NEWSPAPER PAYWALLS – THE HYPE AND THE REALITY

A study of how paid news content impact on media corporation revenues

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Abstract:

This paper addresses the contemporary issue of newspaper paywalls. The scope of the paper is limited, but it aims to analyse different paywall models and how they impact on media corporations revenues in the US, the UK, Slovakia, Slovenia and Poland (Piano Media), Australia, New Zealand and Finland. The paper finds that newspaper paywalls provide roughly ten per cent of media companies' publishing/circulation revenue. The paper also finds that paywalls are softening and prices in some cases decreasing as news corporations fight for new digital subscribers and revenues. The paper argues that the revenue generated by paid online news content is not substantial enough to make paywalls a viable business model in the short-term. Media corporations do not disclose information about their digital subscription revenues and this lack of transparency might impact on research findings.

KEYWORDS: digital revenue, digital subscriptions, newspaper paywalls, online news, paid content

MAIN RESEARCH CONCERN SO FAR: WILL THEY PAY?

In May 2013 Google search for the term 'newspaper paywal'l returned 621,000 search results, but Google Scholar gave only 820 search results for the same term. The number of media and industry writings on paywalls has rocketed during the past couple of years, but academia is lacking in research even if the need for such research is recognised. As Chyi notes:

> the intensified debate indicates the significance of the subject matter as it pertains to the value of news and the future of journalism, but the quick facts and reasoning often seen in online commentaries and trade publications often failed to contextualize the issue at hand (Chyi 2012).

One reason for the lack of research is that paywalls have just started to emerge globally and therefore there is not a great amount of comparable or historic data available. So far most academic research on paywalls has centred on paying intent for online news and has mainly concluded that readers are not willing to pay for general-interest online news. Chyi was one of the first academics to give a contextualized framework to research paid online news content. Her 2005 study conducted in Hong Kong found that the public had little interest in fee-based online news services, and therefore "news publishers may find it difficult to rely on the subscription model to achieve economic viability." (Chyi 2005, 141). Her research suggests that people are not willing to pay for online news because news does not have "unique value" and is therefore regarded as "inferior goods." (Chyi 2005, 140). Van der Wurff on the other hand argues, that good journalism adds value to news because they have positive outcomes by keeping citizens informed (Van der Wurff 2012, 245). In 2012 Chyi conducted another survey in America, and her findings reconfirmed earlier ones. Her study reveals that the Americans prefer print newspapers over online newspapers, and the willingness to pay for a print format is higher than for an online newspaper. On average, Americans are willing to pay US$ 7.70 for a print newspaper, US$ 3.10 for an online version and US$ 1.50 for a news app (Chyi 2012). Because Americans favour print newspapers, “paywall is not going to generate sufficient digital circulation income to challenge the print edition’s importance as the primary revenue source.” (Chyi 2012, 242).

On the other hand, a recent study by Cook and Attari found that newspaper readers might be more willing to pay for online news if there was a real threat to a news organisation’s survival. In their research of *NYT.com* users, they found that the readers were more willing to pay for the online news content when they were provided “compelling justification that *The New York Times* was likely to go bankrupt without their support.” (Cook and Attari 2012).

In 2007, Thurman and Herbert conducted an empirical study of British newspapers’ online business models, and found that news websites relied on advertising income even more heavily than print newspapers. Their study of 12 British newspapers found that all of them charged for some content, but none of them asked payment for general-interest news (Thurman and Herbert 2007). Since the study was conducted, several British newspapers including *The Times*, *The Telegraph* and *The Sun* have introduced paywalls. Another online survey in the UK found that 21 per cent of British tablet users and 11 per cent of mobile phone users had paid for digital news (Newman 2012). A nationwide survey in the US, conducted by Rosenstiel et al. found that only five per cent of Americans paid for local online news content (Rosenstiel et. al 2011*).* Around 23 per cent of those responding to their survey were willing to pay a US$5 fee for local online news, but only 18 per cent were willing to pay $10 fee or more. Even though people’s willingness to pay for online news seems low in some countries Internet users are paying for some online content. In 2010, a survey of 755 American Internet users revealed that 18 per cent of them had paid for digital newspaper, magazine or journal articles and reports (Jansen 2010). Also a study conducted by Sorce, Vogl and Haizhen in 2011 found that 70 per cent of news organizations provided free access to news on their websites, but 42 per cent indicated that they planned to change their payment model (Sorce, Vogl and Haizhen 2011). In 2012, Zhang compared paid content strategies by American and Chinese news organisations, and found that 70 per cent of the US news organizations and 80 per cent of Chinese news organizations provided free access to their news websites. However, 42 per cent of US and 30 per cent of Chinese media companies were planning to introduce a paywall (Zhang 2012). Many academics and journalists have expressed their paywall scepticism, for example Grueskin et al state that:

