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AN ANALYSIS OF DAILY NEWSPAPERS IN MISSISSIPPI
THAT CHARGE FOR ONLINE CONTENT

A Thesis

Presented for the

Master of Arts

Degree

The University of Mississippi

David Hopper

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ABSTRACT

This thesis examines seven daily newspapers in Mississippi that charge for content on their websites. The papers analyzed include the *Vicksburg Post*, *Greenwood Commonwealth*, *Columbus Dispatch*, *Starkville Daily News*, *Daily Times Leader*, *Sun Herald* and *Oxford Eagle*. The thesis discusses the pay models used by each paper's website, the reasons for switching to a pay site from a free site and the results received thus far. Numbers include the number of online subscribers and the number of hits to each website. The national debate over paid versus free content is discussed. Literature on the subject is reviewed.

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CHAPTER 1

INTRODUCTION

Newspapers across the country have suffered declining ad sales and circulation for years, and the current economic downturn has only made matters worse for many papers. The traditional business model - 80 percent advertising and 20 percent circulation revenue - no longer suffices for many papers. In an effort to open a new revenue stream and quell the erosion of the print product, some are beginning to charge for content online. The thesis will analyze the seven daily newspapers in Mississippi that currently do so.

There are 21 daily newspapers in Mississippi, seven of which have some form of online pay model. Currently, the *Vicksburg Post*, the *Greenwood Commonwealth* and the *Oxford Eagle* charge a monthly subscription rate. The *Sun Herald* (Gulfport), the *Starkville Daily News* and the *Daily Times Leader* (West Point) make some stories available free online but charge for the e-edition, an electronic version of the newspaper. Non-subscribers of the *Commercial Dispatch* (Columbus) may read up to 10 stories every 30 days, while subscribers receive full access to the site's content.

The 2010 State of News Media report said the "biggest question facing online journalism today is how to pay for it." News organizations are intensifying the search for new models, the report said, and newspapers are still experimenting with online advertising, which is not nearly as lucrative as print. Most newspapers still generate about 90 percent of their advertising revenue from the printed product. Still, reading news online is more popular than ever.

The topic was chosen because it is a relevant issue to newspaper industry. A substantial amount of literature exists on paid online content but there has not been a study published on Mississippi newspapers. Thus, this thesis will contribute to the growing body of literature on a contentious issue that is on the minds of newspapermen around the world. The hope is that the findings of this thesis will be of use to media owners, media professionals, researchers, students and faculty.

This thesis sought to answer the following research questions:

Research Question 1: What led to the paper's decision to start charging?

Research Question 2: What online model (i.e. subscription, metered, micropayment) is the paper using and why was that model chosen?

Research Question 3: How has the move from a free to a pay model been received by readers?

Research Question 4: How many online subscribers does the paper have?

Research Question 5: How much revenue does the website produce?

METHODOLOGY

All Mississippi daily newspaper websites were visited to see which ones were charging. The website of the Mississippi Press Association lists all daily papers in the state with links to the papers' websites. This determined that there are 21 daily newspapers in Mississippi, seven of which have some form of online pay model.

In-depth interviews were then conducted with editors, publishers and upper management of the seven newspapers in late September and early October 2010. Follow-up questions were asked in November to get updates on the number of subscribers. In addition to interviews, research on newspaper pay walls was reviewed. This included scholarly articles, newspapers, magazines and website articles on the subject.

CHAPTER II

LITERATURE REVIEW

This year “no topic has been more discussed and hotly debated than whether newspapers should move to some form of paid content for their website,” said the 2010 State of the News Media report.¹ Some argue that the newspaper industry made a huge mistake a decade ago when it widely adopted a free model online. Others counter that online content should be free and that people who want to charge are out of touch with today’s digital world. Whether to charge for content online is a difficult business decision newspapers are making. A concern of many papers is that a pay wall will reduce audience and cost more in lost ad revenue than it creates in subscription fees. It has also not been proven that many people will pay for a paper’s general news online where free alternatives are available.

Editor & Publisher, a monthly magazine that covers the newspaper industry, devoted its August 2010 cover story to pay walls.² “Newspapers are no longer just talking – with increasing bravado or increasing scorn – about walling off or metering their digital content. They are actually doing it or scheduling a date on which to start,” the article said, referring to the major papers like the *New York Times* and the *Times* of London making the move to paid content. The article raises several questions regarding pay walls: Will 2010 be remembered as the first year the big industry players took a risk and it paid off? Or will it be the year in which they made an enormous mistake?

¹ *The State of the News Media 2010: An Annual Report on American Journalism*, report, March 15, 2010, accessed August 27, 2010, <http://www.stateofthemedias.org/2010/>.

² David Milstead, "Newspapers' Perilous Paywall Movement," *Editor & Publisher*, August 2010.

Mike Simonton and Jamie Rizzo, media analysts for the research firm Fitch Ratings, issued a report in December saying in 2010 they expect “pay walls will be erected and dismantled in 2010 as media companies [with print products] experiment with charging users for online content are ultimately disappointed by the results.”³ However, the Fitch analysts said there will be exceptions, such as the *Wall Street Journal*, the *New York Times*, business-to-business magazines, and local papers like the seven Mississippi dailies featured in this study. The large majority of papers have “too many competitors in their content niche to compel users to pay.” Pay walls simply allow free competitors to gain readers, the analysts said. Simonton told *Editor & Publisher* that local newspaper websites that have been free and are beginning to charge “may have some near-term success at increasing their circulation revenue, but over time they will likely reduce their audience base, negatively affect the react they can provide advertisers, and will likely spark free competition.”

For many, the Internet has become the preferred medium for consuming news. Fifty-three percent of all American adults get news online – a number that has held steady in recent years.⁴ Most of these online news consumers graze across multiple sites without having a site that stands out to them above all other sites. Only 35 percent have a favorite site. But the users who do have a favorite site are loyal, checking with that site at least once a day. Yet among those most faithful news consumers, only 19 percent said they would be willing to pay for news online. Eighty-two percent of those with a favorite site said they would find somewhere else to get the news. “This is a sign of just how much initial difficulty the movement toward pay walls could have,” said the State of the

³ David Milstead, "Newspapers' Perilous Paywall Movement," *Editor & Publisher*, August 2010.

⁴ *The State of the News Media 2010: An Annual Report on American Journalism*, report, March 15, 2010, accessed August 27, 2010, <http://www.stateofthemedial.org/2010/>.

News Media. “There appears to be only a very small cohort of voracious news consumers who have to have their news from a particular site, even if they have to pay for it.” The vast majority of online news consumers seem willing to browse for news from many sites and do not have a favorite online news source. And even the users who do have a favorite site are not willing to pay for its content. “This is not to say that resistance might not break down over time,” the report said.

Even though most people do not have a favorite online news source, newspaper websites are still highly visited. Newspaper companies attracted 102.8 million unique visitors – almost 61 percent of all adult Internet users – to their websites in September 2010, according to a Newspaper Association of America press release. The analysis, performed by comScore, a marketing research company, indicates that newspaper websites stand out in the current consumer landscape because they reach 55 percent of 25-to-34-year-olds and 73 percent of individuals in households earning more than \$100,000 a year.⁵ One-in-four of adult newspaper website visitors come from households earning more than \$100,000 a year. “This data from comScore reinforces how newspaper publishers are leveraging original, high-quality content to build a powerful and engaged audience in the digital space,” said NAA President and CEO John F. Sturm. “The analysis also paints a powerful picture of our medium’s Web audience, with newspaper websites attracting consumers that deliver maximum value to advertisers.”

While millions visit newspaper websites, studies show that most people will stop visiting them if the newspapers begin charging. A Nielsen Co. research firm study

⁵ Newspaper Association of America, "Newspaper Websites Reach Nearly Two-Thirds of U.S. Internet Users in September," news release, October 14, 2010, accessed November 22, 2010, <http://www.naa.org/PressCenter/SearchPressReleases/2010/NEWSPAPER-WEBSITES-REACH-NEARLY-TWO-THIRDS-OF-US-INTERNET-USERS-IN-SEPTEMBER.aspx>.

released in February 2010 found that 85 percent of Internet users believed online content that is currently free should stay free.⁶ However, the survey found that online consumers may be more willing to pay for certain types of media, such as movies, music and TV shows, and less likely to pay for news and blogs. The Nielson report surveyed 27,000 consumers in 52 countries in North America, Latin America, Europe, Asia and the Middle East. Fifty percent or more said they would consider paying or have already for online content in four categories – theatrical movies, music, games and professionally produced videos. On the other end of the spectrum, less than 30 percent said they would consider paying for social networks, podcasts, talk radio and consumer-generated video and blogs. Magazines, newspapers and online-only news sites were in the middle. However, 78 percent said they should be able to access newspaper, magazine, radio or television service free online if they have already paid for a subscription.

Seventy-nine percent said they would stop using a website if it began charging for access, “presuming they can find the same information at no cost,” the report said. This view - at 85 percent - was highest in North America. The report found that 34 percent of newspaper readers would consider paying for online content. The report also found that 42 percent in North America would prefer a micro-payment system – where users are charged for individual stories – over a subscription to the entire site. Furthermore, seventy-one percent of respondents believed online content of any kind will have to be significantly better than what is currently available before they pay for it. “This may account for why consumers are less willing to purchase news online than other forms of high quality material,” the report said. “Though professionally produced, and often at

⁶ Nic Covey, *Changing Models: A Global Perspective on Paying for Content Online*, report, February 16, 2010, section goes here, accessed October 26, 2010, <http://blog.nielsen.com/nielsenwire/global/changing-models-a-global-perspective-on-paying-for-content-online/>.

great cost, much of what resides on many news sites has effectively become a commodity.”

The report said that public acceptance of paid online content remains “a work in progress.” “At this point, no one can say for sure how deeply embedded the free-information ideology is among consumers,” the report said. “So it is unclear how, even if they accept the inevitability of having to pay for online content, consumers will deal with a flood of new charges. The war for consumer time, attention and money may also be overwhelming, as countless companies conditioned to competing only locally and within specific media will have to battle in a multi-platform, global arena. Plus, the increasing popularity of smart phones with their myriad apps, and the introduction of new technologies such as Apple’s iPad, will surely prolong the polemic.”

