

The news business model conundrum: how can news organisations survive in the digital world?

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News is ubiquitous: it has never been easier to access, and there is huge choice of content, formats and devices available. Yet the question of how it is funded is becoming increasingly urgent. For most media businesses the majority of their revenue still comes from traditional formats, but consumption of print and TV news is in decline, especially by the young.

The news funding crisis

A decade ago Kantar Media began a series of qualitative investigations of news, exploring its definition, structure, cycle and consumption against a backdrop of growing access to and use of alternative platforms. Our paper¹ about multi-platform news consumption dissected how platforms contribute to and extend the news cycle, and how new means of access were shifting perceptions of traditional platforms, particularly newspapers, pointing to tectonic shifts in the news industry.

Change continues apace – mobile websites and apps now put information at people’s fingertips throughout the day, aggregators conveniently serve up a range of content, and breaking stories spread quickly through social media – to the point that digital disruption is now threatening the survival of the industry. As audiences migrate online, lured by apps on their mobile devices, they are increasingly consuming news through social media and other distributed platforms. Where audiences go, advertising is quick to follow; but with this ad revenue being sucked up by the tech behemoths – who are curators rather than creators of news content – an important source of funding is disappearing. This is placing the professional production of news in jeopardy.

The news industry’s problems are compounded by the prevalence of ad blockers, which undermine the monetisation of content, coupled with widespread consumer reluctance to pay for online news² in an environment of abundant free content. Fake news, alt facts and online echo chambers are adding to the destabilising effect (although this has been a boon to some long-established news brands). Thus, the attention of news organisations has expanded from how to deliver multi-platform news to more fundamental questions of financial survival and how to secure the future of journalism.

The news industry has brought some of these woes on itself. Having given news away free of charge for so long, consumers have been taught to expect not to pay for it. And the industry continues to feed them. There is also little consumer appreciation of the funding plight facing the industry, and some incredulity when the predicament is explained, as is illustrated by these two comments:

“News is everywhere and a lot of it’s free. Why would I want to pay for it?”
(35-54, UK)³

“I never really thought they were losing funding... I thought so many were accessing the news online that they make so much money from advertising.”
(20-34, UK)

Amidst this bleak picture there is some good news for the industry in that many consumers do value it and want it to survive, particularly the young who are more accustomed to paying for digital media. Over 4 in 10 people would be concerned by the prospect of news organisations going out of business – rising to over half of 18-34 year olds.⁴ Many people instinctively know that news is – in the words of philosopher Alain de Botton – the “prime creator of political and social reality”⁵ and they cannot conceive a world without news.

¹ [“Tomorrow’s News: Consumer News-Gathering in a Digital Age”](#) presented at the Worldwide Readership Research Symposium (now PDRF) in 2009

² According to the Reuters Institute’s [Digital News Report](#) 2017, 6% in the UK pay for online news, 7% in Germany, 14% in Finland and 17% in the US, rising to 26% in Norway

³ This and other quotes are sourced from Kantar Media’s qualitative research on [“Attitudes to Paying for Online News”](#) conducted for the Reuters Institute for the Study of Journalism, University of Oxford, as part of their Digital News Report 2017 – see footnote 6

⁴ Kantar Media’s Trust in News study, 2017: 44% are concerned that some news organisations may go out of business, meaning less choice for them; this rises to over half (52%) of 18-34 year-olds

⁵ Alain de Botton, *The News: A User’s Manual*

Researching attitudes to paying for online news

Drawing on a multi-country qualitative study conducted for the Reuters Institute for the Study of Journalism at the University of Oxford,⁶ as well as data from Kantar Media's Trust in News study,⁷ this paper explores the thorny issue of funding journalism. With so much content available free of charge, news as a product has been devalued and much content has been commoditised. So where does consumer value lie in online news, and how can it be unlocked?

There is a predicament in news itself. News is a varied product – it comes in different formats, covers different topics and changes as a story evolves – and the abundance of information online can obscure the value of professional journalism in the eyes of many consumers, rendering some news undifferentiated from the morass of information available online. This can complicate purchase decisions. What, then, is of value to consumers? Where does consumer value lie in online news?

Furthermore, if news organisations are to prosper they need to persuade people to pay for online news. How should news organisations articulate this value, and what funding models are consumers likely to accept?

