

**Remodeling Newsonomics:
A Study of the Transformation of Business Models in Journalism**

by

Xiaoyu Yan

B.A., Philosophy
Columbia University in the City of New York, 2014

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Signature of Author

Xiaoyu Yan
Integrated Design & Management Program
May 19, 2020

Certified by

Tony Hu
Academic Director, Integrated Design & Management Program
Thesis Supervisor

Accepted by

Matthew S. Kressy
Founding Director, Integrated Design & Management Program

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Submitted to the Integrated Design and Management Program
on May 19, 2020 in partial fulfillment of the requirements for
the Degree of Master of Science in Engineering and Management

Abstract

The past three decades have been exciting yet challenging times for journalism. Thanks to massive advancements in technical capability, journalists were able to reach global audiences and produce more diverse, insightful and powerful reporting. However, the Internet also profoundly disrupted long-established business models and proved journalism to be a seemingly unprofitable venture. Major revenue streams have been in staggering decline. As a result, newsrooms were forced to shrink their staff and ambitions, and the general public was losing access to accurate and important information. It is urgent to examine the limitations of current models and envision possible paths forward, as journalism is crucial to building and maintaining healthy civic discourses, a robust public sphere, and a well-functioning democratic society.

This thesis intends to focus on independent news media, primarily legacy newspapers, in contemporary liberal democracies in the U.S. and Europe. It aims to answer the following questions, with each detailed in its respective chapter: how has the Internet reshaped the news business; what are the current major revenue streams (e.g., advertising and subscription) as well as the lesser-known, emerging monetization methods (e.g., micropayment and service bundling); and how do new business models drive organizational design and product thinking, in the lens of digital subscriptions.

Thesis Supervisor:

Tony Hu

Title: Academic Director, Integrated Design and Management Program

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Chapter 1: Introduction

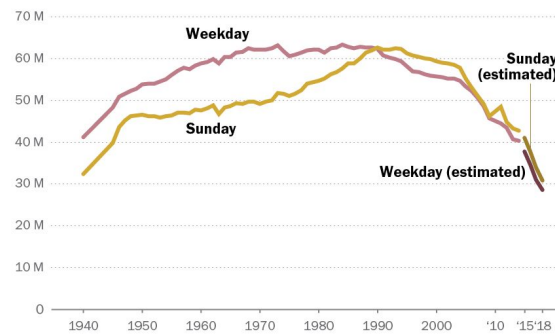
1.1 Current Situation

The past three decades have been exciting yet challenging times for journalism. Thanks to massive advancements in technical capability - smartphones, live video, social media and so on - journalists were able to reach global audiences and produce more diverse, insightful and powerful reporting. However, the Internet also profoundly disrupted long-established business models and proved journalism to be a seemingly unprofitable venture.

For much of the twentieth century, there were two major revenue streams for journalism - print circulation and advertising. Both have been in staggering decline. According to a Pew Research Center analysis below (fig. 1), total daily newspaper circulation in 2018 was down 8% for Weekday and 9% for Sunday, marking the 30th consecutive year in overall decline and reaching its lowest level since 1940. A separate Pew Research Center analysis (fig. 2) illustrates a simultaneous double-digit fall in advertising revenue. Based on the annual financial statements of seven publicly traded U.S. newspapers, the analysis shows a 10% decrease in advertising revenue in 2016, outpacing the 8% decrease from 2015. The total advertising revenue for U.S. newspapers fell from \$37.8 billion in 2008 to \$14.3 billion in 2018, marking a 62% decline and a historic low in the decade.

Newspaper circulation falls to historic lows in 2018

Total circulation of U.S. daily newspapers



Note: To determine totals for 2015 onward, researchers analyzed the year-over-year change in total weekday and Sunday circulation using AAM data and applied these percent changes to the previous year's total. Only those daily U.S. newspapers that report to AAM are included. Affiliated publications are not included in the analysis. Weekday circulation only includes those publications reporting a Monday-Friday average. For each year, the comparison is for all newspapers meeting these criteria for the three-month period ending Dec. 31 of the given year. Comparisons are between the three-month averages for the period ending Dec. 31 of the given year and the same period of the previous year. Source: Editor & Publisher (through 2014); estimate based on Pew Research Center analysis of Alliance for Audited Media data (2015-2018).

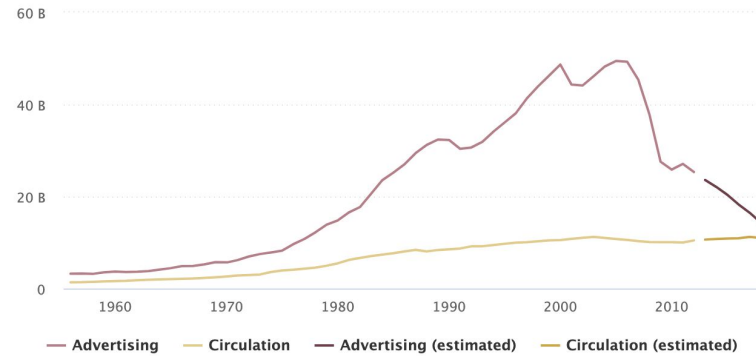
PEW RESEARCH CENTER

Figure 1. Total circulation of U.S. daily newspapers in 1940-2018 (Pew Research Center)

Estimated advertising and circulation revenue of the newspaper industry

Chart Data Share Embed

Total revenue of U.S. newspapers (in U.S. dollars)



Source: News Media Alliance, formerly Newspaper Association of America (through 2012); Pew Research Center analysis of year-end SEC filings of publicly traded newspaper companies (2013-2018).

Figure 2. Total revenue for U.S. newspapers in 1956-2018 (Pew Research Center)

As a result, newsroom employment suffered significantly. Despite having the most devastating global financial crisis in recent memory, 2008 ironically seems to be the best year for the news industry since then. Between 2008 and 2018, jobs in newsrooms dropped by 25%, primarily driven by one sector - the newspaper publishers. There were only 38,000 newsroom jobs left at publishers compared to 71,000 jobs from 2008, reaching a shocking 47% decline within a decade (fig.3).

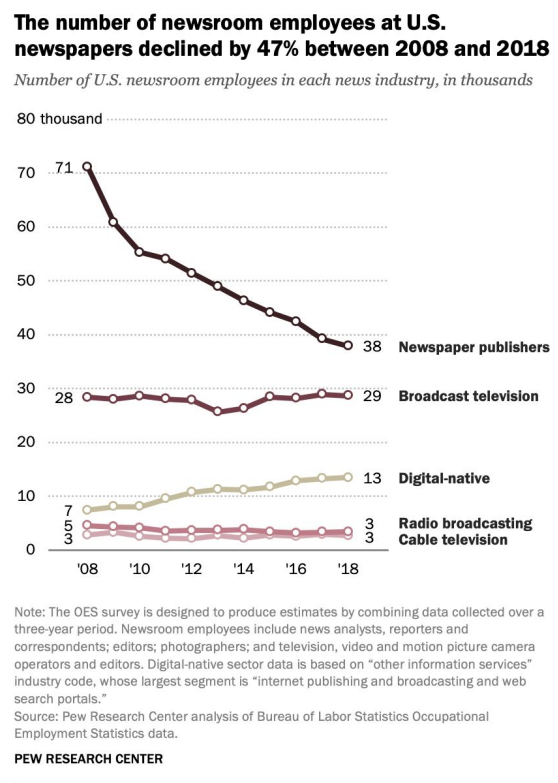


Figure 3. Number of U.S. newsroom employees in each news industry in 2008 - 2018 (Pew Research Center)

1.2 Why Should We Care?

Traditional business models failed to adapt, but why should we care? I argue that it is urgent for us to care about the limitations of current models and envision possible paths forward, because journalism is crucial to building and maintaining healthy civic discourses, a robust public sphere, and a well-functioning democratic society. A direct outcome from the grim financials is the growing news deserts in the U.S. (fig. 4) Newsrooms across the country were forced to shrink their staff and ambitions, and the general public was losing access to accurate and important information.

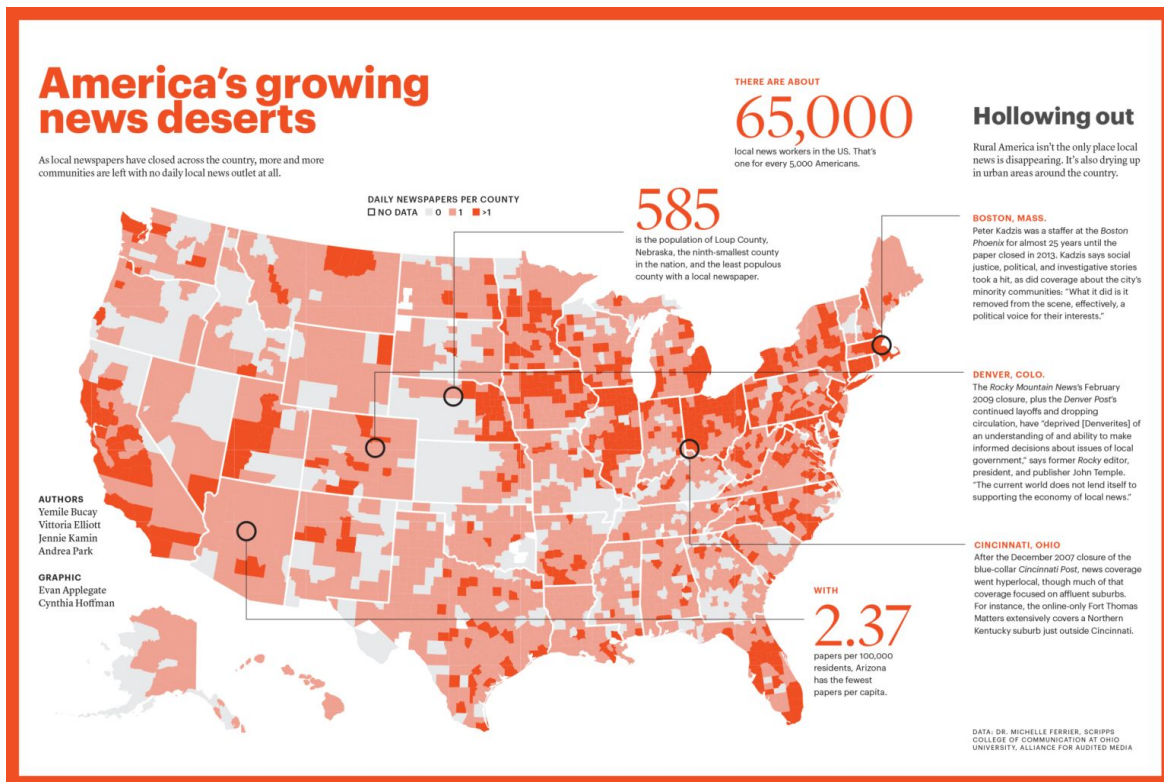


Figure 4. America's growing news deserts (Columbia Journalism Review, 2017)

Among the many interpretations of what functions journalism can serve to democracy, Michael Schudson offers an excellent account: “I. *information*: the news media can provide fair and full information so citizens can make sound political choices; II. *investigation*: the news media can investigate concentrated sources of power, particularly governmental power; III. *analysis*: the news media can provide coherent frameworks of interpretations to help citizens comprehend a complex world; IV. *social empathy*: journalism can tell people about others in their society and their world so that they can come to appreciate the viewpoints and lives of other people, especially those less advantaged than themselves; V. *public forum*: journalism can provide a forum for dialogue among citizens and serve as a common carrier of the perspective of varied groups in society; VI. *mobilization*: the news media can serve as advocates for particular political programs and perspectives and mobilize people to act in support of their programs.” (Schudson, 2008)

In addition, future business models supporting journalism have major implications for adjacent industries, such as advertising, digital subscriptions and entertainment.

