HITTING A PAYWALL:

AN INVESTIGATION INTO THE VIABILITY OF NEWSPAPERS' ONLINE REVENUE STRATEGIES

A Thesis

Presented to

The Honors Tutorial College

Ohio University

In Partial Fulfillment

of the Requirements for Graduation

from the Honors Tutorial College

with the degree of

Bachelor of Science in Journalism

By

Adam Wagner

June 2012

This thesis has been approved by

The Honors Tutorial College and the E.W. Scripps School of Journalism

Dr. Hugh J. Martin
Professor, Journalism
Thesis Adviser

Dr. Bernhard Debatin,
Honors Tutorial College, Director of Studies
Journalism

Jeremy Webster
Dean, Honors Tutorial College

Table of Contents

Acknowledgements

I am thankful to my adviser, Dr. Hugh J. Martin, for helping me navigate the thesis-writing process during the past two years. Dr. Martin's guidance, support, and encouragement helped keep me on the right track, and his knowledge was crucial to my understanding of this subject.

Thanks to John Nero for meticulously copyediting this paper, and to Alec Bojalad and Brian Vadakin for editing for content.

Thanks to Dr. Bernhard Debatin and the Honors Tutorial College for providing me with endless guidance and scholarship during the past four years.

I would also like to thank the Provost's Undergraduate Research Fund for financial support.

I would also like to thank my parents, Angela and Lawrence Wagner, for their continual support and encouragement during the thesis-writing process, from talking through the idea's inception to editing the final copy.

Adam Wagner

Abstract

The newspaper industry has entered a state of economic crisis during the past decade, as print revenues fall dramatically and Web revenues rise in small amounts. This study attempts to determine how newspaper executives believe revenue models could change in the near future. Interviews were conducted with a total of 10 executives at five different newspapers. These interviews weretranscribed, analyzed, and arranged into individual case studies. After analysis, this study came to four separate conclusions: the decline in advertising revenue is irrevocable; newspapers need to begin emphasizing the development and monetization of mobile products; subscriptions to newspaper web sites that are combined with limited free access tend to be effective because they allow light users to have access, keeping traffic numbers high and encouraging advertising; and newspapers' corporate ownership often determines their revenue models. This study emphasizes the importance of labeling so called paywalls as "digital subscriptions" to make them seem familiar; the important role that casual users have in supporting newspaper revenue; and the idea that corporate ownership should allow individual papers to decide their revenue models in order to take advantage of market opportunities in an efficient manner.

Introduction

The newspaper industry — the famed "fourth estate" — is seen as vital to the mission of a democracy. Since 2005, however, the United States' newspaper industry has been facing a dramatic economic crisis based on plummeting advertising revenues in their print products.

In 1833, the *New York Sun* introduced an economic model that has been the accepted norm ever since. This business model used advertisers to subsidize the product rather than charging the reading public directly (Surowiecki, 2003). An article in *The Economist* said, "It was a great deal for all concerned: readers got their news cheap, advertisers could reach a large audience easily and newspapers could afford to employ professional reporters instead of relying on amateurs" (Making news pay, 2011).

Newspapers in this model use content such as news, advertisements, and other information to attract an audience, then they sell advertisers access to that audience. The size of that audience allows the newspapers to take advantage of economies of scale, as the first copy of the paper is relatively expensive to produce but the costs are then spread across each successive printed copy of the paper (Lacy & Simon, 1993). Charging low newsstand and subscription prices allows the paper to build a circulation base, pushing average production costs down and attracting more advertising.

Taking advantage of economies of scale allowed newspapers to underprice their rivals, causing price wars that led to newspapers driving each other out of business, with one paper eventually achieving dominance in an individual geographic market. The winning papers could then hike ad rates up because they faced little effective competition (Lacy & Simon 1993; Ludwig, 2000). This model persisted throughout much of the 20th Century, but began to change as new technology created competition to attract readers and advertisers (Cho, Martin, & Lacy, 2006). Newspapers at first used strategies such as horizontal consolidation to respond to competition from broadcasting, cable and satellite television (Martin, 2003). However, as audiences increasingly turned to the Internet for information, newspapers faced a profoundly new set of competitive challenges.

The development of increasingly efficient search engines that culminated with Google made it easy for readers to find alternative sources of news. Search engines also offered advertisers inexpensive ways to target ads based on what users were searching for, then based on the websites they visited and what they did upon reaching their destination (Evans, 2008).

This new, competitive environment made newspapers reluctant to charge readers for access as they attempted to build audiences. Furthermore, newspapers could not match the targeting technology that advertisers found increasingly attractive as their clientele shifted to the Internet.

The effects from Internet competition became apparent after 2005, when newspaper advertising revenues peaked at $49.44 billion (Edmonds, Guskin, Rosentiel & Mitchell, 2012). Between 2007 and 2009, when the United States was suffering the impacts of a significant recession, advertising revenues plummeted from $45.38

billion to $27.56 billion. The number bottomed out at $23.90 billion in 2011, less than half the totals from 2006 and 2007. (See Appendix A1)

As advertising revenue declined, printed circulation revenue has remained flat. In its 2012 State of the Media report, the Pew Research Center wrote, “This is further proof that the crisis for newspapers is an advertising problem, not an audience problem” (See Appendix A2; Edmonds, Guskin, Rosentiel & Mitchell, 2012).

The problem is exacerbated by seemingly substantial online gains being mitigated by print losses. Between 2003 and 2011, online revenue at newspapers in the U.S. grew from $1.22 billion out of $46.16 billion in total revenue to $3.25 billion of $23.94 billion total revenue (Edmonds, Guskin, Rosentiel & Mitchell, 2012). The online number initially looks positive, growing 267 percent during an eight-year period and expanding from 2.6 percent of total revenue in 2003 to 13.6 percent of total revenue in 2011. But in the State of the Media, Edmonds and company wrote, “Print losses far exceed online gains. For 2011, the ratio was more than roughly 10 to 1. In 2006, online revenues were still growing quickly and covered about 80% of print losses. Then, in the 2008-2009 recession, online flattened and fell slightly. For the last two years, revenue lost in print is nowhere close to being replaced by digital gains.” This is particularly concerning when the trends in how audience-members choose to consume news are considered.

Media consumers are increasingly turning to online options over more traditional media. The 2012 State of the Media Report showed a 17.2 percent growth in audience for online news options, while print newspapers lost 4 percent of their readers (See Appendix A3; Edmonds, Guskin, Rosentiel & Mitchell, 2012).

The decline in advertising has caused dramatic changes to the newspaper landscape, particularly in terms of employees. Since 1989, the newsroom work force in the United States has fallen from about 56,900 employees to 41,600 employees — a 27 percent decline (Edmonds, Guskin, Rosentiel & Mitchell, 2012).

Newsroom are not only losing employees, however, as entire papers have been forced to shut down or cut days of circulation. The number of daily American newspapers decreased from 1,611 in 1990 to 1,387 in 2009 — the last year numbers are available — a 14 percent decline. Pew estimates that 1,350 dailies are currently being published (Edmonds, Guskin, Rosentiel & Mitchell, 2012).

Newspapers from *The New York Times* to the *Chicago Tribune* to every Gannett paper other than *USA Today* have implemented paywalls — barriers requiring payment to access Web content that used to be available for free — or have announced plans to do so. The 2012 State of the Media report says, "Perhaps as many as 100 more papers are expected in coming months to join the roughly 150 publications that have already moved to some kind of digital subscription model. … Many newspapers have lost so much of their ad revenue … that without an infusion of digital subscription revenue, some may not survive" **(**Edmonds, Guskin, Rosentiel & Mitchell, 2012),

Figuring out whether paywalls present a viable economic model is vital to the future of newspapers in America as print revenues continue to plummet. This study will use qualiative research methods to investigate which economic models are working and which are not for newspapers. The main goals are to determine whether customers are willing to pay for access to news online; what actions newsrooms are taking to monetize online content and the internal processes they undergo to determine which strategy they will use; how effective the various strategies are; and what direction newspapers are heading in the future.

During the course of five months, executives at five different newspapers were interviewed about their organizations' digital strategies. The identities of the executives and their papers will be kept confidential. Findings from each one of those interviews will be analyzed and presented as case studies, moving from the smallest paper up to the largest paper. This study follows the model of Pew's "The Search for a New Business Model" study, with one paper having under 25,000 circulation; one between 25,000 and 50,000; one between 50,000 and 100,000; and one with more than 100,000 readers (Ji, Jurkowitz, & Rosenstiel, 2012). A paper with a circulation greater than 200,000 is also included in this study. The different newspapers' situations and strategies will be compared and contrasted throughout the study, with findings presented in a conclusion.

Literature Review

In November 2008, a group of 50 media executives was asked what needed to be done to help preserve the future of journalism (Newspaper Economic Action Plan, 2009). The Newspaper Economic Action Plan provided a variety of answers that were eventually narrowed to five succinct recommendations: charging readers to access content; enforcing copyright laws against websites that use news stories without permission; negotiating a price for aggregated content that appears on third-party websites; investing in technology that would allow newspapers to deliver content at premium prices; and profiting from consumers instead of advertisers. The industry has responded to the virtually synonymous ideas of charging for content and turning to consumers for profit instead of advertisers by moving towards paywalls — metaphorical gates that prevent news consumers from accessing online content for free.

Revenue has become an increasingly drastic problem for newspapers during the past decade, Dean Singleton, the CEO of MediaNews Group, said in a 2008 speech to the World Newspaper Congress. Singleton told the assembled experts that 19 of America’s top 50 metro newspapers were losing money and that the situation was going to be exacerbated as the world’s economic troubles led to fewer ad sales in printed newspapers and on their websites (Singleton, 2008).

Four years later, in an e-mail to his staff the day the *Dallas Morning News* went behind a paywall, publisher Jim Moroney explained, “The reason is straightforward: Online advertising rates are insufficient at the scale of traffic generated by metro newspaper websites to support the businesses they operate. We need to find additional and meaningful sources of revenue…" (Heald, 2011). Executives across the industry, therefore, believe that advertising is no longer viable as the primary source of revenue for newspapers, meaning that the idea of charging customers — who have been able to use news sites for free for years — for online access is becoming increasingly attractive.

Economics of online access

Despite newspapers' interest in charging users for access, print readers still represent significantly higher revenue than online viewers. Edgar Simpson found that in 2004, print newspaper readers were worth $946.13 each, while online readers were worth $43.97 each; in 2008, print readers had decreased in value to $726.11 each, while online readers had increased in value to $53.15 (Simpson, 2011).

Although online viewers were worth more in 2005, 2006, and 2007 than they were before suffering a slight dip in 2008. Simpson writes, "… Internet-only viewers provide substantial value in the digital environment more, in fact, than do print readers."

Simpson's study is further supported by the research of Steve Wildman, who concluded that free newspaper websites would encourage readers to view content online rather than in print (Wildman, 2010) Wildman argues that this would cause print advertising revenue to fall because there would be fewer readers, meaning that in turn there would be fewer reason to advertise on newspaper websites. He then suggests that newspapers charge for access to online content because it could help slow the loss of print readers, particularly if a website is packaged with print subscriptions.

Introduction to paywalls

There are two separate models of paywalls: the subscription model and the metered model. The subscription model usually requires consumers to pay an annual fee to gain access to a site, but the metered model asks users to pay for the number of articles they read. Despite the differences, however, the two models have one very important element in common: They are asking consumers to take a more active role supporting journalism.

The history of newspaper paywalls is uneven, with lasting successes and dismal failures. The three most notable successes are *The Wall Street Journal*, *The Financial Times*, and the *Arkansas Democrat-Gazette*, all of which utilize the subscription model. Both the *Journal* and the *Financial Times* depend on their position as trusted sources of economic information to attract their online subscribers, while the *Democrat-Gazette* is the only major paper in its region. Other papers, however, have had mixed results with paywall experiments. Long-Island-based *Newsday*, for instance, was only able to convince only 35 of its 335,000 daily readers to pay $5 a month for online access between October 2009 and January 2010 (Milstead, 2010). *Newsday*'s situation, however, was different than most because it is owned by Cablevision and anyone who subscribes to either Optimum Online — Cablevision's high-speed Internet service — or the print edition of the paper received access (Chithum, 2010, January 26). In reality, *Newsday*'s paywall primarily affected flyby, remote users, and it New York metro area visitors only fell 2 percent between December 2008 and December 2009 (Chittum, 2010, January 28).

Like *The Wall Street Journal*, *Newsday* used the subscription model of payment. *Newsday*'s paywall received substantial criticism in the press after setting up its paywall, while the *Journal* was the only profitable metro in 2009. According to Pew Research Center, "All of (the papers that have succeeded with the subscription model) provide deep reporting into a specific topic area that appeals to a narrow, industry-focused clientele that can often include the subscription price in work budgets." The assumption that much of those papers' readership is writing off their subscriptions as business expenses, however, is mistaken. In a 2009 interview, Alan Murray, executive editor of the *Wall Street Journal Online*, said less than 30 percent of the *Journal*'s subscribers expense their subscriptions or take a tax write-off for them (Seward, 2009).

Despite using the full subscription model, there is a free aspect to the *Journal*, which has been behind a paywall since 1996 and was the only newspaper to turn a profit in 2009 (Purcell & Rainie). In 1996, Murray said, "… a decision was made that we thought our content was valuable and that, if people wanted it, they were going to have to pay for it" (Should newspapers charge for online content, 2010). This decision led to the *Journal* placing roughly 70 percent of its content, including its highly valued business journalism, behind a subscription-based paywall. Murray said the paper leaves its sports, arts and entertainment coverage, and stories that could have a wider audience outside the paywall. He said, "It's a pretty standard strategy for business, right? I mean, you allow people to come in, sample your wares, but then say, 'If you want it all, folks, you have to pay' " (Should newspapers …, 2010).