> Any news site that adopts a pay scheme now should have very limited expectations for its success – at least on the Web. In the case of a print publication, requiring digital readers to pay may help to slow circulation losses, but that is hardly a long-term solution (Grueskin et al. 2011, 131-132).

Macnamara agrees noting that charging for content “appears to offer, at best, a partial business model for media.” (Macnamara 2010, 28). According to him, the media in Australia and the United Kingdom will be challenged because they have strong national public broadcasters such as ABC in Australia and BBC in the UK. Both organisations are “under their respective charters bound to continue offering free content.” (Macnamara 2010, 27). Edmonds et al. also argue that moving to paid online content is unlikely to have a substantial financial impact on news organisations in the short-term, but it gives companies a chance to prepare for the future without print newspapers. “It gives flexibility to raise the subscription price in later years or charge more for a particularly convenient medium like tablets.” (Edmonds et al. 2012). Fahri argues that paywalls reduce online traffic and advertising revenue: “When freeloaders are denied access to the site, traffic drops substantially. Bye-bye, advertising revenue.” (Fahri 2009). Ingram shares this view by stating that even *The New York Times* “is not pulling enough revenue to make up for the ongoing decline in print advertising revenue, as advertisers search for better ways of reaching their potential customers.” (Ingram 2012a). Alan Rusbridger, the Editor of *The Guardian* and an advocate of open journalism, is critical of paywalls, but doesn’t rule them out completely (Ellis 2012). *The Guardian* is already charging for its content delivered to mobile and iPads.

> It’s not that we’re against payment altogether. But at the moment, when we’ve crunched the numbers, we don’t think that the revenues we would get from a paywall would justify making that the main focus of our efforts right now (Ellis 2012).

RAPIDLY EMERGING PAYWALLS

There has been a rapid proliferation of newspaper paywalls since 2012 as news organisations search for new revenue streams. Since introduction of the Internet, commercial news organisations especially in Western economies, and in particular in the US, have found that their business models based on advertising revenue are faltering. As Rosenstiel et al. note, newspapers’ process of building digital revenue has been “painfully slow” and it has taken “longer and proven more difficult” than the news industry anticipated (Rosenstiel et al 2012). The gains newspaper companies make in digital platforms haven’t made up for losses in print, and every one dollar gained in digital advertising income has resulted to a loss of seven dollars in print (Rosenstiel et al. 2012). Against this background, it is unsurprising that the pace of paywall adoption has accelerated in 2012 and 2013. Johnston observes that “this suggests that while experimentation with paywall specifics continues, the journalism industry believes they ultimately have a solution to their digital problem.” (Johnston 2012).

According to White, the number of paywalls in the US has rapidly increased and in November 2012 there were 300 newspapers in the US with paid online news content (White 2012). Beller observes that paywalls are more popular amongst the bigger newspapers which have circulations of over 100,000 copies (Beller 2012). This seems to suggest that “the higher adoption rates by larger newspapers could be seen as proof that paywalls are largely defensive moves intended to reverse the online cannibalization of loyal print readers.” (Beller 2012).

