

# European Media Markets 2021:

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## The European Press Market:

### News Aggregators - A double-edged sword at play

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The European press sector has been considerably disrupted through behemoth technology companies like Amazon, Facebook, Google, Apple, and Microsoft. With the upsurge of technology companies and them entering the press sector, European newspaper publishers have been introduced to a new “competitor” in the market: news aggregators (e.g. Google News, Apple News, Microsoft News), which collect and organize pieces of information in a specific manner from newspaper publishers. The influx of such services has sparked so much change in the sector in several European countries (including for example Spain), where policy makers have taken action to confront these companies. The goal of this White Paper is to explore how newspaper publishers can better navigate this technology dominated sector in the future.

#### Highlights

- News aggregators have caused legitimate concerns among European news publishers. It is argued that they cause shrinking revenue and loss of homepage traffic as they create substitution effects by providing snippets of news stories and thus, decrease the incentives for users to read the original articles from the news publishers.
- This White Paper explores if European news publishers could look for inspiration in new business models in other media markets (e.g. the Spotify business model) and could gain momentum through a collaborative platform uniting different outlets and thus, strengthen each other without the interference or exploitation of technology companies.

## 1. Technology companies' influence on the European press sector

The press sector has been influenced in almost every aspect of their production chain by technology companies: for example, Google provides funding to European newspaper publishers through Google News Lab and Google News Initiative, where the latter has announced a contribution to European news media of €150 millions. Similarly, Facebook founded the Facebook Journalism Project, which is an education initiative for prospective journalists. Both Google and Facebook also provide newspaper publishers with tools to monitor their content's performance.<sup>1</sup> These are examples of how technology companies have impact on the news sector in terms of for example how newspaper publishers can depend on them in terms of reaching their audiences and become part of the education of journalism.

Additionally, news aggregators have started to permeate the press sector specifically by making news content searchable and bundle them. News aggregators apply (automated) Web searches resulting in relevant articles on specific topics ranging between three overarching types: fully automated (e.g. Google News), mostly human-edited (e.g. Huffington Post), and the ones that work in a combination of the two above-mentioned types (e.g. Techmeme). All considered, news aggregators pose a threat to newspaper publishers at “the very heart of the economic arrangement for news: Who will underwrite the original creation of news reports?”, as Chyi et al. (2016) puts it.<sup>2</sup> The press sector from local, to regional and national levels, is today working within a market championed by digital intermediaries, who control their most valuable asset: the audience. Newspaper publishers in Europe have tried to adapt to these circumstances in mainly

<sup>1</sup> Nechushtai, E. (2018). Could digital platforms capture the media through infrastructure? *Journalism*, 19(8), 1043-1058. <https://journals.sagepub.com/doi/abs/10.1177/1464884917725163>

<sup>2</sup> Chyi, H.I., Lewis, S.C. & Zheng, N. (2016). Parasite or Partner? Coverage of Google News in an Era of News Aggregation. *Journalism & Mass Communication Quarterly*, 93(4), 789–815. P.791.

three ways: 1) Consolidating with larger media companies to reach scale; 2) Consolidating in a regional level as to attain a strong and distinct market position; 3) Focussing on local depth by tailoring content for a small audience. On a final note, especially local and regional newspaper publishers are in many instances facing greater consequences of technology companies entering the European press sector than their national and international colleagues due to their limited resources.<sup>3</sup>

| National scale   | Regional breadth  | Local depth  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• Emphasis on scale</li> <li>• Company-wide digital philosophy</li> <li>• Centralized online content creation</li> <li>• Traffic focus</li> <li>• Online ads model</li> <li>• Offers access to large network</li> </ul> | <ul style="list-style-type: none"> <li>• Emphasis on regional growth</li> <li>• Solutions-focused digital experts</li> <li>• Distinct newsroom cultures</li> <li>• Access to centralized national content to allow for focus on local reporting</li> <li>• Paid content models</li> <li>• Continued emphasis on potential of print</li> </ul> | <ul style="list-style-type: none"> <li>• Editorial and advertising strategies driven by local community/region</li> <li>• Distinct newsroom cultures</li> <li>• Smaller online teams</li> <li>• Paid content models, often based on premium content</li> </ul> |