Another major conclusion that the *Journal* reached is that a paper's popular content is not necessarily its valuable content (Should newspapers …, 2010). The primary reason for that is that popular content — which often includes breaking news, entertainment, and politics — can often be found on other sites. Where many newspapers adopting the subscriber paywall model have succeeded is through identifying and exploiting niche markets (Should newspapers ..., 2010). Using the example of the *Houston Chronicle*, Murray says papers should have been identifying what is valuable to their readers, but that the nature of the local-news monopoly meant that was unnecessary throughout much of the history of journalism (Should newspapers …, 2010). Though that theory has been proved to a certain degree by the fact that two of the papers that have seen paywalls succeed are niche publications, there is also an example of a successful daily metro that does not have the specialized audience of the *Journal*.

Paywall stories

The *Arkansas Democrat-Gazette* has been charging for its online content since 2001, primarily to protect its print subscriptions. Walter Hussman, the paper's publisher, makes no secret of the fact that the paper is behind a paywall to keep subscription levels steady. Conan Gallaty, the paper's online director, said, "For the last 10 years we've remained steady in both daily (169,000 subscribers) and Sunday (258,000 subscribers) circulation, whereas other markets have seen 10 to 30 percent drops" (Rogers, 2009). The very design of the *Democrat-Gazette* model reveals its focus, as print subscribers receive a week's archive of stories for free, but must pay $1.95 a month for access to articles more than one week old. Online-only subscribers, meanwhile, pay $59 a year and receive the e-paper edition. They, too, have to pay $1.95 a month for articles more than a week old. However, only 3,400 people have signed up for the online version of the product, meaning the paper is only making a little more than $200,000 annually from its website. The *Democrat-Gazette*'s failure to make gains online, however, is offset by its success at maintaining its print circulation (Kaplan, 2009). Rick Edmonds said, "Circulation holds up; that supports ad volume and better [print ad] rates. … The Web site doesn't do much in traffic or ads. Presumably the pay wall blocks links. So if you want to find out what the *Democrat-Gazette* is reporting, you need to buy one version or the other" (Farhi, 2009).

In a critique of the paper's model, though, David Kaplan wrote that the *Democrat-Gazette* has succeeded for several reasons that are not necessarily applicable to other papers. "Little Rock's population is older and broadband penetration (in Arkansas) is still low; (the *Democrat-Gazette*) doesn't have any significant metro competition … a lack of major sports franchises protects it from the ESPN's and other websites offering free coverage online …" writes Kaplan (Kaplan, 2009). Though Kaplan's claims seem legitimate, the fact is that the *Democrat-Gazette*'s paywall is still standing, and it has sheltered the paper from the loss of subscribers that has affected the rest of the industry.

The relentless loss of advertising revenues has led major media companies across America to consider paywall strategies. In February 2012, for instance, Gannett announced a plan to use paywalls on 81 of its 82 daily newspapers, with the lone exception being USA Today (Gannett holds investor meeting to present growth strategy and cash flow-funded capital program and expects to return more than $1.3 billion to shareholders by 2015, 2012). Gannett expects the plan to bring in $100 million per year, ideally raising revenue by about 4 percent (Chozick, 2012). The year before the announcement, 2011, Gannett's total revenue fell 3.7 percent (Chozick, 2012).

Gannett is not alone, however, as McClatchy newspapers and severa newspapers owned by emerging media magnate Warren Buffett's have used a service called Press+ to implement paywalls. Press+ was developed by Steven Brill, Leo Hindery, and former Wall Street Journal publisher L. Gordon Corvitz in 2010, and has been used at more than 300 newspapers (Tracer, 2012). Buffett, whose Omaha World-Herald utilizes Press+ services, said, "(Newspapers) have been giving away their product at the same time they're selling it, and that's not a great business model. When they put papers up on the Internet and you get free, you're competing against yourself. … You shouldn't be giving away a product you're trying to sell" (Beaujon, 2012).

Other papers have followed the *Democrat-Gazette*'s lead, including the *Newport Daily News* in Rhode Island, which charges $345 a year, or a 138 percent premium, for access to its website (Farhi, 2009). The logic behind this is clear: The paper is trying to divert readers to its print product instead of the Internet. Rather than supporting the online product, the *Daily News* want readers to abandon it. Newspapers profit more from print readers than they do from online readers for the basic reason that advertisers are willing to pay more for print products than online. With print, advertisers are still afforded the two advantages of reach and frequency that they have had for decades. Online, 81 percent of users say they do not mind ads, but 77 percent say they ignore them (Purcell & Rainie). There is minimal incentive, therefore, for advertisers to use those sites, making readers the primary revenue source. By pushing readers to the print version of their products, newspapers can diversify their sources of revenue, as the Internet has not yet shown the capability to effectively support journalism.

The New York Times' *Paywall*

The newest model for proposed paywalls is the metered model. In the metered set-up, readers would be charged after reading a set number of articles over a given amount of time. The primary advantage of this model is that it enables casual readers to still consume the information, allowing the paper to maintains its influence while forcing the people who use the site the most to pay.

In the announcement of its paywall — which was installed in March 2011, "Executives of *The New York Times* said they wanted to create a system that would have little effect on the millions of occasional visitors to the site, while trying to cash in on the loyalty of more devoted readers" (Perez-Pena, 2010). Initially set at 20 pageviews, the paywall was designed so that the people who used the product the most would be the ones paying for it. The people who only read headline news, meanwhile, would still be able to access a limited amount of content for free.

Some critics, however, believed this kind of model would be counter-productive. Jeff Jarvis, a professor at the City University of New York, said, "… by metering, *The Times* will have me making a new economic decision every time I want to read a story. Is this unique content I will get only here … or is this commodity information I can get elsewhere" (Jarvis, 2010). Jarvis clearly believed that by forcing consumers to ask that question, *The Times* was also encouraging them to find the same information from a different source. Instead of positioning itself as the leading provider of quality content, the paper would just be another news source.

But a little over a year later, the *New York Times* model seems to be a smashing success. A July 2011 story in *New York Magazine* said that while leaked internal projections said the *New York Times*' goal was 300,000 digital subscribers within a year of the March 2011 paywall construction, it had already built up nearly 400,000 users (Mnookin, 2011). Mnookin added that 224,000 readers paid for access to the paper's website; 57,000 paid for subscriptions on their Kindle or Nook, and 100,000 more received access through a partnership with Ford's Lincoln division. Meanwhile, 756,000 print subscribers had registered their accounts on the paper's website. At *Wired*, Felix Salmon, a media critic who had initially been skeptical of the paywall, wrote, "It's worth noting … people often end up paying for the NYT largely in proportion to their ability to pay. Those who can't pay, don't. Those who can afford only the cheapest subscription buy that. Those with comfortable incomes subscribe to the seven-day paper product" (Salmon, 2011).

The use of metered, or tiered pricing based on consumer's willinings to pay for a product is a form of price discrimination (Hoskins, McFayden, & Finn; 2004). This approach to pricing is standard for many media products, however new it may appear to newspapers and their critics.

The *New York Times*' paywall has been successful enough that it dialed its meter back from 20 free articles a month to 10. More importantly, it is projected that the paper's circulation gains could offset its revenue losses by as early as 2014 (Kafka, 2012).

Different meters

There are two different kinds of metered models: the "taxicab approach" and the more traditional *Financial Times* approach. The taxicab approach involves charging a small amount for each page view instead of allowing readers to see a set amount of stories before hitting a paywall. Felix Salmon writes, "… the key thing is that a meter measures how much of the service you've consumed, and then you pay for that much — and no more" (Salmon, 2010). The taxicab approach allows readers to be charged solely for what they use, conditioning them to pay for what matters to them and avoid what does not.

The *Financial Times* model, however, allows readers to view a certain number of articles — currently 10 —free over a thirty-day period before shutting off access. At the end of each thirty-day period, the reader's access is turned back on. Salmon writes, "That's stupid, because no single pageview is worth that much to a reader" (Salmon, 2010). By working off the belief that readers will read as many free articles as they can and then turn elsewhere for news instead of paying the *Financial Times*' asking price for the eleventh story, Salmon attempts to discredit its paywall model.

The *Financial Times* was the major success story of the metered paywall model (until the *New York Times* adopted it) perhaps because it has a similarly specialized audience to the *Wall Street Journal*. After initiating its paywall along with an increased cover price, the *Financial Times* experienced a 30 percent increase in online subscriptions, thereby discovering that its content revenue could earn more than its advertising revenue (Humphrey, 2010). John Ridding, the FT Group's chief executive, said, "… I don't think anyone can afford to dismiss the idea of developing paid-for content because journalism is valuable. It is significant in that it is reaffirming there is life beyond advertising for online publishing" (Humphrey, 2010).

Jarvis and other critics, however, believe that readers will be hesitant to pay for content that they can readily find for free elsewhere, a theory called the "infinite replication assertion." According to the infinite replication assertion, readers are hesitant to pay for one site's content because they can use aggregators and other sources to find the same general content for free.

The solution to that, however, is based on a straightforward extension of standard price discrimination models to include competition and access to media content (Hoskins, McFayden, & Finn; 2004). *Media economics: Applying economics to new and traditional media*. Thousand Oaks, CA. Sage). Competition exists if there are substitutes for a product, such as news content. Competition puts downward pressure on prices.

Most newspapers provide a mix of content that can be found elsewhere, and content that may be unique. Newspapers can therefore charge for unlimited access to that mix of content, and consumers who place the highest value on that content will pay. Other readers who place less value on that mix can be given limited access for free.

Journalism Online's Steven Brill said that if set conservatively, a meter is "… a nonevent for 85, 90, 95 percent of the people who come to your Web site" (Rogers, 2011). In a survey conducted by Journalism Online, about two dozen small- and medium-size papers that allowed readers to access between five and twenty articles a month and charged between $3.95 and $10.95 a month for access beyond that were asked what the effect on their audience was. The survey's findings showed that unique visits fell between 0 and 7 percent and page views fell between 0 percent and 20 percent, while none of the sites reported a dip in ad revenue (Rogers, 2011). This study indicates a major advantage for the metered model over the full subscription model. Speaking about Rupert Murdoch's *Times*, which went to a subscription-model paywall in July 2010, Rob Lynman, head of press trading at MEC, said, "We are just not advertising on it. If there's no traffic on there, there's no point in advertising on there" (Burrell, 2010). Lynman went on to say that he had been told traffic to the *Times*' site had dropped 90 percent and that journalists were growing frustrated at the loss of influence.

With a metered model, however, the newspaper does not lose the casual traffic to its site and journalists still have the perceived reach. Furthermore, if Journalism Online's survey results are replicated, traffic barely drops, allowing advertising to stay in place and strongly implying that at least some people are willing to pay for access to the site. The subscription model, however, supports the idea of targeting ads, as newspapers are better able to profile their readership either through the billing information they have about them or by asking them questions. Using billing information would allow papers to set up an advertising system that focused on showing readers specific ads that would be, for instance, relevant to their neighborhood. This would hopefully mitigate the advertising losses incurred by constructing a paywall. Asking readers questions about their buying habits would allow papers to provide advertisers a very specific profile of their readers and help increase the effectiveness of ad sales leading from newspaper websites.

Targeted advertising

Search engines such as Google and social-networking companies such as Facebook have effectively used this concept, which is known as targeted advertising (Purcell & Rainie). By using advanced software and user-provided information, newspapers and other websites can provide more of a guarantee that people who view a company's ads are actually interested in its products. The ViewPass model allows users to access a site for free, but forces them to submit demographic data first (Purcell & Rainie). That, in turn, allows the site to sells its online ads for a higher rate than it would otherwise be able to.

Mobile revolution

One potential solution to the paywall dilemma is to charge for access on emerging technologies such as smartphones and tablets, while simultaneously experimenting with established technology. In September 2009, *The Wall Street Journal* began charging for access to its Blackberry and iPhone apps through a variety of packages. The smartphone-only option involved paying $2 a week for access to nonsubscribers and $1 a week for people to subscribe to another *Journal* property. (Abell, 2011) According to Abell, print alone cost $2.29 a week, while users were charged $1.99 for wsj.com. If a consumer wanted to buy all three together, however, the bundle cost $2.69, a lower price than the all-digital plan, which cost $2.99 a week, or the paper and smartphone package, valued at $3.29 (Purcell & Rainie, 2010). This package, like many others, seems to support purchasing the total bundle, thereby again pushing consumers toward supporting the paper's physical product.

There might, however, be an ulterior motive. Media companies are counting on mobile apps presenting a new battleground for the paywall discussion as, Abell writes, "… publishers hope people can be conditioned early to pay for things which on other platforms they have become accustomed to getting for free." Whether charging for new technology will be successful is still inconclusive, but Murdoch's News Corporation has taken the step of launching *The Daily*, the first iPad-exclusive newspaper. Taking such a step demonstrates that the company clearly believes people will be willing to pay for content on the emerging technology in a way they were not willing to before.

Defining success

While News Corp and other companies are turning to new technologies for encouragement, though, there are also some positive signs coming from more traditional sources. In January 2011, *The Buffalo News* reported that by redesigning its website and removing anonymous commenting, it had become more successful in three vital metrics: page views, or the total number of individual pages viewed on the site; bounce rate, or the number of viewers who look at one page on a website before clicking away; and time on site, or the total amount of that each individual user spends on the paper's website. The website's page views increased 15 percent from December 2009 to December 2010, its bounce rates fell from 50 percent to 30 percent, and the average viewer went from spending three and a half minutes on the site to seven minutes (Sullivan, 2011).

