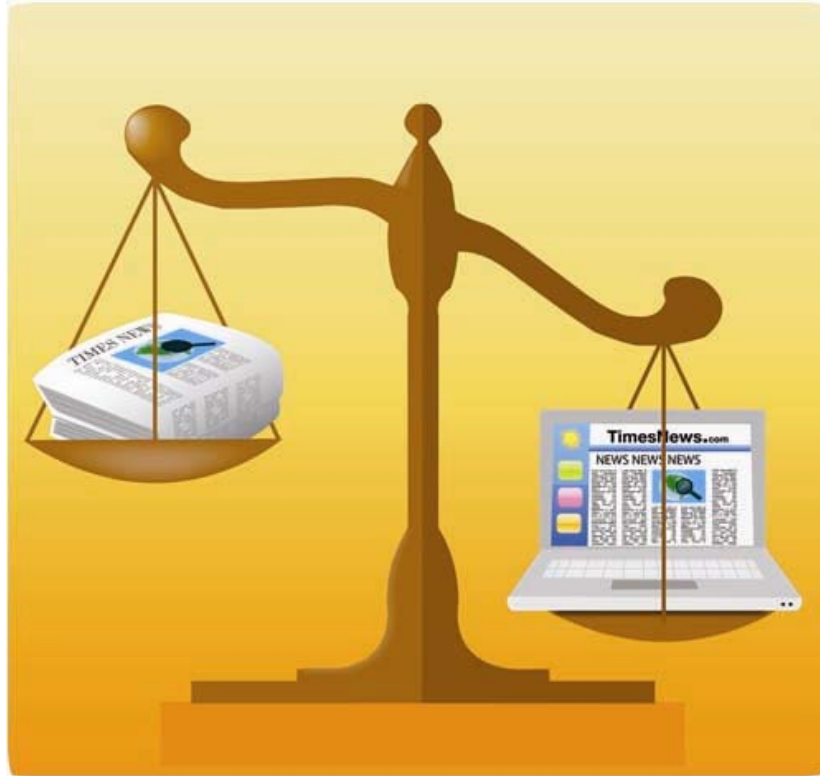


## The Free v. Paid Online Content Debate



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for the Newspaper Association of America

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## **Zero-Sum Games: Framing the Paid Content Debate**

### **Can Newspapers Charge for Online Content?**

*By David LaFontaine*

The debate over charging for online content is a hot-button issue – sometimes when it comes up, the discussion degenerates into recriminations, name-calling and personal attacks that make political campaigns look civil.

Why? Both sides feel that they are not being heard.

Many on the pro-pay wall side of the debate say one of the great mistakes the newspaper industry has made in the last 20 years has been listening to a parade of high-priced consultants advising that “information wants to be free,” and that this has led them down the path to where there is no longer a sustainable business model.

When newspaper executives look around to see what’s gone wrong, what seems to stick out is that the content that they sweat and slave over—that costs them good money to produce—is not only given away free online, but it is sometimes the basis for other Internet players to make out like bandits.

Those on the con side of the debate feel they have been telling the newspaper industry for years that there has to be a fundamental change in the way newspapers do business. Whether or not there is a pay wall, there has to be a change in information distribution mechanisms and a diversification of revenue beyond selling ad impressions, so that newspapers are once again in tune with what readers and advertisers want.

Although the online newspaper audience in the United States is more than 74 million strong and growing, the revenue from online advertising on newspaper sites is just a fraction – 5 to 15 percent – of total newspaper ad revenues, according to data from the Newspaper Association of America. And the recent economic downturn is significantly slowing the growth of online advertising.

As the newspaper online audience grows and the print edition audience shrinks, newspapers will have to significantly increase online revenue to support newsgathering operations.

Mignon Media has worked out a spreadsheet laying out nine possible permutations of what a mix of paid online content and online advertising would look like for a newspaper with circulation of 100,000. Learn more about it in "Running the Numbers" on page 16 of this report.

## **ARGUMENT: Free is Not a Survival Strategy**

The pro-pay wall argument boils down to this:

1. Digital media advertising isn't producing enough revenue to support news organizations.
2. Therefore, the money has to come from somewhere else.
3. Newspapers are giving content away for free online.
  - a. Some content aggregators are making millions by selling ads against our content.
  - b. Some bloggers ([what Steve Brill calls "parasites"](#)) are building audiences by scraping and repackaging our content.
4. At the same time, giving away our content online for free is accelerating the decline in print subscriptions.
5. Therefore, newspapers need to start charging readers to look at content online because it will provide a new revenue stream, protect print subscriptions and increase the perceived value of the content for readers and advertisers.

The idea of paying for online content is not new. As TIME magazine reported in its February cover story "[How to Save Your Newspaper](#)," most online services companies in the 1990s, such as AOL, CompuServe and Prodigy, charged subscription fees and offered unique content designed to keep people online.

During that period, while some newspapers charged for online content, most newspapers offered their content for free, as Arkansas Democrat-Gazette Publisher Walter Hussman pointed out in a [Wall Street Journal op-ed](#) in 2007.

"Newspapers initially created their Web sites with the best of intentions," he wrote. "After all, newspapers are in the information business. And rather than fight the new medium, the Internet, why not embrace it? Wanting to be the leading information providers and thereby have the most popular Web site in the community, they posted all of their news online for free."

Though many newspapers that charged for online content dropped that in the late 1990s, a few kept the pay wall up. And some newspapers that took down the pay wall in the late 1990s have rebuilt it.

Today, newspapers including the Arkansas Democrat-Gazette, the Albuquerque Journal, the Bend (Ore.) Bulletin and The Wall Street Journal have installed various payment models for online content.

One tactic that is rapidly gathering steam has been described as “fewer readers paying more.” The central concept is that readers are so awash in information that they will no longer pay for clutter – but they will pay for information that is directly relevant to their interests and of high quality.

As part of Joel Kramer’s contribution to an online debate on NYTimes.com called [“Battle Plans for Newspapers.”](#) he advocates radically increasing the price of a print newspaper and making it “more in-depth, more analytical, to complement the immediacy of your free Web site, and do not make that deeper, more insightful coverage available for free on the Web.”

### **COUNTER-ARGUMENT: Newspapers Can Generate More Revenue from Advertising than from Online Subscriptions**

Some argue putting content behind a pay wall can stunt online audience growth, because those who cannot or do not want to pay to access a newspaper’s content will go elsewhere for news and information. In addition, search engines such as Google do not crawl content that requires a paid subscription, limiting search results from the newspaper’s Web site—and also limiting traffic. Ad revenue may also suffer.

Others say that many early adopters of Web technology, such as the influential community on The WELL, were anti-establishment and anti-commercialism; in this community and many others, the “information wants to be free” ethos was embraced early on. Now, an entire generation has grown up online and is accustomed to free, ad-supported online content.

Whether it was the [“Original Sin”](#) of the newspaper industry, as blogger Alan Mutter calls it, or not, users around the world have come to expect instant access to free newspaper content. Web users are not above sharing passwords through with their associates or through sites like BugMeNot.com or hacking their way around firewalls and payment systems.

In fact, earlier this year, the Financial Times Group sued the Blackstone Group after discovering a Blackstone executive had shared his FT.com subscription username and password, and the user account had accessed thousands more articles than a normal individual would in a year.

