THE ECONOMIC SITUATION OF THE DAILY PRESS IN WEST GERMANY*

BY

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Background

Newspaper publishers in West Germany have managed to make the economic situation of their business the main subject of the West German communications politics. Their complaints about their problems successfully pushed aside more important plans, i.e. the reform of the States' press legislation, the introduction of federal 'framework' legislation to guide these reforms, and legislation about employees' participation in newspaper management. Analysis of the economic situation of the daily press, therefore, is of particular importance for the development of decisions in West German communication politics: safeguarding the economic existence of newspaper houses is put on a par with saving the freedom of the press, which again is guaranteed in the West German constitution. And publishers maintain that while they suffer, freedom of the press in in jeopardy.

This situation eludes practical consequences: any attempt by trade unions to enforce their claims on wage increases is interpreted by publishers as an attack on the freedom of the press, because the economic basis of their dailies is supposed to be in danger. Lately, even the Government has been accused of endangering the freedom of the press – just because it did not pay the subsidies demanded by newspapers publishers for keeping up what they supposed would be a decent profit rate.

This development was started in 1973, when the German Newspapers Publishers Assocation BDZV (Bundesverband Deutscher Zeitungsverleger) presented a socalled 'Memorandum'[1] to the Government (and to the public) including demands for economic assistance by the Government. The *necessity* of this assistance was thought to result from the daily press' dependence on the general economic cycle, and at that time, a serious economic recession had developed in West Germany. The *title* to such assistance since then is seen in similar preferential treatment of the press in other countries in the European Community.

Newspapers publishers have so much importance in the public political

* Note of the editors: Because of some difficulties the article on the West German periodical press by Manfred Knoche and Axel Zerdick has been delayed and will be published in a forthcoming issue of this journal. A survey of the economic situation of the daily press by the same authors has been included in stead.

1. Bundesverband Deutscher Zeitungsverleger, Memorandum zur wirtschaftlichen Lage der deutschen Tageszeitungen, Bonn - Bad Godesberg 1972.

discussion in West Germany, that professional organisations, trade unions, political parties, scholars, politicians, various Ministries and State and Federal Parliamants carefully discussed the economic situation of the daily press. In the beginning of 1974, the Federal Government set up a special commission made up by the Secretaries of State of the Ministries of the Interior, of Commerce, of Finance, of Communications as well as of the Chancellor's Office and the Information Office. Later, the 'Bundestag' (Federal Parliament) discussed several bills introduced by the 'Bundesrat' (House of States) and by the opposition parties; all of these, however, were turned down by the majority of the SPD and FDP.[2]

The Government did not comply with the newspapers publishers' demands. One of the more important reasons for its denial of assistance has repeatedly been the fact that basically, there are no convincing data on the economic situation of the press clearly showing any danger for the newspaper's existence.

Business figures used in politics

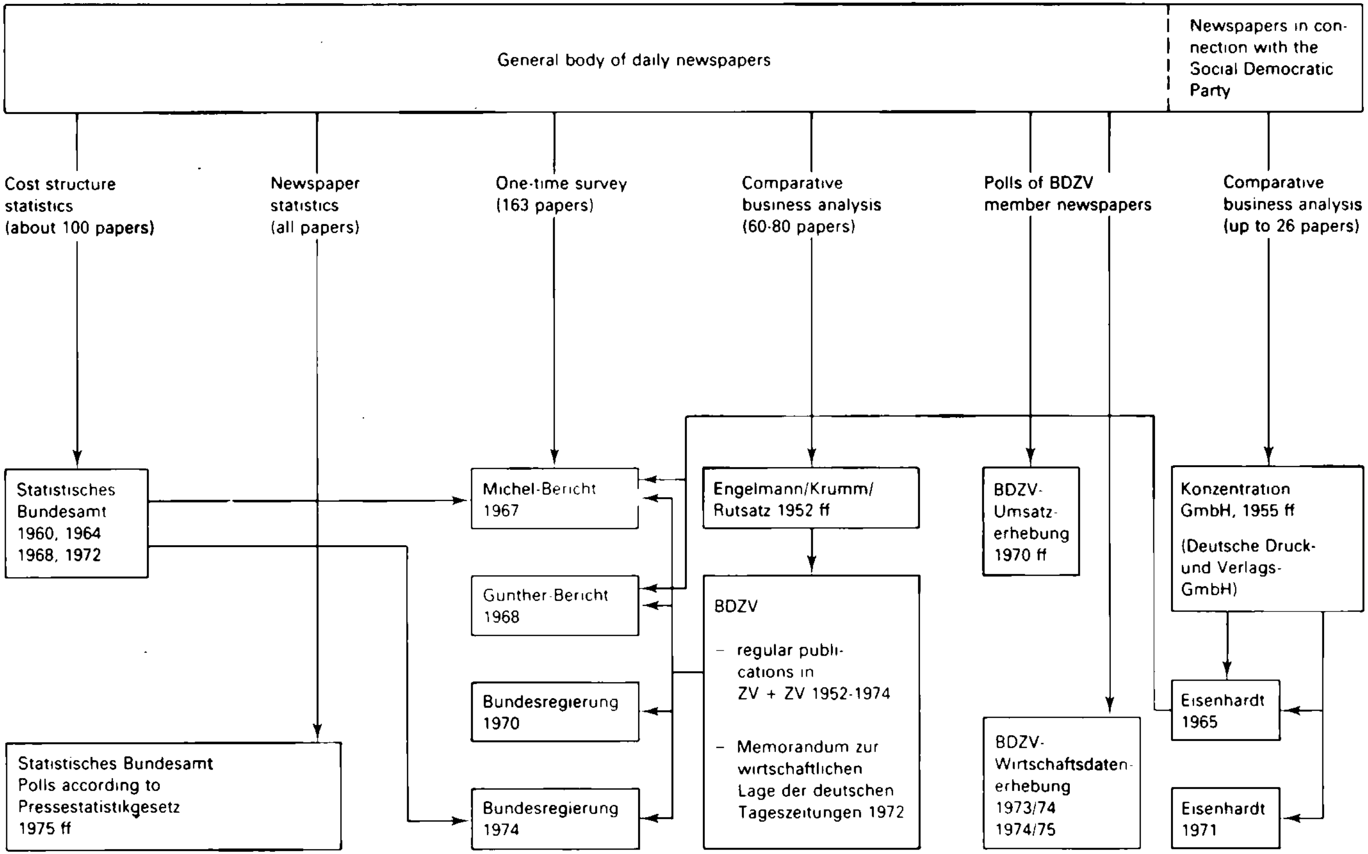
Analysis and evaluation of the economic development of the daily press in West Germany has to consider the newspaper publishers' complete monopoly on their business data; up to now, there are no data available from official sources, as for instance those of newspaper statistics. Corresponding to the interest of the publishers, their figures are not completely published, i.e., the gaps themselves can said to serve the interest of the publishers, too; the empirical base as well as the methods of compilation and representation of these data is not in line with scientific standards. Thus, it may be doubted whether the available data actually correspond to the reality of the economic development of newspapers.[3]

