Title: **Paid content strategies for news websites: An empirical study of British newspapers' online business models**

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Paid content strategies for news websites:

An empirical study of British newspapers' online business models

Qualitative interviews with editors and executives at UK national and regional newspapers revealed experimentation with online business models. All of the selected web publications offered their most popular news content for free in an attempt to maximize traffic. Although advertising was the principal source of revenue, each charged for some content—usually that which was unique to the newspaper brand. Online content charging generated extra revenue, but there was evidence it was also being implemented in an attempt to protect print circulations. The study revealed widespread optimism about future revenue streams including the provision of content to mobile devices, and the development of novel online news products.

Keywords: British news websites, business models, cannibalisation, content charging, internet, newspapers, online journalism, paid content, subscription

Introduction

The Internet is becoming a dominant medium for news delivery. By some accounts the web is the most popular source of news for people at work and the second most popular at home (Lombardi, 2006), and the primary news source for 50 million Americans (Pew Internet, 2006). For many newspapers, this growth has coincided with a decline in print circulations (Greenslade, 2006; Shin, 2005). In this climate, it has been important for newspaper companies not to ignore the Internet. From a handful of news websites world-wide before 1996 (Chyi & Sylvie, 2000), by July 2005 at least 1,375 North American daily newspapers were online (Newspaper Association of America, 2005), and there are now over 800 regional press websites in the UK alone (The Newspaper Society, 2006), in addition to a number of national newspaper websites. However almost all these online editions bring in less than a tenth of total revenues (The Economist, 2006a).

Advertising is the primary source of revenue for the overwhelming majority of online newspapers (Mensing & Rejfek, 2005; Peng et al, 1999), and this is widely expected to continue (Chyi & Sylvie, 2000; Bell, 2005). In this way, online newspapers have differed from their print counterparts, most of who generate a significant portion of their revenue from charging readers. Some suggest that Internet users are unwilling to pay for online content (Schwartz, 1996), particularly when the content has mostly short-term value and similar material is available elsewhere for free (Chyi & Sylvie, 2000). This would appear to be the case for online newspapers, which not only face competition from each other, but also from a new breed of news provider, companies like Yahoo and MSNBC, whose digital business model is based on offering free content, attracting as much traffic as possible, and selling advertising. This said, since 2003 every UK national newspaper has been charging for some form of online content (McCarthy, 2003), although the extent and nature of these paid-for offerings vary widely.

Previous research into paid content on the Internet has concentrated mainly on subscription. However, this focus is too narrow to fully describe the charging strategies currently being implemented online. This study broadens the idea of paid content to include any type of content charging. Our research focuses on the UK, whereas most of the academic attention to date has regarded US online newspapers.

The first section will examine existing academic research into paid content and online newspapers, looking at: (a) the business models of online newspapers; (b) whether users are willing to pay for online news; and (c) the relationship between newspapers' digital and print products. These topics are highly relevant to content charging, and have generated some debate.

The second section will discuss our results in terms of three issues relating to the principle of content charging in general: (a) the trade-off between advertising and paid content; (b) cannibalisation; and (c) the role of the online newspaper as a marketing tool for the print edition. As the critical context section will show, these are recurring themes in academic research on content charging.

Finally, we will describe what national UK online newspapers are charging for, and assess the reasons for this.

Critical context

(a) Role of paid content in business models of online newspapers

There is some consensus that most online newspapers have yet to find a business strategy with which they are completely comfortable. Instead they adopt a largely experimental approach (Crosbie, 2004a). Chyi & Sylvie's (2000) survey of online newspaper managers in the US described the revenue models of online newspapers as "locally driven", and found that consistency of business models was limited, indicating "an experimental mentality”. They believed that the insistence of each newspaper to pursue its own online strategy, heavily based on its print business model and ignoring the state of the online news market in general, “may be financially fatal” (Chyi & Sylvie, 2000). Much of this experimentation and uncertainty relates to content charging. The issue of whether charging a subscription fee is a realistic business strategy has been a source of controversy in the literature. Near the beginning of the web boom Madsen (1996) suggested that advertising was the only realistic source of revenue for online content providers. He was sceptical about the role of paid content because “the infrastructure for per-use fees is years off. Subscriptions can only work with the super-premium end of a publisher's audience”. Although pay-per-use for online content is still relatively uncommon, its entry into the mainstream now seems closer given the successful implementation of micropayments for music (iTunes) and games (Xbox Live) and the emergence of services that facilitate small online payments, like eBay’s PayPal and British Telecom’s Click&Buy. However, the statement that subscription can only work with a “premium” minority of users is more difficult to refute, and most of the academic literature on the subject has supported it. In 1999, a survey of online newspaper managers in the US found that “online newspapers have yet to generate sizeable revenues by charging their readers” (Peng *et al*, 1999). Chyi & Sylvie (2000) and Mensing & Rejfek (2005) confirmed this view in later surveys.

However, there is some evidence that this might change. In Mensing & Rejfek’s 2005 survey, almost half of respondents viewed subscription as an important source of revenue in the future. The online edition of the *Wall Street Journal*, *WSJ.com*, is commonly cited as an example of a successful subscription policy (Steinbock, 2000;

Peng *et al*, 1999). A report by media researchers Borrell & Associates (2001) concluded that content charging had re-entered the agenda.

