The impact of digital media on newspapers: Comparing responses in China and the United States

Colin Stuart Sparks
*Hong Kong Baptist University*, sparksc@hkbu.edu.hk

Haiyan Wang
*Sun Yat-sen University*

Yu Huang
*Hong Kong Baptist University*, s03033@hkbu.edu.hk

Yanhua Zhao
*Chinese Academy of Press and Publication*

Nan Lü
*Hong Kong Baptist University*

See next page for additional authors

Follow this and additional works at: https://repository.hkbu.edu.hk/hkbu_staff_publication

Part of the Journalism Studies Commons

This document is the authors' final version of the published article.

Link to published article: https://dx.doi.org/10.1177/2059436416666385

**APA Citation**


This Journal Article is brought to you for free and open access by HKBU Institutional Repository. It has been accepted for inclusion in HKBU Staff Publication by an authorized administrator of HKBU Institutional Repository. For more information, please contact repository@hkbu.edu.hk.
The impact of digital media on newspapers: Comparing responses in China and the United States

Colin Sparks
Hong Kong Baptist University (HKBU), Hong Kong

Haiyan Wang
Sun Yat-sen University, China

Yu Huang
Hong Kong Baptist University (HKBU), Hong Kong

Yanhua Zhao
Chinese Academy of Press and Publication, China

Nan Lü
Hong Kong Baptist University (HKBU), Hong Kong

Dan Wang
Hong Kong Baptist University (HKBU), Hong Kong

Abstract
Chinese newspapers are beginning to feel the effects of digital media both on their circulations and advertising revenues. In contrast to the west, where newspaper circulation has been problematic for some years, this represents a new situation since they have enjoyed 25 years during which both circulation and advertising grew very rapidly. The response of Chinese newspapers has some similarities with that experienced in the West, and notably the United States, but it also has major differences. Newspapers elsewhere have responded to the situation primarily...
As economic units, but in China, the political dimension has had a central role. The article reviews the comparative impact of the crisis and gives an overview of the Chinese response in terms of cost cutting, raising new revenues and changing journalistic practices. Alongside the technological and economic factors, it notes that the Xi leadership has taken a much more interventionist stance on editorial content and that this has further constrained newspapers’ possible responses. It concludes by considering some of the implications of the changed situation and the ways in which newspapers have responded to it.

Keywords
Advertising, China, circulation, Internet, Publishing, print journalism, mobile, newspapers

Introduction
In the last couple of years, the Chinese press has begun to experience some of the symptoms of the deep crisis that has been evident in the western press for nearly a decade now (Van der Wurff, 2012). Until very recently, the experience of the newspaper press in the People’s Republic of China (PRC) was one of considerable success (Hooke, 2012; Organisation for Economic Co-operation and Development, 2010). In sharp contrast to the situation in the developed world, China, along with India, experienced a long period of growth both in circulation and in advertising: as a writer in the World Association of Newspapers magazine put it in 2011, there was a sharp contrast between ‘Gloom in the West. Boom in the East’ (Arnould, 2011, pp. 14-16). Circulation has now begun to fall in China, at least for some titles, and advertising revenue is falling sharply (C. Huang, 2016). This exploratory article discusses these developments in the light of Western experience, notably that of the United States.

Although the crisis is general in the developed world, in North America, Europe and the developed countries of East Asia, it has manifested itself in a variety of different ways. Germany, for example, has experienced the crisis rather later than the United States, and newspapers have been relatively more successful in retaining their position in the overall news market (Brüggemann, Esser, & Humprecht, 2012). Despite this variety of experience, the United States is used in this article as the main comparator since it is there that the contours of the crisis are most evident and best documented (Chyi, 2015; Downie & Schudson, 2009; Herndon, 2012; McChesney, 2013, pp. 172-215; P. Meyer, 2004). There is, however, no implication that the crisis in China will follow the same pattern. There are evident differences between the situation of the press in the United States and in the PRC, and these have affected the timing and nature of the crisis, the differential effect it has upon titles and the kinds of managerial and journalistic responses that have been possible. In fact, as we shall show, the structure of the Chinese press market has meant that in extremely important respects, the responses to the crisis have been very markedly different from those in the developed world. There is, however, an obvious and common thread in the diffusion of the Internet and the consequent explosion of digital media, which has been at least one major contributory factor in all countries.

This article begins by outlining the major difference complicating the comparative analysis of the economic behaviour of the United States and Chinese newspapers and the methodology used to gather the date used here. It then reviews the salient features of the recent experience of the Chinese press in terms of circulation and advertising and makes some comparisons between this and...
the situation in the United States. It goes on to discuss the specific features of the press situation in China that have meant that the responses to the crisis, both managerially and journalistically, have been different in kind to those developed elsewhere. It concludes by summarizing the differences between the US case and that in China.

Economics and politics

In many important respects, the structure of the Chinese and US press industries are so different as to make comparison difficult. The most important of these features are to do with the historical situation within which the Chinese press operates. In sharp contrast with the United States, which is developed, urban, bourgeois-democratic and operates with a relatively free media market, China is none of these things. Some of the specificities of the crisis are to do with the social and economic situation of the press industry in China, but the different responses to the crisis owe more to the political situation than to ‘rational economic calculation’.

While the structure of the US press has been determined largely by market forces, in China these have been constrained by political factors. With some minor exceptions, US newspapers are owned and run as commercial operations. Owners may have other motives than pure economic success, but their mode of operation means that a return on investment is the central priority. The Chinese press certainly operates in a market situation and has pursued economic success as a major goal for a quarter of a century, but its central priorities are ultimately political. As many writers have shown in detail, however much in practice some titles have pursued economic goals, all titles are theoretically designed to conduct political propaganda on behalf of the Chinese Communist Party (Zhao, 2004). All titles are majority-owned by the party or other official organizations and are responsible to the appropriate level of the party apparatus (Stockmann, 2013, pp. 50-73). Titles cannot be founded, closed or merged purely for economic reasons. Such considerations play a part in determining decisions, but, in the last analysis, political consent is the essential condition. The US newspaper owners can, and do, sell, merge and close titles when they judge they can no longer be sustained as viable economic prospects, but there is no such freedom in the Chinese case. Different types of Chinese newspapers enjoy different degrees of freedom to pursue commercial goals, but none of them is entirely free of political constraints upon their economic decision-making.