Some research on willingness to pay for content has been conducted exclusively in foreign countries but with similar results. A 2002 random-sample telephone survey of 853 Hong Kong residents found very few users responded to paid online content and most had no intention of paying in the future. Of the respondents, 43 percent said it was “unlikely” they would pay for online news in the future, 35 percent said “very unlikely” and 21 percent said “likely.” Only 1.3 percent answered “very likely.”⁷

While research has shown a low percentage of people are willing to pay for content online, studies have shown many newspapers are still considering charging online. Initial results of an ongoing American Press Institute online survey in August and September of 2009 found that of the 118 U.S. daily newspapers that responded, nearly 60 percent are “considering initiating paid access for currently open/free news and information online,

⁷ Hsiang I. Chyi, "Willingness to Pay for Online News: An Empirical Study on the Viability of the Subscription Model," *Journal of Media Economics* 18, no. 2 (April 2005), accessed August 27, 2010, Academic Search Premier, EBSCOhost.

and nearly 25 percent expect to implement a paid strategy in the next six months.”⁸ Fifty-eight percent said “yes” and 42 percent said “no.” Of the responding newspapers, 90 percent did not charge for content at the time of the 2009 survey and only 3 percent had a paid-only site.

The American Press Institute survey found that respondents are “actively exploring many new directions they can take with monetizing content.” Capturing new revenue and preserving print are the main drivers of the decision to charge for online content, the study found. Thirty-four percent of respondents said “capturing new revenue opportunities” is or will be the most important factor, while 28 percent thought it is or will be “preserving print circulation.” Other key drivers of decision making included establishing value for copyrighted content (18 percent), driving product development (13 percent) and replacing lost display ad revenues (4 percent).

The survey’s summary report recognizes that there is no clear consensus how well charging for online content will work. Fifty-one percent of respondents said it is “likely that paid access will raise enough new revenues to significantly contribute to the future of newspapers.” The survey found that most of the responding newspapers have an e-edition – and electronic replica of the newspaper – on their website but not all of them charge for it. Sixty-seven percent offer an e-edition, 59 percent of whom offer it free to print subscribers. Of the newspapers that charge for their e-edition, the median price is for an online-only subscription is \$5.99 a month. Those who offer to print subscribers offer it for an additional fee of \$4.99.

⁸ "Online Revenue Initiatives 2009: Highlights of Initial Results from the Paid-content Survey Conducted by ITZBelden in Partnership with the American Press Institute," American Press Institute, accessed November 5, 2010, <http://www.americanpressinstitute.org/seminars/memberinfo/2009/Newsmedia%20Economic%20Action%20Plan%20Conference/SummaryReport10-26-09.pdf>.

David Simon, former *Baltimore Sun* reporter and creator of the television show *The Wire*, argues in his article “Build the Wall” that charging for online content is the only remedy for newspaper’s financial problems.⁹ The article is essentially an open letter to Arthur Sulzberger Jr. and Katharine Weymouth, publishers of the *New York Times* and the *Washington Post* who, Simon argues, have the power to save print journalism. Simon urges Sulzberger and Weymouth to find a way to charge for their online content. “If you do this, you still have a product and there is still an industry, a calling and a career known as professional journalism,” he wrote. “If you do not find a way to make people pay for your product, then you are – if you choose to remain in this line of work – delusional.”

The two newspapers must act together in implementing a pay wall, Simon argues, because if one is behind a pay wall and the other remains free, the one that charges will not survive. Simon stresses that all content should be behind a pay wall. “No half-measures,” he wrote. “No TimesSelect program that charges for a handful of items and offers the rest for free, no limited availability of certain teaser articles, no bartering with aggregators for a few more crumbs of revenue through microbilling or pennies-on-the-dollar fees. Either you believe that what the *New York Times* and the *Washington Post* bring to the table every day has value, or you don’t.” All other newspapers will follow the lead of the *Times* and the *Post*, Simon wrote, because the need to create a new revenue stream from the Internet is apparent to many in the industry. No one can act if the *Times* and the *Post* do not as the content of other newspapers is “insufficient to demand that readers pay online.”

Much to Simon’s chagrin, the *Washington Post* has decided to take a “wait and see”

⁹ David Simon, "Build the Wall," *Columbia Journalism Review*, July/August 2009, accessed August 26, 2010, Academic Search Premier, EBSCOhost.

approach to pay walls.¹⁰ Vice President Boisfeuillet Jones, Jr., has voiced concern that charging for content could cause readers to visit “substitutes.” He said the *Post* would “watch and see what happens” before launching a pay wall. However, the *New York Times* has announced it will charge for content – just not in the way Simon had hoped for. The *Times* will launch a metered model next year.

Starting in January 2011, a visitor to the *Times* website will be allowed to view a certain number of articles free each month and must a pay flat free for unlimited access.¹¹ Subscribers to the print version will receive full access to the site. This will be the third time the *Times* has charged for content. In the 1990s, overseas readers were charged, and from 2005 to 2007, the newspaper’s TimesSelect service charged for access to editorials and columns. Executives of the company said with the metered model they wanted to “create a system that would have little effect on the millions of occasional visitors the site, while trying to cash in on the loyalty of more devoted readers.” Many media analysts have praised the *Times*’ decision. James McQuivey, media analyst at Forrester Research, said “you can’t continue to be the *New York Times* unless you find” a new source of revenue. “We expect that the *Times* will be able to execute a strategy like this,” said Mike Simonton, an analyst at Fitch Ratings. However, some analysts disagree with the *Times*’ move to paid content. “Successful media companies go after audience first, and then watch revenues follow; failing ones alienate their audience in an attempt to maximize short-term revenues,” wrote Felix Salmon, a media writer for Reuters.

The *Times* looked at several pay models, including one similar to the *Wall Street*

¹⁰ Ira Stoll, "Washington Post Taking a 'Wait and See' Approach to Pay Walls," Seeking Alpha, April 26, 2010, section goes here, <http://seekingalpha.com/article/200790-washington-post-taking-a-wait-and-see-approach-to-pay-walls>.

¹¹ Richard Perez-Pena, "The Times to Charge for Frequent Access to Its Web Site," *The New York Times*, January 21, 2010, <http://www.nytimes.com/2010/01/21/business/media/21times.html>.

Journal's, which makes some articles available to any visitor and others accessible only to paying readers. The metered model was “the one that after much research and study we determined has the most upside” in both subscriptions and advertising, said Martin A. Nisenholtz, senior vice president for digital operations. “We’re trying to maximize revenue. We’re not saying we want to put this revenue stream above that revenue stream. The goal is to maximize both revenue streams in combination.”

Gannett, the largest U.S. newspaper publisher with more than 80 papers, is experimenting with pay walls.¹² The company announced in July 2010 that it would implement pay walls at the *Tallahassee Democrat*, the *Greenville (S.C.) News* and the (St. George, Utah) *Spectrum*. Kate Marymont, vice president of news for Gannett’s Community Publishing Division, told Poynter Online “we know this is not the model, this is a small-scale test.” Marymont said the company weighed many factors, including what is at risk, in selecting the three sites from the company’s 81 newspapers. “We didn’t want to start at our very largest properties,” she said. The company wanted to test the power of niche content (i.e. the *Democrat’s* Florida State football coverage) to support online fees, she said. Whether the pay walls are a success and Gannett decides to charge for its entire fleet of newspapers remains to be seen.

Some literature has discussed the different pay models being used by newspaper websites. The *Advertising Age* article “Newspapers Grapple With How – Or Even Whether – To Erect a Pay Wall,” outlines six types of newspaper websites: free, metered, mostly walled, walled niches, separate pay site and membership.¹³ Free sites, of course,

¹² Bill Mitchell, "Pay Walls Debut at Three Gannett Papers Testing 'Journalism as a Service'" Poynter Online, July 1, 2010, accessed August 26, 2010, <http://www.poynter.org/column.asp?aid=186125&id=131>.

¹³ Nat Ives, "Newspapers Grapple with How--or Even Whether--to Erect a Pay Wall," *Advertising Age*, October 26, 2009, accessed August 27, 2010, Academic Search Premier, EBSCOhost.

have the largest audiences because visitors do not have to pay for any content. Metered sites charge the heaviest users because only those who read more articles than the set limit have to pay. Mostly walled sites keep some content free. Walled niche sites stay free but charge for specialized content. An example is the *Milwaukee Journal Sentinel*, which offers extended Green Bay Packers coverage to subscribers. A separate pay site is an additional site with content not found in the print or free online version. In September 2009, the *Pittsburgh Post Gazette* launched PG+ which offers content not seen in print or the online *Post-Gazette*, for \$3.99 a month. Membership is where the site is free and the most devoted users are asked for monetary support.

In the February 2009 *Time* magazine cover story “How to Save Your Newspaper,” which gave the public its first look at the debate in the industry over paid content, author Walter Isaacson advocated that newspapers use the micropayment model.¹⁴ “A person who wants one day’s edition of a newspaper or is enticed by a link to an interesting article is rarely going to go through the cost and hassle of signing up for a subscription under today’s clunky payment systems,” he wrote. “The key to attracting online revenue, I think, is to come up with an iTunes-easy method of micropayment. We need something like digital coins or an E-ZPass digital wallet – a one-click system with a really simple interface that will permit impulse purchases of a newspaper, magazine, article, blog or video for a penny, nickel, dime or whether the creator chooses to charge.”

Rick Edmonds, a media business columnist for Poynter Online, suggests the pay model used by the *Spokesman-Review*, a 76,000-circulation daily in Spokane, Wash.,

¹⁴ Walter Isaacson, "How to Save Your Newspaper," *Time*, February 5, 2010, accessed November 28, 2010, <http://www.time.com/time/business/article/0,8599,1877191-1,00.html>.

may become the most popular model.¹⁵ For the past five years, the newspaper has offered 90 percent of website content for free but fences off the other 10 percent for audiences willing to pay. “In essence it delivers the results the *New York Times* and others are aiming for in developing a so-called ‘metered model’ – but without the meter,” Edmonds wrote. Free content includes local breaking news and a sampler of several of the top stories from the print edition. Enterprise stories go behind the pay wall. The system was put in place to protect print circulation. Print circulation has fallen with the limited pay wall, but Shaun Higgins, who directs digital operations for *Spokesman-Review*, believes it has been at a slower rate than it might have otherwise. Higgins envisions newspapers adopting a business model in which news and special, online-only features are used to draw an audience. Once on the site, users can then buy archive articles, click on ads and search local business listings. “The site essentially acts as a free marketing tool that can be used to pitch and assortment of products,” Edmonds wrote.

