Prospects for profit: 
The (un)evolving business model for online news

Paper presented to the 
International Symposium on Online Journalism 
University of Texas, Austin 
April 9, 2005

Donica Mensing  
Assistant Professor

Jackie Rejfejk  
Graduate Student

Reynolds School of Journalism  
University of Nevada, Reno  
Reno, NV 89557  
dmensing@unr.edu  
(775) 784-4187
INTRODUCTION

In a world of dwindling resources, a world of falling daily newspaper readership and fragmented television news audiences, who will produce the journalism of scale and importance that informs citizens about national political campaigns and international conflict? Bloggers? Citizen journalists? The software developers who produce RSS readers?

The answers that emerge over this decade to those questions are certain to impact the future not just of Internet news but of journalism itself.  

Merrill Brown, 2005

As newspaper, radio and television companies find themselves in a transformed market where their traditional news products are steadily losing audience share and new technologies are quickly stepping in with substitute goods, the question: “How will good journalism be financed?” seems a more pressing dilemma than at any time in the last century. As the “pace of transformation in the structure of digital media delivery hastens and begins to redirect the primary trajectory of the news industry” (Scott, 2005) describing, developing, and illuminating shifts in economic support for emerging forms of journalism becomes a vital task for those interested in the future of news in our society.

To be sure, technology and societal change have caused other upheavals in mass media economics in the past, as ongoing developments in electronic communication fundamentally changed the way we distribute journalism. In each of those instances, creative thinking and innovative practices resulted in breakthrough moments, as technological and economic forces combined to take advantage of new markets and products. Today the environment for journalism has shifted dramatically in response to the advent of new media technologies, ownership patterns in corporate media, and deep-rooted cultural and political changes. The old economic conditions that allowed for a relatively stable news business -- including high barriers to entry, effective use of economies of scale, centralized production and distribution and heavy reliance on advertising dollars -- no longer describe the news business. Digital communication, initiated first by the
Internet but now hastened by a variety of digital personal devices, fundamentally changes these economic conditions. Low barriers to entry, few fixed costs, decentralized production and distribution and ubiquitous advertising have fundamentally changed the market environment in which journalism is produced, sold and distributed.

The problem online journalism faces is fundamental:

“At the most basic level, the problem with the business model for online journalism is one of supply and demand. Supply has badly exceeded demand (Small, 2000). The exact same content that news outlets sell in print publications has been disseminated so widely by so many producers and aggregators that its value has been driven to zero. The media oligopoly held in place by expensive production and geographic markets did not fly online (Scott, 2005, p. 97).

The purpose of this research paper is to document economic changes in one corner of a much larger media landscape, by analyzing evolving business models for online newspapers. Using surveys of online news managers at online newspaper sites conducted in 1996 and 2005, the study compares how revenue sources and business strategies have evolved over the past nine years. The study has two goals: first, to answer basic questions about how online newspaper sites are generating revenue and how profit strategies may have evolved since the early days of Web publishing; and second, to gather evidence that will shed insight on the larger strategies newspaper companies may or may not be taking in face of the tremendous changes facing the industry.

Philip Meyer, in his illuminating book The Vanishing Newspaper: Saving Journalism in the Information Age, (2005) describes four classic strategies that businesses can adopt in the face of competitive new technology (adapted from Porter, 1985):

(1) Enlist suppliers to help in defense
(2) Redirect strategy toward segments that are least vulnerable to substitution
(3) Enter the substitute industry
(4) Harvest market position (take-the-money-and-run) (Meyer, 2005, p. 32)
Meyer notes that while he knows of no newspaper company fully committed to option number four, there are times when the actions of companies, “egged on by short-sighted investors” seem to indicate a drift towards this direction (Meyer, 2005, p. 33). One of the larger questions for the context of this paper is how well the newspaper industry is entering the “substitute industry” and how effectively it may be avoiding the temptation to harvest market position.

In 1996, Rosalind Rosnick (quoted in Mings & White, 2000) argued: “Publishers need to do more than simply adapt existing business models for use in cyberspace; they need to pioneer new models that fit the medium” (p. 88). This paper is one examination of whether, and how well, publishers are answering that charge.

**Current economic environment**

Despite the dourness of the above description for the economics of journalism, the short-term prognosis is much healthier. The industry is bouncing back from the dot-com crash of early 2000 and the advertising recession of 2000-2002 and is generating record levels of revenue through online advertising. Borrell & Associates report that local spending on online advertising is expected to grow 46% in 2005, and that online advertising expenditures are becoming an increasingly important growth segment for many newspaper companies. Overall, Borrell estimates that newspaper online revenue will grow from $655 million in 2002 to $1.52 billion in 2005 (Borrell, 2005).

