

Joel Spears - MSDM-5090 Digital Marketing Strategy - Literature Review

INTRO

At the beginning of the 21st Century, there were approximately 500 online newspapers in North America (Schultz & Voakes, 1999, pp. 25-26). Larger newspapers moved quickly to get their product online—first the *Raleigh News & Observer* in 1994, followed by the *San Jose Mercury News* in 1995, then *The New York Times* in 1996. By the end of 1999 almost all daily and large weekly U.S. newspapers had digital versions of their print publications on the Web (Nerone, J., & Barnhurst, K. G., 2001, p. 468). Doubts, however, lingered as publishers remained confused not only about how to make them more profitable, but also how the new medium should look, and how reluctant journalists should use it. Thirty years later publishing companies are still trying to assemble a profitable business model that no one seems to agree on while ad revenue continues to follow readers onto other platforms of digital news and information. The following literature review discusses this history, first by explaining the root of those problems, then by examining fact-based solutions regarding how to navigate through what one study called “a purgatorial space between paywalls and print” (Carson, 2015, p. 1022).

HISTORY

A 1999 study published in the *Newspaper Research Journal* noted newsroom morale was so low at the beginning of the Digital Age 55 percent of newspaper journalists believed the Internet would make their jobs less important in the coming decade because “young people in particular appreciate the speed and the variety of the Internet’s information and entertainment” (Schultz & Voakes, pp. 25-26). Jon Katz, then-writer for *Wired* magazine, did nothing to boost their self-esteem when in 1994 he declared traditional newspapers would vanish within 10 years (Nerone, J., & Barnhurst, K. G., 2001, p. 468). Schultz & Voakes also cautioned that such low morale could become its own threat, as “it can be hard to convince people of newspapers’ significance if journalists themselves have so little faith to begin with” (Schultz & Voakes, p. 38).

Adding to these internal problems was a growing list of options for traditional newspaper advertisers, who could further diversify their budgets between print, cable television, and now the Web (Schultz & Voakes, pp. 25-26). So much confusion prevailed some publications terminated their online presence before it even began. Print publications had rushed into cyberspace without an action plan other than staking claims on their traditional monopolies such as classified advertising, financial information, and sports news. In doing so they lost each of those cornerstones (Nerone & Barnhurst, 2001, p. 481) to newcomers such as classifieds advertiser Craigslist, and other specialty sites in search of their own ad dollars.

Notwithstanding the challenges, Schultz & Voakes supported the structural argument for newspaper sustainability quoting media futurist Roger Fidler who said, “technological change may force the newspaper to take a digital form, and readers may have greater control over the timing and content of their news reading, but the traditional franchise of the newspaper need not change. With a tidal wave of unfiltered information available electronically, audiences should still appreciate current, selected information that is not only

credible but useful..." and "change in technology should pose little threat" (1999, p. 37). A 2001 study from the University of Illinois also asserted print newspapers, though at a "moment of epochal change," could coexist with the Internet as "analytical advocates" with their online publications focused on numbers over news (Nerone, J., & Barnhurst, 2001, K. G., p. 467-68). It further argued this change would continue to be enjoyed by industrialized societies because online news, with flashing ads and multimedia graphics were "imagination cinematic," different from the stillness of print. But who was to blame for this survivalist need following decades of control and centuries of newswriting?

Nerone and Barnhurst (2001) point out that newspapers were at fault for their own disillusionment, having turned a simplified print medium into a show. Every move now led to more advertising and more links toward voiceless self-promotion. Large publishing companies such as Gannett had diminished the distinctiveness of print news with cookie-cutter designs, weak local ties, and bland politics that muted their voice. Yet where corporations purged, the Web binged with endless options for visitors, making it "impossible for the web newspaper to impose a voice on its matter" (p. 474). Online news segregated readers into private rooms, whereas print brought readers into a common space. "A [online] reader with an interest in sports need never glance at a public affairs story along the way. In fact, such a reader needs no longer rely on the daily newspaper at all as a source of news. A sports fan may go directly to the ESPN site and from there directly to a team site. For that reason, the readers of these sites are likely to read less of it than they would in print and are less likely to remember what they read" (p. 474). The general readership could now browse widely and specifically through the Web to cull news stories from various resources (p. 475), given the ability to falsely believe they had become their own editors to build their own newspaper. But at what cost?

