Newspapers erect pay walls in hunt for new revenue

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(AP) -- Newspapers are returning to a business strategy that served them well in the heyday of street-corner newsboys shouting the front-page news. They're enticing people with a little free online content before asking them to pay up.

After years of offering news for free, a growing number of newspapers around the country have launched so-called metered pay walls, which give readers a few free stories online before requiring them to sign up for a digital subscription. About 300 newspapers have adopted such plans, which usually give subscribers some mix of Web, smartphone and tablet computer access.

"A lot of our customers are telling us, `that's fair,'" says Rob Gursha, vice president of consumer marketing at the Star Tribune, a 300,000-circulation daily in Minneapolis. In November, the newspaper began charging people as much as $1.99 a week for online access to an unlimited number of story views a month. Nearly 20,000 readers have signed up.

For newspapers like the Star Tribune, it's a second chance at digital success. As the Internet gained in popularity in the 1990s, newspapers decided to give away news on their websites while continuing to charge readers for print editions. By keeping online editions free, publishers hoped to gain enough readers to attract Web advertising. But as readers flocked to free news on websites, many of them canceled their print subscriptions. And online advertising hasn't generated enough revenue to make up for the combined declines in print subscriptions and print advertising.

Fewer than a quarter of the nation's 1,350 daily newspapers charge for online access so far, but industry executives are increasingly optimistic pay walls can boost digital revenue. Newspapers take different approaches and have different price structures. Some set a limit on the number of stories and some on the number of page views. But there's little doubt executives are hoping pay walls will spur a turnaround in the industry.

As publishers and media executives gather in Washington this week at the Newspaper Association of America's annual meeting, the question of how to increase digital revenue is front and center. Attendees will take part in panel discussions and lectures such as "New Revenue Models and Strategies" and "Reaching Young Readers: Digital Tips From the Digitally Savvy." They'll trade notes on how to develop applications for tablet computers and smartphones. And they'll talk about ways to derive new forms of revenue from tablets and e-readers such as the iPad and Kindle.

"We're really looking at innovation and execution," says NAA president Caroline Little.

On their own, online pay walls won't make up for the print advertising revenue the industry has lost the past decade. Rick Edmonds, a media business analyst with The Poynter Institute, which offers training for journalists, in St. Petersburg, Fla., says calling 2012 a turning point for newspapers and digital revenue is a "little strong." But, he says, pay walls are one of many salves for easing the industry's pain. Already, they have helped shore up circulation of weekend newspapers because many weekend subscriptions come with online access included. That's important because the Sunday edition is the most profitable for most newspapers.

In their quest for digital revenue, many publishers have turned to Press+, a company started by entrepreneur Steven Brill and former Wall Street Journal publisher Gordon Crovitz that helps newspapers build and operate pay walls. The company says it has launched pay walls for 292 U.S. newspapers.

Of course, convincing readers to pay for something that was once free isn't easy. Brill recommends publishers give away enough free page views so that only the heaviest users are asked to pay.

"You ease them into the idea that they're going to be asked to pay," Brill says. "It works much better than an abrupt message."

Many readers who realize they're about to hit their limit sign up early to save themselves the hassle, he says. On average, a subscriber gained through Press+ pays $6.50 a month, of which Press+ keeps 20 percent.

The New York Times Co., which is not a Press+ client, served as a model for the rest of the industry. The Times says 454,000 people have signed up for digital access to the Times and International Herald Tribune in the year since it started charging. It is cutting free access from 20 to 10 pages a month starting this month. The Times charges as much as $35 a month for full access to its content.

This isn't the Times' first attempt at a pay wall. In 2005, the company launched TimesSelect, which fenced off premium news stories and commentary by Times columnists including Maureen Dowd, Joe Nocera, and Thomas Friedman. Readers paid $7.95 a month or $49.95 a year to read TimesSelect content. The company ended TimesSelect in 2007, explaining that it could generate more revenue by making content available for free and supporting it with advertising.

Under its recent pay wall plan, the Times' digital and print circulation revenue grew 5 percent to $242 million in the final quarter of 2011. That helped blunt the impact of an ad revenue drop of 7 percent to $359 million. Overall revenue was down 3 percent.

That success, although with one of the best brands in journalism, has prompted others to follow suit, including some of Lee Enterprises Inc.'s 52 newspapers, and some of Tribune Co.'s 12 newspapers, which include the Los Angeles Times and the Chicago Tribune.

Gannett Co. Inc., publisher of USA Today, said in February that it would expand its online pay walls from six test markets to all 80 of its small-market newspapers by the end of the year. The company is limiting free access to five to 15 stories a month depending on the market, and offering free digital access with at least a Sunday print subscription. At the same time, Gannett is raising single-copy prices - sometimes by doubling them - and raising subscription prices by as much as a third for its printed newspapers. Combined with the digital push, the company expects its changes to add $100 million in annual profit.

Gannett says that by bundling digital access with paid print subscriptions, enough people will keep subscribing at the higher subscription price to more than offset the loss of revenue from those who cancel because of the price hike.

That assumption is proving true in Gannett's six test markets. The News Journal in Wilmington, Del., for example, is now charging $15 a month for a digital and print subscription, up from one offer of $12.75 for print only. The early reaction to the change is positive, says Bob Dickey, president of Gannett's U.S. community publishing division.

"This is a turning point for us," Dickey says. "What we are saying is our content has great value and it serves a great purpose. The consumers have told us that."

Newspapers that have tried a pay wall say online visits decrease - at first. The Star Tribune's online page views dropped by up to 15 percent before rebounding to pre-pay wall levels within a few weeks, says Gursha. Lee's Billings Gazette saw traffic fall by a quarter and then bounce back within a few months.

The Dallas Morning News took a slightly different approach when it installed what's known as a "leaky pay wall" in March last year. Editors tag exclusive or premium stories and reserve them for paying subscribers, while giving all other stories away for free. Although the move reduced online traffic by about a third, the newspaper has seen a steady flow of new digital subscribers, says Morning News publisher Jim Moroney. Print circulation revenue, meanwhile, also has gone up.