This situation has often been complained about by scholars as well as communication-politicians; but not until April 1975 a law on Newspaper Statistics came into effect, and the results of this first official survey carried out by the Federal Statistics Office covering the business year of 1975 will not be published before fall 1977. Concerning their completeness and the possibilities of their interpretation, even these figures will have to be looked at rather sceptically, because publishers have been able to influence

2. Ref. Entwurf eines Gesetzes zur Änderung des Umsatzsteuergesetzes (Gesetzentwurf des Bundesrates) vom 9.8.1974. Bundestags-Drucksache 7/2467; Antrag der Fraktion der CDU/DSU betr. Erhaltung der Pressevielfalt vom 11.10.1974. Bundestagsdrucksache 7/2633.

3. See Knoche/Zerdick, Subventionsforderungen ohne Grundlage, Zur Repräsentativität und Validität der vom Bundesverband Deutscher Zeitungsverleger zur Erlangung staatlicher Hilfen vorgelegten Daten, als Manuskript vervielfältigt, Berlin 1974; partly published in: die Feder 5/1974, p. 1-7.

Table 1. Data on the economic situation of the daily press in West Germany. Sources and their relations.



the data gathering sheet of this survey rather heavily.[4]

A general survey of presently available data on the economic situation of the press in West Germany as given in *table 1* showing the connections between various, and seemingly different, sources reveals a remarkable predominance of the data source German Newspaper Publishers Association (BDZV).[5] None of the surveys mentioned in table 1, however, can be looked upon as a complete collection of the revenue, cost and profit situation of all West German newspapers. The available data also do not include any figures on the number of employees, the working capital etc., and this also limits the scope of the evaluation.

The predominance of BDZV-data is emphasized by the fact that they have been included in nearly all of the other studies, some of which rely completely on them. They are in particular included in the surveys published by the Government's investigating committees ('Michel-Kommission' 1967, and 'Günther-Kommission' 1968), as well as in both Government Reports (1970 and 1974). (Arrows in table 1 indicate, which data have been used in respective surveys.)

The data published by BDZV had their origin in a comparative business analysis conducted by Engelmann, and later continued by Rutsatz; the 60-80 newspapers participating in this quarterly survey receive average data to compare their own business situation with, and BDZV published a few of these data thought to serve their purpose regularly in BDZV's journal 'ZV + ZV'. These publications suddenly were stopped, when the figures of this survey in October 1974 too obviously contradicted BDZV's claims of a ruinous business situation.[6]

After being pushed by the Government's continous refusal to grant subsidies without reliable data supporting the claim for a while, BDZV finally presented economic figures based on a survey of member newspaper houses conducted to cover the period from January 1973 to September 1974.[7] This survey, like that of Engelmann/Rutsatz, was criticized for me-

4. See Knoche/Rudolf, Pressestatistik-Gesetz, Nur amtliches Mantelchen fur Verlegerzahlen?, die Feder 7-8/1974, p. 19-21.

5. This survey is an improved and updated version of the one we have published before; see Knoch/Zerdick, 25 Jahre Verlegergewinne, der Journalist, Sonderausgabe '25 Jahre freie deutsche Presse' 1974, p. 24-32.

6. For the last publication of these figures see Rutsatz, K.-H., Die Zukunft der Zeitung aus verlagswirtschaftlicher Sicht, ZV + ZV 39-40/1974, p. 1170-1174; ref. also Knoche/Zerdick, Wirtschaftliche Lage der Deutschen Tageszeitungen und Subventionsforderungen der Verleger, Kurzgutachten, als Manuskript vervielfältigt, Berlin 1974; Knoche/Zerdick, Verleger kassierten Millionen, der Journalist 11/1974, p. 30.