"Although they may feel like free agents in an archaic landscape, they [readers] are simultaneously targets for increasingly well-aimed advertising messages and marketing campaigns, the end result of which strengthens the economic position of the most successful of new media, the ones that can claim the most hits which are "overwhelmingly the web versions of old media, print and broadcast alike. The independent reader, with apparently increasing freedom, also becomes an increasingly precise market segment. Newspapers that can identify and deliver well-chosen market segments can expect geometric increases in advertising revenue" (Nerone & Barnhurst, 2001, p.475).

Flashy advertising had quickly become an integral part of the Web and was of special importance for newspapers which had historically grown from a strong base of advertising support (p. 470), but newspapers still needed subscriber capital to support online content. Nerone and Barnhurst's study briefly called attention to the earliest newspaper paywalls when they discussed the showmanship of online newspapers as most common among large publications which often required a subscription to view their offerings, whereas small publications could not afford to impose such demands (2001, p. 472). Paywalls will be further discussed in the next section.

Five years on, an article published in *The Economist*, titled "Who killed the newspaper?" (2006) provided evidence newspaper publishers had done little to enhance their online newspaper models since the beginning of the decade. Lacking the optimism found in previous studies, this pointed out that selling words to readers and selling readers to advertisers, which has sustained newspapers' place in society, was falling apart and "of all the 'old' media,

newspapers have the most to lose from the Internet.” Newspaper sales had been falling across the Western World for decades, thanks in part to radio, then television, then cable TV. The Web only hastened its decline. Philip Meyer, author of *The Vanishing Newspaper*, predicted that the first quarter of 2043 would be “the moment when newsprint dies in America as the last exhausted reader tosses aside the last crumpled edition” (*Economist*, 2006). This was a far different view than futurist Roger Fidler offered a few years earlier. “Even the most cynical news baron could not dismiss the way they ever more young people are getting their news online,” the *Economist* added, noting Britons ages 15-24 spent 30 percent less time reading national newspapers once they start using the Web (2006).

Along with news, the advertising that supported it was following readers out the door. The Internet was a “seductive medium” matching buyers with sellers and able to prove to advertisers that their money was well spent (*Economist*, 2006). Advertisers budgets were shifting toward online content in the mid-2000s and draining newspaper profits. For example, half of all newspaper classified advertising in countries such as Switzerland and the Netherlands was lost to the Internet through websites such as Craigslist, which “probably done more than anything to destroy newspapers’ income” (2006).

Ten years later, a study from *Quantitative Marketing & Economics* (2015) concluded three things: a) that 7-17 percent of the loss in print advertising could be traced back to cannibalization due to growing online newspaper advertising, b) a significant fraction of the decline of print newspaper advertising revenue co-occurs with decline in online newspaper advertising revenue, suggesting that advertisers are substituting away to media options outside the newspaper, and c) that the cannibalization concern is most valid across large local advertisers (Sridhar, S., & Sriram, S., 2015). The remedy was to make certain cannibalization was a consideration in the marketing decision of the newspaper while bearing in mind a threefold change to the overall sales force strategy: 1) direct efforts to print advertisers that have taken media dollars elsewhere, 2) educate sales force about the advantages of online newspaper advertising to win back media dollars lost to display and search ads, and 3) alter commissions that disproportionately reward only print sales “such that salespeople are incentivized to sell more print and online bundles;” and finally, prevent cannibalization by focusing on large, local advertisers. (2015, pp. 316-17). Other suggestions included embracing the online newspaper and identifying avenues to generate additional ad revenue, such as exploring the ability to attract and target customers and use of management systems to obtain effectiveness measurements to be shared with the advertiser—a move that has proven useful in advertiser retention (2015, pp. 316-17). The study also concluded that online newspapers also cannibalize print ads indirectly by drawing readers away from print, and that characterizing how readers substitute between the print and online versions of the newspaper will “help understand the indirect cannibalization effect of the online newspaper” (2015, p. 317).