To take an obvious example of the differences between the two countries: most US newspapers operate without competition to their printed editions. This was not their original state and, at least in larger towns and cities, there was once a plurality of titles competing with each other. Over time, and despite legislative attempts to halt the process of concentration, the less commercially successful titles closed or merged with their stronger rivals and monopoly situations eventually ensued (Busterna & Picard, 1993). This process of merger and monopoly was a ‘rational economic response’ to developing circumstances, whatever its other effects on society.

As we show in some detail below, the contemporary Chinese situation is marked by intense competition between different titles, at least at the provincial and city level. This was not a serious problem while the industry was expanding economically, but recent years have seen a fall in both circulation and advertising revenues and consequently increasing pressure on the profitability of such titles. The ‘rational economic response’ in such circumstances would be to reduce the number of titles, for example, by merging titles that covered more or less the same circulation area. The difficulty is that, for a paper circulating in a given city, responsible to the provincial party committee, to merge with a paper responsible to the party committee of that city cannot be an entirely
economic decision: in order to take place, it would require a political agreement between the different levels of the party. In practice, this has not so far been forthcoming, and for that reason, newspaper mergers in China have been infrequent.

We may summarize these differences by saying that the domination of the Chinese press by the Communist Party not only determines the political orientation of titles and the kinds of content that they produce but also determines their degree of economic freedom. Faced with a given situation, the US press can respond in much the same way as any other business. Faced with a similar situation, the freedom of manoeuvre of the Chinese press is determined by political, not economic, factors.

**Methodology**

Much of this article is necessarily exploratory in nature, since, while the impact of digital technology on the US media has been thoroughly explored, the existing literature on the Chinese situation is extremely patchy. Consequently, the article relies on the analysis of published data both in China and internationally for the overall account of the different press and advertising trajectories. For more detailed information at the level of the newspaper, structured interviews were conducted with key individuals in a number of news organizations.

While the press in China shares an underlying dependence on the political will of the Communist Party, it is relatively differentiated, in editorial strategy, nature of political control, and economic situation. The sample used here was designed to try to explore these differences. One of these is that between central and local party papers – leading to research on, for example, *People’s Daily* and *Jiefang Daily*. A second major difference is that between these party papers and more commercial titles, of which an example is *Southern Metropolis Daily*. Despite the presence of strong state encouragement towards responding to the digital age, there are also differences between relatively slow-moving press conglomerates, like the Southern Media Group, and other more enthusiastic adopters of new strategies, for example, the Zhejiang Press Group. Finally, while the employees of the latter group have embraced the economic logic of the new situation, there are others like the journalists at *Peng Pai* in Shanghai, who appear to be attempting to pursue a strictly journalistic logic. Unfortunately, at the time of writing, it was not possible to extend the research away from the major centres of the east coast, although, as is demonstrated below, the latter are the areas in which the most serious effects have been experienced.

Consistent with the aim of exploring the relationship between technological, economic and political change and their resultant impact upon journalistic practices, senior editors, commercial managers and working journalists employed by the selected press groups were interviewed in order to gain a rounded picture of the impact of the crisis and the variety of responses. Since this article aims to give an overview of current developments, the responses of interviewees are used very selectively in order to illuminate general trends rather than explore in detail the responses of any particular newspaper or newspaper group.

**Circulation and advertising**

The recent historical experience of China is one of breakneck development. Even today, when growth has slowed to below 7% per annum, China is growing much more quickly than the United States or indeed any other developed country (World Bank, 2015a). In parallel with this rapid economic growth, China has experienced a process of urbanization. In 2000, 36% of China’s
population were classified as ‘urban’; in 2011, it reached 51%; in 2014, it was 54%, whereas in the developed world, the figures remained more or less stable (World Bank, 2015b). The same period saw a sharp rise in Gross National Income per capita, from USD2880 in 2000 to USD13,130 in 2014, measured in Purchasing Power Parities (PPPs) for current international dollars (World Bank, 2015c). China is, of course, a very unequal society, and incomes for the majority of the population are much lower than in the developed countries. Nevertheless, an authoritative source, hardly sympathetic to the Chinese government, recently wrote, “Wages in China have increased steadily over the last decade to the point where the country is no longer considered by international business to be an abundant source of cheap labour.” (China Labour Bulletin, 2016).

Taken together, these factors mean that the potential press market in China has expanded very substantially, since urbanization brings more people into daily contact with the newspaper industry, and rising living standards mean that they have greater disposable income, some of which they might choose to spend on newspapers. As Figure 1 demonstrates, the overall trend of newspaper circulation was, until very recently, rising. This was from a very low base compared to the United States, let alone the high readership in developed societies like Japan or the Nordic countries, but nevertheless, between 2004 and 2013, newspaper circulation rose by just under 20% (General Administration of Press and Publication, 2005-2015). Millions of Chinese have, over the last few decades, discovered the newspaper as a cultural form, or rather, since the press market has become increasingly differentiated, they have discovered a variety of somewhat different cultural forms.

