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Caught in the Churn: The Effects of Sequential Ownership Changes On a Newspaper's Content

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While previous studies have attempted to look at the effects on newspapers of a change from independent to chain ownership, the case of a newspaper changing from one chain owner to another has gotten little detailed attention. This phenomenon deserves further study since the shrinking number of independently owned papers means that future merger activity in the industry will increasingly entail transfers of publications from one group to another. This paper examines one paper's changes in ownership and suggests that further concentration in the industry will likely mean further deterioration in news coverage.

Introduction

Oshkosh, Wis., was never a great newspaper town, but it has been a town with a great many newspapers. In its first 50 years, more than 50 were started, or restarted, there, including nine that were published in German. With names like the *True Democrat*, the *Greenback Standard*, the *Fox Valley Courier* and the *Oshkosh Chief*, these papers chronicled the growth of a small trading village as it profited from its proximity to the north woods of Wisconsin to become a bustling center of logging and lumbering (Gregg, 1968). By the late 19th century, its riverfront mills were turning out so many planks, shingles, window sashes, and doors that it had earned the nickname of Sawdust City. But only one of its early papers survived into the 21st century, the *Oshkosh Northwestern*. Thanks to enlightened owners who invested heavily in the cutting edge technology of the day—linotypes and stereotyping and private telegraph wires—the paper was able to bill itself in the early 1900s as “Wisconsin's Greatest Family Newspaper” (Hicks, 1931). In the fall of 1997, however, the two families that owned it brought in a team of consultants to upgrade the publication—improvements that set the stage for the paper to be sold three times in less than three years.

On July 21, 2000, the *Northwestern* became property No. 87 in America's largest chain, the 94 daily newspapers of Gannett Co. Inc. That was the date when Gannett completed a \$1 billion transaction with Thomson Inc. that included the *Northwestern*. For Gannett, the deal meant that its chain of dailies would exceed 90 papers while for the *Northwestern* it meant its fourth owner in slightly more than two years. During that time the paper passed from family ownership to a family owned newspaper chain to an international media conglomerate and finally to the largest U.S. publicly owned newspaper chain. The

paper's rapid-fire change in ownership brought a certain degree of notoriety in the industry as well as creating an opportunity to investigate the question of whether different forms of ownership are associated with differing quality, quantity, and content of news coverage (Morton, 1998; Bass, 1999; Robertson, Silverstein & Hooker, 2000; Roberts, Kunkel & Layton, 2001). Numerous previous studies have measured the effects of ownership changes or compared the characteristics of papers under different ownership arrangements. What's unusual here is the opportunity to study the sequential effects of ownership changes at the same publication and then to compare the impact of two different chain owners on the same paper.

This paper seeks to answer four questions:

RQ1. Did the quantity of news coverage in the *Oshkosh Northwestern* change under various ownership regimes?

RQ2. Did the quality of news coverage in the *Oshkosh Northwestern* change under various ownership regimes?

RQ3. Did the subject matter of news coverage in the *Oshkosh Northwestern* change under various ownership regimes?

RQ4. How do the two recent chain owners of the *Oshkosh Northwestern* compare in the changes they made to the quantity, quality and content of news coverage in the paper?

This paper begins with a literature review and background discussion. The next section describes the methodology of this study, which is followed by the presentation of data from a content analysis conducted in summer 2002. The final section of the paper discusses these findings in light of ongoing debates about the concentration of ownership of news outlets.

Background and literature review

During the 1980s about 10 percent of the newspapers sold in that decade were resold within a few years (McKee & Barthlow, 1996). By the mid-1990s, chains were buying and selling papers from each other at such a rapid pace that one broker estimated that 75 percent of all newspaper sales that year were from one chain to another (Glaberson, 1996). Walton (2001) noted that between 1994 and 2000 more than 100 daily papers were sold between two and four times. While previous studies have attempted to look at the effects on newspapers of a change from independent to chain ownership, the more specific case of a newspaper changing from one chain owner to another has gotten little detailed attention.

