New Commercial Models

The debate about new commercial models for newsrooms is just as robust and contentious as the debate about noncommercial models. However, this debate often derails over how news content should be monetized on the Internet. One school blames the Internet, search engines and news aggregators for stealing content — if not for destroying quality journalism altogether. Another believes that the magic of the Internet and the free market will eventually sort out the future of journalism naturally, even if some old-media dinosaurs and a lot of working journalists are struggling now. Neither side has much patience for the other, and they tend to reduce their opponents' arguments to caricatures.

Yet fundamental questions still remain: Can the commercial system support quality journalism without remaining stuck in the past? Is the Internet killing journalism as we know it or inventing something better? How can policy be used to foster innovation instead of propping up failing models? How should we pay — and who should get paid — for the news? In the following section, we explore several ideas surrounding the commercial media system.

Media Consolidation:

The approach taken by too many media companies has been to try to achieve savings through consolidation and syndication during hard economic times. This tactic might pay short-term dividends, but it means that less original, local, in-depth news and information is being produced in the long run. House Speaker Nancy Pelosi, whose hometown *San Francisco Chronicle* is in trouble, recently asked U.S. Attorney General Eric Holder to consider loosening antitrust laws to help struggling newspapers by allowing more media mergers. Holder indicated he might be open to revisiting the

rules, but lawyers in the Department of Justice antitrust division expressed skepticism in testimony before Congress.

There's a strong argument to be made that runaway consolidation in newspapers, radio and TV, which created the few debt-saddled giants that are now toppling over, is actually the problem, not the solution. Mismanagement and greed — spurred by bad policy decisions at the FCC and elsewhere — have endangered news outlets and shuttered newsrooms, even as the underlying papers and stations themselves remain profitable. If anything, policymakers should revisit FCC regulations to restore local ownership caps, break up conglomerates, and discourage new mega-media mergers. More media consolidation is arguably one of the most harmful options currently being considered. It rewards the same bad actors for making bad business decisions that burdened their companies with crippling debt from buying sprees. More consolidation would at best provide a temporary respite. Worse, it would produce no new jobs or diversity in the media, while effectively propping up a failed business model.

READ MORE

- John Eggerton, "Pelosi Asks Justice to Take Broader View of Competitive Landscape," *Broadcasting & Cable*, March 17, 2009; Terry Kivlan, "Justice Dept. Opposes Antitrust Exemptions For Newspapers," *CongressDaily*, April 22, 2009.
- Randall Mikkelsen, "U.S. Law Chief Open to Antitrust Aid for Newspapers," *Reuters*, March 18, 2009.

Craig Aaron and Joseph Torres, "Consolidation Won't Save the Media," *The Guardian*, March 26, 2009,
http://www.guardian.co.uk/commentisfree/cifamerica/2009/mar/26/pelosi-me...

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 pay-walls, 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

- Walter Isaacson, "How to Save Your Newspaper," *Time*, Feb. 5, 2009. See also David Sarno, "Micropayments: A Rainbow for Journalism...or a Hail Mary?" *Los Angeles Times*, Jan. 13, 2009.

- Steve Brill, "Turning Around the Times – And Journalism," Poynter Institute, November 2008. http://www.poynter.org/column.asp?id=45&aid=158210. *See also* Nat Ives, "Brill: Bring Back an Old Business Model for New Media," *Advertising Age*, April 15, 2009.

- David Carr, "Let's Invent an iTunes for News," *New York Times*, Jan. 11, 2009. Jack Shafer, "Building an iTunes for Newspapers," *Slate*, Jan 12, 2009. http://www.slate.com/id/2208445/; Gabriel Sherman, "Micro Economics: Why Steve Jobs and Micropayments Won't Save the Media," *Slate*, Feb. 9, 2009. Clay Shirky, "Why Small Payments Won't Save Publishers," Feb. 9, 2009. Michael Kinsley, "You Can't Sell News by the Slice," *New York Times*, Feb. 10, 2009.