Wasko Rothmann and Jochen Koch elaborated on cannibalization a year earlier in their 2014 study of changes in the German newspaper industry at the beginning of the “Digital Revolution.” For many years the print press market share, which was relatively kept alive by traditional print subscriptions, shrank continuously from 1980 to 2000, falling from 43 percent to 28 percent. Despite those numbers, the advertising market grew so fast that revenues also continued to climb and compensate for the decrease. This pattern, however, would not last and changed dramatically post-Millennium when newspaper advertising market shares decreased

by 4.9 percent, the entire market dropped by 17.75 percent, and newspaper publisher ad revenues lost 32.2 percent from 2000 to 2003 (2014). With the decrease in the market share of newspapers no longer compensated for by strong growth in the ad market itself, the subsidization of journalistic content by advertising revenues was no longer possible to the previous extent (2014). What had been a self-reinforcing strategy started to fail. Not only that but the normal costs of print newspaper production, such as those for printing paper, were also on the rise. This failure is attributed to 1) a slump in the advertising market, of which 47 percent could be traced “solely to the decreased ad revenue of daily newspapers,” not as a drop but part of a structural change; 2) decreasing circulation, which had historically experienced losses as readers aged and young people failed to pick up the habits of their elders. This resulted directly in decreasing advertising revenue just as the online news era began; and finally, to 3) increased competition for attention as readers devoted more time to, first, television then the Internet. “Thus, even stable or increasing circulation would have had a minor effect on advertising revenue, as had been the case years before” (2014).

As the Internet’s popularity and resourcefulness grew so did the amount of available advertising space. As a result, online advertising (i.e., social networking websites) became a cheaper alternative to reach consumers without expensive journalistic or entertainment content. This proved that even if publishers had managed to stabilize or increase their circulation the positive effect on ad revenue would have still been weaker than before. So, from 2001 onward their positive revenue spiral lost its self-reinforcing nature and regularly produced a negative effect. This trend reversal resulted in an industry-wide “cautious discussion of paid digital content,” the primary idea being *avoidance* of paywalls which would reduce brand coverage (Rothmann & Koch, 2014).

The new goal became: “enhance digital coverage and generate digital ad revenue while attempting to maintain circulation for print versions of digital products, based on the premise that print ad revenues were still higher than revenues generated by the same online readership.” It was a decision that was a direct reaction to all the problems encountered within the newspaper industry during the spread of the Internet, “namely, the migration of classified ads markets from print to web, the decrease in print subscriptions as well as in retail sales, and the slow growth of the online advertising market” (Rothmann & Koch, 2014). As the emerging business model was embraced, it developed into a thought pattern based on the idea Internet activities would compensate for losses in print coverage and help introduce newspapers to a younger target audience. “Therefore, strengthening the brand was and remains one of the main strategies in the digital business. At the same time, publishers perceived—and still do—their strategic strength as the competence to produce and market journalistic products, living by the statement, ‘daily newspapers are in a process of structural decline. That is, it is important to get a market share from somewhere else to compensate for this decline’” (2014).

The introduction of cross-media marketing, merging digital and print editorial offices, and the continuous development of free-access news web pages (including online classifieds), were viewed as innovative steps in the industry, but not until the 2008 Global Financial Crisis did publishers finally realize they had failed to introduce a sustainable business model (Rothmann & Koch, 2014). One of the biggest differences was cost structure, with some major factors of print production becoming irrelevant through digital news delivery. Pre-digital, more

than half of all industry costs accounted for the purchase of paper, production and distribution, with the editorial office accruing 23.5 percent (2014).

Rothmann and Koch argue that “While the initial success of the printed newspaper would have probably been inconceivable without the fundamental subsidization of the distribution price, given its high production costs, in the case of digital newspapers distributed on the Internet this subsidization would not be necessary because of the significantly lower costs” (2014). But the opportunity went unrecognized that for the first time it was possible to develop journalistic products that could be sold for a price and cover production costs on new products that could generate willing consumers, and publishers who would break even (2014). Instead, old patterns were transferred to the new medium with intent to remain on the old path. The result was more advertising losses once the idea of “free content” reentered the discussion.

