New York Times Web Site to Go Behind Pay Wall

In the realm of online news, the New York Times is one of the premier go-to sites that hundreds of thousands of news surfers around the world check in with every day. On March 18, the Times announced that it would end the free usage online readers have accessed for the past 15 years, and would begin to charge for unlimited access to its site.

Under the new system, online *Times* readers will have free access to 20 articles per month, after which they will be charged $15 every four weeks, or $195 annually, a fee that will also cover access to the *Times* from a smart phone. For readers wanting access to the *Times* via the Web as well as their iPad, the subscription will cost $20 every four weeks, or $260 annually. A subscription covering the website as well as smart phone and iPad access will run $35 every four weeks, or $455 annually.

"No American news organization as large as the *Times* has tried to put its content behind a pay wall after allowing unrestricted access," the *Times* noted in its announcement. "The move is being closely watched by anxious publishers, which have warily embraced the Web and struggled with how to turn online journalism into a profitable business."

Arthur Sulzberger Jr., chairman of the New York Times Company, conceded that the move defies an industry-wide assumption that it would be impossible to persuade people to pay for online content they have always received for free. He called the move an "investment" in the future of the paper, saying that it would allow them "to develop new sources of revenue to support the continuation of our journalistic mission and digital innovation, while maintaining our large and growing audience to support our robust advertising business." He boasted that the move is a "demonstration of where we believe the future of valued content — be it news, music, games or more — is going."

The *Times* predicted that 85 percent of its online readers would not break the 20-article free ceiling, and explained that not all visits to its site would count against the limit. "In an effort to reduce losses among the Web site's more than 30 million monthly readers, the *Times* will allow access to people who arrive at its Web site through search engines like Google and social networking sites like Facebook and Twitter. There will, however, be a five-article limit a day for people who visit the site from Google."

The Associated Press reported that the move is part of the Times Company's effort to overcome a steep drop in print advertising revenue, a trend that has hit the news business as a whole. "The publisher's annual revenue fell 27 percent from $3.3 billion in 2006 to $2.4 billion last year even as higher prices for its print editions have brought in more revenue from readers," the AP noted. "While growing, digital ad revenue hasn't been large enough to offset losses in print advertising."

The trick will be to improve online revenue from readers without severely impacting daily web traffic and prompting a decrease in Internet ads. "Finding that balance is the primary reason the *Times* spent more than a year studying the way readers use its website and talking to them about what they might be willing to pay," the AP reported. "The newspaper began testing the fees Thursday in Canada and will impose them everywhere else beginning March 28."

While the *Times*' managers appear to be confident enough in the quality of their content that they think enough subscribers will be willing to pay, some industry observers are not so sure. One newspaper analyst, Ken Doctor, predicted that the pricing structure would prove too high for a savvy younger readers who are used to quickly surfing the Web and getting all the news and perspective they need for free. "They need to be cultivating readers who are going to be their customers," he told the AP.

According to a recent survey from the Pew Internet & American Life Project, a typical user now pays an average of just $10 per month for online content, and overall, only 18 percent of those surveyed had paid for digital news. Twice in the past the *Times* has attempted to charge online subscription fees, only to cancel them because they weren't generating enough revenue.

Doctor said the move was indicative of the crisis the online news industry is facing. "This is practically a do-or-die year," he told the *New York Times*. "The financial pressures on newspapers is steady or increasing. They're in an industry that is still receding. Newspapers are trying to pay down their debt, but they have fewer resources to do it."

The *Times* noted that it is not the first newspaper to charge for its online content. "The *Dallas Morning News* started putting much of its content behind a less porous pay wall last week, an approach similar to the *Wall Street Journal's* site, where selected content is free but everything else is available only to subscribers." Similarly, the paper pointed out, "The *Financial Times*, based in Britain, uses an approach similar to what the *Times* is adopting. It sells online-only subscriptions starting at $19.96 a month."

Nonetheless, a majority of industry experts seemed to predict that the *Times*, as well as other newspapers who follow its lead, will not be able to overcome the longtime precedent of free online content. "The nature of how we access news online, in an episodic way throughout the day, tells me people just aren't going to pay," newspaper publisher John Paton told the *Times*. "And of course there's the 15-year history of people not paying. We've trained them not to."

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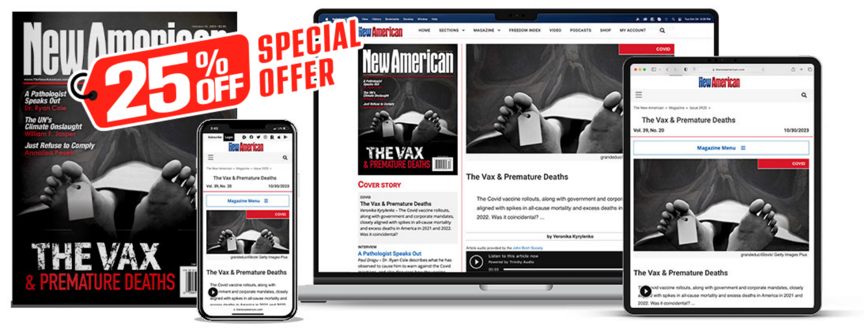

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