

Social Media for Journalists

principles & practice



>> Chapter 13 <<

THE BUSINESS OF NETWORKED JOURNALISM

Overview

The social tools that have made media creation so ubiquitous have had a destructive effect on the business of journalism: audiences on traditional platforms are dwindling and alternative advertising revenues, once relied on for profitability, can no longer be guaranteed. This chapter explores the challenges facing commercial news outlets as they grapple for a sustainable business model, and how they are diversifying and experimenting with alternative payment methods. It summarises current thinking on where future profitability and funding may lie.

Key concepts

- Advertising
- Aggregation
- Business models
- Crowdsourcing
- Engagement
- Freemium
- Innovation
- Paywalls
- Revenue models
- Subscriptions

Springboard

- *Sustainability and profitability*: these two terms are often confused. Sustainability is about a product being able to maintain itself in whatever context its objectives dictate but profitability refers specifically to gross turnover being greater than net.
- *Quantity versus quality*: there has been much debate whether audiences are most valuable in socially networked environments in their quantity – generating the largest audiences possible – or in their quality, having fewer people but users who may be more loyal or engaged.
- *Know your audience*: what works for one audience on one platform won't work for another. If news organisations can work out readers' specific needs they can work on responding to and anticipating those needs.
- *Experiment and simplify*: this may be with the content and services on offer or by opening up alternative revenue streams. The most important thing, though, is to keep evolving.
- *Make paying simple*: in some ways there has been a delay in the potential to bring in revenues because of the sheer logistics of setting up payment methods. Users need to be offered easy and transparent ways to transact.

Introduction

The further into the networked environments we forge, the clearer it is that consumers have benefited from technological advances in the digital age. They have more choices, speedier delivery of news and more platforms to choose from. As we have seen in preceding chapters, new players have achieved impressive editorial results. But many, along with their more established news organisations, have yet to achieve financial stability.

There are many reasons for this. First, it's important to understand the foundations of traditional media business and how they turned large profits. The legacy model was built on advertising revenues, which

required media companies to act as gatekeepers to information. It was a scarcity of supply that kept a stranglehold on advertisers. Before the global financial crisis but more than ten years after the spread of wide internet access, newspapers were very profitable businesses. In total, newspaper companies combined annual revenues of \$49 billion in their best year: 2005 (Newspaper Association of America, 2012).

Newspapers moving online partially revoked the gatekeeping role. The culture of information-sharing on the web was already established by the time news organisations embraced it, and the new reality meant facing companies like Google, the era of free online content and what Jeff Jarvis

Revenue model

This is how you intend to make money. A revenue stream is an activity that brings in money, such as advertising or sales.

Business model

This is how you intend to continue making money. It combines revenue strategies with other elements of business planning.

The business of networked journalism

referred to as the ‘link economy’ (Jarvis, 2008). When change came, it was difficult to see how far-reaching its impact would be. After all, change had come with the dawn of television, cable and satellite – and had been survived – many times before.

But this was different. To assume traditional mass media’s monopoly over news production tools was sufficient for sustainable business models in an era of abundant news technologies was foolhardy. Social peer-produced media capable of supporting conversations, repurposing content and then redistributing it creates a landscape too complex for traditional media economics. Just as with production, the business of journalism is no longer in linear form.

We are now confronted with very real questions of how to finance and organise journalism for the social-media age. Media businesses are looking to be more innovative in what and whom they serve. Underlying all of this is a fundamental rethink of what it means to create value journalistically. Doing the same things in the same ways is unlikely to work in the future.

The legacy model

It’s important to understand the legacy business model of mass media in order to identify opportunities for the future. Most other businesses are based on a simple formula: products or services for sale at a price. But commercial journalism has mainly been paid for indirectly. Sales revenue, either from cover price or subscription, has been only one part of meeting costs. The real money has come from advertising. For example, the global newspaper publishing market derives about 57 per cent of its revenues from advertising and about 43 per cent from newspaper sales (Organisation for Economic Co-operation and Development, 2010).

News content is the first commodity, as it is consumed by audiences who see value in it. The audiences themselves then become a second commodity, as they have value to advertisers who want to get a message seen and acted upon. So media companies can ‘sell’ their audiences to advertisers. This is known as ‘dual product’, a term coined by media business expert Robert G. Picard (1989).

Media organisations have perfected the art of segmenting that audience, in terms of demographics, social and economic standing and all manner of interests, so advertisers can accurately pitch products at them. The size of the audience is then calculated – circulation, readership, visits, listening and viewing figures – to determine a corresponding value of the audience.

Dual product

Journalism has mainly been paid for indirectly. While sales make up part of revenues, the largest proportion of money has come from advertising by ‘selling’ users to advertisers.

Advertising

Advertising is a paid form of communication intended to inform or persuade people to take action. It is a process based around audiences coming in contact with a message aimed at changing their consumer behaviour.

“ The most damaging misconception that still pervades the newspaper industry today is the belief that consumers used to pay for their news. (Mark Briggs, author) ”

The new economics of journalism

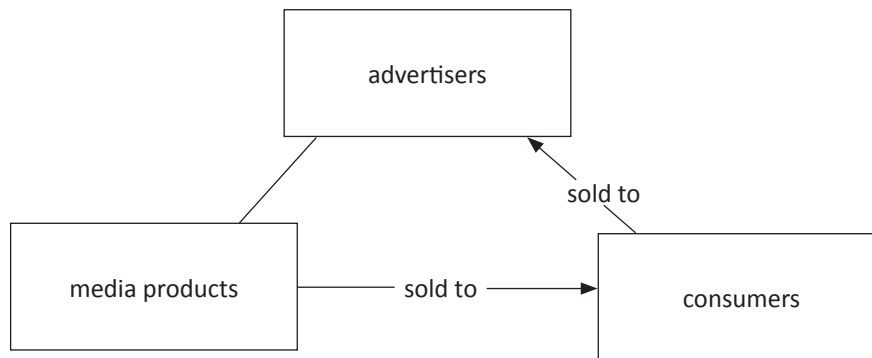


FIGURE 13.1 Much of traditional commercial journalism was founded on dual product: selling audiences to advertisers as well as the direct sale of a product.