After nearly a decade of giving away print news content online, publishers began to argue they could not justify giving away high-quality digital content to a new generation of consumers, the same people whom they watched grow up reading free news online. This made it even more difficult for the latter to accept the idea of a paid content journalism model (2014), or paywall, as publishers watched old creative patterns turn against them and the Internet continued to require more real investment from their industry.

As of 2019, based on 212 of the most important news organizations in seven countries, 69 percent sampled operated some kind of pay model, which was up from 64.5 percent in 2017. Hard paywalls were rare with models evenly divided between “freemium” and metered at 33 percent each. More than half of weekly newspaper and news magazines (57 percent) operate an online pay model, which is down 5 percent from 2017. Freemium models were most widely used, followed by metered and hard paywalls (Graves & Lucas, 2019), thus providing evidence that a paywall’s value is still divisive within the industry.

PAYWALLS

The premise behind a paywall is that added subscription revenue can be an additional source of income for a newspaper publication (Pattabhiramaiah, Sriram, & Puneet, 2018, p. 19). Approximately 75 percent of U.S. newspapers have paywalls but placing this barrier between user and information also risks driving away readers unwilling to pay for online news (p. 34-35). As online ad revenues are also heavily linked to newspaper readership, newspapers stand to put these revenues at risk if the paywall leads to heavy attrition. Thus, the overall impact of setting up newspaper paywalls is not clear.

First pointed out by Rothmann and Koch in 2014, more recent research by Reuters Institute in 2019 also stated that a growing number of news organizations are “trying to find new, sustainable business models in order to make up for the revenue shortfall caused by a rapidly changing business environment” (Graves & Lucas, 2019). One of those is the paywall, as publishers continue “challenging the assumption that people will not pay for digital news” (2019). However, with more positivity than Rothmann and Koch, Reuters discovered the number of people who are willing to pay for news is slowly growing. The new challenge is “to deliver such quality content, and the kind of user experience and convenience that people have come to expect from digital media, and to market their offers to the many who are currently

not paying for journalism but might do so in the future" (2019). Yet because readers *might* do so does not mean they *are*, which has created an almost continuously negative effect on funds.

In 2019, the American Marketing Association (AMA) reflected on the negative financial impact that moving news content to digital media has had on multiple industries in the past 15 years, due to a low willingness to pay for the growing amount of content. "Because access to the online version of newspaper has traditionally been free" revenue from the online channel has come solely from advertising, and while those have grown steadily, they have not been sufficient supplements to compensate for offline ad revenue losses since the beginning of the Digital Age. It is estimated that for every online advertising dollar, newspapers lose \$16 in offline advertising (Pattabhiramaiah et al, p. 19). This is one reason why many online newspapers have implemented paywalls; however, their effectiveness is difficult to measure due to two types of readers, loyal vs. casual, both of whom react differently to change. AMA found that loyalists bring in more advertising revenue and increase the footprint of the newspaper. Any change in that is more likely to impact online ad revenue (p. 20).

Using *The New York Times* as a test subject, results of the AMA study concluded that the number of unique visitors who were heavy users decreased by 16.8 percent as a result of having a paywall. This was accompanied by a significant reduction in engagement metrics including visits, pages consumed, and duration per visitor (p. 21). The effect on light users was not as pronounced but results suggest the quantity of advertising impressions that could be served at the *Times* website also decreased as a result of the paywall.

The introduction of a paywall also arrested the decline of print subscriptions for the newspaper. As a result, it saw a one to four percent boost in readership in both weekday and weekend subscriptions. "In this study, we employ data on online and print readership of NYT to assess the overall impact of the paywall it instituted in March 2011. We find that NYT's paywall appears to have driven away some readers, as evidenced by a decline in the number of unique visitors to its website after the paywall. In addition, our results suggest that, following the paywall, previously active readers of NYT visit the website less often and also spend less time on the website, implying that paywalls may pose a challenge with the greater objective of generating increased engagement of online readers. We find a positive significant effect of the paywall on the newspaper's print circulation, indicating that the spillover effect serves as a sizeable benefit, in addition to the incremental online subscription revenues generated by the paywall. Overall, this research is the first of its kind to offer empirical evidence for positive overall economic returns accrued to information media firms from the decision to charge readers for access to online content" (p. 35).