1.3 Research Scope and Focus

I fully recognize that the definitions, economics, structures and social functions of journalism differ vastly across geographies, cultures and ideologies. However, considering the varying levels of accessibility to scholarly studies, market data and industry experts, this thesis intends to focus on independent news media, primarily legacy newspapers, in contemporary liberal democracies in the U.S. and Europe.

This thesis aims to answer the following questions, with each detailed in its respective chapter:

- How has the Internet reshaped the news business? (Chapter 2)
- What are the current major revenue streams (e.g., advertising and subscription) as well as the lesser-known, emerging monetization methods (e.g., micropayment and service bundling)? (Chapter 3)
- How do new business models drive organizational design and product thinking, in the lens of digital subscriptions? (Chapter 4)

1.4 Research Methodology

A mix of quantitative and qualitative, primary and secondary research methods were employed.

A number of qualitative interviews were conducted with industry experts and academic researchers, including professional journalists, product managers, user experience designers, media scholars and management professors. Also, an industry scan was conducted leveraging the aforementioned primary sources as well as secondary market research and literature review.

Quantitative analysis was conducted to compare and contrast the revenue streams, market shares, profit margins and business models between companies. Sources of data include but are not limited to income statements, annual earnings reports, news reports and consumer surveys.

Chapter 2: How the Internet Disrupted the News Business

Both long-existing revenue streams - print circulation and advertising - have been severely undercut by the Internet. A team of researchers led by Emily Bell and Taylor Owen at the Tow Center for Digital Journalism studied this topic extensively, and in a 2017 paper suggested that the Internet disrupted the news business in three waves - the shift from print to digital, the rise of the social web, and the dominance of mobile (Bell & Owen, 2017).

2.1 From Print to Digital

The first wave occurred between the arrival of the commercial web in 1994 and the common access to broadband in 2004. During that time, news organizations were primarily concerned with how to transfer their reporting from the print format to a digital format. This decade coincides with the beginning of a steady decline in print circulation, and brings tremendous uncertainty around the future of journalism. However, there was sustained optimism that “a new digital ecosystem could be built on the traditional values and methods of journalism, where a financial model supports, and even innovates around, the core accountability and civic functions of the free press.” (Bell & Owen, 2017)

2.2 Rise of the Social Web

The second wave in the following decade (2004-2014) soon dispelled such optimism with anxieties and fears. On the one hand, thanks to Web 2.0 technologies and the rise of the social web, this period witnessed remarkable experimentation around who can produce news and how

to distribute it. Bloggers, activists and virtually anyone with access to the broadband could upload and publish multimedia pieces within minutes. Digital native publishers such as ProPublica, BuzzFeed and The Huffington Post also joined the fray, many of whom remained active today. Journalists collaborated with each other online and crowdsourced information, often resulting in more diverse and insightful reporting. The advent of iPhones in 2007 further helped newsrooms to reach an audience wider than ever before. The Internet, with its promise of democratizing access to information for all, seemed to perfectly align with the mission of journalism.

On the other hand, the actual financials from news organizations were bleak. Advertising and print circulation were declining at a sharp rate, and digital subscriptions failed to make up for the revenue loss from print. A number of reasons have been discussed by academics and executives.

First, existing revenue streams were falling short partly due to “audience fragmentation” driven by an ever-expanding range of choices for news content sources available online, free of charge (Macnamara, 2010). Essentially, daily newspapers, TV broadcasts and radio were no longer people’s daily attention concentrators. Instead, they were threatened by options offered on the Internet.

Second, some traditional media companies, and legacy news organizations in particular, became complacent with their monopoly and oligopoly status over the years largely due to a lack of market competition. As a result, they did not invest sufficiently in the research and development

of new products and services in response to the Web 2.0 environment of the social web (Pavlik, 2008). For instance, classified advertisements that covered anything from selling furniture, fixing cars to finding a date still took over entire columns, even pages of a newspaper, despite a lack of interest from most readers.

Third, and most importantly, the social web broke “the vertical integration of the [news] industry, which guaranteed access to audiences through privileged and high-cost distribution systems.” (Bell & Owen, 2017) The daily newspapers used to control both the production and the means of distribution for information - the printing presses and the physical delivery network of paper to numerous locations. In the era of the social web, the distribution essentially became costless. What used to be the heavy-lifting and high barriers to entry - the incredibly efficient mechanism of printing the New York Times (NYT) on paper, holding it up, loading it onto a delivery truck, and delivering it to a reader’s front door everyday, for less than \$2 a day - was replaced by the close-to-zero-cost process of running a web server (fig. 5).

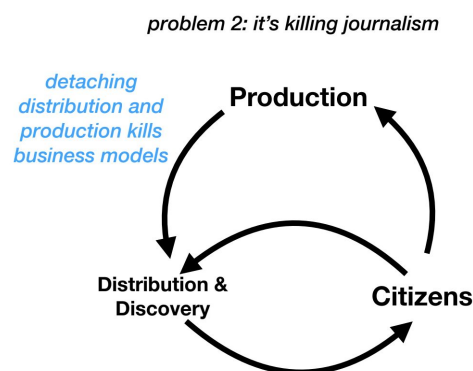


Figure 5. Graph from the “Future of News and Participatory Media” class at MIT (Zuckerman, 2019)

All three aforementioned reasons combined led to a collapse of long-established business models of journalism during the rise of the social web. In Chapter 3, I will discuss in more details their lasting impact on advertising.

2.3 Dominance of Mobile

Now journalism is in midst of a third wave of technological change - the dominance of mobile - or more specifically, “the move from desktop computers to the small screen of the smartphone and the development of a privatized mobile web enclosed and monetized the promise of the open web.” (Bell & Owen, 2017) Smartphones become our portals to the world, and the control of distribution, which was taken away from journalistic institutions and dispersed across the social web, has now been consolidated by a handful of technology platforms, mostly notably, Google and Facebook. These platform companies not only control the distribution of news, but also govern the algorithmic rules around which news is presented to whom, at what time, from which authors (be it publishers, bloggers or bots), and at what price.

The re-bundling of distribution control is effectively responsible for further financial declines of journalism. A Wall Street Journal (WSJ) report shows that in 2016, newspaper print advertising decreased 8.7%, on pace for the worst drop since the recession (fig. 6). This acceleration in the downturn was exacerbated by the slow growth of digital ads, an enormously profitable market dominated by a few technology platforms (fig.7 and 8).

Media Shifts

Newspaper declines in print advertising are accelerating, shrinking their share of media spending.
 Global ad spending, divided by media share, inflation-adjusted

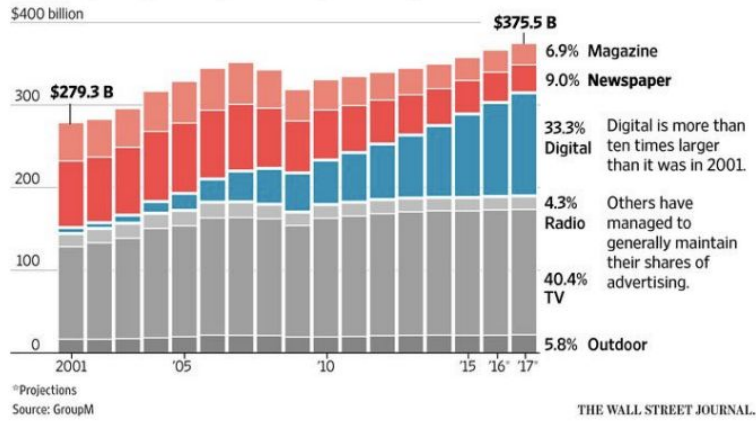


Figure 6. Global ad spending by media type in 2001-2017 (WSJ, 2016)

Google Eats the Newspaper Industry

Annual advertising revenue

■ Google* ■ U.S. newspapers

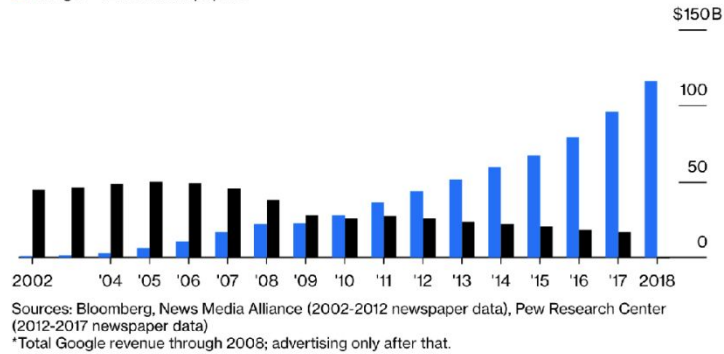


Figure 7. Annual advertising revenue of U.S. newspapers vs. Google (Pew Research Center, 2018)

**Google + Facebook =
76% (& Rising) Share of Internet Advertising Growth, USA**

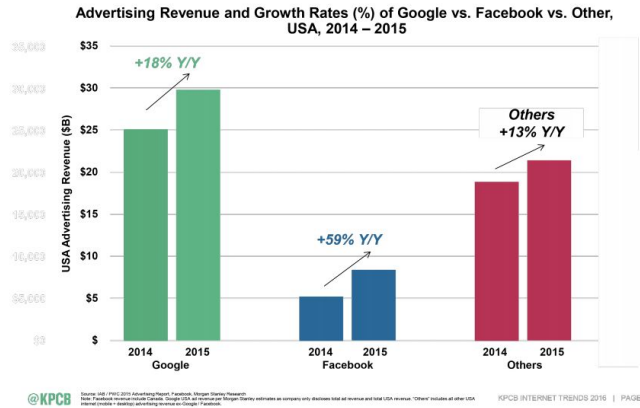


Figure 8. Digital advertising revenue growth of Google and Facebook versus the rest of the market (Internet Trends Report, 2016)

To summarize, the Internet has disrupted the news business by reshaping both news production and distribution - the former has become atomized, and the latter consolidated.

Chapter 3: Current Revenue Streams

Current revenue streams for news publishers may vary depending on their sizes, locations and target audiences. But major revenue streams generally include advertising (print + digital), digital subscription and print circulation. As an example, Fig. 8 below shows how these revenue categories shifted overtime between 2013 and 2018 at the NYT. It is worth noting that there are other ways, often emerging and less well-known, that bring additional revenue to publishers. In this chapter, I will discuss one major revenue stream, advertising, and a number of smaller ones, including micropayment, service bundling and IP adaptation. Given the recent successes and high hopes in digital subscription, I will cover this particular revenue category separately in Chapter 4.

