March 2011

eReview

Center Spotlight

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Digital News Content Payment Models

The economic recession of 2008 and the growth of digital delivery of content have changed the revenue streams in the newspaper industry. For example, some news publishers favor charging readers for online content, while others do not. Those who have already built the pay wall and those who plan to build one in the near future can use several methods to do so. The purpose of this research

The purpose of this month's research study, *Payment Models for Digital News Content in the US* (PICRM-2011-02), by Patricia Sorce, Ph.D., Howard Vogl, & Haizhen Zhang, was to assess the payment models for digital content in news organizations that publish a daily newspaper in the US.

Sample Population

Newspaper Association of America (NAA) members: 1,100 daily newspaper publishers in the US. A total of 136 respondents completed the survey; when those who completed fewer than three questions were removed, the final sample size was 113.

Methodology

The survey was distributed via an Internet-based tool during June of 2010. Results were compiled and analyzed.

Results

- **Respondent Categories:** Nearly 40% of respondents were from organizations with less than 15,000 subscribers, 31% had between 15,000 to 40,000 subscribers, and 24% had 40,000 to 200,000 subscribers. Only seven respondents (6%) were from organizations with more than 200,000 subscribers.

- **Distribution & Access Policies:** Most of the respondents distribute their printed newspaper 7 days a week (55% of 15,000 or less; 86% of 15,000-40,000, and 100% of 40,000 +). Seventy percent of the news organizations provided free access to news on their websites. Table 1 shows website access policies by respondent category. Providing free online content to all is more likely in the larger news organizations.

Table 1. Website access policy by circulation
click to view image full size

Website access policy	Circulation			
	Less than 15,000*	15,000 to 40,000*	40,000 to 200,000	More than 200,000
Free to all	27	23	22	6
Free to print subscribers	2	6	3	1
Limited free access	14	5	2	0
All pay	0	1	0	0
Percent "free to all" within circulation	63%	66%	81%	86%

*One respondent skipped this question.

- **Other Editions:** Large newspapers were more likely to provide electronic editions of their newspapers as well, although the majority of respondents did provide electronic editions (72% overall). Most of these electronic editions were free to print subscribers (49%), although the second most prevalent policy was to charge for the electronic editions (38%). Thirty-nine percent of respondents also had a mobile edition available, and 25% were developing a mobile edition. Eleven percent of respondents had an e-reader edition (formatted for viewing on an iPad or Kindle) available, and 29% were developing an e-reader edition. Seventy-six percent of the e-reader editions were paid.

- **Changes to Payment Models:** A large percentage of respondents in all categories planned to make changes to their electronic payment models in the coming year (<15,000: 30%; 15K – 40K: 42%; 40K – 200K: 52%; 200K

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March 28 - April 1
Orientation to the Graphic Arts

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April 20 - 22
Lithographic Troubleshooting

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+: 71%; 42% overall). Of those planning to change their payment model, 80% said they would start charging for online, mobile, or electronic products. Smaller news firms were more likely to report that they were beginning to charge for electronic content than larger firms.

- **Other Policies:** Many respondents also planned to make changes to their printed products, either by increasing the efficiency of their operations (64%) or by increasing the price of their printed product (35%). Many respondents utilize more than one advertising policy strategy (see Table 2).

Table 2. Advertising policies by circulation
click to view image full size

Advertising policies	Circulation			
	Less than 15,000	15,000 to 40,000	40,000 to 200,000	More than 200,000
Separate print & electronic packages	10	11	10	2
Combined print & electronic packages	9	10	12	2
Separate pricing for SEM*	3	5	5	2
E-mail marketing services**	2	2	4	1
No response/Other	0	2	0	3

* Search Engine Marketing, e.g., pay per click and/or contextual advertising on the newspaper's website
** Using behavioral targeting

Conclusions

- Seventy percent of respondents currently provide free access to news on their websites, although this varies by organization size. News organizations with a circulation of less than 15,000 had the highest percentage of limited free online access. Overall, limited online access decreased as circulation increased. This result supports the idea that content plays a significant role in whether customers will pay for online news, since smaller news organizations tend to provide more in-depth coverage of local news.

- Although many currently provide free access, 42% of respondents indicated they planned to change their payment model within the next year. Of those planning to change their payment models, 80% (34% of the total sample) said they would start charging for online, mobile, or electronic products. The percentage of organizations that planned to change their payment model was larger for smaller organizations. This supports the idea that smaller news organizations believe they can charge for unique local content.

- Thirty-nine percent of the organizations surveyed had an edition of the news for use on a mobile device, and an additional 25% were developing a mobile edition. All large news organizations offered free mobile news access, while fewer small organizations offered it. This finding implies that large news organizations have a technological advantage, or at least the ability to purchase such an advantage, over smaller organizations.

- As with the mobile edition, larger news organizations are leading the way in developing editions for the Kindle and iPad. At this time it appears that the majority of these editions will be paid. No organization said that the e-reader edition would be bundled with a print subscription.

- When asked about changes in the printed product, 47% of respondents said they would increase the subscription price. This confirms a trend of shifting the cost of the printed newspaper from the advertiser to the subscriber. Many industry observers believe that remaining print subscribers are dedicated users who have a lower sensitivity to price changes.

Complexity Rating: 1
Rating reflects complexity level of statistical analysis: 1=none, 2=moderate, 3=difficult.

2010-2011 Research Monographs

To read about this research in detail, download the monograph from: http://print.rit.edu/pubs/picrm201102.pdf

Research publications of the Center are available at: http://print.rit.edu/research/index

Contact the Center
Director:
Patricia Sorce

Communications Coordinator:
Ashley Walker
(Web site, publications, general info)

Mailing Address:
RIT Printing Industry Center
College of Imaging Arts & Sciences
Rochester Institute of Technology
55 Lomb Memorial Dr
Rochester, NY 14623

Ph: 585-475-2733
Fax: 585-475-7279
Web: http://print.rit.edu
Email: printing@rit.edu
Twitter: RITprintcenter

About the Center
Dedicated to the study of major business environment influences in the printing industry precipitated by new technologies and societal changes, the Printing Industry Center at RIT addresses the concerns of the printing industry through educational outreach and research initiatives.

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