The encouraging sign in the *News*' success is that it managed to recreate itself as the local hub for news within a year, creating a level of engagement with the community that had been previously nonexistent. By taking steps that other newspapers have seemed unwilling to try, the paper proved that newspapers' websites can gain faith from the community by improving their content and online presence. There is no certainty that this would result in the necessary profits to maintain high levels of journalism, but it demonstrates that quality is recognized.

No certain answer

Ultimately, the overriding answer in the economic world of journalism right now might be that there is no answer. A Pew survey of 102 media executives conducted in 2010 found that 39 percent of them believe the future's economic model will be advertising-funded, 21 percent think it will be a hybrid model, 18 percent said it will be a freemium model (one that leaves some of its content outside the paywall and charges for "premium" information), 14 percent think it will be a subscription model, and 8 percent think it will be ala carte. Though media executives believe in the advertising model, that certaintly also implies a strong faith in the success of printed products, which are continuing to decline. Furthermore, online advertising simply cannot support the present budgets of newspapers. From there, the most popular choice was a hybrid model, which really has yet to be developed. A vote for that model, in other words, was simply a vote for constant innovation, something that the industry cannot be afraid of. Gallaty said, "(Newspapers) need more experience with paid content. Maybe with other papers trying it somebody will come across the one model that will help the industry tremendously, and people will stop mindlessly buying into the idea that information should be free" (Rogers, 2011). Gallaty's belief that information should no longer be free is increasingly echoed throughout the industry, and with *The New York Times* joining the *Wall Street Journal* in putting its content behind a paywall, the inevitability of free newspapers ceasing to exist on the Internet seems to be drawing ever closer. The industry just needs to figure out how it can convince consumers that paying for something that was once free is a necessity.

Research Questions

This study asks: What will the prevailing newspaper economic model look like in the near future, and will it include a paywall? This question stems from the economic state of the newspaper industry as a whole and an interest in determining the attitudes and plans of executives at various papers. It is also meant to determine their motivations for following the path that they chose.

Other questions include:

> RQ1: Will print advertising revenue come back? If not, what are alternative sources of profit for newspapers? Based on the information presented in Appendix A, print revenue has undergone massive losses in the past decade, and while online revenue has helped supplant some of those losses it comes nowhere near accounting for all of them. This question is meant to determine whether the loss of print revenue was a result of the shock of the late-2000s recession or whether there are deeper causes for it. Furthermore, it is designed to determine whether the adjustments made by advertisers, such as using Facebook and enhanced search engine optimization, mean that the amount of print advertising is irrevocably falling and what other steps can be made to supplant it.
>
> RQ2: If a paywall is part of the future, are full paywalls, full paywalls with exceptions, or metered models more useful? The successes and failures of newspaper paywalls are varied enough that it is difficult at first glance to determine whether there is one model that is more successful than another. The

New York Times, for instance, has recently been successful with a metered model, while the *Wall Street Journal* has a porous paywall. Journalism Online's study indicates that metered model could have substantially more potential than the full paywall model. In order to determine whether paywalls are part of newspapers' future, it is also important to determine what they might look like.

RQ3: What role does mobile play in newspapers' economic future? With the increased presence of smartphones and tablets in the world, newspapers have begun to consider how they will utilize the new technologies. Some papers have created basic apps that allow viewers to replicate the experience of the physical paper, while others have focused on creating a whole new experience. Rupert Murdoch's NewsCorp even created *The Daily*, a tablet-exclusive newspaper. As these devices gradually come into the market, newspapers are going to have to increasingly consider what role they will play in revenue strategies.

Research Methods

The initial step in this study was to identify newspapers of different sizes and structures that have had varying experiences with paywalls. State newspaper associations' member rosters were used to determine circulation numbers. Preexisting literature or newspapers' subscription pages were used to identify whether a given paper had a paywall, as well as what model it is utilizing. Located in a congested media market outside of a major Midwestern city, Paper A has a circulation of fewer than 25,000 copies. Paper A does not require its audience to pay to access its online content. Paper B has a circulation between 25,000 and 50,000 copies in a relatively isolated Midwestern media market. Paper B has a porous, metered paywall. Paper C has a circulation between 50,000 and 100,000 copies in a congested media market. It has a metered paywall. Paper D has a circulation greater than 200,000 copies and is the paper of record in a congested media market. It does not charge for any access to online content Paper E has a circulation between 100,000 and 200,000 copies and is located in a major media market. It does not currently charge for online content, but has in the past and plans to again in the future. The five organizations cover all four size-differentiated categories outlined in Pew's Search for a New Business Model report. In this way, the study effectively captures the specific challenges that newspapers of different sizes and in diverse markets face.

The first step of the study was to craft a questionnaire and receive approval from Ohio University's Institutional Review Board. Simultaneously, the project was submitted for a grant from the Provost's Undergraduate Research Fund at Ohio

University. The project received a grant in the amount of $300 in late October and IRB approval was ganted in late November.

The next step was to immediately reach out to executives at various newspapers, a process that continued until April 2012. The research tried to interview publishers, someone on the editorial side of a paper's online operation, and someone familiar with how a given paper sold digital advertising. Publishers were interviewed because they often had the firmest grasp on a newspaper's current financial situation, as well as the outlook moving forward. Web editors were spoken to because they control the editorial content on the Internet, which plays a factor in whether consumers choose to utilize a newspaper's website or not. Online editors also are likely to have the best understanding of what social-media websites such as Facebook and Twitter mean to newspapers, both editorially and in terms of advertising. Discussions were held with online advertising salespeople to determine the interest in online advertising in the various markets, as well as to learn about the implementation of new kinds of advertising such as targeted ads or video spots. These interviews were also designed to determine whether online advertising could become a viable revenue stream for newspapers. However, the position of executives interviewed at each paper varied based on who was available and willing to participate.

The executives and their newspapers were promised confidentiality when they signed consent forms at the beginning of each interview. Interviews were conducted from January 2012 to April 2012. Interviews were conducted at the offices of four newspapers. Telephone interviews were conducted in two instances.

The interviews began with a set of four nominal questions. The questions asked participants to rank their answers on a scale from one to five, with one meaning participants disagree with the initial statement and five meaning they agree with it. The statements that newspaper employees were asked to evaluate included “my organization is focused on the Web over the print product,” “monetizing online content is important to the future of newspapers,” “my organization has the same editorial content online as it does in the print product,” and “my organization has the same advertisers online as it does in the newspaper.” Answers to these questions are displayed as graphs with each individual case studies. Note that Likert scale answers that are displayed as zeros do not indicate that the response was a zero, but rather that the responder did not place a concrete number on a statement.

Other questions were open-ended, with advertising and editorial staff being asked about a slightly different set of subjects. Those queries were designed to help develop an understanding about the methods and revenue models utilized at the selected newspapers. Follow-up questions and probes were asked based on subjects’ initial responses. Audio of each of the interviews was recorded and transferred to my personal computer. After the interviews were completed, the audio recording was transcribed.

The writing of the case studies first included a capsule summary of each newspaper’s location, circulation, current economic model and — occasionally — plans for the immediate future. These summaries also included information about where and how interviews were conducted at each newspaper. Case studies were only written after all five sets of interviews had been transcribed so that a full overview of each paper's situation could be achieved and then be compared to those of other newspapers in the study. Attempts were made to keep the information in the case study relatively standard, but the free-flowing course of each interview meant that some executives were passionate about topics that other executives were wary of.

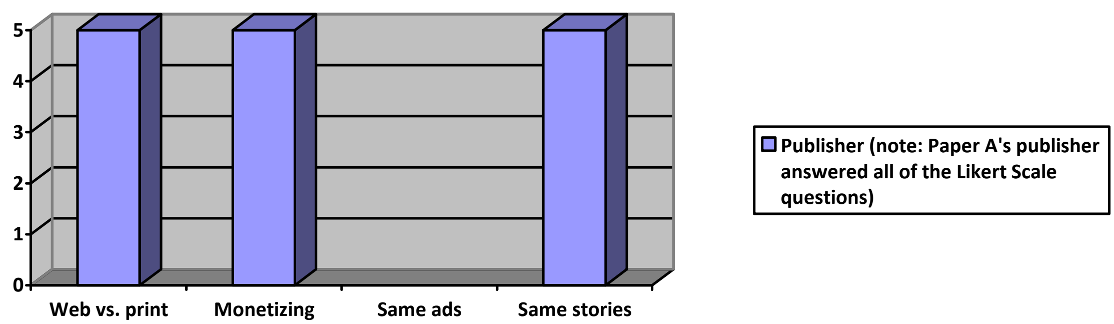
Newspapers were granted confidentiality in an effort to encourage them to be as open as possible. Traditionally, newspapers are hesitant to share very much of their economic information with people outside their companies because very few are publicly traded entities. The proprietary nature of financial information meant that often, when an executive provided a financial statistic, there was no strong way to confirm it. The primary fact-checking methods involved reviewing Audit Bureau of Circulation audits for each newspaper after each interview to make sure that nothing seemed glaringly inaccurate. Furthermore, statements were compared with industry trends to see whether statements made logical sense.

One potential flaw in the research was consistency with the method and number of interviews. While at least three executives were contacted at each newspaper, fewer than three replies were common, and some newspapers had more interview requests fulfilled than others. At the same time, newspapers' use of varying titles occasionally made identifying which employees would be appropriate for an interview complicated. Some larger newspapers, for instance, have online editors who are solely in charge of social media and updating the paper's website. Some smaller papers, however, lack the resources to create an online staff and require other content editors to update the website and take care of social media.

Considering the different situations of each of the newspapers — including the stances of corporate ownership on online-revenue models, the differences in the newspapers' markets, the papers' physical offices, and their individual histories with paywalls — the best way to present the information obtained from the various interviews was with individual case studies. Delving into the specific situations of each newspaper presented the most effective way to present the specifics of each organization and, ultimately, to develop the best understanding of the industry as a whole.

Paper A Case Study

Paper A is a metro in a small Midwestern city. Paper A is, however, in a competitive media market that also includes Paper D. Paper A’s circulation is under 25,000 and the paper does not have a paywall of any sort on either its website or on mobile platforms. It does charge a small amount for a replica edition on tablets. This discussion took place simultaneously with the newspaper’s editor-in-chief and primary online-advertising salesperson at the paper’s offices.



Paper A is part of a company that has adopted a web-focused motto in both editorial content and advertising. While the editor answered that monetizing online content was a five on a scale from one to five, he also noted that the paper is focused on growing online advertising rather than charging readers for content. Regarding the possibility of a paywall, he said, “Paywall is anathema. It just goes against the entire philosophy that (the parent company’s CEO) operates under and we do, too. It’s free.”

The idea of openness dominates the way Paper A interacts with its audience, from the way it reports stories to the way it distributes its products. “Digital first is more than just putting the news up online before you put it in print,” the editor said.

"It's actually working with your readers in developing stories. There's no wall, there's no paywall, there's no wall between the newsroom and the customer." One of the ways Paper A maintains a feeling of openness between itself and its readers is by using crowdsourcing to report stories.

One other way that openness plays a major role in Paper A's operation is its relationship with other newspapers in the company and with corporate leaders. The editor noted that the paper's parent company offers webinars and Twitter chats about advances in digital journalism, allowing the paper's staff to learn new skills and adapt to the changing realities of the profession. Though there are no quotas and attendance isn't required, the editor said, "These skills are required job skills. If you want to do this, you have to know how to do it. And if you decide to go out and have a smoke instead of (attending a webinar), I might suggest you get another job."

Furthermore, the corporation has a company-wide digital innovation lab that allows employees of each of the company's many papers to float suggestions about ways to improve journalism. The editor noted that it does not take long for an idea to come to fruition after being floated in one of these discussions. For instance, the week the interview occurred. Pinterest was a hot topic in the field and the company's papers were all concerned about how they would incorporate it into their coverage. That is a harsh contrast to, say, Paper D where much of the paper's innovation comes out of a central location in a very top-down manner. In Paper A's company, innovation is allowed to spread upward to corporate or even sideways to other newspapers rather than almost solely downhill.

“There’s very little processing and bureaucracy,” the editor said. “This is a flat organization. Everybody is on the same plane, pretty much, and a good idea spreads like wildfire.”

In terms of audience, the executives believe that their print readers tend to be older than their digital users. The editor specifically said that he thinks the print subscribers are 40 and older while the digital readers tend to be ages 18 to 45. At the same time, though, Paper A’s digital first model meant that it seemed substantially less concerned about how its readers were consuming news than many other organizations interviewed. “We want to bring the news where they want it, when they want it, the fashion they want it,” the editor said, “whether that be reading it off a website or on Twitter or on Facebook or via text alert or in print. We do them all. You pick and choose which ones you want, when you want.” The salesperson iterated the editor’s statements, emphasizing that Paper A’s focus is more on building an audience and marketing that audience on advertisers than it is on charging the audience for access to content.

Paper A is focused primarily on building up its customer base and then selling those numbers to advertisers. This has shown some progress, as the salesperson and the editor both emphasized that online advertising has grown “exponentially” as a share of total revenue. (It’s imperative to note here, though, that in the editor’s more than three decades at Paper A, the number of reporters in the newsroom has been cut by more than 50 percent. Furthermore, the salesperson noted that print ads are in decline, which emphasizes that growth in digital advertising as a percent of the organization's total might not be as optimistic as it seems.)