**Figure 1: Categorization of how smaller newspaper publishers have adapted to digitization.<sup>4</sup>**

## 2. A double-edged sword: News publishers and aggregators

In 2002, Google released its news aggregator: Google News. It collects news from thousands of websites and presents it users news articles featuring a series of headlines, snippets and hyperlinks to the original content<sup>5</sup> based on computer algorithms<sup>6</sup> considering a variety of factors (e.g. authority of the source, keywords, users' past activity and geographical location). Google News is a good example of the general dilemmas and conflicts that have emerged for newspaper publishers. On the one hand, Google News has been praised for its “*expanding effect*” making it easier for users to access and find news while driving traffic to newspaper publishers' websites. On the other hand, opponents of Google News, typically represented by newspaper publishers themselves, are drawing attention to the “*substituting effects*” of Google News, as they provide snippets of news stories and thus, remove the incentive for readers to click on the original source.

It is for that reason that newspaper publishers put pressure on Google for a fair compensation for the usage of their content. They lobbied for the new EU Directive on copyright in the Digital Single Market adopted in 2019, obliging news aggregators to pay royalties for the content they show.<sup>7</sup> Germany, Belgium, France, and Spain had already regulated the activities of news aggregators, which allowed publishers to demand a fee from aggregators showing extracts of their content. Google refused to pay such a fee while investing resources to gain support from newspaper publishers.<sup>8</sup>

## 3. The case of the Spanish press sector

In 2014, a reform of the Spanish intellectual property law established that firms posting links and excerpts of news stories had to pay a compulsory fee to the original publisher.<sup>9</sup> In response to this legislation, Google announced, the closing of Google News in Spain and removed all Spanish publications from its platform, explaining that the cost of the requirements set out by

<sup>3</sup> Jenkins, J., and Nielsen, R. K. (2018). Digital News Project 2018: The Digital Transition of Local News. Reuters Institute for the Study of Journalism, University of Oxford. <https://reutersinstitute.politics.ox.ac.uk/our-research/digital-transition-local-news>

<sup>4</sup> Note: Categorized strategies by local, regional, and national newspaper publishers' in terms of adapting to the digital market. Reprint from Jenkins, J., and Nielsen, R. K. (2018). Reuters Institute for the Study of Journalism, Oxford University.

<sup>5</sup> Chyi, H.I., Lewis, S.C. & Zheng, N. (2016). Parasite or Partner? Coverage of Google News in an Era of News Aggregation. *Journalism & Mass Communication Quarterly*, 93(4), 789–815

<sup>6</sup> Google News Help (n.d.). Google Support. <https://support.google.com/googlenews/answer/9005749?hl=en>

<sup>7</sup> Calzada, J., Gil, R. (2019). News aggregators and the reform of the copyright legislation in Europe. VoxEU & CEPR.

<sup>8</sup> Blecher, L. (2017, December 13). One of these projects was the *Digital news Initiative* aiming at “*supporting high-quality journalism through technology and innovation*”, involving €20 million of funding for innovation in news. Retrieved from <https://blog.google/around-the-globe/google-europe/digital-news-initiative-20-million-funding-innovation-news/>

<sup>9</sup> Calzada, J., Gil, R. (2019). *News aggregators and the reform of the copyright legislation in Europe*. VoxEU & CEPR. <https://voxeu.org/article/news-aggregators-and-european-copyright-legislation>

the new legislation would not be sustainable for them.<sup>10</sup> In the debate surrounding Google's News in Spain, there was on the one hand the defendants, who argued:

- Google News brings gains rather than a loss for online newspaper publishers as the substitution effect is negligible while the expansion effect is significant. The overall number of daily visitors to the 84 major Spanish online newspapers decreased by 10%-15% after Google News' closure.<sup>11</sup>
- Google's shutdown led to a decline in advertising revenues for Spanish news outlets.<sup>12</sup> Especially smaller online publishers were affected. Considering that the revenues from online press advertising are nearly €181 million per year, the profit reduction has been estimated at more than €9 million annually<sup>13</sup> with an indirect negative impact on concentration, competition, and innovation.
- Google News had a positive effect on consumers due to the increase in the consumption of news and the reduction of search time.<sup>14</sup>

