

Executive Summary

For decades, print advertising has been the lifeblood of newspapers' operating expenses, particularly for printing, distribution and editorial operations. Together these represent more than 70 percent of a newspaper company's expenses. As newspapers grapple with declining advertising revenues blamed on both cyclical and structural pressures, they are building a wide array of new revenue models to make up for the shortfall in advertising revenues.

In this volume, *9.2 New Revenue Models for Newspaper Companies*, the Shaping the Future of the Newspaper project explores how to piece together a New Revenue Mosaic of multiple revenue streams. The goals are to form a dynamic, multi-revenue stream business to support the editorial department, as well as the printing and distribution operations, and continue to provide a tidy profit for newspaper companies.

The New Revenue Mosaic can be made up of a multitude of revenue makers in digital and print media, and related businesses. This report will detail the many ideas, and will offer

expanded case studies on the revenue ideas that are being successfully executed at media companies around the world.

Some revenue models are emerging as hot topics for publishers, such as paid content and micropayments. Since 2008, media companies around the world have been debating the need to charge for their valuable content online, and in many cases, have joined forces in order to accomplish that worthy objective. Newspaper mogul Rupert Murdoch, for example, has said he will build a paywall for News Corporation titles around the world, but the details have not yet been announced, with the exception of newspapers under the Dow Jones Local Media Group umbrella, owned by News Corp., rolling out paywalls in January 2010. All-access to the Web site of The Standard-Times of New Bedford, Massachusetts, (southcoasttoday.com) for example, began costing users US\$4.60 per week in the first half of the month.

On 20 January 2010, New York Times publisher Arthur Sulzberger Jr. announced The Times will charge for content using a "meter"

The New Revenue Model Mosaic



Source: Shaping the Future of the Newspaper

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system starting in 2010, but did not announce details of the strategy. The meter payment method, used successfully by FT.com, allows 10 article viewings before requiring payment.

“Our audiences are very loyal and we believe that our readers will pay for our award-winning digital content and services,” Sulzberger said. Added CEO Janet Robinson: “This process of rethinking our business model has also been driven by our desire to achieve additional revenue diversity that will make us less susceptible to the inevitable economic cycles.”

In addition to paid-for content, scores of revenue-making ideas will be explored in this volume, including:

- **Endowments:** According to David Swensen, chief financial officer at Yale University and a financial advisor to the Obama Administration, newspapers could endow their journalistic operations, as many educational institutions are partially endowed, including Yale. For example, the US\$200 million per year editorial operation of The New York Times would require a \$5 billion endowment, assuming a 5 percent annual return. Multi-billion endowments would go a long way to fund journalism in segments, for example, a \$2 billion endowment might yield a \$100 million

per year budget, the amount reportedly needed to run American TV programme NewsHour. The Associated Press’ Tom Curley reckons that it would take the annual yield from a \$6 billion endowment to run AP’s core operations.

- **Memberships and syndication:** World news startup GlobalPost.com reported a \$1 million revenues in 2009, and expects to make \$3 million in 2010. The foreign reporting service employs more than 70 journalists in 50 countries for about \$1,000 per month. The journalists are required to file one story minimum per week. President Philip Balboni projects profitability in 2012. GlobalPost was launched in January 2009, by co-founders Balboni and editor Charles Sennott. They have built the company on three business models: advertising, a membership scheme called Passport, and content syndication.

- **Foundation grants:** Among the most promising foundation initiatives to fund journalism, are:

- The Center for Investigative Reporting will establish a California-based arm with \$2.4 million in foundation grant money to fund a staff of 10 to produce investigative reporting.

- The Kaiser Family Foundation of California recently launched its Kaiser Health Service

project, aimed at filling a growing void of national health coverage.

– Voice of San Diego has established science and environmental reporting positions, partly through foundation grants.

– The Knight Foundation has given \$24 million in grants to fund dozens of local news Web sites.

– The Huffington Post Investigative Fund received \$1.75 million in grant money to launch its investigative reporting unit.

– The international Human Rights Watch, which produces reports about human rights violations in 80 countries, has been given a grant to translate the long, dry content into snappy text and video journalism.

• **Governmental subsidies and tax breaks:** Subsidies and tax breaks that work for one country may not work for another, as the country's history and culture has everything to do with whether government involvement on any level will work. In Denmark, government subsidies and tax breaks are the norm – newspapers don't pay value-added taxes and receive distribution subsidies, for example. Meanwhile, in the United States, many newspapers have rejected any help from the government, other than asking for a relaxation on media ownership rules in some areas, saying they would rather go out of business than receive help from a government it is working to hold accountable. Governmental financial support, in the form of subsidies, tax breaks and paid notices, have been cut by more than 80 percent in the past 40 years.

