

## Micropayments

Industry watcher Alan Mutter has called giving away news content for free online the "original sin" committed by the traditional media. While some are talking about newspapers re-imposing paywalls, like the *Wall Street Journal* uses or the *New York Times* tried with "Times Select," most general news outlets have given up on the notion. In place of the pay-wall structure, the idea of micropayments has gained significant traction. But it also has its critics. Micropayments would allow readers to pay a small fee (pennies or dollars) on a per-article basis online. Walter Isaacson, former CEO of CNN and managing editor of *Time* magazine, is one of the most influential and vocal supporters of micropayments. He suggests that the industry adopt tools like PayPal or an E-Z Pass digital wallet that would permit "impulse purchases of a newspaper, magazine, article, blog or video for a penny, nickel, dime or whatever the creator chooses to charge." Similarly, David Carr of the *New York Times* has called for an iTunes model for journalism. Launching a new company to help print media charge for online content, *American Lawyer* founder Steve Brill has advocated for "flipping the Web's lethal dynamics."

A passionate chorus of writers are not convinced, however, for reasons ranging from "nickel-and-diming" readers to more structural concerns. Responding to Brill's ideas, Jack Shafer of *Slate* magazine notes that even if he "recruits 95 percent of the top newspapers and magazines in the country, welds digital-rights-management security bracelets onto all content, and assassinates hackers who redistribute copy without authorization, the idea can't work." Shafer says "fair use" copyright laws make it impossible for publishers to maintain proprietary control over the basic content of news.

Similarly, Jeff Jarvis, a prominent blogger and a professor at the

City University of New York, has a spirited critique of micropayments based on what he perceives as the faulty economics underlying the plan. Jarvis argues that news is not a product that can be contained within the space of a transaction: "Once news is known, that knowledge is a commodity and it doesn't matter who first reported it. ... There's no fencing off information, especially today, when the conversation that spreads it moves at the speed of links." In a forum hosted on the *Los Angeles Times* Web site, Jarvis lists several reasons he believes pay-walls and micropayments won't work:

*Putting your content behind a wall cuts it off from the conversation and robs it of influence. ... Charging radically reduces the audience for news stories and thus the ad revenue from them. ... Cutting yourself off from that rich economy of search and links is like taking your publication off the newsstand and making your readers walk to your office to buy it.*

For Jarvis, new payment methods are a symptom of the old way of thinking about journalism, that is, the way that got newspapers into their current predicament in the first place.

In the *Los Angeles Times* forum, Alan Mutter, a journalist turned Silicon Valley CEO and blogger, argued that people will pay for the news online if it is high-quality. "The trick to charging for content is coming up with unique and valuable information that smart people will want to pay for," he wrote. For Mutter, it is not about a specific payment or business model, but about the product itself. News organizations need to find their niche, produce the best news possible, and then present it in the most elegant way possible. "Consumers increasingly overwhelmed with information will be willing to pay for news and information they can trust," he insists. "Media companies can (and should) go beyond their current advertising-dependent business models by charging for original

reporting and the well-organized delivery of news aggregated from other sources that has been carefully edited, vetted and presented."

Others have suggested that news organizations bundle up their content and sell subscriptions in bulk, much like cable TV. "I'm now a believer in the cable TV model," writes Eric Zorn of the *Chicago Tribune*. "News organizations that generate significant original content should band together for their own survival and sell group subscription packages for unlimited access to their stories, photos, videos, archives and other offerings." Mark Cuban, entrepreneur and owner of the NBA's Dallas Mavericks, has suggested that news organizations actually pair up with cable operators to offer their subscribers exclusive access to the online versions of their newspapers for a price.

In the end, there will be sites like the *Wall Street Journal*, whose pay-wall seems to work, that will inspire continued experimentation with micropayments. While some efforts may offer a partial solution, the evidence so far does not bode well for the model. Even successful micropayment plans will not likely be able to monetize online readers at the same rate of return as print or broadcast audiences. For decades, advertising-supported daily newspapers have had a virtual license to print money. New forms of online payments will not bring that era back. But most commentators on both sides of this debate fail to fully account for the structural roots of the current crisis. Neither argument captures the breadth of the problem we face, nor offers anything more than piecemeal solutions. Both sides offer what is essentially a market-based approach at a time when we may need to think beyond the marketplace.

#### **READ MORE**

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