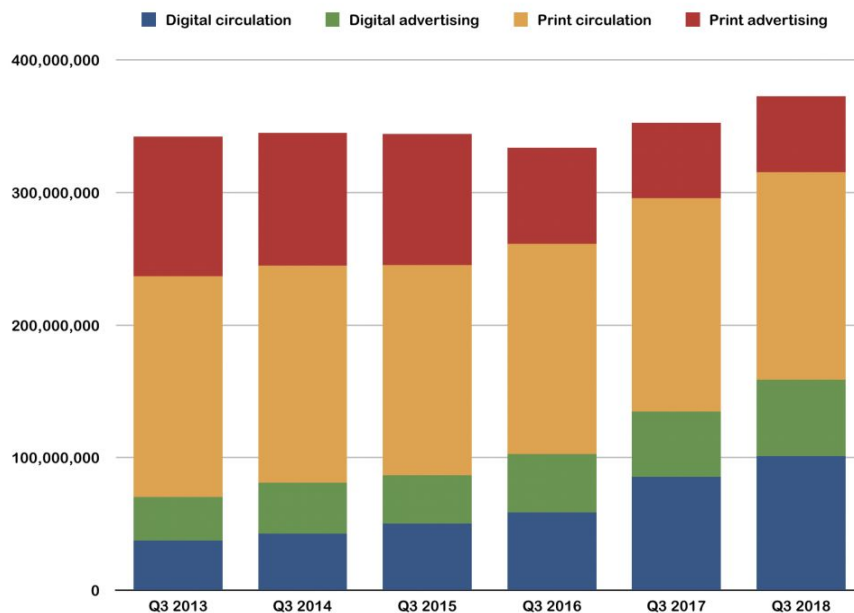


Figure 9. The New York Times' third-quarter revenue numbers each year in 2013 -2018 (Nieman Lab, 2018)

3.1 Advertising

3.1.1 *Economics of Attention*

As discussed in Chapter 2, news publishers have been losing to large-scale platforms in the advertising game. Display and classified advertising, which support the majority of print advertising revenue, hit a record low. In the meantime, publishers are struggling to find their footing in the digital advertising market. This decline is partly due to the audience fragmentation and the loss of distribution power as summarized in Chapter 2, and further exacerbated by the “behavioral targeting” enabled by recommendation engines that push relevant ads to specific readers. However, advertising remains a vital - despite increasingly secondary - revenue source for publishers. While display and classified ads are unlikely to generate sufficient financial gains in the long term, new ads formats, such as native advertising and branded content, have been growing.

Before we delve into these new ads formats, I would like to first discuss why advertising was able to pay for journalism for so long, and how Herbert Simon’s theory on the “economics of attention” helps shed light on this topic.

Simon argues that concentrated attention is both an economic and a political resource (Simon, 1971). And journalism has been based on monetizing people’s attention (Zuckerman, 2019). Basically, journalism works by having two simultaneous functions. On the one hand, news commands a reader’s attention by telling them something interesting, useful and socially valuable. Knowing the news may not necessarily help the reader change their vote or decide

which stocks to invest, but it will provide them with social currency - information to share, knowledge to exchange and even rumors to spread. On the other hand, in the moment of capturing the reader's attention and providing that social currency, the news is also trying to grab another part of their attention via *advertising* - "look at this magnificent watch from Rolex - someone in your life may really like it." By capturing that small part of their attention, which holds economic value, advertising was able to fund news.

Prior to the advent of the Internet, news was the extreme concentrator of attention, in the form of daily newspapers, TV and radio shows. And by taking away a reader's concentrated attention from something that they need and want to focus on, namely, news, and re-directing it towards a small ads break, advertising became the most powerful revenue model for journalism. However, since the rise of the social web, people increasingly turned to platforms such as Google, Twitter and Facebook for news, so instead the ads that people encounter are what the platforms decided to put in their personalized feed. Granted, some publishers were still able to retain a large audience due to their reputation, niche focuses or quick digital transition. But by no means they are the monopoly of attention - discovery engines built by the tech platforms now have the power to lead people towards content, and as a result, advertisements.

Furthermore, the types of ads served by the tech platforms are vastly different from the traditional display ads appearing on newspapers. They have moved beyond the early forms of digital advertising such as pop-ups, and became highly programmatic and targeted based on the increased capture of a reader's profile data, clickstreams and searches (fig.10 & 11). After all,

newspapers state an interest or affiliation, but a search states an actual intent (fig. 12).

Essentially, publishers were struggling to compete with tech platforms to attract, own and monetize the same audiences.

Home | All About Google

Google™ Advertising Programs

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Benefits of advertising with Google include:

- Unique text-based ads displayed on search results that are highly visible.
- Keyword targeting that eliminates waste and increases relevance.
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©2001 Google - Home - All About Google - We're Hiring - Site Map

Figure 10. Advertise With US page (Google, 2001)

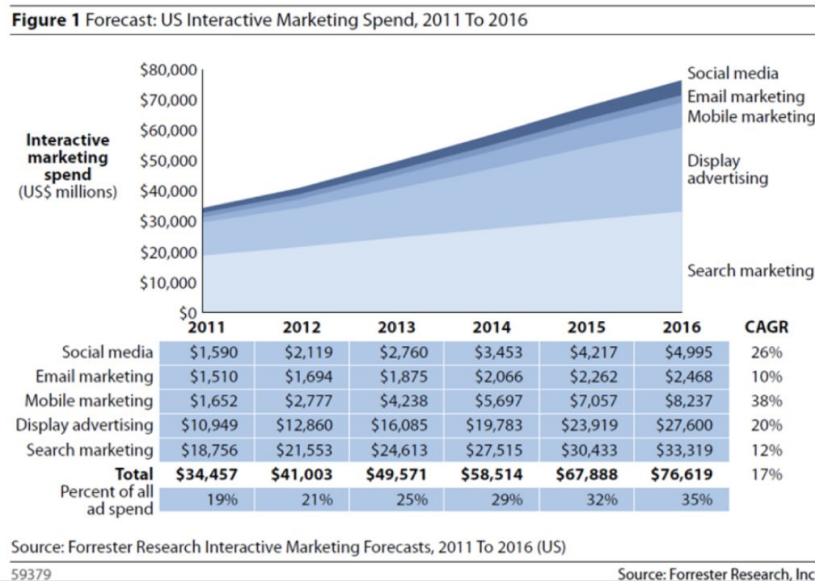


Figure 11. US Digital Ad Spending by Format during 2011-2016 (Digital Advertising and Social Media Analytics class at MIT Sloan, Aral, 2018)

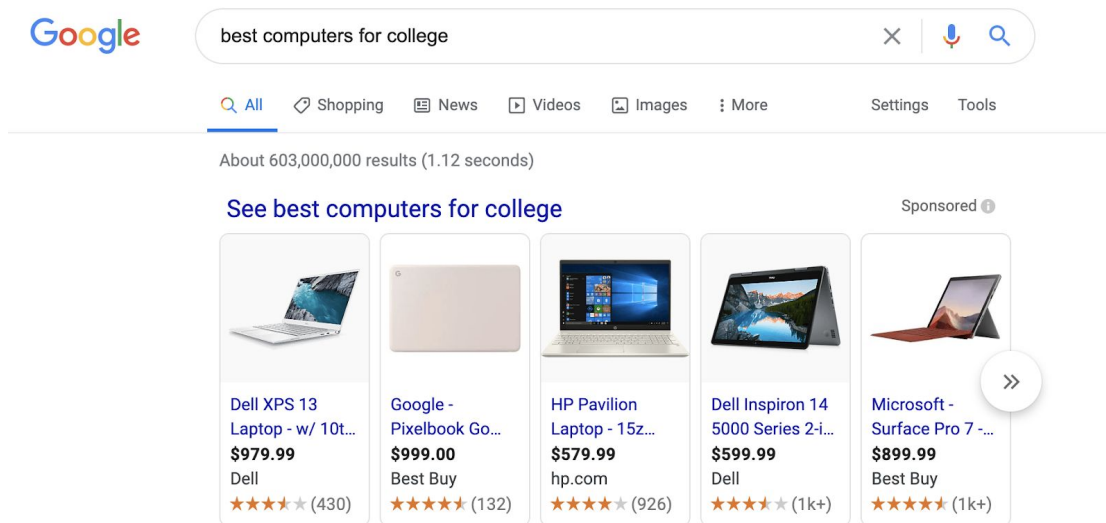


Figure 12. An example of search ads on Google (2020)

3.1.2 Programmatic Advertising

Today, we see the aforementioned programmatic and targeted ads on almost every news website. They are delivered via “ad tech” (short for *advertising technology*), the system of softwares and tools that powers digital advertising on publishers’ sites, with the aim to help both publishers and advertisers decide on price points, optimize ad inventory and maximize revenue efficiently and at scale. An example of a programmatic ad delivery system is shown in Figure 13. According to a 2019 AdExchanger study, among the 155 major digital publishers surveyed, the average publisher uses six SSPs (supply-side platforms), an ad tech tool that helps them sell ads, and they will likely use eight SSPs in 2020 (Sluis, 2019).

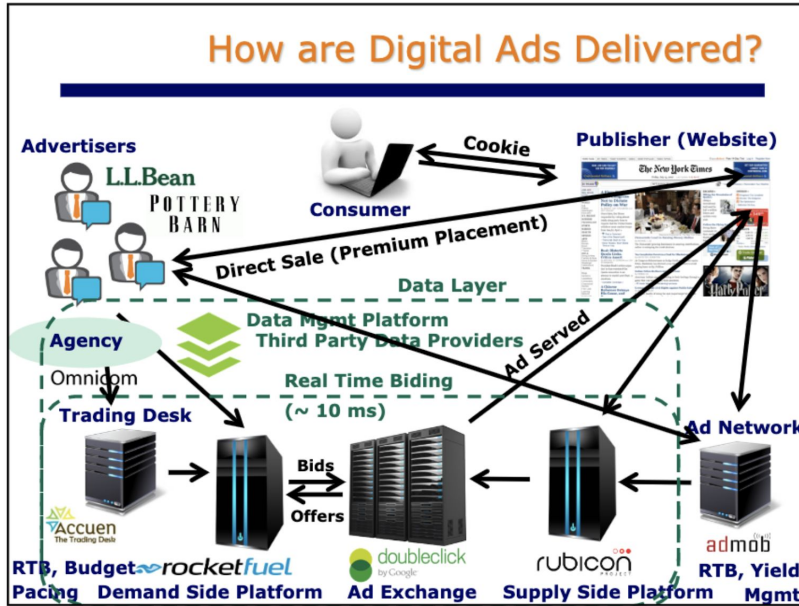


Figure 13. How are Digital Ads Delivered?
 (Digital Advertising and Social Media Analytics class at MIT Sloan, Aral, 2018)

Despite a competitive and crowded collection of tools and services to choose from, news publishers face at least three major challenges when utilizing ad tech to drive digital ads growth. First, the ad tech ecosystem is designed by tech platforms and advertisers. Publishers need to constantly adapt their business practices based on new standards set by these companies. Also, as readers increasingly turn from desktops to mobile devices, publishers are confronted with additional complexity.

Second, there is a lack of transparency in both where the advertising money is spent, and in how an ad is selected to appear alongside a piece of news content. Typically, an advertiser buys ad slots for the type of audience they want to target, without necessarily knowing which website or content that audience is viewing. This has created a problem around “brand security”, meaning

that an ad may appear in an inappropriate context on a publisher's site, inadvertently harming one or both brands' reputations.

Third, readers' increased use of ad blockers has become a growing threat. According to an eMarketer study, ad blocker penetration is expected to reach approximately 27% of Internet users in the U.S in 2020, which is equivalent to more than 70 million people (fig. 14). This has resulted from rising consumer concerns on data privacy and user experience. In response, a growing number of web browsers published tutorials on how to install ad blockers and even released new versions with built-in ad blocking features. Although the penetration rate of ad blockers on mobile devices is claimed to be much lower - a range between 0.3% and 2% according to a 2016 Digiday study - it may escalate fast if key players change their rules. For example, Apple shocked publishers when they allowed mobile ad-blocking softwares to be listed on the app store in 2015 (Bell & Owen, 2017). As a result, we see many advertiser-supported journalism sites pleading with readers to consider disabling ad blockers so that their work continues to be funded (fig. 15).