7. See Bundesverband Deutscher Zeitungsverleger, Wirtschaftdaten der Zeitungen, I. Vierteljahr 1973 – III. Vierteljahr 1974, Bonn - Bad Godesberg 1975; Bringmann, K., Deutsche Presse in (roten) Zahlen, Die wirtschaftliche Lage der Zeitungen gemäß der Datenerhebung des BDZV, ZV + ZV 12/1975, p. 275-283; Bock, G., BDZV-Datenerhebung bestätigt bedrohliche Entwicklung, Wirtschaftliche Ergebnisse der deutschen Zeitungen 1973/74, Übergabe an Bundesregierung, ZV + ZV 11/1975, p. 268-269.

thodical weaknesses[8]; for instance, only 50% of the publishers had bothered to answer the poll, and there was widespread suspicion that those whose business results were not in line with BDZV's claim of dangerously falling profits did not want to destroy their chances of Government subsidies by participating in the study. This suspicion was further nourished by the fact that figures for the last quarter of 1974 had not been included, in spite of the last quarter of any year traditionally being one with above-average results.

On the whole, the deplorable data base on the economic situation of the daily press in West Germany still has a major role in the Government's continued refusal to grant economical assistance as demanded by newspaper publishers.[9]

Structural changes in the newspaper industry

Before the economic situation of the daily press will be analysed more closely, a short general survey of the structural characteristics of the West German newspaper industry should be helpful as a first introductory insight. In short, the development of the past 20 years is marked by a remarkably dualistic process: daily press *in general* prospered, as is, for instance, reflected in continuously rising figures of the number of copies sold[10]; this general prosperity, however, developed at the expense of a large number of *individual* publishing businesses being forced to cease publication or taken over by others. As a result, one characteristic element of structural changes in the newspaper industry is a specific *concentration* process showing continuously decreasing numbers of publishing houses combined with steadily rising total circulation; thus, average circulation of those papers remaining increased considerably.

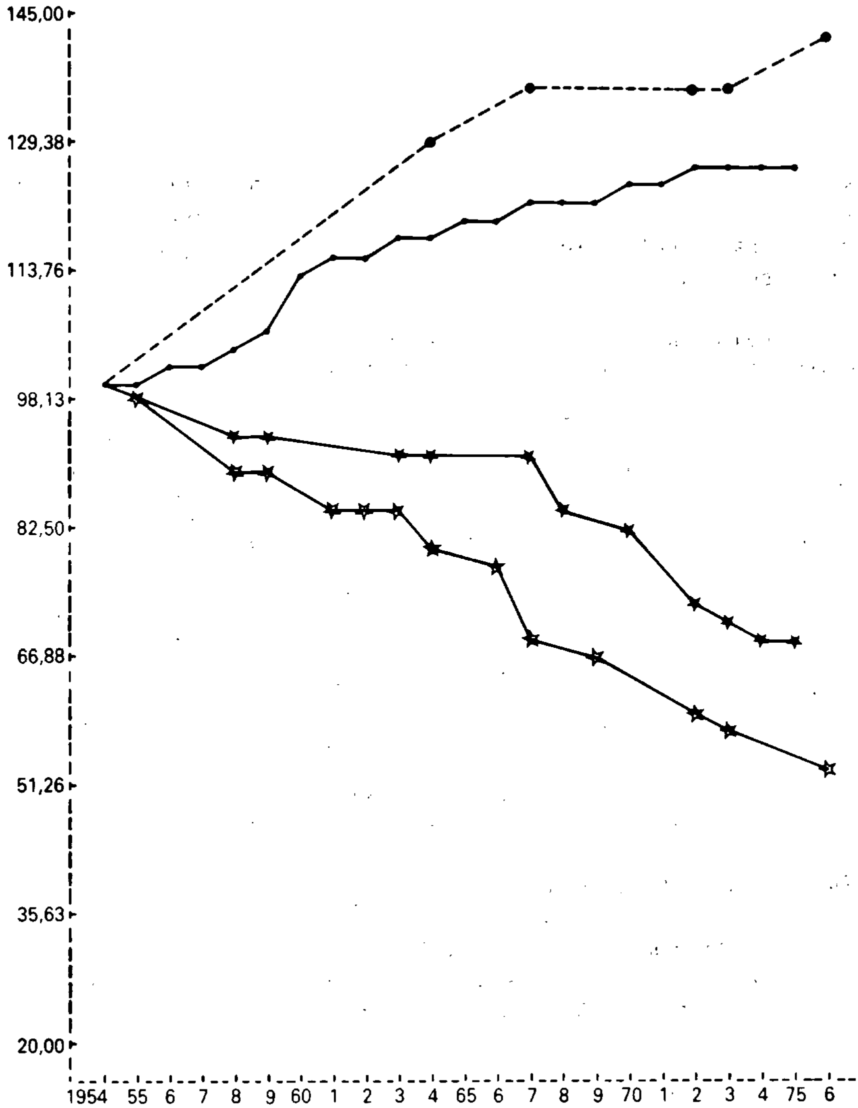
Table 2 gives a graphic description of this development, the index figures being based on the year 1954. In West Germany, the number of newspapers is counted using – among others – two different categories: the 'Verlage als Herausgeber' (publishing units, regardless of their economic or editorial connections to other papers), and the 'Publizistische Einheiten' (editorial units, i.e. editorially complete and independent newspapers, regardless of their economic affiliations). The number of economically independent newspapers cannot be stated correctly due to the lack of insight into ownership and other economic affiliations in the newspaper industry.

