

# The digital shift in news media's revenue streams during the Covid-19 pandemic

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## ABSTRACT

This chapter sheds light on the economic resilience of Norwegian news media during the Covid-19 pandemic, with a particular focus on the shifts in revenues within the newspaper industry amidst the crisis. The business disruptions caused by the pandemic inevitably impacted the revenue streams of news media organisations. By analysing revenue data from the Norwegian Media Authority and officially published reports, combined with expert interviews, our study unveils the diverse impact the pandemic had on news media in Norway. The findings reveal that while some outlets encountered cash-flow problems, others successfully navigated digital markets, leveraging the accelerated digital shift in media consumption and advertising during this period. Additionally, the study highlights that only a fraction of the extra funds granted by the state to assist the news business through the crisis was utilised.

**KEYWORDS:** revenue streams, media business, news media, subscription, advertising

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## Introduction

Economically resilient companies tend to have stable and well-functioning financial systems, which can provide access to capital for research and development as well as innovation. This financial stability creates an environment conducive to innovation by enabling organisations to secure funding for innovative projects and initiatives. As such, the impact of the Covid-19 crisis on media companies' economic performance provides important insights that can contribute to understanding news media's ability to allocate resources for innovation. While not explicitly examining media innovation as such, in this chapter, we contribute to the overall ambition of this book by providing insights regarding the economic resilience of Norwegian news media, and thus its innovation ability, by exploring and discussing how the crisis influenced news media's financial system. As described in Chapter 1, financial resources are an important innovation building block, and revenue streams are essential contributions to a news organisation's resource base. Against this background, the research question we address in this study is how Norwegian newspapers' revenue streams were affected by the Covid-19 pandemic.

Previous research has painted a gloomy picture of how the pandemic affected the business of news, particularly at the early stages, when the crisis was seen to crush the advertising business of commercial news media (Olsen et al., 2020). As noted by Mathews (2022), newspaper organisations, already beset by the digital revolution and battered by the Great Recession, experienced another major blow to their economy, resulting in an accelerating closure of news outlets during the Covid-19 pandemic. However, these insights are often based on observations from the US and similar media systems, where news media, such as newspapers are entirely reliant on market forces, where state support in the form of subsidies is limited or non-existing, and legacy news media have found it difficult to adapt to the digital transformation of the media landscape (Pickard, 2019). Moreover, most existing accounts of the pandemic's impact on news media's economy are fragmented and short-term, providing a snapshot of the phenomenon (e.g., Ohlson et al., 2021; Norwegian Media Authority, 2021a). In this chapter, we aim to address this gap in the research literature by investigating the revenue development among news media in Norway before and during the Covid-19 pandemic. When the pandemic began, Norwegian news media and newspapers were arguably more economically resilient than their counterparts in other media systems, due to Norwegian newspapers' comparatively successful transition to a reader-revenue-dominated business model and the country's long history of public subsidies for newspapers (Olsen et al., 2021). That said, Norwegian newspapers also experienced a significant drop in profitability during the pandemic – from an operating margin of 7.1 per cent in 2018 to 2.2 per cent in 2022 (Norwegian Media Authority, 2022). Digging into the underlying revenue dynamics of these figures, specifically the transformation of news

media's two-sided market model, this chapter reveals how the pandemic created economic winners and losers among Norwegian media. Drawing on industry reports and secondary data, combined with qualitative interviews with industry experts, we demonstrate how size and digital preparedness played a key role for news media's economic performance amid the pandemic. We start the chapter with a literature review of relevant research on news media's two-sided market model and how this has developed in recent years. This constitutes the analytical lens for our empirical investigation. Next, we present our methods, describing how we collected and analysed data. From this, we move on to presenting and discussing our findings before concluding the chapter.

## Literature

The underlying premise for this study is that news media's economic resilience relies on a well-functioning revenue model. As noted by Corodescu-Roşca and colleagues (2023), (economic) resilience is not clearly defined in the research literature. However, most studies in this field associate resilience with the (long-term) capacity to adapt and to follow positive dynamics, combined with the capacity to respond to repeated short-term shocks. In this chapter, we are primarily concerned with the latter aspect of economic resilience, focusing on Norwegian news media's ability to withstand and recover from the economic shocks and challenges brought about by the Covid-19 pandemic. We address this by looking at fluctuations in revenues before and during the crisis, treating revenues as an indication of economic resilience. Notably, resilience also concerns other aspects of the newspaper economy, such as cost structure and so on. However, in the current context, we focus on revenue generation by applying perspectives from media economy as our analytical lens.

The digital transformation of the news business has put news media's revenue model under severe pressure. Traditionally, commercial news media, and newspapers in particular, have been organised as two-sided operations, generating revenues from both advertisers and the audience (e.g., Anderson & Gabszewicz, 2006; Filistrucchi et al., 2013; Ohlsson & Facht, 2017; Picard, 2010). News and information are sold to audiences and audience attention is sold to advertisers. The latter source of revenue offers financial resources that can be channelled into the production of news and information. A key premise of this model is that the size and composition of news media's audiences determine their value to advertisers, that is, that there is an indirect positive network effect from audiences to advertiser (e.g., Sjøvaag, 2022). This interdependency means that a news operation must attract both advertisers and audiences to make the revenue model work. To achieve this, it may be sensible to offer content free of charge to build a sizable audience, which can then be marketed to advertisers (Filistrucchi et al., 2013). As commercial