Attempts to create and enforce artificial scarcity of information (be it text, music or video) may, in fact, only breed piracy. Some argue that if newspapers pull their content back behind a pay wall, the industry then may end up fighting the same battle against piracy the RIAA and MPAA have been fighting for more than a decade.

## **POSSIBLE SOLUTIONS**

### **Online Subscriptions Tied (or Not) to Print**

Many senior U.S. newspaper executives have long complained that by effectively giving away the news for free online, the industry has trained readers to regard our content as having limited value.

In a blog entry, Mutter wrote, “Life today would have been easier if newspapers, magazines and other print-to-Web media had recognized in the first place that their content was too valuable – and too expensive to create – to simply give it away on the Internet .... Why would consumers buy the cow when the milk is free?”

One popular (and seemingly the simplest) solution is to set up a system whereby readers have to buy a subscription to be allowed to read an online edition of the newspaper or to access portions of the newspaper’s Web site, such as blogs, online video and other online-only content.

The basic mechanics of making a subscription work online are simple: The reader has to fill out a form online and select a payment method (credit card, PayPal etc.). The payment is processed and the reader is granted access to the site.

Where things start to get interesting is where content providers start deciding *how much* content to display, and under what circumstances to display it, before erecting the pay wall.

Most newspapers that use subscription models allow readers who subscribe to the print edition to freely access all content on the newspaper’s Web site. This is the case with the Arkansas Democrat-Gazette, for example, which requires non-print subscribers to register and pay for Web site access. The Bend Bulletin goes a step further, giving e-edition subscribers free access to exclusive online content that print subscribers can’t access.

### **The Google Effect**

Many newspapers that do have payment walls up are still careful to keep part of their Web site open to the public so that they still appear in search engines. Anyone can get to the newspaper site’s homepage, and many of the sites give free access to some articles and access to the first paragraph or two of articles that require a subscription to read.

While walling off Google and other search engines might satisfy the impulse to punish the pure Web players who have (allegedly) been making money off the efforts of others, such a move could have a serious negative impact on the newspaper’s Web site traffic. Some newspaper Web sites have reported to NAA that 30 percent (or more) of their traffic comes from search engines.

When search engine “spiders,” which gather up information for Internet search results, hit a pay wall, the spiders stop “crawling” (or indexing the page). Putting all of a Web site’s content behind a pay wall means that users searching for information about a local politician – or a local advertiser – will not see results from the newspaper’s Web site.

This was one of the considerations The New York Times took into account when it ended its experiment with the Times Select subscription service in September 2007, that required payment for access to select columns and some other high-value content. The rationale given was that they had not appreciated how much of the traffic to their site was being brought in by Yahoo and Google. Indeed, after the pay wall came down, the site traffic reportedly jumped by more than 40 percent, from the 13 million cited by the Times in September 2007, to 18.2 million in January 2009, according to Nielsen, and nearly 50 million uniques on all Times-operated websites.

### **Charging for Niche or Premium Content**

Earlier this year, Philadelphia Daily News columnist Stu Bykofsky [wrote](#), “The only thing that online readers seem willing to pay for is quality porn.”

The list of content sites that are charging the audience to view (non-porn) content contradicts that statement:

- The Milwaukee Journal Sentinel has always charged football fanatics for subscribing to its “Packers Plus” site devoted to the Green Bay Packers football team. The Pittsburgh Post-Gazette has a similar site dedicated to the Pittsburgh Steelers. Both are financially successful.
- ConsumerReports.org has 3.3 million paid subscribers. About 3 million of them pay \$26 annually, while the rest pay \$5.95 per month. The magazine has also managed to preserve its print circulation of 4 million.
- The Wall Street Journal’s WSJ.com has more than 1 million subscribers.

The common thread here is that these are all “niche” sites: The content is narrowly defined and is marketed to groups that are intensely interested and thus willing to pay for it.

In a recent blog post on “Recovering Journalist,” Mark Potts [wrote](#), “There is potential for some specific pay models. It’s possible that some newspapers will be able to charge for online subscriptions for specific, targeted, exclusive, high-value products, such as microscopic coverage of state government or a local industry. But the audiences for those are likely to be fairly small, and the revenue correspondingly modest.”

For newspapers that charge for niche content, this question arises: Is it possible to charge for other unique parts of a newspaper’s site, such as local news that readers can’t get elsewhere?

That's not so easy: The competition for online local news and information is stiff. Many markets have television and radio stations that cover local news, and the number of neighborhood-focused blogs and citizen journalism efforts are only increasing.

### **Micropayments, Microcommerce and Macro Business Models**

One of the articles that touched off this latest focus on charging for online content was David Carr's New York Times [article](#), "Let's Invent an iTunes for News."

The chain of logic goes as follows:

1. Web users are stingy, and balk at spending money for online content they may be able to find free elsewhere.
2. However, they do seem willing to buy songs for 99 cents apiece, rather than CDs for \$15 and up.
3. Readers also want to be able to read news from sources around the world, and would resist being tied to one single news outlet.
4. Therefore, if we start charging readers a la carte through a centralized system, the payments will be small enough that consumers won't notice, while allowing readers to browse the Web and see the kind of content they've become accustomed to.

The iTunes analogy falls apart because of the essential difference between music and news stories. Online Journalism Blog blogger Paul Bradshaw [points out](#) that people will pay for music because they play the songs over and over – as opposed to news stories which are generally discarded after they are consumed.

A micropayment model (which has been kicked around for at least 10 years) requires a couple of things. Newspapers – all across the United States, if not the world – may have to band together and agree on some sort of universal payment system so Web users would not have to set up subscriptions and payments with every site.

One of the major sticking points – often overlooked in arguments for micropayments – is transaction cost. Every completed online transaction costs Amazon about 5 cents plus 5 percent per credit card. This is down from the \$1.35 per transaction cost that was prevalent in the late '90s, when e-commerce was born. A business model where a newspaper charges customers "a few cents" per story is one where the paper could lose money every time it makes a sale.

Proponents of this idea cite the Internet phone service Skype as an example. Skype users charge up their accounts via credit card, bank transfer or PayPal, and then make phone calls until the money runs out. Similarly, a newspaper reader would charge up a newspaper account, and then have access to content across hundreds or thousands of

sites, and for each story delivered to his Web browser, the account would be debited a set amount.

The startup company Kachingle, currently in private/preview testing with newspaper companies, has been the focus of much attention in the media industry, including articles in *Editor & Publisher* and elsewhere.

Kachingle works like this: Readers register with Kachingle and authorize a recurring monthly payment to the service. Readers then browse the Web as they normally would, reading articles and accessing content as they wish. It is only if they decide they like and value the content they've just received that they may click on a Kachingle "medallion" on the Web site, which sends a percentage of the monthly fee to that publication. Kachingle also interfaces with Facebook. Kachingle is designed to be a voluntary program, which may present challenges. No matter how easy it is to donate, clicking that Kachingle medallion takes a deliberate action by the reader.

A different, more technologically challenging approach has been advanced by Theodor Holm Nelson, the scientist who invented hypertext and the concept of micropayments back in 1960, and whose thinking is credited with spurring IBM to develop and market the PC.

Nelson's system would set up special servers that he calls "content scrolls," allowing the publisher to set the price for a specified unit of the content that they store on the server – that is, a publisher could charge per page, per paragraph, per line or even per character.