Drivers and barriers to online news

Those who pay for online news do so for a combination of content, brand and platform benefits. On its own, content is unlikely to be strong enough to persuade many more to pay, because of the abundance of free news, but delivered with convenience and a strong brand there is hope.

The content for which people are willing to pay provides a great experience, founded on great journalism – which means specialist coverage, insightful analysis and, ideally, unique content delivered with a compelling writing style.

“Some people are more engaging, I find. Personally, that’s why I pay for the New York Times.”
(20-34, US)

Some consumers are also drawn to what they perceive as valuable extras such as crosswords and archive access: paying raises expectations. This content needs to be available seamlessly across all devices, complete with apps that can be customised to prioritise content of interest. Indeed, apps increasingly set expectations and fit conveniently into the rhythm of commuting.

The news brand provides quality assurance amidst the uncertainties of the online world. Some people also choose to pay to support the brand and its distinctive offer, as the following comment illustrates.

“It’s a good thing for society... There are sources that are very important – the market doesn’t endow them with huge readership, even though what they’re reporting is essential... they need the money.”
(20-34, US)

However, there are some intrinsic barriers in the ways that news organisations offer their product. The idea of news subscriptions can provoke anxiety about wastage when news is paid for but not used. There is also a desire in some people to consult multiple sources online for different voices and perspectives, allowing them to triangulate the facts in pursuit of a story of interest, while also enjoying the serendipity of encountering different stories through aggregators. In this world, being tied down to a long-term subscription from a single source seems antiquated. This foraging behaviour has become habitual in many news consumers. Aggregators play to this consumer need, if not directly to news organisations' business interests, although the comment below points to an approach that might work.

“I’m saying that aggregators are a great thing. But it doesn’t mean they all have to be aggregated from different news sources. It could be aggregated from different journalists from the same umbrella. As long as I can pick up and choose the stories or the journalists that I want to hear I don’t care if they do all work for News International or the Mirror Group.”
(35-54, UK)

⁶ See Kantar Media's qualitative research on [“Attitudes to Paying for Online News”](#) conducted for the Reuters Institute for the Study of Journalism, University of Oxford, as part of their Digital News Report 2017. The research comprised eight pre-tasked discussion groups and sixteen mini-depths with a mix of younger and older news consumers in Finland, Spain, the UK and the US, with fieldwork conducted in February and March 2017

⁷ Kantar Media's Trust in News study is based on an 8,000-strong survey of news audiences split evenly between the UK, US, France and Brazil. The interviews were conducted online by Kantar from 2-10 June 2017. News audiences were defined as anyone who had read/seen/heard the news at least once in the last week. Their profile and corresponding demographic quotas for recruitment were determined using data from Kantar Media's TGI consumer survey in each region

Learning from other paid media

We decided to draw inspiration from successful businesses to illuminate some lessons. Not all media are struggling. Digital media businesses, such as Netflix and Spotify, have been growing in popularity around the world, in stark contrast to the fortunes of traditional news organisations. As with digital businesses in other sectors, their consumer value proposition and business model have challenged long-established practices and disrupted incumbents in the market. They have succeeded in developing large numbers of subscribers that provide strong revenue streams. Their offer of entertainment, vast choice, and price points framed favourably by more expensive incumbents provides a stark contrast to the news offer, which involves more effort, content that dates quickly and the context of abundant free content. These consumer comments put it bluntly:

