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Zero-Sum Games: Framing the Paid Content Debate

Can Newspapers Charge for Online Content Without Killing the Future?

By Dave LaFontaine

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.

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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 in Oregon goes a step further, giving e-edition subscribers free access to exclusive online content that print subscribers can't access.

The Google Effect

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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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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, 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 Web sites.

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.

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