One-Quarter of US Internet Users Block Ads, 2016-2020
 millions, % change and % of internet users

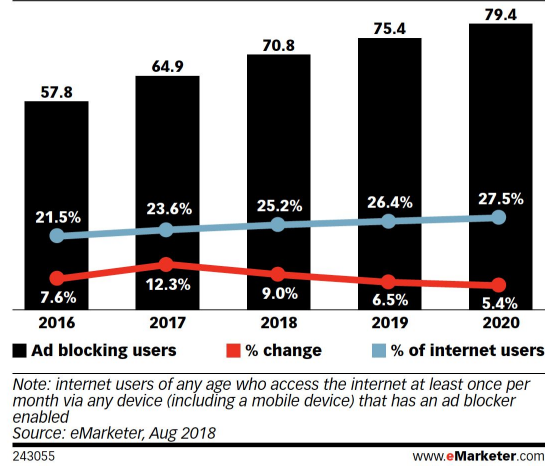


Figure 14. Number of Internet users blocking ads in the U.S. between 2016-2020 (eMarketer, 2018)

Inc.

Help Us Out

You know how your business needs revenue to survive? Ours too—in the form of ads. So please register or disable your adblocker when you visit us. That way you can keep reading all the great stories on Inc.com.

(If you have already turned off your ad blocker or whitelisted us, just refresh the page.)

Have an account? [Sign in here.](#)

Figure 15. Advertiser-funded journalism sites pleading with readers to disable ad blockers (Inc., 2020)

However, it is worth noting that some publishers are faring better than others when combating these challenges with ad tech systems. For example, the Washington Post (WaPost) has built much of the ad tech in-house called Arc Publishing, a SaaS (software-as-a-service) publishing

platform that not only serves the WaPost's newsroom, but also is available to license to other media organizations. Yet, unlike the WaPost, which is owned by Amazon's founder and CEO Jeff Bezos, most publishers won't benefit from a similar expertise of Bezos or backing of Amazon Web Services.

In addition to the three key challenges listed above, since March 2020, despite a clear surge in news consumption, publishers have witnessed further declines in digital ads revenue due to the COVID-19 pandemic. According to a recent research conducted by the IAB, 88% of publishers surveyed had ad buyers ask to cancel campaigns, and 86% had been asked to pause advertising (fig. 16). Digital ad revenues are down 19% - 25%. As an example, the Los Angeles Times, one of the largest papers in the U.S., has lost more than one third of its advertising revenue as of April, and expects to lose over 50% in the coming months. Newsroom closures, layoffs, furloughs and pay cuts soon followed. California Times, the LA Times' parent company, shut down three local newspapers. Vox Media furloughed 9% of its staff, equivalent of around 100 employees, for three months. Multiple media companies including Guardian Media Group, Fortune Magazine, the Financial Times (FT), ESPN and more all have implemented pay cuts for board members and/or senior executives. During such a global crisis when accurate and trustworthy information from quality journalism is needed more than ever, advertising-funded news organizations are in dire need of change for survival.

News publishers are suffering most from pauses and cancellations

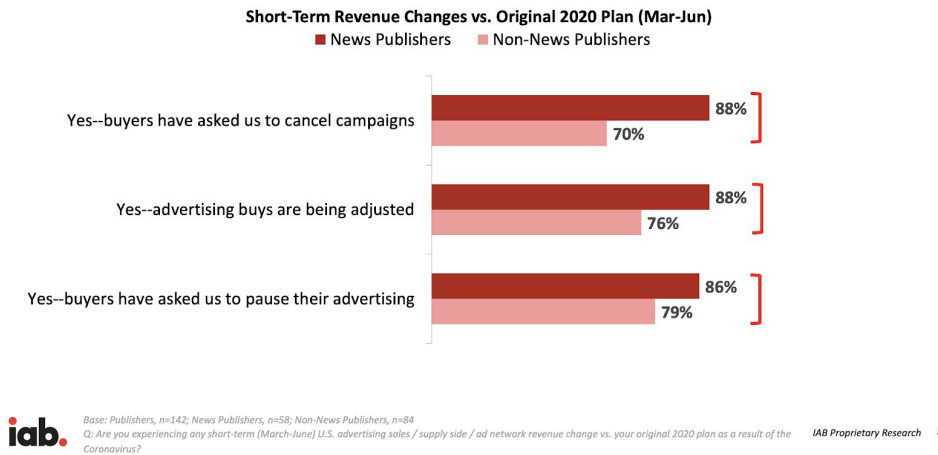


Figure 16. News publishers are suffering from pauses and cancellations due to COVID-19 (IAB, 2020)

3.1.3 Native Advertising

One way to get around the problems above with programmatic advertising is to make advertisements *don't* look like advertisements at all. That is an approach increasingly adopted by publishers called native advertising, which has grown by 24.6% to almost \$44 billion, accounting for 62.7% of the total U.S. digital display ad spending as of 2019 (fig.17). Although social networks enjoy most of the growth, digital-savvy publishers have been able to retain and drive revenues through native advertising. The opportunity arose for three reasons - storytelling expertise, technical capability, and audience data. One key example is T Brand Studio, which builds upon the editorial expertise of the NYT, draws insights from the NYT' 150 million global monthly readers, crafts narratives for brands in a variety of forms ranging from reported articles to AR/VR, and distributes them across the NYT advertising platform and a mix of its channels. Similarly, digital native media companies such as Vice and BuzzFeed have also worked with

brands in the capacity of advertising agencies, creating bespoke, tailored stories and “faster, more viral, and authentic” campaigns. (Watson et al., 2018)

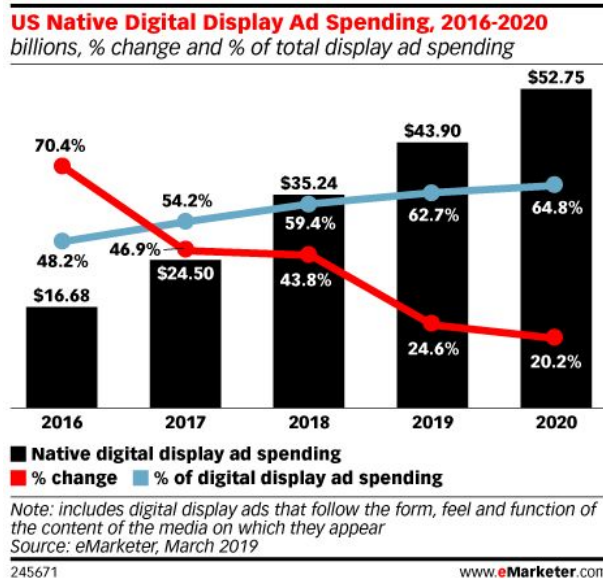


Figure 17. US Native Digital Display Ad Spending, 2016-2020 (eMarketer, 2019)

But native advertising has its own limitations. For one, it won't be able to scale across all publishers, but only those with high-value audiences and high-value advertisers are most likely to benefit. Also, compared with the standard programmatic advertising, it is much trickier to maintain a good balance between editorial standards and commercial messaging in native advertising. One possible solution put forward by a panelist on the 2017 Platforms and Publishers Policy Exchange Forum at Harvard Business School is that “in the future, all free content will have to be underwritten by commercial messages, and all commercial-free content will be subscription-funded.” (Watson et al., 2018) (fig. 18)


The New York Times

PAID POST ?

This content was paid for by Spotify and created by T Brand Studio, the brand marketing arm of The New York Times. The news and editorial staffs of The New York Times had no role in this post's creation.

How Accurate Are 2017's Hit Songs?

Does Ed Sheeran know his science? Is strawberry champagne on ice a thing? Read on as we fact check your favorite artists from the past year.



“The club isn’t the best place to find a lover / So the bar is where I go”

NOT QUITE

[READ MORE](#)

Figure 18. T Brand Studio worked with Spotify for a native advertising campaign in 2017. (T Brand Studio, 2017)

Subscription-funded or not, the exact methods are up for debate in the following chapter. But it is obvious that from a business perspective, advertising alone is not enough. As suggested by Mark Thompson, the president and CEO of the NYT, “the widespread hope that digital advertising revenue generated by vast numbers of unique users would be sufficient to pay for quality journalism was always illusory. Advertising revenue goes principally to those who control platforms. In print and TV, that has been news publishers, but in digital the platforms are technological: search, social networks and devices. Digital advertising is a useful supplementary revenue stream but, to successfully maintain high quality newsrooms, publishers need to attract paying customers.” (Bell & Owen, 2017) Publishers need to evaluate the risk of brand-diluting

advertising, evaluate their core audiences and consider regaining control through diversifying revenue streams.

3.2 Emerging Revenue Streams

Besides advertising, a number of smaller, often emerging and less well-known revenue streams will be discussed in the following sections. It is worth noting that this is not intended to be an exhaustive list of all revenue streams for publishers. Income sources that have existed for an extended period of time and are relatively familiar to average news readers, such as donations, events, merchandises and government subsidy, will not be covered in this thesis.

3.2.1 IP Adaptation

In 2019, a number of publishers were making moves into films and TV. The NYT, Vox Media and Axios all announced deals and partnerships with major streaming platforms.

In June, “The Weekly”, a documentary series focusing on behind-of-the-scenes of the NYT’ investigative journalism, debuted on Hulu and FX (fig.19), and attracted an average of 1.2 million viewers per episode across both platforms. The NYT also partnered with two other streaming service providers to adapt its journalism into TV shows - the NYT magazine column “Diagnosis” with Netflix, and Styles column “Modern Love” with Amazon Prime Video.

Although the exact amounts of these deals were undisclosed, they were said to generate over \$40 million in quarterly revenue. (Peterson, 2019)



Figure 19. “The Weekly” documentary series (The New York Times Company, 2019)

The benefits also extended beyond immediate financial gains. The shows have sparked more interest in article readership, podcast downloads and digital subscriptions, and likely elevated the NYT’ brand affinity in today’s extremely cluttered media environment. When asked about the motivations behind the NYT’s expansion into streaming, Stephanie Preiss, executive director of TV and audio, suggested: “our whole interest in television is about being in the living room, a place where Americans are spending hours a day and have been for decades... We care a lot about driving habits. When is more time of the day that the NYT can get from you?” (Peterson, 2019) This echoes the company’ overall criteria in deciding where to develop new products, explained by Meredith Levine, chief operating officer, at SXSW 2019 - first, what people have

already come to the NYT for information; second, what people’s daily habits are, such as cooking, parenting and games; third, where the NYT has brand credibility.

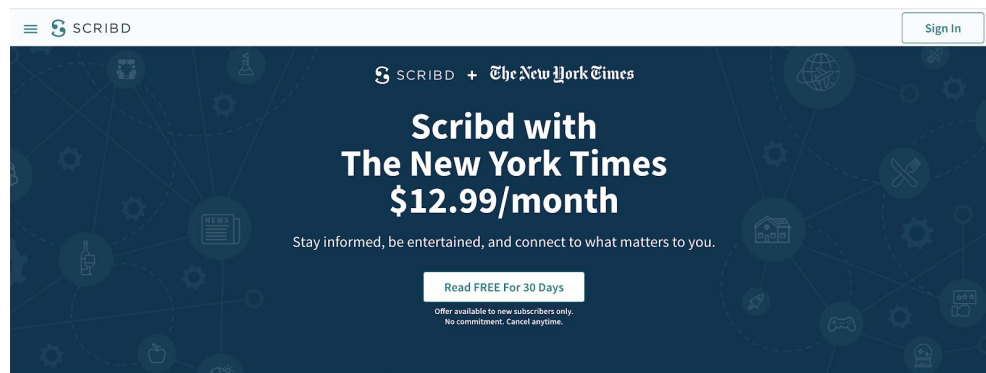
Similarly, both Axios and Vox Media have signed deals with streaming platforms to boost revenue growth and expand audience reach. Axios produced a documentary news show for HBO in late 2018, bringing in \$25 million of revenue, and renewed the show for three more seasons in 2019. Pleasant side effects also include a growing interest from marketers in hiring Axios to create branded content, and increased user traffic to its website and sign-ups to its newsletters. In parallel, Vox Media has a number of shows premiered and/or in production, including “Explained” with Netflix, “RetroTech” and “Show Me the Evidence” with YouTube, and a multi-year programming around food with Hulu. (Patel, 2019)

However, transforming journalism from written words into on-screen imageries is no easy task. All three publishers talked about how difficult their expansions into TV were during press interviews, and the long-term benefits in revenue growth and subscriber retention have yet to be confirmed.

