

Chapter 3

Online News: Developments, Value Chains, Business Models and Actors

This chapter elaborates on the main online news sources. Where available, quantitative information on online news outlets and their usage will be presented, including number of sites and revenues generated.

Online news distribution: developments

Drivers of online news

The drivers of online news include new technologies, novel online offerings and business models of Internet intermediaries, changing media use and social factors such as increased mobility and a desire to participate in the creation of online content.

Technology: Technology has acted as a strong driver of online news and the gathering of information on line to make meaningful decisions affecting private and public life.¹ In terms of platforms and networks, the increased broadband availability at cheaper prices has boosted online activities such as online news consumption. In terms of Internet technologies, news distribution over the Internet increasingly relies on new information distribution technologies such as news aggregation and syndication technologies (RSS technologies), blogs but also services such as Google News (OECD, 2006). Innovative web tools such as NetVibes, delicious.com, Permalink and Digg.com allow users to find content in new and different ways and to organise the information on the Internet. The way users behave, *e.g.* skim stories, shift to other pages, return or not, etc. has profound implications on which types of information get wide readership and how news is consumed and digested, including having important implications for how news is produced to attract the readers' attention. These different uses are shaped by the means by which the news is accessed. These factors have important implications for how news is produced and the financial incentives to produce it. The arrival of online video has added a new aspect which is developing rapidly and being adopted by various news distributors.

On the side of technology for news production, digital content management systems allow editors to produce content directly in various formats (*e.g.* HTML, XML, WML) and to adapt to ever-integrated newsrooms. Looking a bit more into the future, many new technological innovations will be relevant for newsgathering, delivery and consumption. Increasingly online news sites rely on sophisticated database and visual technologies to narrate a story and to make data and facts accessible on line in a manner which was unheard of until recently and which points to innovative online journalism. Some of these multimedia sites use graphical depictions or video to elaborate on important facts or to educate about an important topic such as the environment. Some innovations are open-source platforms, application programming interfaces and developments towards a semantic web (web 3.0). Instead of being pure Internet pages that display information in typical offline newspapers, they will be interactive, multimedia databases which can pool and mix different archives search and interact with the

document database. Later parts of this section will present some related initiatives.

Examples of impressive multimedia reporting sites are the National Film Board of Canada's site <http://waterlife.nfb.ca/> on environmental impacts on the great lakes and water in general; the BBC's site on climate change: http://news.bbc.co.uk/2/hi/science/nature/portal/climate_change/default.stm on climate change; <http://reportage-video.geo.fr/en/> on inner-city renewal of Johannesburg, South Africa; a *Washington Post* investigation about the state of schools: www.washingtonpost.com/wp-srv/metro/interactives/dcschools/scorecard.html; or, finally, sites providing specific local information (www.everyblock.com/).

Rapid advancements in mobile technologies, wireless networks and user interfaces have enabled mobile news delivery. In particular the introduction of smartphones to the mass market in 2007 and the release of e-readers (Amazon's Kindle 2, Sony's the eReader, Orange's e-reader in France, NUUT2 in Korea, Fujitsu's FLEPia in Japan, and more recently the Apple iPad) have started to change how people access information "on the go" and related business models. And such e-readers which imitate paper-like reading are just the start, as soon foldable screens based on e-ink technology with low energy consumption will be on the market.² E-readers, such as the recently launched iPad, are also expected to provide a new model for pay-per-view news.

Online offerings and business models of Internet intermediaries: Internet intermediaries and other online actors in search of content are also an important driver of online news readership and dissemination. These are described in later sections.

Social factors: Finally, social phenomena such as increased use of the Internet and its participative nature have increased the potential for new forms of online news. Social drivers of on line news are the desire for constant updates "on-the-go" matching the greater mobility of users, the desire for personalised information and to be able to access multiple pages on the same topic or from different geographic origins, and to participate in the creation of online content and "witness" and share news. The rise of citizen journalism where citizens play an active role in the process of collecting, reporting, analysing and distributing news and information is an important catalyst for more decentralised news (OECD, 2006).