Early attempts with digital

It was relatively easy to sell audiences to advertisers in the pre-digital world. So long as media owners could bundle together content, there were advertisers who wanted to get messages out to the mass audience. The model was based on news organisations selling advertising as if every page was turned or every minute of a broadcast watched. Advertisers had few alternatives to mass-media advertising and certainly nothing as powerful.

In the late 1990s there was plenty of enthusiasm about investing in online journalism. BBC Online officially launched in 1997; papers started to see classified advertising move online; market confidence in e-commerce spurred stock prices. But it was short lived. Within a few years, many had spent too much for too little return, gone bust or had no coherent business model.

The emergence of digital technologies disrupted the business model. Media organisations were slow to adapt to a new competitive landscape. They failed to push new lines of business or grapple with the unique capabilities of the medium. They were averse to change and resisted investing in an unproven medium, especially after the dotcom bust of 2001. Of course, there had been change before but never at this pace. Even relatively niche sites of amateur and freelance content such as

Demotix topped 400,000 unique users, 1.3 million page views and 15,000 daily visitors in a month, just 3 years after launch.

Legacy media were also under siege from users. Instead of controlling the printing press, any man and his camera could record and upload content. In 2006, former PayPal employee Jawed Karim uploaded the first ever clip to YouTube. TIME magazine celebrated this shift with an iconic front-page ode to ‘You’ as the Person of the Year (*TIME*, 2006), while CNN and Fox News both launched their portals

“ End of the offline

‘Do we carry on regardless and follow the users? Do we retreat, as Richard Desmond did when he bought the Express Group and promptly closed its websites? Or do we press on even faster, in acknowledgement of the fact that you cannot de-invent the wheel?’ (Emily Bell, academic and journalist, 2005)

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for user-generated content. And access to these tools was exploding. Internet World Stats cite 361 million internet users in 2000, increasing to 939 million in 2005 and 2 billion in 2011 (Internet World Stats, 2011). This changing culture of engagement is a theme that comes up throughout the book.

Add to this a global recession in 2008–2009, the worst of the post-war period. News managers could not make anything more than a minimum investment in new expertise or technical staff. The impact was immediate and often severe for commercial news media organisations. The OECD's estimated change in total newspaper publishing revenues between 2007 and 2009 shows USA down 30 per cent, the UK down 21 per cent and Italy down 18 per cent (Organisation for Economic Co-operation and Development, 2009).

The problem of making money from a multi-player news landscape loomed large. News organisations around the world experimented as best they could. Aftonbladet was the first Swedish newspaper to go online and had success growing audiences and charging for content. Meanwhile, the New York Times tried putting top columnists behind a yearly fee paywall under the banner TimesSelect, but it was dropped after two years. The Guardian experimented with charging for an improved version of its email service The Wrap and advertising-free versions of content. But no sooner had news outlets grappled with online than tablets and mobiles opened up yet more change. One thing was clear: making a profit in a multi-dimensional landscape was going to be a lot easier said than done.

Rupert Murdoch's 'Digital Natives' speech to the American Society of Newspaper editors was seen as a tipping point. He expressed the 'peculiar challenge ... for us digital immigrants to apply a digital mindset to a new set of challenges' (Murdoch, 2005). It spurred a change in the attitude towards the web and the capacity for new ways of 'doing' news.

Increase traffic but not profits

ABC figures for April 2011 saw print circulation of the Guardian drop 12.5 per cent year-on-year to 262,937. Digital traffic was up 31 per cent, however, with 2.4 million unique users in April. Overall, turnover for the Guardian Media Group still dropped, from £221 million in 2009/2010 to £198 million in 2010/11 (Gunter, 2011c).

Why media need new business models

For most news executives it is the million-dollar question: why has a technology so empowering for the dissemination and creation of content not provided the same energy for companies to maintain and increase profits? There are several major issues:

- Consumers expect content to be free, especially breaking news.
- Advertising models do not translate directly to a networked media world.
- Social-media habits have changed the way we consume news.
- Disrupted distribution means media producers no longer own the process of news dissemination.
- Advertisers themselves have a different role and relationship with social media.
- The new media ecology has a new structure and costs.

Free content

News content is more popular than ever. Given that it can be consumed in a personalised, rebundled or on-demand way, more audiences are now being served. In October 2011, 11 per cent of US adults owned a tablet, with 53 per cent getting news as long articles and headlines every day (Project for Excellence in Journalism, 2011b). Hard-to-reach young users – who are especially coveted, as they represent audiences of the future, are more open to experimentation, and have more disposable income – are also consuming more content (Rideout et al., 2010).

Audiences resist paying

Among more than 2,000 online adults surveyed in a Harris Poll, 77 per cent said they wouldn't pay anything to read a newspaper's stories on the web (Whitney, 2010).

“ Journalists and news enterprises seem genuinely shocked by the fact that large sections of the public are not willing to pay for news. (Robert G. Picard, in Levy and Neilsen, 2010) ”

Yet the first major battle in finding sustainable business models is the expectation among audiences that digital content should be free, as part of an open process for all. There may be more consumers of news but fewer of them are paying for it. Writing in the Wall Street Journal in 2009, author Chris Anderson said: 'Over the past decade, we have built a country-sized economy online where the default price is zero – nothing, nada, zip. Digital goods – from music and video to Wikipedia – can be produced and distributed at virtually no marginal cost, and so, by the laws of economics, price has gone the same way, to \$0.00. For the Google Generation, the internet is the land of the free.' (Anderson, 2009b).

