MPC MAJOR RESEARCH PAPER

The Business of News:

Exploring the Future of Journalism as a Commercially Viable Media Product in Multiplatform Digital Environments

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ABSTRACT

In today's digital information landscape, many threats challenge the economic model of professional journalism. The adoption of customer-value models by the news media industry, however, is relatively recent. This paper aims to direct news consumption research toward an understanding of the role of customer value creation and brand loyalty in gathering and maintaining newspaper customer markets in the digital era. Understanding what customers value in different contexts, and what value creation strategies are appropriate in these contexts is central to recognizing new market growth opportunities and business model innovation. In this paper, I discuss the application of a formal customer-value lens for newspaper audience research. The results of this research provide insight into the ways that news consumers and new customers differ from one another. The findings show that a news customer's willingness to pay may be directly related to perceived utility of professional journalism and their brand connection to the newspaper. These implications call for a reexamination of the strategic approaches that inform current newspaper business models. A conceptual framework for segmenting newspaper customer markets based on the extent to which customers will pay for branded news media content is proposed.

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If content is king, consider the changing competitive context of your kingdom.

...

Preface

The future of news media in the digital era is a very lively topic of discussion among academic and industry circles. And of all the transforming online media platforms, newspapers may be the most troubled.

I have merely attempted to make a small contribution to the larger, broader discussion concerned with the profound structural change in digital news media that is claiming journalistic jobs and traditional newsroom roles across North America. I question the strategic approaches that inform the faltering economics of the news gathering industry. I look to news readers for the answer and study their behaviour as news consumers and their perceived connection to the content provider.

THE BUSINESS OF NEWS: EXPLORING THE FUTURE OF JOURNALISM AS A COMMERCIALLY VIABLE MEDIA PRODUCT IN MULTIPLATFORM DIGITAL ENVIRONMENTS

CONTENTS

1.0 INTRODUCTION

1.1 Background

The digital shift has had a profound impact on media consumption behaviour and publishers, advertisers and media buyers have responded to these changes (PricewaterHouseCoopers, 2013; PEW Research Centre, 2010a; PEW Research Centre, 2010b; Steinle, 2012; Scott Karp, 2007). Of all the transforming online media platforms, newspapers may be the most troubled. Although prominent newspaper brands like *The New York Times* are growing their readership and reaching new audiences through digital platforms, newspaper circulation advertising revenue (the conventional business model of the newspaper industry) has declined significantly (PricewaterHouseCoopers, 2013; Steinle, 2012; Scott Karp, 2007). While newspapers have introduced online advertising sources, digital advertisement only makes up only about 10 percent of total ad revenue. In addition, print circulation has declined over the years to about 10 percent of total audience reach. Therefore, newspapers are earning less than 10 percent of their annual revenue from Internet-supported advertisements compared to previous print advertising models. This is known as the 10 percent dilemma (Scott Karp, 2007; Steinle, 2012). The economics are nearly the perfect inverse of what they should be, but why? The Internet destroyed the newspapers' lucrative advertising monopolies (Scott Karp, 2007; Steinle, 2012). Moreover, as online classified advertising companies such as

Kijiji and Craigslist gained popularity, the newspaper business struggled further by losing its classified listing revenue (Scott Karp, 2007; Steinle, 2012). Today, big brand newspapers such as *The New York Times* cannot charge the same rates for online advertising as they did for print advertising. This is largely due to the fact that online competition is fierce, driving down prices (Scott Karp, 2007).

1.2 Research problem

Newspapers recognize the need to shift toward a growing online audience, yet struggle with the online business model. Hence, the decline in newspaper advertising revenue has led a number of big brand newspapers, including *The New York Times*, *The Financial Times*, *The Wall Street Journal* and *The Globe and Mail* to introduce pay walls or digital subscriptions, which require payment to access web content offerings that were once available to readers for free (Wagner, 2012). The future of news as a commercially viable media product is still debated among industry circles (Pew Research Centre, 2010a; Pew Research Centre, 2010b).

Thus, current developments in the news media industry call for a re-examination of the arguments and economic models that inform the strategic approaches of professional journalism to provide insight into the future of news as a commercially viable media product.

1.3 Study purpose and objectives

By nature, news media companies tend to be content-focused as communication efforts are often focused on content creation rather than on market research to sell content (Aris & Bughin, 2009; Hanitzsch, 2007). Understanding what customers value in different contexts, and what value creation strategies are appropriate in these contexts is central to recognizing new market growth opportunities and business model innovation (Smith & Colgate, 2009). Consumer value creation is a fundamental concept in marketing literature, but it is rarely considered in the context of journalism and news-media production. Thus, this paper departs from the prevailing approaches of news audience research by investigating the perceived value proposition of *The New York Times'* subscription plan, as described by its readers, to help provide industry insight into current and future growth opportunities. Moreover, this paper aims to answer the following research questions:

> *RQ 1: How is value perceived and described by* The New York Times' *online readers about their experience with* The New York Times *newspaper?*
>
> *RQ 2: What influences or deters a news consumer to pay for digital news media content?*
>
> *RQ 3: How can these factors inform the strategic approaches of newspaper business models?*

1.4 Structure

The paper is structured into six chapters starting with the introduction that describes the background/objectives of the study and provides an overview of the research problem.

Chapter 2 outlines the theoretical background of the study. The chapter discusses the key drivers that have resulted in the need to explore the value proposition of the newspaper and value creation strategies. First, news consumption patterns and behaviour in the digital age are examined. Second, the principles that shape academic and industry circle opinion on the strategic approaches of newspaper business models are evaluated, and finally a formal customer-value lens for newspaper audience research is presented. The chapter ends with a synthesis of the literature.

Chapter 3 describes the research methodology and presents in detail the empirical study conducted to examine the value proposition of big brand newspapers by focusing on how value is perceived by *The New York Times* online readership. The chapter starts with a discussion of the research design and method, which is followed by a description of the data collection process and data analysis.