Nelson explained in an [essay](#): "When you click to get a document, first there comes an empty frame and a list of the content portions. (So far no payment.) Now your viewer program sends for each portion separately (just as today's browser brings in pictures from all over to compile the elements on a Web page). Each portion is delivered as soon as payment is assured."

However, aside from the technological challenges this system presents, this risks driving Web users away from sites that are set up in this manner. Many newspaper Web sites offer headlines or single paragraphs to pique the curiosity of online readers, enticing them to click through to an article. Attaching a payment to that action may give Web site visitors pause and ultimately discourage clicks.

Blogger and journalism professor Mark Hamilton wrote that there are three major stumbling blocks, and that a viable micropayment model "(1) allows for single registration for everything, (2) opens up the pot to everyone creating media with potential value, and (3) puts the user in control of establishing the value."

However, earlier micropayment attempts, such as those by Flooz and Beenz in the 1990s are listed among the dot-com flops.

## The Club Model

One subscription model that is drawing increasing attention is the “club membership” model, where, by subscribing, readers get access to a variety of discounts and local services, in addition to the news content.

In 2007, The Washington Post launched PostPoints, a reader rewards program that seeks to reward subscribers with a broad package of incentives. PostPoints has three membership levels – Platinum, for subscribers of the daily print product; Gold, for subscribers of the Sunday edition; and Silver, for readers who buy a single newsstand copy or browse the Web site.

While the model is clearly designed to drive readers to the print product, one intriguing aspect is that users accrue PostPoints by participating in generating content for the Web site. Points are doled out for writing a movie or restaurant review, posting a resume in the jobs section, or filling out demographic information surveys. Users also can get points for “volunteering or taking part in community and other non-profit activities,” a clever way to try to forge connections with local activist groups.

The membership comes with a PostPoints card that can be used to for discounts at local merchants; the purchases can also add to the point total in much the same way as frequent flyer programs function. And, PostPoints can be redeemed for everything from \$10 gift cards to plasma-screen TVs and jewelry. Members also get invitations to events where they can meet Washington Post writers or attend book signings. So far, the PostPoints program has been very successful for the newspaper.

Grupo Reforma, a chain of newspapers in Mexico that has major presences in Mexico City (La Reforma), Guadalajara (Mural), Saltillo (Palabra) and Monterey (El Norte), has put all their content other than their home page, behind a pay wall.

The papers do allow readers free access to the classified ads, and they have extended the subscription service to branded iPhone applications. They also have co-publishing deals with The (Portland) Oregonian and the San Antonio Express-News to publish the Spanish-language sports tabloid Cancha.

Part of the Grupo Reforma strategy is to try to leverage what some would describe as “snob appeal.” The papers position themselves as a product for the informed elite, and the perception that subscribing to the papers is also buying entrance into some kind of secret club is a powerful tool in a society where family and personal connections still play a major role.

This perception is strengthened by the tangible benefits that a subscription brings – El Norte tantalizes readers with a “sheet of coupons so large you can use it as a carpet” for as much as 50% discounts from local merchants. Grupo Reforma arranges for special movie screenings and cultural events that are open only to subscribers, as well as “power breakfasts” to discuss local political and financial issues. These events have become a

popular social networking tool for the Mexican business elite and those who want to become part of it.

The paper also leverages these events through coverage on its “society” pages, where it publishes photos of its subscribers at these exclusive parties, reinforcing the image that subscribing to the paper is also buying entrée to a rarified level of the local community. When big business deals are finalized, or mergers negotiated, the Grupo Reforma papers take pains to point out that the deals started because of encounters that happened at their events.

The same kind of “exclusivity” marketing is also at work at El Pais, in Cali, Colombia. There, subscribers get a special onyx “Club Selecta” card, good for discounts at local bars and restaurants, auto-repair shops, health and beauty spas, and other high-end merchants. El Pais differs from the Grupo Reforma papers in that it is not a “pure” subscription model, because the daily news is available for free, while access to the archives requires a subscription. Also, the niche publications aimed at the youth market, at weekend entertainment and travel, and for business and investors, require subscriptions.

### **Crowdfunding, Tip Jars and ‘Blegging’**

The final stop for paid content advocates is relying upon voluntary donations from readers. The Web 2.0 term for this is Crowdfunding, and it was the subject of a spirited international debate via Twitter in February.

The “put it all out in the open” strategy assumes that after all the loud and controversial public arguments about business models being destroyed, that readers now understand that the content they enjoy has to be monetized somehow, or there will be no more of it in the future.

There are some arguments that readers are reluctant to part with money on a voluntary basis, similar to the difficulties Kachingle may face. However, there is some indication that for certain independent news operations, crowdfunding is actually working, though whether crowdfunding will work for a newspaper company is still up for debate.

The investigative reporting site [Spot.U.S](http://Spot.U.S) invites readers to propose stories, and/or pledge money to fund the production of that story. Spot.U.S is so far primarily focused on stories in and around San Francisco, but founder David Cohn, who received a Knight Foundation grant to launch the site, says that the underlying technology is “open source” and freely available to anyone who wants to try to replicate the model in their market.

Meanwhile, some bloggers are reaching out to readers to ask for funds – something very similar to crowdfunding that other bloggers derisively refer to as “blegging.” Gannett Blog blogger Jim Hopkins is struggling to raise \$6,000 per quarter by requesting \$5 donations from his readers. Salon.com allows readers to voluntarily “tip” bloggers through a payment system called Tippem. The default tip is \$1, but readers can tip anywhere from 10 cents to \$1,000.

In October 2008, Radar magazine folded and blogger Ana Marie Cox was left without funding or credentials to cover the McCain campaign, right before the election. She reached out to her readers through her blog, and went so far as to publish a rate card.

Cox eventually received more than \$7,000 from her readers, who wanted to see her cover McCain all the way through Election Day. She meticulously recorded and posted her expenses; a nice touch of transparency and accountability to her audience that did not go unremarked.

## **Going Forward**

If U.S. newspapers were to start restricting their content to subscribers only, it would mean that they would need to all form a concerted and organized front. If they did not do this, Web users might simply start clicking over to sites that offered news for free. Some argue this would require that newspapers get an antitrust exemption from the Justice Department to act in concert to fix prices in an otherwise open market.

As columnist Tim Ritten [wrote](#) in the Los Angeles Times, “It would allow all U.S. newspaper companies – and others in the English-speaking world, as well as popular broadcast-based news sites – to sit down and negotiate an agreement on how to scale prices and, then, to begin imposing them simultaneously.”

Joel Stein, professor of journalism at Stanford University, wrote, “if most papers in a region - San Francisco, Oakland and San Jose, for example - began charging for Web access at more or less the same time, many readers would likely subscribe.”

The other big issue is that the online news outlets that do original reporting “all understand that not only is a news cartel unworkable, but that if one existed, their competitive advantage would be in attacking it rather than defending it,” blogger Clay Shirky [wrote](#).

However, a joint operating agreement on a scale that has never been seen before might hold out the promise that newspapers could pool their resources, their readership and their trust in the marketplace, to produce the kind of content that readers would find essential in their lives, and that could not be found anywhere else.

That might be a product worth paying a premium for.

## Corporate Calculus

*By Paul Berger*

Not so long ago, when the current recession was unimaginable and when online advertising revenue growth was high, Dallas Morning News executives decided to take down the pay wall that guarded its premium Dallas Cowboys content. It seemed like a good idea at the time. Though the site had built a decent enough subscriber base paying \$29.95 a year since 2003, the newspaper thought it could make more money by increasing its online audience and generating income solely from advertising.

