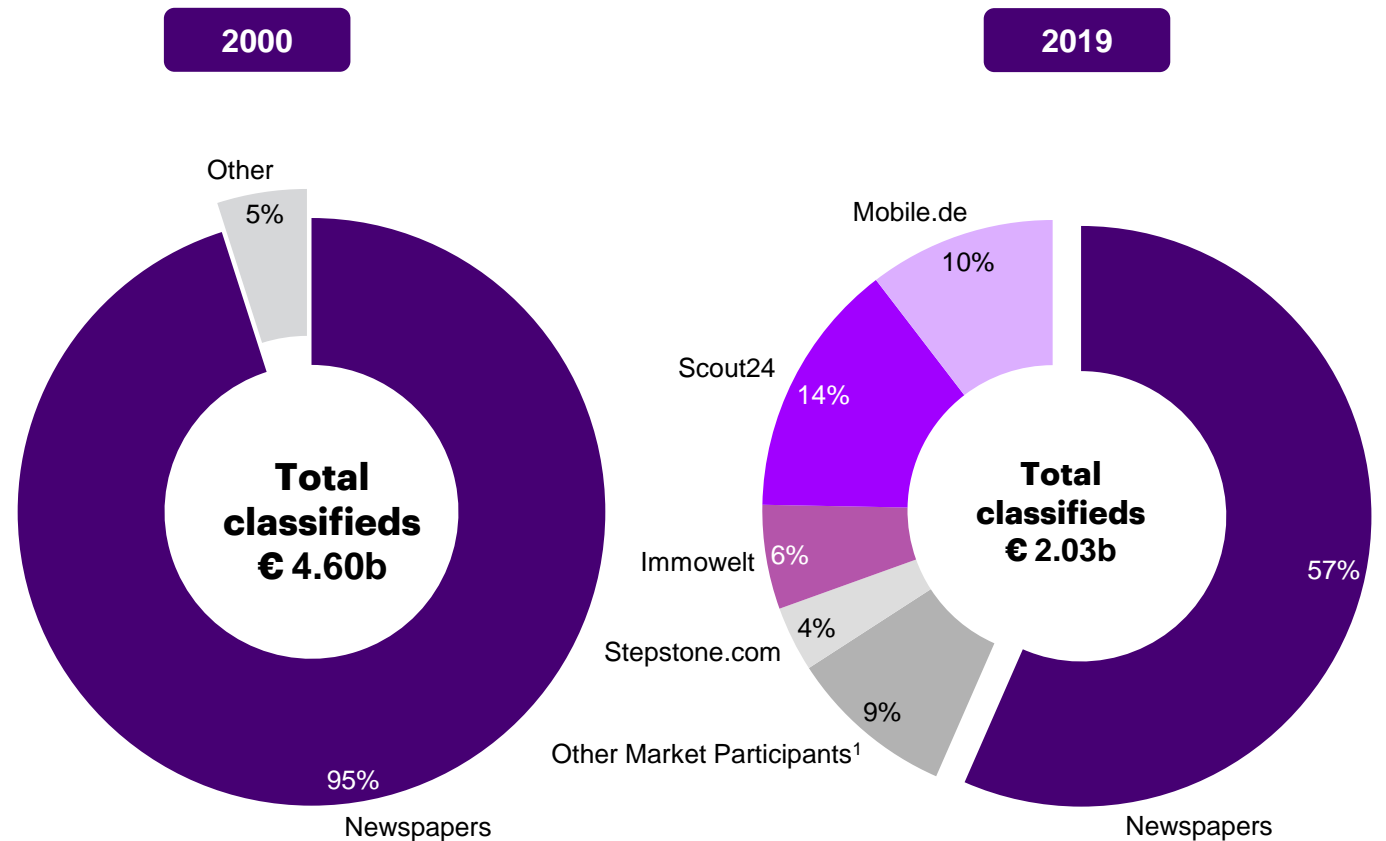
The loss of classified advertising has been a major driver of total newspaper revenue decline.

Classified advertisements include short, highly targeted advertisements that may be posted by either businesses or individuals in a specific section of newspapers or on specialised listings sites such as Scout24, Immowelt or Mobile.de.

In 2000, newspapers held 95% of classifieds revenue. By 2019 the total classified advertising market had declined to €2.03 billion, with newspapers accounting for only 57% of the market. This was a total decline of €2.6 billion.