newspapers transitioned to digital publishing, the prevailing strategy involved providing news content to audiences free of charge, with the expectation that this approach would draw in advertising investments (Chyi & Ng, 2020). However, as audiences moved online, advertising spending also shifted from legacy news media to global platform players, offering more advanced, efficient, and cheaper advertising solutions beyond those offered by news media (e.g., Bakke & Barland, 2022; Myllylahti, 2020). Combined with severe declines in newspapers' print circulations and advertising, the failure to attract substantial digital advertising resulted in a deepening revenue crisis among news publishers during the first decades of the twenty-first century. In an attempt to establish a new digital revenue source, many news publishers implemented various types of paywalls – which restrict public access to digital news and entice audiences to pay for online news services – and moved further into business models influenced by the digital attention economy. That is an approach where the readers' attention and engagement determine how the news media select content and design their digital services, inspired by social media, Netflix, Spotify, and so on (Bakke & Barland, 2022). While the introduction of paywalls entails considerable risks related to decreases in audience reach and further loss of advertising revenue (Olsen & Solvoll, 2018), the Norwegian newspaper business has been comparatively successful with this strategy. As evidenced by our previous examination of revenue diversification within Norwegian newspapers, together with Bente Kalsnes (Olsen et al., 2021), there has been consistent growth in reader revenues over the years. Notably, the digital component, represented by revenue generated from digital subscriptions through the implementation of paywalls, surged from 0 to 24 per cent of total revenues over a 13-year span from 2006 to 2019. During the same time frame, Norwegian newspapers experienced a 17 per cent decline in overall revenues, primarily attributable to the rapid decrease in print advertising revenue, which plummeted by 65 per cent. Digital advertising, on the other hand, increased steadily from 2010 onwards, albeit with some fluctuations (Olsen et al., 2021). In summary, this indicates that before the pandemic, there had been a notable shift in the Norwegian newspapers' two-sided market model, with readers' revenue emerging as the primary drivers of economic value creation. Simultaneously, the newspapers faced persistent challenges with their digital revenues, which proved insufficient to offset the decline in print revenues. Interestingly, prior to the pandemic, Norwegian newspapers exhibited limited progress in developing additional commercial revenue streams. From 2006 to 2019, revenue generated from sources beyond readers and advertisers declined significantly, dropping from 968 million to 497 million Norwegian kroner (Olsen et al., 2021).

In addition to commercial revenue, Norwegian news media receive state subsidies aimed at mitigating market failure, that is, systematic underinvestment in media content that has positive societal effects. Within the Nordic media

systems, this type of state support has been a prominent component of newspapers' revenue mix since the 1960s (Norwegian Media Authority, 2021b; Syvertsen et al., 2014). The Nordic media policy regimes encompass both *indirect* subsidies – such as Value Added Tax breaks or zero Value Added Tax, reductions in postal and telecommunications rates, and funding of research, education, and innovation in the news industry – as well as *direct* subsidies in the form of payment to newspaper organisations (e.g., Kammer, 2016; Kind & Møen, 2015; Murschetz, 2020; Nielsen & Linnebank, 2011; Picard, 2007). The latter subsidies primarily target newspapers operating under exceptionally challenging market conditions, such as small local newspapers. Prior research has illustrated that direct press subsidies have remained a relatively stable yet modest component of the Norwegian newspaper industry's overall revenue (Olsen et al., 2021). Still, these subsidies are a pivotal factor in bolstering the economic resilience of the news industry.

## Methods

To address our research question, asking how Norwegian newspapers' revenue streams were affected by the pandemic, we applied a mixed-method design drawing on secondary quantitative data on Norwegian newspapers' revenues from 2006 to 2021, industry reports on ad spending from 2019 to 2021, and qualitative in-depth interviews with five expert informants from the industry. The research design followed a sequential and dependent mixed-method approach, wherein data collection and analysis for one component occurred after the completion of data collection and analysis for the other component, and these processes relied on each other's outcomes (Schoonenboom & Johnson, 2017). Specifically, the first author of this chapter (Jens Barland) first collected secondary quantitative data, followed by the collection of qualitative data. The integration of these datasets occurred during the analytical stage of data analysis and during the inferential stage, when we drew conclusions based on our datasets (Teddlie & Tashakkori, 2009).

The dataset on revenues among Norwegian newspapers was sourced from the Norwegian Media Authority. It comprises comprehensive revenue data for the Norwegian newspaper industry, gathered from self-reported figures submitted by individual newspapers to Norwegian Media Authority. This data were categorised into six distinct commercial revenue segments, encompassing digital advertising, print advertising, single-copy sales, digital subscriptions, print subscriptions, and other commercial income sources. Additionally, a seventh category accounting for direct subsidies was included. The data analysis builds on our previous work with Bente Kalsnes (Olsen et al., 2021). By expanding our previous examination of revenue trends from 2006 to 2019, we were able to provide context and evaluate the longer-term effects of the Covid-19 pandemic on both print and digital revenues derived

from advertisers and readers. Additionally, we considered the evolution of direct subsidies and other revenue streams. This analysis serves as the focal point of our investigation.

