

# Local TV News Industry Trends: Revenue Increasing, Employment Steady, Viewership Robust

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## Executive Summary

For the last decade, headlines such as “Cuts at the *Daily News* highlight a local news crisis”<sup>1</sup> have been a staple of media reporting and academic concern. This so-called “death of local news” has been the topic of scores of conferences. Studies of resulting societal implications have been undertaken, including a comprehensive longitudinal study published in the *Journal of Politics* at the University of Chicago which conclusively finds “declining local political news coverage is reducing citizen engagement.” The same study states that newsroom staff fell by 39% between 1995 and 2015.<sup>2</sup> These claims, both qualitative and quantitative, are commonplace in relevant literature.

As alarming as these claims may be, it is striking that these references to “local news” nearly always refer to local *newspapers* and not to local *television* news. Though the findings that show the decline of both revenues and employment in local newspapers are widely reported, there have been few serious examinations of trends in these metrics for local television news. This lack of rigor is all the more surprising given local television is America’s primary source of local news: 37% of Americans use local television to get their news, whereas only 18% of Americans use print newspapers (including nationally distributed newspapers).<sup>3</sup>

Unmatched among local television news, however, is this decline in key performance metrics. Rather, local television news has demonstrated *growing* revenue, *stable* employment, and *robust* viewership.

As such, it is worthwhile to summarize the poor performance of local newspapers, followed by a comparison to the resilient performance of local television news. Lastly, digging into these television numbers will better illustrate how local television news has maintained its strong business position.

## Baseline Statistics: Economic Performance of Local Newspapers

Since industry-wide data for local newspapers, excluding national newspapers, are not readily available, the McClatchy Company will serve as a representative case study for the local newspaper industry.<sup>4</sup>

The McClatchy Company was founded in 1857 in Sacramento, California, and has now grown into a local newspaper conglomerate operating in 30 United States media markets. McClatchy purchased Knight Ridder in 2006, making it the second-largest publisher of newspapers in the United States.<sup>5</sup> As a public company, McClatchy files a 10-K each year, and these filings are made available for free public viewing on McClatchy’s website.

These filings are the basis of the statistics for revenue, employment, and circulation, each of which will be discussed in greater detail below.

### Revenue

McClatchy revenue has used the same classifications in its 10-K filings since 2008. As such, this is the start year of analysis.

McClatchy’s revenue has decreased every year since 2008, steadily declining since 2009. The decline between 2008 and 2009 is more precipitous than that of years to follow, likely a reflection of the Great Recession. The compound annual growth rate, the average rate of growth per year, for revenue between 2008 and 2017 is -7.93%.

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<sup>1</sup> Vernon, Pete. “Cuts at the Daily News Highlight a Local News Crisis.” *Columbia Journalism Review*, 24 July 2018, [www.cjr.org/the\\_media\\_today/daily-news-cuts.php/](http://www.cjr.org/the_media_today/daily-news-cuts.php/).

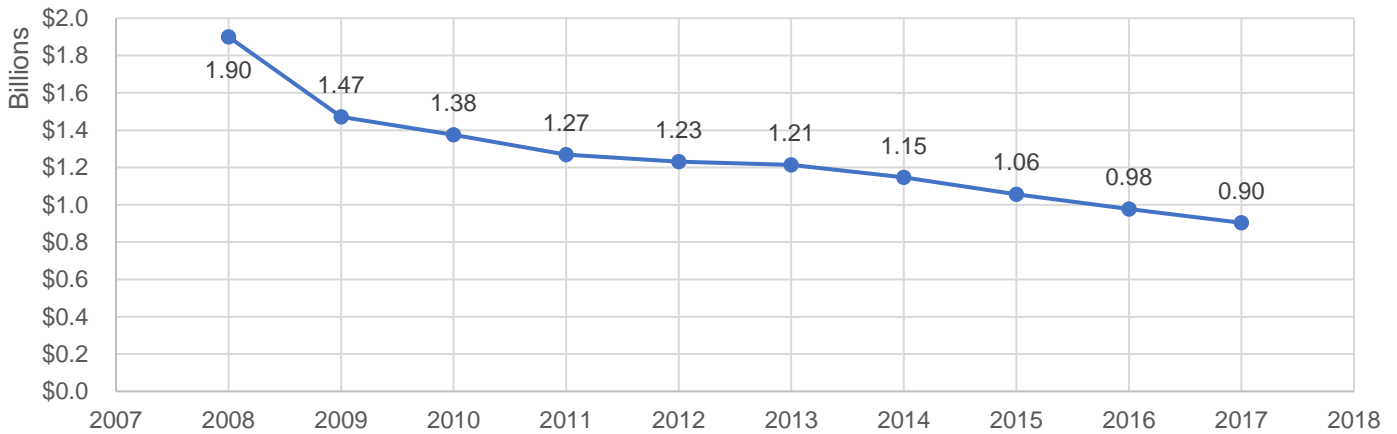
<sup>2</sup> Danny Hayes and Jennifer L. Lawless, “The Decline of Local News and Its Effects: New Evidence from Longitudinal Data,” *The Journal of Politics* 80, no. 1 (January 2018): 332-336.