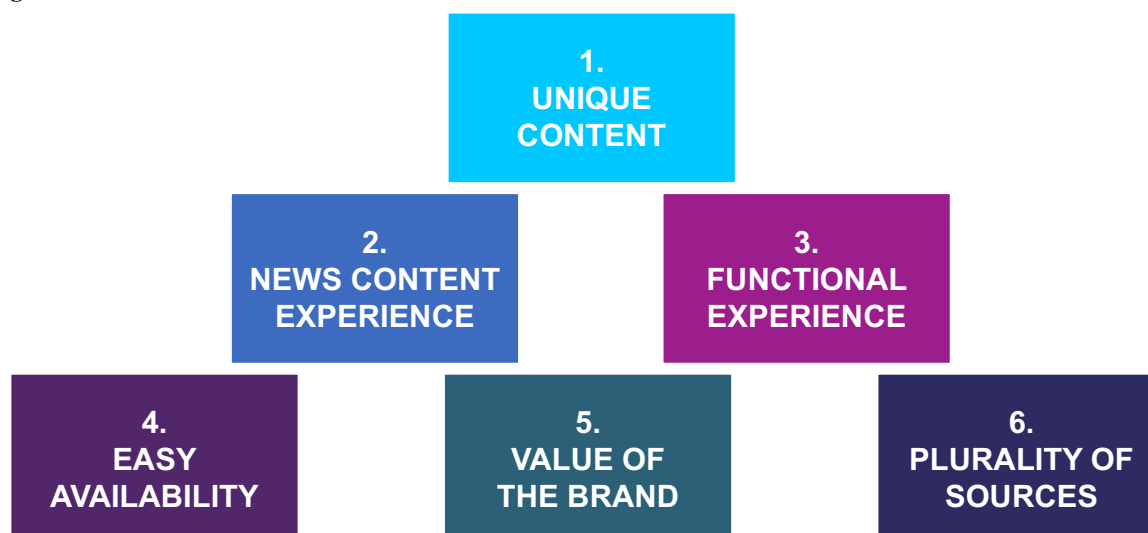
“The difference is that Netflix and music are entertainment media, which you’re happy to pay for because it’s going to make you feel better.”
(35-54, UK)

“I don’t read the same story in the same way that I re-watch the same movie or the same album.”
(35-54, UK)

Consumer value in online news

Nevertheless, the comparison provides valuable insights about where value lies in the news industry. Much news has become commoditised, but there are six areas that may be leveraged.

Figure 1: Consumer value in online news



1. **Unique content** – There is value in exclusive content, news about specialist topics and coverage of niche interests. People are more likely to pay for this because there is value in scarcity. There is also value in variety, which allows serendipitous content discovery, as well as evergreen content that remains relevant beyond the daily news cycle.
2. **The consumer experience of news content** – There may be value in providing a superior consumer experience: online news that is incisive and offers deeper analysis of macro issues, while being digestible and compellingly composed by writers of repute.
3. **The functional experience** – The functional experience of online news should be smooth and capitalise on technology. Apps provide convenience and should be customisable for a frictionless experience. Superior functionality suggests the potential for providing premium options that offer added value to consumers.
4. **Easy availability** – Technology should also allow an online news brand to be used seamlessly across any platform and device. Payment or other funding options may be structured for different degrees of access and use. Reach could be extended through inclusion of news in bundles with other services, as long as potential risks to the brand’s impartiality and integrity are assessed.
5. **The value of a brand** – A reputable brand signals trustworthiness and stands for something. It suggests high quality journalism, superior writers with refined storytelling skills, a distinctive tone and style, and an authoritative voice.

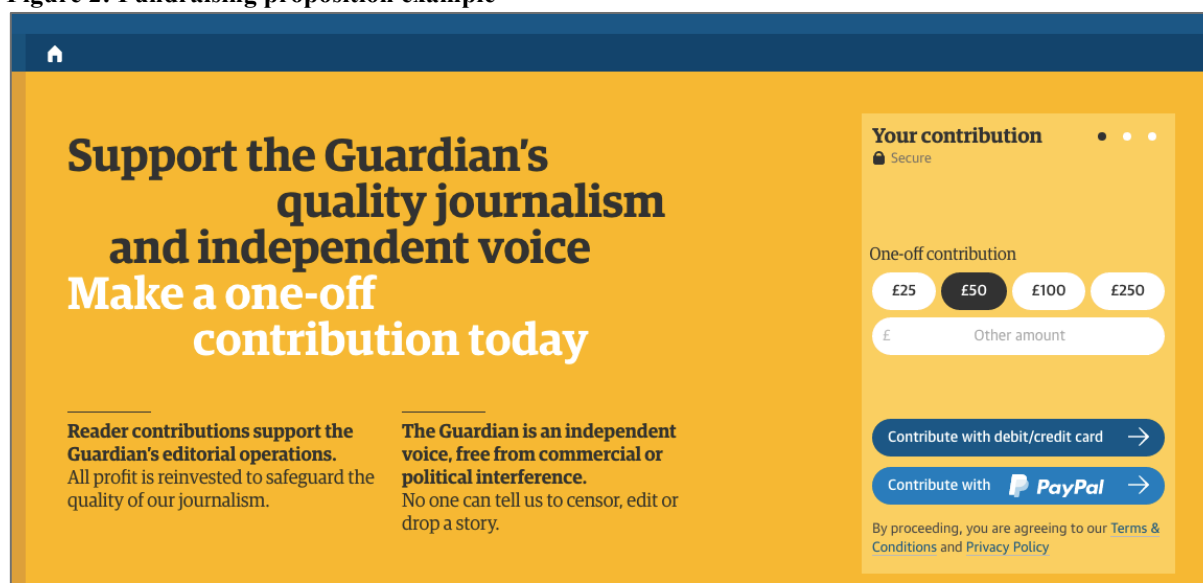
6. **Plurality** – The different views and perspectives that come from a plurality of sources and brands, which online news facilitates, is one further way in which consumer value might be realised. Aggregators greatly facilitate this.

