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## **Newspapers Grapple With How -- or Even Whether -- to Erect a Pay Wall**

While a Growing Number Seek to Charge, There's No Consensus on Best Model

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NEW YORK (AdAge.com) -- The push for newspapers to charge their online readers reached wild-rumpus status last week, as Newsday.com announced a pay wall, a big deal for the country's 12th biggest paper, and New York Times readers begged the paper to let them pay to read the site.

Steven Brill, co-founder, Journalism Online

"I want to pay for my online use of The New York Times," read one comment on a Times article about 100 new job cuts in the newsroom. "Start charging for the work of your reporters!" said another.

And now Journalism Online, a company established this year to help newspapers experiment with pay models, is poised to send software to some "beta publishers" by early December.

"There was a big debate about 'if' media should charge for online content, said Steven Brill, co-founder of Journalism Online. "That debate is over."

Well, it is and it isn't. The party is getting bigger, but some papers are already saying they'll stay away.

Newsday is joining a small but growing list already using some kind of wall or meter on their sites, including The Wall Street Journal, The Financial Times, the Newport Daily News in Rhode Island and the Milwaukee Journal Sentinel, where some Green Bay Packers coverage requires an "Insider" subscription. The New York Times is still figuring out its plans, but many people expect it to adopt some kind of membership model or paid approach.

### **No handouts**

Media News Group, the owner of 54 dailies including the Denver Post, means to charge readers where possible. "My sense is that we're not going to make a huge amount of money for premium content," said Oliver Knowlton, president of Media News Group Interactive. "But what's more important is it's just not given away free online."

And Journalism Online will soon usher others along. "Our biggest problem, and it's a good problem," Mr. Brill said, "is they're all hounding us to get into the beta test."

Journalism Online has researched how the math might work for a metered newspaper site that charged people who visited more than 10 or 15 times each month. That research suggests perhaps 10% or 15% of visitors might pay \$6 to \$7 a month. The company's model also assumes for the sake of argument that the new approach would put 12% of page views and 9% of ad revenue at risk, but Mr. Brill said he doesn't think that's how it will play out in the real world.

"Your most avid readers are the ones who are going to pay and they're the ones responsible for the most page views," he said. Papers should also be able to charge higher ad rates to reach those paying readers, he said.

The downside is that pay models can constrain growth in traffic, ad inventory and newspapers' voice on the web. "Our voice is our greatest asset in many ways," said Greg Harmon, CEO-managing director at Belden Interactive, part of ITZBelden. "Going paid involves thinking really hard about conserving and preserving and advancing voice."

### **Compromise**

Belden and others prefer the metered approach to limit the impact on page views. The Financial Times, which introduced its frequency-based pricing model in 2007, said FT.com has 1.6 million registered users and more than 121,000 paying subscribers -- up 22% from a year earlier. Unique visitors and page views are growing at the same time.

But the risks, the unknowns and other opportunities have convinced some papers not to try charging online readers. Months of study, industry conclaves and war-gaming have actually yielded a variety of responses, not all aimed at undoing the "original sin" of free news online. Advertising, which fairly or unfairly plays the serpent in that original sin metaphor, may still have more to offer. There's some optimism about a new deal with aggregators and search engines. And paid content can play a role, some newspapers have decided, without touching the papers' main sites.

"If there are three legs to newspapers' online revenue," said Ken Doctor, a media analyst at Outsell, "I would think it would be advertising first, the reckoning with search second, and paid content No. 3."

Research from PHD and Ipsos illustrates part of the dilemma. Only 16.5% of respondents said they were likely to pay if magazines and newspapers started charging on the web, while 65% said they were unlikely to pay. Among those, 42.8% said they were "extremely" unlikely.

Meanwhile free competition is rising; witness new San Francisco Bay Area coverage from The New York Times or The Huffington Post page devoted to Denver news. Newspapers also have real online ad revenue to protect, hauling in \$653.1 million from their sites in the second quarter, according to the Newspaper Association of America. That pales next to their print haul -- nearly \$6.2 billion in the quarter -- but some executives would rather focus on bringing the online pieces up to size.

