New York Times to ask Web readers to pay up in '11

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In this July 22, 2008 file photo, traffic passes in front of The New York Times building in New York. The New York Times says it will charge readers for full access to its Web site starting in 2011, a risky move aimed at drawing more revenue online without driving away advertisers that want the biggest possible audience.(AP Photo/Mark Lennihan, file)

(AP) -- The New York Times plans to charge readers for full access to its Web site next year, reviving an idea that fizzled twice for the newspaper. This time it's betting that it will be able to wring more revenue from readers without crimping its Internet ad sales.

Under the plan outlined Wednesday, the Times will adopt a "metered" system that will allow readers to click on a certain number of stories for free each month before fees kick in. A metered system is designed to draw casual readers with free articles while getting fees from people who want to dig deeper on the site.

The fees won't be imposed until next year, giving Times executives more time to build the system and figure out the details that are likely to dictate whether the gamble pays off. The pivotal issues include determining how much to charge and how many stories will be free each month.

The only certainty for now is that subscribers to the printed version of the Times will still get unlimited free access to the Web site. That could help the Times sell more subscriptions to the printed newspaper among a portion of Internet readers who figure they may as well get the newspaper delivered to their home or office, too, as long as they have to pay to read everything online.

The newspaper also indicated it will meter the material it makes available on other online channels, such as through mobile phones, electronic readers and tablet computers. No further details were provided.

The metered approach has worked well for The Financial Times, a more specialized newspaper that caters to an upscale audience interested primarily in news about the stock market, the economy and businesses.

Some newspaper analysts and executives have questioned whether Internet fees make as much sense for more mainstream newspapers such as the Times, whose stories span many of the political, business, sports and cultural topics that are covered by other news outlets that don't charge for Web access.

That raises the chances that hordes of fee-averse readers will flock to free news sites, a scenario that could also drive away Internet advertisers interested in reaching the biggest possible audience. Any downturn in

Internet advertising - one of newspapers' few areas of growth in recent years - could more than offset any benefit from reader fees.

The Internet currently generates between 10 percent and 15 percent of newspaper ad sales now, and the figure is expected to rise as more marketing budgets shift from print to the Web.

The Times could face an especially painful backlash because it has one of the largest newspaper followings on the Web, with 12.4 million visitors last month, according to the research firm comScore Inc. By comparison, The Washington Post's Web site attracted 9.2 million and USA Today drew 8.6 million.

Reflecting the stakes riding on its decision, the Times spent more than six months assessing the logic of charging for its Web site.

More newspaper publishers are likely to take the leap too, now that one of the world's best known newspapers has taken the plunge, said Greg Harmon, chief executive of Belden Interactive, which consults with publishers about Internet fees.

"This is like the industry is being given the permission to charge, almost like in a papal sense," Harmon said.

About 150 U.S. newspapers already have imposed Internet subscriptions, with fees ranging from as little as $1 per month to as much as $35 per month, based on a recent study conducted by ITZ/Belden Interactive.

The most successful so far has been The Wall Street Journal, which had an average of 407,000 electronic subscribers during the six-month period that ended Sept. 30. The Journal's Web site on Wednesday was offering online-only subscriptions at about $8 per month and print-only subscriptions at about $9 per month.

With a long history of award-winning reporting and commentary, the Times should be able to lure a substantial number of Internet subscribers, said newspaper analyst Mike Simonton of Fitch Ratings.

"It's a very unique franchise and it has a very loyal readership," he said.

The Times has a paid weekday circulation of about 928,000. Newspapers charging Internet fees so far have been able to get the equivalent of 2.4 percent of their print circulation to subscribe on the Web, based on ITZ/Belden Interactive's study of the 25 general-interest publications that have gained the most traction with online fees. The average fee among those newspapers is $8.14 per month.

However, the Times attracted just 4,000 subscribers when it first tried to charge for Internet access during the Web's infancy in 1996. Another experiment called Times Select took a more moderate approach, requiring a $50 annual subscription to read Times columnists. That effort drew 221,000 subscribers, but dented ad sales enough to convince the Times to scrap the product in 2007.

The Times learned a lot from its experience with online fees and is confident it has come up with a concept better suited to today's reading habits, said Bill Keller, the newspaper's executive editor.

"A key to the plan is its flexibility," Keller wrote in an e-mail. "We can calibrate the amount of free content you get before you get a pay message in order to avoid sharp drops in traffic and advertising."

The decision to try Internet fees again reflects the tough choices facing newspaper publishers as their sales of print ads plunge, depriving them of their main source of revenue.

Overall advertising revenue fell nearly 30 percent in the first nine months of 2009 for the Times Co.'s business unit that includes the Times, the International Herald Tribune and their Web sites. Internet advertising accounted for about 14 percent, or $123 million, or the division's revenue during that period.

To bring in more cash, the Times already has raised its print subscription rates. In an industry rarity, the Times took in slightly more money from its readers during last year's third quarter than from its advertisers. Traditionally 80 percent of newspaper revenue has come from advertising.

Now the Times is counting on its online readers to chip in. Times Co. CEO Janet Robinson said in a statement that the company wants "additional revenue diversity that will make us less susceptible to the inevitable economic cycles."

The Financial Times' metered system provides a glimpse at what the Times' online readers might see.

The London-based newspaper allows anyone to view one free article per month, and people who register on the site can get 10 free articles per month. Subscribers who pay $186 a year get access to most material on the site. A premium subscription for $299 comes with extra material. Or for $397 a year, FT subscribers can get the printed newspaper and read the Web site.

The newspaper has roughly 121,000 people who subscribe exclusively to its digital edition, up 22 percent from a year ago, according to Rob Grimshaw, managing director of FT.com. By comparison, the printed newspaper has about 400,000 subscribers.

He did not disclose specific figures on ad revenue, but he said the newspaper makes up for the loss of advertising volume by charging each advertiser more. It can get this premium, he said, because FT.com knows more than other online destinations about its users and their interests.