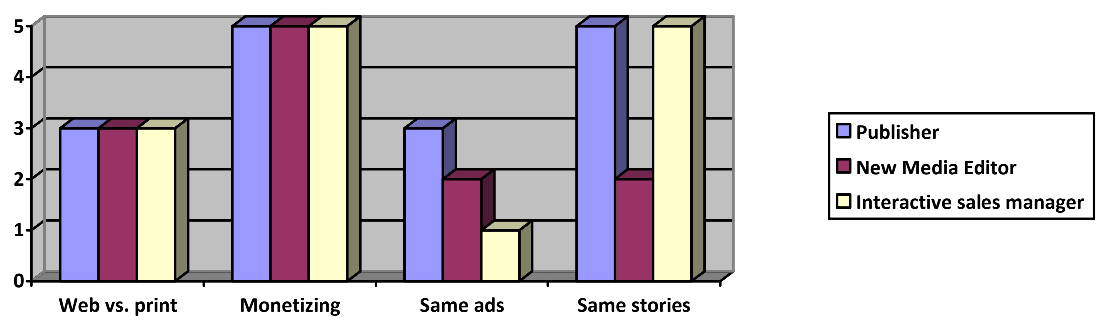
At the same time, though, Paper A's aging market is partially restricting its ability to sell online ads, as some advertisers simply don't grasp the concept or don't see why it would be useful to their business. "We still have people that need a fax because they don't have email," the salesperson said. "So (online ads are growing) slowly. You have some people where it's really clicked and they want to get into online ads."

Mobile is thus far playing a very minor role in Paper A's strategy, with a free iPad app that the paper doesn't plan on charging for, and the replica edition, which makes up a very small portion of revenue.

The editor defined Paper A's overall strategy by saying, "The print product isn't really a separate thing. Print and online make up a whole. It's a spectrum rather than two distinct bodies, so anything you do to help one helps the other because both generate revenue in their own way to support the other."

Paper B Case Study

Paper B is a Midwestern metro in a relatively isolated media market. It has a circulation between 25,000 and 50,000. The organization has a porous paywall, with users needing to pay for access to all content except for obituaries and sports. Paper B's publisher noted that 60 percent of its revenue comes from advertising and 40 percent comes from subscriptions. Furthermore, 92 percent of the advertising revenue comes from the print product and 8 percent comes from the Web; 99 percent of circulation revenue comes from the print product. The information in this section came from independent discussions with the paper's publisher, new media editor, and interactive sales manager at Paper B's offices.



Each of Paper B's employees, all of whom have very different roles and responsibilities, noted that monetizing online content is crucial to journalism's future. It is also worth noting that the new media editor, who is heavily involved in creating editorial content for the website, believed that the content in the newspaper and on the website was more varied than the other two employees, who are not involved in those decisions. Simultaneously, the interactive sales manager believed that there were more differences in ads on the website and in the paper than either the publisher or new media editor, who are not as involved in those specific sales. Those differences could indicate that people with specific, hands-on experience have much different outlooks on their specific roles than employees who are not as involved in those aspects.

Paper B was one of two newspapers chosen to participate in a trial run with a paywall. The newspaper would have very little say over the kind of paywall it would be forced to use, as it was designed at corporate headquarters. So, in August 2009, Paper B implemented what the new media editor calls “a full paywall with gaping exceptions.” Those exceptions initially were Associated Press stories and obituaries, but eventually expanded to include sports coverage.

Executives were at first skeptical about being part of the experiment. “I was not as enthusiastic about doing it. I thought, ‘Let somebody else try, who wants to be the guinea pig.’ But for pretty good reasons, we were chosen … we’re somewhat isolated from major metro markets,” the publisher said. Part of the publisher’s hesitancy at the outset of the experiment stemmed from the belief that if the experiment failed, it would be very difficult to try it a second time. The new media editor said, “I don’t think there was anybody inside this building who was in favor of the paywall before we put it up. I don’t believe any of us really believed it was that great of an idea.” The non-paying public also didn’t believe that the paywall was a great idea — something that it vocalized loudly. “When we went to this paywall, the response was swift and very negative. We heard it from a lot of people who were very upset about this, from it's un-American, unconstitutional, censorship and you name it," the publisher said.

Those who didn't buy into the paywall seemed as if they would be proved right when traffic dropped 26 percent and unique visitors dropped by 10 percent. But something else was happening, as time spent on the site and page views per unique visitor were increasing, indicating a great level of engagement. Furthermore, the newspaper had lost several significant advertisers to the recession, a development that left it scrambling for new sources of revenue, and in the paywall it had found one — however small. Therefore, when the other test newspaper decided to dismantle its paywall after only six months, Paper B chose to keep its own intact despite its parent company's no longer actively pursuing new developments. "I am a convert," the new media editor said. "… I think anybody who hasn't switched is deceiving themselves about what they're going to get on remnant ads on their website. You're never going to pay for what you have to pay for that way. Giving away things is never going to pay for things."

Paper B's parent company, however, has pursued a policy that is based on the idea of the Internet being free, and it is the only paper in the company that has a paywall — something its executives chalk up in part to corporate politics. "If you want something to fail, you can make it look like it failed. And if you want something to succeed, you can find a way to make it look like it succeeded. … We went in to make it look like the paywall succeeded after we bought in. … And it really did. It's not just a numbers game; it really has been successful for us," the new media editor said, noting that about 1,000 people have purchased online-only subscriptions.

One source of friction between Paper B and its parent company has been the newspaper's desire to have a metered model. The publisher said, "I don't think we've gotten a lot of support in our efforts. We're still using the same paywall model as when we launched, and everyone else has much more sophisticated methods of paywalls. … We're stuck because of (our parent company's) reluctance to really develop this. My requests to change have fallen on deaf ears." Allowing casual users to access Paper B's website is one of the primary reasons the publisher gives for wanting to use a metered model, as it would hypothetically allow casual users to access the website more via social media and, therefore, push traffic numbers upward. He said, "One of the big challenges we ran into immediately was that people on Facebook couldn't share stories. They shared, but when people would get there they'd hit the paywall, which caused some frustrations. You lose the ability to pass stories on and create a buzz."

Despite its parent company's lack of support, Paper B has found a way to bring casual users to its site, this time by utilizing one of the Internet's giants. Google Pass is a service that allows nonsubscribers to click through to a single news story so long as they're willing to take a one- or two-question survey first, the profits of which are split between Google and Paper B. The new media editor noted that the average user, who reads twelve or thirteen stories a day, is worth more via the Google Pass than he is if he purchases a one-day subscription. He added that while one-day subscriptions have dropped, the Google Pass has surpassed the loss of revenue. Metering is not, however, the only point of contention that executives at Paper B have with their parent company.

Despite being one of the first papers in its home state to have a mobile website — implemented because of its parent company — and despite seeing mobile traffic climb steadily, executives at Paper B find themselves incapable of charging for mobile access. At this point, 14 percent of Paper B's total traffic comes from mobile devices — a number that has climbed steadily since the beginning of 2011 and that promises to continue increasing because iPhone service has recently become widely available in the market. The increase in mobile traffic, however, has not come at the expense of any other traffic, a development that the new media editor analogized to all ships rising with the tide — and also indicating that the audiences could be slightly different. The new media editor said that after Paper B's parent company ended its paywall experiment, it also abandoned the idea that it could charge for mobile, meaning it was unwilling to continue developing a login service for the use of only one of its newspapers. "At this pont, that's just kind of stuck," he said. "I can't imagine it'd be that difficult to develop, but we don't have access to our own server, so we're just going to kind of have to live with it."

In terms of advertising, the paywall has had very little effect, as there were some concerns at first about inventory that were quickly assuaged. The interactive sales manager said he received one phone call from a buyer who simply wanted to know whether there would still be space for his ads to run, and who was quickly assured that there would be. The publisher said, "(Local businesses) tend to be conservative and cautious, so we try to help them along but it's been a challenge. That's why you don't see the full complement of advertisers online. We're working to get them there, but they're not there yet."

One determining factor that Paper B's employees have noticed in an advertiser's willingness to utilize online advertising is the buyer's age. The interactive sales manager said, "The younger (buyers) are, the more likely that business is to be online, and the less likely they are to question it. We can convince people that are 40 to 60 … to be online and they will question it all day long. … Whereas if somebody is generally under the age of about 35, they'll commit a certain portion of their budget to advertising online and not question it as much." Another difference is the kinds of advertisers that utilize print and the Web, said the new media editor, who used the example of a local comic-book store that wouldn't get its money's worth by advertising in the newspaper because the buy would be too large and the audience wouldn't be specific enough. Instead, the comic-book store could choose to buy 1,000 impressions on Paper B's website at a substantially lower overall cost. "When it comes to online, you'll see different things pop up. It seems to have a better price point for a lot of people, too," the new media editor said.

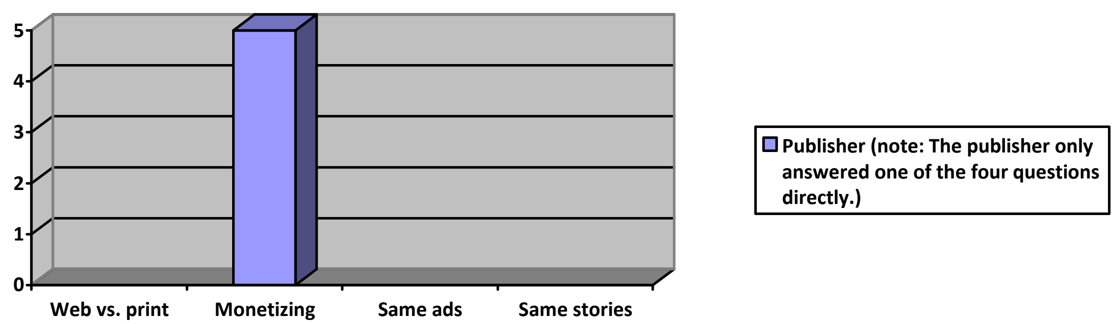
That price point, however, has proved to be a problem for Paper B, as some advertisers have chosen to stop advertising in the print edition only to make a substantially cheaper buy on the website. "If we lose a dollar to print but bring it back online," the interactive sales manager said, "we're only bringing about 10 cents through the door. And those are industry numbers, when you look at online revenues coming up. There's no way, as far as advertising goes, to match the dollars."

The reality, therefore, is that Paper B's paywall has had little impact on advertisers, but is emblematic of its executives buying into the idea that subscribers need to pay for their content. The publisher said, "I continue to believe that for our industry to survive, we have to somehow be compensated for our content. And at least from every model I've seen, there's none that exists or has been proposed that some kind of ad-supported model will work."

Paper B's executives and employees are fully aware that their situation has changed dramatically with the lingering impact of the past decade's recession and with the increased impact of social media. The new media editor said, "Every page view is worth money, every video view is worth money. I wish I could afford to still be idealistic and say I'd still do this for free if I could, but as I used to say a lot when we first put the paywall up, 'Your goodwill doesn't feed my kids.' We really do have to make enough money to keep this operation running into the future."

Paper C Case Study

Paper C is a Midwestern metro with a circulation between 50,000 and 100,000 people. The organization has a metered paywall on its website, which subscribers to the print subscription do not get immediate access to. The metered paywall kicks in at 20 articles each month. At that point, subscribers to the print edition can purchase a subscription to Paper C's website for $1.50 a month, while people who do not have a print subscription are charged $6.95 a month for unlimited access to the site. Paper C has made advances in mobile devices, but does not yet charge for access. This discussion took place over the telephone with the newspaper's publisher.



Paper C's publisher only graded one of the Likert scale statements, and that was the one about monetizing online content as being important to the future of newspapers. He said, "I think that's a five, being able to monetize the Web, and we're becoming quite good at it. … We've integrated online advertising into each and all of our sales presentations. It's become a very viable part of the product we bring to market." The publisher went on to say that the paper has introduced a series of new products, giving the people who advertise with Paper C more options. He also stressed that the paper is building readership and page views online so the website "is viable for advertisers."

The publisher's responses to the other scale questions stressed the differences between Paper C's print and online options, both for advertisers and for readers. He said the print product generates an overwhelming majority of the newspaper's revenue but that it is beginning to take its website increasingly more seriously. "It's our position that there's room for both products, although we recognize the change in the marketplace means we have to provide both our news information and advertising across a variety of platforms," he said.

Paper C generates unique content for both the newspaper and its website, updating the site thirty to forty times on any given day. Advertisers, meanwhile, tend to prefer the print or the Web depending on their target audience, the publisher said. He noted that advertisers targeting older and more affluent audiences might prefer the print product to the online audience, but that most companies have a strategy that allows them to be active in both locations.

In addition to traditional display advertising and the metered paywall, Paper C has begun to pursue other sources of revenue. Some of those sources include sponsorships and contest promotions. Another revenue stream includes the Yahoo network, which allows the newspaper to sell an ad on a cost-per-thousand basis that will then be displayed across Yahoo's website. The revenue is split between Paper C and Yahoo.