Real estate classifieds moved from print newspapers to Immowelt which gained a 6% share of total classified advertising revenue by 2019. Job advertisement pure play Stepstone captured 4% of the total classified advertising market between 2000 and 2019. While automotive classifieds company Mobile.de captured 10% of the total classified market. Other online players including eBay accounted for at least 9% of classifieds revenue in 2019. As of 2019, newspaper classifieds revenue amounted to €1.15 billion.

Estimated German classifieds revenue
%, nominal € billions, 2000-2019



¹ The size of the total online classifieds market and thus ‘other market participants’ is likely underestimated due to some free-to-list classifieds not being captured in available data. Accordingly, newspapers’ share of the total market is likely to be even lower than reported in the available data.

Sources: S&P Global Market Intelligence (2020), BDZV, PwC, DnB, Annual Reports: Mobile.de, Scout24, Immowelt, Stepstone.



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**Where did the growth of
online advertising revenue
come from?**

The German advertising market has grown by €4.0 billion driven by digital

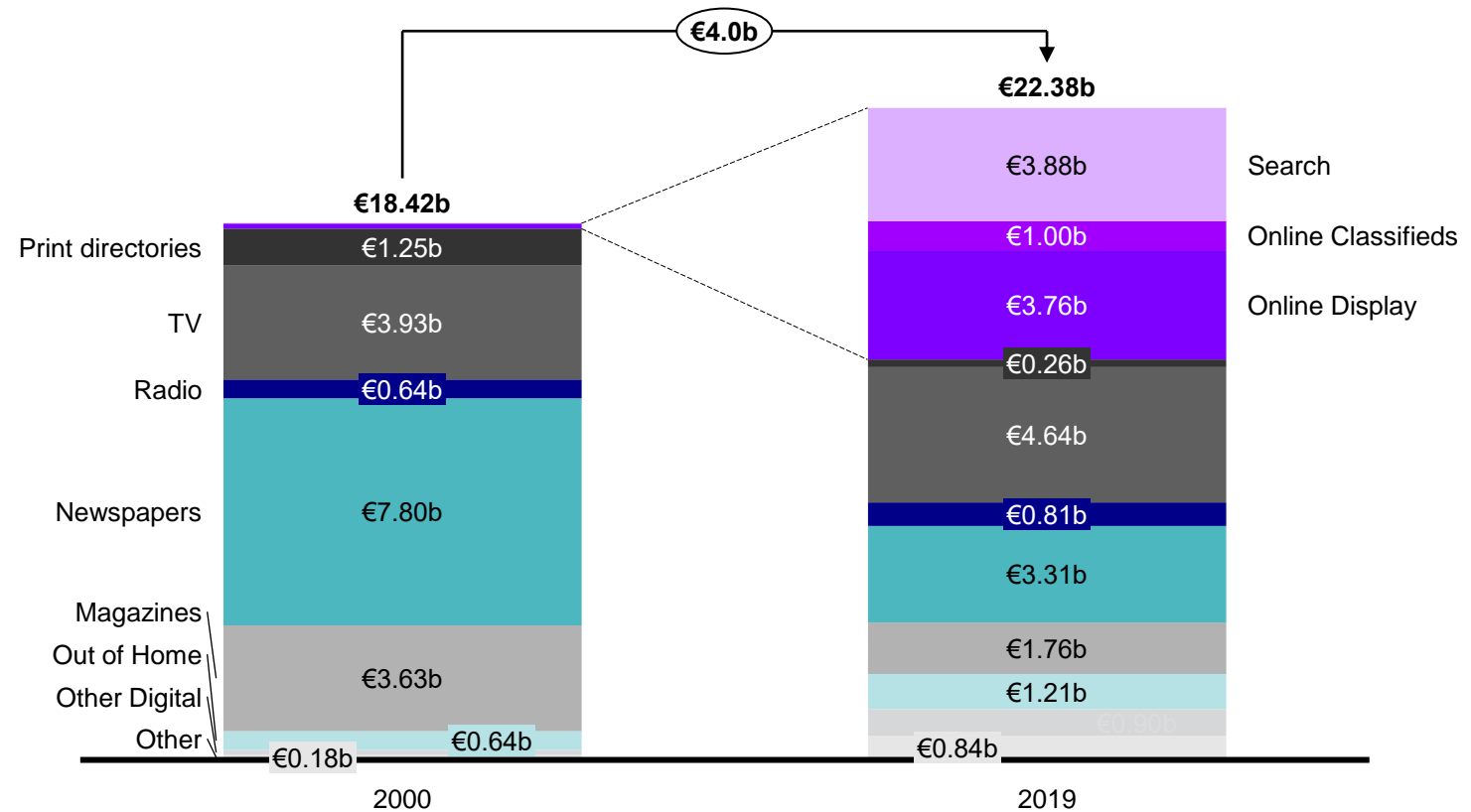
The total German advertising market grew €4.0 billion from €18.4 billion in 2000 to €22.4 billion in 2019. This equated to 1.03% average year-on-year growth (CAGR) over the period.