A paywall can be defined as a “system that prevents Internet users from accessing webpage content without a paid subscription.” (Mashable, n.d.) or as “a digital mechanism to separate content that one has to pay for from the rest of the content on the net.” (Radoff 2009). We can identify different kind of paywalls:

- Hard/full paywalls – no access to content without subscription
- Soft paywalls – some free content
- Metered paywalls – restricts number of free articles

- Freemium paywalls– some free content, charges for premium content

Most commonly introduced paywall models are either soft or hard paywalls, metered paywalls and freemium models. In the US, the most common paywall model is a metered paywall allowing users to read a certain number of articles per month for free. Roughly 87 per cent of the US newspapers allow readers to access a certain amount of articles before subscribing, and the average number of articles allowed before hitting the paywall is 11. Around 53 per cent of the papers give print subscribers free digital access and the rest offer print subscribers a discounted online rate (Hazard Owen 2012; Johnston 2012).

During 2012 and the first half of 2013, many news organisations reported growth in their digital subscription numbers. As seen in Table 1, [Insert Table 1 here] *The Wall Street Journal* has the largest digital subscription base followed by *Financial Times* and *The New York Times*. The packages and prices offered by different media companies vary substantially as seen in Table 2. [Insert Table 2 here].

RESEARCH METHODS

The aim of this paper is to research emerging online news paywalls, and what impact they have on media corporations' revenues. The nature of the paper is exploratory: its purpose is to establish if newspaper paywalls are a viable business model, and if there are differences between different paywall models. The scope of the paper is limited, and the media organisations disclose very little information about their digital subscriptions and revenues. Also prices of their digital packages vary greatly making direct comparisons difficult and results therefore possibly somewhat distorted.

The paper is international in its scope since it covers different pay models in different geographical regions with different size of markets. It studies paywalls in the US and the UK - where they were first implemented - as well as paid content in Finland, Australia and New Zealand where paywalls have just started to emerge. The national paywall model established in Eastern European countries Slovakia, Slovenia and Poland (Piano Media) differs from others and therefore offers an interesting comparison point. The case studies were chosen amongst daily newspapers and financial newspapers in order to research different paid content models and pricing. The researcher acknowledges that success of paid online news content in different countries might be dependent on cultural differences, reading habits and print loyalty amongst other things which cannot be addressed in this paper because of its scope.

The research on this paper is based on digital-only subscription numbers provided by news corporations. When digital-only subscriber numbers haven't been accessible, the researcher refers to hybrid readers who have access to both print and online versions (as explained in Chyi et al. 2010). When comparing paywall revenue streams, the researcher has opted to the cheapest subscription packages where possible in order to make data more comparable, but the pricings and packages have multiple variations making data analysing difficult. The research was conducted by analysing data from financial reports, press releases, corporate websites, market statements and additional information was sought directly from corporations via personal communication. As Wynseck notes, public corporate documents such annual reports and financial statements are essential sources for research. He acknowledges that gathering information on media institutions can be challenging, and some of the crucial data might not be made available for research (Wynseck 2011).

The news corporations and newspapers included in the study are:

- The New York Times Group/*The New York Times* (US)
- Pearson Group/*Financial Times* (UK)
- Piano Media (Slovakia, Slovenia, Poland)
- News Corporation/*The Times* and *The Sunday Times* (UK)
- News Limited/*The Australian* (Australia)
- Fairfax/*Australian Financial Review* (Australia)
- *National Business Review* (New Zealand)
- Sanoma Group/*Helsingin Sanomat* (Finland)
- Alma Media/*Kauppalehti* (Finland)

CASE STUDIES

NYTimes.com and FT.com – a metered paywall model. The New York Times Group launched a metered paywall for *The New York Times* online website *NYTimes.com* in March 2011, allowing its readers to view 20 articles each month at no charge. In a letter to the papers readers, the publisher Arthur Ochs Sulzberger Jr. commented that the digital subscriptions “will strengthen our ability to provide high-quality journalism to readers around the world and on any platform.” (Sulzberger 2012). In April 2012, *NYTimes.com* dropped number of free articles to ten allowing the company to tighten its paywall. Readers can still access the papers articles through search engines and social media sites, and the stories read via those links don’t count toward one’s free monthly allotment. *NYTimes.com* offers readers differently priced packages for different devices, and its cheapest package costs US$ 3.75 dollars per week, US$180 dollars a year.