The Internet as an important but complementary source of news

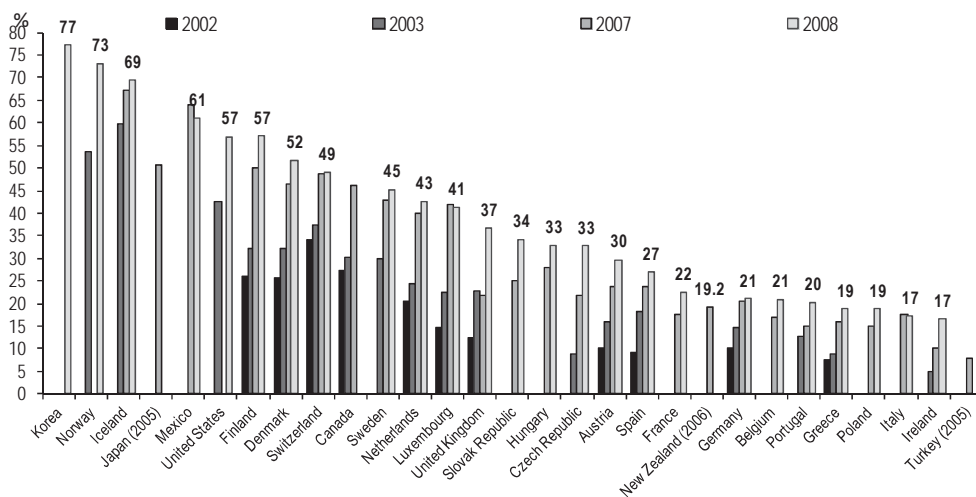
The Internet is now a critical source of information and news. “Reading news on line” is a favourite and increasingly important Internet activity (Figure 3.1). In terms of frequency of Internet activity it scores just below the most popular Internet activities: e-mailing and searching information about goods and services. In some OECD countries, more than half of the population is using the Internet to read newspapers on line (up to 77% in Korea) but at the minimum 20% of the population.

Between 2002 and 2008 this figure grew significantly among OECD countries. When considering only Internet users the figures are much higher – *e.g.* in the case of the United States, 72% of Internet users say they only ever get news on line as compared to 57% of the total population (Pew Surveys). In all OECD countries the availability of broadband increases the propensity to read news on line, in some countries considerably (for instance, an extra 20% of the population *e.g.* as in Iceland, Denmark or Portugal). *Ad hoc* user surveys confirm that convenience, a wider range of viewpoints and sometimes more in-depth information are motivations for reading on line.³

Reliable data on the relative importance of online news versus other more traditional forms of news are not widely available. In many countries, TV and newspapers are still the most important sources of news but this is shifting with newspapers losing ground more quickly to the Internet, then TV. But some surveys seem to confirm that the Internet has already overtaken other forms of news. In countries with advanced mobile broadband solutions such as Korea, offline newspaper reading is already less popular today (51.5% of the population) than online newspaper reading (77.3%) according to surveys. In the United States, the Internet has become a preferred source (40% of all Americans went on line in 2008 to gather news) for news, just before reading print newspapers (35%) but behind television (70%) (Pew, 2008).⁴

Figure 3.1. Proportion of individuals reading/downloading online newspapers/news magazines over the Internet for private purposes

Percentage of individuals aged 16-74



Note: No data for Australia. Latest official data from the US broadband survey is from 2003. The 2008 value is taken from Pew Internet. Figures in the graph are rounded.

Source: OECD ICT database, Korea, Japan and New Cronos, Eurostat.

Finally, most surveys which test for the willingness to pay for online news find that it is very low but increasing. Today still, surveys tend to confirm the majority of people would seek a free alternative if their favourite news site started charging for content. There are exceptions such as the *Wall Street Journal* that has very effectively been able to charge for online news. More recently surveys show an increasing customer acceptance of paid content,⁵ in particular for online newspapers. However, this would be from a very low base and it remains to be seen if the intentions of surveyed persons translate into actual payments. In the past, the payment of online news has been slowed by the difficulty of making efficient online micro-payments without burdensome online registrations and the payment structure of per-article payments which tended to make the access to one article much more costly than to the entire physical newspaper (up to several EUR for one single article) – next of course to the presence of free news content. Also, some surveys argue that that paid online news will not fundamentally shift newspaper industry economics as the consumers' willingness to pay is around USD 5 per month on average, with heavy news consumers willing to pay more (BCG, 2009).

The demographics of online news consumption

A critical finding of this study is that for the most part reading news on line complements other forms of news rather than replacing it.

In general, younger age groups are much more active online news readers (Figure 3.2). However, according to official statistics it is not the youngest age brackets (16-24 years) which are most active but slightly older groups – usually 25-34 year-olds for most OECD countries, but in some countries with a strong record on broadband such as Norway the 35-44 or 45-54 year age brackets score high as they have relied on the Internet for the past decade. Avid online news readers are likely to be professionals and also readers of printed news. Relatively speaking, the consumption of online news is also becoming more prevalent in older age groups. In some OECD countries, Internet users aged 65-74, or older, are quite actively reading news on line.