This phenomenon deserves more study for several reasons. First, such an analysis may add a fresh perspective on the debate over the effects of chain ownership. If those like Demers (1996), who argues that critics have "vastly overstated the consequences and adverse effects of the corporate form of ownership" including chain ownership, are right, then one might expect that a change in ownership from independent to chain would be accompanied by minimal changes in a given newspaper. Furthermore Demers' argument that "ownership structure has no significant impact on quality" can be examined as a paper is sold and resold. On the other hand, if those such as Roberts (1997) and Ghiglione (1984), who argue that chain ownership is often associated with negative consequences, are right, then one might expect to see a decline in quality with the shift to chain ownership but then stability as a paper moves from one chain to another. Alternatively, if the view set out by Lacy and Fico (1990) that different chains have different quality standards is correct, then a change from one chain owner to another should be accompanied by discernible shifts in quality.

Another reason for studying sequential chain ownership is to explore the assertion that newspaper chains often make "irresponsible" acquisitions and pay too much for newspapers (Claussen, 1999). If Claussen is correct, then it would come as no surprise that a second chain owner would follow in the first one's footsteps along the path toward reduced news quantity and quality. A company that pays too high a multiple of projected earnings for an acquisition has little choice but to cut costs to make the numbers work.

Yet another reason for looking at the reselling of newspapers is that this appears to be a trend that will only grow stronger. As the relative number of independent newspapers declines, more and more newspaper acquisitions will involve chain papers passing to new chain owners. This kind of activity is

expected to get a boost from the relaxation of media ownership rules by the U.S. Federal Communications Commission, but even absent such a change continuing concentration in the newspaper business will likely occur as it does in any maturing industry (Moses, 2003; "Pent-up Demand," 2003). A study of the effects of multiple ownership changes may provide data useful to citizens and policymakers concerned about this issue. In any case a study like this one, which attempts to reflect the effects of current industry dynamics, may have more predictive value than previous studies that have focused on contrasting the states of independent and group ownership.

The case of the *Northwestern* presents an almost ideal natural experiment to study the effects of various kinds of ownership on a local newspaper and to contribute new data to the debate over the effects of chain ownership. Cowling (2002) dealt with the effects of the *Northwestern's* ownership shifts on newsroom staffers and came to a cautiously optimistic conclusion that after they were able to survive the turmoil and establish a level of stability. In this new equilibrium reporters and editors acknowledged tradeoffs between independent and chain ownership with both positive and negative effects from the transitions. Journalists working at a paper, however, may not be the most objective judges of how their newspaper is serving its readers. Outside reviewers could provide some perspective, but with a small local paper like the *Northwestern*, it is difficult to identify a sufficient number of sophisticated external evaluators. Instead this study focuses on internal measures that could be revealed through content analysis.

Methodology

The timing of the paper's change in ownership helped to shape this study. It was first sold by its family owners to Ogden Newspapers Inc. on May 15, 1998. Thomson Corp. acquired the paper a little more than a month later, in early July 1998. Gannett bought the paper on July 20, 2000. This chronology meant that the paper had a different owner in June of 1996, 1998, 2000, and 2002, and accordingly the study was structured to focus on that month in each of those four years. A systematic sample was set up so that papers spanning the seven days of a week would be studied in each of the four years. These dates were selected for study in each month of June: 1, 5, 9, 13, 17, 21, and 25.

A research assistant was selected and trained to carry out the content analysis. The instrument used was a modified version of the Story Analysis Form developed by the Readership Institute at Northwestern University's Media Management Center (Lynch & Peer, 2002). This form was selected because it had been developed and tested for use on a very large content analysis project. It was then modified to capture data on several other areas of interest. (This was done by deleting "general reaction" questions on the original form.)

One change was to incorporate a measure of journalistic aggressiveness by classifying stories as either enterprise or event. An event story was defined as one that has some kind of event (scheduled or not) as the main news hook. Examples would include official announcements, trials, hearings, government meetings, coming attractions, accidents, crimes and anniversaries or birthdays. An enterprise story was one that showed signs of originating from a journalist's initiative. Examples would include investigations, computer-based analyses, news leaks, trends and personality profiles.