This experience contrasts very sharply with that of the United States. While the circulation of US newspapers rose from the end of the Second World War to the mid-1980s, it was nevertheless the case that during most of this period the proportion of US adults reading newspapers was in steady decline (Bogart, 1989, p. 16; McChesney & Nichols, 2010, p. 257). That absolute level in paid daily circulation peaked in 1987 and has declined by around 40% since then. The decline commenced when the Internet was a niche scientific tool, graphical browsers did not exist, and there were no online newspapers available in retail form, so it cannot be attributed to the influence of the Internet. Rather, it indicates a more fundamental problem: a declining interest in newspapers, particularly evening newspapers, as a cultural form in the United States. This decline in circulation did not mean an immediate economic crisis for the newspaper industry since, in a monopoly situation, it is possible to offset a decline in total circulation revenue by raising copy and advertising prices to generate higher overall revenue (Picard & Brody, 1997, pp. 39-43). Indeed, while daily circulation fell by just over 14% between 2007 and 2013, revenue from this source actually recovered to a slightly higher figure over the same period (Newspaper Association of America, 2014). At least in its first stage, the crisis of the US newspaper industry was a crisis of the newspaper as a cultural form. Fewer and fewer people in the United States, particularly younger people, turned to the newspaper for any of the various elements that it contained.

Overall, the situation in China is markedly different. As Figure 1 shows, the rapid growth of circulation has only recently come to a halt. In 2014, the gross number of printed copies fell by around 4%. This is a recent decline, and we are not yet in a position to say that it represents a trend, but it does represent a radically new development. As we discuss below, it may be that this is the starting point of a process of cultural obsolescence similar to that underway in the United States, but there is as yet insufficient evidence fully to support such a conclusion. Some in the industry perceive the situation in those terms: according to one editor we interviewed, the market is now a much more mature one than it was a few years ago. The major titles have already identified their core audience, so there is much less acquisition of new groups of readers (Anon1, 2015). On this
Figure 1. Circulation of the Chinese Newspaper Press 2004 to 2014.
account, the period of mass discovery of newspapers is more or less over, at least until the next major wave of urbanization deposits millions more peasants into a new urban environment.

The trajectory of the advertising industry, and thus of newspaper revenues, is also markedly different. The total Chinese advertising industry has been expanding quickly, along with the economy as a whole, which is a radically different picture from the overall decline in the value of the industry in the United States. In current dollar terms, US newspaper advertising revenues peaked in 2005 and declined by just over 50% in 2013.\(^3\) In 2005, advertising accounted for 82% of newspaper revenue, and by 2013, the proportion was down to 62%. Some of this decline can be explained by cyclical factors (Nielsen & Levy, 2010, pp. 5-7). The crisis of 2008 led to a sharp fall in advertising: revenues in 2009 were around 27% lower than for the previous year (Newspaper Association of America, 2014). Overall, however, newspaper advertising revenue has fallen in every year since 2005 in current dollar terms, and, in constant dollar terms, the decline is sharper (68%) and dates from the year 2000 (World Advertising Research Centre (WARC), 2015). In China, by contrast, the overall advertising industry grew, in constant RMB, by more than 500% between 2001 and 2014. For most of this period, newspaper advertising was also growing rapidly, albeit much more slowly than the overall industry. Between 2001 and 2011, it grew by more than 120%. In that year, however, it reached a peak and has since dropped very sharply, by around 37%, falling back to roughly the 2004 level (WARC, 2015; Figure 2).

The data for the decline in circulation and the fall in advertising revenue in China are both very short term. They show that 2011 was the peak year for advertising and 2013 for circulation and that since then there has been a decline. It is impossible to say with any certainty whether this constitutes a true turning point or is simply a short-term interruption to the trend, although it is certainly perceived as the former by the editors and journalists whom we interviewed. The counter-vailing factors of increased urbanization and rising living standards mean that there is a possibility that there will be a return to circulation growth. With regard to the decline in advertising revenue, however, the fall is quite sharp, although not quite so precipitous as in the United States, and the likelihood is that we are witnessing the same phenomenon as we have seen in more advanced countries. Just as in the other cases in the developed world, where there is a ‘scissors’ effect when Internet advertising benefits from its greater efficiency and overtakes that of newspapers, we see the same pattern in China, albeit a few years later than in the United States.

These overall figures may be slightly misleading, in that they could mask contrary trends at the level of different kinds of papers. The case of the United States demonstrates that such contradictory trends are possible: while the overall figure was dropping from the late 1980s, the circulation of morning newspapers was rising until 2004. The declining total was attributable to the collapse of evening newspaper circulation (Newspaper Association of America, 2014). The evidence suggests that there is a similarly contradictory pattern in China, at least as regards circulation. Between 2011 and 2013, when overall circulation was rising, 10 markets already experienced contractions. The sharpest of these were in major developed provinces on the east coast. Among the large provincial-level cities, circulation in Beijing declined by 22.7%, Shanghai by 17.1%, Tianjin by 9.9%, while that of Chongqing also fell, but only by 1.5%. Although some of the east coast provinces recorded small rises, there were significant drops in Shandong (8.1%), Guangdong (4.8%) and Zhejiang (3.6%). During the same period, circulation of central-level newspapers was increasing (by 16%) while that of provincial, municipal and autonomous region titles fell, albeit by only around 0.5%. As Figure 3 shows, the circulation of national ‘political’ titles has been less affected by the decline than has that of selected local commercial papers, and indeed for the years between 2008 and 2013, they reversed a long-term trend and grew more quickly than their market-oriented competitors.\(^4\)
Figure 2. Chinese advertising expenditure in millions of millions of constant RMB.
‘Internet’ is a total including ‘Mobile’.
During the period 2011–2014, some of the popular commercial titles declined quite sharply: *Xinmin Evening*, the hardest hit, fell from a gross annual circulation of 358 million to 257 million, a decline of 28% compared with an overall decline for these titles of just 7%. In contrast, *People’s Daily’s* circulation rose by 23% during the same period (General Administration of Press and Publication, 2005-2015). The overall picture as regards circulation is that it is falling for the most commercially oriented titles published in the most developed and market-oriented cities while that of the official party press speaking from Beijing with a national perspective has been growing.