<sup>3</sup> Gottfried, Jeffrey, and Elisa Shearer. “Americans’ Online News Use Is Closing in on TV News Use.” *Pew Research Center*, 7 Sept. 2017, [www.pewresearch.org/fact-tank/2017/09/07/americans-online-news-use-vs-tv-news-use/](http://www.pewresearch.org/fact-tank/2017/09/07/americans-online-news-use-vs-tv-news-use/).

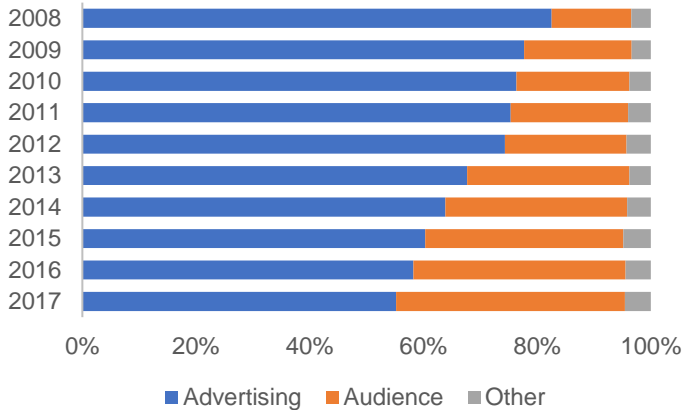
<sup>4</sup> For justification of the choice of McClatchy as the case study, please refer to the Methodology section.

<sup>5</sup> <https://www.mcclatchy.com/about/history>

## McClatchy Revenue



## % of Revenue by Type by Year

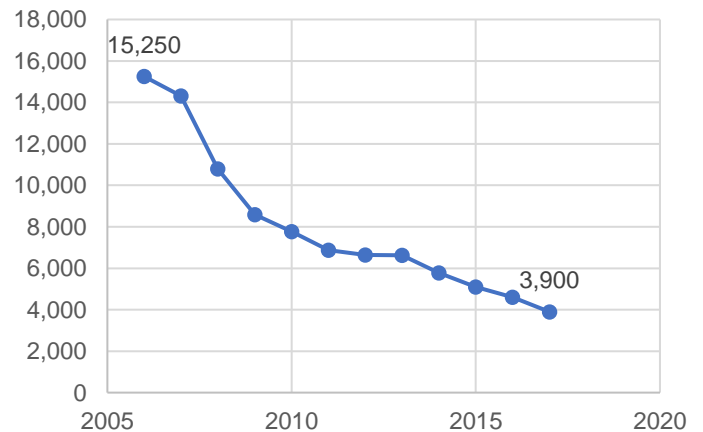


Obscured within McClatchy's aggregate revenue line on the graph above is that the relative sizes of McClatchy's revenue streams are changing. A similar resizing of revenue streams is parallely occurring in the local television news industry, and this will be explored in greater detail in a later section.

As seen to the left, standard advertising comprised 82.20% of McClatchy's revenue for 2008, whereas it comprised just 55.56% of revenue for 2017. While audience revenue is growing, its growth is not significant enough to offset other declining revenue trends.

This same downward trend is observed on employment numbers, as seen in the next section.

## McClatchy Full-Time Employment



### Employment

Quartered in the last 11 years, McClatchy's workforce is shrinking. A rather quick decline by 20% in 2009 immediately followed the Great Recession.

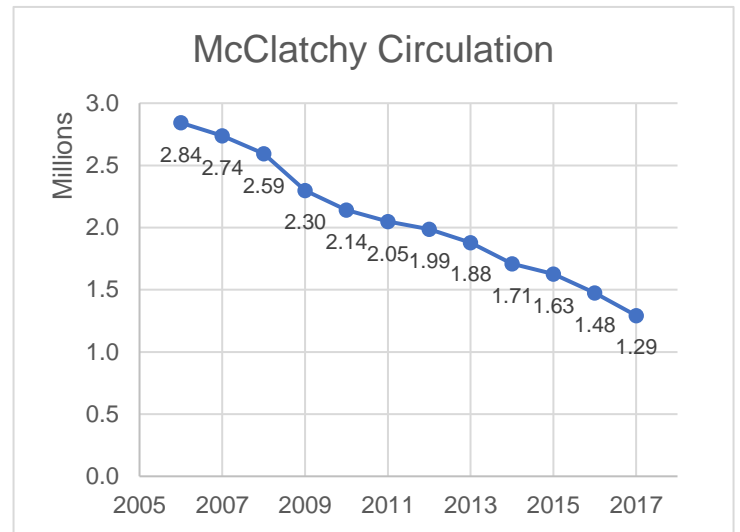
From the publicly available data, it is unclear if the acquisition of Knight Ridder allowed for greater efficiency within McClatchy, which could account for some of the initial decline in employment. However, the trend has continued to current day – with the last 10-K filing for year ending 2017 – clearly suggesting that this is, in fact, a deeper trend. The compound annual growth rate from 2006 to 2017 is -11.66% for McClatchy full-time employment.