3.2.2 Service Bundling

Service building is not a new concept in journalism. It has been practiced mostly in the form of bundling print and digital subscriptions with the same publisher at a discounted rate. In the past few years, however, service bundlings between publishers, and between a publisher and a technology platform are on the rise.

For example, in 2015 the WSJ and The Times of London launched a joint partnership, bringing together their business coverages in a cheaper digital subscription bundle. Similarly, Amazon Prime members had free access to the WaPost for six months as of 2018. The NYT also partnered up with two digital subscription service providers - Spotify in 2017 and Scribd in 2018, providing unlimited access to their music and ebook libraries at discounted rates (fig. 20). Following the NYT - Scribd deal, Dagens Nyheter, a daily newspaper in Sweden, tied a bundled deal with Bookbeat around audio and ebooks in 2018.



The Books Worth Reading & The News You Need

Two subscriptions. One price. Anytime and on any device.

Figure 20. Scribd + The NYT bundle (Scribd.com, 2020)

According to the *Digital News Report 2019* published by Reuters Institute, about 49% of people that were interested in news would consume more than four different online sources per week - a number that was significantly higher among those below the age of 35. These value-add bundles may become more common as the subscription market gets saturated, and consumers desire for a more frictionless access and payment experience across brands. But it should be noted that some

of the aforementioned bundled deals are no longer available, signaling possible technical difficulty in implementation and unmet goals in financials.

3.2.3 Micropayment

In contrast to the payment aggregation enabled by service bundling, one-off payment in a small amount per article, or micropayment, has also emerged. Understandably, paywalls are not for everyone. Sometimes readers may want to read no more than a few articles from a specific publisher, and would rather make individual payments per article than paying a higher premium for unlimited access. This micropayment approach is often called “iTunes for news.”

One key example is Blendle (fig. 21), a Dutch online news platform founded in 2013 that has raised millions of dollars from investors including the NYT and Axel Springer, the largest publishing house in Europe. Blendle aggregated articles across top newspaper and magazine publishers from Europe and the U.S., and allowed users to buy articles individually, with just click. Their business model was set up as such - “the publishers set the price and take 70 percent of the revenue while Blendle takes the other 30 percent.” (Schmidt, 2019) By 2018, Blendle had paid news publishers 8 million euros. However, it was also operating at a remarkable loss - burning away 2.8 million euro in 2017 and 2.4 million euro in 2016. In 2018, Blendle was reported to be pivoting from micropayments to premium subscriptions and audio, striving for profitability.

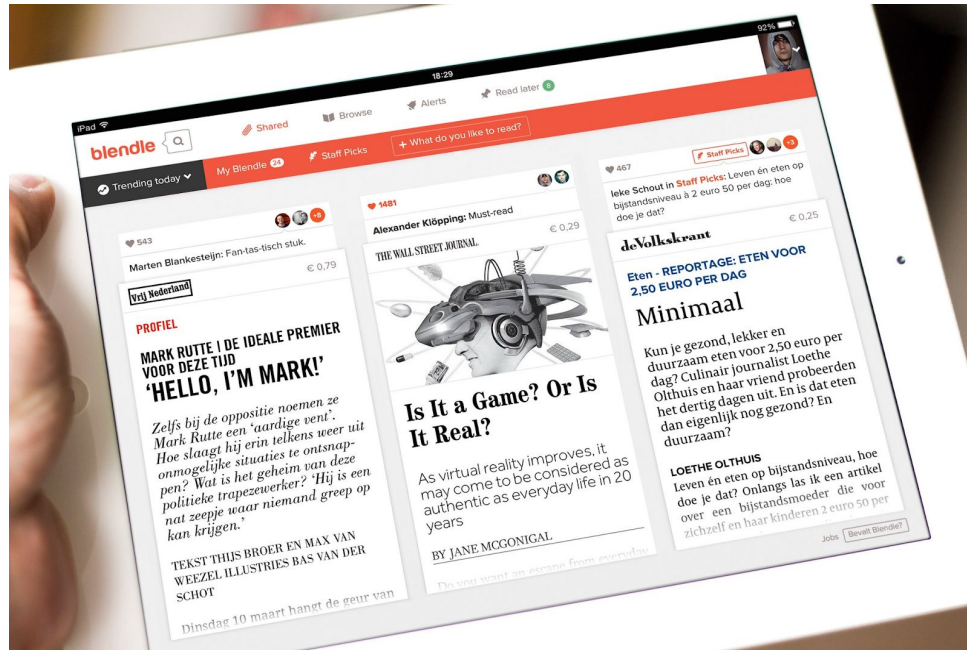


Figure 21. Blendle user interface (Blendle.com, 2015)

Another more recent and yet shorter-lived example is with Reach, a large commercial news publisher in the UK. In 2019, they began testing a micropayment system on Examiner Live, one of their publications' website. The system allowed readers to set up a digital wallet and pay for articles that required a charge of 25 pennies each, with a cap of £1 per week. Reach ended the experiment after only a few months in February 2020, citing valuable lessons learned about the audience, their willingness to pay, and the types of stories most valued, which would pave the way for similar experiments and ultimately paywalls possibly in the future.

The pay-per-article model carries risks beyond technicality and should be carefully considered. It involves commoditizing news content and putting a public price tag on articles, when the amount of effort required to produce and distribute each article varies greatly and oftentimes cannot be

evaluated individually on financial terms. Moreover, it encourages one-off transactions and demotivates lasting relationships between readers and publishers, and forces publishers to make a trade-off between incremental revenue and brand equity.

Micropayments for news also extended beyond digital cash to cryptocurrencies. In September 2016, the privacy-focused web browser Brave launched Brave Payments, a cryptocurrency-based micropayments system that could automatically pay a reader's favorite websites, including news publishers (fig. 22). Two and a half years later, in early 2019, Brave upped its game by adding another opt-in feature, which let users earn digital tokens for viewing online ads - if a user chose to view advertisements pre-selected by Brave, the user would receive 70% of the earned ads revenue while the remaining 30% got funnelled to Brave. However, the goal was not for users to convert cryptos to cash, but instead, to forward the earnings to their favorite publishers and creators.

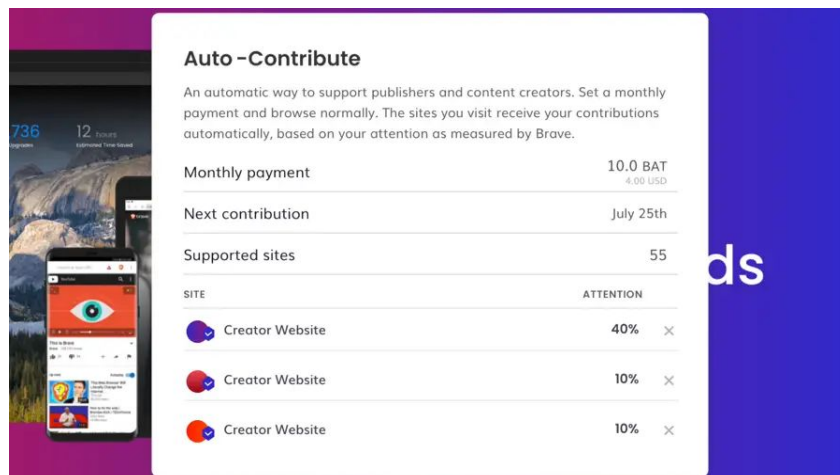


Figure 22. Brave Rewards (Brave Software, 2019)

It is unclear yet how much news publishers have been paid via Brave. But some academics and industry analysts have remained cautiously optimistic as distribution technologies, such as blockchain, may provide new, direct monetization options for publishers, especially small, independent and nonprofit newsrooms that cannot afford complex paywalls.

Chapter 4: Digital Subscription

On top of the myriad forms of revenue generation discussed above, including advertising, IP adaptation, service bundling and micropayment, news publishers have been investing in digital subscriptions in hopes of building a sustainable, recurring revenue source directly from loyal readers.

4.1 A Brief History

Digital subscriptions to newspapers emerged as early as the 1990s, when the WSJ was among the first publishers to charge Internet users an annual subscription fee for access. By the early 2010s, digital subscriptions had moved up to the top of the list for potential news business models when the NYT introduced a “metered paywall”, where visitors to its website would be able to read 20 articles for free before having to pay \$15 for a four-week subscription. Since then, digital paywalls of varying forms (fig. 23) have become an essential mechanism to regulate subscriptions for publishers.

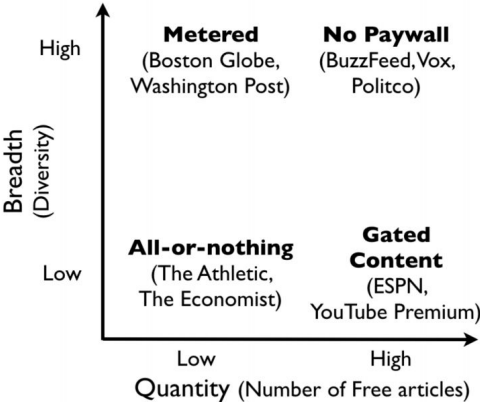


Figure 23. The Digital Paywall Design Space. (Quantity vs. Breadth: the number of free articles vs. the diversity of content that a non-subscriber can access per time period) (Aral and Dhillon, 2020)

As of May 2020, the NYT has passed five million digital-only subscriptions, out of which four million is to its core news, bringing in over \$420 million of annual revenue. Together in the million-digital-subscriber club are the WSJ with over 2 million digital subscriptions and the WaPost with over 1.7 million (Benton 2020). Besides large national newspapers (fig. 24), a number of small, independent newsrooms around the world are also driving profitable growth via digital subscriptions, such as Follow The Money in the Netherlands and Zetland in Denmark.

Newspaper	2002 print circ	2019 digital subs
The New York Times	1,113,000	2.7 million
Los Angeles Times	965,633	170,000
The Washington Post	746,724	1.7 million
New York Daily News	715,070	27,000
Chicago Tribune	613,429	100,000
Newsday	578,809	25,000
Houston Chronicle	552,052	37,000
The Dallas Morning News	521,956	72,000
San Francisco Chronicle	512,129	57,000

Figure 24. 2002 print circulations and 2019 digital subscriptions of major U.S. newspapers (Nieman Lab, 2019)

4.2 Organizational Shift

New business models demand new forms of organization. Along with the rise of digital subscriptions came a wave of organizational redesign. Publishers started to incorporate the trifecta traditionally associated with a software business - design, engineering and product management. In 2015, Nieman Lab predicted that “product management is the new journalism”,

and “media organizations and journalism schools will begin to comprehend and define product management and embrace it as a relevant and critical career path.” (Royal, 2015) The following year, Vox Media offered more clarifications on what a product org in journalism meant when describing their own product team - “a collection of designers, and engineers, and product managers, and ops, and all the people who get together and figure out how to deliver values to users - whether that’s people who are creating things, people who are thinking about how we get it out to [audiences].” (Wang, 2016)

Today, software engineers, designers and product managers are among the most sought-after talent for publishers. According to a Digiday report released in late 2019, out of the 134 publisher executives surveyed, fifty-eight percent suggested that product managers are the hardest to hire for, followed by data analysts at fifty-three percent and programmers at forty-six percent. (fig. 25) (Pathak, 2019) In the meantime, as paywall design gets increasingly complicated, involves constant experimentation and carries significant implications for a publisher’s financials, data scientist is another profession that grows quickly in demand. For some publishers, these product-focused teams reside on the business side and are completely detached from newsroom operations. For others, they may collaborate with the editorial staff and participate in the decision-making process of news production.