Combinations of these criteria are likely to provide value to consumers of online news, allowing differentiation from commoditised news. The opportunity for news businesses lies in these areas of higher consumer value.

Delivery propositions

When market dynamics change, businesses need to respond. News has long been packaged for consumers in print and broadcast formats, but digital increases the possibilities for delivery and engagement. News providers are developing new ways of disseminating their content and seeking models that provide revenue.

Figure 2: Fundraising proposition example



Fundraising and membership clubs are one such model, but they are surprising ideas to news consumers that have not encountered them. Most participants considered it inappropriate for a commercial company to be fundraising.

“It feels like it should be a charity for my cats or something like that. It doesn’t sit right with me – fundraising.”
(35-54, UK)

“I don’t really have a bleeding heart for these kind of websites. I am more of a home town girl trying to give my money towards people I know.”
(20-34, US)

They associated fundraising with charities and non-profit organisations, and by extension with social and personally relevant issues. Raising money for a good cause or a local need did not fit with their image of news companies and media mogul owners. This opened up further concerns about the potential for political interference if financial support were given with strings attached, as well as suspicion of financial mismanagement. Fundraising might send a worrying signal of desperation that could tarnish a news brand.

Participants were given the example of Wikipedia, which uses fundraising requests, to help envisage the proposition. However, Wikipedia was considered illustrative of a non-commercial enterprise, which for many reinforced their reactions towards the proposition of news organisations resorting to fundraising.

“In principle, it’s a good idea. Wikipedia is understandable, but can’t business companies make money doing business, rather than asking for money?”
(35-54, FN)

On further consideration, some people conceded that the fundraising approach might work for small, independent organisations, especially those with niche specialisms that are distinctive and poorly covered by mainstream media, or those with a differentiated proposition and distinctive voice (such as the Guardian, which was presented as an example in the UK

and US). This would be more akin to supporting a good cause and would fit, for example, with those of an activist mind-set. Indeed, one participant in the US explained that he supports The Young Turks⁸ for this reason.

“One of the things that I subscribe to has a very distinct, left of centre, progressive ideological viewpoint, which is not hidden at all, and I am totally willing to pay for that.”
(20-34, US)

Paying for membership seemed like a more regular way than fundraising for consumers to relate to a commercial organisation, albeit still a little unusual. It seemed more credible, although left some people wondering how it differs from a straightforward subscription.

“They call you a member, but you're a subscriber.”
(20-34, ES)

Does it imply some kind of kudos in a dressed-up variation on subscription? Does it refer to becoming a shareholder? Neither held strong appeal.

Those who did not share these reservations could see some potential. Membership represents a more recognisable arrangement than fundraising and would therefore be better positioned to achieve the desired result, especially for a favoured brand. They found the idea of privileges and extras interesting, although would prefer them to relate to news content rather than, say, merchandise. Warming to this idea, some participants envisaged benefits being extended into other areas such as theatre, travel and other lifestyle benefits.

Figure 3: Soft payroll example

The screenshot shows a news article on the left and a list of premium content on the right. The article text is partially obscured by a paywall. The premium content list includes five items, each with a large number and a 'PREMIUM' tag.