David Robinson, "The Future of News: We're Lucky They Haven't Tried Macropayments," *Freedom to Tinker*, Feb. 12, 2009.

- Jack Shafer, "Hello, Steve Brill, Get Me Rewrite," *Slate*, April 17, 2009.
- Jeff Jarvis, "Can Newspapers Charge for the Online Versions of Their Work?" *Los Angeles Times*, March 19, 2009.
- Alan Mutter, "Can Newspapers Charge for the Online Versions of Their Work?" *Los Angeles Times*, March 19, 2009.
- Eric Zorn, "Rescuing Print Journalism: Does Cable TV Have the Right Idea?" *Chicago Tribune*, Feb. 24, 2009. http://blogs.chicagotribune.com/news_columnists_ezorn/2009/02/rescuing-p...
- Mark Cuban, "How Cable and Satellite Can Save the Newspaper Business," *Blog Maverick*, Feb. 22, 2009. http://blogmaverick.com/2009/02/22/how-cable-satellite-can-save-the-news...

Micropayment Alternatives

Not all micropayment proposals are based on a bundling, pay-wall or per-transaction setup. Another approach is an online "tip jar" using technology like Kachingle that would give readers the "option of whether to pay for a Web site's content." This model is similar to blogger Doc Searls' "PayChoice" project, which would allow customers "to pay any amount they please, when they please, with minimum friction." These approaches may represent a promising expansion of the public media model, in which donations are strongly encouraged through pledge drives. Similarly, blogger Josh Young suggests that organizations should charge their readers for added conveniences or for increased interaction with content creators. This "freemium" model would capitalize on trust built between journalists and their readers. "Giving paying users otherwise exclusive Twitter access to the creator could work," Young writes. "SMS updates could work, as could a permission-only room on FriendFeed. Even something as simple as a gold star on paying users' comments — a symbol that they support the creator financially — would provide incentive for the creator to reply."

In a "journalism-for-hire" variation of the micropayment option, stories are either solicited by organizations or pitched by a journalist who proposes a story and asks for donations. Another version, being tested by the innovative news project Spot.Us, which has received a grant from the John S. and James L. Knight Foundation, collects pledges to fund worthy reporting projects. If the story is picked up by a news organization, donors are repaid. Yet these models also have a down side insofar as they raise issues of journalistic autonomy and could be open to abuse if appropriate firewalls aren't built between donors and reporters.

It is difficult, thus far, to see how new payment models could take off in such a way as to fully support a vibrant press system. These experiments seem necessarily limited to local reporting efforts and supplementary funding for certain kinds of reporting. For example, in the case of Spot.Us, the process of pitching a story and waiting for it to be funded may not be the best model for reporting quickly on pressing community issues or breaking news. The public nature of such news ventures presents challenges for journalists who are doing in-depth stories on issues they may not be able to publicize, like monitoring local business or government leaders. In addition, each alternative micropayment model requires a good deal of investment by news organizations, which have to dedicate staff time to organizing community support and encouraging donations. This is especially true with regard to lengthy reporting projects or ongoing beat reporting, which don't fit within the short-term, project-based model that lends itself to micropayments. Finally, what happens to all those important stories that need to be told, but which donors may not be willing to fund?

READ MORE

- Doc Searls, "After the Advertising Bubble Bursts," *Doc Searls Weblog*, March 23, 2009. http://blogs.law.harvard.edu/doc/2009/03/23/after-the-advertising-bubble...

- Josh Young, "Why I Dislike Micropayments, Don't Mind Charity, but Really Have a Better Idea," *Networked News*, Feb. 11, 2009. http://networkednews.wordpress.com/2009/02/11/no-micropayments-maybe-

cha...

Alexis Madrigal, "Crowdfunded Reporting: Readers Pay for Stories to Be Told," *Nieman Reports*, Spring 2009.