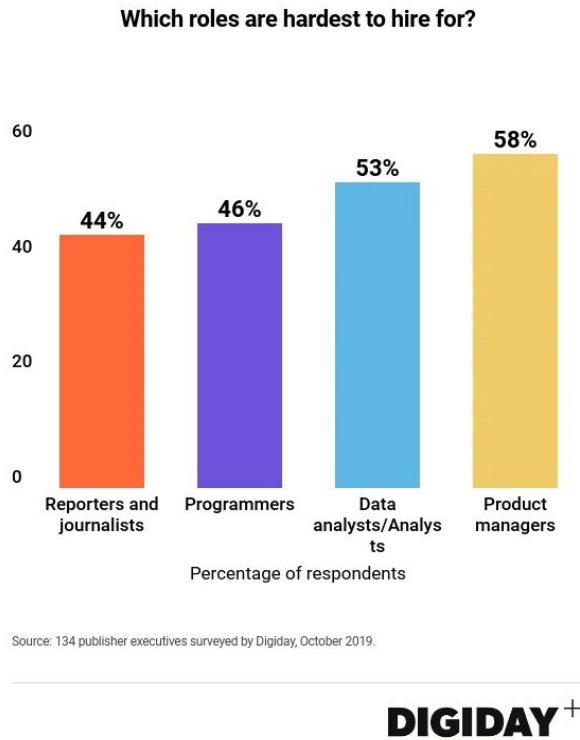


Figure 25. Roles hardest to hire for news publishers (Digiday, 2019)

4.3 Key Market Trends

Subscription-driven publishers arguably now have more in common with non-news subscription-based companies, such as Netflix and Spotify, than with other legacy publishers. Online registration and payment processes require sound technical infrastructure, audience with willingness to pay need nudges to convert from free trials to paid, and subscribers won't stay long without ongoing retention efforts. We now live in a media-scape cluttered with options and platforms, where news organizations are increasingly in direct competition with every other media subscription company that tries to grab people's attention, time and money. According to the *Digital News Report 2019* published by Reuters Institute, only 7% of people under the age of

45 would choose news over other types of online media subscription when only allowed to pick one (fig. 26).

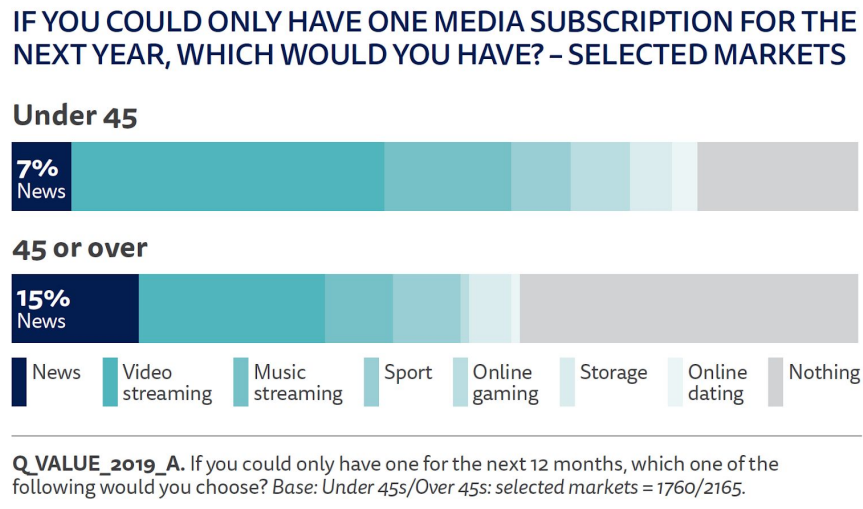


Figure 26. Priority on media subscription type (Reuters Institute, 2019)

Therefore, it is important to gain an understanding of the current digital subscription market and contextualize what subscription-first news publishers are up against. Below are five key market trends and their manifestations in leading subscription businesses.

1. *More personalization + Younger subscribers.* One example is Spotify, whose founder and CEO, Daniel Ek, suggested that “our free product drives premium subscription growth, that leads to better personalization & drives use among younger demographics with greater potential lifetime value.” (Meeker, 2019)

2. *Subscriber experience comes first.* This is well-executed at Zoom, which relies on happy subscribers to attract potential customers through word of mouth. Eric Yuan, founder and CEO of the company, confirmed that “the most important thing is to make sure the existing customer [is] happy rather than chasing after new prospects... Our NPS is in the 67-69 range vs. our peers in the 20’s... We do not want to spend money on the marketing side to generate leads.” (Meeker, 2019)

3. *Consumers need to feel a sense of choice, flexibility and control.* Kelly Champbell, chief marketing officer of Hulu, made the following comment during the Consumer Electronics Show (CES) in 2019: “Consumers want choice, flexibility, and control in a direct-to-consumer environment. That’s why we offer an ad-supported model and an ad-free model. You can watch live TV, on-demand, in your living room, on the go... I think it’s going to be increasingly about tapping into the consumer expectation and getting in front of it.”

4. *Integrate with data plumbing tools* to understand customer wants, increase their inputs, and monitor their feedback on social media. A key example is how Hellofresh, a meal kit subscription company, has been improving their product experience by creating a Slack bot to track subscriber comments’ on twitter and the reviews on the app store - “Whenever someone mentions HelloFresh, the bot pushes these notices into a Slack channel. They’re similarly alerted whenever they get a review of their app on the Apple Store or Google Play.” (Simaria, 2019)

5. *Daily relevance over loyalty.* Traditional loyalty programs are overrated, and daily relevance is key. A Harvard Business Review research has shown that 71% of consumers now claim that conventional loyalty incentive-programs don't make them loyal at all. Instead, "in this new era of digital-based competition and customer control, people are increasingly buying because of a brand's relevance to their needs in the moment." (Zealley et al., 2018) (fig. 27) One brand that seems to follow this trend is Quibi, the short-form streaming platform, which aims to be "designed to fit into any moment of your day" and "make information as easy to convenient as Spotify making music." (Jeffrey Katzenberg, founder of Quibi, commented at SXSW 2019.) Despite an underwhelming performance since its launch in April 2020, Quibi and some industry analysts placed the blame on the COVID-19 pandemic and projected a healthier outlook for the coming months.

How Marketing Moved from the Mass-Market Era to the Era of Relevance

A combination of technology, data, and organizational goals has ushered in each new growth stage.

GROWTH ERA	MASS-MARKET	SEGMENT	CUSTOMER	LOYALTY	RELEVANCE
Decade	1960s-1970s	1980s	1990s	2010s	2020s
Technology enabler	Mass production	Market research	Enterprise IT	Advanced CRM	Digitization of everything
Performance indicator	Volume	Purchase funnel	Customer lifetime value	Customer retention	Customer attraction
Market approach	Mass appeal	Segmentation	Proposition innovation	Tailored incentives	Personalization
Management focus	Product and scale	Channel and scale	Channel and relationship	Experience and relationship	Experience and personality

SOURCE ACCENTURE

© HBR.ORG

Figure 27. The Era of Relevance (HBR.org, 2018)

To summarize, subscription-first news publishers should consider creating a subscriber-centric product experience, which leverages personalized curation and real-time data insights, provides choice, flexibility and control, and fits in the daily moments of their audience’s lives.

4.4 The Funnel

Unsurprisingly, some news publishers have been actively learning from successful subscription companies, nurturing a product mindset within their organizations, and understanding the “funnel”, with an example shown below (fig. 28).

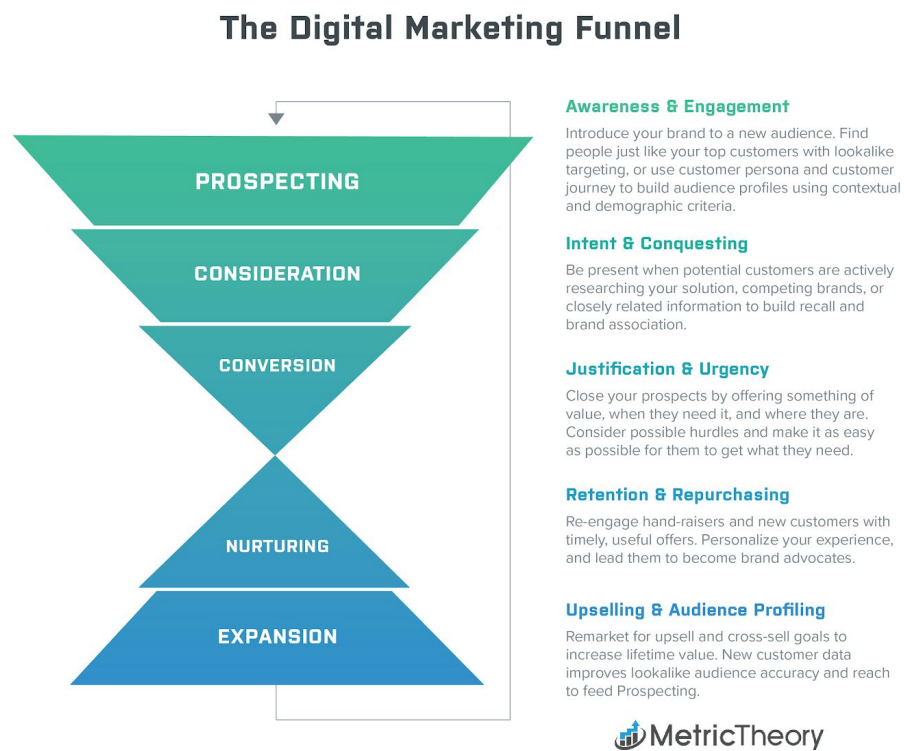


Figure 28. A representation of the digital marketing funnel (MetricTheory, 2019)

Similar to a digital marketing funnel, a news subscription funnel typically includes five progressive stages: awareness, engagement, conversion, retention and upsell. Together, they make up an end-to-end subscriber lifecycle that an occasional reader first becomes an engaged and regular visitor, then a habitual and loyal subscriber, and ultimately a brand champion who will invite others to join. Each stage involves various metrics and tactics, many of which are summarized in the *Guide to Audience Revenue and Engagement* published by the Tow Center For Digital Journalism in 2018.

Before delving into each stage of the funnel, however, the guide recommends publishers to first conduct in-depth user research, since “news teams can easily default to being overly dependent on their own instincts” on the audiences’ needs and wants. Borrowing insights from the human-centered design framework, publishers are encouraged to strategize their news products by thinking through the following three key elements in product development: desirability (*what does your audience want from your journalism?*), feasibility (*can you make what your audience wants, technically and organizationally?*), and viability (*can you deliver what they want successfully, as a business?*) Additionally, based on a combination of quantitative (e.g., site analytics on user traffic and behaviors) and qualitative research (e.g., interviews and surveys), user segmentation and associated user personas should be developed.

