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MONETISING ONLINE NEWS A SMALLER COMMONS?

THE **MONETISATION** OF ONLINE NEWS COULD **TARNISH ESTABLISHED NEWS BRANDS** AND **IMPOVERISH** THE INFORMATION COMMONS ARGUE **CARLO ANGERER** AND **ADAM HAUPT**. THIS IS **BAD NEWS** FOR BUSINESS AND BAD NEWS FOR **DEMOCRACY**.

In March 2011, *The New York Times* started charging for online access to its articles. The system is set up in a way that occasional readers will not have to pay, but that regular users will. While *Times* subscribers continue to have free access, others are only able to read 20 articles a month for free and have to pay at least $15 every four weeks to access the rest of the content. Any article accessed via search engines such as Google and Yahoo, or via social networking sites, such as Facebook and Twitter, will remain free with daily limits in some cases (Peters 2011). *The New York Times* hopes to combine the revenue stream of advertising by gaining traffic from occasional visitors with the revenue stream of paid subscriptions.

The New York Times joined several newspapers charging for accessing their articles online, the most prominent of which is *The Wall Street Journal*, which has had paid online subscriptions for several years. Going from purely advertising-supported online media to a subscription model will undoubtedly have an impact on newspapers, their readers, and society. This article will examine the impact of different changes to online media business models as newspapers are trying to capture new revenue streams and offset falling advertising revenue due to the recent financial crisis and the move from print to online ads. It shows that the proposed changes would negatively affect the public domain. The examples contained in this essay focus on major US news publications, as they have been at the forefront of the attempt to monetise online news. The implications are likely to be the same if similar systems of monetisation would be instituted in other countries.

Despite the bleak economic outlook, news media are gaining consumers. According to Walter Isaacson, once CEO of CNN and managing editor of *Time*, newspapers are gaining readers, as "their content, as well as that of news magazines and other producers of traditional journalism, is more popular than ever – even (in fact, especially) among young people". A minority of these consumers pay for news, while the majority is getting its news online for free. In 2010, 57% of Americans visited at least one digital news source regularly. The Pew Research Centre found that the percentage of Americans consuming online news on three days or more rose from 29% in 2004 to 46% in 2010. Similar tendencies can be seen in other countries as people gain access to the internet and the price for printing rises. The recent financial crisis has further weakened the traditional print news business model of newsstand sales, subscriptions, and advertising. Newspapers and news magazines are now searching for new business models and hope to monetise their online presence through advertising and readers' fees.

In 2002, online media commentator Steve Outing outlined eight business models for online news: free ad-supported unlimited access without registration; free ad-supported unlimited access requiring registration; free ad-supported access with some paid content; free ad-supported unlimited access with possibility of paid ad-free access; paid subscription with limited free content without ads; paid subscription with limited free content with ads; free content for certain users along paid subscriptions; and paid subscriptions with regional partners creating a regional news monopoly. Outing's overview demonstrates that news media have online business models available to them. In general, these can be located in the fields of advertising, registration of users, cost of access, and market control through merging or co-operation of news organisations.

Advertising

Advertising is still considered the backbone of the business model. According to a 2004 study, nearly 90% of American news sites had at least one ad present, with an average of 5.03 ads found on a typical news homepage. This figure has likely increased and the pervasiveness of advertising can be seen on news sites worldwide. *The Times of India* website (http://timesofindia.indiatimes.com), the *Mail&Guardian*'s website (www.mg.co.za) and *Le Monde*'s website (www.lemonde.fr), all feature at least 10 advertisements ranging from graphic banner ads at the top of the page to sponsored links and simple text ads. Even the news sites, which demand a fee to read most of the content, often feature advertisements. *The Wall Street Journal*, for example, features at least five ads on its home page (www.wsj.com). New York Times Company, which owns *The New York Times*, *The Boston Globe*, About.com, and other media entities, reports that digital advertising makes up 27% of overall advertising revenue.

By competing in the digital advertising market, news organisations are now competing with other corporations, such as YouTube, for traffic and advertisers. However, even YouTube fails to monetise traffic – despite its low production costs. Exact figures have not been released, but in 2008 worldwide ad revenues were forecasted to be about $200 million, far short of Google's expectations (McDonald 2009: 391). This situation has improved, as YouTube has been able to rid itself of the stigma of copyright infringement by striking deals with copyright holders. Analysts expect YouTube's ad revenue to surpass $1-billion in 2012.