But the above information applies to large newspapers with a national reach. What does it say about the small community newspaper? Evidence published in 2016 showed paywalls can divide audiences on the basis of socioeconomics and access to the Internet (Ananny & Bighash, 2016), leaving those who cannot access paywalled, online newspapers with lower quality, less substantive free news. Given the fact many community newspapers are located in rural areas where 58 percent of Americans believe access to high-speed Internet is a problem in their area (Anderson, 2018) and poverty is at more than 16 percent (USDA, 2020), this suggests a negative effect on a significant number of the population's ability not only to circumvent a paywall or utilize high quality digital news content, but also the newspaper's inability to enforce a hard paywall as it would only work to their financial detriment.

A study conducted by R.K. Olsen (2020) in Fredrikstad, Norway, a town of 81,000, explored how young adults perceived the value of news from the small town where they live and their attitude toward paying for it via paywall. The majority of those interviewed were digitally oriented, and some who considered themselves subscribers actually used a subscription paid for by someone else, such as a parent, to access paid content. Emerging from this were two groups, those willing to pay and those unwilling to pay if their access was terminated. Those willing to pay said smalltown news was important because it updated them on what was going on in town and enabled them to participate in local civic life. They also enjoyed reading about the lives of local people because it made them feel more involved in the place where they lived (p. 514). Those unwilling to pay described smalltown news as less important with a habit of overemphasizing insignificant matters. Though this group did not ignore the value of news, smalltown newspaper content was described as unengaging largely due to the way in which it placed value on hyper local events that would otherwise be viewed as feature material, rather than engaging in the world's various social issues. Both groups, however, agreed that social media for example was not a replacement for a news site where everything could be found in one place, and that larger newspapers in nearby cities lacked the "special local feel" of a smalltown newspaper (p. 514).

The study noted that digital transformation of local newspaper businesses and their relationship to their small-town audiences have so far been mainly off the radar in journalism research (Olsen, p. 507). However, smalltown newspapers are keystone [or foundational] media, which play important roles in local government. They are part of the press structure's local media foundation that shape and support the local public sphere and serve as mediators of local identity while providing a sense of belonging. They represent an essential component of local democracy, an infrastructure that is under threat due to a decline in print readership, advertising and subscriptions (p. 508). It could also be where their weakness lies, in the assumption underpinning their paywalls that local journalism is so valuable people are willing to pay for it. "Such belief in the value of 'the local' belongs to one of professional journalism's 'deepest mythologies'" (p. 508). When it comes to paywalls, the reader's perceived "worthwhileness" is related to their willingness to pay for news due to the fact price constitutes an important factor in that judgement. Newspapers lean toward pay walling their most valuable content in order to stimulate payment by users (p. 510). "Highly specialized content such as local news may stand a better chance as a payable online product than uniform, general, national and international news. As people feel a personal connection to local topics from their hometown, willingness to pay may increase. However, previous paywall research has found limited paying intent for local newspapers online particularly among younger people who are more likely to reduce their consumption of local news due to paywalls. In an international study of small and large newspapers, paywalls do not offer a viable business model in the short term."

"People may be getting used to the idea of paywalls in their local online newspaper, and even support the idea of user payment, but smalltown journalists and editors are challenged to explore what really creates value for their readers in order to stimulate willingness to pay. Furthermore, media academics as well as practitioners and policy makers are encouraged to explore ways of bridging the gap between people's perception of individual and societal

worthwhileness of local news media as it has significant implications for the future funding of local journalism" (Olsen, p. 521).

Nordicom Review (Kvalheim, 2013) explores that connection, examining the relationship between paywalls and editorial content in local newspapers. As found in the previous study by Olsen (2020, p. 510), Kvalheim establishes that the content published behind a paywall is what the newspaper values most, though he aims to understand the relationship between strategic and economic decisions regarding news production and editorial content. Cases in the study were a regional Norwegian newspaper and its online counterpart. Questions included, what are the valuable items behind their paywall and how do they relate to commercial strategies?