Another quality measure was added to gauge the degree to which the paper was fulfilling a watchdog role. Stories were placed in one of three categories: accountability stories (those that attempt to hold those in power accountable for their actions), neutral reportage (stories that describe an event or action without challenging the legitimacy of those involved or their actions) and promotional stories (those that celebrate achievements of one kind or another, including graduations, community events and groundbreakings).

In addition to these measures, the story analysis form used in this study allowed the capture of data on the number of stories, photographs and graphics; the degree of racial diversity reflected in photographs; the staff or wire origin of stories; staff bylines; the geographic focus of articles; and the number, social status and gender diversity of quoted sources.

After the data were gathered and analyzed, a summary of the findings was presented to the executive editor of the *Northwestern*, who had held the same post throughout the ownership changes. The executive

editor concurred with the findings and thereby provided significant confirmation for the results of this study.

The analysis attempts to gauge changes both in quantity and quality of news. While quantity measures are fairly straightforward, journalistic quality is less easily defined. Meyer and Kim (2003) propose a five-factor approach to defining quality, two of which entail quantitative analysis: localism and news quantity. For this study, quantitative measures of local coverage were included as quality indicators.

Results

As shown in Table One, the overall quantity of news published, as measured by the number of individual articles, was greatest under the family chain ownership (Ogden) and least under the ownership by the national chain (Gannett). Similarly, the number of local-, business- and editorial-section stories was greatest when the *Northwestern* was an Ogden paper and least when a Gannett paper. Initially these results might suggest that Ogden was a particularly enlightened owner, but they must be considered after a closer examination of the circumstances surrounding that paper's initial sale. Ogden owned the paper for such a short time, less than two months, that it's unlikely that its management had much of an impact on the paper. Instead what the Ogden-era statistics reflect is the investment made by the previous family owners to improve the paper by greatly expanding the news hole, a change that in hindsight appears to be part of a conscious effort to boost circulation in order to prepare the paper for its eventual sale. The Ogden phase of the paper's history shows an expansion in both the lifestyle and editorial sections of the paper.

Since the Ogden era appears to be anomalous, more telling comparisons can be made between the family era and the time when the paper was owned by large chains. Several trends stand out. Both of the chains, Thomson and Gannett, progressively decreased the total number of stories and the amount of local coverage as measured by the percent of stories with an Oshkosh focus, by the number of stories in the local section, and by the number of staff bylines. The chains effected a shift from news to entertainment in the paper's coverage, increasing the story count in the sports and lifestyle sections while also decreasing coverage in the business section. The number of items in the editorial section remained relatively constant.

Table One. Quantity Measures.

	Family	Ogden	Thomson	Gannett
Total Stories	684	773	677	543
Sports Section Stories	172	170	186	142
Lifestyle Section Stories	36.0	110.0	120.0	75.0
Business Section Stories	55	71	38	29
Editorial Section Stories	34	45	37	37

Table Two shows that changes in quality accompanied changes in quantity. By the measure of local coverage, the quality of the paper fell in more or less of a straight line from the time of the local owners through the three chain eras. By the time of the Gannett ownership, the number of local section stories had been caught almost in half, while the number of stories with an Oshkosh focus was off by almost 40 percent. The number of local staffers as measured by the number of bylines appearing during study periods also dropped in a straight line during these periods, with most of the decline coming during the ownership of the second national chain, Gannett.

Table Two. Quality Measures.