8. Ref. Itzfeld, J., Die Verbandsinteressen wurden gewahrt, Funkreport 6/1975, p. 1-2; Weder, D. J., Hilfen für die Presse?, der Journalist 6/1975, p. 22-25; trying to justify BDZV's data is Bock, G., Die Wirtschaftsdaten der Tageszeitungen, BDZV-Erhebung gegen Rutsatz-Vergleich, Handelsblatt 66/1975 (April 7, 1975), p. 5.

9. See Deutscher Bundestag, 126. Sitzung, Bonn, 18. Oktober 1974, pp. 8453; Deutscher Bundestag, 170. Sitzung, Bonn, 15. Mai 1975, pp. 11965.

10. Ref. Auflagen-Höchststand der Tagespresse im III. Quartal 1976, ZV + ZV 45-46/1976, p. 1858-1859.

Table 2. Development of the daily press in West Germany.
Editorial and publishing units, circulation and population (Index: 1954 = 100).



☆ = 'Publizistische Einheiten' (editorial units), total in West Germany
★ = 'Verlage als Herausgeber' (publishing units), total in West Germany
● = Total newspaper circulation in West Germany
• = Population in West Germany

Another important indicator to be used in evaluation the economic situation of the press is the market structure as measured in market shares of individual publishing houses. Indicators usually referred to in evaluations of other industries, for instance 'revenue' or 'number of employees' etc., are not available; thus circulation has to serve as the main indicator. Presently, the ten largest newspapers account for 37,2% of the total circulation, and the twenty largest for 53,3%.[11] Breaking down this development into different newspaper groups with differing circulation reveals varying decreases of the share of newspapers in the circulation groups up to a circulation of 60,000; on the other hand, the share of newspapers with a circulation of more than 60,000, particularly those of more than 150,000 has been growing correspondingly (see *table 3*).

Table 3. Editorial units which have ceased publication 1954-1976 in West Germany. (Changes in number and in structure, in different circulation groups)

Circulation groups	*Total number of Units 1954* *Number*	*Share*	*Total Number of Units 1976* *Number*	*Share*	*Numerical Changes from 1954 to 1976* *Numbers*	*%*	*Structural Changes from 1954 to 1976* *Percentages*
– 5 000	17	7,5	1	0,8	– 16	– 94,1	– 6,7
5 001 – 10 000	21	9,3	2	1,7	– 19	– 90,5	– 7,6
10 001 – 40 000	83	36,9	25	20,6	– 58	– 69,9	– 16,3
40 001 – 60 000	36	16,0	17	14,1	– 19	– 52,8	– 1,9
60 001 – 100 000	33	14,7	19	15,7	– 14	– 42,4	+ 1,0
100 001 – 150 000	17	7,6	15	12,4	– 2	– 11,8	· 4,8
150 001 and above	18	8,0	42	34,7	+ 24	+ 133,3	+ 26,7
Total	225	100,0	121	100,0	– 104	– 46,2	–

The development of newspaper revenues

Looking at newspaper revenues, the development of the relation between advertising revenue and sales revenue can be regarded to indicate the degree of newspapers' dependence on advertising in general. Any evaluation of this relation should be based on reliable data; such data, however, don't yet exist in West Germany. At least three sources have to be evaluated, and due to differing methods used in gathering the respective data base, the figures resulting from these three sources are in part very inconsistent with each other. Next to the comparative business analysis by Engel-

11. Calculation based on figures given by Schütz, W. J., Publizistische Konzentration der deutschen Tagespresse, Zur Entwicklung der Publizistischen Einheiten seit 1945, Media-Perspektiven 5/1976, p. 196-199.

Table 4. Advertising revenues of daily newspapers in West Germany according to different sources and methods of calculation 1970-1975.
(Figures in Million DM; Index 1970 = 100; DM per copy and month)

Source of Data	*1970*	*1971*	*1972*	*1973*	*1974*	*1975*
ZAW 1971[1]	3.117,3	3.751,2	–	–	–	–
ZAW 1972[2]	952,3	1.063,0	1.074.0	–	–	–
s + p[3]	952,8	1.237,0	1.482,3	1.317,0	1.506,0	1,682,0
BDZV/ZAW 1975/76[4]	2.182,1	2.329,7	2.705,2	2.927,6	2.827,8	2,995,9
s + p	100	130	156	138	158	177
BDZV	100	107	124	134	130	137
Average Figures (Based on BDZV)						
Per Newspaper[5]	7,6	8,1	9,3	10,1	11,1	12,4
Per copy and Month[6]	11,27	12,03	13,10	13,99	13,44	14,31

1. See Zentralausschuß der Werbewirtschaft (ZAW), Jahrbuch Werbung 1971; gross advertising revenues including local advertising.
2. ZAW, Werbung 1972; gross advertising revenues, *not* including local and political party advertising.
3. s + p = Schmidtt + Pohlmann, Hamburg; gross advertising revenues including local advertsing by large-scale retail enterprises only, including political party advertising.
4. Net advertising revenues.
5. Average figures per newspaper participating in these surveys; their number changes as follows: 1970 = 286; 1971 = 286; 1972 = 291; 1973 = 291; 1974 = 255; 1975 = 241.
6. Based on BDZV, Wirtschaftsdaten-Erhebung.

