

Newspapers look for ways to profit in Internet age

July 3 2010, by Michelle Fitzpatrick



A man reads the online version of the Times newspaper in London. Rupert Murdoch's Times and Sunday Times finally went ahead from Friday with their long-promised plan to start charging readers for online access to their journalism, the first non-specialist papers to do so

Newspapers worldwide are being forced to reinvent themselves for the Internet age -- and will be watching closely the success of two experiments launched in London, analysts say.

Suffering a long-term fall in sales and a collapse in advertising revenue as the world goes online for its news, the press has for years been scrambling to decide how to respond.

In Britain, Rupert Murdoch's Times and Sunday Times finally went ahead from Friday with their long-promised plan to start charging

readers for online access to their journalism, the first non-specialist papers to do so here.

The move comes after the less expected news last week that London's city-wide daily, the Evening Standard, hopes to break even after turning itself into a freesheet for commuters, ditching its 50 pence cover price.

That decision cut the paper's distribution costs from 30 to four pence per copy, and sent readership soaring from just over half a million to 1.3 million, its new Russian owners said last week.

"The industry is still at a very early stage of this rapid evolution forced on it by digital technology," Karin von Abrams, a senior analyst at eMarketer, told AFP.

"The game clearly has changed for most old [business models](#), but we don't yet know what the successful new ones are going to be."

For newspapers, one model to study is that of the freesheets.

The Metro, a free morning paper available at train stations and on public transport in 16 British cities, is read by more than 3.5 million people every weekday, according to the National Readership Survey (NRS).

Owned by the Daily Mail and General Trust, it relies entirely on [advertising revenue](#).

Over the past seven years it has consistently performed well, even making an operating profit through the worst of the economic crisis, to the envy of the traditional dailies.

More recently, the Evening Standard was a well-established but loss-making London evening paper until its new owner, Russian tycoon

Alexander Lebedev, bought the paper in 2009 and turned it into a freesheet.

Access to commuters seems to be a key to the success of the free model.

The Metro, the Standard and the City AM, another successful but smaller London freesheet aimed at business people, are all handed out near tube and train stations.

This saves on costs. And with the demise of two free evening rivals last year, the morning and evening papers have something of a captive market. This, of course, appeals to advertisers.

"Giving away print works if the free circulation is relatively high and there is a good advertising base for the printed version.

"It is easier to gain advertising in print than online and the prices are higher," Professor Robert G. Picard, a media economics expert from Sweden's Jonkoping International Business School, told AFP.

"The Evening Standard model has shown that the freesheet model is well worth exploring," adds George Brock, professor and head of journalism at City University London.

"But it's not right to assume all newspapers can perform the same trick," he told AFP.

He points out that freesheets don't have high editorial costs: they don't invest in lifestyle features, foreign correspondents or business experts. "That wouldn't keep a general newspaper competing," he told AFP.

So if free print is not the answer, should [newspaper](#) websites follow Murdoch's lead and retreat behind a paywall?

"News Corp has no more idea than the rest of us if this is going to work," says Brock, who believes it will take months to gauge the reactions of readers and journalists to the paywalls.

Eventually though, analysts agree most newspapers will have to find a way of making money from their websites.

Business paper The Financial Times makes readers pay for online content, while the Wall Street Journal -- also part of Murdoch's media empire -- is currently the only major US paper charging readers for full access online.

The New York Times announced in January that it would start charging for online content in early 2011.

"It does seem that many serious news sites will follow Murdoch's lead and charge for their content, or at least establish some kind of content menu, allowing readers to choose from a range of one-time charges, subscription periods and so on," predicts Abrams.

"This is not very expensive to institute, and so can be tried experimentally."

Brock, too, is in favour of a pick and choose model. His advice to the embattled newspapers industry is to "get into a charging experiment" to discover what works and what doesn't.

"Newspapers need to experiment aggressively, they need a way of getting people to pay for the value they're getting," he says."

For Picard, this means offering the readers something unique.

"Paywalls will only work if the news and information behind the wall is

not available elsewhere for free -- such as television, radio, free papers, or the [Internet](#) -- or if it is of such high quality or adds services not available in print versions," he concludes.

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