



## Salvation or Mirage? The *New York Times* Paywall Epilogue

As participants in the October 2009 meeting went around the Eagle room with arguments for or against implementing a metered paywall, “it was pretty clear that the weight of the views of the group was in favor of charging,” says Editorial Page Editor Andy Rosenthal.<sup>1</sup> Bolstered by the majority opinion that the *Times* should go ahead with some kind of metered paywall, the newspaper pivoted from asking “if” to asking “how.” Even at that point, “there were still people who said, OK, we’re going to do it, but you know, it’s the wrong call,” says Publisher Arthur Sulzberger, Jr.<sup>2</sup>

On January 20, 2010, the *Times* announced that it would put the content of its website behind a metered paywall starting in January 2011. *New York Times* stock fell 39 cents a share, closing at \$13.31.<sup>3</sup> NYTimes.com General Manager Denise Warren tapped *Times* Advertising Vice President Paul Smurl to manage the launch. He was promoted to vice president for NYTimes.com paid products.

The *Times* was still figuring out what the metered paywall would look like. In April, Smurl and others from the paper visited the *Financial Times* to take a more detailed look at its prototype. “We looked at it again to say ‘does this make the most sense for us,’ and convinced ourselves that it did,” says Smurl.<sup>4</sup> There were, however, lingering worries about how the model would work for a general interest publication like the *New York Times*. “I did worry about it, and I think a lot of people did,” he says. The *Financial Times* was generous in showing the *New York Times* the details of its metered paywall implementation, and this made for “a sea change” in thinking, says Neisenholtz. “It doesn’t mean that people were all excited about charging for the website, but it finally made the final decision that Arthur

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<sup>1</sup> Author’s telephone interview with Andy Rosenthal, February 13, 2014. All further quotes from Rosenthal, unless otherwise attributed, are from this interview.

<sup>2</sup> Author’s interview with Arthur Sulzberger, Jr., on January 21, 2014, in New York, NY. All further quotes from Sulzberger, unless otherwise attributed, are from this interview.

<sup>3</sup> Richard Pérez-Peña, “The Times to Charge for Frequent Access to Its Web Site,” *New York Times*, January 20, 2010, sec. Business/Media & Advertising. See: <http://www.nytimes.com/2010/01/21/business/media/21times.html>

<sup>4</sup> Author’s interview with Paul Smurl on February 13, 2014, in New York, NY. All further quotes from Smurl, unless otherwise attributed, are from this interview.

[Sulzberger] made a much more palatable one for the web people,” he recalls.<sup>5</sup> Smurl and his team had to figure out how to strike the right balance. They wanted to make sure that any reader could find any story, so they set the homepage and other navigation pages to be free. They also wanted to allow readers coming to the website via search engines and social media to link to a story whether or not they were over a specified monthly story limit. To build a system that could do this, NYT consulted with Google, Facebook and other industry experts.

The tricky question was deciding on the optimal number of stories a reader could access per month before the paywall came down. The system needed to drive people to the pay gateway, but at the same time retain the audience in order to maintain revenue from advertisements on the site. The team looked at a range from five stories to 30 or 60. By summer 2010, they had settled on 20, a number that studies showed would preserve the lion’s share of the traffic.

*Cautionary tale.* Meanwhile, a similar experiment across the Atlantic came to a painful end. On July 2, 2010 the *Times of London* put its content behind a hard paywall, charging £2 (\$3) a week. Traffic to its website plummeted. Unique visitors from 2.79 million before the paywall in May to 1.61 million in July, and page views dropped from 29 million in May to 9 million in July.<sup>6</sup> At the same time, the *New York Times* was attracting considerable press criticism about the coming paywall. The decision was repeatedly declared “dumb”, and “delusional”, says Smurl.

The *Times* had decided to build its own e---commerce system, including a metering engine and a billing system. It needed to be flexible so the *Times* could change parameters on---the---fly (for example, the number of free stories per month), or even drop the paywall temporarily if there were a big news event. “That was a ton of work,” says Smurl. Building the system proved more difficult than anticipated. Portions of the Time’s legacy computer systems had to be merged with the NYTimes.com computer systems. “We had two different leaders with two different perspectives,” recalls Warren. “One leader leading on the legacy systems, one leader leading on the digital systems. Managing that process was very, very painful.”<sup>7</sup>

Another wrench in the works was the Apple iPad tablet, announced in April 2010. “We woke up and said wow, we need to think about this,” says Warren. Until that point, the metered paywall was intended to be Web---only—it hadn’t take into consideration other

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<sup>5</sup> Author’s interview with Martin Nisenholtz on December 12, 2013, in New York, NY. All further quotes from Nisenholtz, unless otherwise attributed, are from this interview.