## Readership

McClatchy average paid daily circulation is steadily declining over time. In fact, as seen in the graph to the right, 2017 circulation is less than half of 2006 circulation.

When coupled with revenue numbers, the decline in circulation goes a long way in explaining the hardship faced by local newspapers. As customers increasingly prefer online content to print, advertisers pull their funds from print advertisements.

This decline in circulation is not paralleled by an equally dramatic loss of viewers in local television news. Rather, cable providers are unwilling to market packages without local television news, creating a stream of revenue that has no obvious parallel in the local newspaper market.



## In Summary

The digital age is certainly a challenging time for local newspapers. Indicators of economic health, namely revenue, employment, and circulation are declining precipitously since the mid-2000s. Local television news, by contrast, has shown resilience in these trying times.

## Critical Comparison to Local Television News

The data from McClatchy make it very clear that the past decade has not been kind to local newspapers. One would expect similar outcomes from local television news, particularly given the prevalence of literature suggesting a simultaneously aging and shrinking television audience.

Contrarily, local television news is excelling in the digital age. As will be illustrated in the next sections, revenue is increasing, defying expectations set by newspapers. Furthermore, employment is stable. Viewership numbers are declining, albeit slowly.

Statistics on revenue, employment, and viewership are sourced from Pew Research Center,<sup>6</sup> particularly the annual "State of the News Media" Fact Sheets.

## Revenue

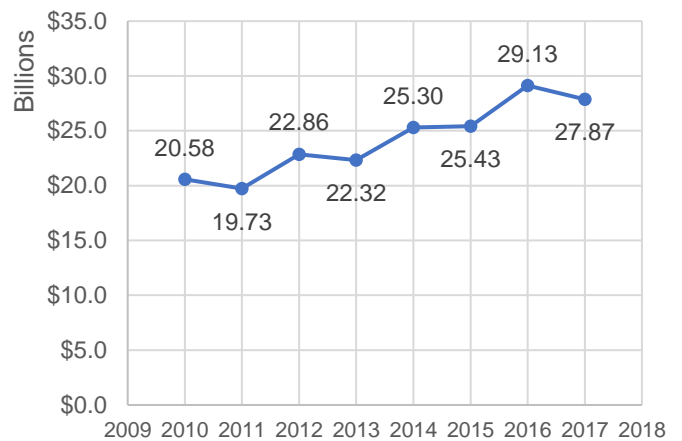
Despite growing emphasis on online advertisements, newspaper revenue continues to drop. However, even though local television news also faces a decline in revenue from over-the-air advertisements, its parallel to newspaper print advertisements, the increased reliance on other streams has continually increased total revenue. This changing make-up of revenue streams within local television news, particularly the increasing importance of retransmission revenue, will be discussed in detail in a later section.

<sup>6</sup> Matsa, Katerina Eva, and Sophia Fedeli. "Local TV News Fact Sheet." *Pew Research Center*, 12 July 2018, [www.journalism.org/fact-sheet/local-tv-news/](http://www.journalism.org/fact-sheet/local-tv-news/).

As seen in the graph to the right, the combination of three revenue streams – over-the-air ad revenue, digital ad revenue, and retransmission revenue – is trending upward. This total revenue is growing at a compound annual growth rate of 4.43% between 2010 and 2017. Political advertisement revenue is excluded, justification of which is in the Methodology section.

Cyclic behavior is still evident with even years showing higher revenues than the preceding odd years. This is true even given the exclusion of political advertisement from these analyses, suggesting that advertisers value election-year viewers more highly than those during non-election years.