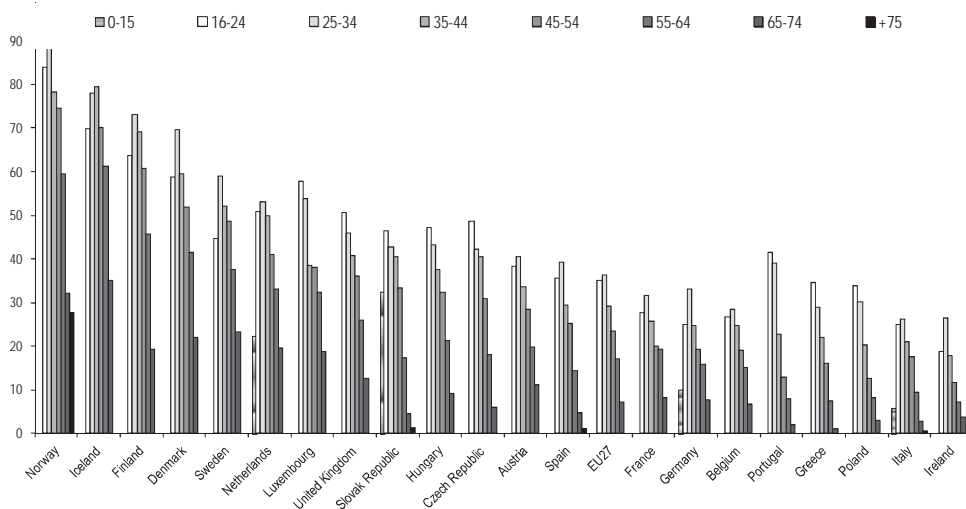
Furthermore, most surveys show that active offline newspaper readers often tend to read more news on line.⁶ Increasingly fewer and fewer persons rely on printed news alone. Surveys in France, Germany and other countries show that offline readers actually are increasingly complementing their readership through online news. This is also confirmed by data from certain newspaper web pages. The *New York Times*, for instance, confirms that about 70% of its 1.1 million registered online users are subscribers to its print edition.⁷

Still only very few people rely exclusively on online news. Countries with advanced mobile broadband solutions such as Korea, where offline newspaper reading is less popular than online newspaper reading, are the exception. In that sense the current data does not quite confirm the hypothesis of the very young online readers who will progressively supplant older paper readers who prefer not to read news online. Rather it tends to show that well-informed news readers will tend to supplement their news consumption on line.

Similar to the readership of printed news and other online activities, better education and social standing positively influence the propensity to read news on line (OECD, 2008a). In Canada, for example, data shows that education matters a lot, with persons having a university degree almost twice as likely to read online news as those without a high school diploma (Statistics Canada, 2005 Internet Survey).

Figure 3.2. Individuals who used the Internet in the last three months for reading/downloading online newspaper/news magazines, by age

As a percentage of the total population, 2008



Source: OECD ICT database and NewCronos, Eurostat.

Despite these findings, the share of people who read online news only is likely to grow rapidly with new generations who start using the Internet early in life. This age group may then still read printed news from time to time. Yet, available data show that already today the Internet is the main source for news in the 15-24 year age bracket. In Korea offline news readership is much lower than online news readership in younger age brackets, *i.e.* teenagers below 19 years old, or those in their 20s.

The real concern however is the fact that a significant portion of young people are not reading news at all or irregularly. Persons in the young age brackets are increasingly likely to not read news at all or not in any frequent, regular way. In France, only 10% of 18-24 year-olds read a daily newspaper, about half of the figure a decade ago. In the United States the share of 18-24 year-olds who got no news at all the previous day has risen from 25% to 34% in the past ten years (Pew Internet Survey). This finding is most alarming and would need more longitudinal studies to assess whether eventually these younger age groups pick up news readership in some form later on. Also data for some OECD countries indicates that heavy Internet use does not translate into heavy use of online news for younger age brackets.⁸ In the case of Australia, for instance, accessing news, sports or weather updates is among the top 10 online activities for all age groups except for the 18-24 and 25-34 year-olds who are the most active Internet users.

Research undertaken in the UK challenges also the common assumption that the ‘Google Generation’ – youngsters born or brought up in the Internet age – is the most web-literate. A longitudinal study carried claims that, although young people demonstrate an apparent ease and familiarity with computers, they rely heavily on search engines, view rather than read and do not possess the critical and analytical skills to assess the information that they find on the web (UCL, 2008). The study indicates that the information literacy of young people has not improved with the widening access to technology, in fact their apparent facility with computers disguises some worrying problems. Looking into scholarly research practice their research shows that the speed of young people’s web searching means that little time is spent in evaluating information, either for relevance, accuracy or authority.

Frequency

One general problem with readership surveys is that one rarely finds out about the frequency, intensity and depth of news readership - offline versus online in particular (minutes spent reading offline news vs. minutes spent reading online news, thoroughness and breadth of readership online vs. offline).

Surveys of print newspapers show that on average OECD readers spend about 20-30 minutes reading a daily newspaper (WAN). If one assumes that every circulated paid newspaper in OECD countries (226 million copies daily, excluding the increasing number of free dailies and ignoring that many newspapers get read several times in public places or in households) is read about 20-30 minutes, the time spent reading print newspapers in OECD countries is still enormous and unlikely to be challenged by current online news readership. Crude estimates based on this imperfect comparison which applies only to offline versus online newspaper readership show that about 92% of newspaper reading is done in print and 8% takes place online.⁹ However, these values apply to a declining print readership, they might vary a lot between users and they are hard to compare directly to Internet news readership which mostly relies on metrics such as counting online page views (page impressions for unique visitor) for online newspaper sites, while largely ignoring all other forms of online news consumption such news aggregators, online only news providers or mobile news.