Taken together, these figures for circulation strongly suggest, although they certainly do not prove, that the Chinese press market has reached a turning point. The factors which drove the expansion of newspaper readership included increased urbanization and rising living standards. These produced conditions in which the overall market could expand rapidly, and a large part of that expansion could be attributed to titles whose main appeal was their sensational and informational content. The citizens of urban China have, for the last quarter-century, been living through one of the largest and most rapid social changes in human history. To take an obvious, but admittedly extreme, example: Shenzhen went from a small town of less than 50,000 people in 1980 to a metropolis of just under 20 million today. People from all over China have flooded into cities like this and have needed to orient themselves on everything from national politics to the business of everyday life. The mass media have played a crucial role in this process, providing ideas, information and interpretations that could help make sense of such a transformation. To a considerable extent, that information is now available online and can be easily and readily accessed through mobile phones. Urban users make up more than 70% of China’s 628 million Internet users. The mobile phone is by far the most popular access technology, and 90% of Internet users employ their phones for these purposes at some point. One of the major uses to which access is put is for retrieving news: 82% of users employ this function (China Internet Network Information Center (CNNIC), 2016, pp. 45, 47, 61). The central social functions played by the mass media during the period of rapid economic growth are now better discharged by other technologies, and commercially oriented newspapers in particular are suffering the consequences.
Whether similar differences with regard to advertising revenue are present is hard to tell from the available data. Nor is it possible to determine the relative weight of advertising and circulation in total revenue, although it is likely that the former is by far the largest proportion: the official projection in 2000, as cited by Zhao, was that ‘newspapers must raise the percentage of advertisement revenue in its total revenue from an average of 60% in 1996 to 70% by 2000, and 80% by 2010’ (Zhao, 2004, p. 186). These figures may not have been reached and will certainly have been uneven between different titles, but we can say that, after a long period of rapid expansion, the Chinese newspaper press today faces an overall situation of declining commercial revenues, at least in the short term. We can also say that, just as circulation has declined most sharply in the developed eastern coastal provinces, advertising has been hard hit in these places. In Shanghai advertising revenue peaked in 2009 and by 2011, it had fallen by 19.6%. Elsewhere, the peak was in 2010, but all of these provinces experienced falls in 2011 (Yu, 2010-2014).

We may summarize these findings by stating that the evidence suggests, but only suggests, that despite the evident differences between the social situation of newspapers in the United States and China, the latter is beginning to experience similar trends to those which appeared rather earlier in the more developed country. There are major differences, however, in the way these phenomena are manifesting themselves. The Chinese crisis is later than that in the developed world, partly at least because overall Internet penetration remains relatively lower, but its onset appears to be rather sharp compared with the relatively leisurely impact of decline in the United States.

Perhaps more fundamentally, in the US case, there is both a cultural and an economic crisis of the newspaper industry. We can identify three distinct phases of the overall decline of the newspaper: beginning in the mid-1980s, there is a cultural crisis, when the overall circulation of the daily press begins to decline, but this takes place primarily in the evening press sector, and overall the economic situation of the press remained buoyant; from the early years of the 2000s, the decline in circulation becomes general, affecting both morning and evening papers, while the first signs of economic problems begin to emerge; in the third phase, this cultural crisis is joined by an economic crisis as advertising begins substantially to desert the press, moving primarily to the Internet.

In the Chinese case, the evidence of distinct cultural and economic crises is less clear-cut and the decline in circulation and revenues are much more closely connected, suggesting that the shift online of both advertisers and audiences represents the single major factor. It should also be noted that the rise of the online consumption of newspapers in the United States took place well before the development of mobile computing, and the website still forms a major pole of attraction. In China, the two are co-incident, and mobile access is a central part of the contemporary experience of news consumption. In 2015, just under 78% of China’s 564 million users of online news services accessed these services through mobile devices (CNNIC, 2016, pp. 61-62). As the editor of the mobile content service of a major official paper told us, ‘The shift to digital news consumption has been much more rapid in China and has been driven by mobile devices’ (Anon3, 2016). Certainly, the advertisers seem to accept that judgement: as Figure 2 showed, there has been a very rapid rise in mobile advertising, which now accounts for more or less the same amount as does total newspaper advertising revenue.

**Responses to the crisis**

The US newspapers have had a protracted period in which to develop responses, both economic and journalistic, to their problems. Some of the economic responses have been repeated by Chinese newspapers, while journalistic responses have been rather different. As we argued above, the most
important difference is that the privately owned US press, operating in a relatively free market, has responded on a piecemeal, company-by-company, basis, whereas Chinese reactions have been much more centrally, and politically, driven. There have been major government initiatives designed to accelerate the transition of the industry from its reliance upon printed newspapers to a digitally centred future.

**Cost cutting**

One major strategy adopted by the US newspapers has been to reduce the costs of producing and circulating news. Cost cutting includes reducing the quality and quantity of newsprint used, moving to cheaper, suburban premises from prestigious city-centre locations, attempting to use printing facilities more efficiently and so on (Barthel, 2015; Falzone, 2015; Uberti, 2015). The most contentious, however, has been a reduction in the numbers and wages of staff, notably journalistic staff. Among journalists, the peak year of employment was 2002, when there were 56,400 employed in newsrooms. There has been a decline since 2008, and in 2015, the total was 32,900: roughly 42% of US journalists' jobs have disappeared (American Society of News Editors, 2015). These staff reductions meant a sharp decline in the newsgathering and processing effort (Downie & Schudson, 2009, p. 17). The losses among journalists are part of a wider reduction in the labour force. In May 2002, there were 388,160 people employed, in all trades from CEO to Security Guard, in the newspaper publishing industry (i.e. in North American Industry Classification System (NAICS) Code 511110). In May 2014, the figure was 207,430, which constitutes a reduction of around 47%. At the same time, in line with the overall picture of the United States, average real wage levels fell (Bureau of Labour Statistics, 2014).