Chapter 4 describes in detail the data and findings of the content analysis and Chapter 5 elaborates on the findings of the study and discusses them in the light of the theoretical background of the research. The findings provide insight into the ways that news consumers and news customers differ from one another. Moreover, the findings explore factors that affect news customers' willingness to pay for news media content. Lastly, the findings of the study call for a reexamination of the strategic approaches that inform current newspaper business models.

Chapter 6 returns to the objectives of the study and provides a conclusion and considers the implications of the research. The chapter ends with a discussion of the limitations of the study and suggestions for future research.

2.0 LITERATURE REVIEW: THE FUTURE OF JOURNALISM IN MULTIPLATFORM DIGITAL ENVIRONMENTS

2.1 Theme one: Demand for news media is increasing, but the way in which audiences are consuming it is changing.

The media industry is an intensely competitive arena that faces distinct challenges that are uniquely different from those of any other sector (Picard, 2005; Reca, 2005). Technological advances in the form of media sharing tools and media piracy have increased economic risk within the industry (Picard, 2005). Citizen journalism, internet blogs and social media postings are fractionalizing the news-reading time of news-seeking audiences (Steinle, 2012). Moreover, Steinle (2012) notes that it is becoming harder for any single news media organization to congregate a mass audience.

Fragmentation of supply caused by audiences seeking niche content (targeted content tailored to audiences' specific interest), is another critical trend affecting media producers (Aris & Bughin, 2009). Aris & Bugin (2009) suggest that media content fragmenting may be due to a combination of changing consumer behaviour in how content is consumed and an increasing appreciation for niche content. The authors note that this phenomenon becomes more apparent as industries mature and niche audiences develop. Although newspapers are growing their online and mobile readership through digital publishing, digital content has in fact yielded a readership larger in aggregate form, but smaller in real terms as growing online audiences seeking niche content are fragmenting and dispersed across multiple platforms and providers. Thus, consumer attention is more divided than ever before (across platforms and between niche content groups). This makes it harder for organizations to establish a point of difference from substitute providers and monetize their content (Aris & Bughin, 2009; Steinle, 2012).

2.2 Theme two: Opinions vary on best practices for monetizing digital news audiences

In 2009, the consulting firm Accenture surveyed 102 media firm executives, asking them to comment on the business models that they believed firms in their industry would embrace over the next three years (as cited by Pew Research Centre, 2010a). Many suggested hybrid models, which combine free and pay services (Pew Research Centre, 2010a; Pew Research Centre, 2010b). Wagner (2012) also notes that “subscriptions to newspaper web sites that combine limited free access tend to be effective because they allow light users to have access, keeping traffic numbers high and encouraging advertising.”

Purcell & Rainie draw on the successes of Google and social networking companies that use advanced software and user information to profit from targeted advertising (as cited in Wagner, 2012). Consequently, hybrid models may include digital subscription models that promote targeted advertising opportunities based on known subscriber characteristics (Pew Research Centre, 2010a; Pew Research Centre, 2010b).

However, organizations interested in imposing subscription fees for access to their online offerings face considerable challenges. The Pew Research Centre (2010a) *State of News Media Report* determined that about 71% of Internet users get news online. Of this 71%, only 35% of online news consumers have a favourite site. Furthermore, 65% of audiences with a favourite site are noted as faithful (i.e., check the site at least once a day). Yet, among these loyal news consumers, only 19% would be willing to pay for news online, while 82% of those with a favourite site revealed they would find somewhere else to get their news. Therefore, the study concludes that only 7% of all people who get their news online and have a favourite online news source would pay for current online offerings.

Additionally, Cook & Attari (2012) conducted a survey to reveal the attitudes and behaviours of news audiences in response to *The New York Times'* pay wall. The study surveyed consumers of *The New York Times* content just as the paywall began in March 2011 to assess initial perspectives and surveyed the same participants again 10 weeks later to determine whether people accepted or resisted the change (Cook & Attari, 2012). The authors note that after the pay wall was introduced, participants devalued the newspaper by choosing to visit the website less frequently, and used loopholes to evade the pay wall. The results suggest that people react negatively to paying for previously free content; however, change in consumer attitudes can be achieved with compelling justifications that emphasize fairness. For example, framing the pay wall in terms of financial necessity (securing the sustainability of the newspaper) rather than allowing the public to believe that it is motivated by corporate greed and profit can moderately increase the participants' support and willingness to pay (Cook & Attari, 2012).

Although audiences are finding routes around paying for online journalism, Estok (2011) notes that it is not so much the ease of averting the technology that will make the pay wall project fail, but rather the fact that the pay wall potentially limits mass traffic from social media sites like Facebook and Twitter and compromises the participatory nature of news. Moreover, the article suggests that in the case of *The New York Times*, a mixed business plan approach of driving mass traffic to generate revenue from advertising dollars through casual browsers cannot be achieved while pursuing subscription-driven revenue from more serious readers, as the business approach is targeting two different audiences with two different outcomes.

Although *The New York Times* has attempted to address this issue by intentionally building a "leaky pay wall" to allow for limited article allowances from social media links and Google searches, the barriers in place still may compromise the participatory nature of news media consumption (Kumar et al., 2012). In 2010, a survey conducted by the Pew Research Centre (2010b) determined that eight in ten online news consumers get or share news links in emails. The report *Understanding the Participatory News Consumers* notes that:

> "to a great extent, people's experience of news, especially on the internet, is becoming a shared social experience as people swap links in emails, post news stories on their social networking site feeds, highlight news stories in their Tweets, and haggle over the meaning of events in discussion threads." (p.1)

Consequently, the pay wall compromises the way audiences consume their news and thus may compromise the current value proposition of news to online readers. The literature suggests that news audiences are reluctant to pay for what was once free, especially if they can find a substitute news product from another free media source.