Local Television News Revenue



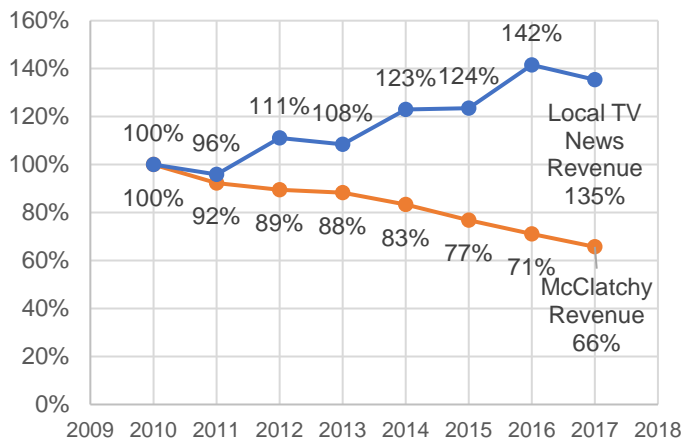
As a useful comparison to the decline in revenue seen in local newspapers, the graph to the left outlines total revenue for both local newspapers and local television news as a percentage of 2010 revenue.

The divergent behavior of the two revenue lines illustrates the relative strength of the local television news industry.

The compound annual growth rate for McClatchy revenue over the years 2010 to 2017 is -5.82%, while for local television news it is 4.43%, as mentioned above.

A more in-depth discussion of revenue, particularly the changing importance of the different revenue streams, will be undertaken in a later section.

Revenue as a % of 2010 Revenue

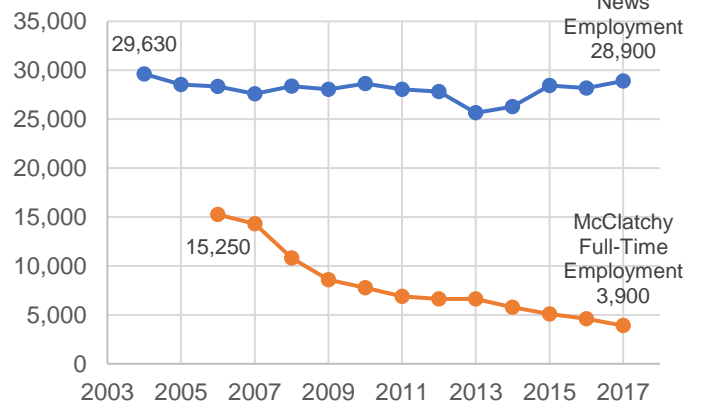


### Employment

The robustness of employment within local television news again offers a dramatic contrast to McClatchy's employment. Defying these expectations set by local newspapers, local television news employment has remained stable. A dip in 2013 has mostly stabilized, with employment in 2017 rebounding above the 2005 level.

Interestingly, employment seems not to be adversely affected by industry-wide changes such as the increasing prevalence of mergers. According to Pew the largest five television news companies – Sinclair, Nexstar, Gray, Tegna, and Tribune – owned 179 stations in 2004, increasing dramatically to 443 stations in 2016.<sup>7</sup> Such consolidation could reasonably lead to cuts in employment, particularly through increased back-office efficiency.

Employment: Local TV News and The McClatchy Company



Taken together, this robustness in employment and the gains in revenue paint the picture of a healthy local television news industry. This runs counter to the repeated cries among intellectuals and publishers of the dying local news industry and the soon-to-be realized resulting death of an informed populace.

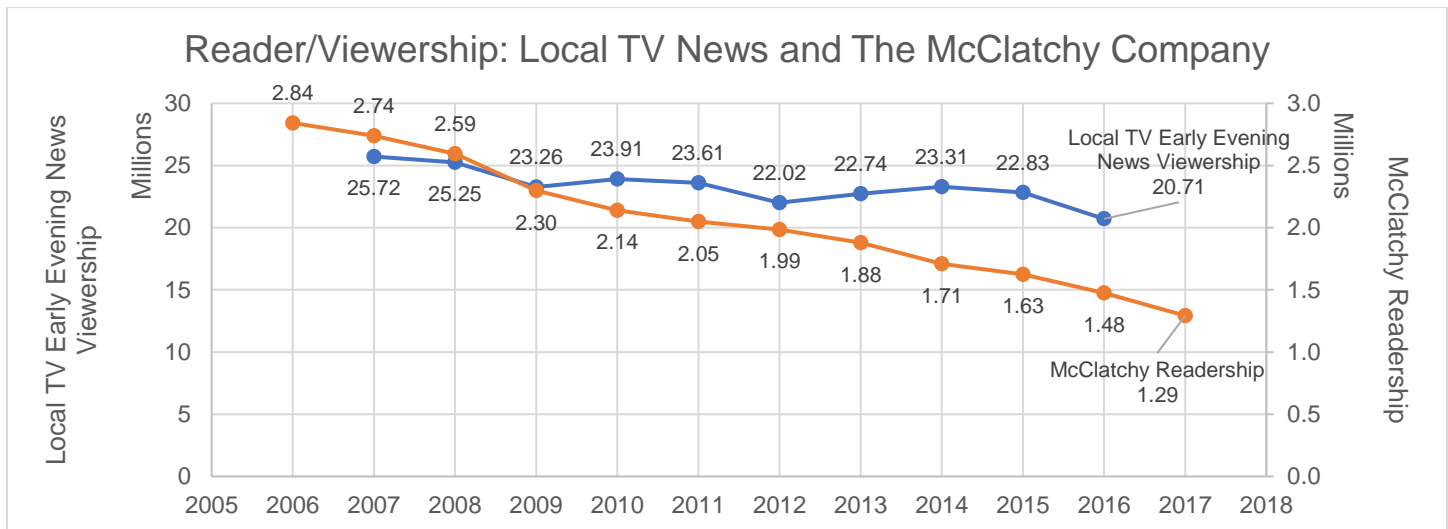
Viewership numbers, discussed below, are less cheery, though still promising when contrasted with local newspapers.