On the other hand, the contestants of Google News in Spain argued:

- Google News did not create more traffic for newspaper publishers, meaning, the closure of Google News was not harmful to the Spanish press sector. The overall traffic to news sites remained unchanged in Spain between 2015-2019 and in some cases traffic increased.<sup>15</sup>
- The decrease in direct traffic to newspaper publishers' landing pages was not compensated by any potential increases in traffic from news aggregators as Google News readers in Spain were accessing 8.5% fewer landing pages than users who did not use Google News.<sup>16</sup>

All considered, the power dynamics between newspaper publishers and aggregators have drastically changed<sup>17</sup> as the former's business model is rapidly moving towards prioritizing reader revenue over advertising revenue.<sup>18</sup> Promoting direct traffic to their sites and building a close relationship with users is more crucial for them than click-throughs to individual articles. In 2018, a survey of European newspaper publishers revealed that reader revenue had gained a lead over display advertising (52% to 27%) as opposed to 2016, where reader revenue accounted for 40% compared to advertising at 47%.<sup>19</sup> Hence, if Google News were to suddenly stop in Europe tomorrow, many European newspaper publishers would not regard this development as catastrophic.

#### 4. Other media sectors as inspiration for a new business model

Overall, we can find that there is the dilemma of data and the power it yields in the press market. Until now, newspaper publishers have mostly integrated data as means of measuring the performance of their content on different platforms, but this data is delivered by digital intermediaries.<sup>20</sup> Platforms such as Google and Facebook are reluctant to provide newspaper publishers with accurate audience data making it particularly difficult for them to strategically evaluate the various opportunities offered by news aggregators to amplify their online reach.<sup>21</sup> Consequently, European newspaper publishers find themselves searching for new business models.

<sup>10</sup> Novedades acerca de google Noticias en España. (2014). Retrieved from <https://espana.googleblog.com/2014/12/novedades-acerca-de-google-noticias-en.html>

<sup>11</sup> Athey, S., M. Mobius, M., Pál, J. (2017). *The Impact of Aggregators on Internet News Consumption*. Stanford Graduate School of Business Research Paper Series, 17(8). [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2897960](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2897960)

<sup>12</sup> Calzada, J., & Gil, R. (2017). What Do News Aggregators Do? Evidence from Google News in Spain and Germany. Bacerlona; Universitat de Barcelona.

<sup>13</sup> Posada de la Concha, P., Gutiérrez García, A., Coronado Saleh, J. (2017). *Impact on Competition and on Free market of the Google Tax or AEDE fee*. NERA Economic Consulting. [https://clabe.org/pdf/Informe\\_NERA\\_para\\_AEEPP\\_\(INGLES\).pdf](https://clabe.org/pdf/Informe_NERA_para_AEEPP_(INGLES).pdf)

<sup>14</sup> Athey, S., M. Mobius, M., Pál, J. (2017). *The Impact of Aggregators on Internet News Consumption*. Stanford Graduate School of Business Research Paper Series, 17(8). [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2897960](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2897960)

<sup>15</sup> News Media Alliance. (2019). *The Effects of the Ancillary Right for News Publishers in Spain and the Resulting Google News Closure*. [http://www.newsmediaalliance.org/wp-content/uploads/2019/10/Final-Revised-Spain-Report\\_11-7-19.pdf](http://www.newsmediaalliance.org/wp-content/uploads/2019/10/Final-Revised-Spain-Report_11-7-19.pdf)

<sup>16</sup> Athey, S., M. Mobius, M., Pál, J. (2017). *The Impact of Aggregators on Internet News Consumption*. Stanford Graduate School of Business Research Paper Series, 17(8). [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2897960](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2897960)

<sup>17</sup> Benton, J. (2019, January 22). *Google is threatening to kill Google News in Europe if the EU goes ahead with its "snippet tax"*. NiemanLab. <https://www.niemanlab.org/2019/01/google-is-threatening-to-kill-google-news-in-europe-if-the-eu-goes-ahead-with-its-snippet-tax/>

