Behind the newspaper paywall – lessons in charging for online content: a comparative analysis of why Australian newspapers are stuck in the purgatorial space between digital and print

Andrea Carson
University of Melbourne, Australia

Abstract
This article examines one response to the financial ‘crisis’ of print newspapers addressing the rise of digital paywall systems to monetise journalism. It analyses selected daily mastheads’ paywalls in the United States, Britain and Australia, comparing the type, pricing and audience uptake. This article reviews scholarly and industry literature to identify international newspaper paywall trends and considers these in the Australian context. The article finds paywalls are becoming the norm, with metered paywalls favoured over hard paywalls; paywall prices are increasing, after initial reductions, to offset digital subscriptions cannibalising print subscription revenues. As audiences and advertising migrate from print to our screens, a broader view is required. The argument here is that, in the short term, revenues generated from Australian digital subscriptions and digital advertising alone cannot sustain newsrooms, but the cost of print together with falling hardcopy circulations suggest digital paywalls must not be overlooked. In the immediate, Australia’s major newspapers are stuck in a purgatorial space between paywalls and print.

Keywords
Australian newspapers, digital advertising, digital revenue, digital subscription, global reach, journalism crisis, newspaper crisis, newspaper paywalls, online news, quality journalism

Corresponding author:
Andrea Carson, University of Melbourne, John Medley Building, Grattan St, Parkville, Melbourne, VIC 3010, Australia.
Email: carsona@unimelb.edu.au
Introduction

A large body of research and news reports highlight the funding ‘crisis’ for print newspapers in developed economies (Collins, 2011; Macnamara, 2010; Picard, 2014). Collins (2011) identifies that in the 21st century, accessing online content is a ubiquitous part of daily life. The Internet has become the first place people look for information. Online content both adds to, and substitutes, traditional media use, and has irreplaceably altered our patterns of communication.

A more complex picture emerges when the question turns to, ‘From where primarily do people in developed states get news?’ In 2014, the Pew Research Center found that more Americans access news via the Internet than traditional media, whereas European surveys have found people use a mix of traditional and digital media to follow the news (Newman and Levy, 2014). Other studies show online news is mostly accessed from digital iterations of newspapers (Nielsen, 2012: 38; Ofcom, 2012).

These findings suggest newspapers remain among favourite news brands in the digital age. Australian research finds the news audience trusts elite mastheads over other media (Media Entertainment Arts Alliance (MEAA), 2008).

The Internet has expanded the audience for traditional media’s provision of the news, but it has also displaced legacy media’s revenues – advertising and subscription sales – that for centuries, in some cases, have subsidised journalism. The Internet’s substitution effect has proved fatal for hundreds of newspapers in many developed states (Schulhofer-Wohl and Garrido, 2009: 1). In the past two decades, 11% of daily US newspapers have closed (Picard, 2010: 79). Also, the competition between newspapers has narrowed. In the last century, 689 US cities had competing daily paid newspapers, this has concentrated to under a dozen (Schulhofer-Wohl and Garrido, 2009: 1). In Australia, only Melbourne and Sydney have competing daily print mastheads. Australia’s two major print proprietors, Rupert Murdoch’s News Corp Australia (NCA) and Fairfax Media, account for about 90% of daily metropolitan circulation (Tiffen, 2010: 87). Media baron Rupert Murdoch has made no secret he desires one-newspaper towns in Australia (Guthrie, 2010: 12).

Other factors including cultural, political and economic have contributed to the steady decline of print newspapers’ profitability and institutional power in the West but none as striking as the technological disruption and redistributions of content and advertising revenues engendered by the Internet (Nielsen, 2012; Picard, 2011; Tiffen, 2010).

Loss of print pluralism and the substitution effects of the Internet raise important questions for scholars and media professionals about newspapers’ future, and importantly, the quality of their journalism. Newspapers are large producers of journalism and the single largest employers of journalists (Tiffen, 2010: 94). Their future is of particular interest because of their ‘ideal’ role mediating the Habermasian public sphere, informing the public and their capacity to strengthen democratic accountability by holding those with power to account (McNair, 2006).

Tiffen (2010) finds that, ‘at the beginning of the twenty-first century, by any criterion the press has a far less central role among the mass media, and by all the most tangible measures [Australian] newspapers are in relative and, increasingly, in absolute decline’ (p. 82). Figures show that Australian mastheads’ print circulations had not kept pace with population growth, and the number of daily newspapers sold per 1000 population almost halved between 1980 and 2007 (Simons, 2007: 29).
During the Global Financial Crisis (GFC), print revenues declined significantly in Europe and the United States (see Figure 1) precipitating hundreds of masthead closures. Australia’s economy avoided recession, but its print newspapers’ revenues were not unscathed.

Declining print circulation and advertising revenues

Australia’s print newspaper circulation revenues continued to fall after the GFC, from AUD1.5 billion in 2009 to AUD1.2 billion in 2014; its advertising revenues also fell from AUD2.9 billion to AUD2.1 billion in this period (PriceWaterhouseCoopers (PWC), 2014a). PWC (2014b) predicts that between 2013 and 2018, total print newspaper revenues are expected to recede further in mature markets: 3.2% (compound annual growth rate) in Australia, 2% in Europe and 4% in North America.

