

Economics of Digital Journalism: Reality and Challenges

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Abstract:

This study about the economics of digital journalism focuses on transformations and development of media industries in the digital world. The technological rapid advances in the field of communication led to a new kind of media that relies on internet as a medium. Today, News are delivered and consumed via internet. The move to digital delivery has transformed not just the business model of news, but also the way news are reported, aggregated, distributed, and shared. Competition among digital news sites has also prompted the search for new financial resource streams. Furthermore, this study sheds light on the economics of digital journalism that changed our understanding of production, consumption and profits. It provides a definition about digital journalism and its elements. In addition, it explains how new technologies transformed media industries. Then, it provides insights into investing in a News website and recommendations on how to successfully design and adopt a sustainable resilient business model.

Keywords: Digital journalism, media economics, new business models, media industry, media investments

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1-Introduction:

Since the invention of the internet, the Media has entered a new era. The rapid progress and innovation in new technologies ;especially in digital communication has disrupted the Media sphere, resulting in the emergence of a the digital Media. Traditional Media industries were slow in adapting to changes in the Media landscape, which was also accelerated by the creation of a variety of new online platforms and the scaling up of online communication.

This new reality, forced traditional Media to adjust their business model and diversify their direct and indirect revenue streams. They had to follow their readers, Viewers and listeners who gravitated toward fast, easy, interactive and instant digital content available at a click of a button. These developments lead to a new kind of newspaper: the electronic newspaper or e-newspaper. This digital newspaper differs from the traditional newspaper in the possibility of providing more news than possible in an physical newspaper. The move to digital delivery has transformed not just the business of news, but also the way news is reported, aggregated, distributed, and shared. Competition among digital news sites has also prompted the search for new funding sources.

It is rare to find an industry that has been able to expand its market so rapidly and develop dynamic new ways to interact with consumers -- and yet find itself facing an existential crisis. We will attempt in this study to shed light on the economics of digital journalism that changed our understanding of production, consumption and profits.

We Will try through this research to answer the following questions: **How developments in Media technology changed Media organizations economically? What are the economic challenges facing digital journalism during this development?**

2- What is digital journalism ?

There is no agreement among researchers on a unified and comprehensive definition for digital journalism. But, there are many definitions that are incomplete and need to be updated to reflect the continuous and rapid development of media and communication technologies. There is a clear disagreement between researchers and thinkers about what is electronic journalism in terms of its cultural, sociological and economic variables.

Although over twenty years have passed since digital journalism was born, international researchers still have not reached a consensus on a definition for online journalism, nor has Agreed on one term : professionals and researchers use some expression interchangeably such as "digital journalism", "Online journalism", "electronic journalism" "multimedia journalism" , and a long list of similar designations (Ramón, 2019), But we note that digital journalism is the most widespread used term in the World. (Ramón, 2019)

Researchers are still trying to define digital journalism, relying on its technical nature and combining traditional and new content, by " taking content from newspapers, radio and television and wrapping it as a new product (Acosta, 2004).

This definition is based on the idea that digital journalism does not differ from paper journalism in content and is not independent from it. So, it is just a new cover for the traditional journalism content.

Digital journalism is also defined as " published online newspapers", whether these newspapers publish an exact copy of their content or a customized digital form or a summary of their most important stories or as only for online consumption without a print version. (Al-shamayleh, 2014)

This definition is more comprehensive than the previous one as it takes into consideration the variety of models adopted by digital journalism, in

addition to showing that online content may be independent or part of the print version.

One of the most recognized definitions of digital journalism is by Kevin Kawamoto, who considers digital journalism as a combination of two definitions: the old traditional and the new modern one

that is still evolving, "which makes it hard to precisely define, as terms mean different things to different people." When these two concepts are linked together, we are talking about an old practice in a modern context." (kawamoto, 2003).

Kevin Kawamoto defines In his book" Digital Journalism, " the latter as the use of digital technology to research, produce and distribute news and information to a computer audience that is constantly growing." (kawamoto, 2003).