Four basic economic models of online profitability have been clear from the early days of Web publishing: (1) the subscription model; (2) the advertising model; (3) the transactional model and (4) the bundled model (Mings & White, 2000). Each of these models has been tried over the past ten years, with varying levels of success. In practice, as observers have noted from the earliest days of online newspapers, it appears that multiple revenue streams, taking the best
from each of these models, will be necessary for economic survival online (Palmer & Eriksen, 1999; Outing, 1996). Today multiple revenue streams are allowing news organizations to survive online, including many described in this study. Online advertising is growing into a significant business (Dash, 2005) and a handful of newspaper companies have begun charging for access to basic content (Friedman, 2004; Seelye, 2005). Relationship marketing, social networking, local search marketing, targeted advertising, optimizing information retrieval and storage appear to provide promising avenues to successful revenue streams (Herman, 2004; Schiff, 2002; Yelvington, 2004).

**RESEARCH QUESTIONS**

RQ1: What are the primary sources of revenue for online newspapers? How has the mix of sources changed since 1996? How do online news managers anticipate the mix will change in the future?

RQ2: How have online newspaper managers changed attitudes and practices related to charging for content between 1996 and 2005?

RQ3: How have online newspapers changed requirements for registration between 1996 and 2005?

RQ4: How do online news managers describe the impact of the Web site on the print newspaper? Has their perception of the impact changed between 1996 and 2005?

RQ5: What strategies do online news managers think will be most profitable to pursue for their online products?
METHOD

Two surveys of editors/managers of online newspaper sites, a mail survey conducted in 1996 and an online survey conducted in 2005, were used to answer the research questions in this study.

The 1996 survey

The 1996 survey was sent by mail to the online editors of all U.S. newspapers publishing daily news on the World Wide Web as of April 15, 1996, a total of 187 online newspapers (Mensing, 1998). A list of online newspapers meeting the defined criteria was compiled by cross referencing three of the most comprehensive lists of online newspapers available at the time: the American Journalism Review/NewsLink list (www.newslink.org), the Newspaper Association of America's online newspaper list (www.naa.org), and the Editor & Publisher online list (www.mediainfo.com), which was used as the final master list. The May Editor & Publisher list contained Web site addresses for 443 U.S. newspapers (papers on commercial online services, such as America Online, were listed separately). Of these 443 papers, 273 were weeklies, alternatives, or promotional sites that did not meet the inclusion criteria. The final list of selected sites included 170 online newspapers. An additional 21 newspapers were identified from the other two lists, making a total of 191 online newspapers included in the survey. After the mailing, four of those addresses were discovered to be for Web sites that were not regularly updated and thus did not meet the criteria for inclusion. These four sites were eliminated from the database. Editors who did not respond to the first mailing after six weeks were sent a second mailing and a number were contacted by e-mail.

The findings are based on data from 83 valid surveys that were returned by October 15, 1996, a response rate of 44.3%. Respondents appear to be representative of the total population
based on a t-test that compared print circulation sizes of respondents and non-respondents.

Details on the responses to this early survey are available online at http://unr.edu/homepage/dmensing.

The 2005 survey

The 2005 survey was done entirely online between March 2 and March 25, 2005. The link to the online survey was emailed to individual newspaper managers of online news sites in three separate email contacts over a two-week period. In total, 1,112 daily U.S. newspaper web managers were contacted, but because of chain ownership that included multiple contact addresses and e-mail addresses that consistently bounced in response to each mailing, the survey reached 1,040 individual news managers. Of those, 242 completed at least some portion of the survey, for a response rate of 23.3% (an acceptable rate for Web surveys according to Wimmer & Dominick, 2003).

Because the survey was designed as an 11-page online survey, each time users clicked to the next page, the data they had already filled out was automatically sent to the server. Although 242 users completed the first page, there was a discernible drop-off in the completion rates in subsequent pages. The total number of respondents who answered questions on the last page, for example, was 156, much smaller than the 242 who answered questions on page one. It also appears that respondents chose to answer the questions they were most interested in, as some users skipped pages and questions for reasons not entirely clear to the researchers. For this reason, all percentages referred to in the findings are valid percentages that include only the respondents who answered each question.
FINDINGS

Print circulation size of respondent newspapers

The 2005 survey included a larger percentage of respondents from small newspapers than did the 1996 survey (37% of the 2005 respondents were from newspapers with circulation less than 25,000, while 20% of the 1996 respondents were from smaller newspapers) (see Table 1). Correspondingly, a larger percentage of respondents from the 1996 survey were from newspapers with circulations greater than 100,000 (34%) than from the 2005 survey (21.8%). However, because of the larger number of surveys received in 2005, the number of respondents from larger papers was roughly comparable (28 in 1995 and 34 in 2005).

This difference in circulation sizes of the respondents between the two surveys may reflect the fact that many small newspapers did not have online news sites that were updated daily in 1996. The circulation sizes of the total population of online newspapers may not reflect the same proportions in 2005 than they did in 1996.