Underneath this headline growth rate there was substantial reallocation across the major components. Many established broadcast segments such as television and radio grew modestly. Television advertising revenue grew from €3.9 billion to €4.6 billion. Radio advertising grew from €0.6 billion to €0.8 billion.

Meanwhile, print segments fell over time, with magazines declining from €3.6 to €1.8 billion. Newspaper advertising dropped from €7.8 billion to €3.3 billion, as advertisers opted for other mediums.

Over the same period, online search revenue grew from almost no presence to €3.89 billion. Online display revenues grew from €0.17 billion to €3.76 billion and online classifieds grew from next to nothing to €1.1 billion. Online search captured 34% of all advertising growth between 2000 and 2019, to become 17% of the overall market.

German advertising revenue
Nominal € billions, 2000-2019



Sources: S&P Global Market Intelligence (2020), PwC, eMarketer, BDZV.
Notes: Average values have been taken from multiple sources for TV, Radio, Magazines, and Out-of-Home, see methodology for a detailed description. Total growth captured includes all segments that increased beyond 0% growth between 2000-2019.

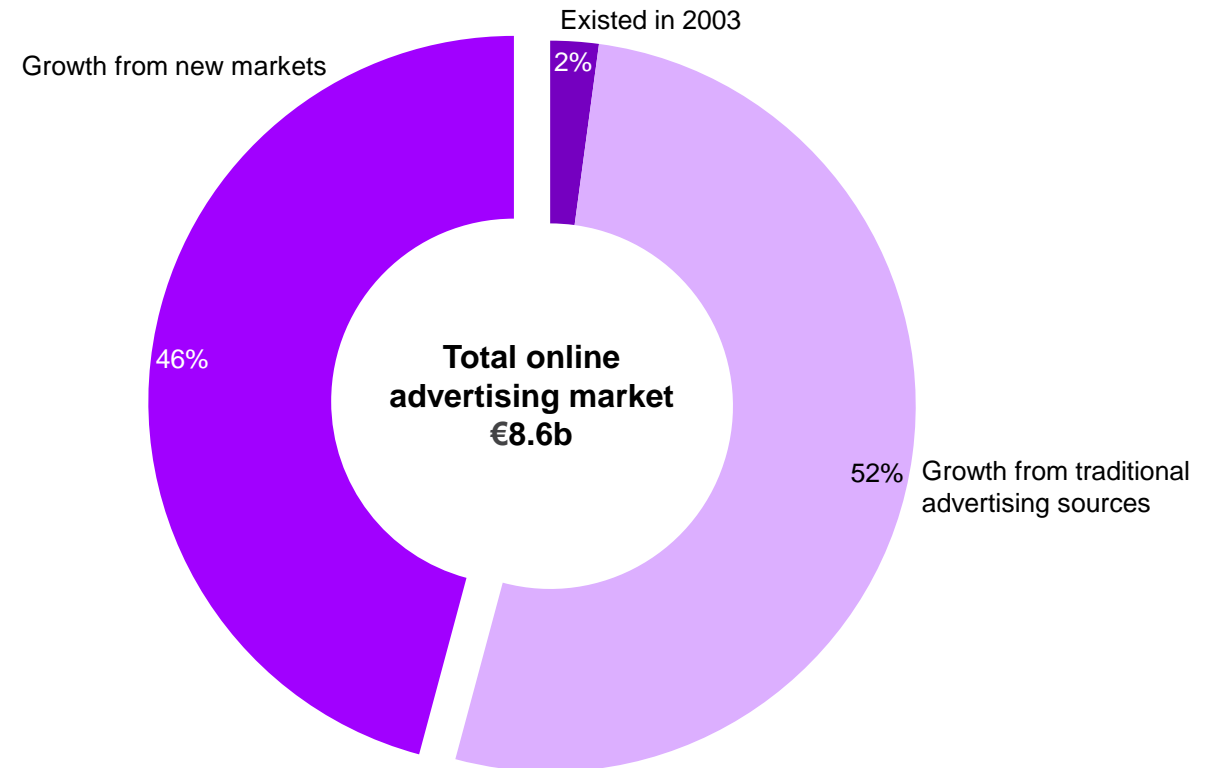
45% of the growth in online advertising has come from new market growth

Online advertising is worth €8.6 billion, nearly half of which represents entirely new growth in the advertising market.