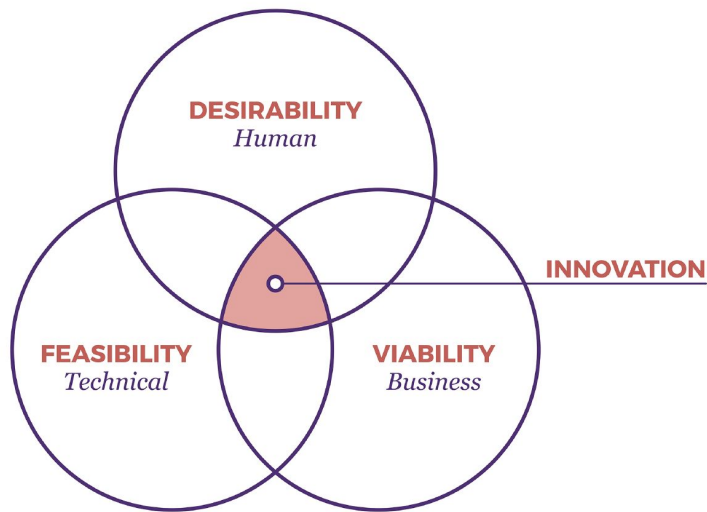


Figure 29. The human-centered design framework. Visual design by Leon Postma, De Correspondent. (Tow Center for Digital Journalism, 2018)

The guide then lists out recommendations for each stage within the funnel. First, awareness - “expose” the brand and “attract” audiences by “increasing reach through social media, and through in-person community events and conferences.” Second, engagement - deepen user experiences via “editorial engagement, article pages and site structure, email newsletters, and events.” Third, conversion - leverage “campaign structure, data infrastructure, and user data effectiveness.” And lastly, retention and upsell - sustain subscribers by recognizing them and inviting them to participate.

4.5 Case Study: Subscriber Retention

To add more clarity on the specific levers and nudges, this section presents a case study on a total of five tactics that news companies are using to better engage and retain subscribers in the long term.

4.5.1 Educate about Benefits

First, educate audiences about subscriber benefits throughout the customer journey, using tactics such as offering a preview of benefits before payflow, using behavioral nudges during payflow, leveraging email notifications, and showcasing all subscriber benefits in one homepage. One good example is Quartz, which emphasizes key benefits that a subscription will unlock at the beginning of the registration process (fig. 30). Also, on its homepage, Quartz presents an infinite scrolling feed of articles that in fact only subscribers will be able to view in full once clicked, effectively creating an illusion to non-paying readers of unlimited access and enticing them to convert. Plus, each Quartz subscriber receives a weekly email including three things - a recap for this week's coverage, dial-in information for this week's subscriber-exclusive conference call, and a preview to next week's major coverage - constantly communicating and reminding subscribers of all the perks that they are granted.

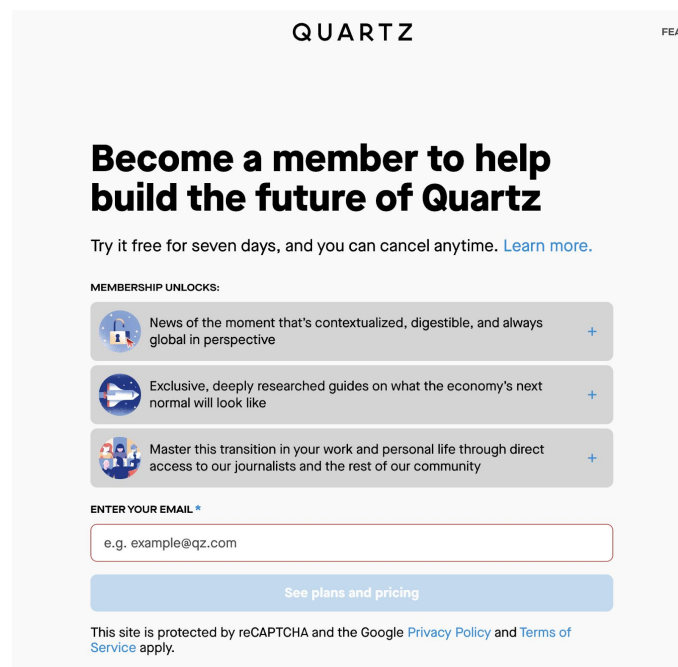


Figure 30. First step of payflow (Quartz, 2020)

4.5.2 Recognize and Celebrate

Second, recognize and celebrate subscribers by using tactics such as sending thank you messages and subscriber greetings, celebrating subscribers as brand ambassadors on social media, highlighting their impact on the journalism, and allowing them to participate in the reporting process. For example, during the first week of my WaPost subscription, dozens of “Thank you for choosing The Washington Post” messages repeatedly showed up within and across articles, taking the place of regular advertisements, and aimed to make new subscribers feel welcome and appreciated (fig. 31).

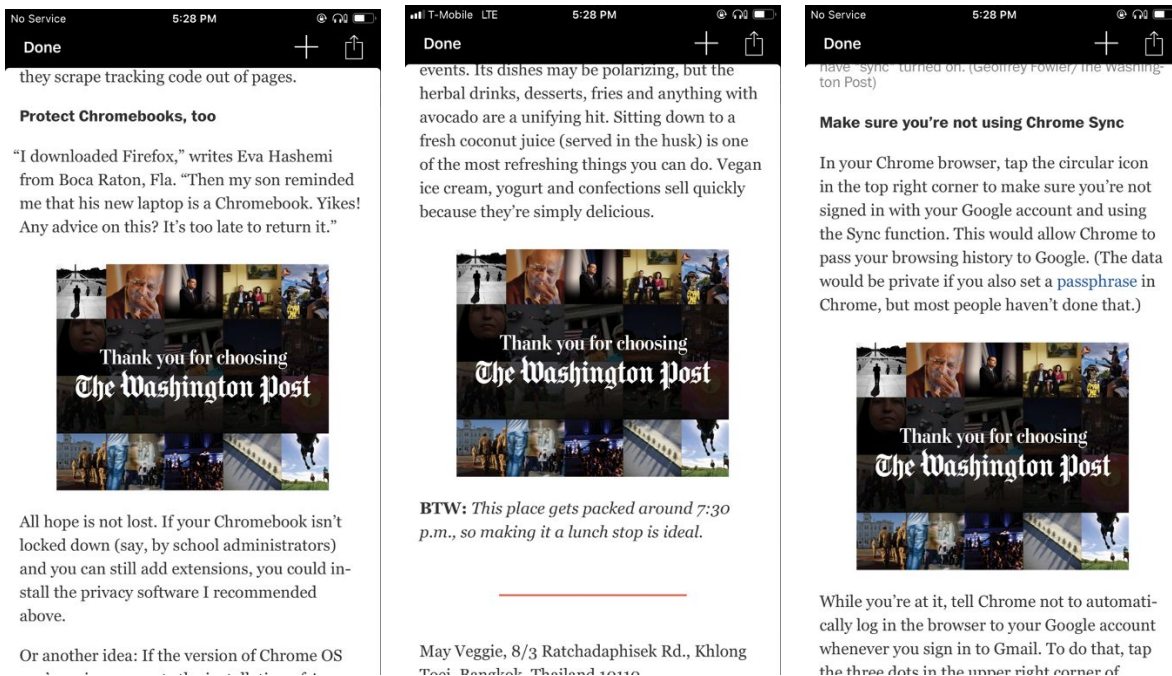


Figure 31. Thank-you messages targeting new subscribers (The Washington Post, 2019)

Another example is from the Information, a subscription-based digital media company focusing on the tech industry. One of their social media video advertisements featured a half-minute

interview with a current subscriber, who talked about the publication’s original, quality journalism using personal anecdotes (fig. 32). Here, subscribers are treated as this new class of social influencers and celebrated as brand ambassadors.

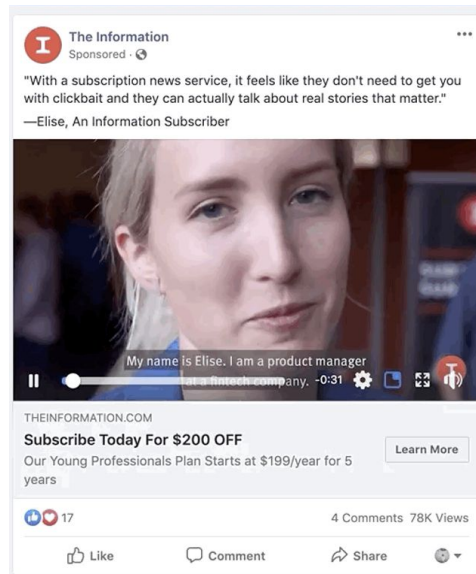


Figure 32. Celebrate subscribers as brand ambassadors (The Information, 2019)

A variety of publishers also invited subscribers to join the reporting process, participating as fact checkers, co-reporters, and technical proofreaders. For example, Inside Story from Greece publishes articles and hosts events that start with subscribers’ pitches. Kautreporter from Germany asks about hobbies and occupations when subscribers sign up, and later targets relevant subscribers with asks about specific stories (Hansen & Goligoski, 2018). The Idea by the Atlantic, a weekly newsletter focusing on the media industry, features “Subscriber Spotlight” for an in-depth Q&A with current subscribers each week and “Question of the Week” to gauge subscriber opinion. It should be noted that having subscribers participate in the journalism may entail significant costs in staff time and systems to manage workflow. For instance, De

Correspondent from the Netherlands anticipates that “its reporting staff will spend approximately one third to half of its working time in communication with readers.” (Hansen & Goligoski, 2018)

4.5.3 Build A Habit Loop

A number of publishers including the WSJ, FT and NYT have been focusing on building product features to reinforce habit formation - paying close attention to what subscribers need and what draws them back, and making the fundamental experience of journalism so compelling that subscribers would revisit day after day. Below is a successful example from Project Habit at the WSJ (fig. 33). Over a year’s time, a cross-functional team at the WSJ leveraged large-scale user-level data to identify retention-driving actions, reduce churn and promote habit formation. The WSJ used project findings to “diversify and optimize existing communications, as well as champion a longstanding need for more prominent member messaging within products.” Another critical insight gained was that “habits are formed early on - if you look at a member’s likelihood to adopt a new habit, that percentage is halved by Day 50 and plateaus soon after Day 100.” (Powell et al., 2019)

The Wall Street Journal: Project Habit

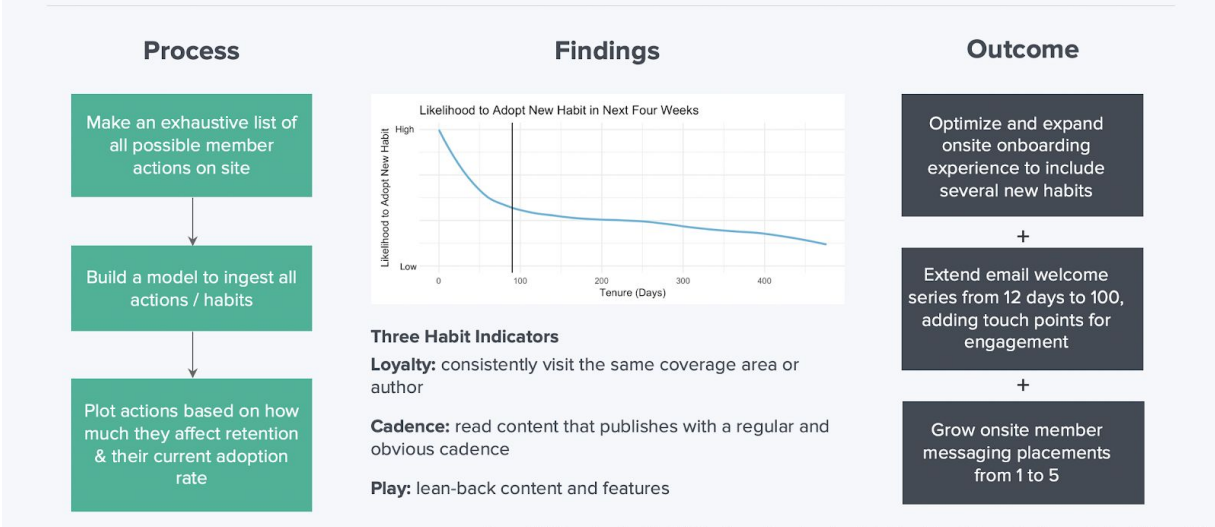


Figure 33. Project Habit at the Wall Street Journal. Project details come from the Nieman Lab article “Habit formation: How The Wall Street Journal turned user-level data into a strategy to keep subscribers coming back”

4.5.4 Create Reader Utilities

In digital subscriptions, money and time are intertwined more than ever. Media companies can prove that they are worth paying for by providing time-saving reader utilities to their audience. For instance, TechCrunch provides subscribers with a portfolio of reader utilities including rapid read mode, ads free browsing, list builder tools and faster page load (fig. 34).