What About Google:

While most of the ideas surrounding paying for content focus on charging consumers directly, there may also be an opportunity to rethink how news organizations charge advertisers as well. Specifically, newspapers could negotiate with search engines like Google about revising the current profit-sharing model for online ads. A strong argument can be made that news content enhances the value of the search and discovery business for Google, Microsoft, Yahoo and others. Negotiating for a greater share of the profits could help to support the online model. Presumably, the amount generated by greater profit-sharing would not be enough money to singlehandedly save the industry, but it would help in combination with other strategies, and its role would increase as the value of online advertising goes up. Others have urged Google to share revenue with content creators or to more directly support news operations, especially since Google commands vast resources and directly benefits from newspapers placing their content online. Google CEO Eric Schmidt's public comments about a desire to help save the news industry have given hope to wishful thinkers.

On the other hand, some print news organizations are blaming Google for their own failure to monetize the Internet and are setting up protective measures around their content. In April, the Associated Press announced that it was launching "an industry initiative to protect news content from misappropriation online." While this initiative is not aimed directly at Google — which has syndication and hosting agreements in place with the AP — it's clear that the media companies that own the AP are seeking to reshape the ways news is accessed online. The AP said it is planning to develop "a system to track content distributed online to

determine if it is being legally used" and to ensure search pages "point users to the latest and most authoritative sources of breaking news."

The AP's move has met with significant skepticism. Saul Hansell of the *New York Times* suggested that the move was tantamount to the organization turning on its own members. "What is particularly ironic about The Associated Press' temper tantrum," he wrote, "is that its paying members include nearly all of the sites offering free news on the Web and that much of what they are giving away are, in fact, articles and photos created by the A.P. itself." Technology reporter Kara Swisher described the effort as an attempt to "stop the Internet from being the Internet." And there are still a lot of questions about how the AP will implement its plans and what the outcome will be. "Anyone who thinks he or she really understands what the Associated Press plans to do about controlling the use of news industry content is much better at mindreading and predicting the future than I am," wrote *Paid Content*'s Staci Kramer after interviewing AP Chairman Dean Singleton, who is also the CEO of newspaper giant MediaNews.

READ MORE

- Peter Osnos, "Will Google Save the News?" *The Daily Beast*, Feb. 3, 2009. http://www.thedailybeast.com/blogs-and-stories/2009-02-03/will-google-sa... Adam Lashinsky, "Google News CEO Eric Schmidt Wishes He Could Rescue Newspapers," *Fortune*, Jan. 7, 2009.
- "AP Board Announces Initiative to Protect Industry's Content," AP press release, April 6, 2009.
- Saul Hansell, "The A.P.'s Real Enemies Are Its Customers," *New York Times*, April 7, 2009.
- Kara Swisher, "It's Actually About Figuring Out How to Sell the Sizzle and Not the Steak, Dean," *AllThingsD*, April 7, 2009. http://kara.allthingsd.com/20090407/its-actually-about-selling-the-sizzl...

Staci D. Kramer. "Interview: Dean Singleton, AP Chairman: Setting 'The Rules Of Engagement,'" *Paid Content*, April 6, 2009. http://www.paidcontent.org/entry/419-interview-dean-singleton-chairman-a...

Clay Shirky, Jeff Jarvis and others highlight the fact that we need to look at alternatives beyond just throwing money at the problem. While the rise of the Internet has often been blamed for many of the current struggles in the news industry, the same aspects of the Web that have undercut the traditional newspaper business have also allowed a new wave of newsgathering and reporting operations to emerge. As noted above, the growth of personal, issue and community blogs has dramatically changed the information ecosystem. The people who were once traditional sources for the news — academics, analysts, politicians — now speak directly to people on blogs and social networks. As access to the means of publishing expands, new voices and new outlets are becoming important players in our national political discourse.