<sup>6</sup> Sarah Shearman, “Times Loses 1.2 Million Readers,” *MediaWeek*, August 16, 2010. See: <http://www.mediaweek.co.uk/article/1022312/times-loses-12-million-readers>

<sup>7</sup> Author’s interview with Denise Warren, February 13, 2014, in New York, NY. All further quotes from Warren unless otherwise attributed, are from this interview.

platforms like the iPad. The team had to re---architect the system to handle multi---platforms. “That created the whole round of work,” says Warren.

On March 17, 2011, nearly three months after its initially scheduled appearance, the NYT paywall had a prelaunch in the Canadian market. Smurl ran the war room—a dual conference room on the fourth floor of the *Times* building. “We were monitoring the systems and making sure that we could handle the volume of subscriptions,” he says. “There were a few technical kinks that we worked out, but by and large the system worked pretty flawlessly.”

The metered paywall launched globally on March 28, 2011. It was time to find out if all the studies were right. “I remember the feeling—standing on the precipice of launching this thing, wondering if anybody is going to pay” says Smurl. “It was exhilarating, exhausting and terrifying.” Says Executive Editor Keller: “I’ve never seen so many secular humanists on their knees praying.”<sup>8</sup>

The growth exceeded expectations in each of the first three monthly updates, says Keller. “You had to stifle the sense of optimism and ecstasy, because at some point it was going to plateau,” he says. At the same time, the site’s unique visitors went down about 10 percent, but not enough to adversely affect advertising. A year later, online subscriptions were still growing. In December 2011, the metered paywall had 390,000 customers, in addition to those who received it free because they subscribed to the print version of the newspaper. Sulzberger declared it a success.

Besides the financial success, the paywall worked journalistically, says Landman. It didn’t constrain journalistic reach much because it was well executed. “I was wrong... I think the TimesSelect experience had a lot to do with that. I was guilty of fighting the last war,” he observes. The process demonstrated that “a big, lumbering institution like the *New York Times* can get something very right—maybe because it’s a big, lumbering institution and not a couple of Wall Street floor traders yelling numbers,” says Keller.

In 2012, the paywall contributed \$91 million to the *Times*’ bottom line, about 12 percent of subscription revenue. Meanwhile, after reaching a low point in March 2011, print subscriptions began to rise. Although advertising revenue continued to decline, the subscription increase more than made up for it. The *Times* had reached an unusual milestone. In contrast to the historic 80/20 advertising/subscription ratio, the paper was getting more than half its revenue from subscribers.<sup>9</sup>

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<sup>8</sup> Author's interview with Bill Keller, January 21, 2014, in New York, NY. All further quotes from Keller, unless otherwise attributed, are from this interview.

<sup>9</sup> “The New York Times Paywall Is Working Better Than Anyone Had Guessed—Bloomberg,” December 20, 2012. See: <http://go.bloomberg.com/tech-blog/2012-12-20-the-new-york-times-paywall-is-working-better-than-anyonehad-guessed/>

In March 2012, the *Times* cut the number of free articles to 10 per month. The number of paywall subscribers continued to grow, reaching 760,000 by December 2013. "It turned out quite well," Keller says. "Now that the newspaper industry has begun counting paid digital subscriptions as part of circulation, our numbers look very good. Our audience is growing still." It was less clear whether the metered paywall was as good an answer across the industry. "It's hard for me to say how much of what we did is transferable to other places," he adds.

Although the paywall proved a success, the digital future of the news business was not clear, says Landman.

Are we going to remain fundamentally the same—a business that's built on modernizing the thing we've always done, or does the Internet require changes that are deeper and more fundamental? The paywall strategy pursues the first, and it may be the right thing to do, but we don't know yet what the long-term benefits of the paywall are. We know that if [the *New York Times*] hadn't done it, the last couple of years would've been disastrous. So that for me is enough to say it's been a success, but whether it saves the *Times*, that's a harder question.<sup>10</sup>

One lesson learned was that those who write the news cannot be as isolated from the business of the company as they traditionally have been, says Keller. "We've got 1,200 really smart people in the newsroom," he says. "The editorial side has a role to play in keeping the paper going." Meanwhile, many other papers had followed suit. "The move away from unlimited free content really began gaining traction in 2010," says Tara McMeekin, editor-in-chief of News & Tech.<sup>11</sup> By July 2013, 450 newspapers in North America had some type of paywall, and circulation revenues had stabilized across the industry. Advertising dollars, however, continued to decline, and many newspapers still struggled with debt.<sup>12</sup>

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<sup>10</sup> Author's telephone interview with Jonathan Landman on December 17, 2013.

<sup>11</sup> Author's telephone interview with Tara McMeekin, editor-in-chief of News & Tech, March 6, 2014. All further quotes from McMeekin, unless otherwise attributed, are from this interview.

<sup>12</sup> "Newspapers: Stabilizing, but Still Threatened | State of the Media," accessed April 29, 2014. See: <http://stateofthedia.org/2013/newspapers-stabilizing-but-still-threatened/>