EDITOR'S CHOICE

- 1** Telegraph Sport leads the way with 19 nominations for the prestigious SJA awards
03 Feb 2017, 10:34am
- 2** **PREMIUM** Sir Ian McGeechan's Six Nations scouting dossier - tactical guide to the teams
SIR IAN MCGEECHAN
03 Feb 2017, 7:00am
- 3** **PREMIUM** Exclusive interview - Robert Pires: 'More English players could win Arsenal the Premier League'
02 Feb 2017, 10:30pm
- 4** 'Liz Taylor asked where we could talk. I said: In bed' - broadcaster Ian Robertson has seen it all, but he says nothing beats the Six Nations
02 Feb 2017, 5:30pm
- 5** **PREMIUM** Six Nations predictions: Can England retain their title or

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<ul style="list-style-type: none"> ◆ One Premium article per week ◆ Newsletters and daily briefings ◆ Comment on articles 	<ul style="list-style-type: none"> ◆ Unlimited Premium articles ◆ Exclusive Subscriber Events ◆ Enjoy Telegraph Rewards

Paying for unrestricted access to content behind a soft paywall is a more familiar and accepted idea. Participants recognised the need of commercial organisations to attract paying customers.

⁸ The Young Turks is a progressive American news and commentary programme on YouTube and elsewhere

“I don't think that's bad to pay to continue reading. You get an idea of the news with the headlines. If you want to go deeper, you pay.”
(35-54, ES)

When compared with the preceding ideas, the proposition resonated with some participants, who were familiar with the restrictions of paywalls and attracted by the straightforward equation of money providing access. Soft paywalls that deny or limit access can be irritating and this proposition represented a solution.

There was also recognition that the degree of access to content allowed by soft paywalls – be that partial reads or limited numbers of reads – can serve as a taster, allowing a ‘try before you buy’ approach, which would be appealing for unique content. However, on the other hand, this approach can also prove frustrating, especially to younger people who may take umbrage and quickly move on to another news source.

In an environment of plentifully available free content, the entrenched mind-set of not paying for online news means soft paywalls are not axiomatically a guarantee of funding success. Participants felt that for every news article partially or completely hidden behind a paywall there is another accessible without restriction. There was therefore some preference for soft paywalls to work on a pay-per-use basis rather than a full subscription model – an idea that anticipated another proposition, covered later.

There were also discussions about the level of expense that would be acceptable, which shifted the emphasis from value to cost.

“[If] they were going to charge me a buck ninety-five to read that article and I desperately wanted to read it, then fine I'd read it.”
(35-54, US)

It would be appealing to have the flexibility of ad hoc access to content, particularly for one-off use where the commitment of a subscription would not be of interest. Some people suggested extending ad hoc access from per article to per day or longer. Nevertheless, the proposition seemed unlikely to break consumers’ free news habit.

Figure 4: Hard paywall example

The screenshot shows the 'Subscription Options' section of The Times website. It features two main offers:

- The Classic 5 Day Pack:** Priced at £1.67. It includes a winter sale for 3 months at the price of 1. Benefits include saving up to £69 on the cover price of papers, access to print editions Monday to Friday, the smartphone app, 7 days of website access, and Times+ access.
- The Digital Pack:** Priced at £2.00. It also includes a winter sale for 3 months at the price of 1. Benefits include the tablet edition 7 days a week, the smartphone app, 7 days of access to both websites, and Times+ access.

Both offers include 'Continue to checkout' and 'View full details' buttons.

Subscriptions – where content is placed behind a hard paywall – are familiar in news as well as other media services. An idea familiar from the worlds of print and broadcast, this proposition was considered straightforward and describes the direction of travel of print news publishers – although some people prefer to pay for a printed newspaper when committing to a subscription.

“In Kauppalehti [business magazine] I only have the online version. I don’t have time to read it [all in print] and I don’t want to waste paper.”
(35-54, FN)

Subscription is also familiar from entertainment media brands that provide cable TV, VoD and audio streaming services. Their different tiers of subscription, free trials, and options to receive with or without advertising provide choice that allow different levels of access. The choice architecture also permits decoy positioning that encourages higher value subscription.