<sup>18</sup> Cook, C. (2019, October 31). Why are we talking about reader revenues — and what you need to know. *Medium.com*. <https://clare-cook.medium.com/why-are-we-talking-about-reader-revenues-and-what-you-need-to-know-5cd7c3a334be>

<sup>19</sup> Newman, N. (2017). Journalism, Media and Technology Trends and Predictions 2017. Reuters Institute for the Study of Journalism, University of Oxford. <https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2017-04/Journalism%2C%20Media%20and%20Technology%20Trends%20and%20Predictions%202017.pdf>

<sup>20</sup> Nechushtai, E. (2018). Could digital platforms capture the media through infrastructure? *Journalism*, 19(8), 1043-1058. <https://journals.sagepub.com/doi/abs/10.1177/1464884917725163>

<sup>21</sup> Nielsen R.K., Ganter S.A. (2017). Dealing with digital intermediaries: A case study of the relations between publishers and platforms. *New Media & Society*, 20(4), 1600–1617.

A promising option could be to look for business models already successful for key players in music or film content (e.g. Spotify or Netflix: digital platforms charging consumers a subscription fee).<sup>22</sup> Additionally, there is a positive association between paying for many different types of online media and the willingness to pay for online news.<sup>23</sup>

For newspaper publishers, several possible issues could arise when changing business models, due to the risk of them becoming dependent on third-party providers. Firstly, an important lesson is to be learned from the music and film sector as third-party platform providers have led to a high concentration of power at the distribution level. Thus, if technology companies came to occupy digital journalism even more than currently, it is highly likely that newspaper publishers would face quasi-monopolistic structures at the distribution level. This could expand news deserts and technology companies would assume greater control on the sale of journalistic content. Secondly, a shared platform for journalistic content operated by a third-party provider would entail several disadvantages for newspaper publishers: 1) loss of a direct relationship with customers; 2) a decline in the single news brand's value; 3) putting the gatekeeper and curator function at risk, which could increase the spread of filter bubbles.

Against such a backdrop, there is a way for newspaper publishers to avoid such a disruptive scenario: they could set up a collaborative platform uniting different outlets without the interference of a third-party platform provider (e.g. Readly, Pressreader).<sup>24</sup> In that case, data would be collected both centrally and locally. This solution could be especially beneficial for smaller newspaper publishers on the local or regional level, which have less resources and struggle to sell their subscriptions.<sup>25</sup>

## 5. Conclusion

**Conclusion 1:** A new *modus vivendi* between news aggregators and publishers has emerged since the implementation of the Directive on copyright in the Digital Single Market, which has increased the bargaining power of newspaper publishers against technology companies like Google – as seen in the Spanish case.

**Recommendation 1:** Newspaper publishers should look for inspiration at platform-born companies and combine that knowledge with their expertise on quality news production as a way of developing innovations and substituting the old advertising model with a more market appropriate focus of income: data management.

**Conclusion 2:** A Spotify-style model could be a way forward for news publishers, though, only under certain circumstances.

**Recommendation 2:** Newspaper publishers should move to conditional platformization without the involvement of technology companies. This could aid them in their gradual marginalization at the distribution level of journalistic content due to e.g. news aggregators.

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<sup>22</sup> Buschow, C., Wellbrock, C. (2019). Money for nothing and content for free? Willingness to pay for digital journalism. Landesanstalt für Medien NRW. DOI:10.25643/bauhaus-universitaet.4017

<sup>23</sup> Fletcher, R., Nielsen, R.K. (2020). Are Netflix and Spotify Subscribers More Likely to Pay for Online News? Comparative Analysis of Data From Six Countries. *International Journal of Communication* 14, 3439–3457.

<sup>24</sup> Wellbrock, C.M. (2020). Spotify for journalism, publishing house platform, or digital press wholesaler. *Journalism Research*, 3 (2), p. 125-132.

<sup>25</sup> Buschow, C., Wellbrock, C. (2019). Money for nothing and content for free? Willingness to pay for digital journalism. Landesanstalt für Medien NRW, p.5.