In effect, news organisations eroded one of the fundamental revenue streams that had propped up legacy media: direct sales. Having failed to charge for online content when their websites first went live, it was very difficult to retrospectively structure a business model or impose tariffs on customers accustomed to a free service. It is only relatively recently that online payment mechanisms even became reliable and secure enough to be viable.

Advertising models

Having missed an opportunity for revenues through direct sales, it became clear that advertising too would not be a simple way out. Advertising models that supported traditional media appear unable – for the most part – to do so in the digital age. Readers are worth less online. The fundamental of legacy platform advertising was scarcity of space. However, social and networked media offer an abundance of space so the rate that an advertiser is prepared to pay shrinks. Most attempts to shift business online fail as they trade 'old media dollars for new media pennies' (Nichols and McChesney, 2009).

Increased digital traffic has not compensated for drops in print readers, or resulted in proportional gains in advertising revenue. This isn't so surprising: newspapers have never made much money from news but have relied on cross-subsidising the core news production. They've made money from the special interest sections on topics such as cars, travel and food, where contextually targeted advertising is more effective and worth a premium. In effect, digital disrupts the old way of making profit from bundling content together and charging for the whole. Now, users want to consume exactly the 'bits' they want and are rarely prepared to pay for an entire product, if at all.

The business of networked journalism

Unpredictable page views also mean there is a wide range of prices for advertising, with the highest rates being charged for the most desirable times, placements and audiences – leaving the rest worth almost nothing (Grueskin et al., 2011). Click-through rates are often low and metrics demarcating the performance of most advertising is still evolving. The other problem is that 79 per cent of US online news users said they never or hardly ever click on display ads, devaluing them even further (Purcell et al., 2010).

The worry is that social networks such as Facebook and LinkedIn have the power to further commoditise news organisations' general advertising rates because the services they offer to advertisers are so much more targeted. Social networks are valued highly on the back of the potential revenues from personal data collected from millions of users. Much of that data is about people's interests and likes, specifically highlighted in a click-by-click manner, making them streamlined competitors to the advertising service once dominated by media organisations. Any assistance in drilling through the multidimensional maze of social spaces, to reconnect adverts with audiences, proves lucrative.

Click-through rates

This metric quantifies the number of times consumers click on a link in order to access content. It can reflect the performance of advertising.

Social-media habits

What works for one audience on one platform won't work for another – and this further disrupts the model of segmenting users and selling advertising to them. Where once audiences could be boxed and framed into clear segments or stereotypical groupings, they are now more fluid: using different networks and media outlets to serve a wide range of interests and objectives. Media experiences are much more peer-to-peer and anarchic. As such, advertising in the new media ecology requires a much fuller commitment to understanding audiences and shifting user behaviour.

Most readers spend far less time looking at digital news content than they did traditional media. Online reading is ad hoc and sporadic, with readers getting their news from a variety of sources, allowing them to mix and match, and hop from one channel to another. Users may read the news at work during office hours when their attention is limited and there is increasing evidence to suggest mobile-only audiences. The younger generation especially graze or skim their way through news content. This has led to many news organisations chasing users' attention during their leisure time, when they are more likely to look at content and ads (see Chapter 3 on immersion in news production).

Segmentation

A range of factors have historically been used to determine audience groupings, including social status, postcode, disposable income, education, career and family. These paint a picture of audiences to advertisers so they can accurately target products at them.

Disrupted distribution

Distribution in networked media takes content away from owned platforms – and with it the simplicity of generating revenue from quantifying the content in front of users. There is no clear methodology at present in terms of income generation from shared distribution.

The new economics of journalism

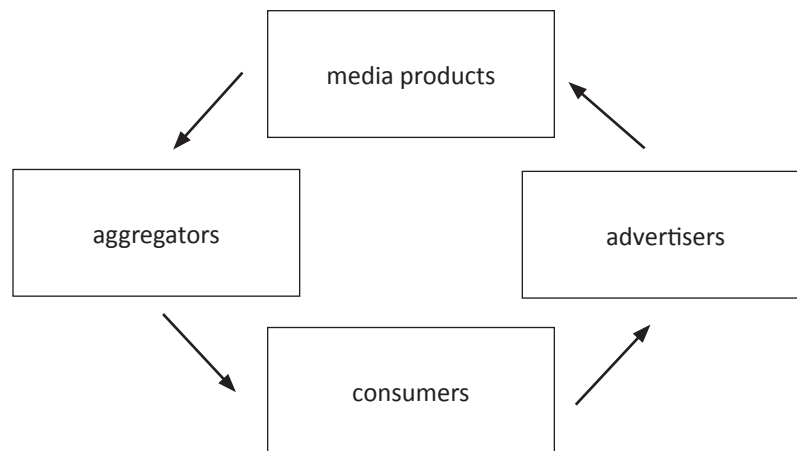


FIGURE 13.2 How aggregation disrupts the traditional dual-product model.

“ We are just beginning to get glimmers of how it is going to work and it is this world where, if you can allow yourself to imagine the blurring of distinctions between the journalist and the reader and involve them more, and create a community around your journalistic core, you begin to see a new model. (Alan Rusbridger, editor (Institut für Medienpolitik, 2009))

Target market

A target audience is a segment of the public for whom products, events or services were created. This is the target market.

Aggregation confuses this yet further. It is complicated territory, as it disrupts the offline dual product model. Against a backdrop of newspaper closures and job losses, some demonise aggregation as theft and a copyright breach. The Huffington Post has fine-tuned its ability to aggregate in a way to justify a buy-out by AOL of \$315 million, by bringing together headlines from other news producers, comments, and social media to intensely engaged audiences at marginal costs. Newser.com, co-founded by media critic Michael Wolff, has little in the way of original reporting yet has a stash of followers, which in turn can be valued in terms of revenue from advertisers.

There is a trade between those who have information and those who want it, and media organisations have a fluid place within that. This disintermediation (Katz, 1988; Bardoel et al., 2001) – cutting out the middle man – is made possible by the open and networked construct of the web.

