

Industry Trends Presentation: The Pros and Cons of Paywalls

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Identifying the Trend

- The advertising budget for newspapers has dropped roughly 30 percent since it peaked at \$60.2 billion in 2005.
- The economic recession and move to a more online presence has changed the business model for news creators.
- News is a \$65 billion market, but the amount is pretty stagnant
- Advertisers look at Google and Facebook as much cheaper and effective alternatives to get their word out.
- The practice of creating paywalls to block some content coincides with moving to more of an online news presence.

Where has the money gone?

- News Aggregators
 - Reddit (139 million unique visitors per month)
 - Gawker Media (168 million)
 - BuzzFeed (119.3 million)
 - Huffington Post (115 million)
 - Google News



Sue the aggregators?



- Aggregators usually do not pay for the content they are siphoning.
- Copyright law fails to protect the news companies from having their content used by aggregators.
- Jensen argues that if news creators want to survive, they need to modify the idea that they shouldn't be compensated for the use of their work.

Paywalls

- A system that prevents Internet users from accessing webpage content without a paid subscription
- As of August 2013, more than 400 newspapers have paywalls online



Types of Paywalls

- Hard Paywall: Pay for views
- Soft Paywall: Metered model
- Combination: Keep some content protected

Case Study: Fædrelandsvennen (sp?)



- Success was seen in three parameters: 1) traffic on the website, 2) the number of subscribers converting to an online subscription, and 3) the number of new sales
- News that is placed behind a paywall is more valuable (i.e. sports)
- The percentage of content behind the paywall decreased with more viewership

Pros

- Online is cheaper
- Weeds out devoted readers
- Premium content behind paywalls
- They work initially

Cons

- Financial need discourages participation
- Easy to get around
- Increased costs
- Lower revenue
- Lower literacy
- Success is unsustainable

Questions?