As with other studies in this review, Kvalheim also establishes that among the challenges faced by newspapers: a decline in readership and circulation which have led to declining advertising revenue, the Internet enabling advertisers to find more targeted spaces to reach potential customers, users who refuse to pay for online content, and cannibalization are among the industry's biggest problems. Newspapers are in what Kvalheim calls "an unstable business environment" because the industry as a whole has failed to produce a sustainable online business model for almost 30 years, and still little is known about whether or not readers are willing to pay for news online (Kvalheim, p. 26).

However, the paywall put into place for this case was regarded as a success because it slowed circulation decline by placing more than 60 percent of the newspaper's online content behind it (Kvalheim, p. 31-32). The most valuable and marketable content were financial issues, which had the most locked content by as much as 82 percent. Culture came in at 81 percent, followed by weather at 78 percent. Technology, accidents and traffic categories were least paywalled, though still by more than 50 percent (p. 33). Findings also show, based on locked and unlocked paywall content that the newspaper being studied placed greater emphasis on appearing local after the introduction of the paywall than it did beforehand (p. 35). In-house content was also considered most valuable and most often locked behind a paywall at 90 percent, while open content which is produced externally comprised of only 50 percent. National or international news was found to be open and produced freely because the same information could be retrieved elsewhere with no incentive to pay for it (p. 36).

"Given that the audience is the newspaper's main currency, getting their audience to spend their valuable time and money on their content is the newspaper's greatest task. To provide readers with content they do not have access to elsewhere is therefore of great importance" (Kvalheim, p. 37).

Kvalheim (2013) also pointed out that the increased commercialization of locked and unlocked content could eventually soften the overall news product based on a new set of 5 W's (Who, What, When, Where, and Why) in the newsroom, replaced by questions of concern such as: "who cares about a specific piece of information?; how much are they or someone else willing to pay for this information?; where can they be reached?; when is it profitable to offer this information?; and why is it profitable? The answers to these questions impact whether or not events will become news" (p. 38). But "newspapers must ensure to be the best at what they do best. While encouraging consumers to pay for news infers an increased commercialization of information, a paywall also means an increased focus on what the particular newspaper regards as quality of production (p. 38).

In 2015, the *Economist* made a similar observation adding that newspapers could attract more advertising, or even get more readers to pay for news behind the paywall, if they could identify new areas of specialist coverage that readers find invaluable. For example, a website devoted to a specialty such as health, or raising money through readership “clubs” with topics such as gardening or even wine, then sell products alongside related articles. Paywalls in the U.S. have proven to be unprofitable for general interest newspapers as the typical American, who only spends 228 seconds on each visit to a news website, visits these publications for a freebie then leaves. Metered paywalls have allegedly only been moderately more successful, and only for large newspapers such as *The New York Times*, offering a handful of free articles before asking the reader to subscribe for more” for which the reader need only to delete his or her cache and cookies and return for more. Such results have left online newspapers selling for record sums while American dailies lost approximately \$30 billion in advertising spending between 2005 and 2014, a whopping 60 percent, leaving newsrooms to cut staff as a necessity. “The cuts have helped to limit short-term damage to publishers' bottom lines, but the outlook is bleak. Jim Chisholm, a media consultant, predicts that print-ad revenue is heading more or less to zero at many American and European papers. As for online ads, the ever-widening choice of places to put them means that prices keep falling” (2015).

The main hope for many newspapers is to find ways of boosting online advertising and sponsorship (*Economist*, 2015). “However, the digital-advertising revenue of America's daily papers was \$3.5 billion in 2014, just 11 percent more than in 2007, according to the Pew Research Center and the Newspaper Association of America” (2015). Advertisers have also begun to spend more on sponsored content and video through native ads, where it is easier to hold readers' attention without the growing threat of ad-blocker software. But the same readers are not visually trained to expect those elements from newspapers, and Middle American newspapers lack the necessary experience and resources to create high-standard video advertising and/or sponsored content (2015) just as many smaller newspapers lack the financial ability to establish a successful paywall system, as several studies have noted.