Newspapers experimenting with pay walls and tweaking their online business model is largely a new phenomenon. A study found that newspapers had hardly altered their online strategies from 1996 to 2005.¹⁶ The study focused on a major challenge facing the newspaper industry – how to generate revenue from the website to continue covering the sizeable costs of operating a newspaper. A comparison of two surveys of U.S. online newspaper managers conducted in 1996 and 2005 revealed only a few significant differences in the mix of revenue sources. The sources of revenue are display

¹⁵ Rick Edmonds, "Is Spokesman-Review's 5-Year-Old 'Porous' Pay Wall the Future of Online?," *The Biz Blog* (web log), August 3, 2010, accessed August 27, 2010, <http://www.poynter.org/column.asp?id=123&aid=187871>.

¹⁶ Donica Mansing, "Online Revenue Business Model Has Changed Little Since 1996." *Newspaper Research Journal* 28, Spring 2007, accessed August 27, 2010, Academic Search Premier, EBSCOhost.

advertising, Internet access fees, classified advertising, subscriptions, premium services, other sources and transaction fees. The 1996 survey indicated display advertising was the largest source of revenue in the early days on online publishing at 38 percent. In 2005, that category dropped to 32 percent. Internet access fees were the second largest revenue sources, providing 23 percent of total advertising. In 2005, that number dropped to only 1 percent. Classified advertising increased from 15 percent in 1996 to 48 percent in 2005. This decline of Internet access fees, the study said, makes evident that in 2005 online news managers focused on four primary sources of revenue: display and classified advertising, subscriptions and other sources of revenue (19 percent).

The comparison of revenue sources of online newspapers between 1996 and 2005 demonstrated that “modest changes” have occurred in the past nine years. Although the most important revenue source for many online newspapers in 2005 was classified advertising, the study notes it is also the most vulnerable because of increasingly successful online competition. A simple online business model has not been found to “assure profitability for the online newspaper industry.” The study suggests it may be that “adaptability to local conditions and the development of multiple revenue streams site-by-site will be the most promising path to profitability.” However, the two surveys suggest “there is little evidence that the industry is addressing this problem imaginatively or comprehensively” and the industry “does not appear to be actively investing in the type of long-term research and development necessary to ensure survival in the new digital economy.”

Today, most online newspaper business models have not changed much since 2005. No one model has emerged as a proven success. The State of the News Media said “as

online news is increasingly being pressured to replace revenue lost from other sectors, the outlook for success remains as unclear in 2010 as ever.” Much discussion has occurred over the past few years about finding alternatives to advertising, including charging users and creating networks of bundled ads. “But for all the talk, there is little real evidence of potential models,” the report said, stating that no sites have closed their content walls to aggregators, and networked news sites are still in the beginning stages in terms of amassing advertising dollars. “The few news outlets planning to install payment structures from users seem to have a tough battle ahead.”

Another study used in-depth interviews and a survey to analyze business models at 12 online newspapers in the United Kingdom.¹⁷ The study set to find out what kind of content UK online newspaper websites are charging for, why they are charging for this content and what factors influence how companies charge for content. The study found some similarities in the type of content UK online newspapers are charging for. None of the 12 newspapers charge for general interest news, which is their most popular area of content. The availability of this generic content for free on other websites makes charging impossible, the study said. Drawing as much traffic to the site as possible is important to UK newspapers in the current advertising market. The researchers wrote that without a significant change in this market, news will remain universally free. The same goes for archive content, which is equally generic and a potential source of traffic to the website.

Instead of charging for the most popular content, the study found that UK newspapers charge for content that is closely identified with their brand, such as the *Independent's* prominent columnists, the *Times's* crosswords and the *Financial Times's*

¹⁷ Jack Herbert and Neil Thurman, "Paid Content Strategies for News Websites: An Empirical Study of British Newspapers' Online Business Models," *Journalism Practice* 1, no. 2 (2007), accessed September 2, 2010, Academic Search Premier, EBSCOhost.

business news. This finding demonstrates that some users are willing to pay for certain types of online content, and that content is a major selling point of the print version. Thus, charging online is also viewed as a way of protecting print revenues from cannibalization. This makes more business sense than withdrawing the content from the website altogether, the study said, because it minimizes possible damage to print revenues while also extracting online revenues that might be otherwise unavailable. The researchers argue that in the future the best opportunity for content charging will be to develop distinctive content tailored specifically to the Internet and other digital media.

Some in the industry suggest newspapers should scrap their website and focus solely on the print product. *Washington Post* reporter Paul Farhi argues just that in the *American Journalism Review* article “Build That Pay Wall High.”¹⁸ After all, it is still uncertain whether there is a sustainable business model for online news and whether any of the online pay models will work. Even though the cost of producing news online is much less than printed newspapers, print revenue makes up at least 90 percent of the dollars most newspapers generate. The newspaper industry generated nearly \$35 billion in revenue from its printed product, Farhi wrote. “The ad dollars are still mostly in print,” said Rick Edmonds of Poynter Online.

Farhi’s article begins with the rare case of Albert “Buck” Sherman, publisher of the *Newport Daily News*, a 12,000-circulation paper in Rhode Island, and how he began charging an extremely high price of \$345 a year for unlimited access to the website. That’s 138 percent over the annual cost of subscribing to the print edition. “We want to drive people to the print version of the paper,” Sherman said. “That’s our goal.” Print is

¹⁸ Paul Farhi, "Build That Pay Wall HIGH," *American Journalism Review*, August/September 2009, accessed August 27, 2010, Academic Search Premier, EBSCOhost.

where the money is for Sherman, who believes the transition to the Internet has been a distraction for the newspaper industry. “Ten to 15 years ago, everyone held out high hopes for the Internet as a revenue source,” he said. “And that has never happened.”

Online advertising has not been profitable for newspapers because there are simply too many websites after too few ad dollars. This huge amount of inventory makes it hard for newspapers to demand rates anywhere close to print. A migration back to print would “restore some balance to the industry’s crippled supply and demand equation,” Farhi wrote. He wrote that newspaper readers are “better” than website visitors because they spend more time with the paper than people do on a website. He gives the example that in May 2009 visitors to [washingtonpost.com](http://www.washingtonpost.com) spent on average 10 minutes and 58 seconds on the site for the entire month, which breaks down to 212 seconds a day. “Can any advertiser-supported business hope to sustain itself by capturing its customers’ attention for about the time it takes to read a stop sign?”

Farhi argues that getting rid of the newspaper website would give readers one less reason to drop their print subscription. He points to the fact that, despite declining circulation over the last few decades, newspaper readers remain loyal as 43 million still read a daily paper. The Internet deserves some of the blame for declining circulation “but newspaper publishers deserve some of the discredit, too, for giving away their product.” Dropping the website and going back to print would allow papers to cut the links that connect them to content freeloaders, such as The Drudge Report, which link to newspaper sites rather than provide their own content.

Most of the literature on pay walls focuses on some of the nation’s largest newspapers. However, there has been some information published on small papers

charging for content. Jennifer Saba explored the topic in her article “Can Pay Walls Work in Small Markets?” The article, which was posted on *Editor & Publisher’s* website in January 2010, describes how a small cluster of papers in Northwestern Pennsylvania with a print circulation around 23,000 began charging for online content on Nov. 1, 2009.¹⁹ It was the first time the papers, which are owned by Derrick Publishing, Co., had charged for content since launching their website, TheDerrick.com, in 1997. “We are somewhat unique in our geography. We don’t have any markets close to us that come in and gather news in our market,” Ned Cowart, publisher of Derrick Publishing, told *Editor & Publisher*. “We knew we were the local source of information. We decided, with that sort of a base, let’s go with a paid model.”

When the new TheDerrick.com website was revealed Oct.1 the site was still free. The response was very positive; people were thrilled they got the entire paper online, Cowart said. However, the company received a lot of resistance once the site started charging Nov. 1, taking readers by surprise. As of January 2010, TheDerrick.com had more than 1,300 subscribers, 60 percent of which were online-only. A yearly subscription to the print edition is \$130, while an online subscription is \$69. A bundled subscription is the cost of print plus an annual \$12 for website access. Cowart said he did not give home-delivery subscribers free access online because he feels the site has value, and many residents turn into snowbirds in the winter. “I knew that if resistance was absolutely off the wall, I could always back down,” he said of the strategy to begin charging. Prior to charging, TheDerrick.com was not bringing in any advertising revenue other than classifieds that were automatically upsold to the website. “That makes online sub revenue

¹⁹ Jennifer Saba, "Can Pay Walls Work in Small Markets?," *Editor & Publisher*, January 14, 2010, accessed November 23, 2010, LexisNexis Academic.

gravy,” Saba wrote. “Adding a pay wall with no ad revenue makes the move considerably less risky.” In addition to getting serious about online advertising, the plan is to have more breaking news and multimedia on the website, Cowart said.

PaidContent.org, a media hub that covers the business of digital media, posted an article in September 2009 that shows how smaller newspapers are faring.²⁰ The article features a sample of six papers – the *Daily Gazette* (Schenectady, N.Y.), *Valley Morning Star* (Harlingen, Texas), *Newport (Rhode Island) Daily News*, *Arkansas Democrat-Gazette*, *Albuquerque (New Mexico) Journal* and *Bend (Oregon) Bulletin*. Most of the papers have a print circulation below 50,000 and are located in smaller markets. The online-only subscriptions are typically priced at about 75 percent of what the print product costs, and the number of online subscribers is about 5 percent of the papers’ print counterpart. Many of the papers said they began charging to protect sales of their print editions.

The *Daily Gazette*, a 44,000-circulation daily in Schenectady, N.Y., offers online-only subscriptions for \$2.95 a week. Print subscribers can pay an extra penny a week to receive online access. The *Gazette* had 670 online-only subscribers in September 2009, a month after the pay wall was launched. The *Valley Morning Star*, a 23,000-circulation paper, started charging in July 2009 but has since reverted back to a free site.²¹ The pay wall lasted only sixth months. The *Morning Star* was test-bed for Freedom Communications’ initial plans to charge for all its papers’ websites. However, Freedom

²⁰ Joseph Tartakoff, "Taking the Plunge: How Newspaper Sites That Charge Are Faring," PaidContent, September 2, 2009, <http://paidcontent.org/article/419-taking-the-plunge-how-newspaper-sites-that-charge-are-faring/>.