Online advertising represents an entirely new way for advertisers to connect with their clients. Among other things, it created a scalable and cost-effective opportunity for small and medium-sized businesses to reach consumers in a particular niche or locality. The OECD has highlighted the transformational effect that online advertising has had for small and medium enterprises (SMEs) – including in enabling access to new markets, and affordable access to advanced targeting, market segmentation and impact analysis.¹ According to research from Deloitte in 2013, advertising can be especially valuable investment for SMEs: their return on investment (ROI) is eight times higher than that of a large advertiser.³

Online advertising has grown in large part (46%) from the overall growth in the advertising sector. New markets in online advertising include new technologies like search, new business models like online pure play websites, and the online presence of legacy players such as websites of newspapers and magazines.

Online search revenue 2019 – estimate of sources
% share, 2019



Sources: S&P Global Market Intelligence, PwC, eMarketer, DnB, Statista, IAB Europe.

Notes: Digital directories are assumed to be a direct substitute for print directories. Search is assumed to be a secondary substitute for print directory advertising which has declined from €1.2B to €0.26B between 2000 and 2003



3

How have reader preferences changed over time?

Globally, paying audiences for news continue to grow, driven primarily by digital circulation

Globally, the demand for news has remained strong. Print circulation has remained stable over the five years to 2018, while paying digital audiences have grown rapidly.¹

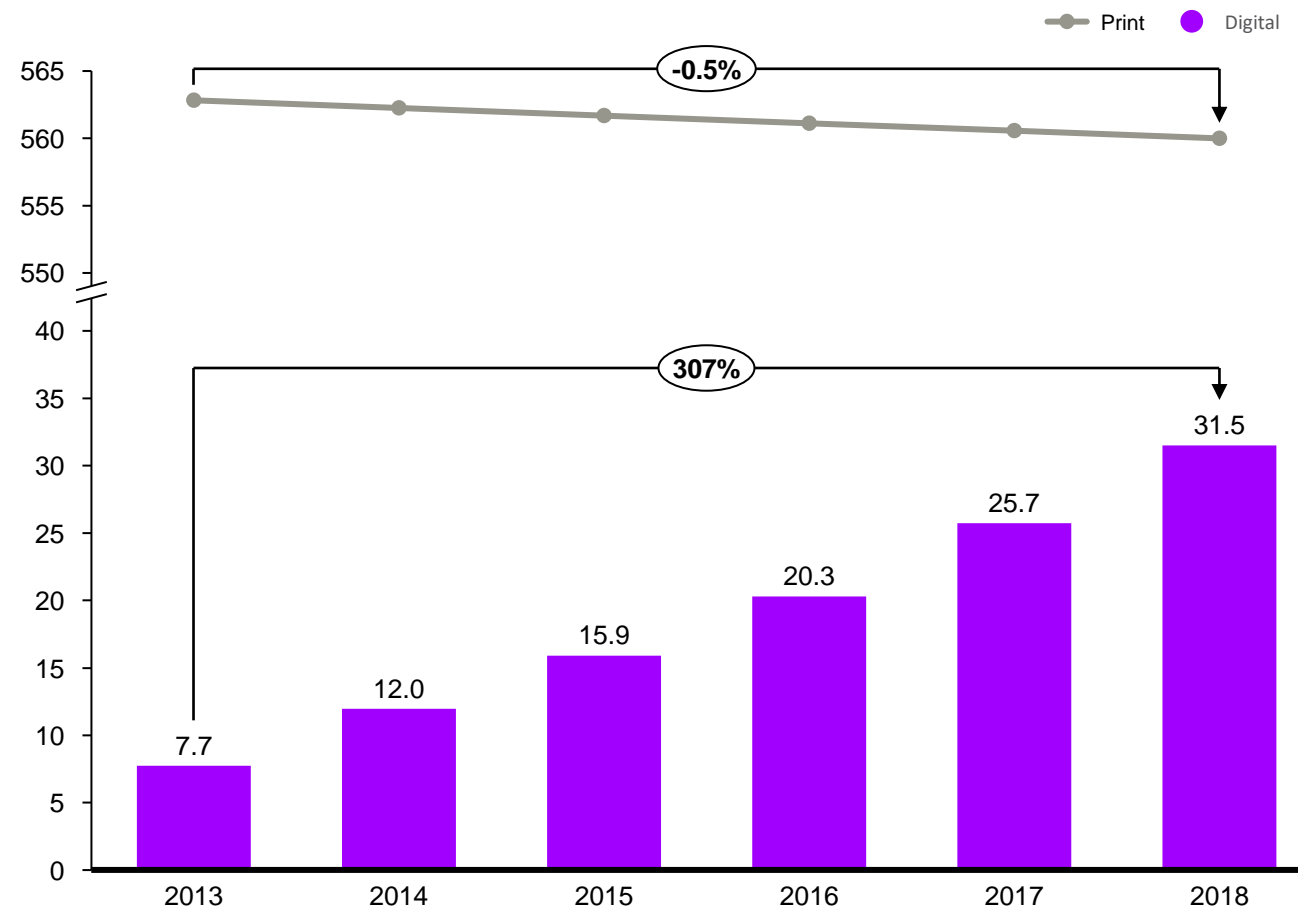
Global print circulation figures remained relatively stable between 2013 and 2018, falling by just 0.5%.