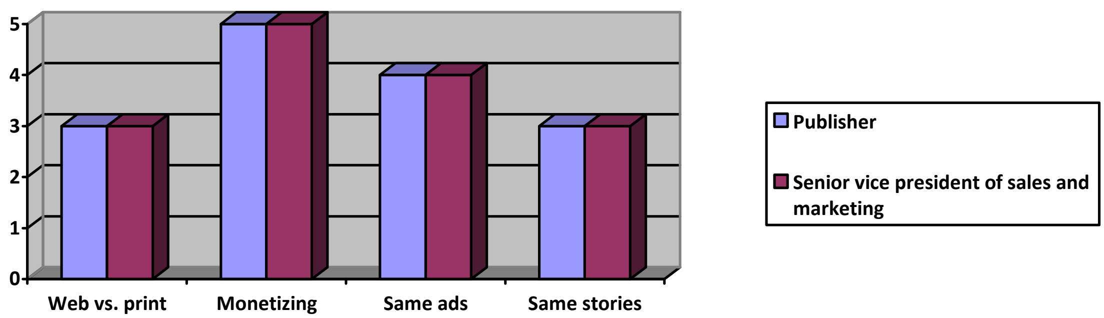
The publisher said Paper C introduced the paywall in the spring of 2011 out of necessity, but it affects only a small segment of the audience. "It doesn't affect about 90 to 95 percent of our traffic," he said. "It's only the highest users. It had a little impact, but we're still seeing pretty good growth in our unique visitors and page views." By limiting the number of people who are affected by the paywall, newspapers hope to retain many of their fly-by users, which, ideally, will help them keep their online advertisers.

One interesting feature of Paper C's paywall is it is not packaged with a print subscription, but instead offered to print subscribers at a discounted rate. The publisher said that the number of online subscribers varies regularly. He attributed the regular variation to the fact that the online subscriptions come in weekly, monthly, or yearly options. A major portion of the paper's audience has been unaffected by the paywall, which is accomplished by creating a strict delineation between the print and the online products. "There hasn't been a significant reaction. … Since it only affects our heaviest users, it really hasn't impacted the bulk of our audience," he said. The publisher also added that the metered paywall did not affect advertisers. "We were still able to grow our page views and deliver what we promised," he said. The publisher said that the paper did not hire any new employees or make any logistical overhauls in order to raise its paywall.

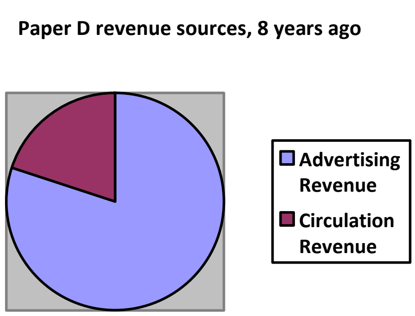
The publisher of Paper C was adamant that monetizing online content is important to the future of newspapers. "We need to begin to start charging for our online content, and this is the first step in that direction," he said. He also indicated that the paper would likely charge for mobile content in the near future.

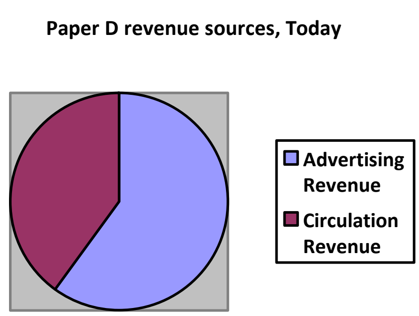
Paper D Case Study

Paper D is a major Midwestern metro with a circulation greater than 200,000. The organization does not have any sort of paywall on its website, but does charge a nominal fee for access to a digital replica and iPad version of the newspaper. This discussion occurred simultaneously with the newspaper's publisher and its senior vice president of sales and marketing at its offices.



Unsurprisingly, both executives said that monetizing online content was a five on a scale from one to five. Also, they each said the editorial content's similarity in the print product and online was a three, with the advertisers being slightly more consistent as a four.





About 40 percent of the paper's revenues comes from circulation —a number that the publisher said has risen dramatically during the past seven or eight years. In the recent past, he said, the revenue split was 80 percent advertising against 20 percent circulation. Advertising revenue, meanwhile, is split into retail/national advertising and classifieds. At this point, about 70 percent of Paper D's advertising comes from national advertising and 30 percent from display.

The senior VP emphasized that revenue from all forms of advertising have decreased, the amount of classified advertising has fallen faster than display advertising. That was partially attributed to online options and partly to the recession market. "I think [the recession and the advent of online options] have been a complete shift in the way people search for jobs, search for cars, and search for houses," she said. Disconcertingly, the publisher added that in a best-case scenario, the newspaper can expect to recoup 20 percent of the pre-recession classified advertising when the recession ends, simply because buyers and sellers have found other ways of doing business. Those numbers emphasize the idea that newspapers are in the midst of the digital revolution and that the movement is showing no signs of slowing down.

Online display advertising, meanwhile, has become substantially less effective in recent years. "There's tons of [display ads] and people kind of look at them as wallpaper," the senior vice president said. "… If you run a display ad in a newspaper, we hear — and this is just anecdotal feedback from customers — that the response rate is still higher. You know what click-through rates are — nobody does that." Ironically, she added, the sheer number of display ads available on the Internet means that they are less effective for both advertisers and media organizations. The fact that consumers view advertising as little more than part of the scenery means there is a very low likelihood of paying attention to a particular promotion, no matter how catchy it is. This ineffectiveness means that newspapers cannot charge for online content, as their general display ads are just as ineffective as those of other websites.

Paper D has reacted to this by focusing on search and behavioral targeting to give advertisers the most effective results. One major disadvantage the paper faces, though, is the sheer mass of inventory for display advertising on the Internet. Virtually every website has some form of banner or display ad, meaning that media organizations such as newspapers — which have comparatively general audiences — are at a major disadvantage. “There’s extreme, extreme pressure pushing [prices of display ads] down,” the publisher said. “Whereas in print over the years, you were able to move the price points up, here almost immediately the price points started being pushed down because of too much inventory.”

Another problem that Paper D has encountered is traditional advertisers using networks to purchase online real estate. One major bank, for example, bought advertising for $17 per thousand CPM less than three years ago. That bank, however, now uses a national network to purchase its ad space and pays $2.50 per thousand CPM. The situation is further compounded when the targeting that networks utilize is factored in. Rather than targeting contextually by asking for users who read sports on Paper D’s website, for instance, the senior vice president said, cookies have now advanced to a point that allows advertisers to learn the browsing and shopping habits of users. “[The advertisers are] saying I want to buy you, your age, your demographic, your interests, your likelihood to buy a car, whatever it might be,” she said. “And they’re finding you on any website, which makes it a more effective buy for the advertiser, but it also makes it a very cheap buy for the advertiser.”

One reason advertisers are unwilling to pay for online space is because readers don’t spend much time with the digital versions of newspapers. The senior vice president noted that the average user of Paper D’s website spent eight minutes a month online, compared with more than an hour with the physical paper every Sunday and about 45 minutes on a daily basis. Her explanation for this phenomenon was that 50 percent to 60 percent of the visitors to a major metro’s website are from outside its market. In Paper D’s case, as with many newspapers, those users were primarily interested in news about the city’s sports teams. “They’re coming in via search engines. … They searched for something very specific,” the senior vice president said. “They’re not going in to read today’s news. They’re going in because they’re focused on one certain story or something they’ve actually searched for. The engagement level is very different.” One conclusion that Paper D’s executives have drawn from their online numbers is that their employees have become savvier at using social media and search engine optimization. The executives also have concluded that niche content, such as coverage of local sports teams, is the primary kind that supporters of paywalls believe could ultimately lead to the scheme’s success.

Paper D’s executives said they would like to explore a paywall, but that their parent company is averse to monetizing online editorial content. The publisher said, "We would probably be more inclined to experiment with it immediately and see where it led, but at this point it's just off the table from a directive standpoint." In this way, Paper D's parent company is similar to both Paper A's and Paper B's, which are also generally against paywalls. One major way that Paper D's parent company differs from Paper A's is in the way digital innovation occurs. Paper D's parent company has a hub where new developments are explored, while Paper A's digital arm encourages constant communication and exploration. The publisher of Paper D described his company's digital model as being centralized, with new ideas emerging from a core group and then trickling down throughout the company. He said "Our people have had ideas, and it just doesn't see the light of day because it's just not a priority [at the hub] with all the other things they're working on for everybody." The senior vice president, however, pointed out that having a centralized digital arm allows major media companies to take advantage of economies of scale, often providing an advantage for the smaller holdings.

Another reason the executives of Paper D cited for supporting a paywall is to create a kind of a premium on online advertising space. "I think [a paywall] would drive up CPMs, which would help the issues that the industry has had with downward rate pressure," the senior vice president said. "… We have too much inventory. It's not terrible to have less but to be able to monetize it and have a really engaged audience that you can monetize."

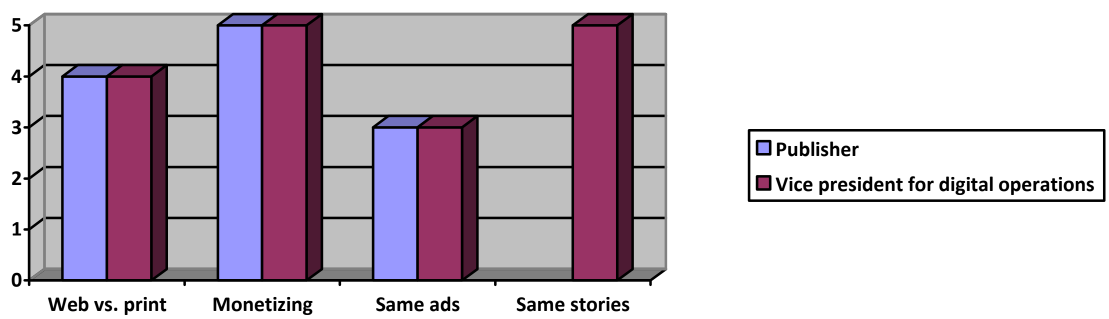
The other audience segment that newspapers are exploring is mobile, which includes both smartphones and tablets. While mobile makes up a very small segment of advertising right now, Paper D's executives expect it to take off in the very near future. The senior vice president described mobile as currently taking up single digits of Paper D's digital revenue, meaning it makes up an even smaller percentage of total revenue. At the same time, however, she also said almost as many people are accessing the paper's website via cell phones and tablets as via laptops and desktops. Currently, Paper D charges roughly $15 per thousand views for mobile advertising, an amount that the executives believe is pricing the newspaper out of the market. However, they also believe that the market will catch up to their prices. The paper's publisher analogized media organization's current familiarity with mobile devices to a surfer sitting on his surf board, watching waves roll in ahead of him, specifically saying that the fourth or fifth wave out would be the point where mobile profitability truly takes off. "It hasn't really caught up with the money yet," he said, "but the waves are going to keep coming in and eventually mobile is where the big money plays are going to be."

In order to take advantage of those money plays, though, newspapers need to avoid making the same mistakes they did with the Internet — primarily, conditioning audiences to expect free content and then being incapable of charging for it. "We screwed up when we initially didn't set a value proposition on the Internet for our content," the publisher said. "… I think the next two years are really key because [the phone] will become the device of choice, no question." Paper D's senior vice president agreed that monetizing editorial content is imperative for the future of newspapers, pointing to Gannett's expected $100 million jump in revenue after the chain raises its company-wide paywall. One solution the publisher proposed for newspapers' economic woes is to use mobile to create a product that attracts a specific set of customers, thereby creating a premium audience that advertisers will be willing to pay to gain access to.

"If we just continue to try to chase the masses," he said, "there's just not enough nourishment to feed us."

Paper E Case Study

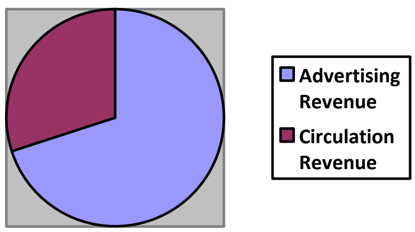
Paper E is a major Midwestern metro with a circulation between 100,000 and 200,000. The organization had a paywall in the past, moved away from it, and is now in the process of planning a metered model on its website. Paper E currently does not charge for mobile access to the website, but does charge for its iPad app. This case study involved a conversation with the publisher at the paper's downtown offices and then over the telephone with its vice president of digital operations.



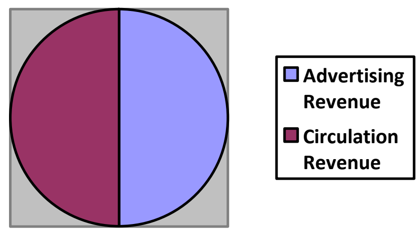
Unsurprisingly, both executives responded to the Likert scale question about the importance of monetizing online content with a five. The vice president of digital operations said, "We used to give it away for free, and now it's important that we start charging responsibly." Interestingly, both the publisher and the vice president of digital went on to state that on a scale from one to five, newspapers' effectiveness at monetizing digital content thus far had been a one. The publisher noted that the *New York Times*' hesitancy to use a paywall had made it difficult for other newspapers to charge because customers had access to one of the nation's preeminent news products for free, making them unwilling to pay for anything else.

"If you could go to a newsstand every day and get a *New York Times* for free or pay $1 for (Paper E), you're probably going to take the *Times* and look around for local news. Now that they're starting to put things behind a paywall, it's easier for us," the publisher said.

Paper E revenue sources, 8 Years Ago



Paper E revenue sources, Today



Like Paper D, the other major metro interviewed in this study, Paper E has seen its revenue lines shift dramatically from advertising to subscriptions. The publisher said that seven years ago, Paper E's revenue was about 70 percent advertising and 30 percent subscriptions, but that since then advertising has consistently fallen since then, today's Paper E's revenue is about 50 percent ads and 50 percent subscriptions.

Paper E is not only worried about charging responsibly for its digital product, though, as it recently re-priced its printed product in order to generate the revenue its executives believed its audience would be willing to pay for the newspaper. The executives consulted an economist, who modeled price doubling using an algorithm and concluded that Paper E could afford to lose about a fifth of its subscribers in doubling the price of its print subscriptions. It lost about half that.