Much of the literature views the question of content charging as a choice between "subscription" and "free content". This is a slightly distorted view of the issue, because subscription is only one method of charging for content. Perhaps the focus on subscription stems from the idea that traditional print business models can be applied to online products. Even if this was true, a subscription focus is inappropriate for the UK newspaper market, in which print newspaper circulation relies less on subscription than in the US, and more on newsstand purchase.

Academic research has been hesitant to prescribe a single business model for online newspapers, but many analysts agree that generating multiple revenue streams is more appropriate than relying heavily on one (see Palmer & Eriksen, 1999; Ihlström & Palmer, 2002). Having more than one significant source of revenue partially insulates online newspapers against market fluctuations, and allows them more flexibility in reacting to more severe shocks. The importance of developing multiple revenue streams supports the idea of some form of content charging. However, we still have little insight into what content should be charged for, and why.

(b) Will users pay?

Since the Internet began, the prevailing attitude has been that users will not pay for online content. This has been partly attributed to the fact that the vast majority of online information is freely available. In AlShehri & Gunter's (2002) survey of Arabic electronic newspaper users, the majority of respondents demonstrated no willingness to pay for online news content. This was also the finding of a similar survey in Hong Kong (Chyi, 2005).

However, the view that content charging is impossible may be largely based on precedent. Because the vast majority of Internet users *do not* pay for content, many assume they *will not* pay for content in the future. The success of iTunes would appear to refute this. If the content is valuable, not freely available elsewhere, and the payment mechanism is appropriate, large numbers of users can be encouraged to spend money. Online newspapers usually offer a substantial amount of unique content like comment, features, and games. By looking at what content is being charged for, and how successful this has been, this study aims to show a clearer picture of what users will and won't pay for.

(c) Relationship between print and online news products

Although the Internet is a different medium from print, it is a market populated with many of the same suppliers and consumers, so a newspaper company's online activities might have considerable impact on the print side of the business. There are two primary, contrasting hypotheses for what this relationship might be: (i) the online channel is "cannibalistic", damaging print profits; and (ii) the online channel is complementary, promoting and enhancing the print side of the business.

From a theoretical point of view, concerns about cannibalisation are reasonable. Although online newspapers are producing an increasing amount of unique content, most content still comes directly from the print edition, so it would seem that the two products are substitutes. If this is true, offering the online content for free would remove the incentive for anyone to purchase the printed newspaper, thus eroding print sales.

Currently, the loss of print profits by having a user switch to the online product isn't compensated by an equivalent gain in digital profits. This is because: (i) the company no longer receives revenue directly from the user; and (ii) the value of that user in terms of advertising is still considerably lower online. Crosbie estimated that "newspapers need between 20–100 readers online to make up for losing just one print reader" (Economist, 2006a). Although most newspaper managers would consider this figure overly pessimistic, they might concede that a print user is still worth significantly more than a web user.

However, academic research suggests that cannibalisation is not a major factor in the business plans of most online newspapers. Interviews with online newspaper managers in the US found that "none reported significant cannibalisation effects preventing them from publishing online" (Chyi & Silvie, 2000). In another survey, a minority of respondents "thought the online edition would decrease interest in the print product" (Mensing & Rejfek, 2005).

The contrasting view to the cannibalisation theory is that the presence of online newspapers increases print sales. Using their digital products as marketing tools newspaper companies can promote their brand to a much wider audience. Among this audience may be a number of people who will go on to purchase the print edition. This is a particularly alluring opportunity for larger, national newspapers, which seem to have relatively little crossover between their online and print users (Chyi & Lasorsa, 1999).

In a survey of online newspaper users, respondents appeared “not to view online newspapers as superseding print newspapers, but…complementing each other” (Chyi & Lasorsa, 1999). The same survey found that people who used an online edition of a newspaper were more likely to purchase the print edition, not less.

Obviously, these hypotheses are not mutually exclusive, and it is possible that online editions are simultaneously distracting some print users and attracting new ones. This report aims to contribute to this area of research by eliciting the attitudes of UK online newspaper managers towards the relationship between their companies’ print and digital products.

Methodology

This study is based on interviews with the online editors and managers of the most popular national newspaper websites[1] in the UK. Two other sites: *Scotsman.com* and *ThisisLondon.co.uk* were also included because of their regional importance. The interviews were designed following a survey of the digital products of each company, focusing on the role, if any, of paid content. The interviewees[2] were:

- Richard Avery—Internet Development Controller, *Northern and Shell*
- Peter Bale—Editorial Director, *Times Online*
- Alistair Brown—General Manager, *Scotsman.com*
- Richard Burton—Editor, *Telegraph.co.uk*
- James Montgomery—Editor, *FT.com*
- Pete Picton—Editor, *Sun.co.uk*
- Steve Purcell—Editor, *Mirror.co.uk*

- Alan Revell—COO, *Associated Northcliffe Digital*
- Annelies van den Belt—New Media Director, *Telegraph Group*
- Simon Waldman—Director Digital Publishing, *Guardian.co.uk*
- Richard Withey—New Media Strategies, *Independent Digital*

Note: In the text, interviews are sourced as: (*Surname*, 2006).

The interviews were designed to elicit predominantly qualitative information. In terms of the project's research objectives, detailed quantitative data would have been useful, particularly for comparing the success of different business strategies. However, this information was difficult to obtain due to its commercial sensitivity.