Australia’s print media decline hit a new low in June 2012 when NCA and Fairfax announced approximately 3000 job cuts collectively (Norrie, 2012). Up to 800 redundancies were to be editorial positions (Warren in Lloyd, 2012). Other major changes included abandoning the centuries-old broadsheet traditions of the Sydney Morning Herald (SMH) and the Age; and, despite previously rejecting paywalls, Fairfax’s CEO Greg Hywood (2011) committed to installing metered paywalls by January 2013. This deadline was extended six months after the announcement that Britain’s Guardian newspaper, which already had more than a million Australian online viewers at that time, would start an Australian franchise and employ local journalists (Sweney, 2013). The postponement suggested Fairfax was uncertain about introducing paywalls, particularly when threatened by a new competitor to add to the existing competition from ‘free’ government-funded news broadcasters: Australian Broadcasting Corporation (ABC) and Special Broadcasting Service (SBS).

At NCA, job loss numbers were undisclosed, but estimated to be in the hundreds (Hall, 2012). The company had already placed its only broadsheet newspaper, the Australian, behind a hard paywall in 2011; and its best-selling tabloid, the Herald Sun, began charging online readers via a paywall in 2013. This period marked a shift in newspaper companies’ thinking resulting in the majority of Australia’s daily mastheads erecting some form...
of paywall (see Table 1). These paywalls were in an experimental phase with initial price lowering and, in some cases, switching models from hard to soft to stem the significant decline in website traffic (PWC, 2014a).

‘Soft’ versus ‘hard’ paywalls

Paywall models broadly fall into two categories: ‘soft’ and ‘hard’. Hard paywalls prevent free access to online news content (beyond the lead story) such as London’s Times and United States’ Wall Street Journal (WSJ). Soft paywall options allow limited viewing, without charge, and are designed to keep Internet traffic flowing to a newspaper’s website, important for audience metrics used for attracting advertisers, as well as to entice readers to pay for greater online access after a free sample.

One soft model is the metered paywall. Readers have access to a number of articles that can be shared on social media before being required to pay. Australia’s Age and the SMH are generous metered models, allowing 30 free articles. In comparison, the New York Times (NYT) offers 10, revised down from 20 in March 2012 (Canadian Business, 2013: 53). Another soft option is the noble model, also called the ‘freemium’ or ‘leaky’ paywall, which provides some free news, but not stories with premium value for which consumers might be willing to pay. Premium stories are written by a popular columnist, or belong to a popular section like sport, IT or business. The noble paywall is the model of choice for the Australian Financial Review (AFR) (headlines only are free), the Herald Sun and the Australian (see Table 1), after each initially began with a hard paywall.

Table 1. Australia’s major metropolitan daily newspapers and their paywall models.

<table>
<thead>
<tr>
<th>Publisher</th>
<th>Masthead</th>
<th>Paywall</th>
<th>Free articles per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairfax Media</td>
<td>Financial Review</td>
<td>Nil</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sydney Morning Herald</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Age</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Canberra Times</td>
<td>Unlimited</td>
<td></td>
</tr>
<tr>
<td>News Corp Australia</td>
<td>Australian</td>
<td>Premium content – nil: basic content – 5 per week</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Herald Sun</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Daily Telegraph</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Courier Mail</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adelaide Advertiser</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hobart Mercury</td>
<td>Unlimited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NT News</td>
<td>Unlimited</td>
<td></td>
</tr>
<tr>
<td>Seven West Media</td>
<td>West Australian</td>
<td>Unlimited</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author.
There are no indications that print newspapers’ economic downturn in developed economies will stabilise without alternative, funding models. Nakashima (2012) estimates more than a quarter of US daily newspapers now have paywalls to monetise their online content after it was ‘given away’ for years. The conundrum for print media companies is that most derive the bulk of their revenues from the print product, through subscription and advertising. In mature media markets, advertising revenue is falling and digital revenue gains are not making up for the shortfall. Instead, due to cover price increases and use of paywalls, circulation as a proportion of overall revenue is increasing and is set to overtake advertising as the main source of revenue in these markets by 2018 (this has occurred at NYT in 2011–2012). Generally, circulation revenue is not enough to sustain large newsrooms (Myllylahti, 2014: 12). According to PWC’s (2014b) global newspaper publishing market analysis, circulation’s share of total revenue will rise from 47% in 2013 to 49% by 2018, meaning consumers may soon become publishers’ biggest source of revenue … But despite individual publishers reporting improved fortunes, few are hailing a transformation – digital circulation will make up just 8% of total circulation revenue globally by 2018.