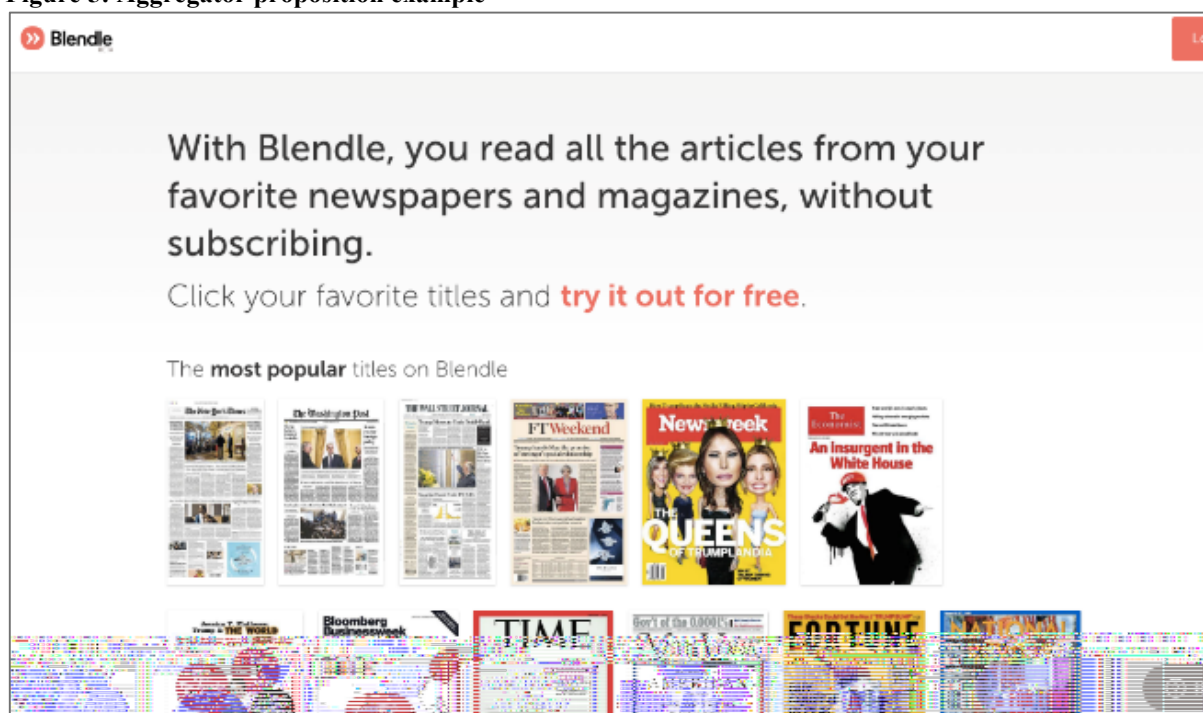
The proposition could be sweetened further if rolled into a package with other content: for example, The New York Times plus Netflix in the US. This elaboration of the subscription idea touched on the intractable problem of online news subscriptions and how to encourage people to pay, in that the walled garden approach of online subscription has not proven to be an infallible winning formula. As one participant observed:

“Haven’t a lot of them tried subscription and that’s failed?”
(35-54, UK)

Resistance would be reduced if all news brands adopted a uniform approach and cut off the supply of quality professional journalism. This, though, would limit content discovery, to which soft paywalls are more suitable. More significantly, it would also go against the grain of plurality of sources, which is considered an important benefit of freely seeking and consuming news online, assisted by search engines and aggregators.

“The disadvantage is it is only one media outlet.”
(35-54, ES)

Figure 5: Aggregator proposition example



This points to the appeal of aggregators, which speak to the surging appetite for news. (Indeed, Kantar Media's Trust in News study identified increasing numbers of news sources being used, especially by younger people.⁹) This proved the most interesting and appealing proposition for paying for online news, and had been anticipated to some extent in the consideration of the other propositions. It actually combines two ideas – micropayments and aggregation – both of which resonated to some extent, although the aggregation element drew stronger support.

The idea of aggregation taps into current popular behaviour and provides a strong benefit that most believe cannot be provided by any known existing approach to paying for online news. All the other propositions imply paying for online content from a single provider, whereas this proposition implies opening up to multiple sources.