2.3 Theme three: Media audiences are more than content consumers–they are customers

Aris & Bugin (2009) note that, by nature, media companies tend to be content-focused as communication efforts are often focused on content creation rather than on market research to sell content. Understanding what customers value in different contexts, and what value creation strategies are appropriate in these contexts, is central to recognizing new market growth and product opportunities (Smith & Colgate, 2007).

Customers purchase based on perceived value, which is generated in a number of ways. Khalifa (2004) notes that value is defined as benefits are weighed relative to cost. These benefits include all non-cost attributes (product, service, relationship and image of the organization) and are perceived by customers relative to competition (substitute and competing products). Before the digital shift, one could argue that most news consumers were news customers because media content was not available online for free (beyond the cost of an internet connection). The emergence of online citizen journalism, news blogs and digital native news houses such as *the Huffington Post* also created a market for news consumers who expect free news and therefore, may self identify as a loyal news consumer, but not a news customer. This distinction has strategic implications for congregating and maintaining newspaper customer markets in the digital era. Moreover, content providers' ability to understand, define and strengthen their value proposition in an era where news media is available across a number of platforms for free appears critical to the success of the industry. The industry questions remain: If markets for news consumption exist, do large customer markets exist (i.e. is there a market that is willing to pay for news content)? What strategies should content providers implement to target the growth potential of these markets? And lastly, can providers convert news consumers to news customers and/or better meet the needs of their current customer markets?

Smith & Colgate (2007) propose that different products and organizations create different types of value. One form of value discussed by Smith & Colgate (2007) is functional value, which the authors describe as "the extent to which a product (good or service) is useful, and/or performs a desired function,"(p. 10).

Furthermore, product quality, reliability, performance, customization, and strategic benefit are central to enhancing function value (Smith & Colgate, 2007). One could argue that newspapers already retain the advantage of a strong brand built on professional, high quality, and reliable reporting. However, an opportunity to increase functional value may rest in the performance of the multi-media packaging of their content, not the content itself, to establish a point of difference from other free online news sources.

To increase customer value and loyalty, organizations need customer strategies to inform current and prospective customer relationship management (CRM) programs. A customer strategy involves identifying customers who the organization should and should not build relationships with (Rigby et al., 2002). These customer audiences can be divided into groups with different needs and different current and potential value to an organization. Furthermore, customer groups can also be categorized from most profitable (i.e., segments to foster and build realtionships with) to least profitable (i.e., segments organizations may or may not invest in) (Rigby et al., 2002).

Not all media content industries have experienced the same struggles with defining and strengthening their value proposition. The book/e-book industry is a noted success, thriving in multi-platform digital environments (Burritt, 2012). While the book industry was able to reduce value chain costs associated with printing and publishing, e-commerce has also been revolutionary for books in targeting the fragmentation of media product markets and encouraging product marketing that is targeted to the niche customers.

Gardiner (2002) notes that "it is no longer the product that has to be marketed, but consumer needs that require to be identified" (as cited in Burritt, 2012, p.15). Burritt (2012) also explains, "the Internet has accelerated the fragmentation of book markets into communities of interests by enabling marketers to efficiently utilize searches, ratings, and purchases logged by consumers as market research" (p.15).

The magazine industry has experienced similar success and challenges. The number of print and digital magazine readers has grown over the years (GfK MRI, 2010). This may be largely attributed to the industry's ability to develop specialized niche content and to market to sub-genre groups. In addition, audiences have an unusual relationship with magazine ads. While traditional advertising may be seen as intrusive, studies suggest that magazine ads continue to score higher in advertisement "ad receptivity" than television or internet ads (GfK MRI, 2010). Moreover, audiences are more likely to have a positive attitude toward advertising in magazine compared to other media sources (GfK MRI, 2010). This may be because, given the hyper-targeted nature of magazine content (i.e. niche content), print advertisements (also hyper-targeted) sometimes resemble editorial content of interest to the reader, reducing the consumer's level of advertising clutter (Ha, 2008). Ha (2008) describes advertising clutter as "the presence of a large amount of non-editorial content, that exceeds a consumer's acceptance level, in an editorial vehicle (p.570). Moreover, when consumers perceive a high level of advertising clutter, advertising avoidance, memory reduction and perception of lower-quality editorial content can occur (p.587).

2.4 Literature summary

The literature argues that news consumption behaviours are changing as digital audiences are growing and fragmenting. It also argues that the average newspaper reader is reluctant to pay for online content. Lastly, the literature suggests that newspaper brands need to consider new monetization strategies, which may involve digital subscription models that promote target advertising opportunities based on known subscriber characteristics; however, the literature also notes that this compromises the participatory nature of news media consumption. Lastly, while current scholarship has uncovered various threats and opportunities facing the newspaper industry, little research has been done to explore news as a marketable consumer product and the associated customer value of this product.

3.0 METHODS AND DATA

3.1 Research design

The New York Times was chosen as the focus of this study, as it fits the criterion of a big brand newspaper facing economic challenges due to changing market conditions driven by the digital shift. The study explored how value is perceived and described by online news readers about their experience with NYT.com in light of the newly implemented pay wall subscription model. The value proposition of NYT.com was explored through open coding content analysis of 2125 user-generated newspaper website comments from *The New York Times'* first official online announcement about their pay wall model, titled "The Times Announces Digital Subscription Plan" (Peters, 2011). As this study looked at the readership's initial attitudes toward paying for online news media content, it was deemed appropriate to source comments from the first official letter announcing the pay wall model.

The purpose of this study was to explore examples of negative and positive perception of the NYT.com as expressed by readers in the article comment forum in light of the new pay wall model. This study explored positive comments to better understand how the NYT.com readers experience value from the paper and what drives potential customers to pay for news content. The study explored negative comments about the NYT.com to better understand what deters news consumers from paying for digital news media content and how content providers can address these factors to strength the value proposition of big brand newspapers.