However, paid digital circulation has grown rapidly as publications deploy new payment models and content strategies. Data shows that consumers are willing to pay for digital news. Between 2013 and 2018, digital circulation volumes increased by 307% to reach 31.5 million paying subscribers.

Across all news publications globally, the fall in paid print subscriptions has been more than offset by growth in paid digital news subscriptions. Between 2013 and 2018, the number of paid print subscriptions fell approximately 3 million while paid digital subscriptions increased by 26 million.

Global average daily print and digital circulation

Millions of units daily, 2013-2018



¹World Association of News Publishers, 'World Press Trends 2019'.

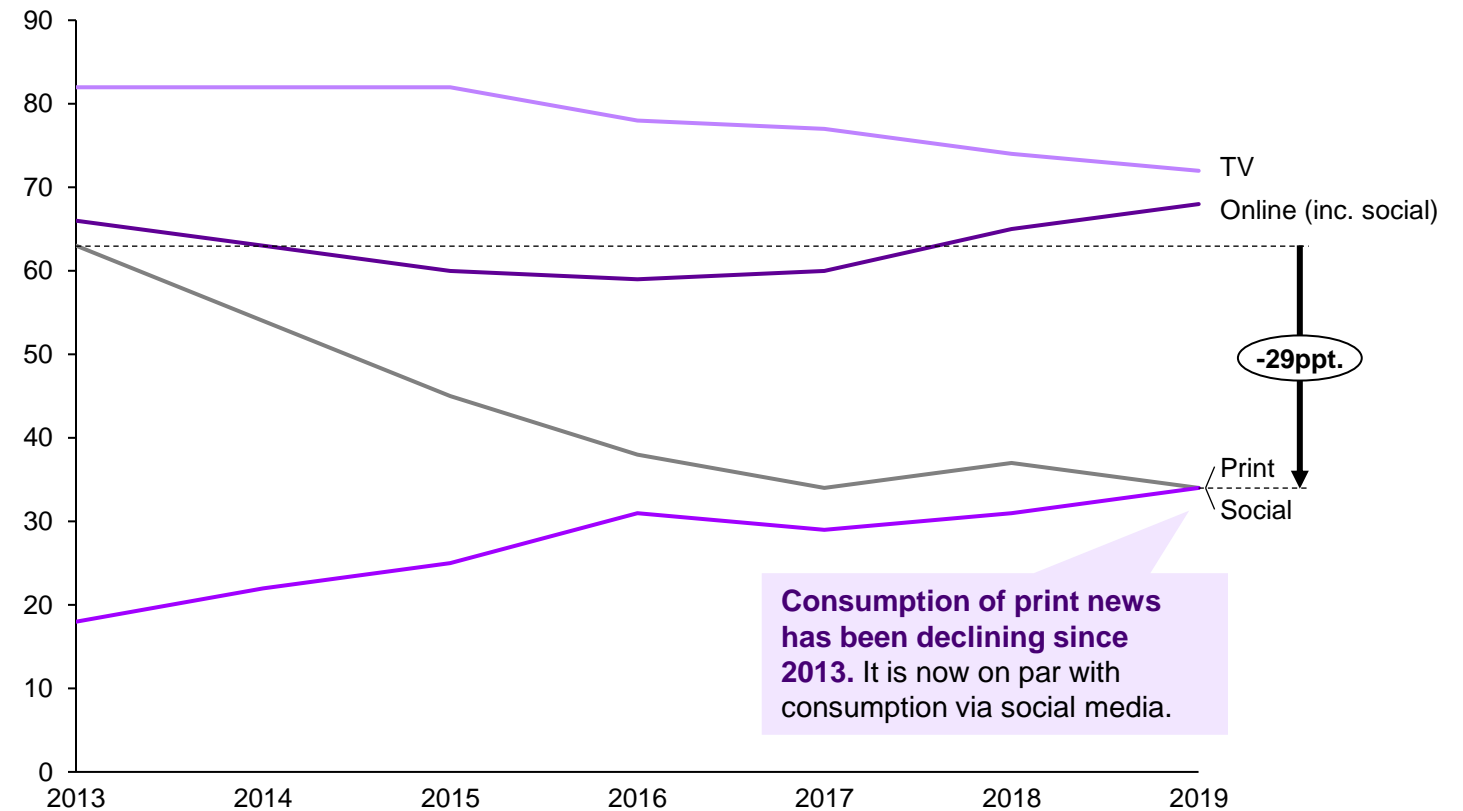
German news readers are increasingly turning to social media and online news and away from print and TV news

