

# CHALLENGER, GRAY & CHRISTMAS, INC.

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Internet Is Shaking Up Industry

## **MEDIA SECTOR JOB CUTS SURGE 88% IN 2006**

**NEW YORK** – A sea change in the way people get and read news, not to mention the way they search for jobs, used cars and consumer products, was the primary contributor to a nearly twofold increase in the number of media-industry job cuts in 2006. With over 2,000 job cuts announced by media companies in the first half of January, it appears that the downsizing trend will continue in the foreseeable future.

**The media industry announced 17,809 job cuts in 2006, up 88 percent from the 9,453 cuts in 2005, according to a study released Thursday by global outplacement consultancy Challenger, Gray & Christmas, Inc., which tracks job-cut announcements daily. Last year's figure represents the largest annual job-cut total for this industry since 43,420 media job cuts were announced amid the dot.com collapse of 2001.**

In terms of total job cuts, the downsizing in the media sector pales in comparison to the auto industry, which saw 158,766 job cuts in 2006, or the financial industry, which announced 50,327 job cuts despite its relative health.

**However, in terms of year-over-year increase, the 88 percent jump in media cuts ranked second only to e-commerce, which saw job cuts surge an extraordinary 781 percent from 748 cuts in 2005 to 6,591 cuts in 2006.**

“Already this year we have seen job cuts announced by Time Inc. and the New York Times Company. These organizations will continue to make adjustments as their focus shifts from print to electronic. Until they can figure out a way to make as much money from their online services as they are losing from the print side, it is going to be an uphill battle,” said John A. Challenger, chief executive officer of Challenger, Gray & Christmas.

“Of course, news sources have no choice but to build a strong online presence or risk fading into oblivion. A rapidly growing number of people get their news online and, for many, the Internet is their only source. The biggest challenge for news organizations pinning their hopes to the Internet is that it is much harder to make money, since there are so many sites vying for attention.

“Not only are newspapers competing with other news organizations for audience share, but they are competing with an exploding number of bloggers, industry experts, gossip sites, etc. This dilutes their audience and dilutes the amount of money they can charge advertisers, which currently is the primary source of revenue for online news sites, since most are not charging subscriber fees to access their content,” said Challenger.

A 2006 study from the Pew Research Center found that 50 million Americans seek out news on the Internet on a typical day. Among those with high-speed Internet access, 43 percent said the Internet is their primary source for news vs. 38 percent who turned to their local paper. Only 17 percent got their news from a national paper.

Some additional trends that should worry the nation's newspapers comes from another Pew study which found that the number of Americans searching online for housing information has doubled since 2000.

"It is not just home searching. Everything that you used to rely on newspapers for can be found on the Internet. You can find a used car, sell old furniture, search for jobs, check movie times, get sports scores. Some grocery shopping sites even have all of the same coupons you would find in the Sunday paper," said Challenger.

"The decline in newspaper and news weekly subscriptions will continue as more and more people purchase computers and gain access to the Internet. We will continue to see job cuts, particularly in the production and distribution areas of the print operations," he concluded.

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### **MEDIA INDUSTRY JOB CUTS 2001 - 2006**

<b>2001</b>	43,420
<b>2002</b>	11,672
<b>2003</b>	6,911
<b>2004</b>	11,471
<b>2005</b>	9,453
<b>2006</b>	17,809

Source: Challenger, Gray & Christmas, Inc.®

### **LARGEST JOB-CUT INCREASES By Industry**

	<u><b>2005</b></u>	<u><b>2006</b></u>	<u><b>Percent Change</b></u>
<b>E-Commerce</b>	748	6,591	<b>781.1%</b>
<b>Media</b>	9,453	17,809	<b>88.4%</b>
<b>Chemical</b>	8,743	13,413	<b>53.4%</b>
<b>Real Estate</b>	2,333	3,490	<b>49.6%</b>
<b>Automotive</b>	110,016	158,766	<b>44.3%</b>

Source: Challenger, Gray & Christmas, Inc.®