Newspaper comments can be a rich source of audience data. As internet users engage more actively in content production, audience researchers are increasingly looking to user-generated content as a way to discover how the discourse in their subject area is being framed by the public (Milioni et al., 2012; Glance & Mishne, 2006). Consequently, content analysis has recently extended to include reader comment areas on digital articles (Glance & Mishne, 2006; Park et. al., 2012). Moreover, user generated comments may provide researchers with audience insight afforded by qualitative content analysis (Milioni et al., 2012).

3.2 Data sources and sampling technique

A search was conducted to identify the first official announcement made by *The New York Times* regarding its new digital subscription model using the New York Times' website search feature and the key words "official" "digital subscription" and "announcement." On March 17, 2011, The New York Times issued a formal company letter to its readership, on behalf of publisher Arthur Ochs Sulzberger Jr. on NYTimes.com titled "A Letter to Our Readers About Digital Subscriptions" (Sulzberger, 2011). A version of this letter also appeared in print the following day, on page A28 of The New York edition (Sulzberger, 2011).

Given that public comments were restricted from the online official letter (likely because it was a company announcement, not an actual newspaper article), a related newspaper article released on the same day by *The New York Times* titled "The Times Announces Digital Subscription Plan" was chosen to source reader comments. (Peters, 2011). The article chosen for analysis, written by *The New York Times'* prominent political commentator Jeremy Peters discussed, in detail, the move toward a metered model and the urgency of evolving current newsroom revenue models (Peters, 2011; "Jeremy W. Peters" n.d.). The article features supportive quotes from Ken Doctor (an analyst who studies the economics of the newspaper business) and Andrew Swinand

(President of Global Operations for the Starcom MediaVest Group, a media buying agency). The article generated 2158 online reader responses over a 24-hour period, at which point the option to comment was disabled. It is undetermined whether this period was predetermined prior to disabling the comments. To post a comment, readers had to first create an account with NYTimes.com.

Accounts were free and required personal information (regarding gender, year of birth, zip code, country of residence, household income, job title, industry and company size), which is not made available to the public (Park et al., 2012; "Comments & Readers' Reviews", n.d.). The New York Times asks that readers first complete the NYT.com registration process in order to comment to ensure comments are from "real" people and that readers accept the terms and conditions ("Comments & Readers' Reviews", n.d.). The New York Times notes that the registration process serves to facilitate the development of their online community and ensure that members take responsibilities for their writings ("Comments & Readers' Reviews", n.d.). *The New York Times* may use personal information about their readers collected through the registration process; however, how the information is used is undetermined. Readers do, however, have the option to display an account name and location when posting, which means readers who comment have varying degrees of anonymity. Comments are restricted to 5000 characters and moderated, but not modified, by *The New York Times* for relevance and abuse (Park et al., 2012; "Comments & Readers' Reviews", n.d.).

This study collected all 2158 comments generated by the article, by manually exporting and transcribing each comment from *The New York Times'* website to a spreadsheet for the purposes of coding and analysis. It should be noted that this study was restricted to public comments that appeared directly on *The New York Times*' website and did not include comments posted on other sites linking to the article.

3.3 Data analysis and interpretation approach

The method of this study is content analysis, which is described as "any qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings" (Patton, 2002, p.453).

This study applies a post-positivist theoretical approach, which places important emphasis on the role of context in study design and research results. Moreover, post-positivist epistemology stresses objectivity while acknowledging that theories, context, knowledge and values of the researcher can influence what is observed and considering the possible implications of these biases (Lindlof, 2011).

To provide context for audience research, this study used Khalifa (2004) and Smith & Colgate's (2007) understanding of perceived value as a theoretical lens for analysis. Khalifa (2004) notes that customers define value as benefits are weighed relative to cost. As noted in section 2.3, value benefits include all non-cost attributes (product, service, relationship and image of the organization, which are perceived by customers relative to competition (substitute and competing goods). In addition, Smith & Colgate (2007) propose that product quality, reliability, performance, customization, and strategic benefit are central to enhancing a product's function value (Smith & Colgate, 2007). Therefore, mentions of price, online advertising, news source alternatives and the quality of *The New York Times'* news product were found, coded and assessed against the user's willingness or unwillingness to subscribe.

4.0 DATA AND FINDINGS

This study explored examples of negative and positive perceptions of the NYT.com new pay wall model as expressed by readers in the article comment forum. The study analyzed positive and negative comments to better understand what drives and deters news consumers from paying for digital news media content and how big brand newspapers can address these factors to strength the value proposition of their media products.

Nine codes were identified and organized into two mutually exclusive categories, positive and negative perception toward *The New York Times* pay wall. See Table 1. Comments were either categorized as positive or negative but could be qualified by multiple codes within a particular category.

Table 1: Identified Categories, Grouped by Codes (codebook 1)		
Category	**Definition**	**Codes/Themes**
Negative perception of *The New York Time's* Pay wall	Commenter expresses an unwillingness to subscribe, given current conditions proposed by *The New York Times*.	• Will not subscribe to NYT • Will not pay for news • Price point is too high for value returned • Unimpressed by online advertising for paying subscribers • Can and will look to other free news alternatives
Positive perception of *The New York Time's* Pay wall	Commenter expresses that the digital subscription model proposed by *The New York Times* is fair, as well as a willingness to subscribe	• Will subscribe • Price point is appropriate • Quality of content is high • Quality of content is high and unique relative to other news alternatives

Some comments could not be grouped into the categories proposed (18.5%). Of the comments that could not be classified, 9.25% were logistical/informational questions about the digital subscription plan and pricing options and 9.25% of comments were responses/answers from the NYT.com moderators to the aforementioned reader-commenter questions. Overall, the majority of commenters (three to one) revealed that they would not purchase a digital subscription plan.