mann/Rutsatz already mentioned, the most continuous and complete survey is that of Schmidt + Pohlmann[12]; in addition, since 1970 data are published by BDZV gathered from revenue surveys. One serious limitation of the usefulness of Schmidt + Pohlmann's figures for our purpose is that since 1970 local advertising (except that of large-scale retail enterprises, in particular that of department stores) has been omitted. Local advertising, however, accounts for more than two thirds of total advertising revenues of regional newspapers.[13]

Table 4 shows, how much advertising revenue figures vary according to different methods of data gathering and compilation. Even time trends differ with the basic data used: BDZV data show a smaller increase over

12. Formerly Kapferer & Schmidt; results are regularly published in the Journal Media-Perspektiven. – Figures given by Schmidt + Pohlmann are based on an analysis of the contents of original newspaper copies representatively selected from the total number of daily papers. See: Zur Erfassung-Methode der s + p – Daten, Media-Perspektiven 5/1975, p. 241-242.

13. For an evaluation of the methods used in gathering and presentation of these data see Knoche, M., Zur Angstmache am Beispiel angeblich existenzgefährdender Anzeigenrückgänge, die Feder 11/2974, p. 3-4.

Table 5. Gross advertising revenues of selected media in West Germany 1971-1975 (Market Shares in Percent).

Media	*1971*	*1972*	*1973*	*1974*	*1975*
Newspapers	28,7	31,0	27,1	30,6	33,1
General Magazines	40,5	41,0	41,8	39,1	36,4
Journals	7,4	6,5	6,3	5,8	4,3
Press Media Total	76,6	78,5	75,2	75,5	73,8
Radio	5,3	5,2	6,0	6,0	5,4
Television	18,1	16,3	18,8	18,5	20,7
	100,0	100,0	100,0	100,0	100,0
Advertising Revenue Total	4.309,6	4.785,0	4.862,0	4.928,0	5.085,0

Source: Schmidt + Pohlmann, Media-Perspektiven 2/73, p. 73; 2/74, p. 48; 2/76, p. 70.

time; Schmidt + Pohlmann's figures present a decline in revenues from 1972 to 1973, but BDZV-data show this (?) decline a year later. BDZV's figures obviously are further thwarted by differing numbers and differing newspapers participating in consecutive years of their survey; an evaluation of advertising revenues per newspaper participating in the survey makes the decline from 1973 to 1974 disappear; instead, a continuous increase shows up.

A comparison between gross advertising revenues of different advertising media shows *(table 5)* a remarkable share of total advertising revenues for the press media as opposed to the other media. The daily press in particular accounts for a growing share, while that of general magazines has been declining markedly. Stagnation of advertising revenues of radio and only minor increases of those of television are mainly a result of advertising time limitations imposed by law.

The relatively favourable situation of the daily press is shown even better by net advertising revenues, which are published by ZAW ('Zentralausschuss der Werbewirtschaft'), the West German Central Committee of the Advertising Business.[14] These figures indicate in 1975 for the daily press a share of nearly 60% of total advertising revenues, approximately 16% for television, 4% for radio, and 20% for general magazines. These shares seem most realistic of all figures, because they include *all* of the daily press' advertising revenues, i.e. also their revenues from local advertising.

A comparison of advertising and sales revenues *(table 6)* shows an overproportional growth of sales revenues from 1973 to 1974, mainly re-

14. Zentralausschuß der Werbewirtschaft, Jahrbuch Werbung 1975/76, Bonn - Bad Godesberg 1976, p. 91, and our calculations.

Table 6. Relation between advertising and sales revenues of West German newspapers 1970-1974.

	1970 Mill.DM	in %	*1971* Mill.DM	in %	*1972* Mill.DM	in %	*1973* Mill.DM	in %	*1974* Mill.DM	in %
Advertising										
Million DM	2.182,1	70,2	2.329,7	69,8	2.705,2	71,2	2.927,6	71,0	2.827,8	67,4
Index 1970 = 100	100		107		124		134		130	
Sales										
Million DM	926,3	29,8	1.007,7	30,2	1.096,6	28,8	1.196,0	29,0	1.370,4	32,6
Index 1970 = 100	100		109		118		129		148	
Total revenues										
Million DM	3.108,4	100,0	3.337,4	100,0	3.801,8	100,0	4.123,6	100,0	4.198,2	100,0
Index 1970 = 100	100		107		122		133		135	

Source: Calculations based on BDZV, Umsatzerhebungen, Media-Perspektiven 11/1975, p. 542.

sulting from considerable price increases. Advertising revenues have been increased (or stabilized) by price hikes, too, even when advertising volume (i.e. the number of advertising pages) declined. The decrease of advertising revenues from 1973 to 1974 may be due to the fact that in 1974 the number of participating newspapers has been smaller than 1973 by 36.

The BDZV survey of economic data presenting average figures based on values per copy shows changes in the relation between advertising and sales revenues from 1973 to 1974, too; advertising revenues increased by 4%, sales revenues by 29%[15]; as a result, the relation between these two kinds of revenues changed from 70 : 30 to 65 : 35.

The development of newspaper costs

A fairly continous rise in newspaper costs during the past 25 years has been widely discussed and published by newspaper publishers in West Germany; various measures of reducing costs consequently have been employed in order to keep newspaper publishing a profitable business.

Table 7 shows the long-term development of total unit costs of West German newspapers. There are (apart from 1954) no important changes in the upward trend until 1975, when the economic recession led to an unusual amount of cost-cutting measures in newspaper publishing houses (see

15. Calculation based on figuers in: ZV + ZV 51-52/1976, p. 2128.

Table 7. Development of revenues, costs and profits of regional newspapers in West Germany.