Analysis (i): important issues relating to paid content

(a) Advertising

Advertising is the dominant source of revenue on the Internet, and it is growing rapidly. A study conducted by the Internet Advertising Bureau (2006) on UK online ad spending in 2005 found that "spending…grew by 65.6%…at a time when the advertising industry as a whole only managed growth of 2.5%". This has also been reflected in the experience of UK news websites. Respondents unanimously reported advertising was their main revenue stream, in many cases accounting for at least 90% of total revenue (Waldman, 2006; van der Belt, 2006; Revell, 2006). It was expected to remain the dominant source of revenue for the foreseeable future.

Advertising and paid content trade-off

Advertising is relevant to the issue of content charging because, to a certain extent, there is a trade-off between them. Content charging, by limiting access, reduces the number of users to whom a page is exposed. When *FT.com* introduced a subscription barrier to parts of its content in May 2002, user numbers fell dramatically, as did its advertising revenue (Ó hAnluain, 2004). Conversely, when *Times Online* removed the subscription barrier it had imposed on overseas users, it experienced a “huge” increase in traffic (Bale, 2006).

Users are put off by having to pay, but traffic is also affected for technological reasons. Content charging can alienate sites from search engines and aggregators like Google (Outing, 2005). Similarly, imposing a subscription barrier also isolates newspaper websites like the *Wall Street Journal*’s *WSJ.com* from blogs, a growing source of traffic (Penenberg, 2005). In the current market, many newspapers feel that the revenue they could gain from content charging would be less than what they would lose in advertising. Even the UK newspapers who are currently charging for significant amounts of content—*FT.com*, *Independent.co.uk*, and *Scotsman.com*—can see the potential benefits of dropping these barriers (Montgomery, 2006; Withey, 2006; Brown, 2006).

The value of user information

This trade-off might be partly mitigated by the value of user information. Some advertisers are less interested in the sheer number of users than the type of users their ads are exposed to. According to the editor of *FT.com*, detailed user demographics, a by-product of the subscription strategy, can be valuable in attracting certain types of advertising (Montgomery, 2006). Since an initial slump when their subscription barrier was imposed, *FT.com* has experienced strong advertising growth, particularly in luxury brands and financial services targeted at the website's core business users (Wray, 2006).

Free registration

The value of user information to advertisers does not necessarily make the case for content charging, because this information can be collected without charging. In the US, the online editions of the *New York Times* and the *Washington Post* both require registration to access some free areas of their sites. This allows them to give advertisers more information about their readers and offer more precise targeting (Ihlström & Palmer, 2002). Express Newspapers' Richard Avery (2006) sees mutual benefits in users giving online newspapers more information, saying that it would allow the newspaper to "introduce [users] to interesting offers and promotions that will be of benefit to [them] but will be of benefit to us as well". Many US newspaper websites, including the *Washington Post*, found that they did not experience the loss of traffic they had expected when they imposed registration barriers (Sullivan, 2003).

(b) Cannibalisation

Our interviews indicated that concerns about cannibalisation, although initially worrying for most online newspaper managers (Purcell, 2006; Avery, 2006), have diminished to the stage where they are not a significant influence on strategy (Waldman, 2006; Revell, 2006; Avery, 2006; Purcell, 2006). The most striking example of this is *Guardian*

Unlimited, which in June 2006 launched its “Web First” policy, in which all articles are published to the online edition before the print edition (Fletcher, 2006).

This demonstrates recognition that online and print editions are different products, even if they carry the same content. They have different advantages, and are consumed in different ways. Steve Purcell (2006), editor of *Mirror.co.uk*, points out that “you can’t read [a website] on the train or over your tea break on the building site”. A survey of *DailyMail.co.uk* users found that: (i) most users did not view the website as a substitute for the print edition; and (ii) that the presence of the website had not affected the frequency with which they bought the printed newspaper (Revell, 2006).

Since the withdrawal of substantial amounts of print content from its online edition in 2004, *The Sun* has been gradually returning content to the website. Pete Picton (2006), editor of the *Sun Online*, believes that the online edition might not be as directly detrimental to the print edition as was once thought: “there is cannibalisation by the Internet, not by the *Sun Online per se*”. However, this is not yet fully reflected in *The Sun*’s policy, which still restricts a lot of print content. The protection of their “key” areas indicates that *The Sun* management are still concerned that a free online edition might cannibalise print sales, a concern shared by *The Independent*’s editor Simon Kelner (Thomas, 2006).

Is content charging a solution?

Rather than not publish premium content online at all, *Independent.co.uk* tries to protect print revenues by charging for online access to this content. Columnist content is a major selling point of *The Independent* newspaper, and this has been put behind a subscription barrier online “to make sure that our margins from publishing…are damaged as little as possible by our own move into digital” (Withey, 2006).

However, content charging, like reserving content for the print edition, might not drive users back to the newspaper, but merely encourage them to use other websites (see: Bell, 2005). *The Independent*, whose Middle East correspondent Robert Fisk represents a major aspect of the newspaper’s appeal, might argue that it is a special case (Withey, 2006). However, comment on the issues covered by Fisk is available in abundance elsewhere on the Internet, for free.