4.1 Positive public perception of the paywall model

Despite the large number of negative perceptions of paying for *The New York Time's* content, one third of commenters clearly supported the paywall model. It was common for commenters to mention the superior quality of *The New York Times*. This theme often emerged in the following way:

> *"The Times is the finest news gathering organization on earth, someone needs to pay for it. This is very fair and reasonable."*

> *"Good content should be supported. Just like anything else in the world, you pay for what you get. Support what you love!"*

4.2 Negative public perception of the paywall model

Individuals expressed varying negative perceptions and opinions regarding *The New York Time's* subscription plan. The most common theme emerged as disappointment with the implementation of the new pay wall model. It was common for commenters to express reluctance to pay for what was once free, which often emerged in the following way:

> *"Too bad. It's not much money ($180/yr) but I won't pay for what was free..."*

> *"Ouch. $180/year is about 3x what I'm willing to pay. I'll be curious about the outcome of this experiment and will make note to check NYT's 10Q filing after a couple quarters. Good luck."*

4.3 Alternatives to the proposed paywall conditions

Of the people who expressed an unwillingness to subscribe (categorized as a negative perception toward *The New York Times* pay wall model), 46% of commenters revealed that they would consider subscribing if the price were lower. Table two indicates three additional codes that were developed through the analysis.

Table 2: Identified Categories, Grouped by Codes (codebook 2)		
Definition	**Codes/Themes**	
Alternatives to the proposed pay wall conditions	Commenters reference specific subscription features that would persuade them to pay for *The New York Times* news content	• NYT should lower its subscription price • NYT should remove online advertising for subscribing members • NYT should improve its mobile sites and applications

The most frequently cited price at which readers would be willing to subscribe was $5 (compared to the $15 per month membership advertised in the announcement letter). The theme of price was commonly expressed in the following ways:

> *"$5/month or 49.99/year and I'm on board."*
>
> *"I don't mind paying for the content, but the price is too high. $5 / month is reasonable - you'd get more subscribers and probably more total revenue if you bring down the price."*
>
> *"$4 or $5 a month I would pay. Otherwise I will do with the limited free access."*

> *"$15 is too much. I like the plan overall, seems like a good compromise, but $15 a month is too much for me. You're probably going to lose this reader. $5 a month is more what I would be willing to pay."*

The theme of price was also commonly associated with expressions of regret and disappointment, which may illustrate a perceived connection or relationship between *The New York Times* and the commenter. For example:

> *"I'm afraid that $15/month is just a little too high for me. I don't need any phone apps....why not a $5/month for just the website and one mandatory ad? That we might be able to do. Even $120 a year is quite a lot of money for us...we've already had to cut back so much. We will miss you."*

> *"Guilty. I am one of those loyal readers who pays nothing for a paper he loves. But.... To go from Zero to fifteen is quite a stretch. I wager that five dollars per month will net more revenue than fifteen. Yes, more than three times as many users would sign up. NY times, you must understand. Your readership remembers a time when Television was free. Internet and cell phones were wasteful luxuries. We are now paying for all these services plus a satellite Radio subscription and who knows what else. We are loathe to add another bill no matter how small and fifteen bucks is more than small. I urge you to reconsider. You can charge and I will pay; but five dollars is my limit... for now."*

In addition, of the reader-commenters who expressed an unwillingness to subscribe (negative perception toward the pay wall), 14% indicated that their primary motive for not subscribing was the prevalence of online advertising on NYTimes.com, and/or that they would consider subscribing if online ads were less prominent or eliminated for paying members.

> *"If we're still going to be subjected to the infuriating pop-up ads, it's a no-go for me. Even though I've been reading the Times for over 40 years, I'm*

not willing to subject myself to assaultive advertising."

"I will be glad to subscribe if the advertising is no more intrusive than that in the printed version of The Times. *There should be no ads that cover the page and which must be closed by finding a hidden X and no ads with flashing or moving content*."

"So, we get to pay AND see ads???? Sadly, I think you've seen the last of me..."

4.4 Perceived customer value proposition of The New York Time's is not clear to the online reader

Of those unwilling to subscribe, some readers stated that they would source other media products as an alternative. Upon further analysis, this study revealed that 10.5% of all negative comments compared NYTimes.com to other news alternatives, and/or specifically mentioned other comparable media products in their comment.

"The New York Times is enjoyable and informative, but optional. *I will find other sources of free information*. *Good luck*."

"I suspect this experiment will not work. *The NYT has a nice layout and pretty decent coverage of most everything, but so do other websites*. *Plenty of sources for information*. *Why pay for something I could just get elsewhere? There is nothing the Times puts out that is not available elsewhere*."

"I am so supportive of quality reporting, but you may need to prove that the information you provide isn't available elsewhere for free. *In this tight economy my question is what do you know that I don't know that can truly help me?"*

"Many of the NYT articles, usually the best ones, are quickly picked up and distributed by other sites such MSNBC, Google news etc. Most of

the NYT content is available through other sites, so the new scheme will most likely fail. NYT tried to charge for access to some online content before but obviously it didn't work. I am not sure what changed to make them think that it will work this time. Personally, as long as they post ads I will not give a single cent for access."

Some readers mentioned specific alternatives. Of these alternative media products, BBC.com, CNN.com and The Huffington Post were cited most frequently.

"OK, I'll start my own test to see if I can limit my reading to 20 free articles/month. Meanwhile, I'll find similar news in BBC, CNN, and Huff Post for free. Thank NYT for the past."

"I guess its back to the New York Post and NY1 Online. No biggie they have less ads and update far much quicker anyways."

"You are doing a great disservice to your viewers, both casual and regular. Though the Times provides some of the best news coverage by some of the world's best reporters this should not allow you to think people will pay to view on the web. As viewers we have dealt with a plethora of pop-up ads and continued to be loyal to the Times. However, I for one will find other sources of news information because there are any number of providers of quality news. I hope you reconsider."

Often, alternative products were mentioned with expressions of regret or hurt, further emphasizing a connection between the consumer to the New York Times brand. For example:

"The price is too high. I just cannot afford it. I will go to BBC.com or CNN.com. Sorry, NYT, you picked the wealthy again."