For news media organisations, the challenges are similar. According to comScore, Newspaper National Network, which includes all major US newspaper companies, is able to reach 54.3% of American internet users. This is only slightly higher than YouTube's single website reach of 53.1% of US internet users. This is very different from digital advertising networks that have contracts with many websites across categories.

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For example, BrightRoll Video Network has a potential reach of 99.2% of US users and TubeMogul Video Ad Platform has a potential reach of 97.2%. The reach of advertising on news sites is therefore relatively poor. This is especially important in light of the fact that newspapers in many cases had a quasi-monopoly in limited spaces, especially on local levels. Now, news media have to compete with a variety of offerings that are often able to capture more traffic, such as free email sites, search engines or social media sites.

Registration of users

An additional requirement by some news sites is user registration for accessing articles or for using certain services, such as sending an article by email. On mg.co.za, users have to sign up to comment on articles, use advanced printing functionality, and save articles. Readers of nytimes.com have to register in order to see certain articles and to send articles by email. Since August 2010, the website has also offered users the chance to link their nytimes.com accounts with Facebook accounts to share *New York Times* articles with online friends. In March 2011, it also started to make personalised recommendations of links to other news stories designed to increase traffic and advertising revenue. The website collects information on each registered user and then publishes a personalised list of links to articles embedded on most of the pages they visit on nytimes.com as well as on a separate "Recommendations" site (www.nytimes.com/recommendations). Users therefore pay with personal data for personalised services. Users do have a choice to opt out. Some scholars have called this a form of data extraction exploitation, as "this data is captured in order to be returned to its producers in the form of an external influence: the congealed result of their own activity used to channel their behavior and induce their desires" (Andrejevic 2009: 421).

The use of these algorithms might increase traffic on some news sites as people are offered more articles that are personalised for them; however, this might only be a short-term gain, as it is contrary to how news media have presented themselves in the past. "Feeding" users only a limited genre of articles based on past user behaviour is contrary to the choices print newspapers and early news websites have offered: *The New York Times*'s promise "All the news that's fit to print" turns into a user experience of "All the news that the algorithm predicted". Offering content only based on perceived value in traffic can hurt the quality of content. While traditional news sites have not yet succumbed to the allure of traffic alone, this has happened at other media sites, such as at the blog network Gawker (McGrath 2010).

Furthermore, if newspapers behave more like social media sites by monetising the accumulation of personal data, they could tarnish their own reputation. News organisations build their brands on trust. Newspapers have spent decades trying to persuade readers that they are able to trust that the reported facts are true, that reporters do not have a personal gain in the stories they report, or that things will be uncovered even if it is against advertisers' interest. They still seem committed to these ideals, as the recent resignation of a Reuters journalist and internal review of two colleagues' behaviour has shown. They failed to disclose their financial interests in companies they covered: "While Reuters has uncovered no evidence that any of its employees benefited from improper trading in shares of companies they covered, not disclosing a financial conflict of interest is a violation of its ethics policy" (Peters 2010). While news media work to retain readers' trust by being open about their employees' dealings, they seem to be less open about

JOURNALISTS **RELY ON** THE **INFORMATION COMMONS** WHEN REPORTING – MAKING GOOD USE OF **FAIR DEALING EXCEPTIONS** IN COPYRIGHT LAW, FOR EXAMPLE. WHERE WOULD **PROPOSED RESTRICTIONS** ON ONLINE CONTENT **LEAVE THE INFORMATION COMMONS?**

the data collection on their websites. In fact, users do not have a chance to opt out of the data collection if they want full access to the site. According to its privacy policy, *The New York Times* restricts access to its website if users do not allow the use of cookies, which store user preferences on the browser and can be used by sites to aggregate typical user behaviour. Furthermore, *The New York Times* acknowledges, "we do not have access to, nor control over, advertisers' or service providers' cookies or how they may be used".

While these cookies do not include personally identifiable information, other services, especially social media sites, could technically use these cookies and link them to personally identifiable information. If news sites are unable to provide the trust they promise readers in the offline world, they could seriously compromise their brand. The threat of users leaving Facebook in light of privacy problems shows that users are concerned about what happens to their data. By mining user data much like social media would, news sites risk harming their brands just to gain more traffic. However, they seem to be enticed by the much higher prices advertisers are willing to pay. For example, Dow Jones indicated it was willing to introduce "behavioural targeting" as far back as 2005.