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Advertisers in social spaces

This ‘opening up’ of content distribution has affected advertisers in two main ways. First, journalism as a process, not a product, makes it susceptible to continual comment and modification. With traditional media advertising, the product and audience with which one was associating was always clear-cut. But now advertisers too are having to come to terms with being in an open social process.

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Channel 4 learnt the hard way how social media interrupt the control of a media product. L'Oréal and Nestlé pulled out of advertising on Frankie Boyle's comedy show after a backlash over racist remarks. Carphone Warehouse withdrew sponsorship of *Big Brother* over the Shilpa Shetty race row that engulfed the UK show in 2007.

Second, many advertisers have a new scepticism of media organisations. Advertisers with big bucks to spend are carving out increasingly innovative campaigns, building direct relationships with their consumers and could, one day, cut out advertising in a media product entirely. They go direct to their target market on social platforms. For small-deal advertisers, they are only just making the foray into digital spaces themselves so are still a little wary about digital advertising and the statistics behind it. Media companies, especially some start-ups or local sites, have had to hand-hold and cajole advertisers into spending their money on online advertising.

Costs and competitors in the new media ecology

Legacy media found itself in an uncomfortable place against the backdrop of the 2007 recession. It was clear that round upon round of cost cutting might become a self-defeating strategy. Although essential for survival, cost-cutting measures such as using junior reporters, content farms or relying on press releases and advertorials affected the value of the product. The problem then was trying to make money from a weaker product in a drastically more competitive market.

Newspapers were left with very little money to finance the rapid business transformation needed to cope with the new digital competition. They were also bridled with legacy costs. In many cases the acquisitions and high fixed costs that were inherited from the boom years were proving to be a curse. To put this into context, roughly 50 per cent of the cost of producing a printed newspaper is in printing and distribution, with only about 15 per cent of total costs being editorial (Varian, 2010). Producers save a lot of money if the primary access to news is via the internet.

The other significant marker for change in journalism was the massive proliferation of news blogging and alternative sites this book has detailed throughout. The barrier to entry and development time from idea to market for start-ups was shorter, so competitors could imitate and adapt quickly. The divide between amateur and professional outputs was also increasingly put into focus, putting yet more pressure on the old way of doing media business. The new media-rich world allowed for experimentation and fragmentation on many different levels.

Direct relations

There is much academic interest in the fields of marketing and PR and how companies and brands now communicate directly with their audiences, how public relations has gone truly public again and how today's consumers reject mass-market messaging (Scott 2011; Reinartz et al., 2004). Instead, Lucas Grindley and others propose zoning by interests or drilling towards niche and hyperlocal (Grindley, 2006).

Content farming

This is an algorithm-based strategy that uses the number of hits to commission content. Content farms supply articles based on what is trending in order to maximise their impact against trending topics.

Marginal costs

In a perfectly competitive market, the long-term product price will be the marginal cost of production. Because of declining hosting and bandwidth costs, for most internet products the marginal cost today is practically zero, allowing products to be made available for free.

Barrier to entry

An organisation with low start-up costs or expertise is considered to have a low barrier to entry as there is little to block potential competitors from entering the market. First-mover advantage reflects the strengths a company can gain from having a head-start on its competitors.

of unique users.

The quality strategy can mean lots of different things. It is primarily about sourcing revenue based on added value. This added value may come from creating a niche in the content you produce, or a highly segmented audience, or offering a specific service that commands a premium. Or it may be quality through engagement. The quality over quantity suggests smaller cherry-picked audiences – but who may be worth more as they are more loyal and in tune with the content they are viewing.

Quantity: value in volume

There is a lot of money to be made from quantity when it comes to digital and online advertising. Dad Howard Davies-Carr can testify to it. His video clip of his one-year-old son Charlie biting his three-year-old brother's finger makes around £120,000 a year from accompanying ads as a YouTube Partner (Rollings, 2011). Lauren Luke has made an impressive make-up empire on the back of amateur how-

Viral advertising

This technique focuses on the creation of advertisements with a high potential to be spread across social networking sites or by word of mouth. They aim to create a buzz around products or services. It relies on users spreading content among themselves.

Towards a successful business model

There has been much debate about digital and social media in terms of income generation: is it the source of the problem or the source of the solution? The new-media ecology requires a new way of thinking about audiences, one that somehow feasts on an abundance of information, and an abundance of players, rather than the advertising-supported scarcity of old.

Business strategies to cope with this new landscape currently fall into two main camps: pursuing quantity or quality. The quantity camp has an allegiance to the old way, in that it trades on bringing in revenues based on the largest audiences possible. Mass hits still command a premium. This is volume of traffic. Advertising attached to a viral video or a peak viewing slot are examples. There is still value in quantifying a large number

to videos, also supported with advertising. In both cases it is the sheer quantity of views that advertisers are interested in, all be them largely general interest.

Classified sites such as Craigslist have also proved that quantity pays. There may not be a user-friendly interface, but the site makes multi-million-dollar sums by dominating the classifieds market with a collection of items for sale, jobs, relationships, services, rentals and products. It

was the dawn of sites such as this that sent shivers down media owners' spines as they realised classified advertising would move progressively online.

There is no doubt that the scope and range of advertising on the web, from video embeds to pop-ups and links, offers plenty of ways to reach audiences in ways that were never possible in static media products. Advertising space is sold by cost per thousand (CPM), cost per lead (CPA) and cost per click (CPC). Campaigns can also be negotiated for weekly or monthly space, combining a number of cross-platform strategies. Studies have consistently found advertising to be one of the staple ways of generating revenues for news producers online, with internet advertising enjoying a growing share of total advertising in most markets.

Dayparting

Complex studies are ongoing into a technique known as 'dayparting' to identify peak viewing times of digital content. It builds on the traditional notion of broadcast 'prime time' by drilling down to identify what types of content are popular when to whom.