Of course, digital circulation’s share is low in global terms, not least, because developing countries’ print newspaper markets are growing. The point here is that in developed economies newspapers have traditionally relied on advertising, rather than circulation, to generate profit. With digital advertising, newspaper companies’ market share is lagging behind other sectors and this has consequences for their capacity to fund quality journalism. For example, the Australian advertising sector is growing and PWC (2014a) expects it to reach AUD14.4 billion by 2018, up from AUD12 billion in 2010, but newspapers’ traditional share is being redistributed to other sectors, particularly Internet advertising. Internet advertising is expected to increase from 9% in 2006 to 39.5% in 2018, which would make it Australia’s largest advertising sector worth AUD5.7 billion (see Table 2). In terms of redistribution, a large proportion of global online advertising revenue is

### Table 2. Australian newspaper sector advertising decline trajectory: 2006–2018.

<table>
<thead>
<tr>
<th>Australian media &amp; entertainment sector</th>
<th>2006 (%)</th>
<th>2011 (%)</th>
<th>2018 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filmed entertainment</td>
<td>65</td>
<td>70</td>
<td>86.5</td>
</tr>
<tr>
<td>Free-to-air TV</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscription TV</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Radio</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Out-of-home</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Magazines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newspapers</td>
<td>35</td>
<td>30</td>
<td>13.5</td>
</tr>
</tbody>
</table>

Source: Author analysis of data supplied with permission by Budde (2010: 6); PWC (2014a).

**Monetising content: the rise of the paywall**

There are no indications that print newspapers’ economic downturn in developed economies will stabilise without alternative, funding models. Nakashima (2012) estimates more than a quarter of US daily newspapers now have paywalls to monetise their online content after it was ‘given away’ for years. The conundrum for print media companies is that most derive the bulk of their revenues from the print product, through subscription and advertising. In mature media markets, advertising revenue is falling and digital revenue gains are not making up for the shortfall. Instead, due to cover price increases and use of paywalls, circulation as a proportion of overall revenue is increasing and is set to overtake advertising as the main source of revenue in these markets by 2018 (this has occurred at NYT in 2011–2012). Generally, circulation revenue is not enough to sustain large newsrooms (Myllylahti, 2014: 12). According to PWC’s (2014b) global newspaper publishing market analysis,
directed to companies that do not produce news content, such as Google and Apple, but aggregate others, causing some to label them ‘frenemies’ of legacy media (Collins, 2011).

This article aims to examine paradigmatic examples of paywall models of major daily newspapers in Britain, United States and Australia to see what lessons can be extracted and how they might apply to the Australian context. There is a dearth of scholarship about newspaper paywalls and their viability as sustainable revenue sources. This article reviews the academic literature but also industry reports and research because of the identified limited scholarly research available (Macnamara, 2010; Myllylahti, 2014; Wang, 2009). Reasons for this are that, until recently, paywalls had not gained momentum in developed states and therefore little comparative and historical data existed. Also, lag times in research publications can be at odds with the dynamic economic environment of media organisations making it necessary to widen the lens to include news reports and industry perspectives.

To date, much of the scholarship focuses on conditions under which consumers will pay for content. Iris Chyi, at the frontier of this research in 2002, and later, with Jacie Yang, used economic theory to argue that online news was equivalent to ‘inferior goods’. In their words, digital media’s relationship to print was comparable to the relationship between ramen noodles and steak. When disposable incomes increase, consumers spend it on print (steak), not online (noodles). Online is an ‘inferior good’ in economic terms because of its relationship with consumer demand and income (not quality); as income increases, demand eases. Their conclusion was that people prefer print newspapers to paying for online news (Chyi and Yang, 2009: 606). Chyi (2012) found consumers’ willingness to pay for online news weak, concluding paywalls were unlikely to generate sufficient revenues to challenge the primacy of print newspapers as the main revenue base. These findings are in the context of the early stages of paywall uptake and iPad access. Online news production has become more sophisticated, content is more interactive and increasingly custom-designed to maximise the features of the digital apparatus used for access. Successive studies have found a gradual increase in consumers prepared to pay for online news, albeit from a low base, particularly if it was perceived that a news outlet’s future depended on it (Cook and Attari, 2012 cited in Myllylahti, 2014: 12). A Reuters Institute study of 18,000 people in 10 countries found the number of people paying for online news was increasing – 11% had purchased news online in the past year, either through a one-off or ongoing subscription (Newman and Levy, 2014: 12). Other studies identify that paywall uptake is skewed to an older demographic (Chiou and Tucker, 2013). This seems at odds with the ‘inferior goods’ argument as younger readers often have less disposable income.

So what? Press as a marketplace for ideas

It has been established that the declining newspaper revenues have led to print closures and cost-cutting in developed nations, and there are varying research findings about consumers’ willingness to pay for online news. While this is an issue for industry stakeholders, is it of broader concern? I argue that it is.

Across theoretical perspectives, the press has been ascribed a normative role facilitating the exchange of ideas and functioning as a ‘fourth estate’ in democratic society by exposing transgressions of public trust (McNair, 2006; Schudson, 2003; Schultz, 1998). Famously, Jürgen Habermas (1989) identified the press, at their pinnacle, as the ‘public sphere’s preeminent institution’ (p. 181). Benedict Anderson (1983) also identified newspapers for
their role in bringing people together in an ‘imagined community’. Political economic theorists provide a counter-discourse equating mass media with serving the interests of elites (Curran and Seaton, 2010; Herman and Chomsky, 1988). The structural economic change to media companies provides a renewed context for this perspective in democracies and salience for the question of the mass media’s capacity to produce quality journalism.

Australian journalist and News Corp CEO, Robert Thomson (2005), argued the public sphere was ‘that ugly room called “the information space”’, which was best occupied by ‘quality’ journalism (p. 5). The question for him was not whether its medium was print or digital but the quality of its content. While Thomson’s sentiment is appealing, it is problematic because the issue explored here is whether the paywall is a sustainable funding model for providing ‘quality’ journalism in ‘the information space’ in the digital age.