	Engelmann / Rutsatz[1]							
	Values per copy and month (Deutsche Mark)			*Index points (1970 = 100)*			*profit in % of*	
	revenues (1)	*costs (2)*	*profit (3)*	*revenues (4)*	*costs (5)*	*profit (6)*	*revenues (7)*	
1952	6,14	6,04	0,10	31	33	6	1,6	1952
1953	6,71	6,50	0,21	34	36	13	3,1	1953
1954	6,57	6,16	0,41	33	34	25	6,2	1954
1955	7,27	6,92	0,35	37	38	21	4,8	1955
1956	7,82	7,13	0,69	40	39	42	8,8	1956
1957	8,25	7,57	0,68	42	42	41	8,2	1957
1958	8,71	7,83	0,88	44	43	53	10,1	1958
1959	9,11	8,22	0,89	46	45	54	9,8	1959
1960	10,12	8,88	1,24	51	49	75	12,3	1960
1961	11,23	9,71	1,52	57	54	92	13,5	1961
1962	12,11	10,49	1,62	61	58	98	13,4	1962
1963	12,70	11,03	1,67	64	61	101	13,1	1963
1964	13,84	12,07	1,77	70	67	107	12,8	1964
1965	15,26	13,19	2,07	77	73	125	13,6	1965
1966	15,50	13,98	1,52	78	76	92	9,8	1966
1967	15,80	14,17	1,63	80	78	99	10,3	1967
1968	16,64	14,25	2,39	84	79	145	14,4	1968
1969	18,17	15,73	2,44	92	89	148	13,4	1969
1970	19,75	18,10	1,65	100	100	100	8,4	1970
1971	21,38	20,31	1,07	108	112	5,0		1971
1972	23,97	21,49	2,48	121	119	150	10,3	1972
1973	25,38	23,18	2,20	129	128	133	8,7	1973
1974	26,12	24,13	1,99	132	133	121	7,6	1974
1975	26,37	23,11	3,26	134	128	198	12,4	1975
1976	28,81	24,69	4,12	146	138	250	14,3	1976

	Values per copy and month (Deutsche Mark)			*profit in % of*	
	revenues (8)	*costs (9)*	*profit (10)*	*revenues (11)*	
1952					1952
1953	Eisenhardt 1965, 1970[2]				1953
1954					1954
1955	7,72	7,52	0,20	2,6	1955
1956	8,35	8,20	0,15	1,8	1956
1957	9,07	8,89	0,18	2,0	1957
1958	9,81	9,62	0,19	1,9	1958
1959	10,66	10,37	0,29	2,7	1959
1960	11,68	11,25	0,43	3,7	1960
1961	12,80	12,47	0,33	2,6	1961
1962	13,67	13,57	0,10	0,7	1962
1963	14,60	14,60	0,00	0,0	1963
1964	15,61	15,48	0,13	0,8	1964
1965	15,05	13,43	1,62	10,8	1965
1966	15,17	14,10	1,07	7,1	1966
1967	14,96	13,94	1,02	6,8	1967
1968	16,68	14,53	2,15	12,9	1968
1969	17,94	16,15	1,79	10,0	1969
1970	19,70	18,26	1,44	7,3	1970
1971					1971
1972	BDZV[3]				1972
1973	27,64	25,11	2,53	9,2	1973
1974	26,75	25,96	0,79	3,0	1974
1975	30,63	28,46	2,17	7,1	1975
1976					1976

1. Figures compiled from various publications; for 1952-1970 see Knoche/Zerdick, 25 Jahre Verlegergewinne, der Journalist, Sonderausgabe '25 Jahre freie deutsche Presse' 1974, p. 28; for 1971-1973 see Rutsatz, K.-H., Die Zukunft der Zeitung aus verlagswirtschaftlicher Sicht, ZV + ZV 39-40/1974, p. 1170; figures for 1974-1976 calculated from Rutsatz, K.-H., Die wirtschaftliche Situation der regionalen westdeutschen Tageszeitungen, Media-Perspektiven 1/77, p. 12. – Figures for 1976 average of first nine month only.
2. For 1955-1964 see Eisenhardt, R., Betriebsanalyse - Betriebsvergleich, Bad Godesberg (1965), p. 146, figures for later years are based on a different selection of regional papers, sie Eisenhardt, R., Vertriebs- und Anzeigenerlöse sowie Verlags-, Satz- und Druckkosten der deutschen Tageszeitungen 1960 bis 1970 im Spiegel esperimenteller Richtwerte, Mannheim (1971), p. A51-A62, A81-A82
3. See Media-Perspektiven 11/76, p. 555.

column (2) and (5) of table 7. The remarkable fact, that unit costs could be reduced by nearly 5% from 1974 to 1975, can be explained by looking into the details of newspaper cost structure: in spite of reduced advertising (and, consequently, editorial) pages, the costs of technical production decreased by only 0.7%; advertising costs decreased by 7.1%, circulation costs by 6.9%; the most significant cost reduction, however, occurred in editorial costs–from 1974 to 1975, editorial costs per unit were cut down by 10.3%.[16] This development contrasts to rising sales prices of newspapers, and it shows, that cost cutting measures during the past economic recession hit editorial staff and readers more than others. One of the major factors in the development of the costs of technical production is the price and the consumption of newsprint. Between 1973 and 1975, the average price of newsprint rose by 71,4%; due to a reduced number of pages printed the paper cost per copy still rose by only 40,7%. From 1974 to 1975, paper cost per copy still rose by 17,3% – as this is included in the costs of technical production, their decrease of 0.7% can only be explained, when substantial cost cuts have been effected in other areas of this cost element.[17]

Costs differ considerably between newspapers selling different numbers of copies. Of course, there are other, and in part more important factors leading to different cost structures of various newspapers, but there are no

Table 8. Cost difference between West German newspapers of different circulation 1970.