Quantity: value from traffic

In the pursuit of getting content in front of the largest audiences possible, search engines, aggregators and portals play an important part. Google sends about four billion clicks each month, or 100,000 per minute, to news publishers via Google News, web search and other services (Cohen, 2009). Each click is an opportunity for publishers to show ads, win loyal readers and register users. According to comScore, clicks from search engines – and therefore online revenue – account for 35–40 per cent of traffic to major US news sites (Salgado, 2010). The importance of portals such as Yahoo! and MSN as access points was seen in the fact that they accounted for 13 per cent of traffic to news websites in 2009 (Dougherty, 2009).

Social networks such as Facebook and Twitter, while on the one hand blamed for undermining revenues in the long run, can drive more overall traffic to news sites through referrals. In March 2010, Hitwise reported that Facebook had become the largest news reader, sending even more traffic to news and media sites than the search engines (Hopkins, 2010). This realisation has led news organisations to fine-tune their own pushing strategies towards social networks (distribution is discussed further in Chapter 4).

“ If you want great food you pay for it. If you want great journalism you pay for it. We put information of super richness, politics economy and details. Therein lies the value of what we are selling. It is our information. It is our journalists. It is our skill. (Sabine Torres, founder and director Dijonscope, (2012))

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Quality: engagement

It has become increasingly clear that to expect digital and social spaces to perform economically in the same way as their legacy platforms is foolhardy. Journalism producers have realised that pursuing quantity may not be the only – and certainly not always the best – way of generating revenues. As such, attention has also turned to quality: how to add value.

Much focus has been put on understanding audiences more fully. How they are influenced, how they behave in peer-to-peer environments, is vital to adapting an appropriate business

Engagement

This is a buzzword to imply an audience is loyal, interested or committed. It refers to the ability for content to hold a user's attention or to keep them within a site – valuable commodities in an advertiser's eyes.

Facebook and Twitter visitors spent 29 per cent longer and viewed 20 per cent more pages than visitors arriving from search engines (Newman, 2011).

Media managers have realised that to be rewarded with engaged audiences they must first show engagement towards that audience – involving users in the news business, listening to what they want and making them a valued part of it. News organisations are attempting a raft of initiatives to reconnect with audiences, from opening up newsrooms and newsletters, as at the Guardian and the Atlantic Wire, for example, to running campaigns such as the Hull Daily Mail's apprenticeship campaign.

News organisations can build new audiences centred on specialised topics of interest. It's a logical reaction in many ways: if we can't make money from mass audiences then we will have to make them from niche. As such, there has been much experimentation towards drilling down to connect communities of interest. Hyperlocal – such as citizen-journalist site Backfence.com, or portal Västerbottens-Kuriren in Sweden – represents an attempt by news organisations to attract new sources of income by serving advertising to more targeted audiences.

Niche success can be built on high-end quality products offering robust services, not just online. Newsweek successfully repositioned itself in 2009 as a high-end magazine selling in-depth reportage. The Economist print edition bucked the trends of 2008 and 2009 with increased advertising and healthy circulations. It remains a highly valued product for highbrow analysis and critique.

model. This has prompted media owners to pursue engagement. Niche segmentation can provide more value to advertisers because they are 'stickier and more valuable than drive-by referrals' (Newman, 2011). In a 2011 study, several UK media companies noted a higher number of page views for traffic from social networks compared with search, with a higher tendency to sign-up for subscriptions. This backed up findings from Mashable.com, which showed

Quality: make content worth paying for

Many digital platforms were, at first, treated as just another opportunity to publish existing content in a shovelware mentality, which was not conducive to a charging strategy. Regional publisher

Shovelware

Many newsrooms strapped for resources put content online without making it platform specific, or adding any value in terms of additional features, interactivity or multimedia. It is widely accepted to be ineffective in generating quality audiences.

Johnston Press learnt the hard way when they were forced to quietly dismantle their paywalls at six local news sites. Users voted with their wallets that out-of-date, lacklustre web pages with little content were simply not worth spending money on (Greenslade, 2010b). The lesson: if media want to generate income by charging users to access content then there has to be some sort of added value.

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Expecting to generate revenues by making consumers pay, however, relies on setting a pricing structure for content: a perplexing task in networked media. Publishers have approached this option in a variety of ways. Each relies on offering news as a service which justifies a fee. There are options to charge for content based on what that content is (exclusive analysis or long-form journalism can command a premium), where it is accessed (for example, a tablet or mobile version) or based on when the content is available (some users will pay to know news first).

Rupert Murdoch erected the riskiest type of paywall around the websites of The Times and the Sunday Times in summer 2010 – by making content exclusively available to subscribers. By putting even general-interest news behind a paywall, there were many who hoped he was the vanguard of a cultural shift that would carve out a successful pricing strategy for all. But it is a tricky gamble. Some advertisers have simply abandoned the site because of the drop in the number of users. The Financial Times website has enjoyed some success charging for must-know information. The FT commands about \$390 for an annual subscription to its website, many of which are bought by corporations, rather than individuals.

The most successful paywall implementation has been the Wall Street Journal: it now has more than a million paid subscribers, but it took ten years to get there. French publisher MediaPart has also demonstrated the potential for success: it launched after a six-month campaign to secure 10,000 paying subscribers. Its reputation for investigative journalism has enabled that figure to grow to 58,000. Dijonscope became Europe's first online regional website behind a subscription, removing advertising entirely from December 2011.

Paywalls

This term is vilified by many as it has become associated with barriers, when it in fact just refers to the requirement of paying for content. In its purest application it does act as a block, however, as content is not available for consumption unless a payment has been made.

