

Apple expected to launch iPad subscriptions for newspapers

September 16 2010, By John Boudreau

Apple is expected to announce soon a new subscription plan for newspapers, which hope that tablets like the iPad will eventually provide a new source of profit as media companies struggle with declining print circulation and advertising revenue.

Apple did not respond to a request for comment. But Roger Fidler, head of [digital publishing](#) at the Donald W. Reynolds Journalism Institute in Columbia, Mo., said Apple probably will take a 30 percent cut of all subscriptions sold through the company's online App Store, and as much as 40 percent of the [advertising revenue](#) from publications' apps.

The Cupertino, Calif., company has agreed to provide an opt-in function for subscribers to allow Apple to share with [publishers](#) their information, which includes vital data that news organizations use to attract advertisers, industry sources say.

Publishers "want the data of their customers so they can integrate it into their circulation database so they know who their customers are," said Fidler, who works with many newspapers.

While a handful of national papers already offer app subscriptions to [iPad](#) users, major metropolitan papers across the country are getting ready to roll out their own publication apps and have been in discussions with Apple. Industry leaders hope tablet devices and subscription-based digital editions can help newspapers stem, if not reverse, losses incurred after they began offering content online for free years ago.

"Newspapers are seriously trying to re-create the traditional print model in digital editions for tablets and e-readers," Fidler said.

Publishers wanted to pay Apple a fee rather than a cut of subscription and advertising revenue and are not happy with Apple's terms, he said. They had hoped to offer app editions as part of subscription bundles that include print versions of the paper. Instead, they must use Apple as an intermediary with subscribers.

While the leap into the digital tablet market comes with short-term problems for newspapers, the iPad and future tablets will provide a new digital palette for publications to create sophisticated and lucrative ads, said Needham & Co. analyst Charles Wolf.

"I would say it's a risk, but I would argue it's a short-term risk," Wolf said. "If you can put animation and multimedia into ads, that will greatly enhance reader views. I am certain of that."

That could benefit Apple, as well.

"Obviously, Steve Jobs sees this as a significant revenue stream for Apple in the future," Fidler said.

Apple is expected to dominate the consumer tablet market for at least a couple of years. But analysts expect high-quality tablets based on Google's Android operating system to eventually challenge Apple's lead. This will give publications more leverage in future negotiations, Fidler added, though Google does not yet offer subscriptions through the Android Market.

While newspapers are anxious to get subscriber-based content onto tablets, there is some concern readers could drop print editions for app versions too quickly.

"Most publishers don't want to see a rapid migration to apps without a comparable growth in advertisement revenue from tablet editions," Fidler said. "That would be disastrous."

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