A 2015 article from the University of Melbourne also examined a response to the financial crisis of print newspapers, again addressing the rise of digital paywalls. Dailies in Australia, the U.S. and Britain were compared by type price and audience uptake. Author Andrea Carson found that while paywalls are becoming a norm, metered versions were favored over hard paywalls, and newspaper prices were also increasing to offset digital subscriptions that continue to cannibalize print subscription revenues and leave newspapers in a purgatorial state between paywalls and print (Carson, p. 1022). Carson noted that adjusting paywall prices and models could be necessary in order to find the best fit for a company's size, brand, news content and population, as publishers search for a balance between clicks on a story and creating a brand that has a set of values. “Publishers want readers to pay for journalism but also need to allow enough website traffic to serve digital advertisers' needs regarding audience demographics and volume.” For general news providers, this is often best served by a metered paywall, chosen more often by U.S. newspapers at 40 percent over hard paywalls at 17 percent.

As of 2019, and as previously mentioned at the beginning of this review, those numbers have decreased with hard paywalls being “extremely rare” and use of metered and freemium paywalls having fallen to 33 percent each (Grave & Simon). So, five years after the Melbourne

study, this decline has left 52 percent of executives saying they expect subscriptions to be a key priority for the news industry going forward (2019).

Carson's research had discovered in 2012 that hard paywalls curbed website traffic flows significantly, compared to metered models with an 85-95 percent reduction in Web traffic in the initial months, compared to a 5-15 percent loss of digital traffic using a metered paywall instead (p. 1032). Hard paywalls also drive away traffic unless there are niche content people are willing to go for on the other side (p. 1037). Yet, a more pressing problem for publishers is advertising revenue. While masthead sales comprise a small proportion of total revenue, in 2012, the Newspaper Association of America found newspapers were reclaiming only one dollar of their digital advertising revenue for every \$25 of print ad revenue they lost (p. 1035). Carson noted "digital advertising exists in a highly competitive marketplace where competitors such as Google, that do not produce costly news content, drive down digital advertising prices. In this political economic environment for mastheads, digital advertising revenues alone are insufficient to meet the cost of providing quality journalism" (p. 1038) and therein lies the problem. While a metered paywall is best at managing reach, revenues and quality journalism, it does not overcome the broken business model that print newspapers failed to replace in the early years of the Digital Age. "On one side, the proliferation of paywalls signals a cultural shift for consumer attitudes about paying for journalism online. But counter examples of commercial outlets not charging for news online suggest the future for paid journalism lies somewhere in the middle; most likely a hybrid business model based on diversified revenue streams" (p.1038).

TARGETED ADVERTISING

Among those revenue streams is targeted advertising, which for the purposes of this review we discuss as a possible solution to the newspaper industry's revenue problem.

"Newspapers have long been introduced as a medium by which advertisers could have access to their customers, and as a result, newspaper companies could earn a large amount of profit. But digital media took control of the advertising market by offering newer, more effective and targeted strategies to promote products and services" (Shahbazi, 2016, p. 18).

Targeting has proven itself in raising profits for all firms despite the fact consumers adjust their advertising-avoidance decisions, and competition may increase for some available ad space (Johnson, 2013). We have also established that during the past decade, the newspaper industry has experienced a significant decline in print advertising revenue, thus leading to an increased use of paywalls—when affordable—to bandage the financial losses that otherwise continue to bleed using current business models.

Online advertising has proven to be less rewarding than publishers hoped at the beginning of the Digital Age. We have shown evidence that as online advertising increased, the price of advertising went down as advertisers had more options regarding where to spend their money. Between 2005 and 2011, for every dollar increase in online advertising newspapers lost \$22 in print advertising (Sridhar & Sriram, 2015). "While it is conceivable that the overall change in the advertising landscape (such as the growth of targeted search advertising), contributed to the decline in print advertising, it is not clear whether the growth in online newspaper advertising aggravated or alleviated this global trend" (2015).