There is evidence that cost reduction strategies have been present in the Chinese case as well. Some newspapers have moved out of their prestigious central locations, others have moved their printing plants to cheaper locations, paper stocks have been used more efficiently and so on (Anon1, 2015; Anon4, 2015; Liang & Huang, 2011). The position of workers in the industry has also been eroded, albeit much less dramatically than in the United States: total employment in the newspaper industry was 245,900 in 2014, which was 6.54% less than in 2013 (General Administration of Press and Publication, 2015). There are no reliable figures available for journalistic wages, and overall income levels have been rising relatively quickly in China. Anecdotal evidence, however, suggests that the relative income of journalists, which a decade earlier had been suggested as one of the major factors guaranteeing their loyalty to the regime, has been eroded (Lee, He, & Huang, 2006). Since many Chinese journalists, particularly in the commercial sector, earn a relatively low basic wage, amounting to roughly 20% of their total income, and depend upon discretionary bonuses for the other 80%, management has some degree of flexibility in reducing its wage bills without resorting to large-scale reductions in head count and direct wage cutting (H. Wang, 2016). The total number of employees in some media organizations, especially the commercial ones, has dropped sharply since 2014, but this is usually the result of journalists resigning voluntarily because of their low incomes rather than the effect of forced redundancy (Anon8, 2016).

These similarities should not be exaggerated. The US newspapers can be, and indeed are, bought and sold like any other company. Titles can be closed for commercial convenience, or merged with others in the same location, services can be centralized across titles or geographical locations and so on. As we have argued, these strategies are not available in their pure form in the Chinese case. Rules governing market entry, mergers and acquisitions are quite different, and these decisions are at least as much political as they are economic. Most Chinese cities today have a competitive newspaper
market with national, provincial and city-level titles, as well as party-oriented and commercially oriented titles, competing with each other. In Beijing, for example, there were in 2014 a total of eight titles publishing at least four times per week, with 8 in Tianjin, 14 in Shanghai and 7 in Chongqing. The provincial figures were even higher: the top 5 were 43 in Guangdong, 40 in Zhejiang, 37 in Jiangsu, 35 in Shandong and 29 in Sichuan (General Administration of Press and Publication, 2005-2015). These highly competitive markets are a product of the last 30 years and the process of consolidation towards local monopoly, which took a century in the US case, has barely begun. Because Chinese newspapers are mapped on to the hierarchical structure of the Communist Party, mergers can only take place between newspapers subordinate to the same level of the party. Thus, in a rare recent example of a consolidation, two major news groups in Shanghai, Jiefang Daily Group and the Wenhui-Xinmin United Press Group, merged into the Shanghai Newspaper Group. Although this was prompted by economic considerations and had cost savings as one of its major objectives, the condition for it taking place was that both the constituent groups reported to the same, provincial level, party publicity department (Ren, 2013; Y. Wang, 2014). Because of their dependence upon political power, Chinese newspapers have far less room to adopt economic policies that reduce costs or improve their market position than do their US counterparts.

**Raising new revenues**

Faced with falling revenues from circulation and advertising, the US newspaper industry has been experimenting with new sources of income. Subscription revenue has been difficult to acquire online: two US experts concluded that ‘there is no evidence that large numbers of consumers will ever pay for commoditized news that is freely available elsewhere’ (Kaye & Quinn, 2010, p. 177). Charging for some of their online content is now the practice for around half of US newspapers, but these charges are often bundled with print subscriptions and while they have helped to boost subscription revenues, there appear to be limits to the success of this strategy for most newspapers (Doctor, 2014). The uncomfortable fact is that ‘news has never been a commercially viable product and has always been funded with revenues based on its value for other things’ (Picard, 2010, p. 18). Some of the activities aimed at sustaining newsgathering operations include trying to use the brand of the newspaper to promote other money-making activities and extending the advertising services provided by newspapers, most contentiously through the development of ‘native advertising’ (Benson, 2014; Chappell, 2015; Doctor, 2013; The Economist, 2012; Payne, 2015; Sebastian, 2015; Somaiya, Isaac, & Goel, 2015; Wegert, 2015). Newspapers in China appear to have been much more adventurous than their western counterparts in expanding their activities in ‘sideline’ businesses. Some examples – supermarkets, real estate development, game design businesses, hotels and several others – have long been a part of the overall newspaper businesses and were developed as alternative sources of income without obvious links to the core news business (Anon2, 2015; Anon5, 2015; Anon1, 2015). Others, however, particularly those using the brand of the newspaper and its distribution network to build an online business in the purchase of food and other consumer goods, or to provide publicity services to public bodies and corporations, do depend very heavily on the reputation of the title. Some of these activities certainly contain the same potential to modify the editorial activities of the newspaper as does native advertising in the west.

Historically, Chinese journalists have been more open to close relations both with government and commercial corporations than their US counterparts. There is, for example, the well-established practice of ‘red envelope journalism’ in which journalists are paid ‘expenses’ for attending press conferences. There is also a regrettable tradition of some journalists receiving direct financial
rewards from subjects of their reporting, either to publish positive stories or to spike unfavourable material. These traditions appear to have continued into the digital age. One well-known recent example was that of the famous and highly successful economic newspaper *21st Century Business Herald*, which is part of the Southern Media Group. The website of this publication was closed down by the authorities, because it allegedly published negative reporting of companies which it then deleted in return for the victims agreeing advertising contracts (Chen, 2015).