<table>
<thead>
<tr>
<th>Circulation Size</th>
<th>1996 Survey</th>
<th></th>
<th>2005 Survey</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>Valid Percent</td>
<td>N</td>
<td>Valid Percent</td>
</tr>
<tr>
<td>Small (24,999 or less)</td>
<td>16</td>
<td>19.5</td>
<td>57</td>
<td>36.5</td>
</tr>
<tr>
<td>Medium (25,000 to 99,999)</td>
<td>39</td>
<td>46.4</td>
<td>65</td>
<td>41.7</td>
</tr>
<tr>
<td>Large (100,000 or more)</td>
<td>28</td>
<td>34.1</td>
<td>34</td>
<td>21.8</td>
</tr>
<tr>
<td>Total</td>
<td>83</td>
<td>100.0</td>
<td>156</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Online staff size of the responding newspapers

In 1996, nearly three quarters (73%, n=57) of the sites reported zero to two full-time staff working on the online edition. By 2005, staff size had grown so that just over half (53% of respondents, n=82) reported staff size of two or fewer. In 1996, eight sites reported 10 or more online staff; in 2005 15 sites reported 10 or more fulltime online staff, approximately the same proportion for both populations.

RQ1: What are the primary sources of revenue for online newspapers? How has the mix of sources changed since 1996? How do online news managers anticipate the mix will change in the future?

Summary of current revenue sources

The 2005 survey asked respondents to rate various revenue sources on a five-point scale from not important (1) to very important (5). The responses show clearly that advertising is considered by far the most important way to make money on online newspaper sites (Table 2). Classified advertising is considered very important by almost 80% of the respondents, with 58% identifying display advertising as very important. The respondents were much more mixed on the importance of subscriptions, with 34% rating subscription revenue unimportant and 26% considering it very important. Altogether, 47% of respondents considered subscriptions somewhat or very important, while 40% considered them unimportant or somewhat unimportant. Revenue from archives was considered somewhat or very important by 35% of the respondents, slightly less than the number who consider archives unimportant to their current business model. All other revenue sources were considered much less important.

TABLE 2: Importance of various revenue sources to current business models (valid percentage of responses by 2005 respondents) (N= 174)
While no corresponding question was included in the 1996 survey, respondents were asked to provide the percentage of revenue they currently earned from each of these sources, and how they anticipated the mix changing in 1997. Table 3 shows that display advertising provided the biggest chunk of revenue for most sites in 1996, followed by Internet access fees and then classified advertising. However, respondents did anticipate that revenue from Internet access fees would decline and classified revenues grow in 1997, a trend which has continued until the present. With the elimination of Internet access fees as a major source of revenue, it’s clear that Web site news managers are focusing on four primary sources of revenue: display and classified advertising, subscriptions and access to archives. Other services – transaction fees, customization services and a variety of other sources -- are relatively minor contributors to the overall financial health of online newspaper Web sites.

<table>
<thead>
<tr>
<th>Source</th>
<th>(1) Unimportant</th>
<th>(2) Somewhat unimportant</th>
<th>(3) Neutral</th>
<th>(4) Somewhat important</th>
<th>(5) Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classified advertising</td>
<td>3%</td>
<td>1.7%</td>
<td>.6%</td>
<td>15.5%</td>
<td>79%</td>
</tr>
<tr>
<td>Display advertising</td>
<td>3</td>
<td>4</td>
<td>5.7</td>
<td>29</td>
<td>58</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>34</td>
<td>6</td>
<td>14</td>
<td>21</td>
<td>26</td>
</tr>
<tr>
<td>Archives</td>
<td>32</td>
<td>13.5</td>
<td>20</td>
<td>25</td>
<td>9.6</td>
</tr>
<tr>
<td>Custom services</td>
<td>63.8</td>
<td>12.8</td>
<td>14.8</td>
<td>6.7</td>
<td>2</td>
</tr>
<tr>
<td>Transaction fees</td>
<td>55.4</td>
<td>8.8</td>
<td>22.3</td>
<td>12.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Internet access fees</td>
<td>78.8</td>
<td>3.4</td>
<td>12.3</td>
<td>4.1</td>
<td>1.4</td>
</tr>
<tr>
<td>Other sources</td>
<td>42.4</td>
<td>3</td>
<td>27.3</td>
<td>12.1</td>
<td>15.2</td>
</tr>
</tbody>
</table>

**TABLE 3:** Mean response to the relative percentage of revenue earned from **TABLE 4:** Mean response to the importance of each revenue
<table>
<thead>
<tr>
<th>Source</th>
<th>Mean Percentage 1996</th>
<th>Mean Percentage (1997 anticipated)</th>
<th>Source</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Display advertising</td>
<td>34.4</td>
<td>34.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet access fees</td>
<td>20.4</td>
<td>13.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classified advertising</td>
<td>18.5</td>
<td>29.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscriptions</td>
<td>5.2</td>
<td>5.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium services</td>
<td>3.7</td>
<td>7.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other sources</td>
<td>3.6</td>
<td>3.12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction fees</td>
<td>1.8</td>
<td>2.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The following section includes additional detail about the relative amount online newspaper sites are earning from each of these revenue categories.