At that point in time, two years ago, Paper E also made a conscious decision that — like Paper A — it did not care where people read its news, be it in print, on the Internet, or on mobile platforms. Unlike Paper A, though, Paper E wanted all of its readers to be subscribers. "We're no longer in the newspaper subscription business," the vice president of digital operations said. "We're in the content-subscription business. And the central piece of that is, frankly, we don't care where people read us. If they're going to read us electronically or on paper, we're going to get maximum value."

He went on to compare Paper E's pricing decisions to the way an airline prices its seats, as a businessman within two days of a flight will be willing to pay more for a seat than another customer. In a similar way, Paper E has analyzed its audience to determine which people will be willing to pay what in order to extract the most revenue from its audience. For instance, Paper E has done a breakdown of its market and determined that about 30 percent of its market does not care about news and won't pay for it in any form. At the same time, about 30 percent of its market is the news organization's core audience and is, therefore, willing to pay for access to news, no matter the platform. Of the 30 percent that makes up the core audience, 18 percent are media sophisticates. The vice president of digital operations defined those people as needing news in their professional lives or those who simply want to be the first to know anything that occurs in a community. Fittingly, this segment of the audience is modeled to pay more than others.

Furthermore, only 36 percent of Paper E’s audience views digital as the primary way that it is going to consume news, with half those people preferring to use a computer to find news and the other half using a smartphone or a tablet. Concerning mobile, the publisher said Paper E noticed substantially more activity in the beginning of 2012. He said, “We’re seeing our mobile numbers double from month-to-month, so we’re going to pay a lot more attention to mobile apps, both on tablets and on phones, and get busy generating revenue.” Currently, the paper charges the same amount for its iPad app and its print product, with a subscriber to either being able to add the other product on for $1 a month.

“If what you want to do is read the newspaper page to page as an e-edition, as an iPad app, people are used to paying for magazines on an iPad. … People are used to paying for things on a (cell phone),” the vice president of digital operations said. “So there, we can be much more aggressive because it truly may be that you don’t want a paper newspaper, but you want the experience of everything the newspaper has to offer.”

The new metered paywall will be treated as an add-on, just like the iPad edition, meaning that seven-day subscribers will be able to have unlimited access to Paper E’s website, iPad app, and electronic edition by paying an extra $1 a month — or a total of $12 a year.

Those who do not subscribe to Paper E’s website will have access shut off at thirteen page views, which is the number at which the organization’s economic consultant determined heavy users would be willing to pay for additional access to news. The vice president of digital operations estimated that implementing the meter would affect about 20 percent of the newspaper's online audience, meaning that 80 percent of the people who visit the website would not be aware the meter existed.

"For the 20 percent who do (pay), it's sort of like you can't go to a drugstore or a bookstore and read a magazine for free. It isn't a library," the vice president of digital operations said. "The point is, we're not going to let the Web be a library. … If what you want to do is use the Web to look at thirteen or more pages a month, then obviously you value our content … and we have every expectation from what we've seen at other papers from our own research that people would be willing to pay for that deeper access."

Another reason that the vice president of digital operations gave for setting the paywall at thirteen pageviews a month was that if the page-view count were lower or if the price were lower, the audience willing to pay would turn over too much from month to month. "There's too much churn in those people who would pay us little amounts of money because they're not really committed to what we do as a business versus those people that are the media sophisticates, that are our core audience," he said. "Those people could have a price increase and still justify it in their own minds that we are worth what we're doing."

The previous time Paper E attempted a paywall, which was dismantled about six years ago, failed in part because the news landscape had not shifted as dramatically to digital as it has in recent years. The first paywall, which protected everything but classifieds and obituaries, cost about $8 a month, and only about 6,200 people were willing to pay for access to digital content. Paper E was, therefore, unable to generate enough subscriptions to justify its digital expenses and advertisers were not willing to advertise to such a small audience, meaning the organization was losing money on its digital end, according to the vice president of digital operations. The first year Paper E made its website free, it immediately began turning a profit on the digital end because page views began to climb dramatically and advertisers were increasingly willing to pay for access to a large segment of the audience. “At any rate,” the vice president of digital operations said, “the bottom line is we were tired of losing money in the old scheme and just came up with a better business model that is profitable.”

For context, Paper E can now show that about 65 percent of its market goes to one of its product’s website in a given month, and Paper E’s website is seeing ten times the Web traffic it did in the past. Thus, the hope is that by utilizing a metered model rather than a full model, Paper E will be able to charge heavy users a toll for using its product while also keeping traffic numbers high.

Discussion

Throughout the interview process, four major conversation topics emerged: the decline of advertising and increasing importance of the subscriber; the effectiveness of full paywalls against the effectiveness of metered paywalls; mobile content and how to monetize it; and the role that corporate ownership plays in determining a newspaper's economic decisions.

The first research question asked was whether print advertising would ever come back. Industry-wide statistics are indicative of a massive decline in revenue, predominantly due to recession- and technology-motivated losses in advertising revenue. The recession in the late-2000s caused many advertisers to look for cheaper, more efficient ways to advertise than with traditional print media. At the same time, Facebook and Google began to make aggressive advertising pushes and, by 2012, the top-five online display-ad companies controlled 52.9 percent of the market, totaling $14.82 billion (Facebook display revenues to nearly double this year, 2011). Between 2009 and 2012, Facebook's market share advanced from 7 percent of the display ad market to 19.4 percent, while Google displayed similarly impressive growth, moving from 4.5 percent to 12.3 percent of the market.

Newspapers, in other words, are no longer competing solely with each other for advertisers but with massive Internet powers that can target advertising based on users' self-identified interests. Furthermore, Facebook and Google can claim that users are both more frequent and more engaged with their sites, as 163.2 million people visited Facebook in August 2011, spending an average of 7 hours and 46 minutes on the social media site, while 176.2 million people used Google for an average of 1 hour and 46 minutes (Parr, 2011). By comparison, the average reader of Paper D — the largest product in this study — spends 8 minutes on its website in a given month. Facebook and Google can offer substantially lower rates per ad with more exposure because of their sheer inventory, something that is impossible for newspapers to replicate.

Newspapers are becoming increasingly aware of the new economic reality that the advertiser-subsidized model of journalism has been shattered, as is shown by the fact that three of the papers interviewed have embraced paywalls, one is interested in doing so, and only one is opposed to the idea. Paper B has successfully implemented a paywall despite its parent company's refusal to cooperate with efforts to enhance the paywall. The paper has retained its porous paywall model and found a way to tax light users and inadvertent users with the assistance of Google Pass. Ironically, executives say profits from light users have gone up since the pass system was implemented. It does not, however, offer the profit certainty that consistent subscriptions do. Paper C successfully uses a metered model that doesn't affect 90 to 95 percent of its readers. As part of its model, Paper C charges its subscribers an extra fee to gain online access, although that fee is less than what it charges nonsubscribers for digital access. Paper E will follow a similar model when it puts its own paywall up. Executives at Paper D would like to experiment with a paywall in part to attempt to push online-advertising revenue up by limiting inventory, but cannot because of corporate policy.

Paywalls are also anathema to the corporate ownership of Paper A, which seems like a risky decision at first glance. However, in 2010, when newspapers lost about 6 percent in revenue nationally, Paper A's parent companies only averaged a 2 percent loss. Meanwhile, across the company digital revenue spiked from $6 million to a projected $32 million in a little less than two years. What is impossible to determine from the parent company's limited success thus far is whether its CEO's aggressive changes — which include outsourcing all operations but editorial and sales, as well as depending on audiences to help find and generate news stories — will be enough to reverse the trend of declining revenues rather than simply easing it. What is certain from the parent company's actions is that it has figured out how to facilitate sweeping changes in media companies, an attribute that other companies would be wise to study.

The reality of the situation, despite the company's initial successes — which have been in large part based on a belief that the era of print journalism is coming to an end — is that advertising revenue is not finished declining. That means that in order to even maintain the current state of newsrooms throughout the country, the idea that advertisers are the primary subsidizers of journalism has to disappear. Instead, readers have to be asked to take on an advanced role as stakeholders in print journalism, meaning pay higher prices but, in turn, receive more access. Paper E follows this model well, as it recently doubled the price of its print product and will offer access to its website to subscribers for an extra $1 a month.

"We're selling subscriptions to content," the vice president of digital operations for Paper E said. "The consumer can decide what platform to get that content on."

The second research question asked was if full paywlls, full paywlls with exceptions, or metered models are most effective. Three of the papers that participated in this study have combined for a total of four paywall experiences, one of which has been a full paywall, one of which has been a full paywall with exceptions, and two of which have been metered. It is, therefore, possible to evaluate those experiences and make a judgment about what kinds of paywalls are, in practice, most effective.

The only experience with a full paywall, which belonged to Paper E, was a failure, as only 6,200 users paid for access to the website. The newspaper's executives attribute the failure of their paywall in part to poor timing, as paying for news on the Internet had not yet become anything approaching a norm. Just as importantly, however, was the fact that by implementing a full paywall, the paper eliminated the possibility of any casual readers accessing news. This meant that advertisers were, in turn, unwilling to purchase online real estate, causing Paper E's strategy to backfire and lose money because of the costs associated with a digital department.

When Paper E tries the new rendition of its paywall this summer, it will feature a porous model that executives estimate the vast majority of users will never run across. With the free articles limit tentatively set at 13 a month, Paper E will attempt to keep traffic flowing in from social media streams such as Facebook and Twitter, but rather than taxing all of the users for reading it will only target the members of its audience who depend on or have an attachment to the news — in other words, the people who value the product the most. That decision was made after careful consultation with an economist, who also worked with the paper when it recently increased its subscription, a decision that helped the paper become more profitable. Paper C has effectively used a metered digital subscription model for about a year, charging daily subscribers a slight fee to upgrade to full digital access, just as Paper E will.

The success of Paper C and the decision of Paper E indicate that because most consumers are “flyby” or casual users any paper that turns to a full paywall will see the vast majority of its traffic disappear, just as Paper E did during its first paywall experience. Even Paper B, which seemingly has a full paywall, has the major exceptions of Associated Press stories, obituaries, and sports content. The newspaper has, however, pursued the unofficial micropayment model of Google Pass, which allows many users who wouldn’t otherwise visit the site to boost its traffic numbers. Paper B’s interactive sales manager estimated that only about 30 percent of the site’s traffic comes from behind the paywall. Furthermore, the newspaper’s executives are frustrated that they have not been able to experiment with a metered model because they believe that it allows readers to share stories over social media more effectively, which they think could be used to help familiarize some potential consumers with the website’s content.

The third research question asked was how mobile fits into newspapers’ strategies. Executives from every paper save Paper A said they are beginning to investigate mobile more intensively. Papers B, D, and E each mentioned that mobile traffic increases by about 1 percent a month. Paper B would like to treat its mobile website as a subscription service, similar to its website, but is prevented from doing so because of a lack of institutional and technological support. The paper's new media editor said he believes creating a login system for the paper's mobile website would be relatively easy, but that because the paper's employees lack access to its own servers, they cannot accomplish the task.

The publisher of Paper D, in particular, was intrigued by the possibility of using mobile to create a premium product that could be monetized by charging users. "We screwed up when we initially didn't set a value proposition on the Internet for our content. That day is gone. And yet now, the Internet itself — a laptop/desktop — is going to be superseded by a tablet, which gives us a chance to get it right again. And I think the next two years is really key because the tablet will become the device of choice," he said. The paper's senior vice president of sales and marketing added that the paper is currently pricing itself out of the market in terms of mobile advertising, but is doing so strategically because it is confident that the market will catch up to its prices relatively quickly as more readers consume news on apps and tablets. Papers D and E both have the advantage, however, of being located in major cities, meaning their populaces are more likely to have access to and be familiar with smartphones and tablets. Furthermore, their heaviest users are likely to be dependent on consuming the news for their jobs.

The publisher of Paper D said new technology tends to develop in waves, and that if media organizations are a surfer sitting in the ocean and watching waves come at him, the true take-off point for mobile product is about four or five waves out. “The waves are going to keep coming in, and eventually mobile is where the big money plays are going to be,” the publisher said.

Paper E lumps all of its digital products together, and will soon offer either a digital or a print subscription, with each buyer being capable of adding the other subscription for an additional $1 a month. The paper’s publisher said, “We think mobile is going to be the next frontier in information. … We’re going to pay a lot more attention to mobile apps, both on tablets and on phones and get busy generating revenue in mobile.”

Another finding that emerged over the course of the study was that decisions made at a corporate level — as well each organization’s corporate organization — can have a major effect on the revenue model and even the newsgathering decisions of a given paper. This is exemplified by Papers A, B, D, and E.

Paper A, for instance, emphasizes crowdsourcing and interacting with the audience because that is a major focus of its parent company. At the same time, the term paywall is scoffed at by Paper A’s executives because it is anathema to the parent company’s CEO. That is, however, the only place where Paper A’s parent company comes across at all as dogmatic. In fact, its webinar series and Twitter chats indicate a willingness to teach skills via vertical innovation but to allow innovation to occur horizontally — and even, in some instances to trickle up the chain of command and become the norm. Thus, the parent company is indicative of a media company that is willing and able to innovate quickly in a journalistic manner, but that remains extremely set in its ways and unwilling to experiment in an economic manner. In many ways, Paper A's parent company is like Paper B's parent company.