That was in 2006. Today, Fran Wills, senior vice president of interactive and classified sales, says The Dallas Morning News is revisiting the idea of a pay model for at least part of its Web site.

When newspaper companies like The Dallas Morning News approach the idea of charging for content, they have to balance a multitude of factors and answer some tough questions: Should they wall off their site completely and charge for online subscriptions? Charge a flat fee for premium content? Institute micropayments for individual articles? Or keep the Web site free and hope ad revenue grows? And what would the effects be on Web traffic, ad revenue and print circulation?

Given the possibilities of the Web, the most important considerations for newspapers that are contemplating a paid content model appear to be how it will affect online audience growth and revenue. Print circulation and other factors seem to have less weight.

The conundrum is this: Giving away Web access for free may help drive traffic, but it makes little sense if online ad revenue cannot keep pace. Charging for content may increase revenue, but there may be a corresponding decline in page impressions that could nullify any gains. Meanwhile, though putting up a pay wall seems to have helped stem print circulation declines in some markets, it might only do so to the detriment of online traffic growth.

The Dallas Morning News is in the early phases of the decision-making process, but it is asking similar questions to those being posed in boardrooms across America. And because of its Cowboys experiment, it can at least look back with a modest idea of how a pay model might work. Says Wills: "It is certainly good info for us to look at and see what effect the two different models have had. But we are talking about a very different environment in 2006. I'm not sure you can apply what The Dallas Morning News learned then to today."

One major difference is a tightening of consumer spending. The unfortunate truth is that newspapers have been giving away online content for so long that they may have a hard time convincing readers to pay for it, especially now. "Regardless of which audience you are trying to convert, local or out of state," says Wills, "the challenge is still to figure out a way to entice people to something that they have been used to getting for free."

## **If You Charge, Will They Still Come?**

It's telling that the subject of pay walls is so contentious that many executives are reticent to speak about it, and that fewer still are willing to go on the record. The main question hanging over everyone's head is: Will they pay?

One digital news executive, who wishes to remain anonymous, says any newspaper thinking of walling off all of its content is in for a nasty surprise: "I would prefer not to be the person who tries it. My gut and experience tells me this is going to fail."

The executive describes the scenario like this: When trying to guesstimate the pros and cons of putting up a pay wall, newspapers have to work out by what percentage page views will drop, and then whether they can generate enough money from subscriptions to make up for that shortfall. If a news site is currently 50 percent sold out and traffic falls by 50 percent, it may only lose remnant sales. But what if traffic drops to one quarter of what it was or less?

Then, there is the additional problem of the commoditization of news. Within hours of a story going up on a website it can be found in a handful of places. And trying to launch a premium site in a market bulging with free content is going to be tough.

"A lot of folks in the newspaper industry still think we have a monopoly," the executive says. "If you look at sales of audience, that's true. But when people have to open their pocket books for the first time it's going to be really tough for them not to say, 'I wonder whether there is another website where I can get this information?' It's very hard when other people are giving it away for free to convince people of the value in your product."

Like many of his peers, the executive believes that some form of pay model is attainable, as long as the premium content is unique and of value. But the executive cautions that much of the hand-wringing today is shortsighted because it is based on a problem—the economy—which will eventually turn itself around: "Everyone is forgetting that advertising will start up again. And if we wall off our site we will have lost our audience. We won't have enough inventory to release to advertisers. By then, it will be too late."

## **Online Audience, Revenue are Paramount**

At The McClatchy Company, there is no question where the emphasis lies. Chris Hendricks, vice president of interactive media, says maintaining and building an online audience is paramount. His primary concern about moving to a pay model is that there are simply not enough people who do not already pay a subscription fee *and* who would be willing to pay for Web access, to take the risk of cutting off the online spigot now.

Hendricks says that once newspapers strip away the visitors who cannot be monetized, such as Web traffic from outside the local area and readers who pay for home delivery, they are left with only about 20 percent or 30 percent of their online audience. "Of those people, how many would be willing to pay, and how much?" he asks. "It gets small fast."

Not that McClatchy has had a bad experience with the pay model in the past. The Insider, a daily news service in North Carolina that tracks goings-on at the state legislature, has run profitably for more than ten years. Subscribers, many of them businesses that can expense the service to their clients, pay \$949 annually for the print product and an additional \$2,399 for a legal tracking service.

But, as Hendricks points out, The Insider provides valuable information that is not being produced anywhere else. When McClatchy tried to launch a similar service in California, he says, it failed because the state legislature there was publishing similar information itself.

“If you have unique, compelling content—with limited competition—that’s valuable to people paying with other people’s money, then you’ve got a hit,” says Hendricks.

The McClatchy Company has not totally ruled out a pay model. As recently as February, McClatchy CEO and chairman Gary Pruitt says he was considering a fee-based system of some sort, though he added that he feared that “most experiments show that you lose more online revenue than you gain per subscriber.” So, if McClatchy is reticent to follow newspapers such as Newsday and Hearst—which both recently announced that they want to put some of their online content behind a pay wall—but still wants to survive, what other options does it have?

According to Hendricks, there are two factors newspapers must take into account. First, the economics of the industry will have to change. Cheaper alternatives for gathering news and getting it into people’s homes may have to be found. And secondly, if newspapers cannot convince people to pay for content, Hendricks says they should at least be persuaded to pay with personal information that can be used to squeeze more out of the advertising dollar.

Some McClatchy sites already force readers to register. Others offer additional benefits for people willing to log in. Says Hendricks: “The economics around asking the consumer to pay for the content aren’t as strong as giving it away for free, understanding who they are and then allowing advertising to support it.”

### **Adding Value with Services**

At Gannett, too, the emphasis is on building the online audience. But Chris Saridakis, senior vice president and chief digital officer, stresses that he does not see print and online as being mutually exclusive. “Oftentimes, it’s the same user – just a different time of day, or day of the week,” says Saridakis. “I think the most important thing for newspaper companies is to continue to grow our audience and replicate the audience that they had in print, online.”

While Saridakis will not rule out charging for online content, he does fear the result of turning away a sizable chunk of the audience: “If we charge for subscriptions, impressions will drop and unique visitors will drop. Then we will have declining circulation in newspaper readership and declining readership on the site too. Meanwhile, our advertisers want to buy audience.”

Gannett ran a study recently that posited what would happen if Facebook started charging for content. The research predicted an instant 50 percent drop in users. “As soon as a number gets put in front of people, even micropayments, for some reason they have a fundamental problem with it,” says Saridakis.

But that’s not to say that Gannett has ruled out a pay model. However, rather than charging for access to content, Saridakis proposes that it may be possible to monetize a package of services. Therefore, in future a Gannett newspaper might offer a subscription that includes Web access, an eReader edition, iPhone apps, deeper access to the archives and a print product at the weekend, when people have more time to relax with a newspaper.

“People want to consume your information, they want to pay the very minimum for it, and they want it their way,” says Saridakis. “Sometimes in print, sometimes online, and sometimes stored in a format they can refer back to.”

### **Running the Numbers**

Calculating the real effects on online traffic, revenue and print circulation that introducing paid content may yield is not easy, but it's an important step in the decision-making process.