	Family	Ogden	Thomson	Gannett
Local Section Stories	121	124	70	65
Staff Bylines	17	16	15	10
Stories with Oshkosh Focus	137	141	112	83
Enterprise Stories	21	18	61	35
Accountability Stories	28	16	35	39
Sources Per Story	2.1	2.2	2	1.9
Nonofficial Sources in Percent	20.8	24.3	23.7	15.5
Female Sources in Percent	18.8	28.5	26	24.8
Faces of Color in Percent	10.8	7.4	7.8	18.8

With respect to editorial aggressiveness, the paper showed a decline during the Ogden era, reflected both in a drop in enterprise stories and in stories that aimed to hold powerful institutions accountable. As noted in the discussion of quantity indicators above, this shift may not reflect any changes instituted by the Ogden management. Rather, these drops are likely the result of strategy decisions by the newspaper consultants. By reducing the amount of enterprise and accountability journalism, they were adopting a conservative stance that surely reduced the risk that the paper would either alienate advertisers or attract lawsuits based on its reporting in the period before its first sale.

Under Thomson, both of these indicators moved up—perhaps surprising given Thomson’s generally poor reputation for caring about editorial quality, although the company professed to have reversed course in the 1990s toward greater investment in equipment and personnel (Moses, 2000). Three other quality measures, however, declined during the Thomson period. The number of sources per story fell, indicating reporters were including a more narrow range of viewpoints in their articles. In addition, the percentage of nonofficial sources quoted, an indicator of how hard reporters were trying to add depth to their articles, declined, as did the percentage of female sources quoted, another indicator of efforts to reflect diverse points of view.

After Gannett’s purchase of the paper, its content improved by one quality measure but fell by the others. The improvement came in the percentage of accountability stories, which for the first time in recent years rose over the level of the family ownership era. But the percentage of enterprise stories fell, as did the number of sources quotes per story, the percentage of nonofficial sources, and the percentage of female sources.

There’s probably only one area where chain ownership has made a difference that most people, inside and outside of Oshkosh and inside and outside of journalism, would agree is a positive. And that is diversity reflected in photographs. Even there, however, the data are interesting, because they reflect not a community whose diversity is accurately reflected but a corporate owner that wants its newspaper to project more diversity, even if that means not reflecting the reality on the ground. Oshkosh is not racially diverse, with approximately 90 percent of its residents describing themselves as white in Census counts. In the paper’s published photographs, the number of faces of color fell until Gannett came to town. Gannett has had a longtime corporate commitment to diversity, and this is reflected in the percentage of faces of color in the paper, which rose to close to 20 percent under its ownership. While this may be good in terms of projecting a concern for diversity issues, it’s completely out of line with what the actual community looks like.

Analysis of the newspaper’s coverage indicates that in some respects the paper remained remarkably constant. Through all four owners, the No. 1 topic of coverage—by a consistently wide margin—was professional sports. Given the paper’s location roughly an hour’s drive away from that great cathedral of American football, Lambeau Field, home of the Green Bay Packers, it should be no surprise that pro sports should consume so much of the paper’s ink and newsprint supply and at such a constant proportion. The percentage of stories in the paper on pro sports ranged from a low of 15.8 under Thomson to 18.9 under Gannett, with the family and Ogden at 17.6 and 16.1 percent respectively.

Table 3. Content Measures

Family	Ogden	Thomson	Gannett
1 Pro Sports	Pro Sports	Pro Sports	Pro Sports
2 Politics & Econ.	Bus./Economics	Police/Courts	Celebrity News
5 Religion/Spirituality	High School Sports	Politics & Econ.	Politics & Econ.
6 Natural Disaster	Education	Food	City Planning
8 Health/Medicine	Health/Medicine	City Planning	Environment
9 City Planning	Science/Tech.	Science/Tech.	Health/Medicine
10 High School Sports	Home/Real Estate	High School Sports	War

Five of the top 10 content areas were the same under all four ownerships. In addition to pro sports, these were politics and economy, education, high school sports, and health/medicine. Three other topics were in the top 10 for three of the four eras: police/courts, city planning, and food. Two topics appeared only under family ownership: religion/spirituality and parenting/relationships. One topic appeared in the top 10 only under Gannett: celebrity news.