There has been a 29 percentage point reduction in the share of consumers who access news via print since 2013.

Germans are looking increasingly to the internet and social media as places to access news. As of 2019, the proportion of Germans accessing news via social media is equal to those accessing news via print media.

TV remains a dominant medium for accessing the news in Germany however the number of people accessing news via TV has declined 10ppts since 2013 to be 72% in 2019. The number of people accessing news online is 68% and if current trends trend continues, online will likely soon become the dominant means of accessing the news in Germany.

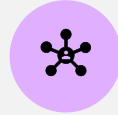
German consumption of news by medium
% adults who access news by format, 2013-2019



Consumption of print news has been declining since 2013. It is now on par with consumption via social media.

As readers spend more time online, publishers are innovating by improving first-party data, reimagining content distribution and mainstreaming digital subscriptions

First-party data heightens advertising capacity



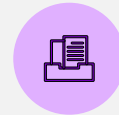
Challenge

To overturn the 37% drop in newspaper display advertising revenues, newspapers need to offer advertisers high value advertising opportunities.

Solution

First-party data (publishers' data on audience attributes and behaviours) can enhance value by matching advertisers with the audiences they want to reach.¹ Newspapers can create private markets for premium ad sales, launch new ad products and increase audience segmentation through advanced analytics capabilities.² For example, major publisher GEDI has implemented its Data Lake strategy to tap into the immense value of its data. Similarly, major Spanish publishers collaborated on the WEMASS advertising platform using data analytics on inventory and audiences.

Innovating content distribution methods to build audience



Challenge

To capture the attention of the 68% of readers who consume their news online, digital news needs to be accessible, sticky and targeted.

Solution

The distribution of quality content to the right readers at the right time is a significant enabler of the value created for readers by newspapers. Improving the underlying technology of digital news including front and back-end technology for content profiling, aggregation and dispersal is key to attracting and building audiences. For example, innovative content technology such as live blogging has been developed by company SourceFabric. It is used by newspapers globally. Likewise, the Economist's Espresso App retained subscribers via its digestible, bite-sized information and attractively presented articles.

Driving digital subscriptions to unlock reader revenues



Challenge

To continue to bolster growth in circulation revenues as readers move online, newspapers must constantly reinvent digital subscriptions.

Solution

Increasing digital revenue generation requires innovative strategies to convert readers into paying audiences. Diversifying subscription and membership options such as multi-newspaper, multi-user or business subscriptions, and simplifying payments methodologies, represent some ways to reinvigorate digital sales. For example, Swedish newspapers have innovated and offer multiple premium subscription models to capture customer segments. Subscription sharing models have been shown to grow audience size by between 1.2x to 10x.