Earlier this year, Nancy Wang of Mignon Media, created a spreadsheet worked out a spreadsheet detailing nine possible permutations of what a mix of paid online content and online advertising for a newspaper with circulation of 100,000 would look like. The spreadsheet is available on the Media Café blog [here](#).

The spreadsheet is based on both publicly available and proprietary data from North American newspapers. The scenarios presented in the spreadsheet are based on a 100,000-circulation North American daily newspaper, with a Web site that welcomes 500,000 unique visitors and serves up 10 million page views monthly. "We were trying to be as realistic and factual as possible with the numbers so it was a real scenario that people were looking at," Wang says.

The 100,000-circulation newspaper scenario assumes that only 1 percent to 2 percent of print newspaper subscribers will become online subscribers based on a direct marketing campaign. Wang says that percentage is optimistic. "A 2 percent return on a direct marketing campaign is actually pretty good."

The next iterations of the spreadsheet will look closely at how many online unique visitors – many of who may not be print subscribers – would pay for an online subscription. Wang says it may be more than 1 – 2 percent, but she wants to look at the facts and figures.

Running the numbers on paid content scenarios is "critical," Wang says. "*Critical.*"

"We just think it's so critical, before they start investing money, to look at figures," she says.

[Download the spreadsheet](#) from Mignon Media's Media Café blog.

- Beth Lawton

## **Free Content Advocates Focus on Growth Potential**

*By D.J. Siegel*

Although a number of newspapers say they are succeeding with a pay wall in place, many have abandoned the online pay model altogether, citing low online subscribership and revenue, combined with the siphoning of paid content to competitors' free Web sites and low visibility on search engines and aggregators.

Paid versus unpaid online news content...that is the question plaguing the media industry as more and more print subscribers are lost to the Internet, and online advertising sales fail to bridge the financial gap.

Most newspaper Web sites offered their online content for free as they came online in the 1990's. A few, however, decided early-on to charge for online content, and met with varying results. Convincing readers to open their wallets for online news in what is primarily a free market has proven an uphill battle, and many believe it's already too late. Americans are used to getting their online news for free, and charging them for it risks losing them to competitors.

### **Going Paid**

The Tulsa World decided to put their content behind a pay wall in 2000 after several years as a free site in the hopes of increasing revenue. "We couldn't sell ads back then that would offset a fair expense," says Publisher Robert Lorton III.

The World offered its online content free to print subscribers, and charged \$60 a year for online-only access. In 2005, the Web site had 2,000 paid subscribers, and an average 2.6 million page views a month, a decline in readership from before the pay wall was erected. "We were growing our numbers at a pretty good clip until 2000," Lorton says. The pay wall "curtailed our numbers in a pretty hard way."

And even though the World online was pulling in decent online subscribership numbers, "\$60 times 2,000 subscribers is only \$120k," says Lorton. "You can't run anything on that."

For the Cedar Rapids Gazette, the initial decision to have readers pay for the newspaper's Web site came when it was first created in 1994. "We were on a pay model as soon as we were able to do the online edition," says publisher Dave Storey. "Print subscribers had online access for free, and everyone else paid about \$5 a month."

About 17,000 Gazette print subscribers used their online access regularly, roughly 22 percent of the total 75,000 print subscribers to the paper at the time. As for non-print subscribers, around 400 to 500 readers paid for online access.

The Gazette also experienced lower online readership when they operated on paid content. “We had fewer page views when we were a paid model,” says Storey. The decision to switch over to a free online model was made by management in 2006. “Numbers were significantly lower at that point than they are now that the site is free.”

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**“Looking at the traffic growth trends, we felt we could influence much greater growth by opening up content to a much wider audience.”**

*-- Sean Polay, Product Manager of Distributed Media, Ottaway*

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For Massachusetts’ Standard-Times, the decision to move their content behind a pay wall in 1998 was attributed to a downturn in their print subscribership. The newspaper’s publisher determined that print numbers were falling off due to the large amount of free content offered on the paper’s Web site. A pay wall was erected, and non-print subscribers were charged \$19.95 a year, a figure that eventually rose to \$49.95.

While behind a pay wall, the Standard-Times attracted about 400 online subscribers and averaged fewer than 100,000 page views a day. In spring of 2007, the pay wall was removed in order to increase growth potential.

“We were not growing at a rapid clip, at least not as much as we needed to,” says Sean Polay, product manager of distributed media at Ottaway Newspapers, the Standard-Times’ parent company. “Looking at the traffic growth trends, we felt we could influence much greater growth by opening up content to a much wider audience.”

### **The Google Effect**

Online aggregators are one way to attract wider audiences; content behind pay walls is often blocked from online search queries, and can limit a newspaper’s Web traffic. Search engines like Google and Yahoo “grab stories from wherever they can get it,” says the Tulsa World’s Lorton. “We do sometimes get a bump from it.”

Increased visibility on search sites was so important to the Standard-Times, they tailored their pay model so that all content was still screened by aggregators. Otherwise, “we would lose our visibility on Google and other platforms like Facebook and Twitter,” says Polay.

For Dave Storey at the Gazette, the problem with online aggregators is not necessarily whether you're behind or in front of a pay wall.; it's about moving up within the search rankings. "I think that's still an issue today," he says.

While increased visibility on aggregators can prove beneficial in boosting site traffic, it can also be a double-edge sword for newspapers. The World and other publications frequently saw their paid content leeches by online aggregators and other media outlets.

They "could easily just see a story, re-edit it and put it up," described Lorton. "We couldn't stop our competitors from stripping our site and putting stories on their free sites." This limited the content's value, the willingness of readers to pay for it if they could read it for free elsewhere, and were frequent contributing factors in the decision to remove online pay walls.

## **Results**

Tulsa World has experienced an exponential increase in online readership since switching to a free model. While they averaged 2.6 million page views a month in 2005 behind a pay wall, they jumped to almost 8 million page views a month in 2009 without it.

The Standard-Times more than doubled their online page views in the year following the removal of the pay wall. "We've certainly seen over the last two years a much more steep rate of growth than we have seen previously," Polay explained.

The Cedar Rapids Gazette has experienced similarly positive results, seeing the average number of unique site visitors a month go from 130,700 in 2004 behind the pay wall, to 287,600 in 2009 without it.

## **Effects on Print**

More importantly, the Cedar Rapids Gazette has managed to hold on to their print readers as well, an impressive feat given that the electronic edition of the paper is now offered free to readers.

Behind the pay wall, the Gazette's e-edition was accessible to print subscribers, and available to online-only subscribers for \$10-12 a month. Since removing the pay wall and offering the e-edition and other content for free, the Gazette has not seen any discernable impact on its print numbers. "Our audience from a print standpoint has held fairly steady over the last ten years," says Storey.

The Gazette averages 170,000 print readers a day, and has experienced some circulation attrition of about 1.5-2.5 percent a year. But "in terms of core audience - the people who want the Gazette - that number is increasing...Our changes in subscriber base have not been dramatic no matter what model we've had," says Storey.

The Standard-Times reports that “the rate at which we lose subscribers, versus the rate at which we gain online users because they’ve dropped their print subscriptions, is fairly negligible,” says Polay.

As for the Tulsa World, “our readership is up, even if print is down,” says Lorton. “We’re picking up what we lose in print on the readers side online, but I am losing that revenue from their subscriptions.”

### **Revenue Impact**

For the Tulsa World, the loss of \$120,000 annually in online subscriber fees has paved the way for millions of additional dollars in increased online ad revenue. Lorton reports that along with a boost in online page views, the World earns six to seven times more ad revenue than when they were a paid site.