²¹ Joseph Tartakoff, "Freedom Communications' Valley Morning Star Drops Its Pay Wall," PaidContent, April 7, 2010, accessed November 29, 2010, <http://paidcontent.org/article/419-freedoms-valley-morning-star-drops-its-pay-wall/>.

Interactive president Doug Bennett told paidContent in April “there are no plans to expand pay walls at this time” and described the *Morning Star* pay wall as a “useful test to determine whether there was an effective balance between a free, advertising-supported and a paid-use model in one our local markets.” Bennett said while some visitors were willing to pay, the test validated the existing ad-supported model. “We want to grow a larger share of audience by making locally-focused information more accessible across multiple platforms, and in turn help our advertisers deliver relevant messages around our content,” he said.

The *Albuquerque Journal*, which launched its pay wall in 2001, charges \$110 a year (or \$38.25 for three months) for access to the website and an electronic edition of the paper. Between 1,500 and 2,000 people pay extra each month for some sort of additional online access – a number that has remained fairly stable since the pay wall launch, Assistant Managing Editor Donn Friedman said. Paid daily circulation declined about 6 percent since the newspaper launched the pay wall. Freidman said the paper is committed to the print retention model and the idea that the content has value. The *Bend Bulletin*, a 32,000-circulation daily in Bend, Ore., offers online-only subscriptions for \$8 a month. The *Bulletin* launched its pay wall in 2005 and had 1,200 online-only subscribers as of September 2009.

Our-Hometown, Inc., a newspaper website hosting service, has posted on its website a few studies the company conducted dealing with paid content and small market newspapers. In the study “Theory of Subscription Pricing for Weekly Community Websites,” Our-Hometown, Inc. suggests that newspapers will generate more revenue if

they raise their website subscription prices.²² The study, which is based on data provided by Clark County newspapers of Grove Hill, Ala., found that newspapers can make more revenue online even if their audience shrinks. Before December 2009, Clarke charged \$26 a year for the online and the print edition. No discount was offered for paying for both the print and the online. As of Dec. 1, there were 219 subscribers on the pricing system. Later that month, the price was raised to \$79.99 a year, and subscribers predictably dropped their subscription. Our-Hometown, Inc. anticipates there will be 72 subscribers in December 2010. At \$26 per year with 219 subscribers, the website brought in \$5,694 in revenue. But 72 subscribers at the new rate would generate \$65 more at \$5,759. Using the economic theory of price elasticity, Our-Hometown, Inc. figures that Cooke newspapers can maximum the amount of revenue at \$53 a year. If the theory holds, that would attract 146 subscribers and generate \$7,738.

The study concluded that the data indicate “the price at which publishers like Clarke can expect to maximize online subscription revenue is higher than most think, at more than 200 percent of the price of the print edition.” The study said a revenue stream can be created without risking “a lot of production, web design and lost local sales hours on advertising that generates only modest returns,” and with a pay wall in place, the local publisher can monetize and protect the content that is most valuable to them.

“Demand for Subscriptions to Daily Newspaper Websites,” a study by Our-Hometown, Inc. that builds on the aforementioned one, uses data from 13 daily newspaper websites with pay walls to generate a demand-by-price curve that predicts the

²² "Theory of Subscription Pricing for Weekly Community Newspaper Websites," Our Hometown, accessed November 23, 2010, <http://www.our-hometown.com/research/theory-of-subscription-pricing-for-weekly-community-newspaper-websites>.

number of subscribers expected for any given price.²³ The study concludes that – at \$7.80 a month for online-only access – daily newspapers can add about 3.5 percent to their total subscriber base with only minimal loss of print subscribers to online-only. At \$7.80 a month per month, a 10,000-circulation paper can expect to generate about \$33,200 will in revenue after implementing a pay wall. A 100,000-circulation paper can expect \$332,000. Publishers should expect a “significant drop in website traffic; however, many will feel that the quality of the remaining audience is significantly higher,” the study said.

Rick Edmonds wrote on his Poynter Online blog in September 2010 that many smaller papers serving rural areas are faring relatively well.²⁴ Smaller communities and their newspapers have not experienced a number of the problems of metros and midsized dailies. One of the advantages of smaller papers is that they were never as dependent on print classifieds as the metro papers. Therefore, smaller papers took a lighter hit as classified revenue declined 70 percent over the last decade. Furthermore, competition from free online ad services is not as likely to be intense, and national advertising is less of a factor with local businesses and merchants comprising the core base of community newspapers.

Online audience and online advertising remain a small part of the business of community newspapers. “The publishers are not preoccupied with the paid online content conundrum, and they aren’t struggling with the declines in prevailing online rates over the last several years,” Edmonds wrote. Edmonds also wrote that, according to the

²³ "Demand for Subscriptions to Daily Newspaper Websites," Our Hometown, August 9, 2010, accessed November 23, 2010, <http://www.our-hometown.com/research/demand-for-subscriptions-to-daily-newspaper-websites>.

²⁴ Rick Edmonds, "Are Community Weeklies Sheltered From the Storm?," *The Biz Blog* (web log), September 29, 2010, accessed November 23, 2010, <http://www.poynter.org/column.asp?id=123&aid=191615>.

Newspaper Association of America, roughly 85 percent of papers with a circulation under 25,000 report getting less than 10 percent of ad revenues from online. Almost the opposite was true for papers with circulations over 100,000 as nearly 70 percent of them now get more than 10 percent from online. “That may partly be an indicator of continuing print weakness,” Edmonds noted.

Supporters of paid online content often point to the *Arkansas Democrat-Gazette* as a success story. The *Democrat-Gazette*, which has a daily print circulation of about 175,000, has been charging for access to its website (\$4.95 a month) since 2002. Publisher Walter Hussman has said that while most metro newspapers have lost circulation, the *Democrat-Gazette* has remained steady.²⁵ Because of the pay wall, the *Democrat-Gazette* website is third in the market on the number of hits behind two local TV stations. That is fine with Hussman, though. Newsprint ad rates are \$35 per thousand readers compared with \$1 online, which is due in part because advertisers have six or so options for print advertising in Little Rock, compared with thousands of options online, from Google to local blogs. Craigslist, an online network with free classified ads, has not eroded much of the *Democrat-Gazette*'s advertising revenue because Hussman made classifieds free in 1979. Asked by *The Advertising Age* whether anyone outside the *Democrat-Gazette* is successfully charging, Randy Bennett, senior VP at the Newspaper Association of America, said: “The reality is no.” The display-ad model that funds newspapers online is broken, argued Michael Learmonth in the *Advertising Age* article “Wanted: Online Payment Plan for Print.” This breakdown is due in part because the “bottom fell out of midmarket banners, the ads that fall between low-end direct-response

²⁵ Michael Learmonth, "WANTED: ONLINE PAYMENT PLAN FOR PRINT," *Advertising Age*, February 23, 2009, accessed August 27, 2010, Academic Search Premier, EBSCOhost.

ads and high-end branded advertising and account for half of revenue at some publishers.”

No literature exists on Mississippi papers that charge for content. However, some information on Mississippi is necessary to place this analysis in context. According to the U.S. Census Bureau, Mississippi ranks last in Internet usage.²⁶ A 2009 Census Bureau study found only 55 percent of Mississippians use the Internet, whether it be at home, work, school or elsewhere. States like Alaska and New Hampshire, for example, have Internet usage rates at 79 and 76 percent, respectively. In those states, 83 percent and 85 percent of the population live in a home with Internet access. In Mississippi, that percentage is 57 percent. The data shows there is a strong correlation between education and Internet usage. Twenty six percent of people who have less than a high school education use the Internet, while 90 percent with a bachelor's degree or better go online. In 2008, only 17 percent of Mississippians had a bachelor's degree. Not only does Mississippi have the lowest rate of Internet usage, the state is also the poorest in the country. One in five Mississippians live below the poverty, according to U.S. Census data. Mississippi ranks last in household income. The Mississippi Delta, part of which the *Greenwood Commonwealth* serves, is the poorest part of the state with 20 percent of its population receiving food stamps.²⁷

²⁶ *The Sun Herald* (Gulfport), "Mississippi Ranks Last in Internet Usage," April 3, 2010, accessed November 28, 2010, <http://smart-grid.tmcnet.com/news/2010/04/04/4708353.htm>.

²⁷ Shashank Bengali, "Mississippi Delta: The Land Economic Recovery Never Visits," McClatchy, April 11, 2010, accessed November 28, 2010, <http://www.mcclatchydc.com/2010/04/11/91778/in-mississippi-delta-recession.html>.

CHAPTER III

RESULTS

The Greenwood Commonwealth

The *Greenwood Commonwealth*, which is based in Greenwood, has a circulation of 6,500 and is published everyday except Saturday. The *Commonwealth* (gwcommonwealth.com) began charging for online content on June 29, 2010. However, the website has charged for an e-edition – an electronic replica of the newspaper – since Fall 2007. Emmerich Communications, Inc., which owns The *Commonwealth*, two other dailies and more than 20 weeklies, decided to try the paid model at one daily and one weekly. The *Commonwealth* was the daily selected.

Publisher Tim Kalich calls the model launched in June a “hybrid” pay website because not everyone who goes the website is paid. Print subscribers get free access, and non-subscribers can purchase an online-only subscription for as little as one day or up to a year. The *Commonwealth* website, which was built by the Illinois-based company Town News, also offers a seven-day free trial. The 40-50 e-edition subscribers were grandfathered in to the new pay site for whichever term they had paid for. Non-subscribers can see the headlines and first two paragraphs of stories, but have to pay for any editorial content beyond that. All ads, classifieds and public notices are free. Subscribers receive access to the archives, which go back to 2000. A one-day subscription costs \$1, one month is \$6, three months is \$18, six months is \$36 and a year is \$72. (Orders go through PayPal, an e-commerce business owned by eBay that allows

for online payments). Home delivery of the newspaper is \$11 for one month, \$32 for three months, \$63.50 for six months and \$126 for a year.