Quality journalism is not easy to define since it involves an element of subjectivity. I adopt Philip Meyer’s (2009: 214) view that evidenced-based journalism earns community trust, which in turn, empowers news agencies to demand political accountability of public institutions and those with power. This type of journalism can then play a role informing the public sphere and supporting democratic accountability.

**Method**

The problem concerning newspaper paywall’s viability to fund journalism in the digital era is critically examined by comparing various outlets’ paywalls to identify: commonly used models, general features about their content and what factors might influence audience uptake of digital subscriptions.

I aim to identify key lessons derived from analysing international newspapers’ implementation of paywalls and how these might inform the use of paywalls to financially support Australian journalism. There are alternative digital payment options to fund newspaper journalism, including micropayments, online advertising, philanthropy and crowd-sourcing, among others. This article focuses on digital paywalls because of their recent proliferation in Australia and limited working examples of alternative funding models in Australia (refer to Table 1). Mastheads’ paywalls investigated include:

- *Times* (UK)
- *Wall Street Journal* (United States)
- *New York Times* (United States)
- *Australian Financial Review* (Australia)
- *Age* (Australia)
- *Australian* (Australia)
- *Herald Sun* (Australia)

Mastheads without a paywall are also discussed here and include the *USA Today* and Britain’s *Mail Online* and the *Guardian*. Collectively, the selected mastheads represent various types of paywalls, audience and reach. They include metropolitan and national newspapers, some that offer niche news such as financial journalism, and others that provide general news. Some were early adopters of the paywall, others are relative newcomers. The *NYT* and the *WSJ* have over a million subscribers combined and, as exemplars in the paywall environment, afford insights not otherwise available.
Data were collected from the surveyed newspapers’ website, scholarly literature and industry research such as company reports, annual financial statements, investor briefings and speeches; as well as professional associations like the Newspaper Association of America and the World Association of Newspapers. It includes information from specialist research institutions like the Oxford University’s Reuters Institute and the US Pew Research Centre and government and intergovernmental agencies such as the Organisation for Economic Co-operation and Development (OECD) and Britain’s Ofcom. Business consulting firms and trade union reports were analysed: PriceWaterhouseCoopers, the Newspaper Data Exchange and Australia’s MEAA among them. Official auditors’ circulation figures were collected, along with media industry surveys such as Nielsen and Roy Morgan.

I gathered paywall data in 2012 and 2014 to track paywalls’ trajectories and to allow for cautious comparison within and between news organisations and countries. In order to make data more comparable between countries, unless otherwise declared, prices refer to bundled subscriptions that provide print and digital access to subscribers.

**Comparative data challenges**

This comparative analysis requires careful interpretation of data. Requirements for reporting digital circulations in each country differ and can change from one year to the next. Many publishers have introduced branded and unpaid print products that inflate their circulation figures, which is challenging for establishing trends (Newspaper Data Exchange, 2014).

American mastheads were permitted to double-count digital access on multiple platforms belonging to a single subscriber (Edmonds, 2013). To address this, the US Alliance for Audited Media (AAM) created a new rule requiring a metric for total customer accounts. This enables advertisers to evaluate double-counting under the liberal digital rules. Some US newspapers report five-day sales averages, others report individual weekday averages and this is noted before making direct comparisons (AAM, 2014).

Australian publishers were not compelled to report digital subscriptions until July 2013; however, its Audit Bureau of Circulations ‘clarified’ its rules leaving it optional to publish digital subscription figures. If reported, publishers must provide a breakdown of figures across digital platforms (mUmBRELLA, 2013). Further, Australian digital audit figures voluntarily supplied before 1 July 2013 include bundled subscriptions – that is, the digital subscription packaged with a print subscription. This makes the task of year-over-year comparisons difficult. Due to the challenges of audit rule changes in each country, caution is exercised when tracking circulation gains and losses from audit figures alone.

In Britain, Murdoch’s News UK withdrew its titles from the Audit Bureau of Circulations’ monthly audit of newspaper web traffic figures in 2010. Alternatively, a number of digital analysts and methods exist for measuring news websites’ global audience reach. Some use machine-based measures (WebTrends, Google Analytics) that track users through cookies or browsers; others use ‘people-based’ technologies that track ‘unique’ visitors (AAM, 2014). Analysts such as comScore have developed hybrid technology that purports to remove duplication across multi-platform access to provide
a measure of ‘unique people’ (comScore, 2014). This article uses eBizMBA Rank’s ‘unique visitors’ measure for ease of comparison and relative consistency. This rank averages Alexa Global Traffic Rank, Compete and Quantcast data.

This article is exploratory in nature and, notwithstanding data comparison challenges, aims to identify newspaper paywall trends and salient lessons from international practice that can inform the Australian experience.

**Findings and discussion**

After critically analysing the literature, scholarly and industry-focused, and assessing different paywall models in three countries, five key lessons were apparent. No researcher has compared and contrasted print circulations and paywall models of selected daily mastheads in Britain, United States and Australia in a single summary, so it is composed here using 2012 (in brackets) and 2014 data. The two periods enable assessments about the changing paywall environment (see Table 3).