All documentation in OECD countries confirms that Internet users report a large increase in time spent reading online newspapers (*i.e.* newspaper sites).¹⁰ For most persons, online readership is more *ad hoc*, irregular and sporadic than print newspaper readership used to be, for example 30 minutes in the morning before going to work (compare to Statcan, 2006).¹¹

Yet, the way news is consumed is radically different on line. Online news readers get a variety of news from different sources, *i.e.* just in time news alerts over their mobile phone, over various online news sources at work, and while surfing the Internet in the evening. Their Internet access to news is increasingly daily and for those working in offices or owning a Smartphone the access to news can be continual throughout the day, rather than just in the morning. Online news readers come at the news via search engines, via e-mail newsletters or mail forwards, or aggregation tools and sometimes they spend only a few seconds or minutes on a particular article (or headline, video or picture) before leaving that particular news site to find similar articles elsewhere. Some sites have a very large audience retention and loyalty (Spiegel online in Germany, NYT in the United States, Liberation in France, BBC in the United Kingdom, etc.). But overall the retention of readers to one single news source is likely to be low as compared to offline newspapers. In terms of capturing the whole news spectrum rather than focussing on individual stories, some online readers might never get an overview of all news through the home page of a particular news site in this way. Others however will use news aggregators, newspaper home pages or the mail or mobile phone service of online news sites to get such overviews (and even several from sources and even countries and languages). In any case, this more fragmented way of reading the news allows them to mix different sources and compile their own personalised information.

It is very difficult to assess the relative quality of online versus offline news readership. Critics point out that online news consumers only skim/surf the news without reading to the full extent and without gaining a complete overview of the spectrum of important news. This criticism ignores however that those online news readers might have access to a greater diversity of news on the same topic and might actually have access to more overviews than offline readers. It also supposes that newspaper readers diligently read every article of a newspaper which is rarely the case.

There is a need for more detailed demographic user studies to understand the different usage typologies. A study in Australia, for instance, finds that there are three broad reader categories:

- 30% were loyal users who had a preference for established news brands (News Limited and Fairfax papers, as well as the ABC Online), seeing these as more credible than other online sources, and were the group most likely to also read a newspaper.
- 60% were convenience users, who access news from a range of sources (including TV comedy programmes) and have little connection to

mainstream news. One-third of this group, or 20% of total respondents, primarily got their news from the Microsoft Internet portal *ninemsn.com.au*.

- 10% were customisers, who have a highly interactive relationship to news sources and are more akin to what Bruns (2008) has termed “producers” (producers as well as consumers/users of media). This group is less connected to mainstream media because its members are highly critical of its limitations (Flew *et al.*, 2009).

Internet traffic to online news sites

In all OECD countries, the Internet traffic to online news sites has grown over recent years. Available Experian Hitwise data for the United Kingdom, the United States, Canada and Australia show that about 5% of all Internet visits are related to visiting sites dedicated exclusively to online news. This includes visits to sites such as newspaper Internet sites but also other news sources such as news aggregators, Internet sites of news broadcasters, new services of search engines, etc. (see Annex 1 for measurement issues). It however excludes the main home page of Internet portals or other Internet intermediaries which often have some news on their site but which on this particular page are not predominantly focused on news (and thus are not classified as online news site in these Internet usage statistics). It also excludes the use of news via e-mail, SMS or on mobile phones, social networking tools and many blogs which are increasingly popular for the diffusion of news online. So in total a much higher share of Internet visits is dedicated or can be associated with some news consumption.

Combined print and online newspaper audience actually growing?

The industry still struggles to find a metric for total print and online readership that will be meaningful to advertisers. The online standard – unique monthly visitors – does not compare in frequency or intensity of attention to average daily print circulation. Despite falling newspaper readership as illustrated in Chapter 1, surveys show that the combined print and online audience of news organisations might actually be growing and is faring much better than other legacy media. While print circulation is falling, the number of unique visitors to newspaper websites grew very strongly in recent years. A study by the circulation bureau with Scarborough Research for the six-month period ending on September 2009, for instance, shows that the combined print and online newspaper audience grew by 8%. In France, studies (such as *l'Etude de la presse d'information quotidienne*, EPIQ) confirm that this type of combined readership has increased significantly.¹² Improved and more reliable metrics will be needed to confirm such type of combined readership measures.

Composition of online news sites

In terms of the preferred type of online news sources there are variations between OECD countries. In many Western OECD countries the Internet webpages of broadcasters and also increasingly online newspaper sites play a large role in attracting news-related visits.

More recently newspaper websites have seen strong growth in their own pages, with several million of unique users per month in most OECD countries. Popular sites in the United States such as the *Wall Street Journal Online* site generate 33.4 million average monthly visitors. In Spain, for example, *Elmundo.es* was the most popular newspaper site, attracting about 3.5 million average monthly visitors. Again the main driver of this trend is a strong increase in referrals by Google, search engines and increasingly also social networks. Other related reasons are better search engine optimisation and the more effective use of paid searches. It is also important to note that the Internet sites of newspapers are increasingly also receiving direct hits as users have them as their homepage or type in their HTML address.