**Classified advertising**

Classified advertising makes up a significant portion of the revenues of print newspapers. After growing steadily between 1950 and 1980, growth in revenue from classified advertising grew dramatically in the 1980s and 1990s. While classified advertising comprised about 18% of all print advertising revenue in 1950, it accounted for 40% of all newspaper advertising revenue by 2000 (Meyer, 2005; Picard, 2002). On the online side, classified advertising has been a focus of concerned attention for two reasons: (1) it is a revenue source highly vulnerable to competition...
from non-media sources and (2) it is a type of information particularly suited to an online
environment, enabling consumers to search, compare and use classifieds more easily online than
in print.

Online news managers reported a significant increase in the amount of revenue generated
by classified ads between 1996 and 2005. A comparison of the percentage of revenue reported in
each year (Table 5) shows the percentage of respondents that earned revenue from classifieds in
each survey year. The mean of all responses in 1996 was 18.5% of revenue while in 2005 the
mean response was 48%.

The growth in the importance of classified advertising revenue over the past 9 years is
significant. In 1996 just over 15% of the online newspaper sites reported receiving half or more
of their revenue from classified advertising. In 2005, that figure jumped to 76% of respondents
reporting that half or more of their revenue was from classified advertising. Respondents in the
2005 survey were also asked to anticipate what percentage of revenue they expected to earn from
classifieds in 2006. Here, the numbers are also startling. While 22 sites expected to earn 75% or
more of revenue from classifieds in 2005, only 6 sites expected to earn that much in 2006. Either
they think other revenue sources will grow rapidly and overtake the revenue generated by
classifieds, or they are anticipating a decline in classified revenue in the near future.

<table>
<thead>
<tr>
<th>Amount of revenue from classified advertising:</th>
<th>1996</th>
<th>2005</th>
<th>2006 (anticipated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>40</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>%</td>
<td>48.2</td>
<td>10.3</td>
<td>4.5</td>
</tr>
<tr>
<td>1% to 25% of total revenue</td>
<td>30</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>%</td>
<td>36</td>
<td>12.8</td>
<td>18</td>
</tr>
<tr>
<td>26% to 50% of total revenue</td>
<td>2</td>
<td>34</td>
<td>49</td>
</tr>
<tr>
<td>%</td>
<td>2.4</td>
<td>29</td>
<td>44.1</td>
</tr>
</tbody>
</table>
**Display advertising**

Estimates of revenue from display advertising did not change as much as did classified revenue between 1996 and 2005 (see Table 6). In the earlier survey, the mean for revenue generated by display advertising was 34.4% for all respondents. The sites clearly differed in their use of display advertising, with more than half of the group reporting one-half or less of total revenue coming from display ads and almost a quarter of the group reporting 75% or more of revenue from display advertising. In 2005, the mean response was 31.6% with much less variability between news sites. More than 80% of the sites reported earning one-half or less of all revenue from display advertising, and less than 10% of the sites earned more than 75% of their revenue from display advertising.

Unlike classified advertising, online news managers anticipate that revenue from display advertising will increase over the next year. The percentage of news managers anticipating earning 25% or more in revenue from display advertising increased from 49% in 2005 to 60% in 2006.

<table>
<thead>
<tr>
<th>Amount of revenue from display advertising:</th>
<th>1996</th>
<th>2005</th>
<th>2006 (anticipated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>17</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>20.5</td>
<td>6.8</td>
<td>.9</td>
</tr>
</tbody>
</table>

**TABLE 6: Percentage of respondents reporting revenue from display advertising**
Subscription revenue

The third source of revenue reported by online news managers is from subscriptions (see Table 7). In 1996, 67% of the sites reported no income from subscriptions; this percentage remained virtually unchanged in 2005 – 68% of the sites reported no subscription revenue. In 1996 only 5 out of the 83 respondents reported subscription revenue of more than 25% of total revenue; the mean response showed that on average across all respondents, 5.2% of revenue was generated by subscriptions. In 2005 only 9 out of the 78 news managers who answered the question reported subscription revenue of more than 25%. Of the respondents who answered this particular question, the mean amount of revenue generated was 8.5%. Given the fact that 242 respondents returned at least part of the survey and only 9 reported any significant subscription revenue, this survey appears to confirm the common perception that subscriptions are a limited revenue source for most online newspaper sites.

Looking ahead, it appears that seven respondents who earned no subscription revenue in 2005 anticipate earning at least some subscription revenue in 2006.