For the Standard-Times, the removal of the pay wall has “greatly enhanced our [advertising] potential,” says Polay. “Generally, more audience gets more revenue opportunities.”

This increase, however, is still no match for the power of the print product when it comes to attracting advertising revenue.

“Right now the frustration is that we can’t just flip a switch with the ad revenue from the newspaper and move it online,” says Lorton. Nearly “90 percent of ad revenue is coming from the print product, and less than 10 percent, closer to 5 percent, of ad revenue is coming from online advertising.”

Larger Web audiences may appeal to advertisers, but the disparity between online and print ad prices remains a concern. “Online ads still haven’t been proven to get customers into stores... We’re lucky to sell 10 percent online of what an ad in the paper sells for,” says Lorton. “The advertiser is not willing to pay us \$10k an ad for one day online, but I can get that on a Sunday in the newspaper.”

For the Gazette, “a lot of [advertising] customers are trying to figure out how to market best to that audience that doesn’t pick up the print version,” says Storey.

At the World, “everyone is trying to figure out how to make their Web site profitable.” Lorton doesn’t believe his news site will ever get a large amount of revenue from the content side, but while the ad market has shrunk, the World and other news outlets can grow in market share. Regardless of the outcome, it’s clear to Lorton that “today we live on advertising, and that’s here to stay.”

## Looking Ahead

It's difficult to predict where the industry will be next week, never mind the next decade. At this point, the question for Lorton is, "How do we keep our staff on the street and pay for it?"

For Storey, "there's always that debate that if we give [content] away, how are we going to support the business structure?"

Previously negative results with online subscribership have made some newspapers wary of trying it again. "I personally think the pay wall would be a step of last resort," says Polay. "I would be leery of what our growth potential would be."

For the Tulsa World, it's a difficult balancing act. "The pressure has built up from revenue falling off on advertising," says Lorton. But, "in a bad economy, it's very hard to charge our customers more." It's unlikely readers would be willing to pay for online content anyway. "To some degree, that ship has sailed. The user is so used to not paying for online content, they want everything for free."

That doesn't mean that alternative payment structures to subscribership couldn't prove successful in the future. "I think there's going to be opportunities at some point to get micropayments and diversify content enough between print and online that [customers] have to go to one or the other," says Storey.

Polay at the Standard-Times remains more cautiously optimistic. "I would consider all forms of capturing value for what we do, whether that's subscription models or micropayments. Regardless though, it's still a hoop for people to jump through."

One solution may lie in diversification. "We have to get better at getting non-print advertising online, digital and mobile to become a bigger percentage of our base," Storey suggests. "Micropayments, search optimization, video will all become a big portion moving forward. We'll get better at packaging platforms together for advertisers."

Polay agrees. "We need to be out there on the platforms that people are most comfortable with," he says. "I'm not sure how we can reconcile that with requiring folks to pay for our content when we want to fling it far and wide."

## Looking Back

"I think we made the right decision going free versus paid," says Tulsa World's Lorton. "You can't make a living on that model [charging subscribers \$5-7 a month]...We are like the music industry, all we do is produce content. How the user takes it, that's what we're dealing with now."

For Polay and the Standard-Times, this comes down to a question of what media outlets offer consumers. "Do news media Web sites do anything unique enough that can't be

replicated elsewhere, that people will be willing to take the extra step to pay for?" he asked. "In the end, we have to deliver results to the advertiser, shareholders and readers."

For the Cedar Rapids Gazette, the push is "to be innovative and understand your market. It's a moving target," says Storey. "There's no silver bullet in this game. We're going to have to figure out how to get people to pay for information they're looking for."

## Competition's Rise a Deciding Factor for El Pais

After the dot-com crash in 2001 and the collapse of the Web ad market, Spanish media company Grupo Prisa in November 2002 took the content of its flagship newspaper El Pais behind a pay wall.

At the time, El Pais dominated its market, and it was assumed that the readers who valued its content would be willing to pay to access it online. Users could see the headlines and teaser paragraphs on the home page, but clicking through to a story presented a subscription form.

El Pais charged 80 euros a year for access to its Web edition, and eventually got about 50,000 subscribers. Only about 20 percent of subscribers read both the Web and print editions, but subscribers received a rich package of premium content. This included: free access to France's national newspaper Le Monde, access to the breaking news feed Teletipos de Efe, limited advertising, Web-TV content from CNN+, high-quality radio from Grupo Prisa stations, access to the archives, the Spanish-language version of the New York Times, digital editions of Grupo Prisa's Semanal, Babelia and El Viajero niche magazines, and exclusive access to business statistics and dossiers.

However, by March 2005, the paper was forced to [reverse its earlier decision](#) and once again offer up its content for free.

While El Pais had shut off access to its Web site to non-subscribers, the competing El Mundo newspaper continued to offer free online content. The effect of this was that El Mundo's Web site exploded in popularity, and when the Internet advertising market started to rebound, advertisers flocked to El Mundo because it had a substantially larger audience.

This has been invaluable to El Mundo, which, up to that point, had been languishing. Now, the two newspapers are now nearly tied in print circulation, and El Mundo has built up significant momentum in the market.

"After the pay wall went down, El Pais went from 55,000 subscribers to more than 10 million users in October 2007," according to a source at El Pais who requested anonymity. "And still, El Pais is behind El Mundo in page traffic.

"El Pais has spent I don't know how many millions of euros trying to make up all the ground they lost to El Mundo. The pay wall was a complete disaster.

"To even suggest charging for online content is to commit career suicide. You would be laughed out of the newspaper industry."

El Pais is currently concentrating on merging its print and online operations, and publicly announced in January 2009 that the integration would mean that the paper would start producing content for the Web edition first. The paper publicly speculated that within 15 years, it foresees that there may no longer be a print edition.

-- by *David LaFontaine*

## **Paid Model Advocates Stress Value of Content**

*By Dinah Eng*

Ask newspaper executives whose Web sites charge for access to information why they've chosen a paid model, and you'll get a laundry list of reasons – all topped by the belief that newspaper content is too valuable to give away.

Charging for Web site access has created a consistent revenue stream for newspapers that have chosen a paid subscriber model, according to the newspapers that are charging.

More than a decade ago, most newspapers started out with free Web sites. Some began charging for things like obituaries and archived material, then moved to an online subscription model. Most paid sites now allow initial access to stories, then charge to delve deeper into content.

“As we go forward, we're going to charge as much as we can,” says H. Brandt Ayers, chairman of Consolidated Publishing and publisher of The Anniston (Ala.) Star. “There is value to society, and a value to enjoying what we produce, and people ought to pay for it.”

### **The Revenue Factor**

For most newspapers with a paid Web site, online revenue represents a small percentage of the bottom line, but in an economic downturn, it's become a source that's significant and growing.

Paid site advocates say consumers are used to paying service providers for Web service and they are used to paying Web retailers for goods. Newspapers, say paid model advocates, must sell the value of their content and make readers understand that an e-edition requires an investment in hardware, software, and personnel that must be recouped.

At The Bulletin in Bend, Ore., the newspaper decided to begin charging for access to content in 2005. Content that had been offered for free – including the top three stories of the day's editions, weather, obits and classifieds – continued to be available for free. Access to new content developed for the Web, as well as additional stories from the newspaper not placed online previously, required payment.