For example, international papers experienced growth in overall paid circulations, and paywall subscribers increased for both hard and soft paywalls.

Australian print circulation data shows paid print circulations fell significantly even when including some bundled subscriptions that are print with digital access attached. This was particularly true for the tabloid, the *Herald Sun*. However, like their international counterparts, Australian paid digital-only subscriptions are increasing. This highlights a conundrum for media companies. Paid print subscriptions earn publishers more revenue than digital-only sales. Sizeable paywall price increases for Australian and UK titles over the two years might be an attempt to bridge this shortfall.

**Finding the ‘sweet spot’: one size does not fit all**

The Murdoch-owned *WSJ*, a financial masthead, was the first to install a hard paywall in 1997. Thirteen years later, Murdoch’s paywall experiment began in Britain with the 229-year-old *Times* charging readers to access general news online. A year later, Murdoch’s *Australian* general news masthead adopted its hard paywall in 2011. The *Times* and the *WSJ* have remained behind hard paywalls but Murdoch’s Australian newspapers have not, suggesting population could limit hard paywall success. Murdoch’s *Australian* broadsheet converted to a noble paywall after subscriptions stalled at 30,000, and the *Herald Sun* tabloid switched briefly to a metered paywall to abate a 20% drop in online traffic (Hawthorne, 2012).

Unlike the British and American markets, Australia does not have a large population base to support a hard paywall market for general news, and perhaps even niche, if the price is too high, particularly when competitors, the ABC and new entrants such as the *Guardian*, offer news for free. For example, Australia’s first newspaper to use a hard paywall was Fairfax’s *AFR* in 2006 (Simons, 2007: 140). It significantly adjusted pricing on three occasions – without great subscriber success. Five years later, it abandoned the hard paywall for a freemium model. While Fairfax does not publicly release *AFR* digital subscriptions, *AFR* CEO Brett Clegg revealed digital subscribers barely exceeded 6000 in 2011 (*mUmBRELLA*, 2011). Even with price discounting, the *AFR* is among the
### Table 3. Comparing paywall models across selected daily international mastheads.

<table>
<thead>
<tr>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New York Times</td>
<td>(1,613,865)</td>
<td>2011</td>
<td>Metered 10 free articles a month</td>
<td>(896,352&lt;sup&gt;##&lt;/sup&gt; – 390,000 paywall only)</td>
<td>(37.84)</td>
</tr>
<tr>
<td></td>
<td>2,022,850</td>
<td></td>
<td></td>
<td>1,341,945&lt;sup&gt;##&lt;/sup&gt; – 799,000 paywall only</td>
<td>42.12</td>
</tr>
<tr>
<td>Wall Street Journal</td>
<td>(2,293,798)</td>
<td>1997</td>
<td>Hard</td>
<td>(794,594)</td>
<td>(22.33)</td>
</tr>
<tr>
<td></td>
<td>2,294,093</td>
<td></td>
<td></td>
<td>937,801</td>
<td>31.04</td>
</tr>
<tr>
<td>Times</td>
<td>508,585</td>
<td>2010</td>
<td>Hard</td>
<td>(111,036)</td>
<td>(28.29)</td>
</tr>
<tr>
<td></td>
<td>537,304</td>
<td></td>
<td></td>
<td>153,000&lt;sup&gt;##&lt;/sup&gt;</td>
<td>65.83</td>
</tr>
<tr>
<td>Australian (all sales print + digital + e-reader (March 2014))</td>
<td>Bundled print sales includes some digital (2012) versus 2014</td>
<td></td>
<td>Digital-only sales (2012) versus 2014</td>
<td>(N/A)</td>
<td></td>
</tr>
<tr>
<td>Age M-F 2014</td>
<td>(158,485)</td>
<td>2013</td>
<td>Metered 30 free articles a month</td>
<td>(N/A/A)</td>
<td>(25.00)</td>
</tr>
<tr>
<td></td>
<td>118,426</td>
<td></td>
<td></td>
<td>78,601</td>
<td>44</td>
</tr>
<tr>
<td>Australian 168,992</td>
<td>(126,901)</td>
<td>2011</td>
<td>Freemium – some articles free, others never</td>
<td>(31,241)</td>
<td>(12.76)</td>
</tr>
<tr>
<td></td>
<td>111,437</td>
<td></td>
<td></td>
<td>57,555</td>
<td>54</td>
</tr>
<tr>
<td>Herald Sun M-F 2014</td>
<td>(460,370)</td>
<td>(free trial 2012) 2013</td>
<td>Freemium – some articles free, others never</td>
<td>(N/A)</td>
<td>(17.30)</td>
</tr>
<tr>
<td></td>
<td>382,217</td>
<td></td>
<td></td>
<td>40,362</td>
<td>54</td>
</tr>
<tr>
<td>Financial review M-F N/A&lt;sup&gt;#&lt;/sup&gt;</td>
<td>(68,425)</td>
<td>2006</td>
<td>Freemium – some articles free, others never</td>
<td>(N/A – unconfirmed 14,400)</td>
<td>(59.00)</td>
</tr>
<tr>
<td></td>
<td>60,706</td>
<td></td>
<td></td>
<td>N/A – unconfirmed 20,000</td>
<td>75</td>
</tr>
</tbody>
</table>

**Sources:** Barclays Capital, NYT, WSJ, Times, Australian, Herald Sun, AFR, Newspaper Data Exchange, AAM, AMAAA, ABC (UK).