Although readers acknowledged that they could turn to other sources for content, less than one percent of all comments specifically complained about the standard of content produced by *The New York Times*. Nevertheless, about 10% of the commenters complained about the digital packaging of this content. Among these comments, issues about *The New York Times*' website, iphone and ipad apps, and the expensive bundling of mobile/online digital subscriptions were referenced.

> *"I think the NYT is a good newspaper but I think the NYT website is substandard."*

> *"How does this pricing compare to a print subscription? Also, PLEASE fix your iPhone app, it crashes 50% of the time on my 3Gs."*

It was also common for readers to comments on the marketing weakness of the pay wall. Of the comments that referenced specific subscription features that would persuade them to pay for *The New York Times* news content, it was common for readers to comment on the fact that there is no increase in return for an increase in price, as illustrated below.

> *"For $15 you should add some clever service, e.g. my own tailored homepage with specific articles based on my choices, access to unpublished photographs, etc. There's a marketing weakness here that you are taking something away & saying "you can have it back if you pay". This will hurt you short term, though it may work out eventually."*

> *"First, it's too expensive for what you get, so I will turn to the WSJ instead, combined with free sources. Second, if I could pay with PayPal, I might do it, but I don't feel like giving you my home address (so junk mail will pile up and you'll re-sell the mailing list) and credit card number (bet the Times is vulnerable to hacking and hasn't even begun to address the issue of caring for the safety of my information)."*

4.5 A perceived connection or relationship with The New York Times is evident among some reader-commenters

Many commenters expressed a personal connection to The New York Times brand beyond the utility/quality of the product. For example, the following comment expresses a perceived personal connection with The New York Times.

> *"I recall a time in college when I couldn't access NYTimes articles online because I did not pay a subscription fee. I would not spend money I didn't have on something I considered should be free. I'm out of college now, and my opinions about newspaper patronage have dramatically changed. Nytimes.com is my go-to site during my 40 hours, five days a week (I casually browse on the weekend). It keeps me informed, and the quality of its content keeps me sane. If I have to pay $15/month to access the best news source, I will gladly pay. And by no means am I rolling in money (I'm making less than $30,000 a year), but I know that good things need to be preserved."*

Among the commenters who that expressed a negative perception toward the pay wall, many displayed a personal connection with *The New York Times* brand despite the commenters unwillingness to subscribe. Personal connections, as described below, were expressed as nostalgia, sadness or betrayal.

> *"Thank you for keeping your excellent coverage free for so long. As I am unemployed, I will be unable to pay your fee. I agree with many other commenters it would be better for you to have it at $5 per month. I stopped my smartphone charges when I became unemployed and its accompanying $30.00 per month access fee. Did you sample an overall cadre of NYT subscribers to come up with your app/device fees? Seems you are concluding, no doubt to your advertisers, that NYT readers make $100K or more annually. I do appreciate Herbert and Krugman keeping their eye on so many unemployed persons as well as the minimum wage level job replacements for formerly $30 per hour jobs. They haven't*

recently though, and it may be a part of your effort to show advertisers that they are getting $100K plus readers. I've visited bbc.com, cnn.com, google news and the UK's The Guardian and they will do for information purposes. I paid your $49 charges in 2005? - I believe it was. Have been a loyal reader since prior to 1996. I am not castigating you or your efforts. Thank you once more for informing, educating and enlightening me for all these many years. Your coverage has done much for me. I appreciate it beyond measure."

"I shudder to think of a world without a single source of quality news reporting. With the decline of newspapers and the proliferation of news commentators and entertainment "journalism", that's where we are headed. We all need to ask ourselves what we want to save and what we're willing to throw away. There may be individual cases where $15/month really is too much. But for the rest of you, I am startled and dismayed that you would choose inferior news sources out of some distorted sense of entitlement. You are my fellow citizens, my peers, and I feel sorry for your inability to appreciate what is before you."

"I grew up with the Times. My dad's obituary was in the Times back in 1957. My public school had the Times delivered to our classroom each day, and we'd discuss some of the stories. We even had a lesson in how to fold the Times so we could read it while standing on the subway. And now we reach this point. Just like the cars in your auto section, the apartments in your real estate section, it looks like I won't be able to afford your paper online either. I don't understand the high price, it's not like you're using paper or ink for your online version. Oh well, just another thing I used to have that will be gone. I wish you well, and thanks for the many years of fine reporting."

4.6 Summary: Identifying news consumer markets

The extent to which reader-commenters would pay for *The New York Times* content varied. The reader-commenter group who would pay, identified as a paying customer, generally articulated a high connection to the *New York Times* brand and acknowledged the superior quality of the *New York Times'* media product.

The reader-commenter group who would not pay identified as a news consumer (not necessarily a paying customer). Willingness to pay varied among this group from low to moderate. A low willingness to pay was generally cited among commenters that expressed no personal connection to *The New York Times*. This group often indicated that they would source free comparable/competing news media products. A moderate willingness to pay was generally cited among reader-commenters that expressed a personal connection to *The New York Times* but struggled with the perceived high price and/or the cost-benefit of the product (i.e. for an increase in price, readers expected more for what they used to receive for free). This group generally resented the idea of sourcing free alternate media products (unlike the group that expressed a low personal connection to the brand) but would still not subscribe if the aforementioned concerns were not addressed. Consequently, varying level of perceived product utility and varying level of brand connection are two important themes that emerged among the group that would not subscribe, which as will be discussed, may speak to two different value propositions of *The New York Times*.