<sup>7</sup> Matsa, Katerina Eva. "Buying Spree Brings More Local TV Stations to Fewer Big Companies." Pew Research Center, Pew Research Center, 11 May 2017, [www.pewresearch.org/fact-tank/2017/05/11/buying-spree-brings-more-local-tv-stations-to-fewer-big-companies/](http://www.pewresearch.org/fact-tank/2017/05/11/buying-spree-brings-more-local-tv-stations-to-fewer-big-companies/).

## Viewership/Readership

As news is shifted online, consumers are expressing an increased preference for online news<sup>8</sup>. Viewership of local television news is slowly declining: 2016 viewership is 80.52% of 2007 viewership. However, these numbers are nonetheless robust, especially compared to the extreme losses seen by newspapers. Data aggregated by Pew Research Center for the 2017 Local TV News Fact Sheet<sup>9</sup> show these viewership numbers.<sup>10</sup> Numbers are aggregated from Nielsen for stations that are affiliates of ABC, CBS, Fox, and NBC, from the “early evening news category,” reflecting programming that airs on an affiliate station of these networks between 5 p.m. and 7 p.m. For justification of this time slot, please refer to the Methodology section.

As discussed above, an even less rosy picture can be painted for newspapers. McClatchy circulation is decreasing greatly over the past decade. It is obvious that local television has the advantage in terms of consumer retention. This appears to be true despite Pew Research Center’s findings that news consumers are increasing preferring to consume digital-only content. This suggests, at the very least, short-term health within local television news.



## A Deeper Understanding of Local Television News Revenue

As mentioned above, the narrative that local television news revenues are increasing is incomplete. Obfuscated in that broad statement is the shifting landscape in which the relative importance of different revenue streams is changing. This mixing of relative importance on individual revenue streams is likely to continue. The future of local television news is uncertain, but likely will depend on the sustainability of this new composition described below.

### Overview

As seen in the table and graph below, trends on individual revenue streams are mixed. For example, over-the-air advertisement revenue is declining, while retransmission revenue is increasing. Nonetheless, total revenue is trending up.

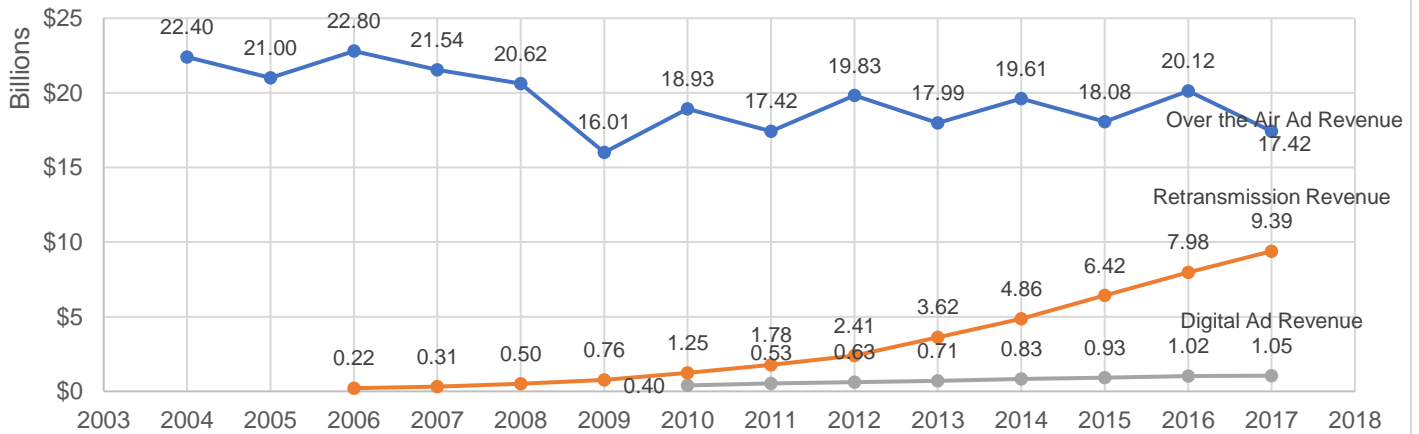
Below is a chart and corresponding table summarizing revenue totals and projections, aggregated and computed by Pew. A deeper examination of these isolated trends is to follow.