**Notes:** *includes International Herald Tribune and Boston Globe later sold; ^allow for currency fluctuations; **According to News UK CEO Mike Darcey. #AFR digital sales not reported. ## includes e-readers.
world’s most expensive paywalls at AUD16 a week. The company claims to have lifted subscriptions to 20,000, but this figure includes bundled subscriptions (Fairfax Media, 2012: 15).

In 2011, the NYT reintroduced a paywall after a failed attempt in 2005. Unlike 2005, it chose a metered, rather than freemium model. In 2012, the NYT halved its free articles from 20 to 10 to entice readers to pay for greater access. It has had relative success and other publishers have adopted this model for general news content including Australia’s Age. The Age’s metered paywall began in July 2013 for $4.95 a week for digital and print access; this price doubled within a year.

What these examples indicate is that, with the exceptions of the WSJ and the Times, experimentation is part of implementation. Adjusting paywall prices and models is necessary to find the best fit for a company’s size, brand, news content and population. A hard paywall can work for the WSJ because of its niche content. The Times, still financially reliant on print circulation, might be persevering with a hard paywall because it is Murdoch’s ideology to do so, or perhaps even to encourage more lucrative print sales as the Times has ‘selectively raised cover prices [and] subscription pricing’ (Dow Jones, 2014).

Publishers are searching for a ‘sweet spot’ or, what Australian news publisher Alan Kohler (5 October 2010, Interview with the author, Transcript available on request) describes, as the balance between ‘maximizing clicks on a story with creating a brand that has a set of values’. Publishers want readers to pay for journalism but also need to allow enough website traffic to serve digital advertisers’ needs regarding audience demographics and volume. For general news providers, the ‘sweet spot’ is often best served by the metered paywall.

Metered favoured over hard paywalls

An AAM report (2012) found US mastheads chose a metered (40%) over a hard (17%) or noble paywall (33%). Table 1 shows this was also true for Australian mastheads. Of the five major British newspaper paywalls (see Table 4), only News UK’s the Sun and the Times adopted hard paywalls, the others were metered. Reuters Institute found that hard paywalls curb website traffic flows significantly compared to metered models (Newman and Levy, 2013: 92). The difference was an 85%–95% reduction in web traffic in the initial months compared to 5%–15% loss of digital traffic using a metered paywall. A noble paywall reduced web traffic by about a third (Nakashima, 2012).

Losing digital traffic can be a significant issue for newspapers; that is, unless digital subscription revenue outstrips advertising revenue. Digital advertisers generally want to maximise the ‘eyeballs’ viewing their products and therefore desire high volumes, unless they can target a smaller desirable demographic behind a paywall. This indicates why the NYT initial paywall might have failed in 2005. It lowered traffic. When the company dismantled this paywall, the explanation was that more revenue would come from advertising attached to free content (Nakashima, 2012).

In 2014, the NYT’s metered paywall had 799,000 subscribers (NYTCO, 2014), an 11% increase on the year before. Similarly in 2013, it had 708,000 subscribers, a 45% year-over-year increase (NYTCO, 2013b), yet NYT remains economically vulnerable.
While its subscriber base has grown, and digital and hardcopy subscriptions have surpassed advertising revenues, total revenues are still falling, down 1.1% in 2013 compared to 2012 (NYTCO, 2013: 26).

**Digital-only subscriptions rising, but … at a cost to print**

Newspapers adopting paywalls to monetise digital content after years of providing it for free is an observable trend across the three countries studied. For an overview of which
mastheads have implemented paywalls, see Table 4. The paywall is a popular business model for newspapers in the digital era. More than half (11) of the United States' 20 biggest selling daily mastheads have a paywall. The latest to join these was the Washington Post in 2013, and in 2012 the United States’ largest newspaper chain, Gannett, which introduced metered paywalls for most of its 80 mastheads but, notably, not for the group’s best-selling USA Today.

British newspaper publishers are slower to adopt paywalls – about a third of the nation’s national dailies. Significantly, among Britain’s biggest selling newspapers, the Sun and the Daily Telegraph introduced paywalls in 2013; doubling the number of British newspapers using them. Across the three states, 2012 saw more paywalls implemented than in any other single year. This uptake sharply contradicts Arianna Huffington’s (2009) view that ‘the paywall is history’.

In 2013, most of Australia’s daily mastheads had a paywall, perhaps beginning a cultural shift for consumer behaviour, realigning expectations that all newspaper content will be free online. While not early paywall adopters for general news, Table 3 shows Australian mastheads have had relative success attracting paid digital subscribers over a short period.

For each of the countries studied, digital subscription is becoming an important aspect of total circulation (see Table 3). This is particularly true for middle and elite market mastheads, but less so for tabloid. For the middle and elite audience markets, mastheads’ digital-only subscriptions comprise somewhere within a range of 30%–40% of total circulation – the NYT (39.4%), the WSJ (40.87%), the Times (28.4%), the Australian (34%), the Age (39.8%) and the AFR (32.9%). This finding was consistent with American research that found digital subscriptions have ‘become a critical aspect of total circulation – growing to one-third of average daily circulation’ (Newspaper Data Exchange, 2014).