After Paper B made the decision to stick with its paywall, it was the only property in the entire company to do so, and therefore lacks the institutional support to innovate in ways it believes would be helpful. Unlike Paper A's parent company, in which there is a central idea lab but employees from each property are encouraged to contribute, Paper B's company has a single, centralized innovation center from which technological advances emanate. Paper B's publisher expressed frustration at the lack of response from the parent company about developing a metered paywall, and the new media editor showed similar sentiments when asked about the paper's mobile activity. The executives, therefore, feel that the parent company lacks the resources or willingness to make changes that could further improve Paper B's economic situation.

Paper D is in a similar situation as Paper A, in that its ownership has passed a directive that paywalls are not to be experimented with. At the same time, though, the paper's executives would like to sample a paywall, meaning that Paper D and Paper B want the same thing. Ironically, though, the smaller paper is in a more advanced position because it has already attained a paywall by being part of a trial process. In terms of newsroom technological innovations, Paper D's corporate setup is much more akin to Paper B's than Paper A's in that there is one idea lab and that ideas come down the chain of command but don't go up.

Paper E is in a unique situation in that it is its own publishing company, meaning that it is capable of evaluating its own performance and then reacting quickly to its findings. If, for instance, Papers A or B decided that they wanted to double their subscription prices, they would likely meet some stiff opposition from corporate, particularly if the decision promptly led to a loss of 10 percent of their audience. Paper E, however, could make that decision, just as it could decide to erect its own paywall and set the cutoff at 13 pageviews because that was where the market placed the value proposition.

In terms of economics, Papers B, D, and E are all willing to take risks in order to improve their situations, but Papers B and Ds' corporate ownership means that they encounter substantially more friction en route to change. Papers B and D, therefore, are not in positions to fail — or maybe even succeed — quickly, and are instead stuck in a company-wide status quo.

The initial research question asked what the prevailing newspaper economic model would look like in the near future and whether it would include a paywall. Executives at all of the papers interviewed were willing to experiment with new methods, and every single interview subject said that monetizing online content is imperative to the future of journalism. Furthermore, paywalls are gradually being introduced at newspapers across the country, even as advertising revenue continues to decline. For those reasons, it seems as if paywalls will soon become increasingly prevalent as newspapers across the country attempt to discover and exploit new revenue opportunities.

Conclusion

There are four primary conclusions that can be drawn from this study. The first — which is demonstrated by statistical trends and by the strategic opinions of executives at Papers B, C, D, and E — is that the steep decline in advertising revenue is more or less irrevocable. That means newspapers will need to start relying on their subscribers to foot the bill to a much greater degree than they have in the past. To that extent, the term paywall is a misnomer, as it linguistically describes the action of preventing someone from accessing the news and, as such, seems daunting. Instead, newspapers should begin referring to what used to be called paywalls as "digital subscriptions" in order to allow readers to relate to them in a more familiar sense.

At the same time, though, newspapers need to recognize that their content is not worth the price of subscription to all users. Furthermore, it might be worth letting light users access websites to a certain degree in order to increase pageviews and to give them a sample of newspapers' products. That method is evident in the metered model currently utilized by Paper C; the planned model for Paper E; and, to some degree, the porous paywall and Google-subsidized model that Paper B uses, as well as its executives' desire to experiment with a metered paywall.

Newspapers also need to be aware of the future — something that the industry failed at as a whole when the Internet became popular. It is, therefore, crucial that the industry begin charging subscribers for access to mobile products immediately, as usage levels are already climbing rapidly. Paper E is conditioning its customers to paying for mobile by including it as an add-on to print subscriptions, a decision it can make in part because of its high subscription costs. Executives of both Paper B and Paper D are very articulate about the potential importance of mobile products. The decisions of Paper B's parent company, however, are preventing the company from pursuing profits on tablets and smartphones.

Company-wide decisions made at a corporate level, therefore, have a major effect on the economic decisions made by local newspapers. Decision-makers at Paper A, for instance, completely buy into the "digital first" model outlined by its parent company, which declares that the Web should be free. Paper B, however, has rebelled against its company and maintained a paywall despite lacking technological backing or the capabilities to make substantial tweaks such as turning on a formal meter. Both Paper B and Paper D, which would like to experiment with digital subscriptions but can't because of a corporate directive, are examples of situations where corporate decisions are preventing local experts from making autonomous decisions and, as such, are holding back innovation.

In order to move forward, media corporations need to develop enough confidence in each newspapers' executives to let them decide the revenue model they want to pursue, whether or not that includes a digital subscription. At the same time, if a digital subscription is chosen, metered models have generally been substantially more successful than hard paywalls, particularly in competitive media markets. Media companies also should be aggressively pursuing company-wide initiatives to develop and monetize mobile products.

With the technological advances of the past decade, newsgathering and reporting have a bright future. Newspapers just need to ensure that they have a part in it.

Attempts to replicate this study should include stronger efforts to ensure that the same set of interviews are conducted with each participating newspaper in order to guarantee that the viewpoints presented represent the papers' advertising and editorial sides as accurately as possible. Also, any attempts at replication should involve better attempts to conduct a second interview with each participant in order to ensure that each conversation covers the same topics.

Furthermore, attempts to repeat this study should attempt to include more participants. While five was an acceptable number for a study on this small a scale, more participation would have helped the results give a clearer view of the state of the newspaper industry and where it is headed.

Further Research

One branch of further research into the topic of newspapers' revenue models could focus on the impact of newspapers' democratic mission. Newspapers such as Paper E have already begun to hike their subscription prices. If that becomes a trend could daily metros begin to cater to a wealthier class of citizen and become more exclusive products akin to the *New York Times* and *Wall Street Journal*? The simultaneous question, though, is whether the sheer existence of newspapers is more important to media as a whole because of the trickle-down effect newspapers have to other media than whether they are affordable to the masses.

Another line of research could involve the structure of mobile subscription models and whether they should mirror the digital subscription models already seen on many websites or should be more akin to the one-time downloads of iPhone apps. Furthermore, research into mobile products could attempt to identify how quickly audiences will be prepared to pay for digital content en masse.

The final additional research should delve into whether large media companies are capable of changing strategies as fast as small, privately-owned media companies. Part of this would involve identifying the decision-making structure and process in several different companies, as well as how those plans are implemented.

Works Cited

Abell, J. C. (2009, September 17). Wall Street Journal takes paywall fight to mobiles. *Wired*. Retrieved March 15, 2011, from www.wired.com/epicenter/2009/09/wall-street-journal-takes-paywall-fight-to-mobile/

Beaujon, A. (2012, May 17). Media General, Warren Buffett agree on paywalls. *Poynter*. Retrieved May 22, 2012, from www.poynter.org/latest-news/mediawire/174312/ media-general-warren-buffett-agree-on-paywalls/

Burrell, I. (2010, September 2). Has Rupert Murdoch's paywall gamble paid off?. *The Independent*. Retrieved March 15, 2011, from www.independent.co.uk/ news/ media/online/has-rupert-murdochs-paywall-gamble-paid-off-206790 7.html

Chittum, R. (2010, January 26). Audit Notes: The Newsday 35, WSJ Sun, Davo. *Columbia Journalism Review*. Retrieved March 14, 2012, from http://www.cjr. org /the_audit/audit_notes_the_newsday_35_wsj.php

Chittum, R. (2010, January 28). Newsday Paywall Is Barely Affecting Local Traffic. *Columbia Journalism Review*. Retrieved March 14, 2012, from http://www.cjr. org /the_audit/newsday_paywall_is_barely_affe.php

Cho, H. Martin, H.J., & Lacy, S. (2006). An industry in transition: Entry and exit in daily newspaper markets, 1987-2003. *Journalism & Mass Communication Quarterly,* 83(2), 381-396.

Chozick, A. (2012, February 22). Gannett Pushes Its Pay Wall Plan to Investors. *NYTimes.com*. Retrieved May 22, 2012, from http://mediadecoder.blogs.nytimes.com/2012/02/22/gannett-pushes-its-pay-wall-plan-to-investors/

Edmonds, R., Guskin, E., Rosenstiel, T., & Mitchell, A. (2012). Newspapers: By the Numbers. *The State of the News Media 2012*. Retrieved March 25, 2012, from http://stateofthemedia.org/2012/newspapers-building-digital-revenues-proves-painfully-slow/newspapers-by-the-numbers/

Evans, D.S. (2008). The Economics of the Online Advertising Industry, *Review of Network Economics*: 7(3), Article 2. Retrieved May 29, 2012, from http://beep ress.com/rne/vol7/iss3/2

Facebook display revenues to nearly double this year. (2011, June 20). *eMarketer*. Retrieved February 22, 2012, from http://www.emarketer.com/Article.aspx?R= 10 08449

Farhi, P. (2009, August 20). Build that pay wall high. *American Journalism Review*. Retrieved March 1, 2011, from www.ajr.org/article.asp?id=4800

Gannett holds investor meeting to present growth strategy and cash flow-funded capital program and expects to return more than $1.3 billion to shareholders by 2015. (2012, February 22). *Gannett*. Retrieved May 22, 2012, from www.gann ett.com/apps/pbcs.dll/article?AID=/99999999/PRESSRELEASES19/1202220 01/

Heald, E. (2011, March 8). Dallas Morning News introduces paywall today. *Editors Weblog*. Retrieved March 12, 2011, from www.editorsweblog.org/2011/03/08/ dallas-morning-news-introduces-paywall-today

Hoskins, C., McFayden, S., & Finn, A. (2004). *Media economics: Applying economics to new and traditional media*. Thousand Oaks, CA. Sage

Humphrey, H. (2010, January 4). Financial Times' paywall finally pays off. *Editors Weblog*. Retrieved February 16, 2011, from http://www.editorsweblog.org/newspaper/2010/01/financial_times_paywall_finally_

Jarvis, J. (2010, January 17). The cockeyed economics of metering reading. *BuzzMachine*. Retrieved March 1, 2011, from www.buzzmachine.com/2010/01/1 7/the-cockeyed-economics-of-metering-reading/

Ji, H., Jurkowitz, M., & Rosenstiel, T. (2012, March 5). The Search for a New Business Model. *Project for Excellence in Journalism*. Retrieved March 14, 2012, from http://www.journalism.org/analysis_report/search_new_business_model

Kafka, P. (2012, May 14). New York Times Circ Gains Could Top Ad Losses by 2014, Says Analyst . *AllThingsD*. Retrieved May 29, 2012, from http://allthingsd.com/2 0120514/a-ray-of-light-for-the-new-york-times/

Kaplan, D. (2009, May 23). The Arkansas Democrat-Gazette a model for newspaper paywalls? not really, *paidContent* . Retrieved February 17, 2011, from http://paidcontent.org/articl e/419-newspapers-and-the-paywall-maybe-the-arkansas-democrat-gazette-isnt-the

Lacy S. & Simon, T. F. (1993). *The Economics and Regulation of United States Newspapers*, Norwood, NJ: Ablex.

Ludwig, J. (2000). The essential economic problem of the media: Working between market failure and cross-financing. *The Journal of Media Economics*, 13(3), 187-200.

Making news pay: Reinventing the newspaper. (2011, July 7). *The Economist*. Retrieved March 30, 2012, from http://www.economist.com/node/18904178

Martin, H.J. (2003). Clustered newspapers operate more efficiently. *Newspaper Research Journal. 24*(4), 6-21.

Milstead, D. (2010). Newspapers' perilous paywall moment. *Editor & Publisher*, *143*(8), 30-35.

Mnookin, S. (2011, July 24). The Kingdom and the Paywall. *New York Magazine* . Retrieved May 20, 2012, from http://nymag.com/print/?/news/media/new-york -times-2011-8/

Newspaper Economic Action Plan. (2009, May 1). *Nieman Journalism Lab*. Retrieved January 27, 2011, from www.niemanlab.org/pdfs/apireportmay09.pdf

Parr, B. (2011, September 30). You spend 8 hours per month on Facebook. *Mashable*. Retrieved February 10, 2012, from http://mashable.com/2011/09/30/wasting-time-on-facebook/

Perez-Pena, R. (2010, January 21). New York Times to Charge Nonsubscribers For Unlimited Use of Its Site. *The New York Times*. Retrieved March 1, 2011, from http://www.nytimes.com/2010/01/21/business/media/21times.html?_r=1

Purcell, K. & Rainie, L. (n.d.). Online economics and consumer attitudes. *Pew Research Center's Internet & American Life Project*. Retrieved March 1, 2011, from www.pewinternet.org/ Reports/2010/5--The-economics-of-online-news/ Media.aspx

Rogers, T. (2009). Conan Gallaty - an interview with Conan Gallaty of the Arkansas Democrat-Gazette. *About*. Retrieved February 14, 2011, from journalism.about .co m/od/trends/a/con angallaty.htm

Rogers, T. (2010, March 9). A News Website Where the Paywall Works Just Fine, Thank You. *About*. Retrieved February 14, 2011, from http://journalism.about. com/b/201 0/03/09/a-news-website-where-the-paywall-works-just-fine-thank-you.htm

Rogers, T. (2011, January 18). Study seems to indicate metered newspaper website paywalls can work. *About*. Retrieved March 1, 2011, from journalism.about.co m/b/2011/01/18/study-seems-to-indicate-metered-newspaper-website-paywalls-can-work.htm

Salmon, F. (2010, January 18). How the NYT should construct its paywall. *Reuters*. Retrieved March 1, 2011, from blogs.reuters.com/felix-salmon/2010/01/18/ how-the-nyt-should-construct-its-paywall/

Salmon, F. (2011, August 14). How The New York Times Paywall Is Working. *Wired.com* . Retrieved May 29, 2012, from http://www.wired.com/epicenter/20 11 /08/new-york-times-paywall/