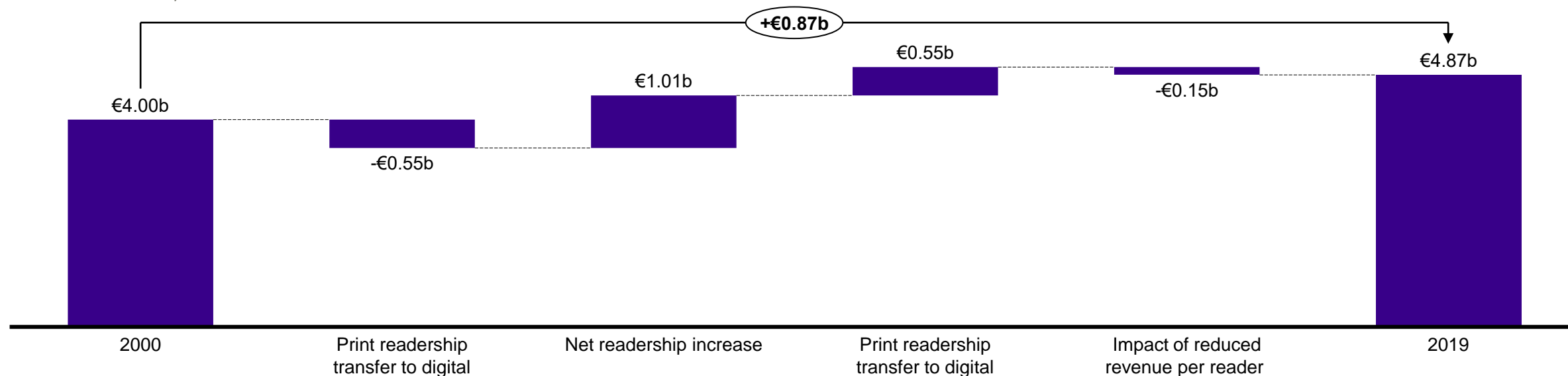


Appendix

Circulation revenue has increased by €0.87B due primarily to increased readership

Changes in newspaper circulation revenue

Nominal € billions, 2000-2019



Circulation revenue for newspapers increased €0.87 billion between 2000 and 2019. This increase reflects several factors which each put upward or downward pressure on net circulation revenue.

First, changing reader habits meant that approximately €0.55 billion of circulation revenue switched from print to digital channels.

Meanwhile, a net increase in the amount of the population of readers – across both digital and print together – implied a potential increase of €1.01 billion in revenue. This assumes that news publishers were able to monetise the increase in news consumption at the same rate as in 2000.

However, that has indeed not stayed constant.

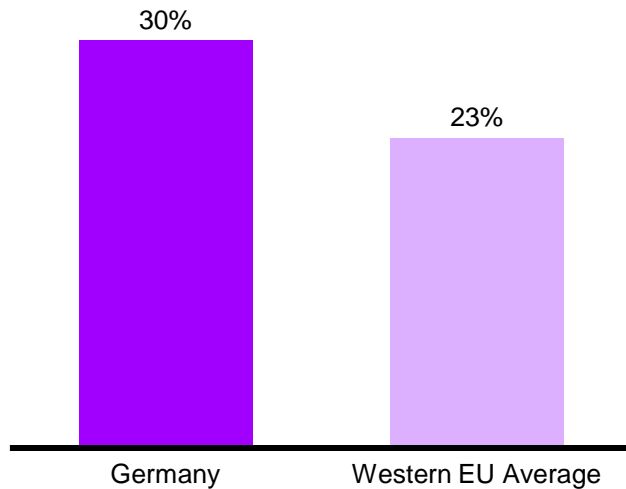
Whilst the cover prices of print papers have increased – and thus put an upward pressure on circulation revenue – the average revenue per reader in digital formats is lower. This reflects cheaper distribution costs, as well as the lower propensity by readers to pay for digital content.

The net effect of these forces has been a meaningful increase in circulation revenue.

Germany has been able to increase circulation revenue because of a strong, innovative and trusted industry

Daily Newspaper Readership

Avg % daily circulation out of population 2019

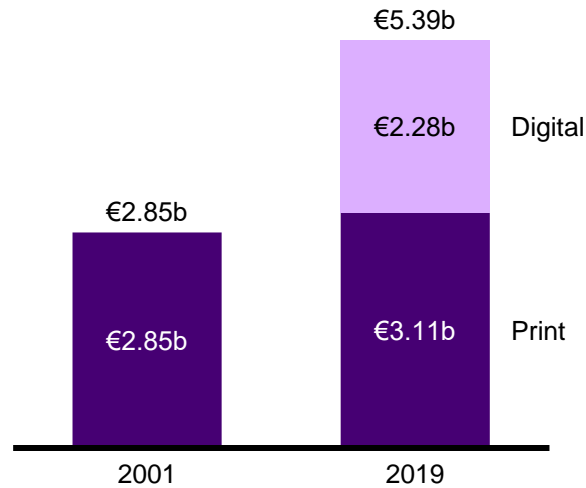


High readership levels

Newspapers in Germany have some of the highest readership levels in the world, with an average of 30% of people reading on a regular basis. This is higher than the Western EU average of 23%.