The New York Times metered model has been hailed as a success, and an example for other newspapers to follow (Kafka 2012). On the other hand, *The Economist* points out in an article on August 18, 2012, that 40 per cent of the newspaper’s revenue still comes from advertising, and online advertising rates are far lower than in print. In July 2012, The New York Times Company announced that it had 532,000 digital-only subscribers (NYTimes.com 380,000) – a 13 per cent increase over the first quarter of 2012. (The New York Times Company 2012; Beaujon 2012; Kafka 2012). In a press release, the company states that the growth in paid digital subscriptions benefited from its decision to lower the number of free articles per month to ten (The New York Times Company, 2012). The company doesn’t disclose how much money it makes from the digital subscriptions. In the second half of 2012 it made more revenue from advertising ($482 million) than from circulation ($460 million) although the gap between the two revenue streams was closing (The New York Times Company 2012).

Based on a calculation of 380,000 *NYTtimes.com* digital subscribers and assuming that they all would pay the cheapest digital package available - US$180 a year per person - the online newspaper would make US$68 million in a year from digital-only subscriptions. In 2011, the annual circulation of The New York Times

Company was US$941 million (The New York Times Company 2011). Based on these figures, the revenue from digital-only subscriptions represents 7.2 per cent of the company's total annual circulation revenue. This figure seems to be in line with some other estimates. For example, Chittum estimates that the digital revenue of *The New York Times* is more than US$70 million a year meaning that "the digital revenue more than covers the cost of its newsroom." (Chittum 2012). Because of a lack of transparency in the company's financial statements it is impossible to know how accurate these calculations are. Edmonds (2012) points out that many of the newspaper's digital subscriptions may "have been secured at deeply discounted, introductory rates" (Edmonds 2012) and if that is a case, the subscription numbers might be inflated.

Some of the main concerns regarding *The New York Times* paywall are that it is easy to bypass and people can share its stories via social media without paying. It is also paradoxical that its paywall comes down when there is a major news event – as seen in a case of Hurricane Sandy and the Boston marathon bombings – when the paper might have gained more income from digital readers. In April 2013, there were some signs that the growth in *NYT.com* digital-only subscription base was slowing. In April 2013, The New York Times Company announced that it was planning to introduce a cheaper pricing for its online readers to boost online subscription numbers. At the same month the company also abolished paywalls for the video content. Also in February 2013 *The New York Times* signed a deal with the American coffee chain Starbucks to enhance its digital subscriptions. The customers of the coffee chain get a free access to 15 articles per day (instead of 10 free articles per month) on *NYTimes.com* by logging in through Starbucks' in-house Wi-Fi network

FT.com online readers are able to access 10 stories a month before they are asked to subscribe to one of its packages. In July 2012, Pearson Group – the owner of the *Financial Times* – announced that its digital-only subscriptions grew 31 per cent to 300,000 in the first half of the 2012 from the first half of 2011 meaning that its digital subscriptions exceeded print circulation for the first time in its history (Pearson 2012a). John Ridding, the CEO of the *Financial Times*, declared that "this is a growth story. We're growing our paid-for readership. It's now 600,000 and it's never been that high in 125 years of the FT." (McCabe 2012).

Pearson Group doesn't separate circulation and advertising revenue numbers for the Financial Times Group, but it states that "in the first half of 2012, digital and services accounted for 50% of FT Group revenues and content revenues accounted for 61%." (Pearson 2012a). These figures don't reveal what is included in its digital and services revenue, and as Starkman observes "Pearson breaks out even less than the TimesCo. so we don't know how much money the digital subscription revenue represents." (Starkman 2012). In the first half of the 2012, FT Group had 4.8 million registered users, and FT's total paid circulation was 599,000. FT has different content packages and pricing policies in different countries, and therefore it is difficult to build revenue scenarios around its paywall. For the purposes of this paper, we use the pricing model the FT has in place in the US. *FT.com* has 300,000 digital subscribers, and if we assume that these would be standard subscriptions (cheapest version) costing $US 300 per year, the annual revenue from the paid digital content would be US$90 million a year. This represents roughly 13 per cent of the FT Group's 2011 annual sales of $US683 million (Pearson 2012b). The figure is not far from the Starkman's (2012) calculations since he estimates that FT's retail digital subscriptions bring in $US45 million in the UK, and $US 25 million "making digital-only subscription revenue roughly $70 million, not including corporate." (Starkman 2012).