This definition focuses on the function of digital journalism to inform and enlighten the public, and also provides an insight into the means used and capabilities possessed by the public. We can summarize the most important ideas put forward by researchers through the aforementioned definitions of digital journalism in several points: :

- Digital journalism disseminates information organically on the internet.
- The content that makes up the digital press is not only text, but also images and videos.
- The audience of this type of journalism is internet users, where the content is easily accessible this means, the consumers should have the ability to use the internet.
- Digital Journalism has the same mission of traditional journalism: to inform and enlighten the public.

3- Characteristics of digital journalism:

Some researchers call the digital Media the fourth Media industry because of its unique features compared to the other three traditional media industries: Print, radio and Television. "The focus is exclusively on online journalism: the fourth type of journalism that differs in its characteristics from the traditional types of journalism". (Deuz, 2001)

In the same context, Dr. Reda Abd el Wajed Amin asserts in his book "electronic journalism" that "electronic media does not mean simply replacing the old tools, such "print journalism" with modern tools, such "computer". The differences are much deeper, as the changes affect all aspects of the communication process to include the medium, the message, the sender, the receiver and feedbacks. In addition, It creates a new cultural, social and economic opportunities and challenges different from traditional Media. (Abd Elwajed, 2007)

The characteristics of digital journalism are:

2.1.Hypertextuality:

Hypertexts are one of the main features of digital journalism it is an information tool to automatically and instantaneously place multiple texts in contact. The term "hypertext" was first coined in 1965 by American Professor Ted Nelson, who defined it as "non-sequential writing - a complex text that allows the reader to choose. "Ted Nelson" also used the term to denote non-textual information, such as images, films and sounds, connected in this way (Schoonmaker, 2007).

The "hypertext" differs from the traditional text in its organization. While a traditional text, such as a book or article in a magazine, contains a serial structure defined by the author, a hypertext contains a fluid or animated structure defined by the reader, so that the reader travels through associated "pieces" of information, which can be displayed in any order. When you read a book, you read it from the beginning, by moving from line to line and page to page to the end. However, the hypertext is not written and read in the same way; It's done by jumping from one piece to another as the reader wishes. As an example of such hypertext, when a reader clicks on or puts a mouse cursor on top of a text, a bubble with a dictionary definition appears, a webpage with relevant information appears, or a video clip is turned on.

2.2.Interactivity

The traditional press offered several opportunities for interactive communication with the public, it was clearly demonstrated in the written press through readers' letters reaching the editorial department, Or through listeners or viewers' calls to radio or television. But "digital journalism

allows for an unprecedented level of interaction, starting with the search for and selection of a set of texts, and ending with the possibility of asking questions to the journalist or the source of the information itself, or interfering to participate in the making of new news or information during reading and browsing the site. by making vivid remarks and dialogues with others about what is was read, or participating in polls that give a great deal of room for the reader to express his opinion without worrying.

In digital journalism the individual engagement in decision-making increases. " (Kanaan, 2014). the scholar Mc Mallen defined interactivity as " the power of an intermediary user to control the flow of communications or even change the message sent by the producer (Downes.E.j, 2000)." Interactivity was an important question in communication studies then it became more important on the Internet. an electronic newspaper can be considered interactive only when it provided some electronic text and e-mail addresses. (Beyers,2004) The researchers point out that there is a great deal of debate about the interaction and its impact on digital journalism. Some argue that it opens the door to a lot of people who are interacting, and that this will lead to a decline in journalists' core mission. Journalists may find themselves on the sidelines and be left behind by a new generation of communicators (David Domingo, 2008), some other scholars reject this idea saying that The vast amount of information available online has made journalists more necessary than ever to clear up the important " (Deuze, 2001)

2.3.Multimedia:

Researchers Geer and Mansen assert that multimedia is "the ability to add audio, video, animated films or other content to news, so that it becomes a feature that distinguishes digital newspapers from others." (Greer, 2003). More clearly, if the radio provides the voice and television presents the image and the print press presents the text, digital journalism is the only means by which the three can be presented together in a coherent manner and at the top of harmony and mutual benefit.