The *Commonwealth* website was first launched in June 2000. There was no discussion about charging then, Kalich said. “At the time the model was we’ll make the revenue on the advertising side so we’ll give away the content for free,” he said. “We’ll build up the impressions, we’ll sell the impressions and the advertising will float that part of the business.” “Impression” is a term for an ad view. The number of ads on the website multiplied by the page views equals the impression. “Depending on how many ads on a page, that’s how many impressions that page generated,” Kalich said.

Kalich said the decision was made to charge because the online edition was eroding the print base. “Anecdotally, we were hearing people say, ‘I don’t get your paper in print any more. I just read you online.’ We felt it was undercutting our core product, which is the print edition,” he said. A paid model was also attractive to Kalich because they were not able to sell all of the ad inventory. “When I did the calculations and determined that even if we lost half of our impressions we still would not sell out of our space, so we had all this excess inventory,” Kalich said. “We were building up impression counts steadily on our paper but the advertising wasn’t following it. If you have more people reading your website than advertisers are willing to pay to reach them and if your model is based on advertising, well, what are you accomplishing by getting more impressions than you can sell?”

Converting to a paid model would allow the paper to generate circulation revenue to offset the advertising revenue that had not come through in the level that was anticipated, Kalich said. “I would say it’s still in somewhat of the experimental stage,” he

said. “There’s no plans at this point to do anything of what we’re doing now, which is to stick with the model we’re using. However, if we determine six months, a year from now that this does not make sense, just like we didn’t think the free model made sense, we may adapt as well as we go.” *Commonwealth* readers were not surveyed before the pay wall was implemented. A survey was not considered. “I think the answer to that question would have been obvious,” Kalich said. “To ask people ‘Are you willing to pay to read the newspaper online?’ My guess would be your response would be overwhelmingly ‘No.’” The newspaper experienced some backlash after the pay wall. Kalich said he did not get any phone calls but did receive angry e-mails and comments on the website.

The printed product provides nearly all of the revenue. Online advertising and circulation only constitutes about 2.5 percent of total revenue, Kalich said. Online was 4.4 percent of total advertising revenue. Since switching to a paid model in June, online circulation revenue as a percentage of total circulation represents less than 2 percent of all circulation revenue. Kalich anticipates that number to rise. He also said he thinks small, local papers will have better chance at success with a pay model than large, metro papers. Greenwood is in small market where there is no other paper to compete with.

Because online represents a relatively small part of the paper’s revenue, Kalich said he does not want to devote too much time and resources toward it. No stories are put solely online and without a print version, save for breaking news. “If there’s a breaking story and it’s important enough, we will go out with a breaking news live version of it in the afternoon if it happens between the time we printed our paper, and we’ll print the next one if it’s important enough,” he said. E-mail blasts are sent out to all registered website users notifying them of breaking story. For the print edition the next day, the story will be

expanded and updated and then posted online again. Kalich said he wants the *Commonwealth* website to “be there for people who only want to read the paper that way, but also make it to where it’s an add-on – something of added value to our print subscribers.”

The *Commonwealth* website features some video, including interviews of high school football coaches, and plans to do more, Kalich said. PDF files of lawsuits are also sometimes uploaded to the website. “In our print edition when we have that kind of material we will let people know that,” Kalich said. “For example, after a Friday night football game, interviews with the coaches will be put online as a video and we’ll put a notice in the print edition of that story.” Because production of online multimedia takes time and resources, Kalich said the *Commonwealth* has to “allocate resources among what makes sense. “If online is 5 percent of your business, you don’t want to spend so much time on your business that you neglect the other 95 percent of your business,” he said.

Kalich said he thought about offering obituaries free but decided to put them behind the pay wall because they are “pretty valuable.” “On our previous free website when I could monitor what sections people read, it [obituaries] was the second most read section of our website,” he said. “That told me there are a lot of people who go to our website to read obituaries. I think there’s potential for them to subscribe for that very reason and so we’ve made it part of subscription.”

As of Nov. 5, over four months after the launch of the pay wall, there were 191 online-only subscribers and 333 print subscribers who had registered for the website. (About 7 percent of the total eligible print subscribers). There were also 63 people signed

up for the free one-week trial. “That number fluctuates a lot,” Kalich said. “It can range anywhere from 50 to 125.” In total, there were 587 people who were registered users of the website. The website has been averaging 25,000 unique visitors a month, and nearly 1,000 unique visitors a day, since the pay wall was launched. “The logic tells me that there’s still an awful lot of people, more than there are registered, who come to our website everyday just to read the headlines or just to get the free content,” Kalich said. Kalich said he expects the number of online-only subscribers will level out at about 3 percent of the number of print subscribers.

Kalich said there was a bigger rush to subscribe in the first month or so because “all of a sudden you had to start paying if you were not a print subscriber.” “But we’ve continued to have new subscribers to the site all the time,” he said. “I don’t know where it’s going to plateau.” Kalich said he feels there is a great resistance to paying for anything on the Internet. “People who go to the Internet think everything should be free and so you’re fighting that when you start charging for content,” he said. “There are, I’m sure, previous readers of our website who will say they just aren’t going to pay.” However, Kalich said he thinks more people will start to pay as more papers convert to a pay model.

Kalich said he explains to people who object to paying for online content that there are many costs that come with running a newspaper. “This is what I tell people who object: providing content costs money. It costs money to have reporters. It costs money to have editors.” Kalich said a flaw in the free model is that the websites don’t want to pay the content providers much, the readers don’t want to pay, and the advertisers don’t want to pay for what it should be worth because of the excess inventory online. “You have all

these things that make no sense as a business,” he said. “We decided that we wanted to change the business model because we didn’t think the business model was working.”

The Vicksburg Post

The *Vicksburg Post*, a 12,500-circulation paper in Vicksburg, is published seven days a week, in the afternoons on weekdays and in the mornings on Saturday and Sunday. The *Post* (vicksburgpost.com) put up a pay wall on May 3. Like the *Commonwealth*, the *Post* uses a subscription model, where readers must subscribe to read editorial content on the site. One week website access is \$6, one month is \$10, three months is \$30, six months is \$60 and one year is \$120. Home delivery subscribers pay \$1 a month for website access. (A print subscription is \$14 per month). All online subscriptions include the ePost, which is an electronic edition of the paper. The ePost was launched in February 2010 and had about 200 subscribers when the pay wall was implemented in May.

The *Post* hired Matchbin, a Utah-based company, to provide the website, subscription service and e-edition. General Manager Jimmy Clark said from a business standpoint, switching to a pay model was a “no-brainer.” “Years ago people thought it was best that we give away the website with the intent to make up revenue on selling advertising,” Clark said. “Although that was a good idea, it never really materialized. What it caused was losing a lot of print circulation because people realized they could go to the website and read the news free.” Clark said in 2009 he and other managers began discussing the potential for getting new subscribers on e-edition. The *Post’s* auditing

company said an e-edition would qualify as a paid read for circulation in a category separate from print circulation. The audit report has categories for home deliveries, single copies and mail subscription with the e-edition as an added category, all of which is added to the total bottom line figure, Clark said. Charging print subscribers an extra dollar for website access increases circulation. “Now that person who lives at 100 Jones Avenue who takes the paper and subscribes to the e-edition really counts as two subscribers,” Clark said. “It’s important that we have not only the money, but the numbers to sell to our advertisers.”

While website circulation and advertising makes up a small percentage of total revenue, Clark said he hopes it becomes more profitable through several planned steps. “The first step was to make the move to paid,” Clark said. “Get that situated and get all the bugs and kinks worked out, and then hopefully the first of the year [2011], we’ll put a lot of emphasis on selling advertising on the website.” The plan is to bring in consultants who specialize in selling online ads to help the *Post’s* sales staff. “We’ll probably bring somebody in and have a blitz for a week or two selling primarily online advertising in the hope that it will be profitable,” he said.

Currently, less than 1 percent of the *Post’s* total revenue comes from the website. “I think if it ever got to be 25 percent I think we would just be doing kart wheels in the parking lot,” Clark said. “I would think a more reasonable figure would be in the 10 percent range short-term. Long term, who knows what’s going to happen? Things are constantly changing. We didn’t know two or three years ago that we’d be where we are today.”

The *Post* did not consider any models other than a subscription, Clark said. “We never considered that [the metered model],” Clark said. “Quite frankly, I’m not too sure we knew it was an option. Our options were to do it or not.” The *Post* did not survey readers before moving to a paid model. “That’s not to say we hadn’t been doing our homework,” Clark said. “We’d been following the argument for a couple years and observing what people did who did make the decision to go to paid. We did a survey in that regard.”

Clark said the *Post* experienced opposition in the form of angry phone calls and e-mails. People did not understand why the newspaper could not give the content away online, he said. “You go in the grocery store and the manager at the grocery store says I can’t go online and read your news anymore. Now you want to charge for it,” Clark said. “And I’ll say, ‘Well, can I go over and get a gallon of milk and walk out? Well no, you can’t do that.’ That’s a simple example, but I say, ‘What’s the difference?’”

Classifieds, obituaries, wire stories, local event listings and multimedia, which includes videos and photo galleries, remain free on the website. Clark said they decided to provide obituaries for free as a “service.” “We thought we were doing the right thing by at least making that information available,” he said.

When coming up with prices for the online subscriptions, Clark said they looked at the print subscription rate, which is \$14 a month. Each subscriber is charged \$8.60 a month because the contracted carriers get \$5.40 per customer. “Our \$8.60 is the wholesale rate,” Clark said. “The plan was to get at least \$8.60. We don’t want a customer to say ‘I can take the e-edition cheaper than I can get the home delivery,’ which he can at \$10 versus \$14, but we’re charging \$8.60. We just set \$10 to make sure that we

made the wholesale rate of \$8.60. We could have gone down to \$8.60 and still been OK, but it wouldn't have printed a newspaper, wouldn't have paid to have it delivered, wouldn't have handled it through the mailroom, anything. So we set \$10, we haven't had much opposition to it. People are paying it."

As of Nov. 5, the *Post* website had 642 subscribers, about 40 percent of which are print subscribers. "It's just a slow steady growth and you have some drop off," Clark said. "Our goal was 1,000 by the end of the year. I don't know if we'll make that. I don't think it's unreasonable to expect 750-800 by the end of the year." The website has experienced a decline in the number of hits since the pay wall went up. The website averaged 3,100 unique visitors a day before the pay site. Since the pay wall, the site is averaging about 2,500 unique visitors per day.