### TABLE 7: Percentage of respondents reporting revenue from subscriptions

<table>
<thead>
<tr>
<th></th>
<th>1996</th>
<th>2005</th>
<th>2006 (anticipated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% to 25% of total revenue</td>
<td>33</td>
<td>39.8</td>
<td>44.1</td>
</tr>
<tr>
<td>26% to 50% of total revenue</td>
<td>11</td>
<td>13.3</td>
<td>33.1</td>
</tr>
<tr>
<td>51% to 75% of total revenue</td>
<td>2</td>
<td>2.4</td>
<td>6.8</td>
</tr>
<tr>
<td>76% to 100% of total revenue</td>
<td>20</td>
<td>24.1</td>
<td>9.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>83</td>
<td>100%</td>
<td>112</td>
</tr>
</tbody>
</table>
Revenue from archives

Revenue from archives, while very small, provided measurable income in 1996 and 2005 (Table 8). In 1996, 28% of sites reported earning between 1% and 10% of total revenue from archives and 16% reported earning more; in 2005 38% of the sites reported earning between 1% and 10% of total revenues from archives. Looking ahead, respondents to the 2005 survey anticipated that in 2006 revenues from archives would increase, with 20% of news managers anticipating that income from archives would increase from 0 percent to between 1 and 20%.

TABLE 8: Percentage of respondents reporting revenue from archives

<table>
<thead>
<tr>
<th>Amount of revenue from archives</th>
<th>1996</th>
<th>2005</th>
<th>2006 (anticipated)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
</tr>
<tr>
<td>None</td>
<td>37</td>
<td>54.4</td>
<td>47</td>
</tr>
<tr>
<td>1% to 10% of total revenue</td>
<td>19</td>
<td>27.9</td>
<td>30</td>
</tr>
<tr>
<td>11% to 20% of total revenue</td>
<td>6</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>21% to 50% of total revenue</td>
<td>6</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>68</td>
<td>100%</td>
<td>78</td>
</tr>
</tbody>
</table>
**Customization services**

Customization services were not included in the 1996 survey, but were included in 2005. Four of the respondents to the 2005 survey indicated their sites earned some revenue from customization services in 2005, and twice that many (eight) planned to earn some revenue from customization in 2006. While these services take good advantage of the capabilities provided by online news delivery, it is clear that online newspapers are not employing them as a revenue strategy at this point in the development cycle.

**Transaction revenue**

Very few sites are earning revenue from transaction fees, but the number is increasing slightly (Table 9). Eight sites reported income from transaction fees in 1996; 11 sites are earning income from transactions in 2005 and 15 sites plan to earn revenue from transactions in 2006, including one site that anticipates 21% to 30% of total revenue will be generated by transaction fees.

**TABLE 9: Percentage of respondents reporting revenue from transaction fees**

<table>
<thead>
<tr>
<th>Amount of revenue from transaction fees</th>
<th>1996</th>
<th>2005</th>
<th>2006 (anticipated)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
</tr>
<tr>
<td>None</td>
<td>60</td>
<td>88</td>
<td>52</td>
</tr>
<tr>
<td>1% to 10% of total revenue</td>
<td>7</td>
<td>10.3</td>
<td>10</td>
</tr>
<tr>
<td>11% to 20% of total revenue</td>
<td>1</td>
<td>1.4</td>
<td>1</td>
</tr>
<tr>
<td>21% to 30% of total revenue</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>68</td>
<td>100%</td>
<td>63</td>
</tr>
</tbody>
</table>
**Internet access fees**

In 1996, more than half of online news sites reported earning some revenue from Internet access fees, with 25% of the sites earning more than a quarter of their total income by selling Internet access (Table 10). This source of revenue has dropped precipitously with only three sites reporting income from Internet access fees in 2005.

**TABLE 10: Percentage of respondents reporting revenue from Internet access fees**

<table>
<thead>
<tr>
<th>Amount of revenue from Internet access fees</th>
<th>1996</th>
<th>2005</th>
<th>2006 (anticipated)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
</tr>
<tr>
<td>None</td>
<td>38</td>
<td>46.3</td>
<td>57</td>
</tr>
<tr>
<td>1% to 25% of total revenue</td>
<td>25</td>
<td>30.5</td>
<td>3</td>
</tr>
<tr>
<td>26% to 50% of total revenue</td>
<td>6</td>
<td>7.3</td>
<td>0</td>
</tr>
<tr>
<td>51% to 75% of total revenue</td>
<td>8</td>
<td>9.8</td>
<td>0</td>
</tr>
<tr>
<td>76% to 100% of total revenue</td>
<td>5</td>
<td>6.1</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>82</td>
<td>100%</td>
<td>60</td>
</tr>
</tbody>
</table>

**Other revenue sources**

Without providing detail, just over 20% of the respondents to the 2005 survey identified other sources of revenue as providing 40% to 80% of total revenue for their sites. Only 38% reported no additional sources of revenue. This is sharp contrast to 1996, when only four news managers reported other unspecified sources of revenue. It appears, from this 2005 survey, that sites are successfully working to diversify and develop other sources of revenue for their operations.
RQ2: How have online newspaper managers changed attitudes and practices related to charging for content between 1996 and 2005?