The FT's digital subscriptions and revenues are increasing, and as Greenslade observes, by combining paywall with increasing print price, the FT has been able to make profit every year since 2005 (Greenslade 2012). Most recently there have been signs that FT's paywall is softening. In November 2012, the *Financial Times* announced that it was abandoning paywalls for all of its blogs, including its influential Alphaville blog. As Salmon points out, it is a clear shift in the paper's culture which so far has been based on the philosophy that no information published by the FT should be free (Salmon 2012).

Piano media – a nationwide paywall. Piano Media is a Slovak-based company which provides publishers with paid content systems. The company was launched in 2011, and it provides national newspaper paywall systems in Slovakia, Slovenia and Poland, and individual paywall systems for publishers. Currently its system has been adopted by 25 media groups with 65 websites (Piano Media 2012a). The company uses a model adapted from cable TV operators: readers pay a monthly fee for a content package provided by number of publishers. Where Piano Media's paywall is nation-wide, users are provided with a single login and a flat fee. Piano Media's CEO Tomas Bella believes that the company has found a portable paywall system since "people are creatures of habit and if you can present them a reasonable and simple solution, they'll go for that." (Smith 2012).

In Slovakia, Piano Media charges US$4.90 per month for online readers who get access to the content provided by nine publishers. In Poland, the paywall is set to US$5.90 with content provided by seven Polish media companies, and in Slovenia people can access the content from eight publishers for a US$ 6.20 fee. Piano Media states that in Slovakia the system "generated more than 26,000 Euros with its online common-payment subscription system after its first month of operation." (Piano Media 2012b). The figure doesn't reveal much, and as Baker states "to say that Piano has solved the paywall puzzle would be a stretch. One of the biggest reasons for its success may be Slovakia's linguistic isolation from the rest of the world." (Baker 2012).

The model provided by Piano Media is based on the revenue split between publishing partners and the company. The company pays its publishing partners 40 per cent of subscriber's revenue when they register to their site. Publishers will then earn an additional 30 per cent if they can keep subscribers on their site: the longer a subscriber stays on site, the bigger the publisher's fee is. As David Brauchli explains, Piano Media keeps the remaining 30 per cent of revenue "for running the system" (personal communication, August 15, 2012). The company doesn't release subscriber figures for Slovakia, Slovenia and Poland or disclose how much money it has generated for the publishers who have joined the system:

> All I can tell you is the publishers in all three countries realize that the industry is going through a massive paradigm shift right now and we are at the beginning of the "paid-content era," if you will and that any money they get from subscription right now is icing on the cake. (D. Brauchli, personal communication, August 15, 2012).

According to Piano Media, in Slovenia publishers earn approximately $US 1,900 per 100,000 real users visiting their site in a month (Piano Media 2012b). Based on the figures provided by company, 100 000 visits per real user would bring roughly $US 23,000 revenue per year; 1 million $US 230,000 and 10 million US$2.3

million of revenue for a publisher. The figures given by Piano Media are far from transparent which makes estimating revenue streams challenging. What the figures seem to suggest is that news organisations need high volumes of regular users in order to create substantial revenue out of the model. A potential problem with the system is also that if more publishers join the system, the slice of revenue between publishers becomes smaller. Another problem is that it might push media companies to provide more populist content in order to grab audiences and keep them on their sites.

The Times and The Sunday Times - softening hard wall. According to Rutt *The Times* and *The Sunday Times* (UK) have taken an "extreme position" on paywalls since they charge for access to all of their articles."(Rutt 2011, 3). Rupert Murdoch's News Corporation introduced paywalls for its UK based *The Times* and *The Sunday Times* in June 2010. In September 2012, *The Times* was charging online readers US$3.20 per week for web and mobile access, and US$ 6.40 per week for a digital package with an access to *The Times* and *The Sunday Times* tablets. These papers have hard paywalls since readers can't access their content without paying. Immediately after the introduction of paid content, the online readership of *The Times* declined by 62 per cent to 2.4 million readers worldwide, and its page views dropped 90 per cent from 41 million to four million (Schonfeld 2010). In February 2012, *The Times* had 119,255 digital-only subscribers and *The Sunday Times* had 113,818 digital-only subscribers, a clear increase from 2011 when *The Times* had 79,000 digital subscribers and *The Sunday Times* 75,133 paid online readers (Durrani 2012a).