"I like the range and per article. I think that is an amazing idea."
(20-34, US)

"I quite like this, but you really need to be able to choose yourself."
(20-34, FN)

"If you make your bundle yourself, and you get it for €5 a month and you've made your customised bundle, then maybe."
(20-34, ES)

"I like the idea of the aggregator but [with a] one off entry price."
(35-54, UK)

As well as delivering a plurality of sources, aggregators allow customisation and provide the combination of news that is important and content that is of interest. Aggregators are also considered useful for content discovery by those who are familiar with them. However, they are not universally understood and admired and some people (who tend to be older) prefer the intervention of an editor.

The micropayment element of the proposition attracted a more mixed reaction. While the freedom and flexibility of paying per use had already been suggested in response to some of the other propositions, when examined more carefully it surfaced some questions and concerns. It could work well for those who fear being overloaded with content and therefore unwilling to commit to a subscription. But, conversely, it was feared that anyone gorging on content might quickly run up expenditure greater than the cost of a subscription.

"Every time I am deciding to read an article, even though it is cents, I am going to think do I really want to read this article?"
(35-54, US)

Thus, the proposition's focus on money was widely off-putting. Moreover, the pay-per-article approach would entail the effort of constant decision-making and pressure to get value.

Unfamiliarity and lack of experience with micropayments provoked lots of questions. What if I don't like the article? How would credit card auto top-up work? What if I'm charged incorrectly? These questions were posed within a context of news aggregators being available free of charge.

Yet, others (notably younger people) were able to see through these worries to the benefits of easy access to a wide range of content of interest. Some envisaged it working like an online payment wallet.

"This could actually, could work with the wallet concept and you could choose the different sources, and you have your ten euros in your wallet and then it's 10c per article, it depends on how it's executed."
(20-34, FN)

Some people pushed the proposition further and suggested aggregating subscriptions rather than pay-per-use, thus removing any anxiety about unlimited expenditure whilst mitigating the perceived disadvantage of restrictive traditional subscriptions.

⁹ Among news audiences in general, 39% are using a greater number of news sources in 2017 than 2016. This rises to 49% among 18-34 year-olds, who are also the group accessing news across the largest number of sources. Among 18-24s, the proportion consuming news via social media is the same as the proportion watching it on TV channels (67%).

Lessons for the news industry

It will not be easy to persuade people to pay for online news in the context of abundant free content. Commercial revenue is likely to continue to have a role. Funding through advertising and sponsorship needs to strike a balance in the degree of friction imposed by advertising formats and the degree of blurring of editorial-commercial boundaries that characterises sponsorship in its various guises. Consumers would be more accepting of formats that allow them to navigate editorial and commercial space without confusion. Monetisation of the frictionless but blurred boundary between editorial and commercial content will therefore need to be approached carefully to win consumer acceptance.

Nevertheless, there are pockets of consumer value in various aspects of news, across content, delivery format and brand. But while free sources of online news persist, paid-for news organisations will need to articulate effectively how their product is different and, ultimately, why it is worth paying for their news.

The prospects of releasing this value would be enhanced by:

- Emphasising the value of news production by professional journalists – because this would differentiate the accuracy and reliability of quality news production from raw social media content;
- Offering free or low cost trials and more flexible subscriptions (both duration and content mix) – because they reduce the risk of commitment;
- Developing aggregation offers – because many consumers have come to value the plurality of voices and perspectives that can be found online;
- Public education about the news industry's funding crisis in order to re-frame the issue – because there is little appreciation of what is at stake for consumers. It will be a challenge to do so convincingly in the context of abundant free news, which has taught consumers to expect news online to be free, but there is hope in that younger people seem to be more willing to pay for online news.

Subscriptions and aggregators are the most popular approaches to delivering paid-for online news because they allow unlimited access and simplify decision making. Familiarity helps: if micropayment were more commonly used it could become a credible approach. However, participants' suggestion of a subscriptions aggregator (a bundle of subscriptions) – which taps into the aggregation mind-set without an incessant focus on payment decisions – points to the influence of evolving online habits and the direction of travel in the evolution of news consumption. Consumers would favour a subscription aggregator over other payment propositions because it combines content plurality with simplicity in decision making, and it puts news on the trajectory of evolving technology.