



Salvation or Mirage?
The *New York Times* Paywall
Teaching Note

Case Summary

By late 2009, media outlets around the world were struggling with the consequences of earlier decisions they had made to make their content free on the Web. As advertising revenues plummeted and subscriptions fell, the existence of millions of readers accessing stories for free came to seem ludicrous to the businesspeople running newspapers and magazines. Editorial staff, while less open to the idea of charging online readers for fear of losing them, also began to acknowledge the need to monetize online content.

The question was how? Some news organizations, including the *Wall Street Journal*, had erected what were called paywalls: a barrier on a website that prevented readers from reading material online without paying for it. However, for each successful paywall there were more that had failed, including high-profile experiments like the *Los Angeles Times*, which had quietly ended an early paywall experiment in 2005 after less than two years.

The *New York Times* (NYT) took on this question anew in 2009. The paper had already experienced a paywall failure of its own: in September 2007, it ended “TimesSelect,” a two-year foray into charging for online content. Editorial and technology staff alike were gratified when the wall fell. But in late 2008, the global economy hit the skids, and online advertising slowed, as did newspaper subscriptions.

The NYT saw weekday circulation fall 7.3 percent from the third quarter of 2008 to the third quarter of 2009, dipping under one million for the first time since the 1980s.¹ In spring 2008, the *Times* laid off journalists for the first time in its history. In January 2009, the company borrowed \$250 million from a Mexican financier. A second round of layoffs—8 percent of the newsroom—followed in October 2009.

¹ Richard Perez-Pena, “US Newspaper Circulation Falls 10%,” *New York Times*, October 26, 2009. See: <http://www.nytimes.com/2009/10/27/business/media/27audit.html>

NYTimes.com seemed to offer the prospect of relief. In early 2009, Publisher Arthur Sulzberger Jr. launched an investigation into another paywall. For the next year, Times Company leaders from the business, editorial and technology departments examined existing models, from the *Wall Street Journal* to the *Financial Times* (FT). At the same time, comparable publications such as the *Washington Post* and the *Guardian* (UK) emphatically rejected a paywall solution.

The case chronicles views from inside the *Times*, based on interviews with the IT, business and editorial staff. Support and opposition to the project came from unexpected quarters. Some IT staff did not want a paywall; some on the editorial side thought it worth another try. Business managers just wanted to arrest the steep decline in revenues. Over the course of 2009, managers met repeatedly to discuss the options, from no wall at all to micropayments, a membership model, or a “hard” wall, which barred access without payment. By the summer, a so-called “metered” paywall had emerged as the leading contender. In October 2009, Publisher Arthur Sulzberger Jr. assembled leaders from all the paper’s operations to decide: metered paywall or not? If yes, how exactly should it be implemented? The issue was far from black and white. Yet if the *Times* didn’t find another source of income soon, there was the specter of more cuts in the newsroom.

Teaching Objectives

This case operates on two levels: philosophical and practical. On the philosophical level, it asks whether, in the Internet age with its credo that “information should be free,” paywalls are self-limiting and shortsighted. Or are they just another kind of subscription, the price readers pay for good content? Ask students to consider whether those who want to charge for content are trying to impose an old model (subscriptions) on a new modality, or whether they are the voices of wisdom. Perhaps the “free information” approach was a mistake and content is a product like any other for which consumers should pay.

On the practical level, the case examines the pros and cons of charging for content in a news world where millions of consumers have become accustomed to paying nothing. The jury is still out on whether paywalls work, and whether they are equally appropriate for different kinds of news organizations. As late as 2014, some news outlets took down paywalls erected only a couple of years earlier. Others, like the *Guardian*, had decided against them altogether.

This case allows students to go behind the scenes at the *New York Times*, one of the country’s most prestigious newspapers, to understand the thinking that went on in 2009 as the organization debated whether to make a third stab at erecting a paywall. In 1998, it had tried to charge overseas customers; that quickly stopped. Then in 2007, it had to shutter TimesSelect after only two years. The leadership was determined not to repeat earlier errors; one of those was to exclude editorial staff from the decisionmaking process.

This time, Publisher Sulzberger organized multiple internal meetings; *Times* leaders also traveled to peer publications to learn from the mistakes and successes of others. Ask students to track the 2009 decisionmaking process at the *Times*. What was done right? What might have been better accomplished? Did the leadership give sufficient voice to all stakeholders?

The editorial side of the paper took some surprising stances. Look first at the view individual editors held about TimesSelect. What influenced their thinking? Ask students to evaluate, for example, the 2005 position of Executive Editor Bill Keller (p.7) on moving both journalism and revenue generation online. Was he correct in pushing for that at the time? Then compare Editorial Page Editor Rosenthal's objections to those of Assistant Managing Editor Jonathan Landman (p.9). What did they have in common? What separated them? TimesSelect was a fine idea, many argued—charge for the content that readers say they value most highly. Why did it fail?

Then look at the proposal on the table in 2009. What had changed? What did the *Times* do differently? Ask students to consider whether the “information wants to be free” ideology had lost ground, or whether the audience had changed its mindset. Online success was measured mostly via unique visitors—was that the correct metric? What motivated the business, editorial and web leaders—identify their common goals and concerns, as well at what separated them. You could look specifically at the views held by Martin Nisenholtz (business) and Landman (web). Why were they both skeptics?