News Corporation doesn't separate advertising and circulation revenues for its publications, and therefore estimating revenue for its online publications in the UK is hard. In the financial year ending in June 2012, the publishing revenue of News Corporation was US$597 million dollars (News Corporation 2012). If one assumes that a person would subscribe to the cheapest version of *The Times* online, one digital subscription would earn company US$ 154 a year. Based on this fee and 119,255 digital subscribers, *The Times* would make US$18 million a year – roughly three per cent of News Corporation's annual publishing income. Adding *The Sunday Times* readers who buy the weekly pack of $US 9.70, the digital version of Sunday paper would provide $US35 million revenue. The combined digital subscription revenue of *The Times* and *The Sunday Times* would be around $US53 million representing 8.9 per cent of News Corporation's annual publishing revenue - roughly in line with the *NYTimes.com* figures.

The former Guardian leader Tim Brooks argues that News Corporation's paywalls in the UK have been a "failure" and he expects *The Times* and *The Sunday Times* to shift towards a freemium model allowing readers to access some content for free (Durrani 2012b). During the summer of 2012, *The Times* and *The Sunday Times* took down their paywalls during the Queens Jubilee weekend and London Olympics to compete with bloggers, citizen journalists and social media. That weekend was a major news event in the UK with high demand for content, and the Murdoch newspapers failed to monetise their audience when there was a high demand for their content. According to Beadon this is an example why the paywalls are unsustainable in the long run.

> Paywalls are, at best, a temporary way of extracting a little bit of cash at the expense of long-term relevance. If your goal is to directly sell news as a product, but you

> discover that you have to *eliminate* your prices whenever product demand is *highest*, something is clearly wrong. (Beadon 2012).

In 2012 there were signs that News Corporation's paywalls in the UK started to soften. *The Times* and *The Sunday Times* changed their strategies by making headlines and a few sentences of news articles available on Google search (Sweney 2012). As Sweney notes, the move "marks the first easing of News International's paywall, which in May 2010 completely stopped the indexing of articles from Google." (Sweney 2012). Another similar move by News International has been the launch of the standalone Tumblr blog which will feature free opinion pieces from The Times star columnists and teasers for comment pieces. Halliday notes "that the move is likely to be seen as a further withdrawal" from *The Times* and *The Sunday Times* paywalls (Halliday 2012).

The Australian, AFR and NBR – charging for premium. Murdoch's News Limited launched a paywall for its Australian national newspaper *The Australian* in October 2011. The company has labelled its paywall as a freemium model as some of the content on the site is free, but it charges for premium content. Majority of *The Australian* content is behind a paywall as readers can only see a headline and the first couple of paragraphs of articles. The model is similar to that of the financial daily *The Wall Street Journal* which is also owned by News Corporation. *The Australian* charges a weekly fee of US$ 3.00 and US$147 annually for a digital pass which gives access to news content via computer, tablet and smartphone.

In November 2012, *The Australian* had 27,796 digital-only subscribers and 3,445 hybrid readers. Based on these figures, The *Australian's* digital-only subscriptions provide an annual income of US$4 million which represents 0.67 per cent of News Corporation's annual publishing income. News Limited's CEO Kim Williams described the figures as an "important new phase" in the industry (Blight 2012). Fairfax Media doesn't reveal digital subscription figures for its financial newspaper the *Australian Financial Review (AFR)*. According to the paper's online production editor, the number of its digital subscribers has broken "through 20,000, spurred by the launch of the masthead's iPad app in May and a cut to digital subscription pricing in December." (Woodhead 2012). In December 2011, the paper was forced to cut the price of its online subscription from US$1,188 per year to US$709 to boost the readership (*Mumbrella*, November 30, 2011).

