

Fallacy of Free Content

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An Overview

The Daily Republic is a small-circulation daily newspaper (18,300 daily and 19,300 Sunday) in Fairfield, California, halfway between San Francisco and Sacramento. We compete with two other daily newspapers of similar size in Solano County (population 407,000).

As our company upgraded our online content in 2005, we found it more and more challenging to hold on to our paid print subscribers. Rather than limiting content on the Web, we decided to take the bold step and charge for premium content. That included all locally produced content. It excluded wire news from Associated Press, breaking news flashes and our multi-media packages and, of course, all advertising content.

Our decision would give print subscribers free access after registration. All others would pay \$4.99 per month or \$49.95 annually.

We launched in December 2005 and several months later converted all of our mail subscribers to the electronic version. Included with the HTML version online were PDFs of all our print newspapers (non-searchable).

Initially, we received many complaints about the pay wall, with threats of going to the competition. Interestingly, most complaints came via e-mail and not that many via the phone. I prepared a short rebuttal e-mail, which I have included at the end of this outline.

While our online subscribers eventually climbed to just over 400 with the mail conversion, it has settled to about 300 as several mail customers opted out over time. As of Sept. 11, 2009 we have 18,275 registered users, of which 10,836 are active, regular visitors to our paid site.

We began to expand the content on our site to the point that virtually all our local content is duplicated online and provides more complete information (police logs, community calendar) that we cannot offer in print because of space limitations.

I. Assumption: No one will pay

A. We have 300 paying customers with very little promotion for the online only option. That translates to about 2 percent of our total circulation.

B. Single copy is 5.5 percent of circulation daily and 8.2 percent on Sunday

II. Assumption: You will lose audience to competition.

A. True and False. Our next-door neighbors have more unique visitors, but we start to catch up with page views, we take the lead on visits per user and we excel in _billable_ page views.

B. What's a _billable_ page view? Page views tied to a real person and a real address. More information, go to joeboydston.com.

C. Our statistics from Google Analytics: 80,000 to 85,000 unique visitors a month. 350,000 to 400,000 page views per month. Four to five page views per visit. A bounce rate of 36% (Bounce rate is a measure of visit quality. High number indicates landing pages are not relevant).

D. 22 percent are new visitors

E. 62 percent are direct traffic, 26 percent from search engines and 12 percent from referring sites.

F. We also have stats from another company, which tend to dramatically overstate traffic, especially page views.

III. Assumption: Can't sell advertising

A. Split into three categories: Retail, Class Display and Classified Liners

B. First year, we actually saw an 81 percent increase in revenue, the bulk of that in Classified Display. Retail dipped but Classified Liners were up significantly. Then the recession hit.

C. Good news: While we have taken big hits on the Classified side, Retail to date since the conversion is up 67 percent from our free-content days and overall we're up 19 percent in total revenue. A side note: Our first year of operation in the paid mode, Retail accounted for 26 percent of business, now it is 38 percent.

D. The competition: We presently have filled about 66% percent of our online ad positions with 37 different local advertisers. Our main competitor to the east (free site), has fewer than 15 local advertisers and fills many of its spots with remnant group buys through Ads By Yahoo, Ads by Pulse360, Ads by AdBlade and others.

IV. Assumption: Print is dying. Main focus should be online

A. Since December 2005, our daily circulation is up 3.8 percent, Sunday is up 2.3 percent. Unfortunately, our single copy story is not as rosy. Daily single copy is up slightly, 1.9 percent, but Sunday is down 7 percent. We have raised our print subscription prices 9.6 percent since 2005.

B. We continue to believe print has a future. With the paid online model, we have trimmed our acquisition costs dramatically, an average of \$76,000 annually over the past two years. We've focused on service and retention, plus we're not competing with our own _free_ product online.

V. Advice: Go For It!

A. Take the plunge. We don't regret improving our Web site, adding elements whenever, knowing that it will not compete with our print product, only enhance it.

B. The rejection was not as harsh as thought. Here is the e-mail message or the basic script I used when talking to folks who objected to the pay wall:

Prepared e-mail message to pay wall objectors

Several newspapers across the country are starting to charge for on-line content, either part or all of it, although very few in California. We spend millions of dollars a year to produce content for our print customers. We no longer feel that we can deliver that valuable information free to online customers and still charge for print subscriptions.

Newspapers are learning around the country that their paid subscriptions are declining at the expense of "free" online content. Why is it any less valuable online than in print? This is a business decision that was evaluated and a choice made. The Internet is a changing medium, which means this may not be our final destination. But for now, it is the route we have chosen to take.

To receive an online subscription, the monthly rate is \$4.99. You can sign up for an annual subscription for \$49.95. It also includes our Digital DR, which is an exact duplicate of the print version of the Daily Republic in PDF form.

We would hope you would consider the modest \$4.99 a month charge, if you feel the online information is vital to you.

Bill James
Editor and Publisher