## **Santa Claus**

"There was this real cry at the beginning of the year about 'Oh my God, we've been giving our content away,'" said Rusty Coats, VP-print and online content for Scripps Newspapers, which owns papers including the Commercial Appeal in Memphis and the Ventura County (Calif.) Star. "But those who say we let the cat out of the bag on that one -- well, the cat was never in the bag."

Scripps went to the meetings this year, like everyone else, got on the conference calls and did the math, Mr. Coats said. None of the models promised to put enough gifts under the tree. "Online media right now is a teenager, in its 15th or 16th year," Mr. Coats said. "We talked about paid content when this first started. When my four-year-old talks about Santa Claus, it's kind of amusing. When my 15-year-old talks about Santa Claus, it's not. Our issue is not charging advertisers for the worth of our audience."

The Dallas Morning News, the A. H. Belo flagship, is exploring its options, including charging visitors to its site or joining a newspaper network that charges readers as one entity. But Publisher Jim Maroney is leaning toward another course: "If I were to guess today, I would guess that we would first of all look at a payment from an aggregator or several aggregators."

Big newspaper companies are also looking at putting all their data about their readers, in print and online, to work for marketers. Tribune's new Tribune365 unit is planning to introduce a universal registration system for all Tribune sites this year, with universal registration for mobile visitors in 2010. "We are getting such a fine degree of detail in terms of targeting that we will eventually be able to target a physical product to a household address, a digital product to the digital user in that household and a mobile product to the mobile user in that household," said Don Meek, president of Tribune365.

That kind of project, of course, benefits from the biggest possible audience of registrants, something that charging for even unique, niche content could undermine. Mr. Meek declined to discuss prospects for pay plans at Tribune. "We're going to try a lot of different things," he said. "Which ones ultimately prevail, it's too soon to tell."

Some newspapers, on the other hand, are getting into charging by building new sites with additional offerings. At the end of August, The Pittsburgh Post Gazette and The Tuscaloosa News each introduced new sites for paying members only: PG+ in Pittsburgh and TideSportsExtra in Tuscaloosa. "We didn't want to damage anything we've already created and grown on the free side," said Chris Rattey, director-new media at The Tuscaloosa News and TideSports.com. "Our thought process was not to take our current TideSports.com and put a pay wall around it, but to build something brand new and exciting." TideSportsExtra charges \$59.95 for an annual membership or \$10 by the month. Traffic at the main, free sports site is still growing, Mr. Rattey said, while TideSportsExtra is meeting expectations.

## **The many paths ahead**

**FREE:** Keep welcoming big audiences. Newspaper sites averaged more than 74 million unique visitors monthly in the third quarter, more than a third of all web users, the Newspaper

Association of America and Nielsen Online said last week. But you'll have to fight to raise ad rates to a healthier level.

**METERED:** Charge only your heaviest users. Ask \$6 or \$7 monthly from people who visit more than 10 or 15 times each month, in one Journalism Online model, and expect 10% to 15% of your audience to start paying. That model assumes you risk 12% of your page views and 9% of your ad revenue, but Journalism Online Co-founder Steven Brill thinks that overstates the damage. The Financial Times, which started a frequency-based payment system in 2007, says paying subscribers and free traffic are both growing.

**MOSTLY WALLED:** Even fairly high walls don't cut page views by more than half, according to ITZBelden estimates; ad revenue would hold up in that case, because newspaper sites often sell just half their inventory anyway. But you greatly diminish your visibility and voice while risking future growth in traffic and ad inventory, ITZBelden found.

**WALLED NICHEs:** Stay free but charge devotees for specialized content they can't find elsewhere. The Milwaukee Journal Sentinel, for example, has long offered extended Green Bay Packers content to "Insiders" who currently pay \$6.95 a month or \$44.95 a year.

**SEPARATE PAY SITE:** Seek circulation revenue online while protecting audience growth and visibility at your main site. Last month, The Pittsburgh Post Gazette introduced PG+, offering content not seen in the daily print or online Post-Gazette, for \$36 a year or \$3.99 a month.

**MEMBERSHIP:** Keep your gates wide open and ask your most-devoted users for support. Outsiders peg NYTimes Online, whose commenters begged last week to contribute, as a candidate for this approach.