Assuming that *AFR* has 20,000 digital-only subscribers paying $US709 a year, the paper would make revenue of $US14 million per year representing 28 per cent of Financial Review Group's circulation revenue of $US50 million (Fairfax Media 2012). This figure sounds high and most likely includes hybrid readers with bundled print and online subscriptions since *FT.com* earns around US$90 million out of 300,000 digital-only subscribers.

In New Zealand, the only newspaper so far with a paywall is the country's only financial newspaper *National Business Review (NBR)* which allows readers to access certain content for free. *NBR* has 3,000 individual and 165 corporate digital-only subscribers. It charges individuals an annual fee of $US135, and corporates annual fee of $817 (T. Scott, personal communication, November 27, 2012). Based on the figures provided by *The NBR*, the newspaper is making roughly US$572,805 per year from its paid online content. The audited circulation of print NBR was 7,448 copies at the end of September 2012, so based on the figures available, almost half of the NBR's subscribers seem to read its news online (The New Zealand Audit Bureau of Circulation 2012).

Helsingin Sanomat and Kauppalehti - upselling and bundling In Finland, the leading daily *Helsingin Sanomat* published by Sanoma Group, started to charge for online news in November 2012. Readers must pay US$12.57 for monthly access to its website, mobile apps and digital newspaper. Its metered paywall allows the public to read 20 articles per month without charge, and readers are also able to share articles via social media. Before the paywall introduction, Helsingin Sanomat had 130,000 subscribers who were paying for the digital version of the paper (*Helsingin Sanomat*, October 16, 2012). This number includes hybrid subscriptions with print and online content combinations, and the media group doesn't disclose numbers for its digital-only subscriptions. Assuming that the paper could acquire 100,000 new digital-only subscribers, the annual revenue from those would be approximately $US15 million. According to Sanoma, its news division's (Sanoma News) share of the corporate's digital revenue in 2011 was 12% of total revenues, and this is expected to rise to 14% in financial year 2012 (*Inma news blog*, September 13, 2012). Some have hailed Helsingin Sanomat as a pioneer in paid digital content because the company has successfully bundled its print and digital subscriptions. Doctor states that Sanoma is doing better job than its peers because it has been upselling digital packages to its print customers, and around 33 per cent of *Helsingin Sanomat* customers have taken the print and online combination package (Doctor 2012). The newspaper sells its readers different bundled packages with basic access or with extra access to its archives, iPad applications etc. *Helsingin Sanomat* print customers have to pay an extra $US48 to get digital access, the price difference being US$431 for full year access to its print and digital services versus US$386 for print only version.

Also the Finnish business daily *Kauppalehti* moved behind a paywall in May 2012 charging $US10 for monthly access to its online news via internet or mobile. A full web package which includes its website, digital newspaper, market data and archive, comes with a price tag of US$20 per month. The paper's readers can access 25 stories a month for free after having signed into its website. Alma Media, the parent company of *Kauppalehti*, doesn't break down numbers of *Kauppalehti*'s digital subscriptions. The company confirms that the newspaper has sold "thousands" of digital subscriptions. According to Kauppalehti's Content Sales Manager Johanna Suhonen "we are talking about millions of turnover and an over 10 per cent addition to our circulation revenue (personal communication, November 22, 2012).

FINDINGS AND DISCUSSION

Newspaper paywalls started to emerge during 2012 and 2013, and the models adopted by news organisations seem to be evolving, making research of this contemporary issue challenging. Lack of data of digital subscription numbers and digital revenues might distort some findings. This lack of disclosure begs to ask a question: *Why are publishers hiding their numbers if the paywalls are as successful as they seem to suggest?* The research urges news companies to provide transparent data about digital subscriptions and revenues in a similar fashion to the way they do with print circulation numbers.