<sup>8</sup> Gottfried, Jeffrey, and Elisa Shearer. “Americans’ Online News Use Is Closing in on TV News Use.” *Pew Research Center*, 7 Sept. 2017, [www.pewresearch.org/fact-tank/2017/09/07/americans-online-news-use-vs-tv-news-use/](http://www.pewresearch.org/fact-tank/2017/09/07/americans-online-news-use-vs-tv-news-use/).

<sup>9</sup> Matsa, Katerina Eva. “Local TV News Fact Sheet.” *Pew Research Center*, 13 July 2017, [http://assets.pewresearch.org/wp-content/uploads/sites/13/2018/07/11183646/State-of-the-News-Media\\_2017-Archive.pdf#page=30](http://assets.pewresearch.org/wp-content/uploads/sites/13/2018/07/11183646/State-of-the-News-Media_2017-Archive.pdf#page=30).

<sup>10</sup> PRC’s 2018 Local TV News Fact Sheet does not contain these data, and instead refers to the 2017 version for those seeking viewership numbers.

## Local TV News Disaggregated Revenue Streams



Year	Digital Ad Revenue (Billion USD)	Over-The-Air Ad Revenue (Billion USD)	Retransmission Revenue (Billion USD)	Total (Billion USD)	
Observed	2004	22.400			
	2005		21.000		
	2006		22.800	.215	
	2007		21.542	.314	
	2008		20.621	.502	
	2009		16.013	.762	
	2010	.400	18.931	1.246	20.577
	2011	.535	17.421	1.776	19.732
	2012	.626	19.825	2.408	22.859
	2013	.709	17.987	3.620	22.316
	2014	.834	19.608	4.859	25.301
	2015	.928	18.075	6.424	25.427
	2016	1.025	20.123	7.980	29.128
2017	1.054	17.419	9.392	27.866	
Projected by PEW	2018	1.122	18.425	10.230	29.776
	2019	1.201	17.520	10.862	29.584
	2020	1.289	18.823	11.442	31.554
	2021	1.387	17.927	11.931	31.246
	2022	1.495	18.897	12.402	32.794
	2023			12.821	
CAGR (2010-17)	14.85%	-1.18%	33.45%	4.43%	

### Retransmission Revenue

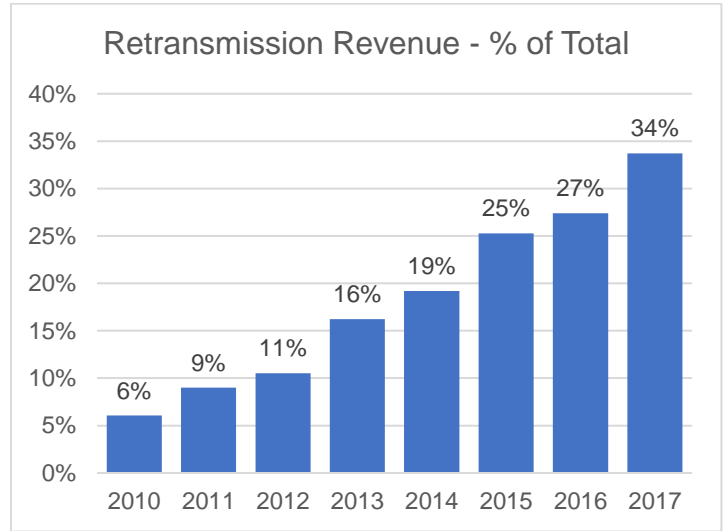
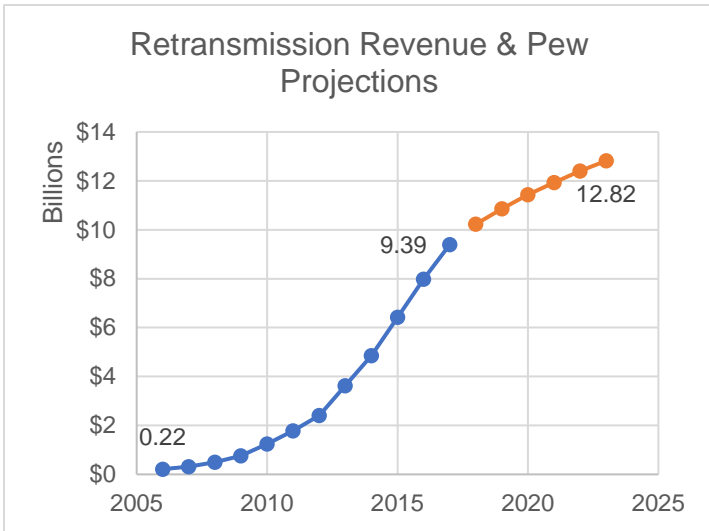
Of particular interest is the increasing dependence on retransmission revenue. The source of this revenue is contracting behavior known as retransmission consent, defined by the FCC as:

