

Here is a hard cold fact of the internet age. Any content creator whose sole business is selling their content al a carte will have a hard time surviving. In a world of unlimited digital choice, the cost of creating and marketing content that generates a profit is expensive and difficult. Which is exactly why the successful sites have been aggregators.

Its also exactly why newspapers are having a hard time making it. They sell papers 1 at a time. They sell home subscriptions one at a time. When they charge for monthly subscriptions online, they sell them one at a time. That's a tough business.

Its not that the newspaper content is not worth it. The problem is that it requires prospective buyers to first value the content, then decide whether they want to go through the hassle of going to a newstand, calling the home delivery department of the paper, or putting in their credit card information to buy online. This may be beyond a solvable problem when much of the same content is available online for free.

So what to do ?

This past week several outlets wrote that online video sites are discussing a new approach that would require anyone who wanted to watch their favorite TV show online to first be a cable or satellite TV subscriber. While the "internet should be free" folks will hate this for obvious reasons, it makes perfect sense. Subscriber fees from cable and satellite to content creators pay the bills. Period end of story. It makes every bit of common sense to provide cable and satellite subscribers, the people who really pay the bills, with unlimited access, on any platform to the content they are already paying for. Right ? Of course right.

Given that there are about 100mm cable and satellite subscribers, its not like this is going to affect a great number of people. In fact, it will probably only impact those who are trying to drop their subscriptions to use the net exclusively. While this is a small number, requiring viewers to be video subscribers will keep this number small and create a win win for content creators and cable and satellite video subscribers.

So what does this have to do with newspapers ? They should be knocking on the doors of cable and satellite providers offering their subscribers exclusive access to the online versions of their newspapers. Thats right, the New York Times should be going to CableVision, Time Warner, Comcast, Charter, Directv, Verizon, ATT, Echostar et al, and offer to each that for 25c per month for those subscribers in the New York area, and for 5 c per month for those outside the immediate NYCity area, their subscribers will get exclusive access to the NY Times Online. Non subscribers will get what Wall Street Journal non subscribers get today, access to some content, but not the most timely or valuable content.

If the Times can convince these operators that their subscribers will find value in exclusive access to the content, particularly if they can become part of their basic or near basic service, then all of a sudden, the NY Times and any other newspaper finds themselves with a recurring source of revenue that can turn into real money, while at the same time offering differentiated value for the video distributors.

On a macro basis, I dont think its inconceivable that within a few years more than a material percentage of subscribers would support an additional \$2 per month for unlimited access on all platforms, to all newspapers across the country. If its 50pct at \$2, thats \$100mm per month in new revenue for the industry. Thats a billion dollars that matters. Plus advertising.

Of course, in addition to video distributors there will be ISPs that dont provide video services that want to offer the content as a value add to their subscribers as well. Thats more subscribers for the content.

Trying to sell content al a carte is a difficult, if not impossible business venture. Offering digital content, in this case newspapers (or magazines), to content aggregators that specialize in selling digital content to subscribers (digital and cable video providers) not only makes sense, it could be a matter of survival