The research data suggests that the digital-only subscriptions represent roughly 10 per cent of the news companies total circulation/publication revenues. The paper also finds:

- The paywall model doesn't seem to have a significant impact on the revenue levels achieved by it. For example, a metered paywall of *The New York Times* represents roughly 7.2 per cent of the company's total circulation revenue. In comparison, the hard paywall implemented by *The Times* and *The Sunday Times,* represents approximately 8.9 per cent of News Corporations annual publishing revenue.
- The financial newspapers charge more than general newspapers for their online content. A case study of *The Financial Times* seems to suggest that its paywall creates somewhat higher revenue stream than those implemented by general newspapers - 13 per cent of its annual sales. Financial newspapers might be able to charge higher prices for the content because of their corporate client base and the premium content their offer – such as stock market information and market analyses.
- The paper finds some evidence of price erosion of paywalls since some newspapers, such as the Australian financial daily *AFR* and the US daily *The New York Times* have lowered their digital subscription pricing in order to enhance their readership.
- The national paywall introduced by Piano Media in Slovakia, Slovenia and Poland seems to require high volumes of readers in order to create substantial enough revenue for publishers, because Piano Media takes 30 per cent of earnings, and rest is divided between publishers.
- In Finland, *Helsingin Sanomat* has been able to monetize by upselling digital subscriptions to its print customers, and the company suggest that its digital revenues already represent 14 per cent of its total revenues.

It can be argued that online news paywalls create additional income for news corporations, but at the current revenue level they don't offer a viable business model in the short term. Some newspapers have started to lower prices for their online news content and to offer discounted packages in order to enhance their subscription numbers, but in the short term this is most likely to erode their digital revenues. Some newspapers have reported substantial increases in their digital subscriptions suggesting that readers are more willing to pay for online news content. On the other hand, the research by Chyi (2005, 2012) shows that the readers in the US are not willing to pay for general online news content as they favour print instead online. News reading habits and preferences in different countries might vary, and it would be beneficial for any further studies to address print/online reading habits and possible cultural differences when researching issues in context of paywalls.

Paywalls come with some problems: they are easy to bypass and articles are available via search engines and social media making monetizing with them more difficult. They are also softening. For example, *NYT.com* has made its online video content accessible for all, *The Times* has made its online stories available for search engines, and *FT.com* has removed the paywall for its premium blog content. Paywalls are also vulnerable to audience behaviour and they are competing about readers with bloggers and social media. As some examples have shown paywalls have come down when major news events have occurred, as seen in the case of Hurricane Sandy (US), the Boston marathon attacks (US), the Queen's Diamond Jubilee celebrations (UK) and the London Olympics (UK). Newspapers might drop paywalls for major news events to gain maximum number of page visits and readers, which might give a boost to their advertising income – at least in short term. It can be argued that abolishing a paywall for major news events is good PR and might even get more people to sign for the newspapers digital offerings, but on the other hand their purpose is to create income, and the companies should monetize news when their potential digital readership is at its peak.

The scope of this paper is limited, and it encourages further research on viability of paywalls and paid content models, as well as research on what impact paid content has on democracy and public sphere. Charging for news content has the potential to create a new digital divide between those who can afford to pay for news, and those who can't. It also raises a question about the role of publicly funded journalism (such as national broadcasters) in society. It could be argued that publicly funded media becomes even more important in society to prevent new kind of digital divides emerging. These aspects also need to be taken in consideration when building framework for further research on paywalls.

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Table 1: Number of digital subscribers in November 2012

Company	Number of digital subscribers
The Wall Street Journal	537,000
Financial Times	300,000
The New York Times	380,000
The Times	131,000
The Australian	27,796
Australian Financial Review	20,000
National Business Review	3,000

Sources: The Wall Street Journal, Financial Times, The New York Times, The Times, The Australian, Australian Financial Review, National Business Review

Table 2: Price of the cheapest digital subscription in November 2012

Company	Annual subscription in US$	Number of free articles per month
The New York Times	180 dollars	10
Piano Media (in Slovakia)	59 dollars	Free trial
Financial Times	300 dollars	10
The Times	154 dollars	0
The Australian	147 dollars	0
AFR	709 dollars	0
Helsingin Sanomat	151 dollars	20

Sources: NYT Group, Piano Media, Financial Times, The Times, The Australian, AFR, Helsingin Sanomat