“We decided there's value to the newspaper content, we have an investment in online content, and our strategy was to equate value to dollars,” says Keith Foutz, corporate circulation and operations director for Western Communications, Inc. “We added more content, podcasts, the ability to blog if you're an e-edition subscriber and a searchable archive section, which we charge for.”

For an extra 50 cents a month over the \$10.50 monthly delivery charge, print subscribers get access to the online edition as well. Web readers who only want the online edition can pay \$8 a month or \$3 for three days.

The strategy has been successful, with 25,000 home delivery subscribers opting to kick in that extra 50 cents, netting the newspaper an additional \$12,000 a month.

“Our electronic edition, which is not a replica of the paper online, has added about 1,200 e-subscribers to our ABC numbers since 2005,” Foutz says. “In 2009, our budget for just paid online e-editions is in excess of \$200,000, which is a huge chunk these days, so it’s been a real success from a revenue standpoint.”

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**“If there’s value in what we sell, we should be confident in asking for something more than free.”**

*-- Nathan Alford, Editor and Publisher of The Lewiston (Idaho) Tribune*

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Paid online subscriptions represent 5.5 to 6 percent of the circulation department’s total revenue, and is growing.

Since Audit Bureau of Circulation rules permit newspapers to include Web access payments as “individually paid circulation,” many publishers say online subscriptions have helped to recapture subscribers who had dropped print subscriptions and migrated to the Web when newspaper content was offered for free.

“One of the things that got me to thinking about charging is that we’re a college town and well wired,” says Mayer Maloney, Jr., publisher of the Herald-Times in Bloomington, Ind. “People were coming up to me saying, ‘I feel bad that I dropped my subscription. I’d be happy to pay a little for it online.’ People felt that what we had was worth paying for.

“We are one of 14 newspapers in our company to have a Web site, and we have great numbers. People who pay for the Web site stay there and read it. It’s a niche site, no different than a local community paper.”

Maloney says the newspaper also offers a mobile site, sports sites with live streaming video, and various other sites that are free to users.

Do paid sites lose out on advertising revenue because of the limited audience of paid subscribers? Paid model advocates say no. Most local advertisers, they argue, are more interested in reaching local readers who will buy their wares than users who happen to be trolling the site from afar.

“The theory that the more eyeballs you get, the more revenue you’ll get, is not one I ascribe to,” says Maloney. “Here in Bloomington, Ind., we best serve our advertisers by not giving them people who live in Boston because those people won’t go into their stores. Our advertising revenue online is doing just fine.

“We charge on a cost per 1,000 [or CPM] basis. We give advertisers the number of impressions they’re looking for, and it’s not unusual for us to over-deliver. Compared to what other newspapers bring in advertising revenue, we’re as good or better than others.”

Maloney adds that his newspaper is a Nielsen-audited site, so verifiable numbers of unique visitors, page views, and time on site can be compared with other Nielsen sites that are accessed for free.

Conan Gallaty, online director of the Arkansas Democrat-Gazette and ArkansasOnline.com, says the issue of maximizing ad revenue online is not an audience-related problem, but a business model problem.

Gallaty explains that most media companies who put content online welcome large audiences, but can’t sell all their ad inventory in a manner that generates large profits.

“If you have a million ad impressions, you might sell 500,000 and the rest will be sold by a remnant network at much lower prices,” Gallaty says. “This lowers the effective CPM of the entire site. Direct sales are usually \$15-20 cpm and remnant sales are 50 cents to a dollar. Even if you grow a substantial audience online reading newspaper articles, at what price are you selling it?”

Nathan Alford, editor and publisher of The Lewiston Tribune in Lewiston, Idaho and publisher of the Moscow-Pullman Daily News in Moscow, Idaho, says 6.5 percent of his paper’s net profit came from online advertising in 2008. Content can be viewed on both sites for free, except for local news reporting and opinion.

“We have an average of 1.2 million in page views, with 77,000 unique visitors each month,” Alford says. “We have enough page views under the paid model to have enough inventory for effective advertising sales.”

### **Developing a Thick Skin**

The real crux of this conversation is whether what you’re putting online has value, Maloney says. “If it doesn’t, then give it away. We’re not going to make the money we need on advertising alone. I cannot see how we can continue down the path most papers are on of giving things away, and not do a better job of recovering our expenses. The Internet is not free.”

The Herald-Times switched to a paid site in 2003, charging \$5.95 a month for access, and now has 2,000 Web subscribers. Print subscriptions include access to the site with no additional charge.

“The people who quit their print subscriptions and were reading online aren’t coming back to print, whether the site is offered for free or paid,” says Tim D. Smith, circulation director for Hoosier Times, Inc., who explains that the only way to get Herald-Times site access is to subscribe 7 days a week, preventing password abuse on days not covered by a lower frequency subscription.

“When you do this, you have to have thick skin for a while because you get a lot of ‘How dare you?’ reactions from readers,” Smith says. “Things on the Internet have been free for so long, it was a shock for some people. But the change was successful, and in the next few months, we’re looking to take two other papers to the paid model as well.”

While consumers generally see the Internet as an open culture where information can be found for free, paid model advocates say people will pay for access if they’re convinced that the information is valuable, and they’ll pass the information along to others as well.

### **Online Traffic**

Todd Davidson, director of digital media for Hoosier Times, Inc., says traffic to the Herald-Times has increased 30 to 40 percent a year in page views. While there are 2,000 paid e-subscribers on the books, there are 10,000 active accounts set up for print subscribers, creating a total of 12,000 online users with paid accounts. Many other people use only the free features on the site.

“Just as four to five people may pass along the average print paper, we believe some people also share online accounts,” Davidson says. “Maybe our traffic would be double or triple if it was wide open, but where would those people come from? Since people have to have these accounts, advertisers know the readers aren’t just Googling a story. They’re local people who have an interest in Bloomington.”

Davidson says there are many features on the site that are free, ranging from videos and photo galleries to blogs, weather and classifieds. Creating added value for online subscribers is a priority.

“For example, we have a lot of databases that can be searched—property transfers, school book fees, public salary information—that can’t be published in the paper,” Davidson says. “So if you pay to get an online account, you’re getting more than you’d get in the paper.

“We have a big rental site, employment and auto site, and they don’t require any login, so having the restriction on the news site doesn’t affect access to the ancillary sites. If anything, it gives us a base of e-mail addresses to say, ‘Hey, did you know we just launched a wine site?’”

On the editorial front, Davidson says having a paid site creates more civil discourse online.

“We have many thousands of comments on stories every month, and you have to have an account to comment,” Davidson says. “People tend to value their account and are more careful about things like libel and slamming people in the community because we know who they are. Beyond being able to read the news, people talk to each other, so we’re adding a Facebook-type application. People use articles as conversation starters, then go off to talk about other things.”

### **Dominating the Local Web**

When it comes to value, supply and demand, many successful paid newspaper sites are located in markets where they are the dominant Web presence for news.

For example, The Bulletin in Bend, Ore. has long dominated traffic and advertising support in the paper’s circulation area, according to Jan Even, new media director for the paper.

“Our competitors, new TV stations in the market and alternative weeklies, offer Web sites also, but we offer the most comprehensive content on the Web,” Even says. “The obvious con to charging for access is our traffic and penetration into the community isn’t as great as it could be if everything were free,” like their competitors’ Web sites.