The idea of cannibalisation is partly based on the theory that people stick to a certain news brand, regardless of the delivery method. Although this may have been true in the past, the idea may now be “completely dead” (Withey, 2006). This is particularly true in the UK market, which does not have the regional monopolies of the US, and where national newspapers are accustomed to competing fiercely for promiscuous readers (Waldman, 2006).

(c) Online newspapers as a marketing tool

Some interviewees reported little overlap between their print and online readerships (Purcell, 2006; van der Belt, 2006), and many saw the new users drawn to the website as a “big opportunity” (van der Belt, 2006) to drive print sales (Brown, 2006; Picton, 2006; Avery, 2006; Bale, 2006; Revell, 2006). Promoting the print edition to users of the website is easier and more cost effective than other methods of advertising.

Another widely held view is that the online edition and printed newspaper are complementary products that serve different needs. While the printed newspaper is more portable, tactile and flexible, the website offers searchability, immediacy, and "permanence" of older content (Bell, 2005). Alistair Brown (2006), general manager of *Scotsman.com*, sees potential for online editions "to reach the parts that newspapers don't". According to a study conducted by *DailyMail.co.uk*, many of its users "expected to see that the agenda…set in the [print] newspaper in the morning moving on" online (Revell, 2006). In this way, the unique qualities of the website might increase user loyalty to the print edition as well as attract new users (Greenslade, 2001).

Analysis (ii): the role of paid content in UK online newspapers' business models

This section describes what content, if any, the selected online newspapers in the UK are charging for. For each type of content, the report will use evidence from the interviews to suggest the motivation for charging, or not charging.

(a) News stories

News content is completely free on all of the selected online newspapers except *FT.com*. Interviewee responses indicated a widespread consensus that it is impossible to charge for general news content, because it is freely available in a similar form elsewhere on the Internet (Revell, 2006; Purcell, 2006; Withey, 2006).

FT.com

As shown in Table 1, *FT.com* charges for the vast majority of its financial news content. *FT.com* feels able to charge because "we think we produce valuable, often price sensitive and often exclusive information that has a value" (Montgomery, 2006). The major difference between *FT.com* and other UK online newspapers is that its news content is not available in such depth, from such a reliable source, elsewhere on the Internet for free.

Table 1: Of a selection of UK national and regional online newspapers, which charge for news or columnist content?

	Charge for news?	Charge for columnists?
DailyExpress.co.uk	-	-
DailyMail.co.uk	-	All[3]
DailyStar.co.uk	-	-
FT.com	Some[2]	Some[4]
Guardian Unlimited	-	-
Independent.co.uk	-	All[5]
Mirror.co.uk	-	-
Scotsman.com[1]	-	-
Telegraph.co.uk	-	-
TheSun.co.uk	-	-
ThisisLondon.co.uk	-	-
Times Online	-	-

Note: Data collection took place on 27 August 2006.

[1] *Scotsman.com* has recently freed news and comment content from its subscription-only package, "Scotsman premium". The most recent check of the site (27 August 2006) found no news or comment behind the subscription barrier, whereas there had been a few subscription-only articles just before the interview with the general manager, Alistair Brown (2 August 2006).
[2] On the front page, out of 30 links to news stories, 7 were for subscribers only. In business-focused sections of the site ("Companies", "Markets"), only a few news stories are free, while non-business stories are almost all free. A "Level 1" subscription, which allows access to subscriber content on *FT.com*, is £75/year. A "Level 2" subscription, which includes *FT.com* content and access to other sources of news and company information, is £200/year. Finally, users can combine Level 1 access with a print newspaper subscription for £374.41/year.
[3] Access to articles by a single columnist is £2/week or £8/month. Access to all columnist articles is £5/week or £20/month.
[4] On the front page of the "Comment & Analysis" section, 5 out of 13 links were for subscriber-only articles. This was much higher on the front pages of the separate "Comment" and "Analysis" sub-sections, where the proportion of subscriber-only articles was 19/27 and 21/28 respectively. Most of the subscriber-only articles were related to business or finance, while most of the free articles weren't.
[5] A single article can be accessed by non-subscribers for £1. Subscription to Robert Fisk articles is £10/month or £50/year. Subscription to all other columnist content, excluding Fisk, is the same price. A "Full Portfolio" package, including all columnist content and all archive content, is £80/year.

Other newspaper managers recognise that sites with a “unique flavour to them”, like the *FT* and the *Wall Street Journal*, “will continue to be the ones who charge most and have the highest walled gardens” (Withey, 2006).

Apart from business and finance, most of their news content is free. This might suggest that *FT.com* recognises the need to attract non-subscribers to the site in order to sell advertising and potentially convert them into online subscribers or print customers. In fact, “mindful that online advertising revenue is rising quite strongly now”, editor James Montgomery (2006) suggests that “it’s more likely that the balance would move in favour of more free content rather than less”.

Scotsman.com

Specialisation in a geographic market might also make an online edition’s news offering stand out from the crowd. Until recently, *Scotsman.com* included a number of news stories in its subscription plan. General manager Alistair Brown (2006) says the decision to charge for news was “more to do with experimentation”. He adds that “if you were to take a purely revenue-based approach, you probably wouldn’t put money on [subscriptions] because you can make more money from advertising, but it’s not as simple as that”, implying that non-revenue factors like cannibalisation could have been part of the decision to charge. The recent removal of the subscription barrier from news content indicates that *Scotsman.com* has finished this experiment, and are focusing on online advertising and promoting the print newspaper through the website.