• **Mobile subscriptions:** Hundreds of news companies have created iPhone apps for their news brands. While most are free to iPhone subscribers, several news publishers are charging several dollars for the download. Italy's *Corriere della Sera* and *La Gazzetta dello Sport* charge €2.39 for both their iPhone and Blackberry downloads, since October 2009. Breaking news, personalised sports news, football league tables, weather, local news, photos, videos and services are available on the applications. The Guardian sold about 70,000 subscriptions to its iPhone app in the month after its December 14, 2009 launch, at £2.39. At that rate, in one year, that could be a £2 million revenue stream, less Apple's 30 percent commission.

• **Not-for-profit entities:** The report explores not-for-profit status as a hedge against slowing revenue streams and as a way to harken back to journalistic roots, unencumbered by investor pressures of for-profit companies. Among the case studies are the Scott's Trust and the Poynter Institute, both not-for-profit organisations that own newspapers: the Scott's Guardian and Observer in the United Kingdom, and Poynter's St. Petersburg Times in Florida, United States. The report also looks at the non-profit structures of the Chicago News Cooperative, and the Press Association's planned public service journalism project in the United Kingdom.

• **Hyperlocal Web sites, newspapers and blogging:** The City University of New York's interactive journalism received a substantial grant from Knight Foundation to develop the "New Revenue Models for News" project (newsinnovation.com), in which hyperlocal blogging was identified as a potential revenue stream for newspaper companies large and small. The detailed financial analysis shows that the business could be a multimillion dollar business within three years. EveryBlock.com was also awarded a grant from the Knight Foundation, and in 2007 began organising and displaying public data and records according to location, down to the city block. Today, the grant period has ended and the site's code is open source. But EveryBlock founder Adrian Holovaty cringes at the term hyperlocal. Instead, he prefers microlocal, which better illustrates the process of publishing "anything and everything that's relevant to the neighbourhood level or deeper," he said. Users are constantly inundated with information, and the more intensely local information there is, "the more of a need to organise it."

• **Cross-media advertising** represents a powerful new revenue stream. Mega-media house IMPRESA in Portugal, with a combined portfolio of TV, radio, newspapers, magazines, mobile and Web operations, developed a clever and profitable answer to the plummeting real estate market, amid the economic crisis. They created a multimedia campaign with TV, Web and newspaper advertising to give away an apartment. The results: €320,000 profit from paid-for calls and texts in the contest. The campaign was so successful, they will repeat again in both Lisbon and the Algarve, Portugal's holiday destination.

- The Metro in London, the most circulated free newspaper in the world, has had success with online gaming, having earned more than £600,000 with four gambling games in 2009: Arcade, Casino, Poker and Bingo. Metro partners with “white label” European gaming company St. Minver, www.stminverltd.com, and payments from consumer go directly to credit and debit cards. Other St. Minver clients include Yahoo! UK and Ireland, and the Daily Mail in London.

While there are perhaps hundreds of revenue opportunities to exploit, a newspaper company needn't have to fashion a complicated and overwhelming New Revenue Mosaic. The prudent approach is to choose a handful of businesses that are a good fit for the newspaper company, and proceed full speed to make these revenue opportunities successful. This report serves as an idea guide for newspaper companies ready to move their enterprises to the next level.

- **Paid content:** 2009 was the year that publishers aggressively addressed these paid-content issues head-on.

As the world's newspaper publishers clamour for the remuneration of their valuable content, a variety of critics, researchers, entrepreneurs, practitioners and academics have emerged to evaluate the potential of paid content, and to develop models for publishers to transform the lackluster revenue performance to a lucrative business model.

Several major consumer studies showed that consumers are not ready to pay for most content. The key to charging, as this report's research shows, is that the content being charged for is unique, and cannot be accessed anywhere else, or if it can be, time is of the essence, as with financial news. The second important lesson is finding out how much to charge, and how audiences prefer to pay. For some, that means a monthly subscription, payable on the newspaper Web site by credit card. For others, that means the ability to pay by article, or by day. As with any other decision a newspaper makes, knowing the audience, what it wants and how it wants it is of utmost importance. For many, offering audiences several choices on what they can access and how they can pay seems best.