*The Communications Act requires that a television station give its consent to a cable system or other multichannel video programming distributor (MVPD) to carry its broadcast signal. Television stations and cable systems, as well as satellite carriers, negotiate for this “retransmission consent” and money or other consideration is generally exchanged between the parties in these private negotiations.<sup>11</sup>*

Below are two graphs showing both the dollar value of this stream (and projections) and its percentage of total revenue excluding political advertisement revenue. These show clearly that retransmission revenue is growing both in total dollar

<sup>11</sup> Source: FCC Encyclopedia.

value and in relative share of total revenue streams. As both exhibit clear upward trends and total revenue is increasing, a picture of revenue health emerges, though the continual loss of over-the-air advertisements and the tapering-off of retransmission revenue projected by Pew leads to long-term uncertainty.



The increasing importance of retransmission revenue speaks to consumer choice. Cable packages will not sell without local television news packages. As such, the cable providers' willingness to pay for this coverage to be rebroadcast with their package is high. As found by the Poynter Center,<sup>12</sup> local television news is the most trusted news source. Though retransmission revenue is projected by Pew to taper off in years to come, there is nothing to suggest that demand for local television news will slow. Though trends such as cord-cutting and the aging of television audiences cannot be ignored, there has not emerged a viable alternative to truly local television news. Cable packages will likely continue to broadcast local television news networks.

Pew's 2018 Fact Sheet includes projections for future values of retransmission revenue, digital advertisement revenue, and over-the-air advertisement revenue. As mentioned above, the projection expects the rate of increase for retransmission revenue to slow in years to come.<sup>13</sup> Though revenue from over-the-air advertisements is expected to continue to decrease in years to come, as demonstrated in the sections above, total revenue is expected to continue growing.

## Conclusion

Local television news is poised to maintain its position as the de facto leader in local news coverage, thanks to yearly increases in total revenue, stable employment, and relatively robust viewership numbers. In fact, its general health seems to refute calls from intellectuals that local news is going out of favor with audiences. While this is certainly true for local newspapers, the 2010s has proven to be a friendly decade for local television news.

<sup>12</sup> Lakshmanan, Indira, and Rick Edmonds. "Finally Some Good News: Trust in News Is up, Especially for Local Media." Poynter, 22 Aug. 2018, [www.poynter.org/news/finally-some-good-news-trust-news-especially-local-media](http://www.poynter.org/news/finally-some-good-news-trust-news-especially-local-media).

<sup>13</sup> To be specific, Pew's projection model is a cube-root function, which accounts for the (current) period of rapid increase and projects it to taper off. The methodology of why this is projected in this manner is not explicitly referenced in the 2018 Fact Sheet.

## Methodology

### Exclusion of Political Advertisement Revenue

Excluded from all prior television graphs and analyses, though included in Pew's Fact Sheet is political advertisement revenue. Its exclusion is driven by two factors: the volatility of this revenue stream as a function of the election cycle and the fact that it is collected from only six companies (Tribune, Nexstar, Sinclair, Tegna, Gray, and Scripps) while all other revenue streams are industry-wide estimates. The graph highlights the volatility seen for these selected six companies and the clear correlation between election years and increases in advertising dollars spent. Furthermore, it constitutes a small percentage of total revenue (.4% for 2017).

### Choice of The McClatchy Company as Case Study

Most studies of newspapers' health are done at the aggregate level and do not differentiate in their aggregations between national newspapers and local newspapers. As such, this section relies only on papers owned by The McClatchy Company. In 2006, The McClatchy Company acquired Knight Ridder, making it the second-largest newspaper company in the country. The largest, Gannett Company, Inc., owns USA Today, a national newspaper. Since McClatchy's papers are all truly "local," it serves as the best case study for this section.