To provide a more comprehensive perspective and evaluate the trajectory of newspaper revenues within the larger landscape of commercial news media, we incorporated additional data concerning the performance of commercial broadcasters, including television and radio. These broadcasters are in direct competition with commercial newspapers for advertising expenditures. Data for this was sourced from the Norwegian Media Businesses' Association (Mediebedriftene, MBL), which monitors the advertising market for the news media in Norway, and the Institute for Advertising and Media Statistics (IRM), which collects, analyses, and publishes data about the advertising and media markets in the Nordic region. We rely on data that delineates the allocation of advertising expenditures across various media channels, encompassing national print newspapers, inner-city print newspapers, local print newspapers, radio, television, and digital platforms, spanning 2019 to 2021. Data for 2022 were unavailable at the time of our research, which is a limitation. Nonetheless, the figures from 2019–2021 effectively serve their purpose in illustrating variations in how the pandemic impacted different types of newspapers and in highlighting distinctions between newspapers and other commercial news media. While secondary data analysis provides the advantages of cost-effectiveness and research convenience, especially when researchers can access high-quality existing datasets with larger samples and comprehensive coverage, it also presents challenges related to limited data availability and the presence of missing data (Johnston, 2014). In order to strengthen the validity and reliability of the secondary data analysis, we followed a series of evaluative steps including data source evaluation and data quality assessment, data documentation review, and assessment of data collection methods (see, e.g., Stewart & Kamins, 1993).

The inclusion of qualitative data in our material served as an additional quality control of the quantitative data analysis. The study gathered qualitative primary data by conducting five research interviews. The respondents were strategically chosen for their specialist knowledge in their respective fields. They are all top-ranked senior experts associated with the media industry and representing these organisations:

- ANFO Norwegian Advertisers
- The Norwegian Media Businesses' Association (Mediebedriftene, MBL)
- Tenk TV (Think TV, an organisation for commercial television in Norway)
- The Association of Norwegian Local Newspapers (LLA)
- The Norwegian Local Radio Association (NLR)

The respondents were interviewed in person or via a digital platform using a semi-structured interview format, with each interview lasting up to one hour. The purpose of these interviews was to get a deeper understanding of how the crisis was perceived to affect the news industry in general and the newspaper sector in particular. The interviews took the form of conversations with questions regarding revenue development within the sector. The respondents were asked to reflect on both the general development and the underlying factors that contributed to the variations between different media. Each of the interviewees was specifically requested to provide commentary on the study's quantitative data. Consequently, the interviews played a dual role in validating and enhancing the insights obtained through secondary data analysis. Evaluating the data retrospectively may be described as engaging in retroactive rationalisation, a process that can differ from contemporaneously assessing the sources during the period when the changes occurred. Nevertheless, permitting this retrospective reflection, which involves examining the phenomenon from a certain distance, has the potential to offer more nuanced insights compared to those that might have been obtained amid the crisis itself. The restricted number of interviews is a limitation to our study; still, the composition of the participants allows a breath of perspectives, as it included representatives from a broad range of relevant organisations. The interviews adhered to established ethical and research guidelines for qualitative research (Tracy, 2020). For the purposes of this chapter, quotes have been translated to English.

## Findings and discussion

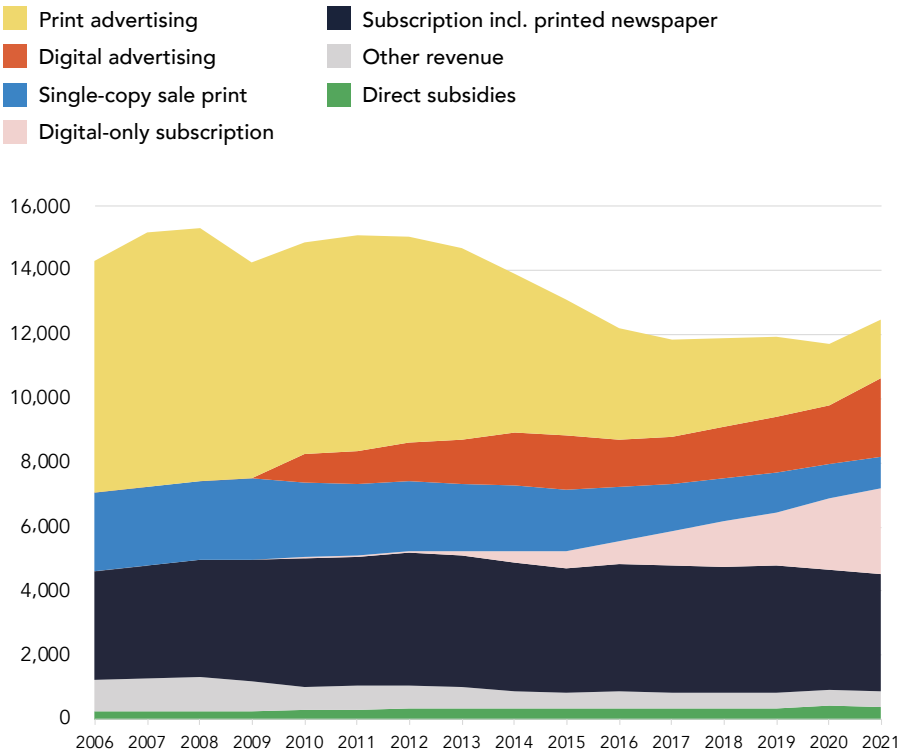
In the following section, we present and analyse our findings. To begin, we offer an extensive overview of the newspapers' revenue streams over multiple years, supplemented by insights from industry experts gathered through interviews. Next, we delve into the distinct effects of the Covid-19 crisis on each revenue stream individually, drawing upon data from industry reports and quantitative interview responses. Lastly, we provide an in-depth exploration of the revenue trends within the realm of local media, a facet that proved particularly intriguing in the context of our research question.

