

News 'paywalls' grow, but analysts split on merit

9 December 2012, by Rob Lever

The free lunch for digital access to most US newspapers is disappearing but paywalls seem at best a partial answer to the industry's woes and analysts are split on the decision to block out readers.

More than 300 US dailies now have some type of paywall, many allowing some free or "metered" content, according to the trade website News & Tech.

The Washington Post, one of the last major US newspapers to offer its content free of charge online, will likely begin a metered paywall next year, according to sources quoted by the daily.

Big [newspaper](#) groups including McClatchy have begun implementing paywalls at their dailies, along with Gannett, which has paid subscriptions for most of its local papers but not for its flagship daily, USA Today.

Paywalls may work best at newspapers with unique content such as The New York Times, which offers comprehensive global coverage, and The Wall Street Journal and Financial Times, the world's leading business dailies.

But Alan Mutter, a former Chicago and San Francisco newspaper editor who now consults on media ventures involving journalism and technology, said paywalls are not a universal solution and could even backfire.

"It won't solve newspapers' problems—it's palliative," he said, noting the industry has lost \$13 in print revenue for every \$1 of digital revenue gained.

"It's a wall keeping people out, and it's not strategically wise when they need to be growing their audience."

At best, Mutter said, newspapers can gain a

modest income from paywalls, and be able to count digital subscribers for advertising purposes, even if these are already print subscribers.

With the industry still looking for its silver bullet, publishers must find more creative strategies to reach the younger audiences favored by advertisers.

"They need to create new products that resonate with 20-somethings and 40-somethings," Mutter added.

Dean Starkman of the Columbia Journalism Review, however, contends that the Washington Post's likely paywall is "a very good and long overdue move."

"The paper has become the American newspaper industry's poster child for the folly of clinging to a free digital strategy," Starkman recently wrote.

Billionaire Warren Buffett, whose Berkshire Hathaway company has been buying up newspaper titles, sees paywalls as key to new revenues and said in June that the free model for online news is "unsustainable."

Media analyst Ken Doctor, of the research firm Outsell, said paywalls have been successful at most newspapers and predicts that at least 400 US titles will erect content barriers by the end of 2013.

"It is the most positive change in newspaper economics in the last five years," Doctor said, noting that companies in Europe and Asia are following a similar strategy.

He also believes the Washington Post can benefit from a paywall because it covers the DC area "more broadly and deeply than any other news organization," offering content that can't be found on aggregators such as Google and Yahoo!

But Doctor said the most successful digital subscriptions are those that are integrated with a newspaper's print edition, illustrating the dilemma of the Internet for their business model.

When a paywall is imposed, he said "people become less likely to drop their print subscription" and a newspaper can offer a print edition, digital access on PCs and use of mobile apps for a single subscription fee.

But Mutter said that with paywalls going up at many newspapers, it will become difficult for a newspaper such as the Washington Post to differentiate itself.

"If I already subscribe to the New York Times and Wall Street Journal, will I also subscribe to the Washington Post?" he said.

One answer to the conundrum may come from Slovakia, where a startup called Piano Media has organized newspapers for a combined digital subscription, so readers don't have to choose among publications.

After starting in Slovakia in 2011, the company quickly expanded into Slovenia and then Poland.

"We recognized that publishers in bigger markets were equally desperate to find ways to monetize content with technology that was both efficient and secure," said David Brauchli, a spokesman for Piano who happens also to be the brother of outgoing Washington Post editor Marcus Brauchli.

"Readers have been receptive. Our system works," he added.

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