Private subsidy has emerged in the United States as a source of support for smaller news organizations (Columbia Journalism Review, 2015; Grueskin, Seave, & Graves, 2011). For some much larger ones like *The Washington Post* and the *Boston Globe*, outright purchase by rich individuals has solved their immediate financial problems and others are rumoured to be facing the same future (Somaiya, 2015). While direct private subsidy or outright ownership is currently impossible in China, state support, which is more or less unthinkable in the United States, is certainly not ideologically problematic (Nordenson, 2007). In fact, urging media to adapt more rapidly and fully to the new technologies, and providing state funds to accelerate the transition, has emerged as a major government objective. The 12th Five-Year Plan’s section on cultural development called for a transition from print to digital forms in the press but gave few details of the policy implications (National People’s Congress, 2011). In line with this general orientation, official ‘Guidance’ was issued to the press and publication industry (State Administration of Press, Publication, Radio, Film and Television, 2014). Among the provisions of the document was the promise of financial support in order to help newspapers upgrade their digital offerings.

About four months later, on 18 August 2014, the Fourth Meeting of the Central Leading Group for Comprehensively Deepening Reforms discussed the media. The meeting was marked by a speech by General Secretary Xi Jinping. He emphasized that ‘it is necessary to follow the law of news and communication as well as the law of new media development to promote the convergence development of traditional media and new media’ (Xi, 2014). The high-profile of the Guidance and Xi’s speech indicate that the convergence of traditional media and new media development has become a major national strategy in China. Legacy media such as Xinhua News Agency, CCTV and *People’s Daily* all responded swiftly and positively and vowed to realize the goals set by Xi through more investment and more innovation in their central newsrooms and to strengthen convergence activities. The provincial-level media such as Zhejiang Media Group and Shanghai Media Group followed up with their own vows to follow the President’s exhortations (CCTV Focus Interview, 2015). The meeting has been followed by a slew of official ‘guidance’ documents urging the press industry to increase the pace in developing convergence strategies and adopting new technologies (Ministry of Finance, 2014, 2015). Although it has not produced uniform results across the Chinese newspaper industry, this centralized and incentivized drive to respond to rapidly changing conditions is a sharp difference with the situation in the United States.

**Changing journalism**

All these factors have potential impacts upon journalism, but the US experience demonstrates that a perceived pressing need to effect organizational change does not necessarily permeate an organization, and there can remain aspects of the newspaper that are resistant to innovation. As the authors of a 2014 report for the *New York Times* put it, ‘The habits and traditions built over a century and half of putting out the paper are a powerful, conservative force as we transition to digital …’ (*The New York Times*, 2014, p. 7). Similar ‘habits and traditions’ exist in the Chinese case, and responses there have been uneven.
The first, and most obvious, journalistic response to the new technology everywhere, including China, was simply to launch an online edition of the newspaper and some of these, like the one launched by *People’s Daily*, rapidly established a large audience. This, however, only represented an interim stage, since the affordances of the new technologies provide many opportunities for innovative journalistic practices over and above simply reproducing offline news (Van der Haak et al., 2012). In China, individual journalists, particularly investigative journalists, early on seized the opportunity to use the new technologies, particularly microblogs, as an additional mechanism for reaching the public that was often less constricted than the media for which they worked (Svensson, 2014b, pp. 177-179).

In one important respect, the Chinese experience differs from that of the US press. As noted above, the latter faced a protracted erosion of its audience and revenues from a range of cultural changes and developing technologies, most recently the disruption of established consumption patterns brought about by social media like Facebook. In China, the impact of digital technology on the newspaper industry was co-incident with the widespread availability of mobile phones and the explosive growth of their use with the instant messaging application Weixin (WeChat). The application reportedly has more than 700 million users today and is a central part of social activity in China, certainly for younger people. Chinese newspapers have been very proactive in developing their presence on Weixin: *People’s Daily* has again been very innovative and successful in its use of this technology, as has the commercially oriented Shanghai start-up *Peng Pai* (*The Paper*) which exists only online. Both the party-oriented title and the more journalistically driven operation have established large audiences for their Weixin presences. *People’s Daily*, for example, claims to reach 70 million individuals across all of its platforms on Weixin and Weibo, the vast majority of them under 40 (Anon3, 2016).

The overall journalistic response to this developing situation is constrained by the different economic and political realities examined above. In the United States, the reduced entry costs meant that a number of new niche providers were able to enter the market as competitors for more established organizations. Setting up competing online news providers has been more problematic in China than in the United States. Although the large online commercial portals have long carried news, it is, in principle, only a reproduction of that produced by authorized news providers. One of the major motivations for government intervention in the new media field is their concern that the legacy media will lose their audience to new outlets owned by the Internet companies (Anon10, 2016). Although the latter are also subject to strict control, they do not have the same very close historical links with the party as do newspapers, radio and television. While the Internet companies are permitted to produce various kinds of content, they are forbidden to produce their own news. Their employees have, until very recently, been denied the essential press card issued by the General Administration of the Press and Publications without which reporting is impossible in theory and can be difficult in practice. Only those journalists working for the online operations of official news organizations are eligible for press cards, while those ‘conducting newsgathering in major commercial websites … such as Sina, Sohu, Baidu, and Tencent shall not be offered a press card’ (Xinhuanet, 2014). Official policy, however, was not always strictly enforced and in practice employees of organizations of this kind were able to conduct most journalistic tasks without too many problems. According to one journalist who works for Sohu News, the current situation is improving and ‘it is just a matter of time’ before the limitations are dropped completely (Anon7, 2015). Very recently, however, political control has been tightened. In July 2016, the Beijing Office for Cyberspace Affairs instructed Sina, Sohu, Wangyi and Phenix to close down ‘illegal programmes’ dedicated to
newsgathering (The Paper, 2016). The intention is to close down the ‘grey area’ and strictly to police the boundaries of the production of news in China, ensuring that it remains the exclusive prerogative of officially authorized news media (Wei, 2016; Zhang, 2016).