### Overview of revenue streams in newspapers over the years

Figure 4.1 provides an overview of the evolution of the Norwegian newspaper industry's revenue streams in the 14 years leading up to the outbreak of Covid-19. Additionally, it highlights the transformations that transpired during the pandemic in 2020–2021. Concerning revenue categories, it's worth noting that single-copy sales are primarily associated with printed newspapers, as digital editions in Norway are predominantly offered through subscription models. Digital subscriptions pertain to paid access to the newspaper's digital

editions, including web and PDF versions, while print subscriptions encompass any subscription that includes a printed newspaper, including bundled subscriptions that combine print and digital editions. The advertising category encompasses all advertising revenue without distinguishing between different types such as content marketing, programmatic, and display marketing. Direct subsidies denote financial support provided to newspaper companies by the government and other revenue encompasses any additional commercial income that does not fit within the advertising or reader revenue categories.

**FIGURE 4.1** Revenue streams in Norwegian newspapers, 2006–2021 (NOK million)



Comments: The data include newspapers reporting their accounts to the Norwegian Media Authority.  
 Source: Norwegian Media Authority

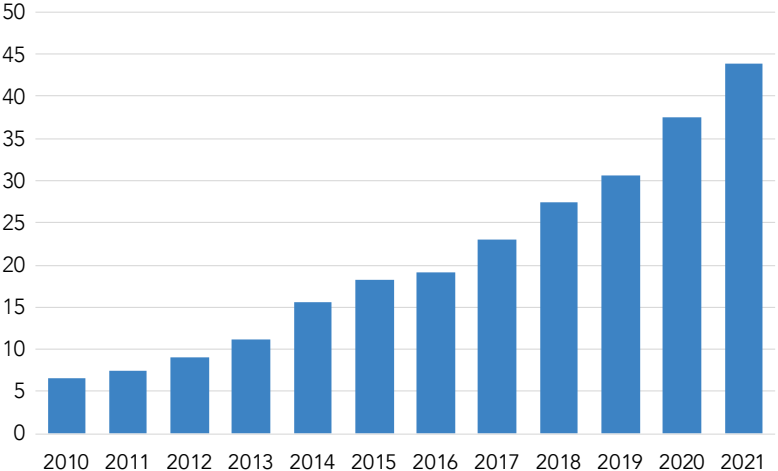


The overarching trend reveals that the pandemic accelerated the ongoing digitalisation process within the news media industry, resulting in a rise in digital revenues while the analogue aspects of the business continued to decline. Reflecting on this shift, the interviewee from the Norwegian Media Businesses' Association offered the following insight:

What we saw for the newspapers during the pandemic was not a new development. There were already ongoing trends which were reinforced. Paper-based revenues from advertisements, subscriptions, and single-copy sales had been in steady decline over the years leading up to the pandemic. This trend was amplified by the pandemic. In parallel, the trends for increased digital revenues, both from advertisements and digital subscriptions, were reinforced during the pandemic.

The expedited digital transformation of the revenue model within Norwegian newspapers is portrayed in Figure 4.2, where the digital share of total revenues from advertising and users is graphically presented. Prior to the pandemic, in 2019, digital revenues accounted for 31 per cent of Norwegian newspapers' total income; as the pandemic neared its end, this share had surged to 44 per cent.

**FIGURE 4.2** Digital share of newspapers' summarised revenues from advertising, subscriptions, and single-copy sales (per cent)



Source: Norwegian Media Authority

Underlying this shift from print to digital, we find an accelerating transformation of the industry's two-sided market model whereby digital reader revenue increased during 2020 and 2021. In 2021, the mix between overall advertising and reader revenues was 37 and 63 per cent, respectively. Advertising revenues dropped significantly to 3.7 billion Norwegian kroner in 2020 but recovered and increased above pre-pandemic levels to 4.3 billion Norwegian kroner in 2021, mainly due to growth in digital advertising sales of 2.4 billion Norwegian kroner (see Figure 4.1). This resulted in an overall increase in total revenues during the second year of the pandemic, suggesting that Norwegian newspapers were in fact financially more robust at the end of the pandemic than they were during the three years leading up to the Covid-19 crisis. According to the figures from the Norwegian Media Authority, the newspapers' total advertising and user revenues grew from 11.1 billion Norwegian kroner in 2019 to 11.6 billion in 2021. In light of the bleak assessment of the detrimental effects of the Covid-19 crisis on commercial newspapers' revenues, as highlighted in previous research (e.g., Olsen et al., 2020; Radcliffe, 2020), this observation stands out as particularly noteworthy. It prompts a deeper exploration of the factors that shaped both advertising and reader revenue among Norwegian newspapers during the tumultuous years of the pandemic. Furthermore, it encourages us to explore whether the crisis created opportunities to diversify and generate other revenue streams for the news media. We are also encouraged to conduct a more in-depth examination of direct subsidies, which experienced a marginal increase during the Covid-19 crisis, as shown in Figure 4.1 and Table 4.2. This is especially relevant in the context of local media, which, as noted in previous research, were particularly hard hit by the pandemic (Finneman et al., 2021; Olsen et al., 2020; Quandt & Wahl-Jørgensen, 2021). In the next sections, we explore these dynamics, bringing together insights from interview data and other data sources. Our discussion revolves around advertising and audience revenues, as these constitute the primary components of commercial newspapers' two-sided model.