Because there was only one person conducting the content analysis, no issue of intercoder reliability arose. As a quality control measure, the author checked over a sample of the researcher's results and found them to be consistent with his own analysis. A chi-square test of the data showed statistical significance ($p < .001$). The results were also presented to the executive editor of the *Northwestern*, who voiced support for their validity. "There is nothing here that surprises me," he said. The study results are "pretty close to what I would guess at" (Stewart Rieckman, personal communication, April 2003).

The final issue that this study attempted to address was whether the paper had changed under its two most recent chain owners. Under quantity measures Thomson lead in four categories and tied with Gannett in the other one. In terms of quality measures Thomson lead in seven categories, while Gannett lead in two.

Discussion

The *Oshkosh Northwestern* was never a great newspaper. But by several key measures it has gotten demonstrably worse in the five years since its family owners sold it to a series of chains. There are fewer reporters, who are using fewer sources and writing fewer local stories. Not surprisingly, there are also fewer readers—circulation is down more than 4 percent since Gannett acquired the paper in 2000. This decline has occurred even though the paper has not changed all that much in terms of the emphasis of its news content.

The evidence in this study suggests that, contrary to Demers' assertion, ownership and ownership structure do matter in terms of affecting the quality and quantity of news coverage. The data presented here provide describe a clear trajectory of decline in the quantity and quality of news coverage as the *Northwestern* changed hands from a family owned newspaper group to two national newspaper chains. The second national chain owner, Gannett, provided less coverage with lower quality than the first national chain owner. The paper under the second chain owner had less quantity and lower quality than under the original family owner. Because the family owned chain had control of the paper for such a short period of time, its influence appears to have been negligible, and the results here are most valuable in the context of comparing the actions of two national chains.

In his 2003 letter to shareholders, Gannett CEO Douglas McCorkindale wrote: "Local news is the heart and soul of Gannett's Newspaper Division." Given his company's track record in Oshkosh, where by most of the quality and quantity measures in this study Gannett has exhibited a reduced commitment to the local community, it would be easy to hold this statement up as an example of corporate avarice and hypocrisy. And perhaps it is. Perhaps there is no need to look beyond the profit imperative to see why Gannett has diminished the quantity and quality of news coverage in its Oshkosh property: Reduced expenditures on news coverage lead to increased net income.

But that does not explain why a company like Gannett, which at least professes a concern for journalistic quality, would impose cutbacks on a newspaper that had already had its bottom line scrutinized and presumably improved by a newspaper chain that for many years prided itself on its ability to achieve financial success. For an explanation we may need to turn to those few studies of the underlying economics of newspaper chain ownership. This research suggests that the belief that chain ownership makes financial sense because of scale economies is unfounded (Dertouzos & Trautman, 1990). While newspapers can save on production costs if they can share printing facilities, chain ownership does not confer lower advertising, circulation or news gathering costs. Except for tax considerations, there may be no financial returns to be gained by building a chain. If there are no financial gains to be expected by chain acquisition, then owners are forced to improve returns in other ways and the easiest way to do that is by cutting staff and news costs.

An ongoing debate in the journalism profession has been over the effects of chain ownership. This case study suggests that there is another dynamic that also needs to be examined: the churning of newspaper ownership as papers are transferred from chain to chain. At least in the case of the *Northwestern*, the arrival of a second chain owner was associated with further declines in news coverage and quality. There are good reasons to assume that the kind of churn in ownership that has become more common in recent years will have at least as much of a negative effect on newspapers as the more basic change from independent to group ownership. As Neiva (1996) pointed out, economic and financial considerations associated with changing technology provided strong incentives for chains to expand their reach during the three decades following World War II. When a chain buys an independent newspaper, it has the opportunity to make technological and managerial improvements that can yield both a better paper and suitable returns on the investment in the acquired property. But by the time a second chain acquires the newspaper, most of the low-hanging fruit has already been plucked. As a result, bottom-line gains may require reductions in the quantity and quality of news coverage. If this hypothesis is true, and it certainly bears further testing in other ways, then further concentration in the newspaper industry will almost certainly be accompanied by further deterioration in the way papers with group owners cover their local communities.

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