In some markets for which we have data the access to foreign news sites is an important component of the online news landscape. In particular, English speaking sites draw significant traffic from abroad. On the contrary, in the print world, newspaper readership was almost exclusively national. While online UK newspapers, for example, draw substantial domestic audiences, most attract even larger international audiences. Specifically, the Mail Online derived 73% of its worldwide audience from outside of the United Kingdom, followed by *FT.com* (67%), and *Metro.co.uk* (61%).

It also seems clear that tools such as Google or Yahoo! News do not capture a large share of the news-related traffic. News aggregators make up for less than 10% of total news-related traffic in the United States and more like 5% in the United Kingdom and Australia. Still, news aggregators such as Digg, StumbleUpon, NetVibes which started as rather small tools constantly increase their market shares. Moreover, online only news providers (pure players) are growing rapidly in importance with about 25% of all news-related visits in the United States and Australia.

In the United Kingdom the BBC online News (and hence the website of a public broadcaster) dominates website traffic to online news sites ahead of much smaller shares going to other broadcaster's websites: Sky News and then Yahoo (Figures 3.3 and 3.4). Online newspaper Internet sites also receive a fair share of individual traffic (*Daily Mail*, *The Telegraph*, etc.) which is lower than to the BBC site. Sites such as MSN or other news aggregators do not receive more traffic than well-known newspaper sites and are also overtaken by online only news sites (Figure 3.4). Among news aggregators in

the United Kingdom, Google News, News now, and Digg capture a majority of the traffic.

Figure 3.3. Online news traffic by main sites, United Kingdom

Percentage of total Internet visits to the online news category, August 2009

Rank	Website - [Show domain]	Market Share
1.	BBC News	16.03%
2.	BBC Homepage	14.51%
3.	BBC Weather Centre	5.88%
4.	Sky News	3.11%
5.	Yahoo! UK & Ireland News	2.36%
6.	Met Office	2.24%
7.	Daily Mail	1.92%
8.	Google News UK	1.65%
9.	Telegraph	1.63%
10.	The Sun	1.60%
11.	Times Online	1.50%
12.	Guardian Unlimited	1.34%
13.	ITV	1.33%
14.	MSN News UK	1.22%
15.	BBC Blog Network	0.72%
16.	The UK Independent	0.63%
17.	Metcheck.com	0.59%
18.	NewsNow	0.59%
19.	AOL - News	0.54%
20.	The Weather Channel - UK	0.48%

Most Popular Websites in News aggregators ranked by Visits
 Month of August, 2009

Custom Chart Export

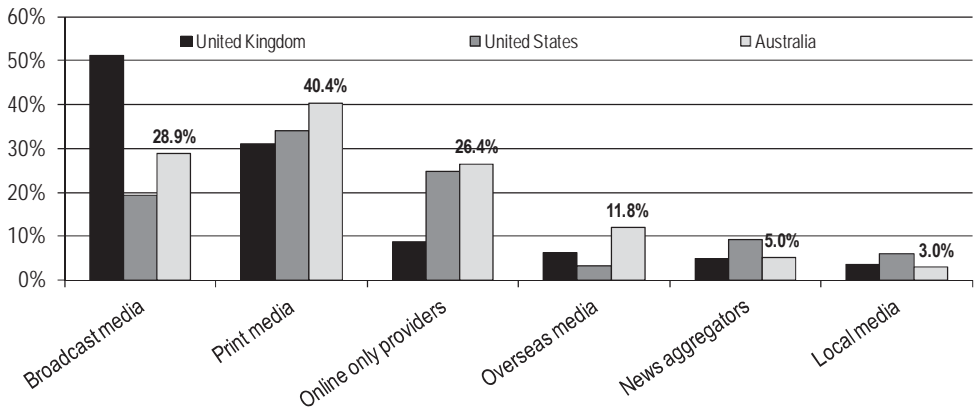
Website (16 returned)	Visits	Jul '09	Jun '09	May '09
1 Google News UK	36.18%	1	1	1
2 NewsNow	20.62%	2	2	2
3 Digg	11.61%	3	3	3
4 Stumble Upon	8.43%	4	4	4
5 Ezine Articles	6.98%	5	5	5
6 Google News	5.88%	6	6	6
7 Google Reader	3.54%	7	7	7
8 Reddit	2.16%	8	8	8
9 NetVibes	1.30%	10	10	9
10 Bing News Search	1.29%	9	9	DNR
11 Delicious	1.05%	11	11	10
12 Bloglines	0.53%	12	12	11
13 Drudge Report	0.42%	13	13	12
14 News is Free	<0.01%	14	14	13
DNR vvvroom.com	0.00%	DNR	DNR	DNR
DNR www.24eyes.com	0.00%	DNR	DNR	DNR

Source: Experian Hitwise for the OECD.