Subsequently, albeit with somewhat less detail, we report significant developments in direct subsidies and other newspaper revenue streams during the Covid-19 crisis.

## **Accelerated digital transformation of the two-sided market model**

To gain a more profound insight into the evolution of advertising revenues among Norwegian newspapers during the pandemic, it is pertinent to adopt a comparative approach that highlights the performance of various newspaper categories in relation to other commercial media outlets. Ad expenditure data from the Institute for Advertising and Media Statistics (IRM) provide some important insights. Notably, these data are estimates based on market

monitoring, rather than compilations of actual ad revenues. Nevertheless, ad spend estimates confirm the overall impression from the foregoing section regarding advertising revenue among Norwegian newspapers during the Covid-19 crisis: Total ad spending decreased in 2020 (-6%) but increased significantly in 2021 (18.4%) the second year of the pandemic, according to IRM figures (see Table 4.1). Concerning digital ad expenditure, there was even a slight uptick in 2020. The digital share of the overall advertising market in Norway surged from 56 per cent before the pandemic to 66 per cent by the end of the pandemic in 2021. Crucially, these digital figures are influenced by the inclusion of global tech giants such as Google, Facebook, and YouTube. According to media actors, these global tech giants have about a 40 per cent share of the total advertising market in Norway (Flaaen, 2022). From this, it can be deduced that the global tech giants have around a two-thirds share of the *digital* advertising market in Norway. Hence, the estimates of digital ad spend offer valuable insights into the broader trends in digital advertising within Norway during the pandemic, albeit without enabling an assessment of newspapers' specific share in this market. The computational complexity of digital advertising (e.g., Helberger et al., 2020) makes it difficult to specifically identify the position of Norwegian players within the global digital ecosystem. All interviewed informants emphasised Norwegian media's connection to the global digital advertising market, where tech giants have gained a dominant position. As the informant representing ANFO Norwegian Advertisers said: "The advertising market ran smoothly like an old machine [during the Covid-19 pandemic]. Digital advertising grew – and Google and YouTube ran away with increasing shares".

Regarding ad spending on printed newspapers, data from the Institute for Advertising and Media Statistics (IRM) reveal that both local newspapers and national and inner-city newspapers encountered significant declines during the initial year of the pandemic, with the sector as a whole witnessing a sharp decrease of -24.9 per cent. In relative terms, local newspapers did experience a somewhat more notable impact of the pandemic compared to other newspaper segments, with a decline of -27.6 per cent. However, it is worth highlighting that the overall decline is remarkably consistent across various newspaper outlets in the material and notably more substantial than the decline observed in the case of radio and television (-7.4% and -7.8%, respectively, in 2020). In the case of local printed newspapers, the decline persisted in 2021, albeit at a notably slower rate (-4.6%). Conversely, other newspaper categories witnessed a slight yearly upturn in printed advertising revenue. However, none of the newspaper categories in the material returned to pre-pandemic levels in terms of print advertising.

**TABLE 4.1** Advertising revenues in the Norwegian market, total, and in the news media, 2019–2021

| Category                       | 2019                  |            | 2020                  |            | 2021                  |            |
|--------------------------------|-----------------------|------------|-----------------------|------------|-----------------------|------------|
|                                | Revenue (NOK million) | Growth (%) | Revenue (NOK million) | Growth (%) | Revenue (NOK million) | Growth (%) |
| Ad spend (total)               | 21,084                | 2.4        | 19,824                | -6.0       | 23,469                | 18.4       |
| Ad spend (digital)             | 11,805                | 10.8       | 12,206                | 3.4        | 15,552                | 27.4       |
| Newspapers, total (print)      | 2,305                 | –          | 1,731                 | -24.9      | 1,664                 | -3.9       |
| Newspapers, national (print)   | 202                   | –          | 151                   | -25.3      | 155                   | 2.6        |
| Newspapers, inner-city (print) | 597                   | –          | 442                   | -26.0      | 454                   | 2.7        |
| Newspapers, local (print)      | 1,180                 | –          | 854                   | -27.6      | 815                   | -4.6       |
| Radio                          | 552                   | –          | 511                   | -7.4       | 619                   | 21.1       |
| Television                     | 3,615                 | –          | 3,331                 | -7.8       | 3,528                 | 5.9        |

*Comments:* Per cent growth compared with previous year.  
*Source:* Institute for Advertising and Media Statistics (IRM)

The data on print advertising losses among local newspapers calls for further examination. Based on the interviews, we find that among smaller local newspapers, those owned by or affiliated with larger media groups were better equipped to seize the emerging digital opportunities and “weather the storm”, as compared with independently owned newspapers. According to the informant at the Association of Norwegian Local Newspapers, nearly 40 of their 115 member newspapers lacked access to the technology provided by media groups, which is essential for operating in the digital market. These newspapers faced substantial revenue losses during the pandemic, with some even resorting to laying off advertising salespeople and lacking the financial means to rehire them after the pandemic, this informant told. Similar challenges were observed among local radio stations, as highlighted by the informant from the Norwegian Local Radio Association. In the most severe instances, local radio stations were forced to reduce their staff by up to 40 per cent, either through layoffs or furloughs. These observations suggest that in Norway, as in many other countries around the world (Finneman et al., 2021; Olsen et al., 2020;

Quandt & Wahl-Jørgensen, 2021), local media – especially the smallest ones – experienced a more profound crisis compared with many other media organisations.