Overall, it seems that online newspapers cannot charge for news content unless they provide something unique and valuable. The reversion of *Scotsman.com* to free news content might indicate that regional monopolies are not enough to justify charging for this kind of content. News content attracts the most traffic, and in the current strong advertising market it is more appropriate for most online newspapers to leave it free.

(b) Comment and columnists

Although charging for columnist content is slightly more common than charging for news, it was only found at three out of the twelve selected newspapers. This raises two questions: (i) why do more online newspapers feel able to charge for this material than news; and (ii) why do most online newspapers not charge for it?

Independent.co.uk

Users wishing to access the views of *The Independent*'s columnists online must subscribe to one of the website's "Portfolio" packages. The management of the newspaper felt that this content was unique enough to justify subscription charging (Withey, 2006).

The Independent might have more to lose than most newspapers, in terms of print cannibalisation, by offering this content for free, "because some people do buy the paper just for Robert Fisk" (Withey, 2006). When Portfolio was launched, *Independent.co.uk* experienced a good early take-up of subscriptions, and also found that "20 to 30 per cent of people that paid for a single story go on to buy a larger subscription" (McCarthy, 2003). Richard Withey, global director of interactive media for the Independent Group, views Portfolio as “probably the most successful strategy we’ve adopted in terms of paid for content” (Withey, 2006).

DailyMail.co.uk

The Daily Mail charges for access to columnist material on its website for similar reasons to *The Independent* (Revell, 2006). Their subscription packages are also similar, although this seems to be an area that *DailyMail.co.uk* is still experimenting with, “we don’t know how to price them…it’s really a sandpit for us” (Revell, 2006).

FT.com

While the *DailyMail.co.uk* and *Independent.co.uk* charge users for all of their columnists’ articles, *FT.com* offers a significant amount of this content for free. As with the website’s news content, subscriber-only articles mostly relate to business and finance. This is an area in which the *FT.com* can offer unique, valuable content. Interestingly, by offering many of its general interest features and comment for free, *FT.com* is less conservative in this area of content than *Independent.co.uk* or *DailyMail.co.uk*. None of the other selected news websites charge for online columnists; perhaps feeling that the content would not be unique enough to justify it. However, a few indicated that this was an area they might look into in the future (Burton, 2006; Avery, 2006). Columnist content is viewed by many newspapers as the most unique content they offer, and more appropriate for charging than news. As well as generating revenue directly, charging for this content has been justified by *The Independent* as a way of avoiding serious cannibalisation effects. Although most of the selected newspapers do not currently charge for this content, it seems to be an area of content charging newspaper managers are considering.

Table 2: Of a selection of UK national and regional online newspapers, which charge for archive articles or a digital edition?

	Charge for archive?	**Charge for digital edition?**
DailyExpress.co.uk	-	Yes[5]
DailyMail.co.uk	-	Yes[6]
DailyStar.co.uk	-	Yes[5]
FT.com	Some[1]	Subscribers only
Guardian Unlimited	-	Yes[7]
Independent.co.uk	All[2]	-
Mirror.co.uk	-	-
Scotsman.com	Paid digital archive[3]	Yes[8]
Telegraph.co.uk	-	Yes[6]
TheSun.co.uk	All[4]	-
ThisisLondon.co.uk	-	Yes[6]
Times Online	All[4]	Yes[9]

Note: Data collection took place on 27 August 2006.

[1] Subscriber-only articles remain subscriber only when they enter the archive, free articles remain free.
[2] Access to a single archived article is £1. Subscription access to all archive articles is £10/month or £50/year, or £80/year as part of the "Full Portfolio" package that includes columnist content.
[3] The main archive contains very few articles that are only available to subscribers. These tend to be old comment articles or features. However, *Scotsman.com* also has a separate, paid digital archive of the newspaper between 1817 and 1950. Access costs £7.95/day, £12.95/48 hours, £19.95/week, £39.95/month, or £159.95/year.
[4] *The Sun.co.uk* and *Times Online*, being run by the same company, have similar systems. *Times Online* archive articles can be downloaded for £1 each (£10 minimum spend), with discounts for bulk downloads lowering the price to as little as 10p each. *TheSun.co.uk* articles start at 50p each, but there are fewer bulk discounts.
[5] 40p for one issue, monthly subscriptions are £9.99 (*Express*) or £7.99 (*Star*).

[6] These newspapers' digital editions are a third-party service run by NewspaperDirect. *The Daily Mail* is £1.50 for one issue, subscriptions are £4/week, £13/month or £100/year. *The Evening Standard*, the print edition of *ThisisLondon.co.uk*, is £1.50 for a single issue, £2/week, £6.50/month, or £50/year. *The Telegraph* is £4.99/week, £9.99/month or £99.99/year.
[7] £1.50 for day access, subscriptions are £9.99/month for *The Guardian*, £4.99/month for *The Observer*, or £10.79/month for both.
[8] US$2 for one issue, bulk discounts are available.
[9] £2.50 for one issue, subscriptions are £8.99/month or £89.99/year. This is only available to overseas users.