The Columbus Dispatch

The *Columbus Dispatch*, which is based in Columbus and has a circulation of 15,000, is published six times a week, in the afternoons Monday through Friday and in the morning on Sunday. Peter Imes, general operations manager of the *Dispatch*, argued that online content should be free during a panel discussion at a Mississippi Press Association convention in Tunica this past summer. Imes has since had a change of heart, deciding to charge for the *Dispatch's* online content on Sept. 2 when the new website (cdispatch.com) was launched.

Imes said he still believes the free model will eventually play out to be the best model. "For right now, I think pay walls, as much as anything, are a defensive move

because of a loss of print subscribers,” he said. Imes said *Dispatch*’s online traffic was growing at an “incredible rate,” but “we were losing print subscribers.” Currently, print advertising provides the majority of the revenue so the decision to charge was made to protect the print product. “I think we did it [decided to charge] in recognizing that online ad sales just isn’t producing the revenue that we need,” he said. “And we need to be experimenting with other models. I think this is as much an experiment as anything.”

The *Dispatch* is the only Mississippi daily that uses a metered model for its website. Non-subscribers are allowed to view up to 10 stories every 30 days for free. Stories appearing in news, sports, lifestyles, business and opinion sections are counted toward the monthly limit. Reading the e-edition also counts toward limit. Obituaries, classifieds and crime pages are free and do not count. Print subscribers may subscribe to the website for \$1.95 per month, and non- subscribers may subscribe for \$7.95 per month or \$79.50 per year. (Home delivery of the print edition is \$8 a month). An online subscription allows readers unlimited access to all stories on the website and the e-edition.

Before the pay wall, the *Dispatch* charged for the e-edition for several years when all the stories were available free on the website. With less than 100 subscribers, the e-edition was not a success, Imes said. E-edition subscribers were grandfathered in to the new pay model for whatever term they had paid for. For example, if someone paid for six months of e-edition service they would have full access to the new site for six months. “A lot of people like seeing the stories in the context of the rest of the paper,” Imes said when asked what the incentive was for readers to pay for an e-edition when stories online were free.

Imes said he decided to charge print subscribers for access to the website because he feels like there is additional value in the online product. Imes said this value comes from access to e-edition archives dating back to January 2009, photo galleries and videos, the ability to comment on stories and other features not available in the print edition. Charging print subscribers for website access has prompted the biggest backlash from readers, Imes said. He said he is considering allowing print subscribers to have free online access.

Imes said the *Dispatch* looked at three pay models: micropayment, subscription and metered. Imes said he thought the micropayment model - where the reader pays per article - was the worst. "I think the problem with that is that anytime when somebody clicks on an article they have to think, 'Well, is this worth paying a little bit of money?' There's that decision that has to happen on every click of the mouse, and I think that's just going to be a barrier to producing a lot of revenue," he said. Imes said the subscription model, which is what most of the seven dailies are using, "takes the whole trend of sharing information online and throws it out the window." He said "rebellious against the direction of the Internet, which is sharing more and more, is a mistake. You've got to let your message get out there. If you break one big story and somebody comes to your website and wants to read that one story, they're not going to pay \$10 a month to read that one story. They're going to either find one way around your pay wall or just go somewhere else and lose interest."

Imes said he decided on the metered model because it allows the casual reader or someone who has clicked on a link access to the website for a few times without having to pay. "It seems like with social media the Internet is going more toward a shared model

anyway - where information is shared freely with other people,” he said. “The metered model kind of allows that to continue, while still creating revenue based off of our most loyal readers.” Imes, who, like many, believes print journalism is going through a transition period, said he thinks newspapers are now trying enough different things that someone will “touch on something that works.” “I like this meter model that we’re using, but I’m not 100 percent sure that that’s the answer,” he said.

Of the seven dailies that charge for online content, the *Dispatch* is the only one with a website that was built in-house, rather than by a contracted web developer. Imes, who has worked for several Internet companies, built the new redesigned website. The first *Dispatch* website was launched in 1998. It did not have any editorial content, only basic contact and advertising information. The paper began publishing news on the website in 2001. There was no discussion about charging for content then, Imes said.

There has been some negative response over the move to a pay model, but, overall, the response “hasn’t been as bad as we expected,” Imes said. “Surprisingly enough, we’ve had a lot of people who have said, ‘I’m surprised this hasn’t happened before. I’ve never understood how you could give it away for free.’ We’ve had a lot of positive comments like that or understanding comments.” However, Imes said there have been people who have said, ‘No other newspaper in the world charges for their content, why are you doing it?’ “We typically respond by listing a bunch of newspapers that are also charging for content,” he said.

Imes said he feels a lot of people are “just pissed off right now” and “don’t like being asked for money.” But he thinks the subscriptions will slowly start trickling in after people see several stories they are interested in and are prevented from reading them.

“They’ve never had to think of our website from a value standpoint because it’s been for free,” he said. “But I think we’ve got to do a good job of convincing the customer that there is value and it’s worth \$1.95 or \$7.95.”

As of Nov. 1, two months after the pay website was launched, there were 215 subscribers, 66, or 30 percent, of which were print subscribers. In August, the month before the pay wall, the website had 804,975 unique monthly page views. In September, the month the pay wall was launched, page views decreased 19 percent from the previous month to 655,343. In October, there were 596,000 unique monthly page views.

Imes said he thinks the papers that find their niche will be the ones that have success charging for online content. “That niche might be the fact that they’re only one in a small town or that niche might be the fact that they’re only one looking at news from a business standpoint or from a sports standpoint,” he said. “I think especially the bigger papers that are facing more competition are going to have to find small niches to specialize in to be able to charge online.” A strength of the *Dispatch* is that it provides “valuable information” about Columbus that readers “can’t get anywhere else,” Imes said. “I think we’ve got to make a point to emphasize that more and more, and that’s by doing less wire photo and text and just doing more local reporting.”

Imes said he thinks a lot of people in the newspaper industry are looking back and wondering what they were thinking when they decided to give away their content online. “What we were thinking at the time was what everybody was saying and that’s that everything on the Internet should be free and you were ridiculed if you thought otherwise,” he said. “At the last Mississippi Press Association meeting I went to I felt like it had flipped and if you weren’t considering a pay wall people were kind of looking

down their nose at you. It's so obvious that we need to be doing this now. In hindsight it was probably a bad move but it's understandable why everybody did it."

Imes said he expects to see more papers charge for content online over the next few years. "But I think newspapers are mistaken if they think charging subscriptions is going to generate a lot of revenue because it's not," he said. "It might generate a little bit, and over time that might get to a nice little bump in their bottom line. I think mainly it should be seen as a defensive from the standpoint of print circulation at this point. I think that's where the biggest benefit is going to come from."

The Starkville Daily News and The Daily Times Leader

The *Starkville Daily News* is a Starkville-based paper with a circulation of 6,500 that publishes seven days a week. The *Daily Times Leader* is a West Point-based paper with a circulation of 5,000 that published on Tuesday, Wednesday, Thursday, Friday and Sunday. Don Norman is the publisher of both papers, which are owned by Horizon Publications, Inc. The papers began charging for content online when they launched a new website on Aug. 1. The *Starkville Daily News* and the *Daily Times Leader* websites are identical.

The *Starkville Daily News* and the *Daily Times Leader* are unique among the seven papers that charge for online content because they continue to offer full stories for free online – usually the top five stories in news and sports – but charge for an e-edition. (Before the e-edition was launched it was the top three stories). "We decided to do an e-edition that was in a PDF format so people could actually download it," Norman said.

“We have so many people that are MSU [Mississippi State University] alumni that like the paper and they want it just for one day. I decided let’s let people subscribe for one day.” Online prices are the same for both papers. The e-edition costs 99 cents for one day, \$18 for three months, \$36 for six months and \$72 for a year. (Orders go through PayPal). Print subscription prices differ. Home delivery of The Starkville Daily News is \$36 for three months, \$63 for six months and \$106 for one year. Home delivery of The Daily Times Leader is \$29.50 for three months, \$49.50 for six months and \$84 for one year.

In addition to the top stories, special editions, such as the gardening or football game issue, are available for free in their entirety on the website. The entire paper was never available online for free. There are no plans to put all news content behind a pay wall, Norman said. The new website is more interactive. Subscribers and non-subscribers may submit photos to be posted to the website. User-submitted photos are sometimes published in the print edition, Norman said. Website visitors may also submit wedding, engagement and birth announcements.

When deciding what price to set, Norman said he looked at other papers to see what they were charging. “We did those three, six, and 12-month rates at like 35 percent off our normal delivery rate. That’s how we came up with the figure,” he said. “Who knows what the right percentage ought to be because we looked at everybody and their brother at what they were charging and most people were charging in that range.” Norman said prior to the e-edition, the papers did not upload content to the website until after the printed product had been delivered. “We didn’t want it to conflict the print edition with e-edition because we were scared we would lose subscribers,” he said. “So

now we post the e-edition at six o'clock in the morning, and the paper hits the street at six o'clock in the morning. Everything's the same."

Much of the new website is the same as the old one. Except now breaking news is handled differently, Norman said. Reporters upload their own breaking news stories to the website throughout the day. "We used to think the easiest way to do it was to let the editor do it once everything was finished at night," Norman said. "Let the editor upload the entire newspaper, and you know that's just too time consuming. What we do now once he [the editor] has edited all the stories, every reporter gets to put their stories up. They take a little bit more pride in it. They take more interest in the website. They can't wait to get their stories up; they don't have to wait to see if it's going to be chosen [for the newspaper]. It goes up. So that's been a great deal of help to us."

Norman said readers were not surveyed before deciding to charge before deciding to charge online. "I asked everybody that I work with here: what would you be willing to pay? What do you think it's worth? I figured other employees will tell the truth," he said. Norman said he has not received any negative feedback since moving to a paid model. "I have never received an e-mail since we started saying, 'You should not be charging.' Never. And I'm proud of that," he said. Even though the *Starkville Daily News* and *Daily Times Leader* are owned by the Marion, Ill.-based Horizon Publications, it was Norman's decision to charge for an e-edition. He said he told the corporate office he wanted a new website and they designed it for him. "They let you make all the choices," he said. "You know your market; they don't. They're sitting up here in Chicago. You tell them what the market likes and they'll design it to fit your needs." Online local and national ad sales are also handled by corporate, he said.

