**Project Rio; a media barons folly or an industry saviour?**

To describe the print advertising industry in the UK as turbulent would be inaccurate, not because it is in good health but because of the [consistent revenue declines](http://www.thedrum.com/news/2016/04/26/uk-ad-market-booming-while-newspapers-lose-155m-print-and-watch-digital-revenues) it has endured for over a decade. Reflecting back to the halcyon days of 2007, national press revenues sat at around £1.7bn, over the last ten years this figure had [dropped by over 50%.](http://www.campaignlive.co.uk/article/press-chiefs-save-joint-ad-sales-plan/1422225) The question being asked today is whether the fabled *Project Rio* can succeed in turning around the industry’s fortunes?

*Project Rio* aims to bring together national UK print media owners inventory (excluding *DMGT* who recently pulled out of negotiations) under one advertising saleshouse. Industry insiders hope this will act as a silver bullet to boost advertising revenues by arming media owners with the leverage to negotiate improved deals with holding companies and advertisers. In recent years they have been ’obliged’ to provide large volumes of free ad space and actual cash payments to retain holding companies spend. By 2015, the cost of these rebates totaled over £500,000 a week for a [single media owner](http://www.campaignlive.co.uk/article/daily-mail-publisher-set-aside-26m-rebates-agencies-clients/1377595).

The logic behind the project is that by selling a combined audience ‘as one’ they will leverage their supply and remove the sword of Damocles that rests above their heads, the threat of losing a holding companies (WPP, Omnicom etc.) spend entirely. In a fragmenting media landscape where your audience represents a fraction of the total supply and mobile advertising spend continues to grow by double digits annually this is not an unfounded concern. If they can consolidate their audience the hope is that they will retain and even regain their negotiating power.

*Project Rio* is not a radical proposal. Similar moves took place in the UK TV marketplace, albeit at a slower pace over several decades. In 2015, the weakest of the four saleshouses, *Channel 5*, was forced to move into *Sky’s* stable of brands after losing *Omnicom’s* advertising spend in a standoff over advertising rates. A loss they never recovered from. Consolidation in this medium has now left three powerful saleshouses, each delivering a valuable & highly demanded audience. This is undoubtedly the hope for *Project Rio*.

The question for many outsiders is why this change has not already taken place in the print sector? The first factor is the challenge posed by the Competition & Markets Authority (CMA). Any change of magnitude to the market structure, with a self-declared goal of reducing the number of suppliers and increasing prices will come under significant cross-examination. When Granada and Carlton merged in 2003 creating ITV, taking half of TV advertising revenues, they were forced to accept a pricing mechanism (the CRR) which protected advertisers from any volume based price increases. This is a concerning limitation that is undoubtedly in the minds of print media owners engaged with *Project Rio*.

There are also the industry’s self-inflicted barriers of politics and self-interest. How do you combine forces when political, or in some cases personal reasons, mean you can never be any more than ‘frenemies’. There can be no doubt that liberal minded bodies such as the [Scott Trust](https://www.theguardian.com/the-scott-trust/2015/jul/26/the-scott-trust) (owner of *The Guardian* & *Observer*), are less than keen to ally themselves with Brexit supporting papers such as the [*Daily Telegraph*](http://www.huffingtonpost.co.uk/entry/brexit-newspaper-front-pages-leave-supporting-papers-dont-mention-market-carnage-on-historic-front-pages_uk_576d9d02e4b08d2c56392f46).

Beyond politics & explaining *DMGT*’s departure from the project’s talks was a realisation that what benefits the wider industry may not benefit all its stakeholders. In this vein *News UK* have also highlighted their concerns with the project, a [feasibility study](http://www.thedrum.com/news/2016/11/30/newspapers-woes-spotlight-project-junos-flaws) had revealed that they were trading at a premium to the market, with a significantly more valuable readership, and in possession of significantly more audience data.

Finally audience declines that have blighted the industry have not been spread evenly. *The Times* has seen modest audience growth in recent years, with circulation now sitting at over 400,000. Conversely, other titles such as the *Daily Express* experienced seriously concerning declines of 20% in under three years. In this challenging marketplace why would the ‘stronger’ performing media owners want to join themselves at the hip with other fast diminishing titles?

Despite the potential pitfalls the fundamental question still remains will *Project Rio* increase print revenues? Advertisers have shown over the last decade that they are willing to purchase rapidly diminishing volumes of print advertising, with some previously significant spenders such as *Tesco* having cut their print budget almost entirely. If media owners were to be successful in raising the cost of their advertising inventory, then buyers may simply purchase a reduced volume. Print’s share of the UK marketplace has already fallen into single digits, and with online inventory offering holding companies much greater margins the temptation could be to scrub print off many media plans entirely.

Print advertising faces challenges so significant that *Project Rio* is unlikely to deliver on its lofty ambitions. The political differences between media owners are unlikely to be reconciled and the CMA is unlikely to allow such a venture without significant caveats. All the while advertisers are unlikely to stomach significant price increases without reducing their share of spend. A possible compromise may be consolidation of a smaller scale by limiting the number of media owners involved with any deal to avoid altering the fundamental structure of the marketplace, while improving the relative position of those involved. This perhaps explains why just below the surface rumours grow stronger around *DMGT* & *News UK* striking their own joint partnership if talks on *Project Rio* continue to stall...