5.0 ANALYSES AND DISCUSSION

5.1 Understanding the perceived customer value of *The New York Times*

The literature argues that news audiences are reluctant to pay for online news media content (PEW Research Centre, 2010a; PEW Research Centre, 2010b). Overall, the results of this paper are consistent with this argument as two-thirds of all reader-commenters expressed an unwillingness to subscribe to *The New York Times* pay wall. The literature also suggests that pay walls similar to NYTimes.com where light content is accessible to nonsubscribers, is the preferred model to generate revenue while still maintaining website traffic and advertising profits (Wagner, 2012). However, this paper highlights two primary deterrents of paying for online news media that are not discussed in the literature (within the context of the news gathering industry): price point and competition.

Although a measurable group of commenters supported the newspaper's move to generate revenue for professional journalism, the results of this paper suggest that a lower price point ($5/month) would be better received among the online readership. A lower price may increase perceived value (by lowing cost relative to benefits) and, in turn, increase subscriptions and web traffic. In addition, the findings of the paper suggest that news audiences are reluctant to pay for what readers once received for free, especially if they can find a substitute good from another free news media source. Many of the comments revealed that although *The New York Times* offers quality content, readers would turn to other free news sources. Therefore, product differentiation may be a concern for *The New York Times* and other brand newspapers that are competing against free online sources and digital native news houses such as

The Huffington Post. Strategies targeted toward product differentiation (either communication strategies or content delivery) may drive news consumers to convert to news customers, if an appropriate market price is set for the product. While current scholarship has uncovered various industry opportunities, little research has been done to explore news as a marketable consumer product and the associated customer value of this product.

To better understand and meet the needs of newspaper customer audiences, organizations may need customer strategies to inform current and prospective customer relationship management (CRM) programs. As the literature notes, a customer strategy involves identifying customers that the organization should and should not build relationships with (Rigby et al., 2002). Rigby et al., (2002) note that customer audiences can be divided into groups with different needs and different current and potential value to an organization. Furthermore, the authors note that customer groups can also be categorized from most profitable (segments to foster and build realtionships with) to least profitable (segements organizations may or may not invest in). One could argue that all *New York Times* readers could fall under the scope of a customer strategy and CRM program as each reader has a relationship with the organization and contibutes in part to advertising profits. However, as the literature notes, targeted the customer segements that will add the most value to the organization is ideal.

The findings of this paper suggest that reader-commenters expressed value toward *The New York Times* in two ways: product utility and peronal connection. All commenters that expressed a willingness to subscribe to *The New York Times* paper also indicated a positive connection to *The New York Times* newspaper brand and a perception of high product utility. The audience group that expressed an unwillingness to subscribe may be categorized into one of three customer newspaper markets:

- low perceived product utility and low brand connection
- low product utility and high brand connection, or
- high product utility and low brand connection

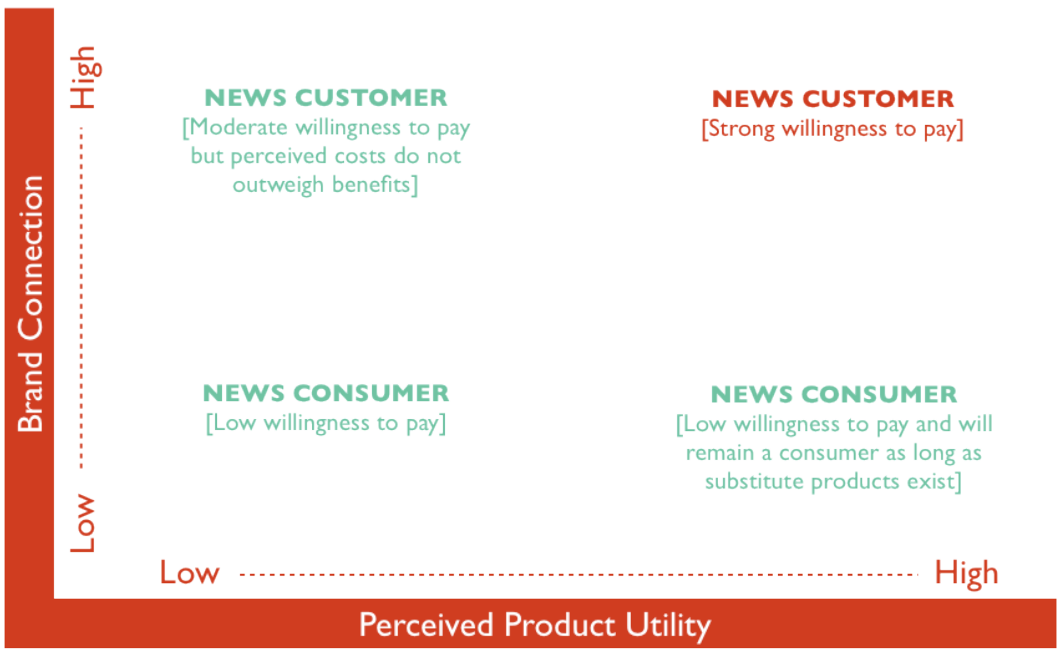
Groups that expressed low product utility and low brand connection reacted negatively toward the pay wall, and suggested that the increase in price for the news content out weighed the benefit of the content itself. These groups often noted other free news gathering comeptitors in their comments and comparable or almost comparable news media alternatives.

A typical example of groups that expressed a low functional value for the paper but a high brand connection would be a reader-commenter that noted the expected high quality of *The New York Times* and a news gathering organization, or perhaps the role of *The New York Times* in their life but also commented on specific attributes about the pay wall that lowered their perceived functional value. In most cases, the price was considered too high (cost out-weighed benefits). The group is identified by the expressed dissonance between cost and brand connection, which often resulted in expressions of betrayal or regret by the commenter.

Lastly, groups that expressed high functional value but low brand connection often mentioned competiting competing online news media products in their comments. These commenters did not express a personal connection to the brand but rather indicated that they found value in quality journalism and *The New York Times* but could not differentiate between free competitors in the market.

The figure below aims to categorize news consumer/customer markets and the relationship between brand connection and functional value as expressed by the commenters of this study.