(c) Archive

As shown in Tables 1 and 2, charging for archive content is more widespread than charging for the latest news and columnist content. Studies in the US (Mensing & Rejfek, 2005) and Sweden (Ihlström & Palmer, 2002) both found that a significant proportion of online newspaper managers see charging for archive content as an important area of potential revenue. In the US study, 38% of respondents already earned between 1% and 10% of total revenue from archive charging.

To some extent, charging for archive content offers less opportunity cost than charging for new content. Advertisers are generally interested in new content, which is most visible and attracts the highest number of users. By charging for the "long tail" of older content newspapers are supplementing advertising revenue in a less risky way than charging for new content. However, because of the availability of similar content for free elsewhere, this might be a revenue opportunity that is only open "where brands have some authority, or some expertise" (Revell, 2006).

Where archive content is charged for, it tends to be relatively expensive. A single article download from the archive of *Times Online* or *Independent.co.uk* costs £1, which is more than the price of the printed daily newspaper. This pricing mechanism might imply that the archive charging is aimed more at researchers and institutions than consumers.

Although the prices are high, revenues from archive charging seem to be marginal (Bale, 2006). This might be why few online newspapers are charging for this, as shown in Table 2. Because archive charging is "a very small business" at *Times Online*, the website decided to "make a lot of that archive available for free on the site" (Bale, 2006), a move intended to improve the service to users and make the site more visible to search engines, using the old content to attract traffic rather than generate revenue directly from it.

A related product, which has been emerging in the online newspaper market, is the "digital archive": searchable facsimiles of the printed newspaper. *Scotsman.com* has built a digital archive from 1817–1950, which they consider a real success: "Our objective was to repay the initial investment in two or three years, and we've been very successful" (Brown, 2006). *Times Online* sees great potential in this kind of product, although they are not sure of the best way to commercialise it (Bale, 2006). Again, downloads from these archives are expensive. *NYTimes.com* charges $3.95 per article; *Scotsman.com* £7.95 for a day's access. Like the regular archive content, the charging mechanism suggests that these services are aimed at researchers and institutions rather than browsers and consumers. Institutional revenues make up about 70% of the total at *Scotsman.com* (Brown, 2006).

(d) Digital editions

Almost all of the selected online newspapers offer a digital edition, an electronic version of the printed newspaper that retains the same design and layout. Presentation of these digital editions varies, but in all cases extra functionality is added to the flat pages to make them easier to browse and search.

These digital editions were seen by some respondents as being an attractive potential source of revenue. In many cases they are cheap to produce being "relatively low maintenance" by-products "built out of the back of our production system" (Waldman, 2006). Digital editions are also cost effective in terms of distribution. *The Financial Times* have an international user base so, even though they have presses in other countries, distributing print newspapers to all their overseas subscribers would be expensive. They reduce these costs by offering a digital edition "aimed at [US] business school and MBA students" (Montgomery, 2006).

Although digital editions are cheap to produce and have a market, responses suggested they provide a "marginal" revenue stream (Bale, 2006), albeit with "enough revenue there to make it viable" (Revell, 2006). Management of *The Telegraph* have been even less impressed, suggesting "the model's still not attractive enough for any of us to make a lot of money" (van der Belt, 2006). Crosbie (2004b) suggests that most newspapers have yet to harness the potential of digital editions. Many interviewees agreed, suggesting they were currently an imperfect technology (Montgomery, 2006; Picton, 2006). There was a certain amount of optimism that "much more plastic and flexible" (Waldman, 2006) versions might be developed with the emergence of "tablet PCs, e-readers" (Montgomery, 2006).

Digital editions raise potential complications for online newspaper managers. *The Times*, whose digital edition is only available to overseas users, have considered making it available to UK users, but have "concerns about cannibalisation" (Bale, 2006). *The*

Telegraph's biggest concern relates to the legal issues of publishing "a continual running archive you couldn't touch": (i) rights for photography used in the newspaper are often only allowed for print; and (ii) removing articles from the edition, under threat of defamation or breach of copyright action, would be difficult and spoil the look of the page (Burton, 2006).

Despite these concerns, providing a digital edition appears to be an easy way of generating small amounts of additional online revenue. It will never be an important revenue stream, but there seems to be little reason for newspapers not to provide the service. Difficulty of use is a concern for newspaper managers, but in a way this allows the digital edition to satisfy the needs of users who cannot access the print edition, without cannibalising circulation among users who can access the print edition.

(e) Email alerts

Most of the selected online newspapers offer some form of email news alerts, but *Guardian Unlimited* is alone in offering a paid-for email service, 'The Wrap'. Other newspapers offering email alerts have chosen to leave them free in order to maximise circulation, sell more advertising, and "bring…traffic" (Brown, 2006). *DailyMail.co.uk*, who sell advertising on their free email services, predict that "e-mail services and alerts are going to be very attractive, lucrative areas for us to monetise" (Revell, 2006).

Most of the selected newspapers offer a number of different alerts on specific topics. Dividing email services into categories reduces the circulation of each email, but offers advertisers a focused user group. *Scotsman.com*, whose Paperboy service includes specialised alerts on business and biotechnology, have found it to be “very lucrative because it can be quite targeted to a specific [audience]” (Brown, 2006).

FT.com only offers email services to subscribers. Editor James Montgomery (2006) thinks this is probably the most appropriate strategy for a website with a subscription barrier, although he can see the potential of a free email service to attract new users and subscribers.