The commercial portals which purchase news, and which may in the future become direct competitors, are relatively few in number and closely integrated with major online companies which enjoy very good relationships with the party. Quite apart from the difficulty of conducting news reporting without the necessary accreditation, websites in China require Internet Content Provider (ICP) licences to operate legally and are thus subject to political approval and possible censure (Ministry of the Information Industry of the PRC, 2005). Licences are only granted to large organizations that have a record of reliability which can demonstrate a registered capital of at least 10 million RMB. A news organization must have at least 10 full-time editors, of whom at least half must have at least 3 years’ prior experience with a news organization, and it must have ‘not been given an administrative penalty in the last 2 years due to violation of any law, regulation or rule for the administration of Internet information services’ (Xinhuanet, 2005, p. Article 8). Candidates for recognition must apply to the appropriate government organization and undergo an inspection before being licensed (Xinhuanet, 2005, p. Article 11).

There has therefore not been the same proliferation of new, smaller-scale, news providers in China as we see in the West. The news websites that are emerging are the product of joint ventures between existing news organizations and large online commercial operations. Tencent has taken a substantial holding in Caixin Media, and Alibaba took shares in China Business Network and has allied with the Xinjiang government and the SEEC Media Group to establish a mobile news platform (163.com, 2012; People’s Daily Online, 2015; sina.com, 2015). Chinese newspapers have thus been insulated to a certain extent from new competitors from outside, although of course the fact that neither distance nor medium is any longer an insulating factor has increased the degree of competition from other established outlets.

More informal citizen journalism, in the form of immediate reports of events that might otherwise not find their way into the official media, have long been a feature of the various iterations of online life and have provided both opportunities and challenges for journalists in the West (Allen, 2009, 2012; Deuze, 2009; Domingo et al., 2009; Fenton, 2012; Singer & Ashman, 2009). In the Chinese context, they have proved more disruptive of established news agendas (Svensson, 2014a, 2014b; Yang, 2009). In response to these pressures, some newspapers have begun re-orienting their journalism away from immediate reporting of events towards longer forms that attempt to interpret social trends (Li & Sparks, 2016). Thus, while journalists do not face the same proliferation of new organizations entering the news space as do journalists elsewhere, they do face the same challenge to their primacy as originators and definers of what constitutes ‘news’.

**Changing politics**

Shifts in the US political landscape have not yet had major effects on the newsgathering and reporting climate, but they certainly have in China. The major political shift that coincides approximately with the emergence of new economic conditions is the ideological offensive of the Xi government (H. Li, 2014). Xi is quoted as saying of ideology that it should

adhere to the party spirit, the core is to insist on the correct political orientation, stand firmly on political positions, publicize the party’s theory and policies, resolutely maintain conformity with the central committee of the party and firmly safeguard its authority. (Wan, 2015)
This emphasis has been particularly strong with regard to journalism and the Internet. Xi recently undertook a series of visits to the most important news outlets, telling journalists that ‘All news media run by the party must work to speak for the party’s will and its propositions, and protect the party’s authority and unity’ (Wong, 2016). The government has moved from a passive role relying mainly on censorship to a more proactive one involving an attempt to use new media to shape public opinion (Svensson, 2014a; Yang, 2014).

This new emphasis has led to the arrest of several journalists and a consequent shift towards a more conformist newsroom culture (Committee to Protect Journalists, 2014). One recent example is the detention of Liu Wei, a well-known investigative journalist and Deputy Director of Southern Metropolis News’ In-depth Reporting Department, in Jiangxi on 8 October 2015. He was accused of ‘illegally obtaining state secrets’ in the course of an investigation that exposed links between ‘controversial self-proclaimed qigong master Wang Lin and celebrities, business people and party cadres’. One anonymous source told the Sunday Morning Post that ‘if [the possession of the offending documents] had happened a few years ago he would not have been held; now we’re in an era when it’s becoming commonplace to detain journalists’ (K. L. Huang, 2015). The official view on the status of ‘journalism professionals’ was summed up by the State Council, who stated that

Journalism professionals who use their official status to set up blogs, weblogs, WeChats and so forth must be endorsed by their workplaces … Journalism professionals are prohibited to violate confidentiality agreements by leaking work-related information through blogs, microblogs, WeChat official accounts or personal accounts, or through attending public forums and talks. (State Council Information Office, 2014)

Many of the already very limited spaces available to journalists have now been closed or, at least, eroded (Dietz, 2014).

Conclusion

There is no doubt that, in the developed world, the diffusion of the Internet and other digital technologies has provoked a major crisis for newspapers. Three factors have combined together to make the situation extremely difficult: newspapers are losing their unique role of providing detailed news and information, their advertisers are deserting them for online competitors while newspapers have not been able to retain their market share in the Internet environment, those audiences that remain loyal to newspapers and follow their online offering are very reluctant to pay for particular titles when there are free alternatives. These factors mean that newspapers as a social form are losing their unique attractiveness and economically are suffering rapidly declining revenues.

The evidence presented here suggests that similar pressures are emerging in China but the context means that responses are different. The Chinese economy is still growing much more quickly than elsewhere, and the growth is accompanied by rapid processes of urbanization and rising living standards. These conditions are conducive to rising newspaper readership, and this has indeed occurred in China up until very recently. Similarly, while total advertising expenditure is stable or shrinking in other countries, in China it is growing rapidly. Newspaper advertising rose up until 2011, but since then has begun to shrink. The emergence of this problem, then, is rather later in China than elsewhere, and its contours and permanence less well-established.