In contrast, digital subscriptions for Australian tabloid the Herald Sun, whose readers comprise a lower socio-economic demographic, represented a lower proportion of total circulation, accounting for 9.5% in 2014. This finding conflicts with Chyi and Yang’s ‘inferior goods’ economic theory about paywalls, which would assume that the more affluent Australian readers would purchase hardcopy rather than online subscriptions.

However, a closer inspection of Australia’s newspaper circulation audit figures shows that paid print-only sales are being cannibalised by digital sales. For example, while the total Age sales for Monday to Friday in March 2014 were 197,027, of these a mere 78,996 were paid print-only sales. When we drill down further, we see that digital packaged subscriptions, plus payments for e-readers and masthead tablet and smart phone apps combined accounted for 118,031 sales. This is a remarkable 60% of total paid masthead circulation (Audited Media Association of Australia, 2014, see 14 March audit Age (M–F)).

While this shows that digital subscription uptake has become an important part of overall circulation, this is problematic for publishers’ overall revenues. Again, taking the example of the Age, its print cover price is $2.30 a day Monday to Friday or $11.50 for the working weekday ($51 per month) at the time of writing. It is cheaper for readers to buy a bundled digital subscription ($44 per month) or digital-only ($25 per month) than to purchase print-only.

However, there is a transparency issue here as the Age readers with a print subscription of two days or more are permitted digital access. The point is digital subscriptions
are currently cheaper and cannibalising traditional print sales, which in turn affects the attractiveness of print to advertisers.

The more pressing problem for publishers is advertising revenues, as masthead sales generally comprise a small proportion of total revenue. In 2012, the Newspaper Association of America found newspapers were reclaiming only $1 of digital advertising revenue for every $25 of print ad revenue lost. This ratio increased dramatically from 1:7 the year before (Brendish, 2012).

**Charging for content does not necessarily limit reach**

British newspapers, the *Guardian* and the *Mail Online*, and America’s top-selling newspaper *USA Today* have resisted placing content behind a paywall.

These free newspapers have an extraordinary number of online readers, see Figure 2 for a comparison between online traffic flows to websites (unique visits), with and without a paywall in 2012 and 2014. Figures may vary between methods used for measuring digital audience share but these graphs show a similar trend in terms of global reach.

 Newspapers without paywalls can enjoy tremendous audience reach, which helps to attract a greater share of online advertising. But despite their global reach, financial documents show that these media organisations also experience financial pressure. For example, the *Guardian* derives most of its revenues from print media. It made a small profit in 2013 of AUD60.24 million (£33.2) after suffering a AUD129.92 million loss (£71.6) in 2012 (MarketLine, 2014b: 3) that triggered AUD40 million in cutbacks (Bartholomeusz, 2013). To expand its franchise to America and Australia, it sold assets belonging to its perpetuity fund, the Scott Trust.

Similarly, *Mail Online* has extraordinary global reach and has successfully grown its digital advertising revenues to £28m in 6 months to the end of March 2014 (Sweney, 2014). But largely, its parent company, Daily Mail and General Trust (DMGT), is supported through investment diversification that has diluted its media interests to just 44%. DMGT’s varied business portfolio shields the company from falling print circulation
revenues, and its global media audience allows it to cross sell its other services such as Euromoney, events and business information (MarketLine, 2014a: 4).

Importantly, Figure 2 shows there is no simple argument that a paywall will necessarily limit audience reach. The NYT is an example of a large digital audience willing to pay for content. The type of paywall by itself is also not necessarily a factor in limiting audience share. The WSJ has a hard paywall, and like the NYT, has significant paid online audience. What does appear to influence paywall success is the type of news content provided – whether general or niche – and how compatible the model is for selling that type of content. Mail Online successfully appeals to the broadest audience possible through sensational ‘clickbait’ stories about sex, crime and celebrity. Producing quality journalism is not its mandate. In opposing this type of open model, News UK CEO Mike Darcey argued that growing free readership was only ‘good for the ego’. He stated, ‘this reach doesn’t generate any meaningful revenue, and the pursuit of it undermines the piece of the business that does make money … it is better to sacrifice reach and preserve sustainable profitability’ (Witkin, 2013). This thinking may work for selling quality journalism, but for Mail Online maximising, ‘clicks’ is a successful strategy for serving its diversified business interests.

**Premium content is king**

Digital subscriber numbers to the WSJ show that specialised journalism can succeed behind hard paywalls in populated countries. The niche content of the WSJ has had more subscription success than mastheads with hard paywalls that provide general news (Times). London’s Financial Times (FT), which provides niche news opted for a metered paywall (allowing 10 free articles) and experienced greater online circulation than print in 2012. Its digital subscription is more expensive than some competitors starting at $325 a year demonstrating readers will pay if they think the content is worth it.