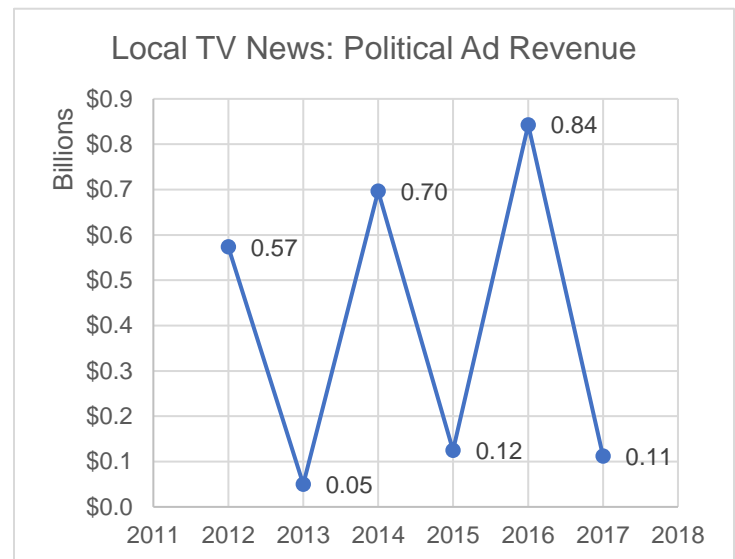
Furthermore, since McClatchy's large size and significant presence across the nation should allow for it to capture economies of scale, it would therefore be theoretically poised to be in a more competitive market position than its smaller competitors. The worrisome trends outlined above should then be understood to likely be *better* than expected for the rest of the industry, especially small, locally owned newspapers.

Only full-time employees are included in the employment section, though McClatchy reports both full- and part-time employment in 10-K filings.

Data collected include only 2006 and forward, as this is the year in which McClatchy acquired Knight Ridder. All data collected were taken from annual 10-K reports that are available for free public viewing on McClatchy's website.

### Choice of Early Evening as the Appropriate Viewership Time Slot

The 2017 Fact Sheet compiled by Pew contains three times for which local television news viewership is measured: morning news (5 a.m. to 7 a.m.), early evening news (5 p.m. to 7 p.m.) and late-night news (11 p.m. to 11:30 p.m.) Though it is likely that nationally broadcast news will fall into these timeframes, the assumption is that local news also falls into these slots, and as such it is a fair window. Furthermore, the early evening news block uses standard programming, often 5-6:30 local news, 6:30-7 national news. Early morning and late-night news might be more focused on weather, traffic, or commentary than the standard early evening news broadcast.





## Appendix A: Raw Data from Pew Research Center

Year	Local TV News Employment	Digital Ad Revenue (Billion USD)	Over-the-Air Ad Revenue (Billion USD)	Retransmission Revenue (Billion USD)	Political Ad Revenue (Billion USD)	
Observed	2004	29,630		22.400		
	2005	28,550		21.000		
	2006	28,360		22.800	0.215	
	2007	27,600		21.543	0.314	
	2008	28,390		20.621	0.502	
	2009	28,040		16.013	0.762	
	2010	28,640	0.400	18.931	1.246	
	2011	28,050	0.535	17.421	1.776	
	2012	27,830	0.626	19.825	2.408	0.574
	2013	25,650	0.709	17.987	3.620	0.050
	2014	26,300	0.834	19.608	4.859	0.696
	2015	28,430	0.928	18.075	6.424	0.124
	2016	28,190	1.025	20.123	7.980	0.843
2017	28,900	1.054	17.419	9.392	0.112	
Projected by PEW	2018		1.122	18.425	10.230	
	2019		1.201	17.520	10.862	
	2020		1.289	18.823	11.442	
	2021		1.387	17.927	11.931	
	2022		1.495	18.897	12.402	
	2023				12.821	

## Appendix B: Raw Data from The McClatchy Company's 10-K Filings

Year	Circulation	Employment			Revenue			
	Total Daily Circulation	Part Time	Full Time	Total	Advertising (Billion USD)	Audience (Billion USD)	Other (Billion USD)	Total (Billion USD)
2006	2,842,450	1,541	15,250	16,791				
2007	2,737,725	1,441	14,307	15,748				
2008	2,593,575	1,300	10,800	12,100	1.569	0.266	0.066	1.900
2009	2,298,634	1,010	8,590	9,600	1.143	0.278	0.050	1.472
2010	2,140,069	700	7,773	8,473	1.050	0.273	0.052	1.375
2011	2,048,077	920	6,880	7,800	0.956	0.262	0.051	1.270
2012	1,985,856	760	6,640	7,400	0.915	0.263	0.053	1.231
2013	1,879,925	450	6,630	7,080	0.822	0.346	0.046	1.215
2014	1,708,714	420	5,780	6,200	0.732	0.367	0.048	1.147
2015	1,625,673	500	5,100	5,600	0.637	0.368	0.051	1.057
2016	1,476,182	800	4,600	5,400	0.569	0.365	0.044	0.977
2017	1,292,686	300	3,900	4,200	0.499	0.363	0.041	0.904

### About the Stanton Foundation

[The Stanton Foundation](#) was created by Frank Stanton, who is widely regarded as one of the greatest executives in the history of electronic communications and one of the television industry's founding fathers. The Foundation's interests include classic and twenty-first century First Amendment issues and the larger challenge of the creation of a better informed citizenry.