Table 3: Of a selection of UK national and regional online newspapers, which charge for email alerts, mobile services, or games?

	Email alerts?	Mobile services?	Games?
DailyExpress.co.uk	-	-	-
DailyMail.co.uk	Free	-	Free
DailyStar.co.uk	-	-	-
FT.com	Subscriber-only	Paid[2]	Free
Guardian Unlimited	Some paid[1]	Free[3]	Some paid[6]
Independent.co.uk	Free	-	-
Mirror.co.uk	-	-	Free
Scotsman.com	Free	-	Subscriber-only
Telegraph.co.uk	Free	Mixed free[3]/paid[4]	Paid[7]
TheSun.co.uk	Free	Free[3]	Free
ThisisLondon.co.uk	-	-	Free
Times Online	Free	Mixed free[3]/paid[5]	Paid[8]

Note: Data collection took place on 27 August 2006.

[1] Subscription to ‘The Wrap’, a daily news summary, is £2/month or £14.95/year. Other email newsletters are free.
[2] Free for *FT.com* subscribers. Non-subscribers can access all online content on their mobile devices for £5.99/month or £70/year.
[3] “Free” SMS services are subject to a charge from the service provider of around 25p.
[4] SMS alerts to mobile phones and Blackberries are free. PDA users can pay a subscription of £5/month or £50/year to access a ‘Mobile Edition’ of *Telegraph.co.uk.*

[5] SMS business alerts, entertainment listings, and sports results are free. A PDA news service is £4.50/month or £40/year.
[6] Subscription to crosswords is £3/month, £25/year or £20/year for students. Sudoku is free.
[7] Subscription to crosswords, sudoku and other games is £5/month or £30/year.
[8] Standard subscription to crosswords is £9.99/year. The larger Premium package is £4.95/month or £24.99/year.

Overall, email services were one of the revenue areas that newspaper managers were most excited about. However, only *The Guardian* charges and this is only for one of the many email services they offer. It seems that advertisers are also enthusiastic about these products and newspapers can reap greater revenues by leaving email services free.

(f) Mobile services

Some online newspapers see much more potential for content charging on mobile devices than on the web because, unlike the Internet, "mobile has always been a pay zone" (Avery, 2006). Currently, paid-for services—offered by *FT.com*, *Telegraph.co.uk*, and *Times Online*—focus on more sophisticated devices, like PDAs, rather than mobile phones. The users of these devices represent a more affluent demographic, who are enthusiastic about technology and more likely to pay a subscription charge for mobile content. This group of users is also attractive to advertisers. *Telegraph.co.uk*'s Blackberry news alert service is free for users, but they have been able to sell targeted advertising (van der Belt, 2006).

Despite the consensus that there is great potential for newspapers in mobile devices, some, like *Independent.co.uk*, are currently finding these services difficult to commercialise because "mobile operators…have kept…the lion's share of the content fees" (Withey, 2006). For Simon Waldman (2006) it is currently an "incidental" part of the business, but one that the company is watching closely. If newspapers find a solid model for commercialising mobile services, more content might be offered exclusively on mobile devices.

(g) Crosswords and games

Whether to charge for crosswords, sudoku, and other games is an issue that split interviewees. Half of the selected newspapers charge, and half leave them free. Offering free games can be an effective way of attracting regular traffic onto the website.

Table 4: What services and commercial partnerships are being offered by a selection of UK national and regional online newspapers *?

	Services and commercial partnerships
DailyExpress.co.uk	Music Downloads, "Book Tickets", Book Shop, Property, "Cut Your Bills" (Utilities), Money (Financial Services), Travel, DVD Rental, Wine Shop, Dating, "The Legal Store", "Express Spares", Shopping, Mobile Downloads
DailyMail.co.uk	Bingo, Dieting, Wine Club, Tickets & Offers, Dating, Money Shop, DVD Rental, Jobs, Holidays, Homes, Dating, Fantasy Football League
DailyStar.co.uk	[same as *DailyExpress.co.uk*]
FT.com	Jobs & Classifieds, "Compare and Apply" (Financial Services), Bookshop
Guardian Unlimited	Bookshop, "Soulmates" (Dating), Jobs, "Reader Offers" (Shopping), Travelshop, Financial Services
Independent.co.uk	Jobs, Travel, Money Supermarket
Mirror.co.uk	Loans, Dating, Jobs, Motoring, Downloads (Music, eBooks, Viral), Casino, Bingo, Fantasy Gaming, Financial Services, Legal Services, Travel, Slimming Club, Ticketmaster
Scotsman.com	Motors, Money, Property, Jobs, Dating, Business Directory, Holidays & Travel
Telegraph.co.uk	Dating, Shopping, Jobs, Property, Holidays, Cars, Businesses for Sale, Fantasy Games
TheSun.co.uk	Classifieds, Mobile Downloads, Holidays, Betting, Money, Poker, Bingo, Fantasy Games, Dating, Loans, Casino, Shopping, Utilities, Property, Photosales, Wine Shop
ThisisLondon.co.uk	Tickets & Offers, Money, Holidays, Jobs, Shopping, Property, Courses, Downloads, DVD Rental, Cut Your Bills
Times Online	Money, Travel, Property, Cars, Classifieds, Dating, Jobs, Offers & Promotions, Shopping, Tickets

Note: Data collection took place on 27 August 2006.