Several factors related to the pandemic account for the shifts in overall advertising spending. For example, tourism came to a complete halt, local shops and restaurants closed their doors, and nightlife paused. Cross-border shopping in Sweden ceased, and cultural events that relied on physical gatherings, such as theatre performances, concerts, cinema showings, and sports events, became infeasible. Consequently, marketing initiatives in these sectors experienced significant cutbacks, according to the informants representing ANFO Norwegian Advertisers and the Norwegian Media Businesses' Association. Further, these two informants emphasised how the pandemic also disrupted supply chains, causing delays in parts for manufacturers and goods for sellers. These logistical challenges had a significant impact on global trade, particularly concerning the shipment of goods from China to Europe. Industries reliant on these goods reduced their marketing efforts to avoid potential customer disappointment, these informants pointed out.

Furthermore, the constantly changing government measures, including travel restrictions and variable business opening hours, created additional uncertainties for advertising buyers. Many businesses hesitated to invest in marketing services when unsure of their ability to deliver products and services as planned. Therefore, uncertainty among advertising buyers due to delivery disruptions and unpredictability surrounding future government measures further contributed to the decline in advertising purchases and the revenue streams of news media, as noted by the informant from the Norwegian Media Businesses' Association: "The advertisers' behaviour and fear of risk were probably more important in such cases than a real failure in the business".

Although these factors contributed to a decline in advertising spending, especially in 2020, it is crucial to acknowledge that the pandemic did not solely have a negative impact on businesses. As people spent more time at home, there was a notable increase in marketing efforts for products designed for daily domestic life. This encompassed a wide range of items, from those associated with home renovations and digital equipment to media consumption at home (such as streaming services) and fitness-related goods. According to the informant representing commercial television, these advertisers already had a large share of television commercials: "During the pandemic it was seen that this category increased. By the way, in England, online shopping has become the largest category in TV advertising, a sign of the same trend". The informant representing ANFO Norwegian Advertisers explained how this trend also was important for the relatively favourable development in radio advertising compared to, for example, newspaper print advertising: Radio advertising is conducive to swift, tactical sales messages, making it an ideal

choice for industries that experienced heightened sales during the pandemic, such as home improvement stores and goods and equipment for home activities.

These observations underscore the significance of acknowledging that the pandemic presented not only challenges but also opportunities for marketers and advertising channels like news media. The informant representing commercial television referred to a Danish study which had examined many research projects on marketing in times of crisis (Jensen, 2020). The main finding was that crises provide a great opportunity for strong players to increase their market shares. Strengthened marketing is profitable in the long term. They then take advantage of a situation where competitors are weakened. This informant, in addition to the informant representing ANFO Norwegian Advertisers, had observed that in Norway, some large companies in the sectors of consumer goods and telecommunications increased their advertising purchases during the pandemic, which increased opportunities for revenues for commercial news media.

Another pivotal development in advertising was the response of businesses forced to close their physical storefronts, which strategically shifted to online operations with physical pickup points. This strategic adjustment significantly redirected marketing efforts toward the digital sphere. The interviewees from the Norwegian Media Businesses' Association and ANFO Norwegian Advertisers described how this increase in online shopping and marketing resulted in an increase in digital advertising revenue for Norwegian newspapers, in the same way as for television advertising, discussed above.

In summary, these accounts underscore how the advertising side of the newspaper business was influenced by market fluctuations in both positive and negative ways. Considering the interconnected nature of the newspapers' two-sided market model, it is also pertinent to delve into the pandemic's effects on newspaper readership. As several chapters in this book note, there was a significant increase in the public's demand for news and information, especially during the initial stages of the crisis (see, e.g., Mtschedlidze, Chapter 5). This resulted in a surge in news consumption. The share of adults in Norway with a paid online newspaper subscription increased from 26 per cent in 2019 to 36 per cent in 2021 (MediaNorway, 2023). Consequently, news publishers had a considerably larger audience to offer advertisers during the pandemic than they did previously, particularly online. More importantly, though, the increased demand for continuous local, regional, and national news updates on digital platforms had a significant impact on Norwegian newspapers' subscription figures. Our analysis of revenue fluctuations based on data from the Norwegian Media Authority (see Figure 4.1) shows that Norwegian newspapers' digital subscription revenue increased by 60 per cent from 2019 to 2021 (996 million Norwegian kroner). This can be attributed to the fact that most newspapers in Norway had a well-established digital paywall and

a subscription-based business model in place when the pandemic struck. As emphasised by our interviewee from the Norwegian Media Businesses' Association, this demonstrated a crucial readiness for a digital transformation among Norwegian newspapers:

A prerequisite for this change was that the media had already innovated good systems for digital subscriptions. It paid off in this situation. Newspapers without such systems in place were badly hit and did not take part in this opportunity to increase digital revenues.