As of 2011, targeted advertising was not very common with targeted display ads accounting for less than five percent of newspapers' digital ad revenues (Sridhar & Sriram, 2015). "Therefore, advertisers interested in placing targeted ads are likely to have shifted their ad budgets away from the newspaper" (2015) in favor of other online resources such as social media.

Matthew Gentzkow (2014) examined the root cause of this, being that the Internet has reduced the return that news outlets can earn by selling the attention of their consumers to advertisers. "This is held to be true both because the price of a given unit of attention is lower online than offline, and because the price of attention in traditional media has fallen as the Internet has made advertising markets increasingly competitive. The result is news outlets 'trading analog dollars for digital pennies'" (p. 481).

For newspapers specifically, it was not the growth of the Internet that caused a large readership decline but rather the declining price of attention in print due in part to "clearly related" competition from Craigslist and other online competitors, as well as non-classified revenue, which fell faster for newspapers than other media (Gentzkow, p. 482).

The reason for this? The increased ability to target consumers.

Gentzkow points out that each print newspaper has only enough physical space for one advertisement, thus all readers must see the same ad. Whereas, each website also has only enough physical space for one ad, it has an added ability to show different ads to different consumers in that same space through targeting (p. 483). The price of attention, both online and offline, depends on the strength of the two competing effects. Online prices are higher because of targeting, but websites earn positive revenue from opposite-type consumers, while newspapers earn no revenue from opposite-types. Offline prices may be higher or lower due to relative competitiveness, or the different shares of consumers that are exclusive (p. 484). This suggests if newspaper publishers had not decided to maintain their old business model and, instead, incorporated ad targeting into the online version of their print publications, "due to the fact that it avoids waste by not sending ads to consumers who are not likely to buy the product" (Anand & Shachar, 2009, p. 257) then revenue might not have faltered, and online paywalls could have been mostly avoided.

Chandra and Kaiser (2014) directly attribute these revenue losses to print media's "relatively inefficient ability to practice targeted advertising, as compared to online media" further citing that targeted ads have the ability to show advertising to the most receptive audiences with more sophisticated methods of targeting them (2014). While the study enforces that "there is no doubt that print audiences and correspondingly, ad revenues, have declined" it adds that the premium advertisers are willing to pay for homogenous audiences has increased, giving magazines (which already used targeted advertising in print, based on format) an opportunity to "mitigate the adverse consequences of the Internet" better than other print media such as newspapers (2014). By this, it suggests targeted advertising as one way in which print media might withstand the Internet in looking at the way in which the magazine industry has fared better than newspapers, concluding that "print media publishers possess the tools to weather the rise of the Internet, by striving toward delivering well-tailored audiences to their advertisers (2014).

CONCLUSIONS

The purpose of this literature review was to examine the decline of the newspaper industry and the trends that are being used unsuccessfully to produce revenue since the onset of the Digital Age. These models have proven to further a decline in the importance of the traditional newspaper over the past 30 years, in particular post-Millennium, rather than enhance revenue or readership. It is clear from research reviewed here there remains no consensus among publishers on the development of a universal, sustainable business model to stop the statically proven, rapid decline in newspaper readership as well as significant advertising revenue losses. Corrective measures such as paywalls have proven largely unsuccessful, if not detrimental, and have failed to address the needs of the small, community newspaper market which already struggled to maintain relevance due to financial constraints and lack of digital access in the rural areas which many of them serve. Targeted advertising, however, has proven to be a possible solution to some of the overall problem, though minimal research has been completed to determine its full capability. It is therefore imperative to further study the effectiveness of targeted advertising in the newspaper industry, relative to its pre-digital success specifically in print magazines, to aid the survival of newspapers in a rapidly evolving medium.

"In the end, it really shouldn't matter if you prefer your news on paper or electronically. What should matter is where you get news from and the only way to control that is to give the reader what they "need and want" and can't get elsewhere. We can still be the leaders, the go-to place for strong, relevant local news content and useful advertising. I want to be certain that when the two young ladies are in the coffee shop getting their 'news fix' that my advertisers are in their face and that the news they are reading, either on paper or in a digital format, is in my publication and that we are not only providing a service to readers and advertisers, but we're doing so with a working business plan that returns a sustainable profit" (Simpkins, 2018).

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