2.4.Immediacy:

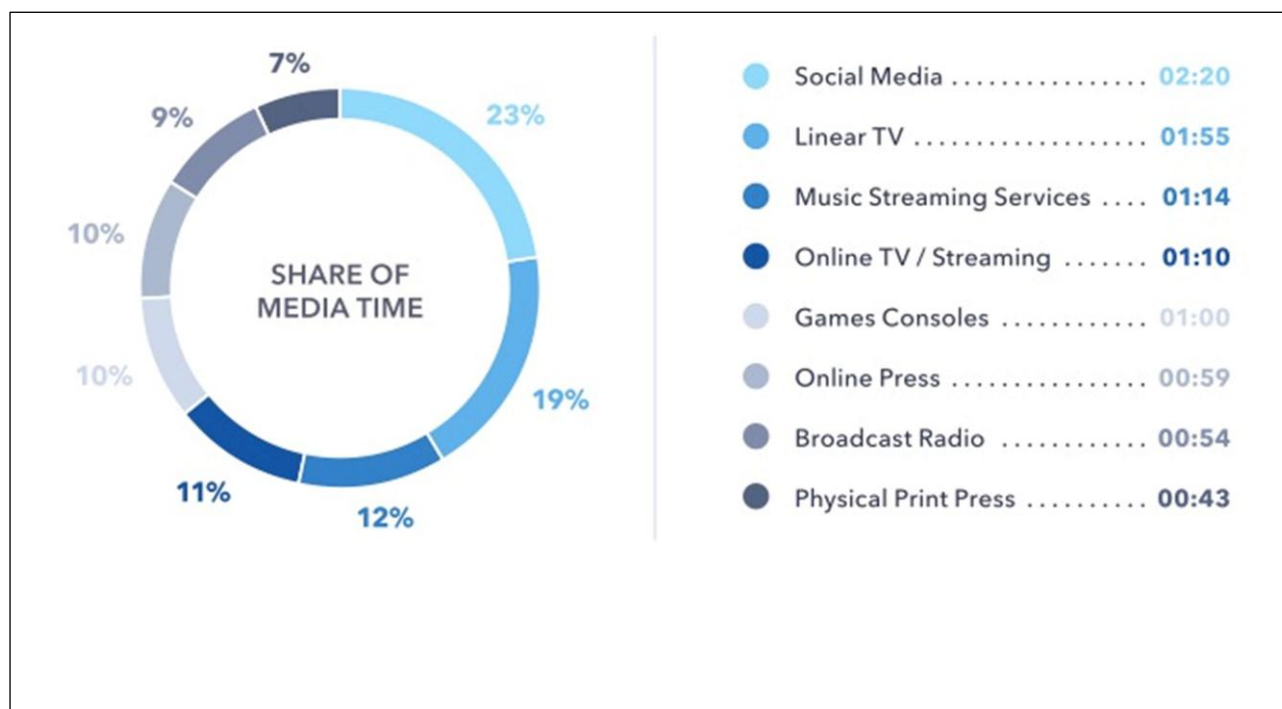
It is one of the most important features of digital journalism, as it distinguishes it from traditional newspapers. Live coverage and news cannot be found in print newspapers. Many studies confirm that the level of immediacy on news sites increases clearly and rapidly compared to the level of interaction. "New newspapers have become 24-hour information engines." (Giner, 2001)

3. The impact of New technology on digital journalism economy

The Internet has marked a shift in the production of news, making it difficult for newspaper producers to remain profitable and retain readers. For hundreds of years the newspaper industry has built its business on offering news and articles to readers and exposure to advertisers. The producers of newspapers have had control over the production, distribution and relationships with customers. But the recent years are marked by a smaller number of subscribers and lower income from advertising . the previous ten years show a constant reduction in the number of subscribers, indicating that the printed newspaper is nearing its end. (Suijkerbuijk, 2014)

In 2009, for the New York Times, printing the newspaper on a yearly basis would cost twice as much as it would cost to present every subscriber an e-reader. we can understand that the absence of paper with the digital newspapers reduces costs, or that delivery through digital channels reduces delivery costs made for delivering printed newspapers. So, the most important costs can be avoided when moving to digital journalism. (Suijkerbuijk, 2014) It is clear now that Newspapers can gain from going digital.