News about Covid-19 locked behind a paywall thus served as a key driving force in converting non-subscribers to subscribers and in generating new revenue, as non-subscribers became more willing to pay for a digital subscription. According to the data forming Figure 4.1, revenues from paper subscriptions (often including digital access) declined by 7 per cent from 2019 to 2021 (-285 million Norwegian kroner). Moreover, single-copy sales were hit by a decline of 20 per cent from 2019 to 2021 (-242 million Norwegian kroner). This can be explained by the numerous restrictions on social life, resulting in closure or limited opening hours among news agents, as well as people staying at home rather than frequenting places where newspapers are typically sold. Even though the decline in single-copy sales was sharp, it aligns with the trends observed in the figures since 2016, which averaged a 10 per cent annual decrease. Overall, there was a transition of reader revenue from print to digital during the pandemic. Revenues from purely digital subscriptions increased by 60 per cent (996 million Norwegian kroner) from 2019 to 2021, and total user revenues increased by 7 per cent (469 million Norwegian kroner) during the same period. Revenues from advertising dropped during 2020, but the total figures were about the same in 2021 as in 2019. However, the digital share of these Norwegian newspapers' advertising revenues increased from 41 to 57 per cent during this pandemic period.

### **“Unused” direct subsidies and new opportunities for alternative revenues**

During the pandemic, the Norwegian government introduced several measures designed to support businesses and industries, seeking to alleviate the adverse economic impacts of the crisis. As the country's commercial news media faced a rapid decline in advertising revenue during the initial stages of the pandemic, this development sparked notable concerns among industry representatives about the sustainability of this vital information infrastructure. Within the commercial news media's two-sided market model, advertising revenue has historically played, and continues to play, a fundamental role in funding news production. According to the informants representing the Norwegian Media Businesses' Association and ANFO Norwegian Advertisers, there was a strong sense of crisis within the media industry at this stage. Consequently,

calls were made for government emergency support to assist the struggling news businesses, and media organisations requested additional state support amounting to 1 billion Norwegian kroner (Norwegian Media Businesses' Association, 2020). It was argued that an increase in direct state subsidies would empower the news media to continue serving as a crucial information channel for the public, which was especially vital during the pandemic. In essence, while numerous news media outlets were grappling with financial challenges, the broader discourse highlighted their pivotal role as key knowledge producing institutions in society.

In May 2020, the Norwegian government implemented a temporary financial compensation scheme for editorially managed media that had had a significant fall in turnover due to the Covid-19 outbreak (Norwegian Media Authority, 2020). 300 million Norwegian kroner was allocated to assist the media in sustaining their operations during and after the pandemic (NTB, 2020). This marked a significant uptick in direct subsidies to the industry. In the two years prior, the total direct subsidies had fluctuated within the range of 308 to 316 million Norwegian kroner. However, as illustrated in Table 4.2, the programme did not achieve full success, with only 92 million Norwegian kroner of the allocated subsidies being distributed.

**TABLE 4.2** Direct subsidies to newspapers allocated through the Norwegian Media Authority

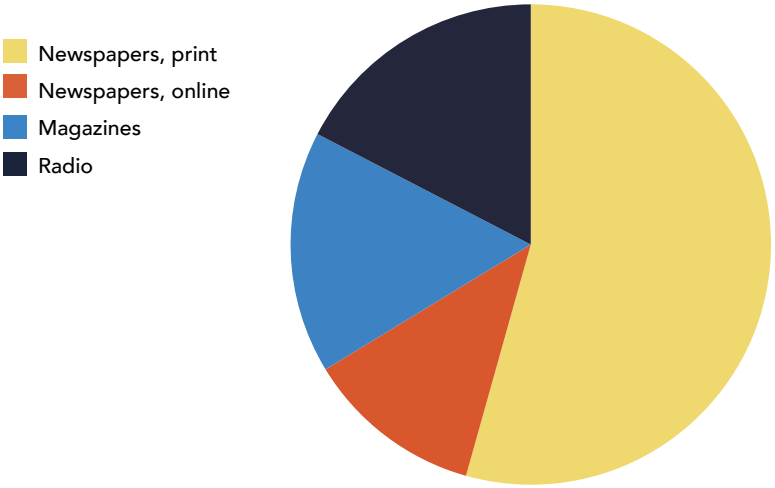
| Year | Amount (NOK million)   |
|------|--|
| 2018 | 308  |
| 2019 | 316  |
| 2020 | 358 (+ 92 as compensation related to the negative effects of the pandemic) |
| 2021 | 370  |

*Comments:* The figures for 2018–2019 do not account for government funding provided to the Norwegian Broadcasting Corporation (NRK) or partial funding for TV 2's commercial public broadcasting. The figures deviate slightly from the subsidy data reported in Figure 4.1, which only includes newspapers which have consistently reported revenue figures to the Norwegian Media Authority throughout the analysed period.  
*Source:* Norwegian Media Authority

The subsidy scheme received criticism from the media industry due to its design, which led to funding being poorly targeted. Many media outlets found it challenging to meet the eligibility criteria, resulting in a high number of rejected applications (Norwegian Media Authority, 2020). Ultimately, the scheme provided Covid-19 support to 132 media outlets. The distribution of compensation for the various media categories is shown in Figure 4.3.



**FIGURE 4.3** Distribution of Covid-19 support among media outlets



Comments: Total support = 92 million Norwegian kroner.  
Source: Norwegian Media Authority

While the criticism of the support scheme design from within the industry is understandable, in hindsight, it becomes clear that the situation was less dire than initially feared. Despite 2020 being a financially challenging year for many segments of the media, organisations with robust digital business models and strong positions in digital markets fared well, despite experiencing a temporary decline in revenues. Consequently, it appears that the less precise targeting of the 2020 emergency government funding did not have a lasting adverse impact on the news media.

