

Resisting the inevitable

Guardian Media Group will ultimately regret its decision not to close *The Observer* newspaper

The good news came in an email from editor-in-chief Alan Rusbridger last Friday. After much internal discussion, Guardian Media Group (GMG) had decided not to close *The Observer*. Instead, operations will be streamlined in a bid to cut costs and save the 218-year-old title.

With newspaper ad revenues in freefall, and *The Observer's* circulation dropping by a further 7% over the past year, many media pundits were predicting that the paper's days were numbered. Nonetheless, GMG, which also publishes *The Guardian*, and made a loss of £37m over the past 12 months, has opted to keep the brand alive. This is almost certainly a mistake.

No one likes to see something with more than two centuries of history disappear. However old brands sometimes die, just as surely as new ones come into existence. Often the last people to realise that a brand is dead are those managing it.

Let's start with the fundamental problem. *The Observer* has been losing money for years. Even at the start of the decade, when its circulation rose to almost half a million copies, the paper was still costing GMG about £10m in annual losses. Regardless of the current crisis in the news media, *The Observer* has been a lost cause for years. It might still claim 400,000 readers a week, but who cares about sales? Profit is the only headline that counts.

The Observer is haemorrhaging readers because, in my view, it is not as

good as the competition. That situation will only worsen as a further £10m is cut from its editorial and commercial operations. Any fat was stripped from the title long ago, so further savings will come at the expense of the quality and competitiveness of the paper.

That competitiveness will be further undermined by the widely covered discussion about *The Observer's* future. There is a vicious circle that affects any brand whose future is so clouded in doubt. Its appeal diminishes, its profits shrink, questions about its longevity are raised, and more consumers begin to question their loyalty to a terminally flawed brand. The same fate that afflicts Northern Rock and GM's stable of car marques will engulf *The Observer* too.

However, the biggest argument for the extermination of *The Observer* has nothing to do with that newspaper at

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all. Its stablemate, *The Guardian*, is the real reason that the Sunday title must die. Weak brands take up managerial time and company resources, and even a big organisation has a limit on both.

In these tough times for newspapers, *The Guardian* needs all the attention and investment its owners can bestow, and it seems to me *The Observer* is getting in the way of that. In particular, *The Guardian's* website, which attracts 26m users per month, offers a genuine opportunity for the future of GMG.

Indeed, the body that owns GMG, the Scott Trust, is mandated 'to secure the financial and editorial independence of *The Guardian* in perpetuity'. *The Observer*, which is not covered by that charter because it was acquired long after it was drawn up, is now a bigger threat to that commitment than any external competitor. The fact that the Trust has opted to retain *The Observer* suggests that emotional and historical baggage are getting in the way of the correct business strategy.

Managing director Tim Brooks recently admitted that he will never launch another printed newspaper. Spot on, but he must go further. His portfolio is still losing millions and it will take more than a moratorium on growth to save his organisation.

What's black and white and dead all over? Tim Brooks knows the punchline.

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30 seconds on... *The Observer*

- The first edition of *The Observer* was published on 4 December 1791 by WS Bourne, making it the world's oldest Sunday newspaper.
- Its early years were a signal of times to come - within three years Bourne was facing substantial debts and he tried to sell the paper.
- Last month, a group of celebrities wrote to *The*



The Observer first published in 1791

Sunday Times to highlight the plight of *The Observer*.

- The group, which included political satirist Rory Bremner, philosopher AC Grayling, *GQ* editor Dylan Jones, broadcaster Mariella Frostrup, film director Stephen Frears and scriptwriter Neil LaBute, described the potential closure as 'unthinkable'.

- Last week, managing director Tim Brooks told staff that Guardian News & Media was losing £100,000 a day, a rate that GMG 'cannot afford'.
- He later admitted: 'The real issue is that the quality press, in aggregate, is not profitable.' He went on: 'The days when you can trade in just words are gone. All future investments will be digital.'