In 1996, only nine of the 83 sites had ever charged a subscription fee for accessing information and only seven sites currently had a subscription charge to access some of the content on the site. Nearly 70% of the respondents agreed or strongly agreed with this statement: “Subscriptions limit the number of visitors to our site and this loss is greater than the benefits provided by paid subscribers.”

In 2005, nearly a quarter of the respondents (23.2%) reported that users are charged a subscription fee to access at least some of the information on their sites. Only three sites reported charging a subscription fee to access all of their sites; 53 sites are charging a subscription fee to access at least some of their online information. When asked about the future, a few news managers indicated they plan to add a subscription fee to access at least portions of their site; roughly 40% of all respondents expected to have a subscription fee of some type in the future.

In 2005, slightly less than 20% of the sites are charging a pay-per-use fee to access some of the content on their sites. No question about pay-per-use was asked in 1996.

Micropayments received a lot of attention in the press in the mid-nineties; but for a variety of reasons this option is still not widely available. Respondents in 1996 and 2005 were asked about the potential for using micropayments on their sites: Table 11 shows that respondents have become more negative about the option of micropayments in the past 9 years. While the same percentage (5%) strongly agree that micropayments will be part of the future, the percentage of those who disagreed or strongly disagreed jumped from 24% in 1996 to 44% in 2005.
TABLE 11: Potential for micropayments

“In the next few years we will have a system of micropayments and will charge very small amounts for visitors to purchase content by the piece.”

<table>
<thead>
<tr>
<th>Valid percentages</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996 respondents</td>
<td>5</td>
<td>30</td>
<td>40</td>
<td>17.5</td>
<td>7.5</td>
</tr>
<tr>
<td>2005 respondents</td>
<td>5.5</td>
<td>20.9</td>
<td>30</td>
<td>31.3</td>
<td>12.9</td>
</tr>
</tbody>
</table>

RQ3: How have online newspapers changed requirements for registration between 1996 and 2005?

Registration is an effective way for news managers to track the numbers and demographics of site visitors, information vital to attracting and serving advertisers. Registration also allows sites to market to and reward regular users, another way to enhance the customer experience. At the same time, some users consider registration a barrier to use and will simply chose other news sources if they encounter a registration wall.

In 1996, only five of the 83 sites (6%) reported that they currently required users to register (no differentiation was made between requiring registration for all or some of the site) (Table 12). By 2005, nearly 40% of the sites reported registration requirements for access to at least some of the content on their sites.

TABLE 12: Requiring users to register

<table>
<thead>
<tr>
<th>Valid percentages</th>
<th>1996</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>No registration required</td>
<td>78</td>
<td>149</td>
</tr>
<tr>
<td>Yes for selected portions of site</td>
<td>5</td>
<td>72</td>
</tr>
<tr>
<td>Yes for the entire site</td>
<td>21</td>
<td>8.7</td>
</tr>
</tbody>
</table>
RQ4: How do online news managers describe the impact of the Web site on the print newspaper? Has their perception of the impact changed between 1996 and 2005?

Observers often question the impact of an online newspaper site on the core print product. Because the online site generally gives away the content of the print paper for free, some worry that subscribers will gradually cancel their print subscriptions and simply rely on the free online product for news. Interestingly, the same percentage of news managers who thought the online site would increase interest in the print product in 1996 remains the same for 2005 (Table 13). Just over a third (38%) of the respondents in both years thought the Web site would increase interest in the print product. The percentage of respondents who thought the online site has no impact on the print product fell just slightly. The category that shows the most change between the time periods is in the number of respondents who view the Web site as having a negative impact on the print product. In 1996, 2.4% of respondents thought the online edition would decrease interest in the print product; in 2005 that percentage had grown to 18%.

<table>
<thead>
<tr>
<th>The Web site appears to:</th>
<th>1996</th>
<th></th>
<th>2005</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase interest in the print</td>
<td>31</td>
<td>37.8</td>
<td>70</td>
<td>38.5</td>
</tr>
<tr>
<td>product</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have no impact</td>
<td>38</td>
<td>46.3</td>
<td>79</td>
<td>43.4</td>
</tr>
</tbody>
</table>

TABLE 13: Perceptions of the impact of the online site on the print product
RQ5: **What strategies do online news managers think will be most profitable to pursue for their online products?**

In both the 1996 and 2005 surveys, respondents were asked to describe the strategies they thought would be the most promising for online newspaper sites. This open-ended question generated a wide variety of responses in both years, revealing some interesting shifts in emphasis between the two surveys (Table 14). (A complete listing of the comments is included in Appendix A.) While the number of respondents emphasizing advertising and paid subscriptions grew slightly between 1996 and 2005, the number of respondents who described audience-centered, or content-centered strategies for building audiences declined steeply, from 24% of all comments to 8% of all comments in 2005. This suggests that current online news managers don’t conceptualize deeper or more interesting content as a useful way to pursue profit for their sites.