Norman said some people who have subscribed online also get the print edition delivered. “I think it’s because it’s some of the business people who want to read the whole paper. They’ve gone to work. The paper’s at home with their wife and they want to read the paper at the office, so we’ve actually doubled some subscriptions,” he said. As of Nov. 15, there are more than 500 online subscribers to the *Starkville Daily News*, approximately 15 percent of which are print subscribers. The *Daily Times Leader* has 121 subscribers, 5 percent of which are print users.

The Oxford Eagle

The *Oxford Eagle*, which is based in Oxford, publishes in the afternoons Monday through Friday and has a circulation of 5,650. The *Eagle* launched a new website and e-edition on March 1. The e-edition was offered free for a month. “The first month we gave it to everybody free so they could see what it was like and get their response,” said Don Whitten, editor of the *Eagle*. A subscription to the e-edition, which allows the reader to see the entire paper, is \$5 for one month, \$15 for three months and \$30 for six months. A print subscription by carrier is \$22.50 for three months and \$85 for a year. Before the new website and e-edition, which has all news content behind a pay wall, the *Eagle* website offered three or four news and sports stories, opinion pieces and obituaries in full-length everyday. The new website only has summaries of those same items. Of the seven papers, the *Eagle*, *Commonwealth* and *Post* have the most restrictive format, as they place all of their news content behind a pay wall. Non-paying visitors to the papers’ websites may only view headlines and the first few paragraphs of stories.

The switch to a pay site angered some people, Whitten said. People would say, “We used to get all that for free and now you’re not giving us anything,” he said. The e-edition was well received when it was free. Whitten said even though readers were notified it would only be free for a month before they have to register and pay, “of the people that didn’t intend to pay, they didn’t seem to see that.” “When we started charging we got the same kind of backlash that probably everybody gets: ‘This has been free. Nobody else charges. Why are you charging?’” Whitten said, adding that the *Eagle* received around 10 calls and 10 e-mails per week about it for a few weeks.

This is the first time *Eagle* has charged for online content. There was some discussion about charging when *Eagle* first launched a website in the mid-1990s, “but it was so complicated and we had a high school kid that almost designed the website for us to start with, and we were just happy to get one up and running,” Whitten said. “And obviously nobody else was doing it at the time. It [charging online] wasn’t discussed a whole lot.” The new *Eagle* website was designed by a local web designer, rather than by a web design company. Tecnavia, a Minnesota-based web development company, set up and maintains the e-edition.

Whitten, who was the *Eagle*’s sports editor for 30 years before becoming editor in 2006, said he has thought from the start that the paper’s online content should not be free. “I guess because I’ve been in it a long time I thought we were devaluing our news by giving it away to start with,” he said. “It (the content) was getting picked up by other people and used, and I said we’re the ones that are paying the reporters and the photographers to go do it.” Whitten said the argument he heard on the side for free content was that it gives the paper “brand recognition” and helps get the paper’s “name

out there.” “I said ‘OK, that’s fine. It’s not bringing any money in, is it? Can I get some more cameras in sports or do we get to travel a little more? And they said ‘no.’”

Whitten said it was costing more and more to set up the new website as they were a paying a professional to design it. To help pay for the new website the *Eagle* began “trying to find some way to make a little money outside the advertising, which brings in money but it doesn’t bring in a whole lot,” Whitten said. “We needed some way to help offset the costs and that’s kind of when the ones of us here that were in to protecting our content to start with decided it would be better if we considered putting up a pay wall for the e-edition. We talked back and forth about doing a pay wall inside the website to where you would see those brief summaries and then if you wanted to go to see a longer version of it in HTML or whatever version we would have used, you paid there.”

When discussing how the paper would charge, the *Eagle* staff found out about Tecnavia, a Minnesota-based web development company. After seeing how Tecnavia would set up newspaper websites to where the pay wall was in front of e-editions, Whitten said they decided that was “better than trying to put a split in our website.” “We wanted to let the website, anything you could get to on it was free, it’s when you left that website and went somewhere else to get the paper you were going to have to pay for it because it was easier to put the wall there than in the middle of the website. That’s how we decided to start selling e-edition subscriptions as opposed to further accessing the webpage,” he said.

Of the seven Mississippi dailies that charge for online content, the *Eagle* is the only one that surveyed readers before charging online. A survey was placed in the print edition and a link to an online survey was put on the website. Less than 100 responded to

the print survey and about 200 filled out the online survey, Whitten said. “I didn’t think it [the print survey] would give us a lot of answers and it didn’t because most the people that buy the print edition aren’t looking to go and do an e-edition,” he said. Readers provided feedback and answered questions concerning price, content and access. “In general, they liked what we were doing as far as the content and they wanted to pay anywhere from nothing to some of them were willing to pay 10 bucks a month,” Whitten said.

In planning the move to paid content the hope was to make to make the website and e-edition a sustainable business model. “If we had not been able to make any money with the e-edition we would have probably said this isn’t working,” Whitten said. “I don’t know what we would have gone back to but we would have stopped it at some point.” He said there have been more than enough people who have wanted to pay for the e-edition. Some dropped their print subscription to do the e-edition. “We’ve had some who have taken both and come back and dropped either one later on,” he said. “We’ve had some that were print, went to the e-edition and come back and said I really like to hold the paper in my hand. I want to drop the e-edition and go back to the print edition so we’ve had them flip-flopping all over the place depending on I guess what they are looking for in a newspaper.”

Whitten said they have not yet arranged the website to where print subscribers can get the e-edition as part of their subscription. “It’s two separate entities,” he said. “You buy your print subscription from our circulation people up front, and you buy your e-edition online from that company [Tecnavia].” Currently, subscribers have to pay \$7.50 for a monthly print subscription and \$5 for the e-edition. “We haven’t got to the point to

where we say you're going to pay two extra dollars here and get access to both of them," Whitten said. "We're trying to get there. We liked to have done it from the get-go."

As of early November, the *Eagle* had between 225 and 250 e-edition subscribers. Whitten estimates that 20 to 25 percent of those are also print subscribers. It took a few months to reach 100 but has been a steady growth since, Whitten said. The number of e-edition subscribers constantly changing as users' terms end and new ones begin. From March 1 to Oct. 31 there were 443,740 visits to the website, 167,885 of which were unique visitors.

Whitten said he did not know how many subscribers to expect. "If we had gotten 50, which wouldn't have been enough to pay for it, I wouldn't have been surprised," he said. "I just didn't think people would pay for it. I guess I have seen too many that use the Internet just like I probably did. I got to the point to where when I would go looking at a paper or something if they had a pay wall I just click off and go somewhere else, and I just thought they'd all do that." Whitten said he does not know if 225-250 subscribers in less than a year is a good number for a 5,650-circulation paper. He said he's "pretty happy" with the results, though.

The Sun Herald

The *Sun Herald*, which is based in Gulfport, is the only major newspaper that serves the South Mississippi region. With a circulation of 38,000, it is the second largest newspaper in the state. The *Sun Herald* launched an e-edition in Summer 2009. Print

subscribers receive access to the e-edition for free. The e-edition costs \$18 for three months, \$36 for six months and \$72 for 12 months.

The e-edition is an electronic replica of the papers. Some stories on the website are not the complete version. They will have several paragraphs and then say, for example, “read more about this story in Tuesday’s *Sun Herald*.” The *Sun Herald* has done this since 1998. Also, the newspaper will direct people to the website with descriptions of online photo galleries, for example. “We try to cross promote,” Executive Editor Stan Tiner said, referring to how the Sun Herald directs readers to the website from the paper and vice versa. For example, the paper may have four photos of a high school football game but the website will have 40. (“For more photos go to SunHerald.com”) “We’ve become more adept at knowing what the marketplace wants, and our readers tell us by the way they buy papers,” Tiner said. “We react to the market.”

Tiner said he has heard people say they dropped their print subscriptions because they can read it online for free. “Usually it’s not like a threat,” he said. “People say, ‘I love that online edition you’ve got. Sunherald.com is really good. You put all that breaking news up there.’ They’re very familiar with the strengths of it. And if you question them a little bit further. Some will just be honest with you and say ‘I find that I’ve gotten so hooked on the online edition that you have. You got everything that I need there, I don’t need the paper any more,’” Tiner said. After Hurricane Katrina, which ravaged the Gulf Coast in 2005, there was a large dispersal of population. “Let’s just say there are 30,000 fewer people here than there were at the time of the storm. Well, those people still have roots in Waveland or Long Beach or wherever they’re from and they

may have moved to Atlanta or Houston...but they're still interested in finding out what's going on back home. So they're loyal customers of SunHerald.com," Tiner said.

Tiner sought to explain what the incentive was for readers to pay for an e-edition when stories are available for free online. "I think people like to see it in the paper form... It's sort of a hybrid approach. It's not in paper yet it looks like the paper and people are comfortable looking at a newspaper like that. The way web information is printed versus how a print product is presented are quite different. The editorial judgments and placement and, of course, online presentations are built by chapters like features or sports. They're similar in that way. But you know, again I'm guessing as to why the people like to get information the way they do." The Sun Herald did not conduct a survey before deciding on a pay model.

Tiner said it could be that smaller, local papers who are not in competition with outlets offering their content for free have more success with charging online. "I want to wait and see what some other people do before I jump to the head of the line and say I'm going to do that because the scary part is you'll find out that people are not willing to pay for it...There are all kind of things that are possibilities and I don't know that I will discount any of them."

As of early November, the *Sun Herald* e-edition had about 2,800 paid subscribers. The website, which has averaged 490,000 unique visitors per month, generates 12 percent of the paper's total revenue. Like the print version, nearly all of the website's revenue comes from advertising. This year, online subscriptions will account for 6 percent of the online revenue and less than 1 percent of the company's total revenue. The Sun Herald also generates some transactional revenue, such as sales of merchandise from

SouthMississippiStore.com. More than 90 percent of all online revenue is from advertising. The launch of the e-edition did not affect the number of visitors to the site but it did increase the average time visitors spend on the site.