Axel Springer revenue sources

Nominal € billions, 2001-2019

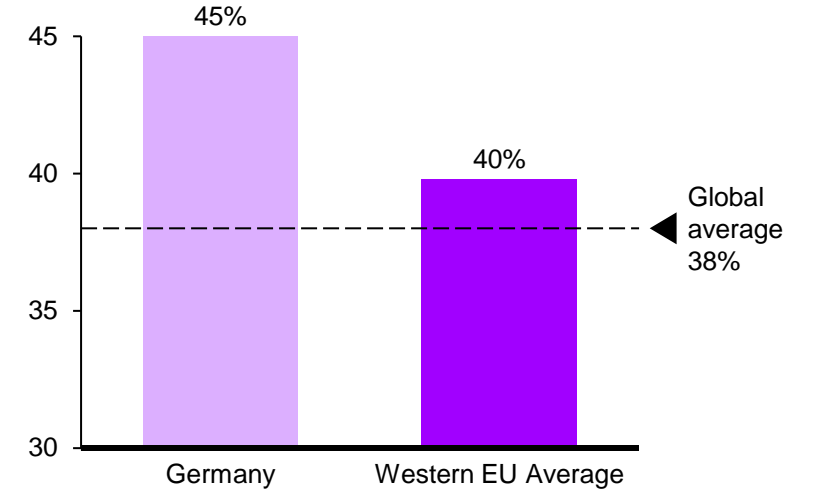


Digital adaption and adoption

German newspaper companies such as Axel Springer have been fast to adapt to changing market demands, developing robust digital platforms to offer their content to new and existing readers.

Trust in news in Europe

% of adults who trust news media most of the time



High levels of trust

The press in Germany has a high degree of trust. Western Europeans in particular had greater trust in the news media than citizens from other parts of the world according to a survey of 38 countries.

Glossary and notes

“Newspaper revenues” refers to total income earned by print and digital news products. It is not an estimate of total corporate revenue of the parent companies of news organisations. For example, some newspaper companies also earn revenue through investments in live events, technology platforms, or ‘pure play’ websites. In keeping with statistical standards, these are not counted as part of newspaper revenues.

“Display advertising revenue” is earned from the placement of visual display advertisements in print papers or on websites. They are traditionally larger than classifieds advertising, and include greater variety of image or font designs.

“Classifieds advertising revenue” is earned from the listing of predominantly text-based notes in print papers or on websites. They are traditionally smaller than display advertising, and tend to be of more uniform size and design. They most commonly advertise small businesses, second-hand goods, real estate, jobs, or personal notices.

“Circulation revenue” is earned from fees paid by readers to access the news. They include the cover price of print newspapers, recurring subscriptions for online access, or any other fee-to-read model.

Estimates of newspaper revenues are based on a composite of public and proprietary sources. Key sources included the Global Media and Entertainment Outlook, World Association of Newspapers, and the Federal Association of German Newspaper Publishers (BDZV). This aggregate information was also tested against Accenture’s proprietary datasets and publicly available company-level information and reporting. Where equally reliable and authoritative estimates varied from one another, an average of the available data is reported.

All figures in the report are quoted in Euros. Estimates from some sources were provided in foreign currencies, in which case they were converted to the local currency at the appropriate rate: as either provided in the source, or the annual average at the time of the source being compiled. All figures are quoted in nominal terms.

Calculating classifieds share of the newspaper revenue decline

This report estimates that 89% of the total decline of newspaper revenues between 2000 and 2019 comes from the decline of classifieds revenue. This is calculated as a simple fraction where the difference in classifieds revenue between those years is divided by the difference in total revenue over the same period.

Calculating source of online advertising revenue growth

This report estimates that 46% of the online advertising market in 2019 comes from new market growth. This is calculated by conservatively assuming that online advertising was responsible for all of the nominal decrease in advertising expenditure in traditional categories. As such the 46% is the difference in advertising expenditure between 2000 and 2019 expressed as a share of the total size of online advertising expenditure in 2019.

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