Chinese newspapers are responding in some ways that are similar to those in the west. They are cutting the costs of production by trying to reduce both fixed and staff costs. They are, much more
vigorously than in the west, diversifying their income sources. The political structure of the Chinese press, which is closely tied to the hierarchical structures of the Chinese Communist Party means that some of the techniques deployed in the west are not feasible in China, at least in the near term. Closing and merging titles in the Chinese situation is not mainly an economic question but involves major political obstacles which, so far, have prevented market consolidation.

On the other hand, this same political dimension also means that some sorts of subsidies are much more readily available than elsewhere. The outright ownership of titles by rich individuals is impossible on the mainland of the PRC, although not in the Hong Kong Special Administrative Region, and other forms of direct private subsidy are unlikely. Government subsidies, on the other hand, are growing factors in press economics, and there is evidence that these are being deployed as part of a conscious strategy to promote a stronger online presence among newspapers.

Journalistically, there are also different conditions and different responses. There are fewer direct online competitors than are found elsewhere. Journalists are less directly exposed to new forms of journalism, and the monitoring of public taste that the technology permits operates less directly. They are thus under less pressure from these sources to modify the material they produce. They are, however, under two different pressures. Even though heavily monitored and controlled, the online environment often permits material that cannot find a place in the traditional media and is thus sometimes a very serious competitor in terms of the definition of news and the articulation of opinion. At the same time, and to an increasing extent recently, journalists operate under much stricter controls over what can be reported and what can be said than elsewhere, and this restricts their space for drastic innovation.

The economic and political conditions under which newspapers operate have important consequences for the social roles they can play, both positive and negative. The very real strengths of US journalism – the pursuit of a public rather than an entertainment agenda, internal pluralism, a stress upon objectivity and so on – can all be traced to the self-confidence and stability that arose from very advantageous economic circumstances. Newspapers enjoying a monopoly in circulation and in advertising were in a position to fund expensive forms of journalism and insulated them to some extent from the taste patterns both of their readers and individual advertisers. Of course, many of their very real weaknesses – close proximity to the overall interests of the business and political elite, archaic design, unchecked prolixity, irritating self-esteem and so on – arose in the same circumstances. Changed economic circumstances are chipping away at the strengths and online competitors are exposing the weaknesses.

Changed circumstances in China also have consequences for journalism. It is a commonplace to observe that, to the limited extent that they have been able to emerge, innovative forms of journalism have been enabled partly by the commercial successes of Chinese newspapers (H. Li, 2014). The party has been one pressure on the newsroom, but the market has been another, and while this tension has never led to the confrontation that many predicted, it opened the spaces in which attempts to win greater journalistic autonomy have been able to exist. Today, the weakening of market success and the strengthening of political control pose threats to these strivings for autonomy. The increased need for economic subsidies reinforces the re-assertion of direct political control, and there is a grave danger that Chinese journalism may revert to the hyper-politicized mode in which it operated for the first 30 years of the People’s Republic of China.

**Funding**

The authors received financial support from the Dr Lee Shau Kee Foundation under grant number LSK/14-15/P14 administered by Hong Kong Baptist University.
Notes

1. Due to the different ways in which circulation figures are collected, these figures are not strictly comparable to those produced by, for example, the Newspaper Association of America cited above. The General Administration of Press and Publication (GAPP) collects aggregate figures for all newspapers published more than once per week under this heading, and the actual number is that of the gross number of copies printed, which includes free gifts and wastage. The GAPP considers this the most reliable measure of circulation. Since there is no independent auditing body in China, these are the only figures we have to measure circulation, but they should be used with due care.

2. At the time of writing, the 2015 figures were not available.

3. The figures for circulation and circulation revenues are for daily papers only. These, the only ones currently available, are for daily and Sunday newspapers combined. They should be treated with some caution.

4. We compared seven central-level titles with a selection of major commercial titles from the coastal regions. The central titles we used were Jingji Daily, Xinhua Meiri Dianxun, Cankao Xiaoxi, Guangming Daily, Remin Zhengxie Bao, Huanqiu Daily and Renmin Daily. The coastal commercial titles we selected were Xinmin Evening (Shanghai), Yangzi Evening (Jiangsu), Qianjiang Evening (Zhejiang), Haixia Metro (Fujian), Qilu Evening (Shandong), Southern Metropolis Daily (Guangdong), Nanguo Morning (Guangxi).

5. Weixin/WeChat is a technology similar to, but with more powerful affordances, than WhatsApp. Weibo is a technology similar to Twitter.

References


Hooke, P. (2012). Why newspaper markets are growing in China and India, while they decline in the US and UK. *eJournalist, 12*(1), 34–65.


Ren, D. (2013, October 19). Media merger about more than the bottom line. Shanghai’s two big newspaper groups have jointed in a bid to return them to financial health and avoid mass firings of journalists. South China Morning Post, p. 8.


Van der Wurff, R. (2012). The economics of online journalism. In E. Siapera, & A. Veglis (Eds.), The handbook of global online journalism (pp. 231–250). Chichester, UK: John Wiley & Sons, Inc.


### Author biographies

Colin Sparks is Chair Professor of Media Studies in the Department of Journalism at Hong Kong Baptist University. His main research interests lie in the political economy of media.

Haiyan Wang is Associate Professor in the School of Communication and Design at Sun Yat Sen University. Her main research interests lie in journalism studies and women in media.

Yu Huang is Professor in the Department of Journalism at Hong Kong Baptist University. He is Dean of the School of Communication.

Yanhua Zhao is a Professor in the Chinese Academy of Press and Publication. Her research interest is in the statistical record of China’s press and publications.

Lü Nan is a Post-doctoral researcher in the Centre for Media and Communication Research at Hong Kong Baptist University. She is currently working on a study of the contemporary Chinese wedding.

Dan Wang is a doctoral candidate in the School of Communication at Hong Kong Baptist University. Her main research interest lies in applying the ideas of Henri Lefebvre to the study of Chinese journalism.