Figure 1 : time devoted to online and traditional media at a global level



Source: GlobalWebindex trend report 2019

Economically, we can distinguish between three levels within the informative process that have been clearly affected by recent technological developments in the field of communication:

3.1. Production

Production has contributed to a significant reduction in costs. Higher consumption of information material is not followed by higher costs, as costs are limited only to the first version charged. Increasing the economic return once digital information material is consumed, which is an intangible asset that is consumed and whose quality is not affected by frequent cloning. (economics of Arabic Digital Media, 2017)

3.2. Distribution:

New information technology has introduced a distinctive distribution pattern that can overcome geographical barriers because electronic journalism spreads in Web space of a global nature, whatever appears over the Web remains available to the recipient anywhere in the world where the Internet is available, 24 hours a day.

3.3 The profit:

The media investment has changed from the difficulty of creating media enterprises and the long time to reach the profit point, to the ease of posting over the Web (ranging from near-free to cost requiring institutional capital), and the speed to spread and make profits.

4. Costs of launching a news website:

It is true that electronic journalism allows for the reduction of fixed costs at the industrial level and distribution, but the cost of launching a news website is significant. It has been noted that the

cost of launching a site accompanying a magazine is between €0.5 million and €2 million, compared with €15 million for publishing a new magazine.

The initial costs of launching a website are called investment costs: all that is spent by since the beginning of the consideration of a process; only normal operating costs will be realized .

Initial expenditures for the publication of an electronic newspaper include:

- financial costs (feasibility study and initial budget estimate for site design) range from 400 to 800 euros.
- Market study investments
- Website design investments
- Connection investments and site rent
- Processing investments
- costs of the promotional campaign to launch the site.

The remuneration of the launch task force.

With regard to the cost of establishing a website for an digital newspaper, experts agreed that it would be difficult to limit or minimize the cost of designing websites, with sites with expensive technology such as e-commerce, recruitment and news portal sites, and that the cost of designing such sites would start at \$1 million. (bouzifi, 2015).

5. Emerging new business models for news media

The traditional press relied on advertising as a primary source of income, but with the emergence of digital journalism, which did not attract advertising, it became necessary to find new sources of income, and new business models, including the following:

5.1. Crowdfunding:

Crowdfunding are increasingly common in media ventures. Like in traditional media, it is about readers wanting to pay for journalism although in a more modern way . today, A vaster number of online publications now rely on (regular) payments or donations. This has become a way of funding particularly for nonprofit organisations – and less for individual journalists, although there are few successful examples (Bitnner, Digital journalism and the new business model, 2019)

5.2. Donor funding :

This type of funding comes in Three forms, including philanthropic backing, government funding and corporate responsibility.