In the United States, it is the web pages of print organisations which capture most traffic, followed by broadcasters (MSNBC, CNN), and followed by online only providers, and then news aggregators such as Yahoo News (Figure 3.4). English-speaking Canadians most often consult MSN, Yahoo/daily press (a news compiler), and the CBC (broadcaster). In Korea and most likely also in Japan, Internet portals dominate online news visits. While search engines and others may play a lesser role in actually disseminating news, they are crucial for spurring traffic to online news sites, followed by webmail and social networks (Figure 3.5). Figures for the UK show that 25-35% of traffic to news websites comes from one single prominent search engine alone. Increasingly searches on services such as Google directly propose links to newspaper and other online news articles. These are counted as referrals, from a search engine to news but not as online news traffic going to Google (since they are not hosted on Google News). Sending news over e-mail is increasingly popular – even though the data below does not capture this unmeasured activity. Blogs are also important as a referral to online news items but their contribution to referral to online newspaper sites is hard to quantify and not taken into account below.

Figure 3.4. Visits by type of news and media provider

Percentage of the total Internet visits to the online news category, August 2009

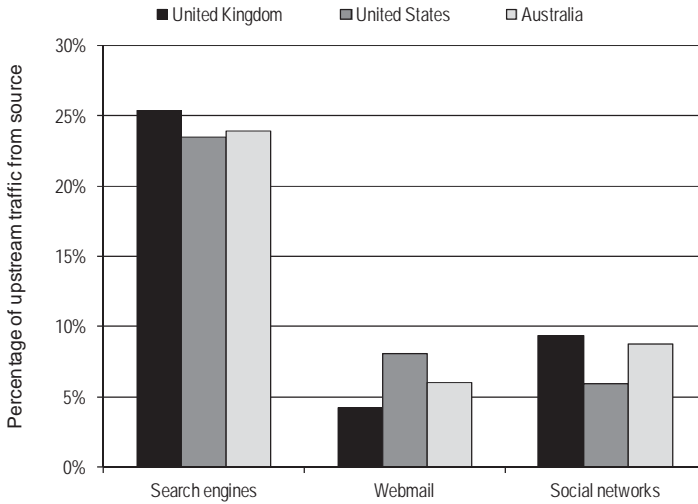


Source: Experian Hitwise for the OECD.

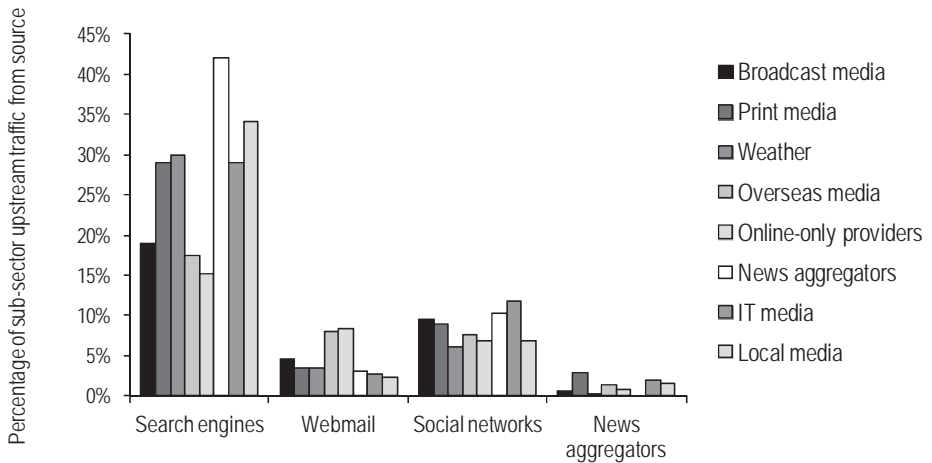
Figure 3.5. Sources of online news traffic

Percentage of total upstream traffic sent to news categories, August 2009

Sources of traffic for news and media websites by country



News and media sub-segments in the United Kingdom:
key sources of traffic



Source: Experian Hitwise for the OECD.

Online news distribution: value chains, business models and actors

Due to technological, demographic and other changes, a new online news ecosystem is emerging which changes the business models and value chains of traditional newspaper production and distribution. For a start, the rise of the Internet and other technologies radically changes how news is produced and diffused. Newspapers feel the impacts on their work flow, value chains and their business models. Furthermore, the possibilities of online news distribution enable the entry of new intermediaries that create and distribute news, for instance, online news aggregators, online news publishers, intermediaries specialised on mobile news, platforms for citizen journalism and many more. Competition but also partnerships between these new and more established news providers are emerging to redefine value chains, the access to the consumer and how revenues are allocated.

This section discusses the new value chains of online news distribution, the news business models and actors – all against the backdrop of the traditional newspaper value chain and economics. Similarly to other WPIE digital content studies a stylised ‘online news value chain’ is elaborated (Box 3.1). Questions, for example, are: How do alternative sources of information change traditional news production and distribution? What are the main strategies of different actors and are they converging? What business models are developing to support online news?’