Seward, Z. (2009, April 8). Five tips on charging for content from Alan Murray of WSJ.com . *Nieman Journalism Lab*. Retrieved March 14, 2011, from htp://ww w.niemanlab.org/2009 /04/five-tips-on-charging-for-content-from-alan-murray-of-wsjcom/

Should newspapers charge for content online? (2011, February 18). *On The Media*. Retrieved February 16, 2010, from http://www.onthemedia.org/transcripts/2010/0 7/16/03

Singleton, W. D. (2008, June 9). Dean Singleton'☐™s Speech In Sweden: 19 Of The Top 50 US Newspapers Are Losing Money. *Businessweek*. Retrieved January 11, 2011, from http://www.businessweek.com/innovate/FineOnMedia/archives/2008/ 06/dean_singletons.html

Special Reports – Economic Attitudes. (n.d.). *The State of the News Media 2012*. Retrieved February 10, 2011, from http://stateofthemedia.org/2010/special-reports-economic-attitudes

Sullivan, M. (2011, January 9). Changes bring success online, with more to come. *Buffalo News*. Retrieved February 15, 2011, from www.buffalonews.com/editorial -page/columns/margaretsullivan/article306128.ece

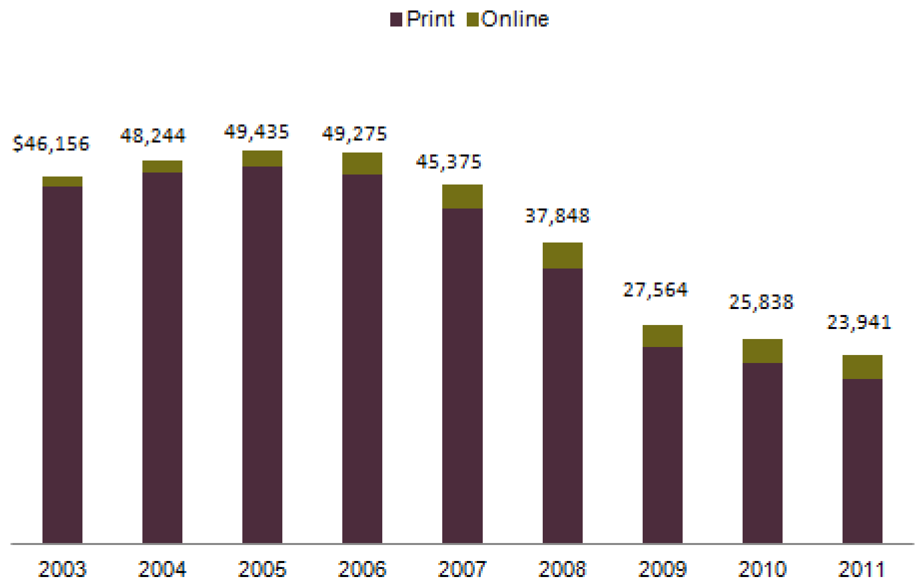
Surowiecki, J. (2003, July 14). Patent bending. *The New Yorker*. Retrieved March 12, 2012, from http://www.newyorker.com/archive/2003/07/14/030714ta_talk_surowiecki

Tracer, Z. (2012, May 24). Buffett Says Free News Unsustainable, May Add More Papers. *Businessweek*. Retrieved May 28, 2012, from http://www.businessweek.com/news/2012-05-24/buffett-says-free-news-is-unsustainable-may-buy-more-papers

Appendix A1

Print Advertising Revenue Falls, Online Grows

In Millions of Dollars



Source: Newspaper Association of America
Note: Numbers are rounded

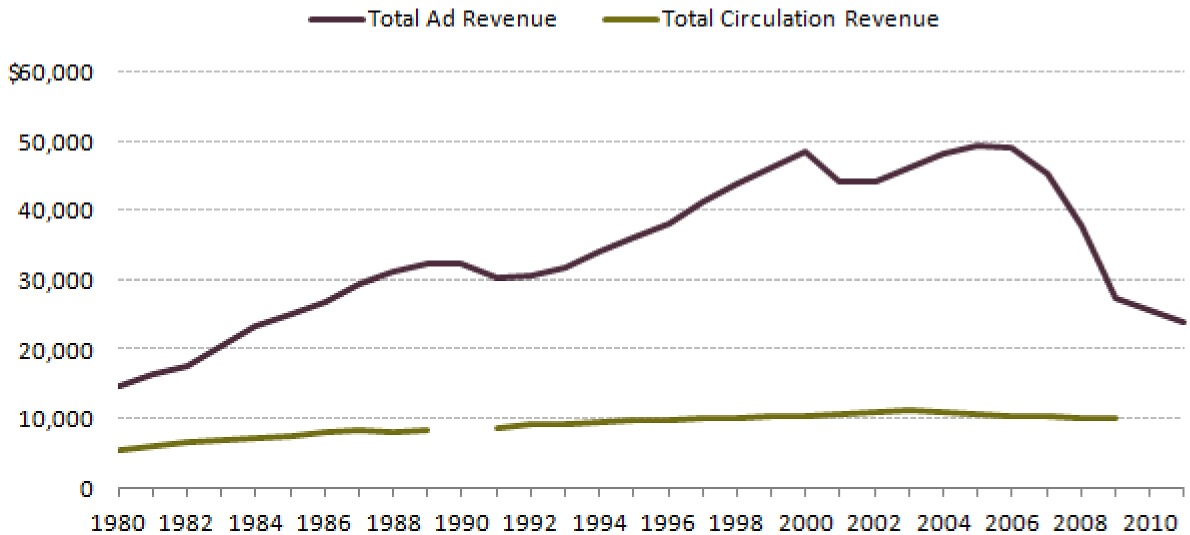
PEW RESEARCH CENTER'S PROJECT FOR EXCELLENCE IN JOURNALISM

2012 STATE OF THE NEWS MEDIA

Appendix A2

Ad Revenue Drops While Circulation Revenue Remains Stable

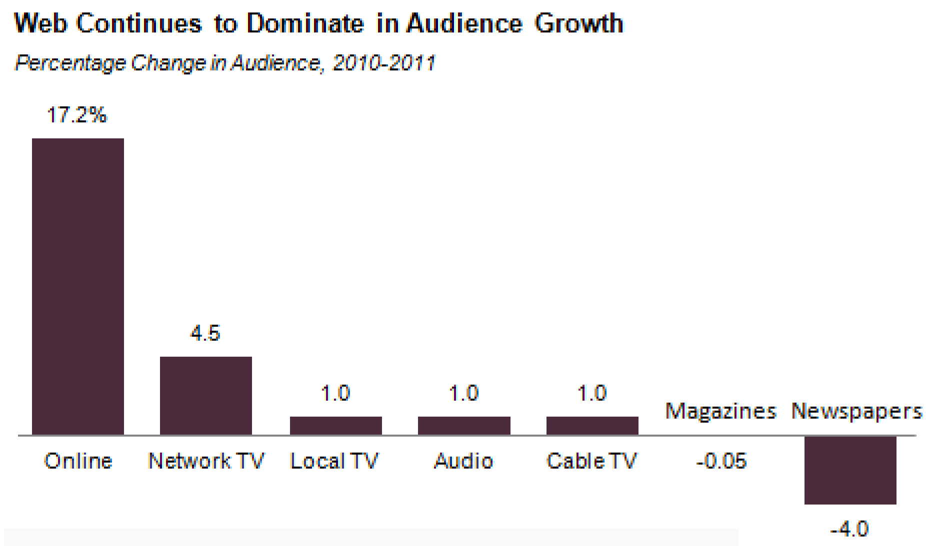
In Millions of Dollars



Source: Newspaper Association of America
Note: Numbers are rounded. There are no circulation revenue figures for 1990. Figures from 2003 onward for total ad expenditures includes online.

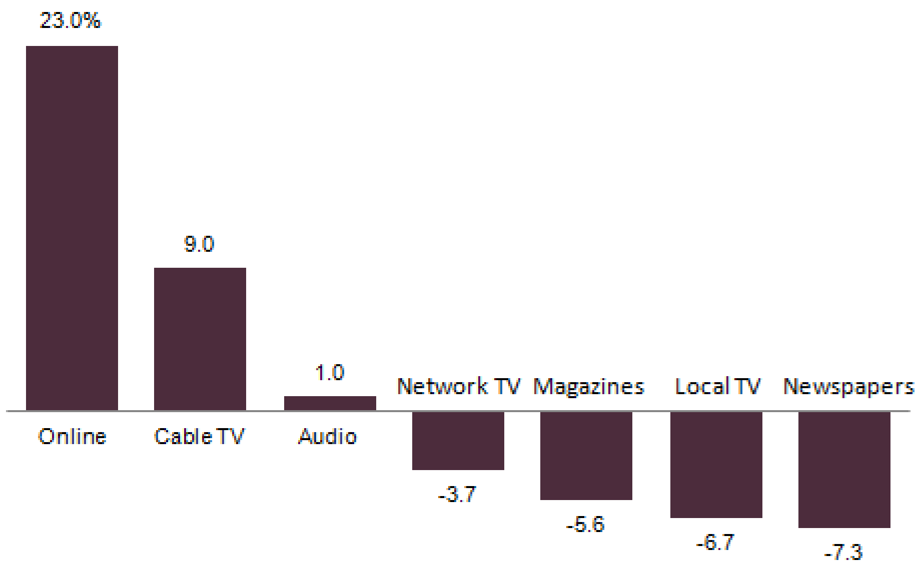
PEW RESEARCH CENTER'S PROJECT FOR EXCELLENCE IN JOURNALISM
2012 STATE OF THE NEWS MEDIA

Appendix A3


Web Continues to Dominate in Audience Growth
Percentage Change in Audience, 2010-2011
17.2%
4.5
1.0
1.0
1.0
Magazines
Newspapers
Online
Network TV
Local TV
Audio
Cable TV
-0.05
-4.0

Appendix A4

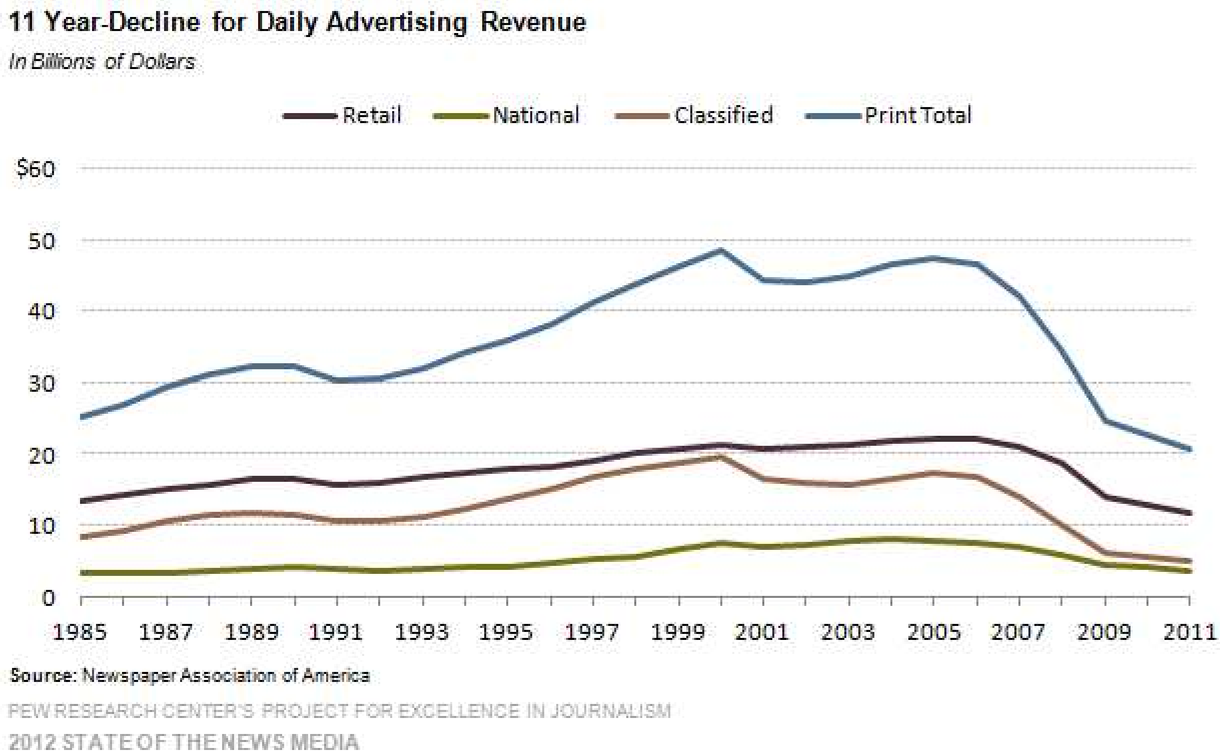
Most Sectors See Revenue Fall
Percentage Change in Revenue, 2010-2011



Source: SNL Kagan, eMarketer, Veronis Suhler Stevenson, Radio Advertising Bureau, Publishers Information Bureau, National Newspaper Association, BIA/Kelsey

PEW RESEARCH CENTER'S PROJECT FOR EXCELLENCE IN JOURNALISM
2012 STATE OF THE NEWS MEDIA

Appendix A5


11 Year-Decline for Daily Advertising Revenue
In Billions of Dollars
Retail
National
Classified
Print Total
$60
50
40
30
20
10
0
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
2007
2009
2011
Source: Newspaper Association of America
PEW RESEARCH CENTER'S PROJECT FOR EXCELLENCE IN JOURNALISM
2012 STATE OF THE NEWS MEDIA