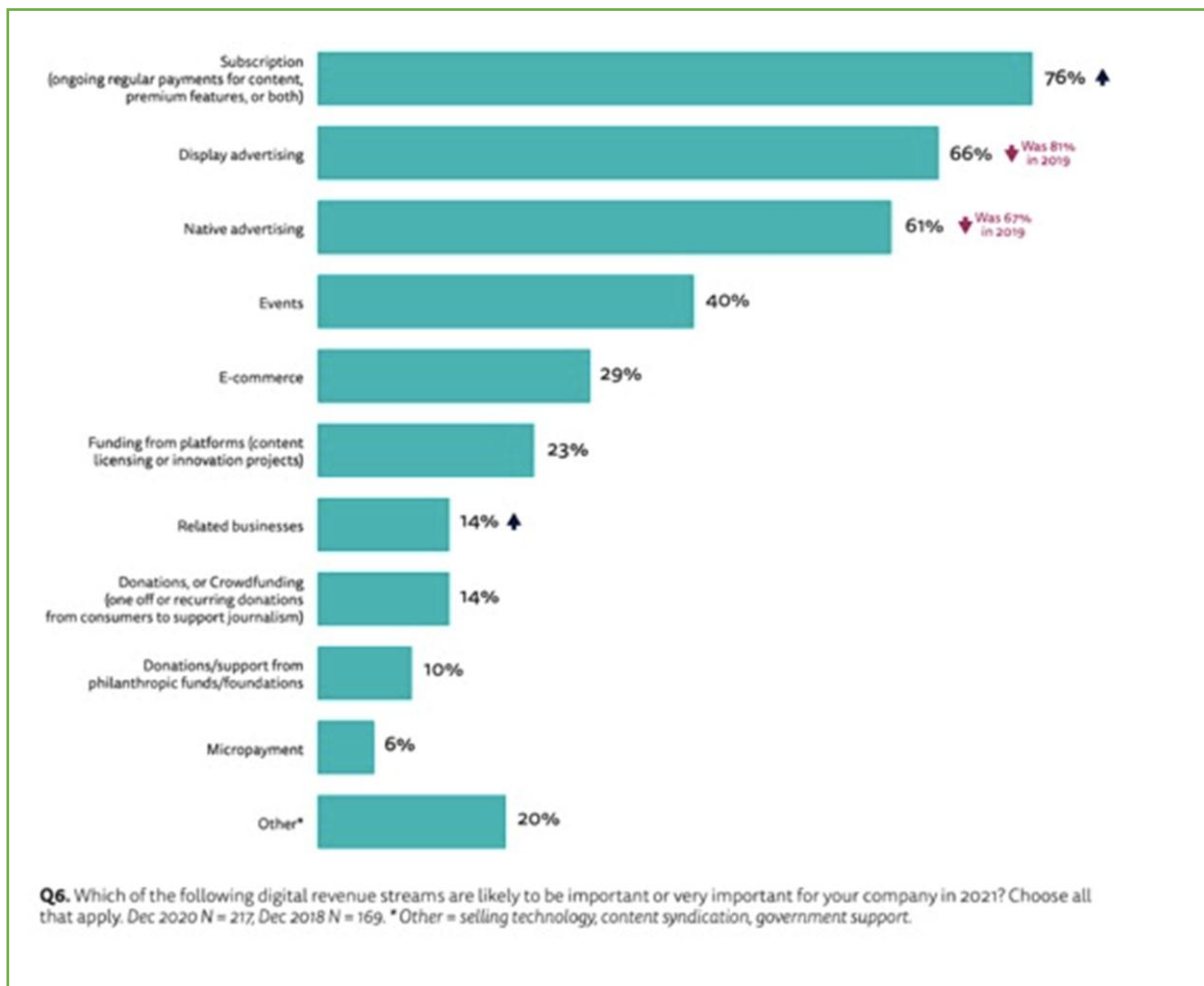
- a. **Philanthropists backing:** generally give generous donations to promote good journalism. One example is eBay founder Pierre Omidyar, who through his philanthropic firm has made a US\$100 million commitment to support investigative journalism and fight disinformation or so-called fake news.
- b. **Government funding :** A number of governments still fund national or public newspapers. Some examples include countries like France and Norway, which directly fund for-profit media companies. In Austria, an instrument called Presseförderung“ (press promotion) is in place to support the distribution of press products. Those models are always prone to be instrumentalised by governments to “discipline” the press.
- c. **-Corporate responsibility:** is another form of funding that newspapers can seek out. Three ambiguous examples are Facebook, Google or large corporations, such as Amazon with The Washington Post, funding journalism as part of their corporate

responsibility. The main challenge would be for these corporations to provide funding without seeking to exert influence. (Bitnner, Digital journalism and the new business model, 2019)

5.3. Subscriptions:

“Someone has to pay for journalism, or journalism will have to pay for it” is a popular argument among publishers whenever there is talk of free news content. Newspapers which are wholly based on a subscription model, have shown media companies can still survive on this model. Although some organizations can get significant revenue from subscriptions, major media outlets like The New York Times cannot be sustained by subscriptions alone. Subscription models are also largely dependent on targeting audiences that not only value the content produced, but are also willing to pay for it. (Mandla chinula, 2017)

Figure 2: Subscription is now considered the most important revenue stream of advertising



5.4. Micropayments

With micropayments, readers pay small amounts to access a single article. Blendle, a Dutch journalism start-up with support from The New York Times Company and Axel Springer, is currently running on this model, with individual stories costing between 10 cents and 90 cents. There are no ads, no paywalls and users only pay for articles they like. If an individual does not like the article that they have read, they can simply ask for their money back. (Bitnner, Digital journalism and the new business model, 2019)

5.5.Sponsored content

Sponsored content refers to original, authentic stories written to promote or advertise a company. Since sponsored content is quite similar to journalistic storytelling, the former is usually tagged with a “sponsored content” label. Media houses are able to leverage their reputations to create branded stories that audiences are more likely to take seriously. This has in part has attracted companies to advertise with news organizations, and has largely worked for larger publications and non-legacy media. (Mandla chinula, 2017)