Smith, at the Herald-Times, adds, “I don’t know if a paid model will work in every market, but if you need to read about the local game or county council, why shouldn’t you have to pay for it? You’ve always had to pay to see the newspaper, or an advertisement.”

At The Anniston Star, providing unique local coverage on the Web has captured not only Alabama readers, but has brought in a paid national audience as well.

“We get a lot of people reading us who aren’t in the area because we have a national reputation,” says Dennis Dunn, circulation director for The Anniston Star. “Forty percent of our Web paid subscribers live elsewhere, and are former residents or people who tune in because of the paper’s reputation.”

Dunn explains, “You want to protect your franchise for the future by having an online presence. Would you want as many people to read your paper as possible? Yes. Would we have made it paid if money and the economy were not an issue? Yes. We would make it paid because it’s important to protect your core product, which is a paid print newspaper. As long as you’re a paid print newspaper, I think you have to make your Web site paid.”

### **Free at the Outset**

The Star offered its Web site for free initially, until the newspaper noticed that readers were dropping the print subscription to read the paper online instead. In 2002, the paper

decided to institute an access charge for three months at a time, with a discount for 6, 9 and 12 month subscriptions.

Unique visitors dropped in half when the newspaper put the pay wall up, and it took about two years to reach “pre-paid site” numbers, Dunn says. “Since then we have long exceeded those numbers. In 2008, our unique daily visitors numbered 9 percent of our print subscription numbers and last month that number rose to 13 percent.”

Print subscribers receive access to the Web. Those who want online subscriptions only pay \$5 a month, or 25 cents for a single day’s access to the Web site. Online subscriptions now account for 2 percent of total circulation revenue.

“I believe if it were free, it’d mean a 5 to 8 percent home delivery loss, because when we first opened the Web site, we were seeing losses on the home delivery side of 5 percent,” Dunn says.

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**“Here in Little Rock, we charge for access to our newspaper content. Our paper in Chattanooga is a free site. One true business model doesn’t exist.”**

*-- Conan Gallaty, Online Director for the Arkansas Democrat-Gazette*

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Foutz, who ran the marketing campaign for the move to a paid model, suggests advertising the change at least 60 to 90 days ahead of the switchover. He notes that The Bulletin did an extensive ROP campaign through the print newspaper, its TMC product and direct mail to sell the value and convenience of getting local news online.

“If I had to do it over, I’d diversify the campaign even more and expand it to radio, TV and billboard,” Foutz says. “It took approximately six months time from planning decisions being made to implementation. You’ve got to allow the readers in your market to drive what you do.

“Hold focus groups, conduct market research to see if they want a replica of the paper online, or an expanded Web site with newspaper content. Internally, make sure you’re all in agreement on the priority of goals – whether the decisions are revenue driven, traffic driven, or circulation driven.”

The Arkansas Democrat-Gazette was an early adopter of the paid site model in 2002, now charging \$4.95 a month for online subscriptions and \$12.95 a month for print subscriptions, which includes online access. Both subscriptions include access to a separate, enhanced e-edition, offered through Olive, as well as a basic PDF version.

While those who advocate free sites say paid sites restrict audience growth by asking consumers to pay for access, paid site advocates say they're creating additional new content daily that's attracting new audiences.

Since newspapers using a paid model focus on selling the value of their product, advocates say they're investing more than ever in Web technology and advancements.

"We're working on making sure our design and functionality are up to speed," Alford says of the Lewiston paper. "We're investing in video equipment for our photographers, and subscribing to NextGen social networking, without any detriment to our core operation on the news side.

"It's all about added value. The ability to check in on developing news and breaking news sent out by SMS and e-mail has unique value, and is all part of the online subscription. Searchable archives dating back to the late '80s provides extra value, too."

Gallaty says a paid content wall doesn't restrict revenue and won't dictate the direction newspaper Web sites are headed.

"Forecasters don't point to the banner ad as our big salvation," Gallaty says. "They point to mobile, search, video, directories, contests and promotions – and none of those are tied to newspaper content. If our revenue is in those areas, it's not going to help to open up our newspaper content for free.

"It's important that the industry not bandwagon around the paid model as a panacea for all. So many companies went into free content as the rule, and didn't experiment enough. Here in Little Rock, we charge for access to our newspaper content. Our paper in Chattanooga is a free site. One true business model doesn't exist."

Paid site advocates say charging for content is one way the newspaper industry can position itself to endure a temporary downturn in the economy, but the value of what is sold is what will position newspapers for a bright future.

"The need for credible news, information and compelling opinion will be as great tomorrow as it is today," says Alford, in Lewiston. "How that business model is to be shaped is yet to be determined. As long as we're committed to both print and online, we'll be in a position to serve the needs of all readers.

"Whether it's a blend of print and online and mobile, whether it's the Kindle or the back of a banana peel, regardless of the platform, as long as we put journalism first, we have a better chance of thriving in the future. If there's value in what we sell, we should be confident in asking for something more than free."

## **The Albuquerque Journal: A Pay Model Success Story**

*The following is based on a telephone interview with Donn Friedman, assistant managing editor at the Albuquerque Journal.*

While many newspapers have found the paid online content model unsuccessful, others have made it work.

The Albuquerque Journal put its online news content behind a pay wall in 2001, and has seen both unique visitors and even online revenue increase. Donn Friedman, assistant managing editor at the Journal, weighs in on why the pay model works for them:

### **Q: Why switch to a pay model?**

A: By not putting a value on [our online content], and charging in some way, it was actually setting a bad example that people believed it wasn't valuable. When it started in 2001, it was pretty apparent to us that non-pay models didn't work, that advertising wouldn't support a newsroom full of journalists online. It wasn't clear that a pay model works either, but we had to explore it.

### **Q: How does online traffic compare before the pay wall was put up, to now?**

A: We had 150,000 unique visitors a month in 2001...And 270,000 visitors a month now. We had a 20 percent drop in the first year and slowly but surely regained all the traffic back. Now our traffic levels are higher than they've ever been.

### **Q: What about print subscribership?**

A: We have 70,000 daily print subscribers; 40 percent of that registered online. We haven't seen drastic reductions in print subscriptions...We used to get less than 100 new [print] orders via the Web site before charging, and that went to more than 300 per month after erecting the pay wall. And 300 new print and online users is a lot more valuable than 300 Web freeloaders.

### **Q: How much do non-print subscribers pay?**

A: We charge \$80 a year for non-print subscribers [up from \$60 in 2001]. One of the reasons we went up in price was because we could.

With the expanding market, you need too many people to be accessing your content to make advertising pay for it...In order to survive off advertising alone, we needed traffic numbers that far exceeded the number of literate adults in the state of New Mexico every day.

### **Q: Any advice for newspapers following the free online content model?**

A: If you look at our site, or any newspaper Web site that you find, 67 percent of all users of newspaper sites are also people who read their print products. If you give a product for free to 2/3 of your customers, how can you expect them to continue paying...With everything that's going on, is this a sustainable model that will work for a hundred years? Who knows, but the important thing is free is not a business model. It doesn't work in any industry.

*-- by D.J. Siegel*



## **Additional Articles and Commentary**

For a listing of articles, commentaries, blog entries and more on the subject of whether newspapers should charge for online content and how various payments models may (or may not) work, go to [www.naa.org/paidcontent](http://www.naa.org/paidcontent).

## **Contributors**

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