SUMMARY

The seven papers differed in the way they charge for content. The *Greenwood Commonwealth*, the *Oxford Eagle*, the *Vicksburg Post* have the most restrictive website, as they place all of their news content behind a pay wall. Non-paying visitors to the papers' websites may only view headlines and the first few paragraphs of stories. The *Starkville Daily News* and the *Daily Times Leader*, which are owned by the same company, have several stories available in full for free and charge for an e-edition. The *Sun Herald* is similar in that some stories are free and an e-edition is offered. However, the *Sun Herald* differs in that it will tease some stories in hopes of getting people to buy the print product. Part of the story will be featured and it will say something to the effect of "to read more, check out Wednesday's *Sun Herald*." The *Columbus Dispatch* is the only one with a metered model. Visitors may read up to 10 articles per month before being asked to pay.

None of the papers use the micropayment model, where customers pay per article. However, if a reader only wants to access a few articles, the *Starkville Daily News*, the *Daily Times Leader* and the *Greenwood Commonwealth* have an option where he or she can subscribe for a day for \$1. The *Greenwood Commonwealth* is the only one that offers

a free trial (seven days). The shortest subscription term offered by the *Vicksburg Post* and *Commercial Dispatch* is one week. The *Eagle's* shortest term is one month, which is \$5.

Some papers offer website access free to print subscribers, while others charge their print subscribers. The *Greenwood Commonwealth*, the *Starkville Daily News*, the *Daily Times Leader* and the *Sun Herald* offer it free to print subscribers. Print subscribers must register on the site before they can view all the articles. The *Vicksburg Post* charges print subscribers only \$1 a month so they be counted in the circulation. The *Columbus Dispatch* charges print subscribers a lower rate than online-only subscribers. The *Oxford Eagle* charges print subscribers the same price as online-only subscribers. Peter Imes of the *Commercial Dispatch* and Don Whitten of the *Oxford Eagle* both said they were considering offering the site free to print subscribers.

All the papers first launched a site either in the 1990s or early 2000s. All said there was little to no discussion about charging then. The predominant line of thought in the industry was that online ads would generate enough revenue so there would be no need to charge. Not charging from the start “turned out to be a really stupid mistake, a stupid decision on many peoples’ parts many years ago. But hindsight’s 20/20,” said Jimmy Clark of the *Vicksburg Post*.

All papers except the *Starkville Daily News* and the *Daily Times Leader* reported at least some negative response when the move was made to a paid model. The Starkville and West Point papers likely did not experience a backlash because the top stories are still available for free on the website. The angry response was to be expected since the content had been free for years. Several of the editors and publishers said much of the public does not realize how costly the news gathering process is.

The *Oxford Eagle* was the only one to survey readers about moving to a paid model. Whitten said the responses gave them idea of what people were willing to pay. Tim Kalich of the *Greenwood Commonwealth* said he did not survey because he knew the answer would be “a resounding ‘no.’” if readers were asked whether they would pay for something that had previously been free. “We just made the move,” Clark of the *Vicksburg Post* said. “We didn’t try to sugar coat it or blow smoke or anything.”

The *Columbus Dispatch* is the only paper to have built the website in-house. Imes, who had previously held jobs in content management and web design, built the website himself. The *Vicksburg Post* uses MatchBin. The *Greenwood Commonwealth* uses Town News. The *Starkville Daily News* and *Daily Times Leader* use Maine Web FX. The *Oxford Eagle*’s website was built by a web developer and the e-edition is run by Tecnavia.

As of early November 2010, the *Sun Herald* had the most paying subscribers with 2,800. The *Vicksburg Post* had the second most with 642. The *Commonwealth* had 524. The *Starkville Daily News* had more than 500. The *Eagle* had about 250. The *Commercial Dispatch* had 215. The *Daily Times Leader* had the fewest with 121.

CHAPTER IV

ANALYSIS

In all fairness, a complete analysis of the Mississippi dailies charging for online content is probably premature. All but one began their current pay model this year so it is simply too early to deem each venture a success or failure. All papers are experiencing growth in subscribers. The question is if those numbers will plateau or start to decline. None of the newspapers are in tough competition with other papers, which should help their chances at successfully charging.

If it is too early to make a judgment regarding success or failure, then what does this study tell us? For one, it shows there has been a shift in the thinking of Mississippi newspaper publishers and provides insight into the rationale behind publishers' decision move to paid content. They given up on the free ad-supported model for their website. However, several said charging for content was an experiment so they could revert back to the old model if the pay site does not have much effect on boosting or, at least, stabilizing circulation. The thesis also shows the pros and cons of various pay models, and contributes to the scant number of studies on local papers that charge for online content.

The success or failure of the Mississippi papers charging online may hinge on advertising. Tim Kalich of the *Greenwood Commonwealth* said that some advertisers had reservations about the move pay site because less people are visiting the site. He said he tells them that while the pay site does get fewer visitors, those visitors will be of greater value by virtue that they are paying for the paper. This is an indicator that they have a

more discretionary income, he said. Similarly, Kalich said advertisers are more likely to advertise in the newspapers that cost money than the *Commonwealth's* free weekly publication. Obviously, if the newspapers are able to aggressively attract advertisers to the website it increases their chances of having a profitable online business model.

One problem with online advertising is that it is largely seen as a nuisance and does not appear to have as strong a direct response from consumers as other forms of advertising. As Peter Imes of *the Columbus Dispatch* said: "Historically, I think online ads have been obnoxious and useless really. They flash at you and they jump up and down and try to grab your attention, but really they don't provide you with anything that you can really use." Imes raised a strong point when he said advertisers have not made effective use of online ads like they have with other more traditional advertising mediums. Of course, the inventory surplus online prevents the ads from commanding very high rates. But once online ads become more sophisticated and effective they will become more lucrative. It is evident that online ads are getting better. With the rising prevalence of streaming video, television commercials are becoming more common on websites. There is clearly potential for online advertising. Look no further than the *Sun Herald*, whose website accounts 12 percent of total revenue – nearly all of that revenue comes from advertising.

To be successful, the papers must also show readers that their website has value. This can be done through emphasizing the features that are not available in print. In 2010, consumers demand more than just the print stories copied and pasted on the website. They want multimedia, such as videos and photo galleries, and the ability to comment on stories. All the Mississippi papers are doing this and many have plans to make greater use

of multimedia. While the statistics show that the number of people looking to the Internet for news is increasing, many do not have a favorite news source. These Mississippi papers need to do their best to make their site the favorite of their readers.

Most of the Mississippi dailies have small staffs so they have to allocate their resources wisely, choosing to cover what they feel is most important. Because of this, most of their time is devoted to what brings in the most revenue – the printed product. While this makes business sense, it's important the papers not neglect the website. Reporters and editors need to always be thinking of how a story can be told differently, or perhaps better, with online multimedia. Reporters today need to do more than write and report. They need to shoot video, for example, to accompany a print story if they see fit. It is also important to promote the website with the printed product. If a video or photo gallery is available online, readers should be notified of that in the newspaper.

Mississippi papers are offering unique content not found anywhere else, which further increases their chances of successfully charging. No paper other than the *Vicksburg Post* is going to cover the goings-on of public schools in Vicksburg, for example. Smaller, local papers have that advantage over larger, national papers, whose news is less exclusive because so many media outlets cover the same stories. Mississippi papers need to stress to potential subscribers that there is no other media outlet that provides the depth and scope of reporting that their paper provides, and they may consume this content online for a reasonable price. It may also be necessary to emphasize that the newsgathering process is very expensive so it's only necessary that they charge rather than give it away.

Readers have come to expect online news to be free, and there is a strong movement against paying for any content on the Internet. It remains to be seen whether or not this resistance fades. But as more papers begin to put their content behind a pay wall, readers will have no choice but to pay. The large majority of reportage continues to be produced by newspaper reporters, not bloggers or aggregators. If newspapers put their content behind a pay wall, aggregators and bloggers will not be able to use the content.

Cable television is an analogy often given by supporters of paid content, including some of the Mississippi newspaper publishers. Years ago, people did not have to pay for television because it was supported entirely through advertising. Now, consumers pay for cable without hesitation, even with the advertising. No one complains about having to pay for television today.

Most of the papers make use of social media, which is very important. Twitter and Facebook are free so there is no added expense, and it does not take much time to use. Linking to the website through social media is an effective way to drive traffic to the site. However, once the visitors get there and see they have to pay they may flee the site. This is major strength of the metered model, which will allow those casual visitors to access the content. As Imes said: “It seems like with social media the Internet is going more toward a shared model anyway, where information is shared freely with other people and that metered model kind of allows that to continue, while still creating revenue based off of our most loyal readers.”

It is tough to say at this point which pay model is the most effective. The seven papers all started at different times and have varying circulations and hits to their websites. Imes made a strong argument for the metered model as it seems to best fit into

the current social media landscape. The metered model may also be more attractive to advertisers since metered sites get more hits than subscription sites. Over time, a pay model that best serves small, local papers may emerge. Until then, newspapers will likely keep experimenting with various models.

CHAPTER V

CONCLUSION

Further research on pay walls would be beneficial to the newspaper industry. A follow-up study on this thesis would be recommended to better gauge the success of the papers. How many subscribers will the seven dailies have a year from now? Will they even still have pay site? Or will the papers be using a different pay model? Also recommended would be a comparative study of two papers with about the same circulation that use different pay models. Which model had more success? Since most papers choose to charge to protect the print product, a study testing whether there is a correlation between charging for online content and print circulation would be of interest as well. More research is needed on small local papers in general. Nearly all of what has been written about pay walls focuses on the major papers.

As this thesis illustrates, there is no clear-cut way to go about charging for online content. Some papers will not be able to charge due to free competition. However, a review of the literature and the findings of this thesis indicate that local papers with no free competition can charge with a degree of success. Online revenue alone seems unlikely to support the newsgathering process at this point, but if online advertising becomes more profitable and more readers begin to pay, online-only papers may become sustainable. Solving this online business model dilemma is of high importance to the industry since the printed daily newspaper may eventually be phased out by digital mediums. With the exception of a few papers that have charged for years, 2010 has largely been the year of the pay wall experiment. Hopefully, through these experiments,

newspapers will discover what works best as an online business model and other papers will follow suit.

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