Changed news value chain

Due to the rise of new technologies and the Internet in particular, a novel news ecosystem has emerged which is significantly different from the traditional model. Changing consumption patterns mean new and modified business models for all media actors, including for example, the written press. Technological advances, particularly digitalisation and the Internet, are driving convergence and a form of news distribution which crosses traditional sectoral and geographic boundaries. A consequence of these changes is that information providers with very different histories (TV, newspapers, Internet companies, etc.) find themselves competing head-on in a new, very complex and multifaceted online news environment which is also inherently global in nature. New actors emerge which challenge the role of gatekeepers and shift power to new intermediaries. While cross-border sales of printed newspapers have always been rather marginal, online news consumption is becoming more and more international.

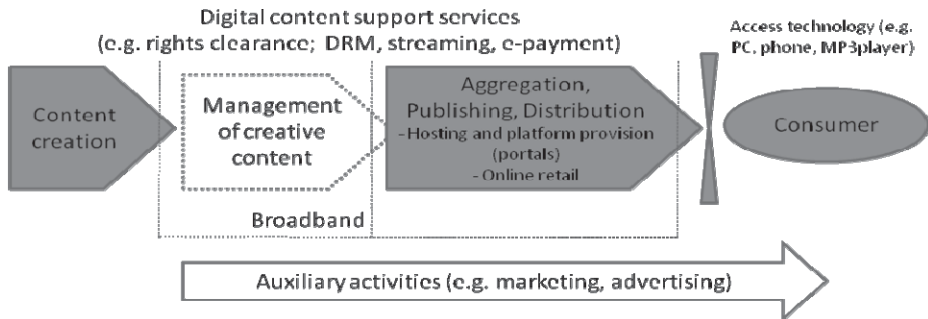
In this environment, news organisations have to focus on cross-media publishing across various platforms with changes to the content production and distribution process. The immediacy of the Internet means that many newspaper websites need to update news more often than their own editorial

staff can handle, as well as needing multimedia content such as photos, audio and video feeds. And in the Internet context business models often have to be rethought as charging for bundles of news content such as paying for a full physical newspaper is often not a functioning online business practice.

Box 3.1. Stylised digital broadband content value chain

As new revenue streams and business models are explored, functions and control over the value chain are shifting among established and new entities vying to dominate certain parts of the value chain. The graphic below displays a stylised digital broadband content value chain. Compared to offline, certain activities become obsolete (*e.g.* manufacture of physical items, distribution of physical products) and certain value chain participants face disintermediation. Digital content value chains are also seeing the emergence of new “digital infomediaries” that provide support functions (*e.g.* digitisation, digital rights management, hosting of content), content aggregation and distribution (*e.g.* Internet portals, search engines, and online shops), and new value-adding functions.