Figure 2: conceptual framework for categorizing online newspaper audiences by willingness to pay for content



5.2 Understanding news customer market segments and its application to newspaper business model innovation

The four newspaper consumer/customer groups identified in by this paper may have implications for decision-makers within the news gathering industry. A better understanding of the news customer markets can help big brand newspapers better understand how to evolve their value proposition to earn greater customer loyalty (convert news consumers to news customers) and the potential value of increasing the loyalty of each customer segment.

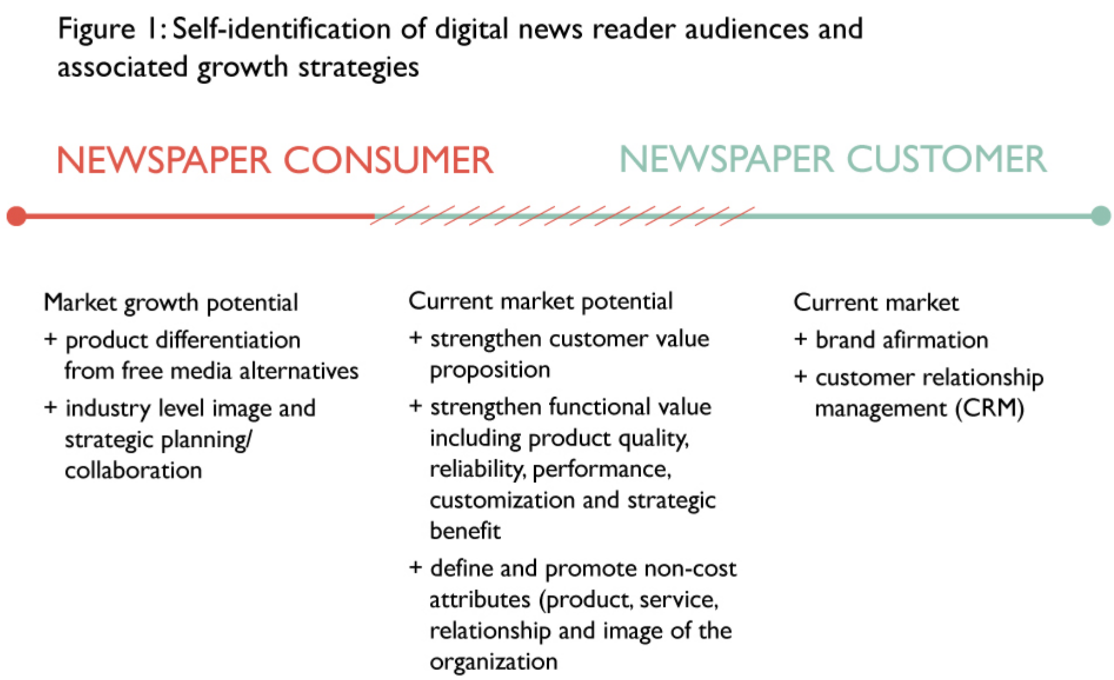
As noted in the literature, to develop a strong customer strategy it is important to divide your customer groups, ranging from most profitable (with whom organizations should broaden and deepen relationships) to the least lucrative (whom organizations may or may not target).

Based on the case studies and interviews discussed in the literature, *The New York Times* was likely attempting to target the consumer group that expressed the strongest connection with the brand and that had a high perceived functional value and utility for the product. This is their current customer market that the organization is attracting with the subscription model. With the current subscription model, *The New York Times* can also retain traffic with their "leaky" pay wall model from occasional reader-audiences that expressed lower brand connection and value for the paper.

However, the findings of this paper suggest that there may be other consumer/customer segments that news-gathering organizations could target. The study showed that there is an audience group that exhibits high connection with *The New York Times* brand but an unwillingness to pay. This unwillingness to pay stemmed from the pay wall's effect on the customer value proposition (lowering benefit relative to cost). It may be valuable to further explore this group, as this customer segment expressed a similar connection to the brand and may be willing to pay for online new media content despite the presence of free competitors in the industry. The findings of this paper note that *The New York Time*s may increase customer loyalty with this group by lowering their price or offering multiple pricing options ($5 was the most cited price at which commenters expressed they would pay). *The New York Times* may also explore alternative content delivery or packaging options (e.g. limited or less intrusive adverting for paying members or bundled packages with other competing news providers) to reach a broader customer market that experiences connection with the brand. The idea would be to offer more than what readers are used to receive for free.

A better understanding of newspaper customer markets could impact the economics of the industry. Big brand newspapers may consider CRM and brand affirmation strategies to better meet the need of their current customer audience. Short-term strategies may include better appealing to customer segments with a high brand connection to *The New York Times* and lower perceived value in light of the pay wall model. This may include lowering their price or offering bundling options with competing branded news content providers. Lastly, long-term growth strategies may include industry level strategic collaboration among big brand news-gathering organizations to increase loyalty among newspaper readers and convert digital news consumers to news customers. This will be particularity important as the current loyal customer markets age and are replaced with digital native news audiences. See figure 2.

Figure 2: Self identification of digital news reader audiences and associated growth strategies



6.0 CONCLUSION

The future of brand newspapers relies on the industry’s ability to adapt to market changes. While current scholarship has uncovered various threats and opportunities facing the newspaper industry, little research has been done to explore news as a marketable consumer product and the associated customer value of this product. Through content analysis of NYT.com online reader comments this study revealed that reader-commenters of *The New York Times* online newspaper identified their concepts of the value of the *The New York Times*: product utility and peronal connection.

A better understanding of newspaper customer markets could impact the economics of the industry. Big brand newspapers may consider CRM and brand affirmation strategies to better meet the needs of their current customer audience and generate additional revenue. Short-term strategies may include better appealing to customer segments with a high brand connection by offering multiple online packages at different price points or limiting online advertisements for paying customers. Lastly, long-term growth strategies may include industry level strategic collaboration among big brand news gathering organizations to increase loyalty of news readers and convert digital news consumers to news customers.

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