The number of respondents mentioning customization services and transaction fees did grow, from 11% of all comments to 18% of all comments in 2005, indicating more awareness of the potential for new types of models to emerge online. The other surprising result was the number of respondents in 2005 (18%) who basically said they “didn’t know” what strategies would be most promising. Respondents in 2005 also avoided all mentions of partnerships or alliances, a topic that emerged as a minor theme in 1996.

**TABLE 14: Summary of open-ended answers to the question: “What do you think are the most promising profit strategies for publishing Web newspapers?”**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease interest in the print product</td>
<td>2</td>
<td>2.4</td>
<td>33</td>
<td>18.1</td>
</tr>
<tr>
<td>Too soon to tell</td>
<td>6</td>
<td>7.3</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>6.1</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>100</td>
<td>182</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>1996</td>
<td></td>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>------</td>
<td>---</td>
<td>------</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>Pursue advertising-oriented strategies</td>
<td>18</td>
<td>40%</td>
<td>44</td>
<td>48%</td>
</tr>
<tr>
<td>Pursue subscription, charging for premium content strategies</td>
<td>5</td>
<td>11</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Pursue customization, transaction fees, micropayments</td>
<td>5</td>
<td>11</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Pursue strategies to build audiences, attract them through content</td>
<td>11</td>
<td>24</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Not sure what strategies will work</td>
<td>2</td>
<td>4</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Build alliances and partnerships</td>
<td>4</td>
<td>8</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>45</td>
<td>100</td>
<td>92</td>
<td>100</td>
</tr>
</tbody>
</table>

**CONCLUSION**

This review of the revenue strategies of online newspapers between 1996 and 2005 suggests several conclusions:

1. The specific techniques used to generate revenue online have emerged from within existing business models. No clearly innovative change in the way online newspaper managers conceive of making money has emerged in the past 10 years of online publishing. The answers to many of the survey questions seemed remarkably similar in many ways, suggesting that, at least at the level of the questions in these surveys, little has changed in the first decade of publishing Web newspapers. The four basic business models of advertising, subscription, transactional and bundled services have not been re-conceptualized in any meaningful way.
The debate between free v. fee, which has raged since the earliest days of Internet newspapers, is still unresolved in the minds of at least some Web publishers. A quarter of respondents in 2005 rated subscription revenue as “very important” in their current business models. This, despite serious reservations of the likely success of this model by a number of industry analysts (Crosbie, 2004; Outing, 2005; Penenberg, 2005; Seelye, 2005).

Web managers still see classified advertising as a source of significant future income, despite the existence of aggressive and successful online competition. As with subscription revenue, a number of industry analysts have pointed to the risk of charging for classified advertising (Outing, 2005) as a long-term revenue strategy. Other forms of targeted advertising do appear to be very promising (Borrell, 2005; Herman, 2004; Yelvington, 2004) providing a bright spot in revenue projections for many online newspapers.

Despite the success of Apple I-Tunes and other services that are experimenting with micropayments and pay-per-use content models, this approach is not currently attractive to online newspaper managers.

Few of the 2005 respondents, judging from the answers to the open-ended question about promising revenue strategies, are thinking about content as a path to profitability. Yet content is one revenue strategy that many analysts argue could benefit online news sites over the long term (Crosbie, 2004; Porter, 2003; Scott, 2005).

It appears that no killer app, magic bullet, or easy solution has been found to assure online profitability. Reliance on multiple revenue streams is the current path to profitability. In early 2004, Rafat Ali, publisher of PaidContent.org said: “The big problem this year is a lack of strategic thinking. Everything everyone is doing is simply about tactics, Most are only pursuing whatever is considered to be the ‘next thing.’ Most
publishers are focusing on just one thing; not enough are trying to diversify their revenue streams” (Crosbie, 2004). Perhaps the questions in these surveys were not refined enough to elicit the kind of strategic thinking that Ali is describing here, but few answers suggest that the kind of innovative experiments necessary for long-term survival are taking place in online newspaper newsrooms.

While many newspaper companies lost significant amounts of money on their online ventures over the past 10 years, the question is whether this money was invested in pursuit of long term strategies that have lasting potential, or lost in tactics and expenses that failed to lead to industry innovation. The results of this research doesn’t provide much evidence that the industry is actively investing in the type of long-term research and development necessary to insure survival in the new digital economy. Future research should be conducted to identify and analyze newspaper sites that are leaders in innovation and experimentation, to explore the economic models of other online publishing ventures and to develop and test new business models that could be adopted by for-profit newspaper companies.
WORKS CITED


New York : Free Press.


APPENDIX A

SURVEY — 2005
What do you think are the most promising profit strategies for publishing Web newspapers?