The rapidly dwindling cost of distribution is at the root of many of the nonprofit and for-profit models discussed on this site. Yochai Benkler, author of *The Wealth of Networks*, points out that in addition to enabling new institutional models like nonprofit news and investigative journalism centers, one of the most profound ways the Internet is reshaping the Web is by facilitating the connection of individuals in networks. Benkler writes in *The New Republic*: "Less prominent than the large collaboration platforms like Daily Kos, individuals play an important role in this new information ecosystem." Beyond opening up our national political discourse to a new class of experts who can weigh in on important debates in unprecedented ways, the Internet also opens up political debates to individuals "who by happenstance [are] at the right place at the right time — like the person who made the video of John McCain singing 'Bomb Iran,' or the people who are increasingly harnessed by forward-looking organizations, like the BBC or now CNN iReport, to share their stories, images, and videos." Benkler argues that we should not look to foundation or government funding that would simply prop up "older

establishments that still depend on much higher ratios of organizational, financial and physical capital," but should instead seek out new funding streams that leverage the "lighter, networked models" that the Internet makes possible.

One of the most interesting outgrowths of the Internet's ability to lower the barrier to entry has been the emergence of new forms of "citizen journalism" and "pro-am" (professional amateur) reporting efforts that combine paid editors and novice reporters. A prime example of this trend was the "OffTheBus" project sponsored by *The Huffington Post* and Jay Rosen's NewAssignment.net during the 2008 election. OffTheBus engaged 12,000 people in a collaborative journalism effort designed to tell the local campaign stories that mainstream media missed. With a small editorial team of Web-savvy organizers, OffTheBus managed a variety of reporting projects, including distributed research projects like a 227-person-led investigation into the role of "superdelegates" in selecting the Democratic nominee. Amanda Michel, the project's organizer, says that OffTheBus democratizes news and information. She acknowledges that this model is insufficient to provide our communities with all the news and reporting they need, but she argues, "If taken seriously and used properly, this pro-am model has the potential to radically extend the reach and effectiveness of professional journalism." Noting that more than five million people read OffTheBus in October 2008 alone, even though the budget for 16 months of nationwide collaborative journalism was just $250,000, Michel sees an opportunity for these models to forge a "new social contract between the press and the public."

Whereas many new policy ideas focus on raising money to support the future of journalism, it is vital to also support efforts to lower the costs and barriers to entry for new people and voices. While the Internet facilitates publishing, there is still the need for better tools to help journalists, citizens and experts in producing, organizing

and sharing the news. One model for this might be JSeed, "a project aimed at developing new digital tools for reporting local news." Chip Kaye, the developer behind JSeed, wants to "build tools that can further enable and energize local news reporting." He is seeking to bring the Web's best tools, like feeds, blogging platforms, rich media management, social networking and real-time updates, into one central hub, a Web site designed specifically for local reporting. Another example of this sort of endeavor is the Banyan Project being developed by Pulitzer Prize-winner Tom Stites. The project seeks to "to revitalize journalism and help mend our frayed democracy by serving a significant segment of the huge population of less-than-affluent Americans." It would do this in part by equipping "reader/users with bottom-up Web tools that enable them to organize in pursuit of their interests as well as to participate in Banyan journalism by contributing many forms of information and feedback." Tools such as JSeed and the Banyan Project could help both traditional media outlets and new citizen journalism projects, allowing these entities to invest in newsgathering rather than overhead.

READ MORE

- Yochai Benkler, "A New Era of Corruption?" *The New Republic*, March 4, 2009.
  Sometimes referred to "user-generated content," a number of variations on this theme have been attempted over the past decade. The public and civic journalism movements also strike similar themes. More recently, "crowd sourcing" has emerged as a proposed solution to newsgathering.
- Amanda Michel, "Get Off the Bus," *Columbia Journalism Review*, March/April 2009.
- Chip Kaye, "jseed overview," jseed.org.

Tom Stites, The Banyan Project, http://www.banyanproject.com