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Zero-Sum Games: Framing the Paid Content Debate



Can Newspapers Charge for Online Content?

By Dave LaFontaine

The debate over charging for online content is a hot-button issue – sometimes when it comes up, the discussion degenerates into



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NAA Events

[2009 NAA Annual Convention](#) April 5-6, San Diego, CA

San Diego will welcome industry executives from across the country to the 2009 Newspaper Association of America Annual Convention! This is the premier event where senior-level newspaper professionals learn, share ideas and network. Our agenda will provide you with strategies and tactics necessary to address the key issues of revenue, audience, digital and infrastructure. Idea sharing, training

[Event Details.](#)

Suggestions

We are actively adding new resources. If you know of a resource that you think we should include, please send us your suggestions.

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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.

Media Café has worked out a spreadsheet laying out 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. [Download the spreadsheet.](#)

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.

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. Content aggregators are making millions by selling ads against our content
 - b. 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 payment wall up. And some newspapers that took down the payment wall in the late 1990s have rebuilt it. (See "[Paid Content Advocates Stress Value of Content](#)" for more.)

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.

Additional Reading

See a list 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 [here](#).

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 paywall 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. (See "[Free Content Advocates Focus on Growth Potential](#)" for more on these arguments.)

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 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 music industry has been fighting for more than a decade.

[>> Continue to Possible Solutions: Subscriptions, Paid Niche Sites and Micropayments](#)

First Published:

March 13, 2009