“ If there's no traffic on there, there's no point in advertising on there. (Rob Lynam, head of press trading at the media agency MEC (in Burrell, 2010))

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Quality: freemium payments

Many media organisations wanting to test the waters have instead opted for a metered model: identifying content or services that have perceived added value to certain users but allowing some content to remain free to all. This metered model combining free and premium has become known as 'freemium' (Lukin, 2006). It was espoused by Chris Anderson as a way of giving away abundance but charging for the scarcity. Payment thresholds can be set at different levels

Freemium

Combining payment structures that include some free content available to all and other content that is paid for is known as a 'freemium' model: derived from free and premium. It is also known as a metered model. Thresholds for payment can be based on a range of factors including exclusivity, timeliness, services or audiences.

Microsharing

This is licensed sharing of small chunks of content such as an article, picture or video. It is associated with micropayments which unbundle content to the lowest common unit of price.

and publishers can distinguish different services for different readers (basic versions of content are free but payment is required for top-end functionality) or how much of it is accessed (a certain number of page views are free before a fee is required).

Major players like the New York Times, the Daily Mail and the Independent are all experimenting with different pricing plans. In 2011,

Canada's largest newspaper publisher, Postmedia Network, put up metered paywalls at all its 38 daily and community newspapers across the country. The Sun newspaper charges for breaking-news text messages. The downside, however, is that the majority of content behind paywalls is not open for sharing, which is a major consideration when the trend points to the power of social and digital media to distribute content.

Alternatives and diversifying

Diversification

Social-media and digital platforms have required media managers to not only enlarge and widen the scope for income generation around content but also expand their portfolio of businesses, services and competences.

For many media organisations, finding successful business models has been about combining or re-engineering existing revenue streams rather than developing entirely new ways of making money. Many have tried to draw on the best of both quantity and quality strategies. At first this centred on their core products. But, increasingly, media organisations have seized the opportunity of the social and new media ecology to widen not only the range and scope of their business, but

also the revenue streams. The main categories of revenue are set out in the 'Tips and tools' section of this chapter.

Many media companies have attempted to expand their business portfolio. We are, after all, in an age of convergence that is commercial as well as technological. Wired magazine opened a pop-up store in New York City where it could sell gadgets and paraphernalia, just as the NME music magazine runs a ticket shop. Media owners have sought to generate revenues from being a physical as well as a virtual

'place to be'.

Brand extensions can come in almost any form, from dating websites to classified listings to online coupons – all of which make sense for news organisations that already understand how to make sense of grouping audiences together around common interests. When it comes to diversifying, it's not always about people. It is the Bloomberg Professional terminals that have funnelled

\$6 billion – 80 per cent of revenues – into the finance and business news giant.

“ We do [news:rewired] for commercial reasons but if the business was going under it would be the events that I would rescue. It is the events that add value to a business, an editorial business especially. (John Thompson, director, journalism.co.uk and news:rewired (2012)) ”

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Aftonbladet is one of the biggest daily newspapers in the Nordic countries, which has been successful diversifying its business model to complement print and advertising revenues. A weight-loss club, run by experts, recruited 380,000 members paying \$70 per year or \$10 a month. They also moved into e-commerce by selling vuvuzelas during the 2010 World Cup. Revenues have been generated producing web TV and selling documentaries on a pay-per-view basis in collaboration with producers such as National Geographic and the BBC.

Many media companies have expanded the services they offer. China Files, for example, is an independent, multimedia news-agency based in Beijing. Its main products are journalistic content (in any format: breaking news, long-form stories, video and audio bulletins, interactive features) to which they have added supplementary services (press roundups, press office and social media consultancy). Italian news start-up Effecinque develops apps and multimedia content for the largest Italian news publications. F5 main products are web-native formats (social-media news gathering, live coverage, data-journalism projects) and now visual features (motion graphic videos, interactive infographics).

Others have turned to staging events as a way to bring in revenues. Finland's ArcticStartup and Journalism.co.uk in the UK have built communities promoting new digital, mobile and web-based businesses as well as offering services to journalism movers and shakers. Over half of ArcticStartup's revenue comes from conferences that they organise in the capital cities of the Nordic and Baltic regions, selling tickets and stands.

There are also technology specialists emerging. Blottr.com in the UK is a visible part of the rising citizen-journalism movement, but it makes most of its revenue by selling the technology that powers its own platform. Other media companies can buy Blottr's platform as a white-label product and use it as a content-management system to harness the possibilities of user-generated content and conversation. Similarly, Tweetminster makes its money by selling a licence to use their software while also selling curated and analysed content from the social web.

Many media professionals have generated revenues through consulting. Finnish-based Asymco soon discovered that his blog was stimulating demand for management consulting. He was commissioned for consultancy within three months of starting the blog and that is still the primary source of income. Douglas McLennan, the publisher of Artsjournal.com, did more than 60 talks and flew more than 200,000 miles in 2010. Half of the revenue based on ArtsJournal comes through these engagements.

Crowdfunding has been used effectively to generate revenues for several journalistic investigations via sites such as Kickstarter.com and Spot.Us, founded by David Cohn. 'We are trying to rethink the marketplace and see how you

“ We have little doubt that where it finds itself in a crisis the business of journalism must first and foremost rescue itself if it is to be rescued. This calls for both managers (the business) and journalists (of journalism) to think more about the road ahead than lament what has been or what might have been lost. (Levy and Neilsen, 2010) ”

Crowdfunding

This is a system where small payments or donations from a large number of people can generate revenues. These can be used to fund elements of journalism such as investigations or reports.

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can get people to collaborate on investigations together.’ David Cohn, founder, Spot.Us, (in Knight News Challenge, 2009). It is a system where small payments from a large community can generate enough revenue to fund a story or investigation, pitched by a reporter. Once it is published, the investors can get their money back. It is a crowdfunding initiative that supports J’aime L’info, developed by Rue89 and Le Spiil in France. The site hosts 130 community projects and websites with the principal aim of facilitating revenue from small reader donations. Crowdfunding is powered by micropayments, financial transactions involving a very small sum of money. It is a revenue model based on pay as you go.