Cost of access

However, advertising, including targeted advertising, does not provide news media with enough revenue to sustain their cost structures. News organisations are increasingly trying to roll back free access to monetise on online traffic. *The Wall Street Journal* has been at the forefront of charging for access and its executives believe that it is vital for all news organisations to charge for content. Other media providers in the entertainment realm have paralleled this trend by exploiting the online sale of video or audio content.

The introduction of payments for online news has not only put a price tag on content, but also restricted readers' use of content, even after they have paid. The subscriber agreement of *The Wall Street Journal*'s online payment scheme shows how the rules are much more restrictive than traditional copyright laws restricting the use of print media products: "Only one individual may access a service at the same time using the same user name or password, unless we agree otherwise". Clearly, this is very different from the ability of sharing information using print products. By restricting use of content even after users legally purchased it, news organisations are acting in a way James Boyle has described as the second enclosure movement. With the first enclosure movement describing the 15th to 19th century privatisation and commoditisation of commonly-owned agricultural land, the second enclosure movement relates to intellectual property today: "True, the new state-created property rights may be 'intellectual' rather than 'real', but once again things that were formerly thought of as common property, or as "uncommodifiable", or outside the market altogether, are being covered with new, or newly extended, property rights" (Boyle 2008: 45).

Commons enclosure can be seen in the entertainment industry with the legal challenges over sampling (Schumacher 1995) and in natural sciences through the use of synthetic biology (Boyle 2008: 171-178), for example. The introduction of pay systems in online news shows similar tendencies. Even though news organisations relied on monetising publicly available information, the nature of their print products ensured that the information would quickly enter the public domain. In the case of digital subscriptions, this will likely not be the case anymore, as newspapers are trying to control the flow of information. Instead, the information will stay on the privately-controlled web sites of the news organisations and will not reach the public domain, as it does when news organisations release content on free sites or in print.

Market control

While most online news is still free, major companies are trying to team up and introduce paid models simultaneously to ensure that users have few options to migrate. US broadcasting networks were successful by co-operating and offering reruns of television shows on hulu.com – first free and then at a cost for some content once it has captured a significant audience (Hansel 2009). Rupert Murdoch's "Project Alesia" attempted to unite News Corp's content with other UK and US outlets (Andrews 2010). This project was put on hold recently. A similar initiative in the 1990s failed quickly. Norwegian rival newspapers covering news in the same area started to co-operate in 2002 and all charged users to access content using the same micro-payment system. Instead of competing in the market of information by offering a better product or cheaper access, it seems that many traditional news organisations are trying to use anti-competitive measures instead.

Edward Herman and Noam Chomsky's propaganda model showed that mass media's ability to set the news agenda is influenced by commercial factors. The filtering of news is influenced by advertising as the primary source of income; the reliance on government and business experts for information; and concentration of ownership.

In his book *Communication Power*, Manuel Castells shows that within networked global communication, an ongoing concentration of media ownership can be observed in the vertical integration of media companies, as "media organisations are moving into the internet, while internet companies are creating partnerships with media organisations and investing in streaming video and audio functionality". So even within the decentralised online world, which has turned consumers into producers, news organisations are attempting to extend their influence.

Conclusion

News media's strategies to monetise their online content are built on the options of selling advertising; registering users (and mining data); charging for access; and controlling markets. As shown, all these options can have a negative outcome for users – such as restricting their usage of content or mandatory registration – and for news organisations because some strategies could tarnish their brands.

Each approach erodes public access to information. With higher barriers in place, only a privileged number of individuals would be able to access the information needed for them to make informed decisions about the common good. News media's role as the fourth estate in functional democracies would be undermined by exclusively commercial imperatives that potentially erode public trust in journalistic practice and create a walled garden.

Journalists rely on the information commons when reporting – making good use of fair dealing exceptions in copyright law, for example. Where would proposed restrictions on online content leave the information commons? Commons enclosure threatens trust in news media and threatens constitutionally-enshrined access to knowledge and free speech rights. From this perspective, state control of the media in the form of the Media Appeals Tribunal and the Protection of Information Bill are not the only nemeses of democracy.

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