Circulation	*Editorial*	*Circulation*	*Advertising*	*Administration*	*Setting, printing*	*Newsprint*	*Total*
	Cost Components (Percentage of total costs, based on values per unit)						
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
up to 5,000	14.2	14.4	12.3	6.1	44.6	8.4	100.0
10,000	14.3	16.5	12.4	6.4	41.3	9.1	100.0
15,000	14.6	17.5	12.5	6.5	39.3	9.6	100.0
25,000	15.7	18.3	12.8	6.5	36.9	9.8	100.0
50,000	16.9	19.6	13.2	6.4	33.1	10.8	100.0
75,000	16.4	20.3	13.3	6.5	32.0	11.5	100.0
100,000	15.4	21.8	13.5	6.7	30.5	12.1	100.0
150,000	15.0	22.4	13.7	6.7	29.5	12.7	100.0
200,000	14.5	22.6	14.0	6.7	28.8	13.4	100.0
250,000 and above	13.6	22.7	14.7	6.7	28.2	14.1	100.0
Average	15.1	19.8	13.2	6.5	34.2	11.2	100.0

Source: Compiled from Eisenhardt, R., Vertriebs- und Anzeigenerlöse (see fn. 2 in Table 7). These figures are standard values developed by Eisenhardt using data from Konzentration GmbH as well as from Engelmann/Rutsatz.

16. According to Rutsatz' figures.
17. See Rutsatz, K.-H., Die wirtschaftliche Situation der regionalen westdeutschen Tageszeitungen, Media-Perspectiven 1/77, p. 11-18.

data available to support this. *Table 8* gives percentages of different cost components comparing newspapers with various circulations.

As is clear from these figures, papers with smaller circulation have an important disadvantage in the area of setting and printing costs; and what seem to be advantages, i.e. smaller percentages for circulation, advertising and newsprint costs, in effect only mean more disadvantages: the smaller percentage of newsprint costs per copy reflects the fact, that smaller newspapers also have fewer pages; a lower percentage of circulation costs shows smaller circulation areas and less money for reader service; and a lower percentage of advertising costs is only the result of the sad fact, that advertising revenue is relatively smaller, too.

Competition between papers of different circulation therefore will usually be extremely unbalanced. This can be shown even more clearly by comparing absolute figures rather than percentages for various cost components. In 1970, the average newspaper with a circulation of 4,000 would spend DM 9,560 per month on a total of 344 editorial pages in editorial costs – i.e. DM 27.80 per page; on the other hand, a paper with a circulation of 300,000 copies would spend DM 795,000 on 475 pages – i.e. DM 1,673.68 per page. Thus, the reader of the bigger newspaper would get more pages, and these pages would represent (if money can be a reasonable standard) about 60 times the editorial effort of that of a small newspaper. Of course, these differences lead to small newspapers co-operating and thus improving their editorial quality; on the other hand, bigger papers can use their editorial budget for setting up new local editor offices in order to branch out into other cities.

Considering inequalities between small and big newspapers being even larger in the areas of circulation and advertising costs, the only open question is why small newspapers can exist at all. There are two simple answers to this question: first, small and big newspapers usually do not compete with each other; second, even small newspapers have proven to be sufficiently profitable.

The development of newspaper profits

Changes in revenues as well as those in costs have shown a long-term upward trend, as may be true for all European countries. Profit changes, however, have been remarkably different in time as well as between different types of newspapers.

Profit changes in time are shown in *table 7*. Considering earlier studies published in this journal,[18] the first point to be mentioned is the difference between the results of studies made by Engelmann/Rutsatz, by Eisenhardt,

18. Van Springel, J., Diagnosis and Therapy of Daily Press Management, Gazette, Vol. 10, 1964, p. 296-314, and Vol. 11, 1965, p. 297-322.

and by BDZV. Up to 1964, Eisenhardt's figures (column (11) in table 7) are substantially lower than those of Engelmann/Rutsatz (column (7)), the reason being completely different groups of newspapers included in these studies. Eisenhardt's study refers to a group of newspapers closely related to the Social Democratic Party; these papers have been notorious for their insufficient business results, and many of them have meanwhile disappeared. This may explain, why Van Springel in 1965, basing his conclusions on Eisenhardt's figures alone, found 'data pointing to a low profit-earning capacity'.[19]

The figures of Engelmann/Rutsatz are used mainly by participating publishers to improve their respective business efficiency. Some average figures, however, have been published regularly – usually including rising costs, and omitting rising profits; the figures given in table 7 have been compiled (and, in part, been reassembled) from various publications. (Their methodical limitations are serious, but among all data available they alone allow long-term evaluations.) BDZV stopped publication of Rutsatz's data and made its own survey polling all member newspapers; the results of this survey (columns (8) – (11)) show higher revenues, higher costs and higher profits for 1973, but lower profits for 1974 and 1975. The important fact remains, however, that all studies show for all years that newspaper publishing in West Germany has been profitable – at least as far as the national average is concerned.