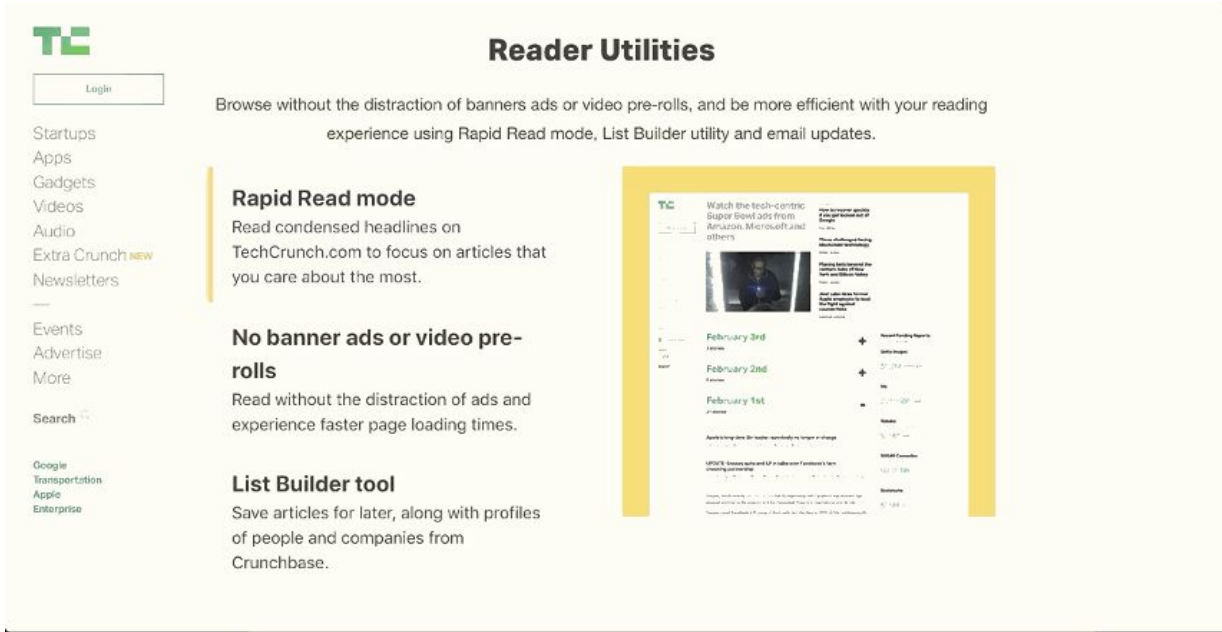


Figure 34. Reader Utilities for subscribers (TechCrunch, 2019)

Similarly, the WaPost has been testing “My Reading List”, a feature that allows subscribers to easily add and drop articles into the list, and automatically archives articles after being saved for over 30 days (fig. 35).

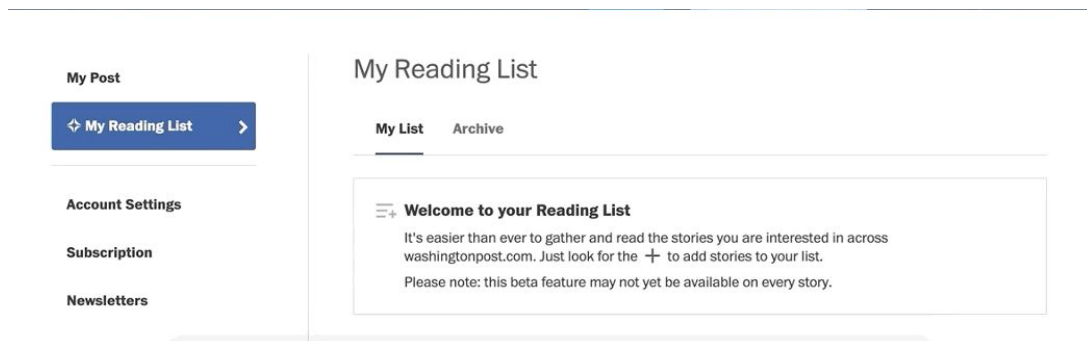


Figure 35. My Reading List (The Washington Post, 2019)

In parallel, the NYT launched “For You” in 2019, a personalized news tab in its iOS app (fig. 36). Although this functionality is available to both subscribers and non-subscribers, due to the metered paywall, subscribers are much more likely to benefit from it as the more data points (i.e., articles) are recorded, the more personalized the feed can get. However, personalization in news subscriptions faces at least two major challenges. First, currently at least during the initial signup stage, personalization relies heavily on readers to do a lot of work to tell publishers what they want, such as what broad topics that they are interested in, which are oftentimes very general checkboxes that only reflect how the newsroom operates and do not reach the right level of granularity. Second, it can create news blind spots and risk offending the reader - “do I look like I am only reading about politics?” Next-level personalization requires publishers to have a more nuanced understanding of the reader, the ability to meet their needs at the right moment in the right context, and an understanding of how the information impacts them directly.

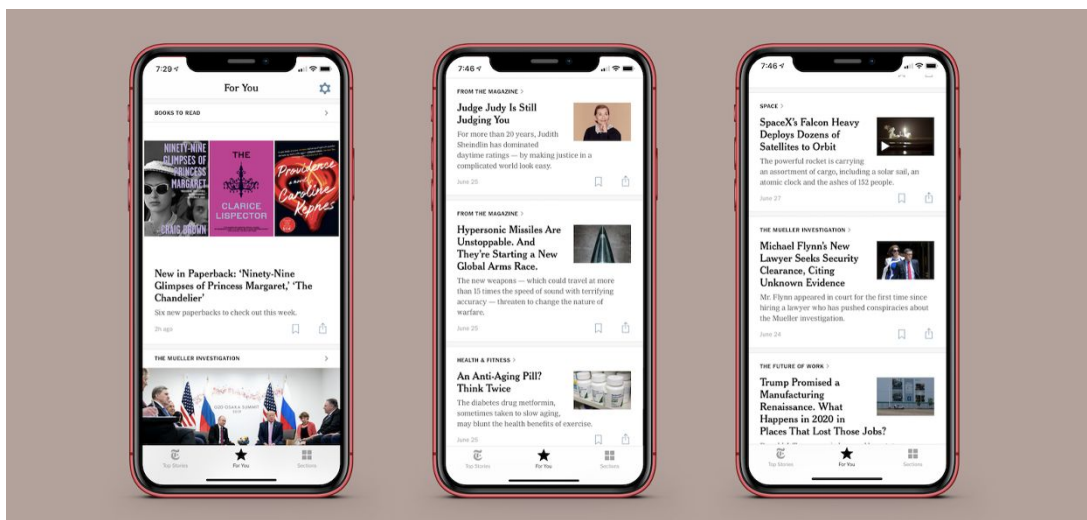


Figure 36. “For You” tab in the NYT iOS app (Nieman Lab, 2019)

4.5.5 Elevate Brand to Symbolize Social Identity

Lastly, publishers can think of ways to elevate their brand as a symbol to construct social identities. A well-known example is the iconic New Yorker tote bag (fig. 37), which has effectively become a cultural currency, signaling to the outside world a subscriber's self-image of being intellectually curious and socially engaged. "Reading the New Yorker implies possession of rarefied knowledge, cultural awareness and refinement of taste that goes beyond simply reading about world happenings. The tote bag allows one to, even if not intentionally, broadcast one's possession of such cultural capital." (Albrecht, 2017) It helps the New Yorker to not only attract new subscribers, but also retain existing ones. According to Dwayne Sheppard, VP of consumer marketing for Condé Nast, the publication's parent company, "in theory, the tote is only available to New Yorker newbies or people who have let their subscription lapse for at least six months. But the magazine has, on occasion, sent bags to longtime subscribers." (Shea, 2017)



Figure 37. A New Yorker subscriber with the branded tote bag. (Tamara Beckwith/NY Post, 2017)

4.6 Risks to Bear

Despite recent hopeful successes and a growing catalog of tools and tactics, digital subscription has not and is extremely unlikely to become a panacea for every publisher's monetization problems. For one, it only suits certain types of publishers, namely, those "with highly differentiated journalism and a strong audience base in their coverage areas", as well as those "that have strong institutional audiences in specific industries and when subscribers' employers can pay the cost of work-relevant media." (Hansen & Goligoski, 2018) Also, there is the dangerous possibility of a "winner takes all" situation, where a handful of national publishers take over the digital news subscription market while thousands of smaller, local newsrooms are left hung out to dry. (Benton, 2020)

Moreover, paywall-based digital subscription is essentially a pricing discrimination mechanism that targets individuals with both a willingness and resources to pay. It inevitably comes into tension with the idea of journalism as a public good that demands unrestricted access, and poses serious challenges to news organizations in reconciling their civic mission with commercial interests. Granted, there have been a number of instances where in the face of public emergencies such as hurricanes and floods, publishers decided to pause or reconfigure their paywalls to allow unrestricted access to their websites either partially or entirely (Ananny & Bighash, 2016), with the most recent example being publishers taking down paywalls around COVID-19 coverage to keep the public informed. However, financial hardships often accompany such times of crisis, and news publishers are no exceptions. For instance, in late

March, McClatchy, an American publishing company that owns 30 local publications, decided to put its paywall back up, since its programmatic advertising revenue had declined by 15% due to COVID-19 and it had to “balance its duty [to] keep people informed with its need to bolster subscriptions.” (Fischer, 2020) These challenging negotiations facing news publishers between their civic duty and financial interests are not new, but with the long-established revenue sources of advertising quickly diminishing, the levels of urgency and severity have risen.

In addition, the paywall design space is not owned by publishers, but mediated through a network of actors with diverging interests, including “software designers, journalists, and advertisers, as well as technology companies like Tinypass, Piano Media, Press+, Apple, and Google competing to make their paywall platforms the industry standard.” (Ananny & Bighash, 2016) This adds another layer of complexity for publishers when they decide whether to pursue a subscription-first model, and if so, how to manage it.

Chapter 5: Future Work

To be sure, the analysis presented herein is limited in several aspects. First, it is by no means an exhaustive summary of current business models in independent news media around the globe.

Further explorations and field research are needed. Second, news monetization is such a dynamic field that the findings and recommendations put forth today can be outdated in only a matter of months. Ongoing updates are required. Third, the push-pull relationships between legacy media and tech platforms, a key factor in shaping both the current and future news marketplace, has been touched upon but deserves much more scrutiny. Lastly, lessons learned during this process of researching and writing can be useful to and thus should be considered to be made available for newsrooms of all forms, big and small, old and new.

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