5.6.Live journalism

Thanks to Facebook Live, Periscope and other platforms, journalists are now being given the opportunity to present their stories in front of a live audience. Live journalism allows journalists to present the news in new and interactive ways. Examples of media companies that are involved in live journalism include The Boston Globe’s Globe live and Gannett with its Arizona storyteller project Although some revenue comes from ticket sales, sponsorships seem to generate the most. (Mandla chinula, 2017) “Live journalism has become essential to advancing stories across platforms and the stage has been set”. (Patel, Live journalism come of age, predictions for journalism 2018,)

6.Challenges facing the digital media industry:

Despite the role of communication technology and the Internet in the development of media industry. some researchers still question the economic value of the Internet, and see it as exposing products to many challenges such as the following:

6.1. Hacking digital media:

We can say that technological development in the field of communication has beneficial advantages, and it also has particular disadvantages with regard to digital journalism. Despite the role of digital technologies in reducing the production, distribution and marketing costs of certain types of information products, it has facilitated the theft and piracy of digital media products (Robert G, 2004). For example, the online music industry (MP3 files) has suffered huge financial losses as a result of piracy, and researchers have estimated it at 16 Music sales in the United State.

6.2. Influence on media professionalism:

Many analysts point to the negative impact of digital media on media professionalism, pointing to its lack of source standards, the technical and scientific treatment of news and information, the observance of the ethics and knowledge fundamentals of the media work,

the problematic issues of the media product and its effectiveness, and the fact that information material on the Internet is sometimes discredited because of its modification, modification, distortion and power. Information is increasingly being disseminated from the field, and sometimes the pain of sending the first person on the scene to describe the facts, ask the perpetrators and witnesses, but merely relies on the accounts of others citing sometimes unreliable sources, in a way that affects the objectivity of the information material. (Robert G, 2004)

6.3. Monopolistic practices of IT companies:

Economists fear the monopolistic practices of IT companies And their impact on the digital media industry, and they think this monopoly could have a negative impact on me. Production and consumption in the media industry 1. The digital media industry is therefore influenced by the degree of competition and the structure of monopoly practices In the IT market.

6.4.Lack of funding :

compounded by a lack of advertising, owing to the advertiser's lack of confidence in or knowledge of the means. However, there is a self-imposed fact that the electronic press is emerging from the tunnel, as advertisers are paying attention to the importance of advertising over the Internet.

6.5. Lack of legislation:

for the regulation of electronic media in accordance with regulations and a law to which all are bound

7.Determinants of successful digital journalism:

The journalism industry doesn't look the way it did a decade ago. The United States Bureau of Labor Statistics estimates an 11% decrease in journalism jobs by 2029, adding to the industry's sharp decline. Journalists in the digital age must continue to ask the tough questions, report with empathy and compassion and continue to shine a light on uncomfortable topics. (Journalism in the Digital Age: What Is Digital Journalism?, 2021)

The success of digital journalism is determined by the extent to which it implements the features and potential of electronic journalism available on the Internet, which requires:

- 7.1** Awareness of the nature of the medium. digital newspapers are a new tool with their own original and formal features and with their own audiences looking for press services that satisfy their original needs.
- 7.2** Seeking to create new advertising markets, with the digital newspaper being viewed as a stand-alone advertising medium, advertising in the paper version in particular in terms of proliferation, interactive and multimedia.
- 7.3** Moving towards complementary performance with the print press (for electronic press of print origin), with electronic and print media contributing to mutually reinforcing.

7.4 The need to separate the editorial apparatus of both digital and paper newspapers, given the different nature of the methods.

7.5 Creating new financial returns by preparing studies and media campaigns for advertisers to encourage them to advertise on newspaper websites.

8.conclusion

The impact of digital technology on media and communications industries is growing and challenges the traditional business model. Established media organizations are more resilient: They are embracing technology innovation and transformation, learning how to respond to digital challenges more effectively. There is probably a lot of work to be done, but most likely, media organizations will be able to cope, re-invent themselves and continue to provide relevant high-standard information and entertainment content in the future. Future reporters may see themselves becoming their own brand, self-financing blogs or websites through subscription-based models. And it doesn't change the fact that being proficient in multimedia, strong communication skills and morality in reporting continue to be the keys to success.

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