These financial publications were early paywall adopters. The FT was the first masthead in Britain to introduce a paywall in 2007. The WSJ launched its digital paywall in 1997. This has enabled both mastheads to build comprehensive repositories of data about their subscribers that can be used to tailor advertising to specific readers (Indvik, 2013). Furthermore, both offer subscribers a markedly different experience to print through interactive digital tools such as stock trackers, research reports, calculators and investment analysis (Newman and Levy, 2013). These value-adding tools arguably contribute to their paywall successes.

However, Australia’s AFR offers a counter narrative to the success of niche content behind hard paywalls. It also provides premium business news reporting but initially struggled to attract digital subscribers. One reason, as identified earlier, is it locked its journalism behind the world’s most expensive paywall. Another is that Australia’s population is small compared to America and Britain. Since lowering its price by a third, and moving to a freemium model, AFR’s digital subscription, according to company reports, has increased three-fold.

While niche content is king for success behind a hard paywall, more generally, a core concern for publishers is that subscription revenue alone does not offset large newsroom costs. Total masthead revenues can fall even when digital subscriptions rise, as has been
the case for the NYT. In 2013, the New York masthead shed staff to further reduce operating costs (NYTCO, 2013a: 8). These redundancies are unremarkable and represent newsroom cutbacks across the studied nations.

To limit costs, and to broaden the revenue base, some European and North American newspapers have outsourced paywall management to Piano Media and Press+ respectively (Canadian Business, 2013). These firms provide paywalls to about 500 publications across the two continents, significantly cutting set-up costs and assisting publishers with managing payment infrastructure, subscription and data analytics (Newman and Levy, 2013). Mastheads can use readership analytics to diversify their revenues by selling readers targeted products including books, music and concert tickets (Canadian Business, 2013).

Diversification of revenue is likely to be critical in the future for general newspapers; especially because there is evidence suggesting newspapers are not advertisers’ first choice for attracting buyers for their goods and services (Hawkins, 2012: 1). In Australia, newspapers have lost 5% of the total advertising share in 5 years, yet Australian online advertising is growing and estimated to be worth $3.75 billion in 2014 (up from $2 billion in 2010) (Budde, 2010: 4). Publishers are not reaping the benefits of this digital advertising upswing. The greatest growth in this market is search and directories advertising (51%) followed by online display advertising (33%). Newspapers compete for this advertising with monoliths like Facebook, Apple and Google (Budde, 2010: 4). Advertisers often favour these competitors because of their sophisticated data analytics that specifically target demographics, including location, age, gender, consumers’ brand preferences and purchase (Ghosh, 2012).

Conclusion

Variable data and a lack of transparency about subscriber numbers make the task of interpreting the story about newspaper paid circulations in the digital age a complex one. This article offers provisional findings about international paywall trends and concludes that Australian newspapers are in a purgatorial space: they are not earning enough from digital revenues to abandon print, yet digital subscriptions are cannibalising print subscription revenue. Thus, bundled subscriptions are used to soften the impact of digital offerings eroding print sales and to keep print advertisers on board.

The number of newspaper publishers implementing paywalls to monetise their digital content is rising. This trend is a significant departure from the earlier convention of newspapers providing readers online content free of charge. This article finds paywalls are not necessarily obstacles to building and sustaining large numbers of paid online subscribers, contingent on the type of content provided – general or niche – its pricing and population. Metered paywalls are favoured over hard paywalls for funding general news. Hard paywalls can drive away website traffic unless it has niche content for which people will pay.

Paywalls have enabled some newspapers to monetise their online content, but cheaper online subscription rates can cannibalise print circulation revenues as mastheads transition to digital-first publications. This is particularly a problem for Australian news publishers operating in a relatively small population. The positive for publishers is that
readers still turn to traditional news providers in the digital space and, in increasing numbers, paying for digital subscriptions.

But even ‘successful’ paywalls such as the NYT and the WSJ do not wholly address total advertising revenue falls, except to respond with newsroom cost-cutting. In the digital era, paywalls are part of newspapers’ toolkit for bringing in new revenue but there is no evidence here to suggest they will be a standalone solution. Smaller newsrooms and/or diversifying revenue streams, by selling targeted products to readership communities, might be longer term measures. Similarly, financial mastheads’ provision of exclusive financial data and online interactivity offers paywall subscribers something not available from the two-dimensional version.

Mastheads that remain without a paywall, such as the Guardian and the Mail Online, need extensive (global) audience reach to attract sufficient digital advertising. This model can still fail to deliver revenues necessary to meet operating costs and, in the case of the Guardian, it would not be financially sustainable online without its Scott Trust. Digital advertising exists in a highly competitive marketplace where competitors such as Google, that do not produce costly news content, drive down digital advertising prices. In this political economic environment for mastheads, digital advertising revenues alone are insufficient to meet the cost of providing quality journalism.

Herein is the conundrum. While the metered paywall has been found to be best at managing tensions between reach, revenues and quality journalism, it does not overcome print’s broken business model and replace past lucrative print advertising revenues that funded accountability journalism that strengthens democracy. On one side, the proliferation of paywalls signals a cultural shift for consumer attitudes about paying for journalism online. But counter examples of commercial outlets not charging for news online suggest the future for paid journalism lies somewhere in the middle; most likely a hybrid business model based on diversified revenue streams. In the meantime, Australian newspapers are stuck in the purgatorial space between digital and print.

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