Conclusion

Many news organisations, whether they are start-ups or more established producers of content, are struggling to find financial stability while embracing the culture of social media. For most news executives this is complex territory, and one which is constantly shifting as experimentation, trial and trends drive business options forward. There are many reasons for this, core questions need answering.

Consumers expect content to be free, especially breaking news. From the early years of putting content online for free, and being unsure how best to move forward with workable business models, producers set themselves up for a fall: there may now be more people consuming content but very few of them are prepared to pay. This may be changing.

Advertising models do not translate directly to a networked media world. They may have worked well offline, but in the fluidity of social media where units of content – and users – move freely around the web, advertising appears unable to support media (and certainly not exclusively). The sheer abundance of space drives the value of advertising space down.

Social-media habits have changed the way we consume news, and this has disrupted the ‘old’ way of segmenting users into categories and bundling them together. Disrupted distribution adds to this, as it means media producers no longer own the process of news dissemination. The way we move around the space opens up an entire new world in terms of monetisation.

As for the response, the new-media ecology requires a new way of thinking about audiences, one that somehow feasts on an abundance of information, and an abundance of players rather than the advertising-supported scarcity of old.

Business strategies to cope with this new landscape currently fall into two main camps: pursuing quantity or quality. The quantity camp has an allegiance to the old way in that it trades on bringing in revenues based on the largest audiences possible. Mass hits still command a premium. The quality strategy can mean lots of different things. It is primarily about sourcing revenue based on added value. This added value may come from creating a niche in the content you produce, or a highly segmented audience, or offering a specific service that commands a premium. Or it may be quality through engagement. The quality over quantity strategem suggests smaller cherry-picked audiences but who may be worth more, as they are more loyal and in tune with the content they are viewing.

CASE
STUDY

Piano Media

Piano Media has challenged the online media industry with an aggregated paywall concept, launched in May 2011. In the two test markets, Slovakia and Slovenia, readers paid a monthly subscription of €3.90 (Slovakia) and €4.89 (Slovenia), which enables access to the premium content of all participating online media, a total of 60 websites and 20 publishers. The innovation comes from pooling content from several different media organisations for one fee. The publishers receive a share of the revenue based on the traffic generated, while Piano Media keeps a commission. In the first month of the launch in Slovenia, a Central European country with a population of only two million people, Piano generated €26,000 for the participating publishers.

The concept is interesting for both customers and publishers. For customers, it is ‘paywalls made easy’, as they only have to pay a relatively small fee, small enough to remain an impulse purchase. They then get all the best cross-section of journalism services on offer. Publishers get 70 per cent of the total revenues from the paywall (the other 30 per cent is Piano Media’s commission). The proportion they get changes, though, to keep an incentive to produce great content and journalism. A media producer would be rewarded with higher revenues if the subscription was instigated on their site, and if the user stays on their site for longer. Some content, including breaking news, remains free to access.

Jan Cifra, business developer of Piano Media, says cable TV-style bundling will prove a lucrative way for publishers to secure revenues on digital platforms. ‘We did studies to look at usability of payment methods, as it has to be easy for people to pay. The pricing is critical. This is not pricing by cost, which is not very good business. We wanted spontaneous buying so as to make it as cheap as possible and go for the mass. We compared the price setting to what people buy daily: a drink in a bar and a cup of coffee. It is low enough that people even pay for access to the free stuff for the peace of mind that they can be spontaneous, or some people just pay by mistake.

They also understand that our goal is not to rip people off but that you need to pay for good journalism to survive online. It has proven to us that people are not against paying for content, just against messing around with lots of different payments to different people. One of our co-founders had tried a paywall and it was a disaster. Cable TV uses a bundle. They are more mature in this field, as there are more complex bundling options available, but the basic idea is the same. This is cable TV for publishing: one payment and then everything is much easier on the customer.

Publishers have to realise they are offering services not just content. We have 40 services from different publishers. People are not prepared to pay for breaking news; it is not exclusive. But they are willing to pay for long-form or opinion pieces from certain publishers, or for in-depth coverage from another. Some sites focus on video, or tomorrow’s newspaper today. Some publishers are offering editions of the whole paper. Some have closed off comments unless you pay: some platforms are heavy on discussions and passionate about that. That is why we call them services. Each of the publishers has the freedom to offer services that no one else has. Customisation is key: publishers have to go above and beyond if you want people to pay. Fundamental for journalism online is that customers perceive it as a value service.’

Key reflections

- What potential and risks do paywalls offer for media businesses?
- Is it possible to put a value on importance? Can one piece of content be more important than another depending on who sees it, who has recommended it or who has created it? Does importance correspond to value?
- Does the future of media business models lie with quality or quantity?
- Is there a future for free? How far can crowdsourcing and micropayments make media sustainable?
- In what ways are aggregators and portals the ‘frenemy’ of media business models?



Tips and tools

Advertorial: advertisements in editorial form that appear to contain objectively produced content are known as paid editorial ads. While there are increasing ethical issues surrounding advertorial – see Nick Davies’s *Flat Earth News* for more – they can be highly effective from the advertisers’ point of view as they sit so closely to editorial content.

Affiliate: in a pay-per-action model, websites can host links to other stores and be paid. If a user clicks through, they are referred to the host site, where they can make a purchase. Amazon has been particularly successful with this, encouraging thousands of niche sites to host mini book stores from which potential buyers can navigate to the Amazon online store.

Behavioural targeting: when ads are served based on user behaviour, it is known as behavioural targeting. Here, a variety of online factors such as recent online purchases, searches and browsing history, as well as demographic details such as age or gender, are factored in.

Brokerage: brokers bring buyers and sellers together in a marketplace such as Amazon or eBay.

Classifieds: once the mainstay of local news, classifieds refer to any listings for small- to medium-sized companies. The classified section is primarily a destination point where readers locate to search for selected items or services, unlike display ads, which are often found next to editorial.