Furthermore, our research reveals that while the Covid-19 crisis had a detrimental impact on the print advertising business, it simultaneously created fresh avenues for revenue generation beyond the traditional newspaper markets. To illustrate, the surge in online shopping during the pandemic indirectly stimulated innovative revenue strategies within media companies. In a bid to compete with postal services, newspaper distribution channels expanded their home delivery services, which in turn led to enhanced revenues, according to the interviewee representing the Norwegian Media Businesses' Association. For media organisations with ownership of such distribution channels, this shift translated into increased and more diversified income as a direct consequence of the pandemic. According to the data forming Figure 4.1, other revenues rose slightly in 2020 before falling back again in 2021. However, these are risk-exposed revenues, dependent upon the distribution of physical newspapers, explained this informant.

## Conclusions

Utilising insights from media economics, in this chapter we delved into an examination of revenue streams within Norwegian newspapers throughout the Covid-19 pandemic, drawing comparisons between the economic performance of these news outlets and other commercial news media. Grounded in the foundational premise that financial resources are essential for innovation, as established in Chapter 1, our aim has been to explore the dynamics of revenue development both before and during the crisis, with the overarching goal of gaining a deeper understanding of the economic resilience of newspapers in times of crisis.

It is crucial to emphasise that revenues serve as the lifeblood of any news operation, without which their functioning and capacity to innovate would be severely compromised. In response to our central research question regarding the impact of the pandemic on Norwegian newspapers' revenue streams, several key insights have emerged from the observations presented within this chapter. First, we find that the pandemic acted as a catalyst for the digital transformation of Norwegian newspapers, influencing both advertising and audience revenues. The crisis thus had significant impact on the two-sided market model of newspapers, increasing digital reader and advertising revenue and reducing revenues from print subscriptions and advertising. The crisis stimulated a surge in online shopping and digital news consumption, benefiting those newspapers that were prepared to adapt to these changing market dynamics. In this context, Norwegian newspapers held an advantageous position compared to many commercial news operations in other countries. They had initiated the transition of their print subscription base to digital formats well before the pandemic, boasting a well-established system for managing digital subscriptions. Furthermore, leading newspaper groups such as Schibsted, Amedia, and Polaris had long been focused on digital advertising revenues, having developed sophisticated systems for online sales and customer management. As such, the Covid-19 crisis yielded winners within the news industry, primarily favouring those that had previously forged robust connections with the digital infrastructure of advertising and consumer markets. Notably, the media entities that reaped these benefits were the industry's largest and most well-resourced players. Additionally, small local newspapers and digital news outlets affiliated with these major media groups also emerged as winners, as they could leverage the existing digital infrastructures to tap into digital revenue streams.

Nonetheless, it is crucial to not underestimate the profound sense of crisis within the industry resulting from steep and rapid revenue losses. Overall, the Norwegian news media sector bore a significant brunt from the decline in advertising revenues at the outset of the pandemic. The abrupt disappearance of print advertising in 2020 significantly impacted local, inner-city, and national newspapers. While the fact that no Norwegian newspaper faced

bankruptcy during the crisis, and that less than one-third of the designated crisis relief package for the industry was distributed to eligible news outlets indicates relative economic resilience within the Norwegian newspaper industry, it's important to note that some media entities faced greater challenges than others and can be categorised as Covid-19 crisis losers. These entities were primarily media outlets operating outside the digital marketplace. They heavily depended on reader revenue generated from printed single-copy sales and advertising space within print newspapers. Small local media providers, including independent local newspapers and local radio stations, which lacked the necessary infrastructure connecting them to digital markets, faced significant challenges during the pandemic. The crisis could thus be seen as a wake-up call, compelling traditional print-based news media to rethink and adopt new strategies for the future.

The findings of this study on Covid-19 winners and losers complement and expand upon the insights provided by others' research in the same domain. For instance, an analysis of European media (Carlini & Bleyer-Simon, 2021) underscored that the pandemic's impact on different media sectors was primarily determined by their susceptibility to analogue weaknesses and their strengths in the digital realm. Additionally, an international study conducted by the Reuters Institute for the Study of Journalism (Nielsen et al., 2020) painted a somewhat pessimistic picture based on data from the early stages of the pandemic when a prevailing sense of crisis was widespread. This study identified only a limited number of winners, most of whom had strong ties to digital media markets.

Our study has several limitations that need to be acknowledged. First, the time frame is limited. While our analysis covers the period from 2006 to 2021, enabling us to identify long-term trends influenced by the pandemic, such as the shift to digital and reader revenue, it's important to note that the study does not explore the longer-term effects beyond the pandemic, which officially ended in 2022. Second, it's essential to exercise caution when attributing all observed changes to the pandemic alone. Although the crisis garnered significant attention, it was not the sole external factor influencing the media economy during the studied period. Other factors, such as the increasing influence of digital platforms, especially in the advertising sector, were briefly touched upon but not thoroughly explored in this study. Relatedly, the analytical framework of the two-sided market model, while informative, can be somewhat limiting. Future research should delve into the dynamics between platforms and publishers and their implications for Norwegian news media's revenue generation, both in the context of the Covid-19 crisis and beyond. In this regard, adopting a multi-sided market perspective, as proposed by scholars like Sjøvaag (2022), may offer additional valuable insights.

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