* This table lists all services and partnerships (i) visible from the front page of the website, or (ii) listed in the sitemap. In some cases, this will not be an exhaustive list.

"Crosswords are really, really popular", explained Steve Purcell (2006), editor of *Mirror.co.uk*, "but I would rather keep that as a free-to-use traffic generator". In contrast, online newspapers like *Guardian Unlimited, Telegraph.co.uk* and *Times Online* would rather charge for these games, although, in *Times Online*'s case at least, the revenue is "marginal" (Bale, 2006). The amount of extra online revenue might be less significant than cannibalisation issues: crosswords and other games are a significant part of the purchasing decision for some print customers.

(h) Online services and commercial partnerships

The newspaper's brand is a valuable commodity. Consumers have a certain amount of familiarity with their favoured newspapers, and are more likely to trust services if they are attached to the online edition. In many cases, these services not only offer online newspapers additional revenue, but also attract extra traffic to the website. For Simon Waldman (2006), commercial partnerships connected with online newspapers represent an important service to many of the website's users.

There are obvious risks posed by offering commercial services, particularly those provided by third parties. For Steve Purcell (2006), "one of the main elements of my job is to protect the *Mirror* brand. He gives "hardcore gaming", as opposed to bingo, as an example of a service the company are "a bit wary of".

Online commercial services were widely reported as a growing revenue stream by interviewees (Waldman, 2006; Avery, 2006; Revell, 2006). For *Guardian Unlimited*, this stream of revenue from online services “is growing 20–30% or more each year” (Waldman, 2006). The Telegraph Group sell a wide variety of products via their print and online editions, a business that “now contributes close to a third of the firm's total profits” (Economist, 2006a).

Conclusions

This study shows that the UK online newspaper market exhibits some of the same “experimental” characteristics found by studies of the US market (Chyi & Sylvie, 2000; Mensing & Rejfek, 2005). However, it also found some important consistencies. The fact that the selected UK online newspapers are all charging for something, and expanding their range of commercial services, indicates that they are recognising the need to diversify their revenue streams. We have also found some consistency in the type of content UK online newspapers are charging for. None of the selected newspapers charge for their most popular area of content: general interest news. It seems clear that the availability of this relatively generic content for free on other websites makes charging impossible. Even if a significant number of users would pay, online newspapers would probably leave the content free. In the current advertising market, drawing as much traffic onto the site as possible is a priority among UK newspapers. Therefore, without a significant change in the market, news will remain universally free. This also seems to be the case for archive content, “old news”, which is equally generic and a potential source of extra traffic. Most newspapers don’t charge for this content, and some that do—like *Times Online*—seem to be moving towards a free archive model. Equally, email alerts, which are usually just news stories delivered in a different way, are generally left free to maximise traffic and advertising.

Online newspapers charge for what is unique to them, rather than what is most popular. This "unique content" may vary between newspapers—*The Independent*'s star columnists, *The Times*' crosswords, *The Financial Times*' business news and analysis—but the principle remains the same. As it is not available elsewhere, newspapers feel able to charge for it. More importantly, this demonstrates that some users are willing to pay for certain types of content, which contradicts the findings of related studies in our literature review (Chyi, 2005; AlShehri & Gunter, 2002). In many cases, this content is a major selling point of the newspaper, so charging online is also seen as a way of protecting print revenues from cannibalisation. This seems to make more business sense than withdrawing the content from the website altogether, because it minimises possible damage to print revenues while also extracting online revenues that might be otherwise unavailable. In the future, online newspapers' best opportunity for content charging will be to develop unique, valuable content—like *Scotsman.com*'s digital archive—tailored specifically to the Internet, mobile devices and other digital media.

However, the general tendency, in the short term at least, seems to be towards a free-content advertising model. This matches the situation in the US that emerged from the literature analysis. Even the newspapers with the most extensive charging regimes—*FT.com* and *Independent.co.uk*—can see the advantage of offering content for free. The success of *Guardian Unlimited* emerged as a significant influence. It offers almost all of its content for free, and has built the largest web audience of any UK online newspaper, maximising advertising revenues. By maximising traffic, online newspapers are also able to sell online commercial services, a growing area of business across the industry, to a wider number of users. It is unclear how *Guardian Unlimited*'s business strategy would change if the advertising market deteriorated, but its strong online brand would certainly put it at an advantage if the industry moved towards paid content.

The interviews revealed contrasting attitudes regarding the relationship between the print and online businesses. Although the literature review showed academic scepticism regarding cannibalisation, and suggested it wasn't an important factor for US newspaper managers, it seems to be a genuine concern at some UK newspaper companies. *The Independent* and *The Sun* in particular have adopted a conservative approach to protect their print business from the Internet. In contrast, the free availability of content online seems to have strengthened *The Guardian* brand without affecting print revenues.

Clearly, there is still a significant amount of uncertainty in the online newspaper market, and potential for dramatic change. This creates an important role for ongoing research into the business of online newspapers, particularly the demand side. The industry needs a better understanding of the user's decision-making, and how the presence of online editions affects their decision to buy a print newspaper. If that was clearer, newspapers would be in a better position to implement informed online business strategies online, including content charging strategies.

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Notes

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2. Interviewees' job titles are given as they were at the time the interviews were conducted: between 5 July–7 August 2006.

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