Ask students whether the *New York Times* experience is unique. There are few publications that can claim its national reach. At the same time, it is in a position to experiment with costly solutions which could then inform decisions at other publications. What can other publications learn from its decisionmaking process and history with paywalls? It is possible that the paper is being shortsighted in its focus on paywalls at all, that it's fighting the last war and should instead look to greater online engagement, technology innovations and a redesigned news production process. Discuss.

Finally, what about the traditional wall separating a news organization's business strategy from its editorial policy? This case shows business and editorial staff working closely together. Should the wall be declared a relic of pre----Internet days? Discuss why were the two were separated to begin with, and what has changed. Students can debate what unites them and what divides them, and whether guidelines should be codified.

Class plan

Use this case in a class/course on strategic management, business of media, or digital media.

Pre-class: Help students prepare for class by assigning the following question:

- 1) Should the New York Times institute a paywall in 2009?

Instructors may find it useful to engage students ahead of class by asking them to post brief responses (no more than 250 words) to questions in an online forum. Writing short comments challenges students to distill their thoughts and express them succinctly. The instructor can use the students' work both to craft talking points ahead of class, and to identify particular students to call upon during the discussion.

In-class questions: The homework assignment is a useful starting point for preliminary discussion, after which the instructor could pose any of the following questions to promote an 80- to 90-minute discussion. The choice of questions will be determined by what the instructor would like the students to learn from the class discussion. In general, choosing to discuss three or four questions in some depth is preferable to trying to cover them all.

- a) Should information on the Web be freely accessible to all, as its creators envisioned?
- b) List on board the various kinds of paywalls that exist. What are their pros/cons?
- c) Are paywalls the wave of the future or a throwback to the past?
- d) What do you think of the decisionmaking process at the *Times*? For TimesSelect? For the 2009 paywall?
- e) Does editorial have a fundamentally different set of priorities than the business side? List priorities of each and compare.
- f) Is the "church/state" wall between editorial and business antiquated? Should it be discarded? How could it be updated? Write new guidelines on board.
- g) The *Guardian* and *Washington Post* rejected the idea of a paywall. Consider the validity of their arguments.
- h) As of 2008, the steady decline of newspaper revenues went into freefall. Discuss the traditional news business model, the multiple changes it confronted, and options for financing news in the future.
- i) Can other news organizations learn from the *Times*' experience, or does it occupy a unique position?

Suggested Readings

Suzanne M. Kirchoff, "The U.S. Newspaper Industry in Transition," *Congressional Research Service*, September 9, 2010.

SYNOPSIS: This *comprehensive* article from the Congressional Research Service gives a picture of the state of the newspaper industry at the time of the *New York Times* decision on a paywall. It looks at the effects of dwindling newspapers on civic and social life, at the growing number of

online news start-ups, and raises for discussion whether the government has a role to play in ensuring the survival of accountability journalism.

http://digitalcommons.ilr.cornell.edu/key_workplace/634/

Newspaper Association of America, "Newspaper Circulation Volume."

SYNOPSIS: This webpage tracks newspaper circulation, revenues, subscribers etc. and provides a rich trove of data for anyone interested in delving into the data on newspapers for the last decade.

<http://www.naa.org/Trends-and-Numbers/Circulation-Volume/Newspaper-Circulation-Volume.aspx>

"OJR Article: From Free to Fee in 10 Easy Steps," November 5, 2003.

SYNOPSIS: This is an intriguing argument by someone who once argued for "free" and has now gone over to the "charge" side of the paywall issue. Donn Friedman of the *Albuquerque Journal* chronicles the change in his thinking in this post to the Online Journalism Review of the USC Annenberg School for Communications and Journalism.

<http://www.ojr.org/ojr/business/1068080483.php>

Michael Kinsley, "You Can't Sell News by the Slice," *New York Times*, February 9, 2009.

SYNOPSIS: Contrast Friedman (above) with Michael Kinsley, editor of *Slate* magazine, arguing after *Slate* changed from fee to free why it makes no sense to charge for online content.

http://www.nytimes.com/2009/02/10/opinion/10kinsley.html?_r=2&ref=todayspaper&

John Perry Barlow, "The Economy of Idea, a framework for patents and copyrights in the Digital Age," *Wired*, March 1994.

SYNOPSIS: Barlow, writing in *Wired*, offers a philosophical disquisition on the validity of copyright law and other protections for ideas. It looks at the origins of the "information wants to be free" quote and examines the ramifications for anyone who creates content.

http://archive.wired.com/wired/archive/2.03/economy.ideas_pr.html

"Will Paid Content Work? Two Cautionary Tales from 2004," Nieman Journalism Lab, February 10, 2009.

SYNOPSIS: The Nieman Journalism Lab looks at the early experiences at the *Los Angeles Times* and the *Albuquerque Journal* (see Donn Friedman cited above) when they tried to put some or all content behind a paywall. The article provides some context in which to understand what the *New York Times* was considering pre-TimesSelect in 2005.

<http://www.niemanlab.org/2009/02/will-paid-content-work-two-cautionary-tales-from-2004/>

"The New York Times Company: Our History," New York Times website

SYNOPSIS: A rich timeline that traces the founding and development of the "Grey Lady" of journalism. It should be of interest to students who want to know more about the origins and culture of one of the leading US newspapers.

www.nytc.com/who---we---are/culture/our---history/