Some changes of profits have taken place, which should be analysed more closely. Comparing profit rates (column (7)) of different years, there is a remarkable rise in profits from 1952 to 1965 with only minor interruptions. After that, there seems to be a profit cycle connected with the general economic cycle in West Germany – this, however, must be looked at in detail. West Germany has experienced economic recessions in 1966/67, 1970/71, and 1973/75; the profit of newspapers actually has been falling in these same periods, but surprisingly not in line with the severeness of the general economic recession; obviously, there must be specific influences on newspaper business. First of all, newspaper revenues have been unaffected by economic recession as far as sales revenues are concerned, because circulation figures have not been falling (on the contrary, they have been rising, and sales revenues have been further boosted by retail price increases). Advertising revenues have been falling to a much smaller extent than could be expected considering the decreases in advertising volume; the reason for this effect, of course, are substantial advertising price increases. Lower advertising volume, on the other hand, means reduced number of pages, thus reduced costs of paper, production and editing – as a result, the effects of economic recession have hit the newspaper industry to a smaller extent than other industries. As has been shown in the previous chapter,

19. Van Springel, 1965, p. 298.

particularly the last economic recession in West Germany has led to unusual cost-cutting measures in publishing houses resulting in above-average profits during the past two years. It may be doubted, however, that similar measures will be possible again without introducing even more advanced technical equipment in the editorial as well as in the production process.[20]

The profitability of West German newspapers cannot be denied for the general average, but there are significant differences between papers of differing circulation as well as between those with different market position. *Table 9* gives an indiciation of profit differences between papers of different circulation.

Table 9. Profit difference between West German newspapers of different circulation 1973.

Circulation (1)	*Revenues* (2)	*Costs* (Index; Average = 100) (Based on values per unit) (3)	*Profit* (4)	*Profit in % of Revenues* (5)
less than 5,001	85	94	5	0,6
5,001 – 10,000	86	87	71	7,6
10,001 – 25,000	85	82	114	12,3
25,001 – 50,000	84	83	95	10,4
50,001 – 125,000	95	95	95	9,2
over 125,000	108	109	106	8,9
average	100	100	100	9,2

Source: Compiled and calculated from BDZV, Wirtschaftsdaten, 1975, p. (7) – (8).

What seems to be surprising, is the fact that there is no clear connection between the circulation of a newspaper and its relative profitability – this in spite of clearly oppository findings on the cost side, which seem to indicate a more rigid correlation between circulation and profits. The answer to this problem can be found in two considerations. First, it is not the relative, but the absolute profit which gives a bigger newspaper its stronger position compared to its smaller competitor; for instance, a paper with a circulation of 20,000 copies would have 12.3% profit compared to 8.9% of another one with 200,000 copies – the actual profit of the bigger paper, however, would be more than nine times the total profit of the smaller one.

Second, there must be obviously be other and more important factors affecting the profitability of a newspaper than circulation. The study of the German Newspaper Publishers Association reveals for 1973, that particu-

20. For a more detailed discussion of the influence of the general economic cycle on the newspaper industry see Kisker/Knoche/Zerdick, Konjunkturelle Entwicklung und Pressekonzentration in der Bundesrepublik Deutschland, Gutachten für den Bundesminister des Innern, Berlin 1976.

larly different market positions of papers influence their business results: papers being in a monopoly position or being the biggest paper in a competitive situation were clearly more profitable than those in a runner-up position. At the same time, papers with their own complete editorial setup were less profitable than those producing local items themselves and taking over national and regional items from other papers. Another factor affecting profitability was shown to be the number of additional issues, the advertising revenue increase of which proved to be offset by a corresponding increase in production and circulation costs.[21]

More detailed information on the development of newspaper profits as well as on other relevant data will be gained by oncoming publications of the results of new surveys, which are being carried out by the West German Federal Government's Statistical Office. Unfortunately, the amount of data to be published will probably be quite limited compared to what might be possible on the basis of data gathered; besides, due to differences in statistical methods, it will be difficult to combine these data with those of Engelmann/Rutsatz or BDZV for the evaluation of long-term trends.

Summary

The economic situation of the daily press in West Germany on the whole is extraordinarily positive. Average profits of all regional papers in 1975 have hit the highest level since 1952 when measured by profits per copy and month as given by the long-term comparative business analysis by Engelmann/Rutsatz; in 1976, profits are expected to be even higher. Even during the past economic recession the average newspaper managed to maintain a considerable profitability; this, of course, did not prevent individual papers from producing business losses.

Business figures published by the German Newspaper Publishers Association (BDZV) for 1973 to 1975 also show profits, but on a smaller scale except for 1973; due to methodical problems this survey, however, seems to be less reliable when used for the analysis of changes in times. Because of grossly differing data on most economic indicators of the newspaper industry any clear evaluation based on established facts seems impossible. However, as an undisputable result even of differing individual surveys it can be stated that West German publishers have managed to balance whatever negative effects the general economic recession may have had by cost reductions as well as price increases. Thus, the profit potential of this industry has been enhanced, and any economic boom is bound to result in even higher profits. For many years to come, the discussion of economic assistance to the press by Government can now be put aside in favour of more immediate tasks of communication politics.

21. BDZV, Wirtschaftsdaten, 1975, p. 3-4.