**Audience centered (7 comments)**
- Cross-promotional opportunities and interactive news/blog potential
- Building audience
- Value added for current print subscribers; profit growth for mail subs by getting them to the web INSTEAD of the mail; expanding circ.
- Do good work, attract an audience and charge for access to that audience.
- Offer enough content for free to attract an audience and then put up a paid gate
- Paid premium content
- Create an audience that is attractive to advertisers.
- We're positioning our companion breaking news/update site to become the provider of choice in our region

**Advertising-centered strategies (44 comments)**
- Contextual advertising
- Advertising (banners, text, and sponsorships), Archive fees
- Advertising, which we barely do now and we're just getting into it. Subscription fees. Online classifieds.
- Build traffic, build retail advertising, hold onto classified revenue as long as we can.
- Advertising of local business, charging a fee for access to news archives
- Classifieds
- Display ads, sponsorships
- Providing easy to use tools for online classified ad placement, opportunities for hyper local advertisers to reach target audience
- Customized advertising
- Using registration for targeted advertising. Spreading your revenue streams as wide as possible.
- Offer truly dynamic advertising to readers in the form of information - NEVER beg them for money.
- Advertising, classifieds. connecting sellers to buyers.
- Connecting local advertiser to relevant content, solidifying local classified vertical categories, hyper-local content matched to hype
- Advertisement is and will be the main income of the site. We are also looking at increasing our employment services.
- Targeted advertising
• Content sensitive advertising, combo print/online packages/classifieds
• Self-service ads for classifieds; Targeted ads; CPC; inventory for real estate, autos
• Pursuing two paths regarding generating revenues from content: A basic service paid for solely by advertising, and an upscale service
• Database generated directories, real estate advertising, classified upsell, online selling of products- auction
• Advertising sales based on rapid growth in visitors and page views.
• Advertising
• Continue to push classifieds.
• Web Links, and advertising
• Right now most the profit our web site makes is from our display ads. We really have not looked at other options at this time.
• Online subscription and advertising.
• Upselling into directories Upselling classifieds (free and paid)
• Extending and defending the classified advertising segments online
• Search database model for display (retail) advertisers
• Local advertising
• Online-only classifieds, rich media, online ad networks
• Online advertising for local clients.
• Advertising revenue
• Classified advertising.
• Classifieds, ordering classifieds online, pay for access to archives
• Free access to local/national news; charge for advertiser feedback loops
• Having information not included in the print product. Selling advertising exclusively for the site.
• Advertising model...we bring customers to advertisers
• Integrating print and online sales.

Subscription, premium content strategies (12 comments)
• Subscription service
• Basic news would still be free while a fee would be charged for premium services such as video, rss feeds, e-mail alerts and archives.
• Pay for featured content only, maybe included when one purchases classified ads or other services
• We're going to be offering a "value added" replica edition that will be accessible to our print subscribers and to on-line only subscribers
• The only strategy to have is to charge for subscriptions unless one is making considerable profit from his Web site.
• Partial paid/partial free access. Post entire print content to site, but only paid subscribers would have access to all info.
• We believe that our subscriber-based model will optimize all current and potential revenue streams without devaluing our core products
• I believe that paid/registered content access will become more important and viable.
• Sell subscriptions to a full online edition; give away a heavily edited teaser for free
• Charging for the content that the newspaper already has available i.e. Archives, Photos, Online Classifieds...
• Publishing archives, pictures and stories. Eventually even the previous day will be archived and all archives will be fee-based.
• Charging for extras that aren't part of the daily newspaper

**Customization, transaction, other strategies (17 comments)**

• Email marketing
• Transactional integration
• Customizable content and advertising, delivered to the consumer.
• Developing relationships between content and revenue streams through sophisticated information architecture.
• Custom ads that contribute to the interest and lifestyle choices of our readers; email marketing
• Customized content and customized delivery
• Archives
• Personalized content for small fees
• Multiple revenue streams
• Partnerships, sponsorships and classifieds
• Put entire paper, including ads, on the web
• Give up on print. Print readers are a dying breed. Cater to non-print readers and advertisers. Content from print is ok, but …
• Micropayments Stand-alone topic sites
• Using the newspaper brand to promote and develop a commerce-based web site
• Creating virtual communities
• Developing shopping and transaction sites that are independent of the news site -- but which use the credibility of the newspaper brand
• Combination advertising (user specific and banner) and micropayments for highly specialized content.

**Still searching for the right strategy (12 comments)**

• In the five years I've been the website manager, neither the publisher nor ad department has sold a single ad.
• I would like to learn a few so that I can get the most out of the website.
• Stay out of the business unless you offer something that the whole country/world is interested in. Nothing will replace holding a paper
• Not sure...
• Newspaper readership is declining, so the industry is having to re-invent itself. This is just the beginning.
• I wish I knew
• Since I'm a content editor and don't have anything to do with advertising, I don't know.
• There is no clear cut model here. For us, it's all about providing content throughout the day, not just repurposing the day’s paper.
• Unless you are in a huge market.... stay out. It's just not worth it at this time.
• Something entirely new. I don't know what it is, yet.
• We are not entirely certain and are investigating this right now.
• Don't know.