Contextual advertising: targeted ads appear based on the page’s content after scanning the text of a webpage for keyword phrases. Then, the system returns specific, targeted ads based on the content people are viewing or users’ interests.

Cost per click (CPC): advertisers pay a small amount whenever an advert is clicked on. Google Adwords works in this way.

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Cost per thousand (CPM): they are often tied to editorial content and were the earliest type of adverts online, available as skyscrapers, banners, leaderboards and many more. Display spaces are priced to reflect the number of viewers and dimensions.

Crowdfunding: people pool small amounts of money together to support an appeal for money whether that be charitable, start-ups, political campaigns or for a cause.

Display advertising: image or graphics-based adverts that can highlight products, brands or offers. They are especially successful in periodicals where they can be perused at leisure.

E-commerce: this is electronic retail, so think of it as shops online. For any site where product recommendations fit, it can make sense that people are able to buy products via the site too.

Email advertising: this is direct marketing, which uses electronic mail or newsletters to communicate information. It relies on an accurate database, built up by organisations, or bought.

Floating ads: while pop-ups have become largely redundant now, as many users have pop-up blockers, floating ads work in a similar way, interrupting a user on their route to a site.

Freemium or metered models: this model allows publishers to combine free offerings with some services and content for which there is a charge.

Geotagging: any content that is served to a user based on their location has been tagged – and it can be effective in advertising to target users within a specific locality or region. It is especially lucrative for websites with global readers or mobile advertising.

Micropayments: these are financial transactions involving a very small sum of money. It is a revenue model based on pay as you go. Micropayments have worked well for Apple's iTunes.

Mobile advertising: with a range of mobile advertising options, from display ads, search ads, rich media, video and push notifications, the landscape can be complicated. Text message (SMS) adverts boast much higher click-through rates than other display ads.

Mobile applications: publishers are increasingly finding ways to package their content into convenient apps for use on mobiles or tablets. Revenues can come from direct sales; other apps are free to download, but you pay for more functionality.

Page impressions: each time an advert is displayed online it generates an impression. The more page views your site supplies, the more page impressions you have to inventory. You can charge the advertiser more, as they will get more page impressions for their advert.

Paywalls: the strategy of preventing open access to content until it is paid for either through subscription or a one-off fee.

Philanthropy: in the USA, Bay Citizen, Texas Tribune and MinnPost have all been buttressed with substantial beneficiary donations. ProPublica, the first all-digital news operation to be awarded a Pulitzer Prize, is funded by wealthy former banking chief executives Herbert and Marion Sandler.

Product placement: when actors or presenters mention, see or promote products – or brands are given a physical presence on set – this is known as product placement.

Proservices: several start-ups and digitally conceived media businesses offer a more sophisticated version of their product for a fee, often to mainstream news outlets or businesses.

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Sales: media revenues can be generated by selling a product to a buyer. For example, coverprice refers to the price of a printed product.

Seed funding: these are the earliest funds necessary to start a business to sustain it for a period of development.

Selling data: money can be made selling user data – emails, addresses, browsing history, friends, credentials and preferences – and companies can build detailed databases on people. Facebook was forced to change the exposure of users' personal information, after an investigation showed that personal IDs were being transmitted to third parties via apps.

Subscription: users are charged a periodic fee to access a service. This model was a cornerstone of offline publishing business models but it has been given a new lease of life online with tiered options and options to mix and match.

Syndication: this involves making content available to a third party. In print it could be via a licence for news articles; on the web it could be where a feed of content could be sold to other sites (such as Tweetminster); and in broadcast it could be when programmes are sold outside of a network.

Unicast: these ads build on the TV commercial, as they offer a multimedia package that is clickable.

Venture capital: this finance is provided to early-stage, high-potential, high-risk start-ups, usually by owning equity in the company. It usually happens after seed funding.

Readings and resources

Columbia Journalism School: The Story So Far: What We Know About the Business of Digital Journalism is a timely report on media business models: www.cjr.org/the_business_of_digital_journalism/the_story_so_far_what_we_know.php (Grueskin et al., 2011).

Digital Natives Speech: this iconic address by Rupert Murdoch to the American Society of Editors summarises how media managers' attitudes would have to change: www.newscorp.com/news/news_247.html (Murdoch, 2005).

We the Media: examines the relationship between Big Media, or traditional publishers, and the new breed of bloggers, and is a must-read for media executives (Gillmor, 2004).

Funding Journalism in the Digital Age: this book by Jeff Kaye and Stephen Quinn (2010) offers a thorough insight into business models.

MondayNote: Frederick Filoux's blog presents key issues and developments in the debate for sustainable and profitable business models: www.mondaynote.com.

International studies: SubMoJour is a joint research project to create an emerging data archive of journalistic business models: www.submojour.net/.

The Changing Business of Journalism is published by Reuters and offers nuanced scrutiny of the threats and opportunities facing legacy news organisations across the world in countries as diverse as the United States, the United Kingdom, France, Germany, Finland, Brazil and India, as they transition to an increasingly convergent media landscape: (<http://reutersinstitute.politics.ox.ac.uk/?id=560>).

Wikinomics: How Mass Collaboration Changes Everything frames the problems in digital business (Tapscott, 2010).

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Crowdsourcing: Why the Power of the Crowd is Driving the Future of Business is an interesting insight into the culture of social media as a driving economic force (Howe, 2009).

'*The evolution of news and the internet*' by the Organisation for Economic Co-operation and Development had a compelling message: 'The economic foundations of journalism have to be rethought' (2010): www.oecd.org/dataoecd/30/24/45559596.pdf.

Chris Anderson: ex-editor of *Wired* magazine and author of *Free: The Future of a Radical Price* (2009a) is well worth following.

Digital Journalism: this text by Janet Jones and Lee Salter (2012) is essential reading for a commercial awareness of the issues facing online journalism.

'*Where else is the money?*' by François Nel (2010), explores business models in the UK.