Figure 3.6. Digital broadband content value and distribution chain

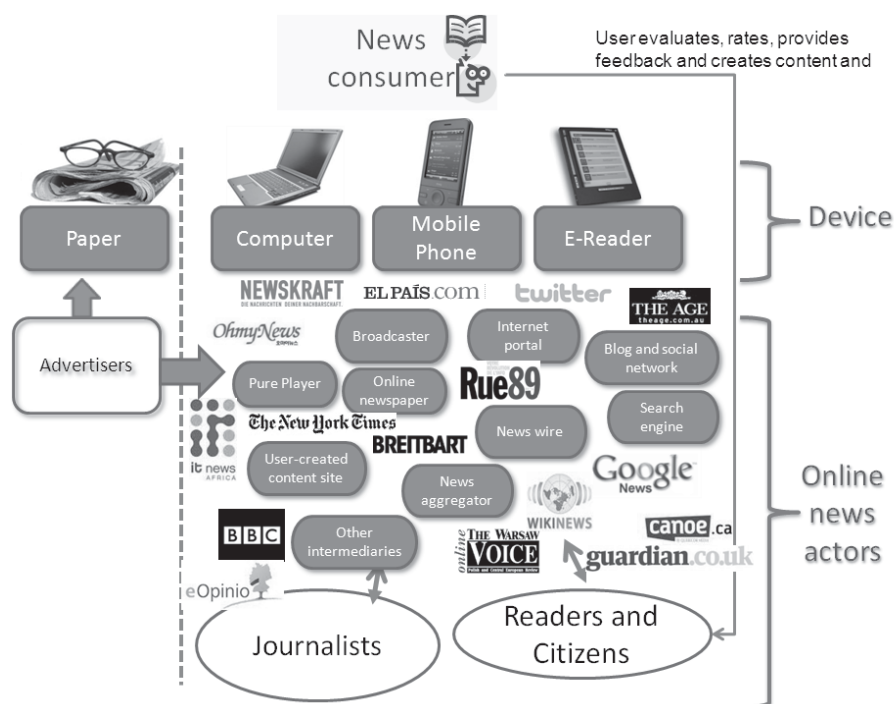


In spite of some instances of more direct producer-to-consumer relations, digital entertainment is mostly characterised by re-intermediation. Direct relations between content creators and consumers – full disintermediation – are still rare. Internet service providers (ISPs), telecommunication operators (telcos), Internet businesses, content producers, offline retailers and even equipment and software manufacturers are increasingly engaged in digital content distribution in one way or the other. Some capitalise on existing consumer bases (*e.g.* retailers, telcos, hardware manufacturers) and possibilities to “bundle” different services into attractive offers or to “tie” them to devices or software (*e.g.* ISPs, telcos, hardware manufacturers). ISPs, telcos and IT firms are very large when compared to individual digital content sectors. Also, as the boundaries between the IT, telecommunications, media, and entertainment industries blur, cross-industry collaboration and new business partnerships are emerging.

Source: OECD Information Technology Outlook 2008, Chapter 5.

Figure 3.7 presents a stylised online news value chain which entails an increased role of users as contributors to news, a large number of online news actors and intermediaries (and connections between them) and finally a number of new distribution modes and technologies to consume news (e.g. a laptop). It also shows that measuring the direct and indirect revenues generated by the online ecosystem is very complex (see Annex 1 for a related discussion).

Figure 3.7. A stylised online news value network



In this new context, the production and dissemination of news is a much more interactive and multi-directional, rather than linear process. Many more actors feed from one another for the creation and adaptation of news. News wire agencies, newspapers and news broadcasters stay an important source of news and information for other actors in the value chain (including bloggers, etc.) which feed from them to adapt and comment on the news. But traditional actors also share and feed from each (for instance, a newspaper picking up on a story floated by an online only newspaper or the Internet site of a broadcaster following up on a scandal raised by a blogger) also leading to new syndication models and content sharing agreements. A

constant updating of news is taking place, with journalists and other news contributors monitoring, distilling and repacking an ever-increasing source of information. As such the production of news is now increasingly conducted as part of a networked activity and as a continual process.

Next to established actors which are identifying new roles and strategies online (newspaper organisations, wire agencies, broadcasters, photographers, advertisers), the new actors are: *i*) online-only news providers (so-called “pure players”) – *i.e.* news organisations which only provide news online; *ii*) search engines which often also are a form of news aggregation service; *iii*) Internet portals with news services; *iv*) social networks or communication services such as Twitter; *v*) other news aggregators; *vi*) providers focused on mobile news alone; *vii*) new online advertising groups; and *viii*) hardware and services providers involved in providing news on physical devices such as smartphones, e-readers, and others.

Whereas before the Internet traditional news organisations were largely in charge of content creation as well as form, diffusion and relevant pricing, for example, the situation is now radically different. Similarly to other digital content value chains on the Internet, established actors have to rethink their position and way of generating revenues in a complex new ecosystem which entails these other Internet actors. Some of these online news actors such as certain search engines or Internet portals are very dominant when it comes to their share of overall Internet traffic and thus access to the news consumer.

Many of these other actors which in part disintermediate newspapers will not necessarily be interested in generating money by selling news content as newspapers do. Most actually hope to rely on online advertising alone to generate sufficient revenues. Others will sell other services. Some will actually just piggyback on information provided by newspaper organisations to attract traffic and advertising to their site and offer it to their users as one of many other useful and often free services. However, a new trend is also that these businesses increasingly hire journalists themselves. All of these new online actors have in common that they do not share the large fixed cost base which traditional news organisations do to provide in-depth and varied reporting and to operate physical manufacturing, distribution and administration (see Chapter 2).

In this changed context, news wires, freelance journalists, photographers or camera-teams which – as suppliers - usually fed linearly and directly into newspapers and other news organisations, might opt to “cut out the middleman” and start supplying source content directly to those Internet actors or even users willing to pay for it.

Also, the device or network service providers which did not play any role in the traditional model (except maybe the paper manufacturers and firms running the printed press) suddenly also control the access to the end consumer and have a large degree of bargaining power with content providers. Similarly to other new digital content set-ups (e.g. Apple in the case of Music, Amazon in the case of e-books), news organisations have to enter into strategic relationships and revenue sharing models with a very new set of rather important actors; well-knowing that their source content is often available for free on line from many different original providers or from those copying content.

Similarly to other digital content industries, new types of intermediaries and standards are emerging which operate back office, digitisation, software and relationship management functions. Digital editing and publishing, the handling of digitised data and objects, their storage, the organisation of online interactions between actors in the value chain and users, and the diffusion of information over the Internet or 3G networks, for example, require a great number of new intermediaries and technology providers (see OECD, 2008a, illustrating that these activities are a source of growth and revenues).

In this online news ecosystem users also increasingly become diffusers, commentators and creators of news. In the more advanced cases, they comment on news over their prominent blog, they contribute news stories over relevant citizen journalism platforms, play large roles in diffusing certain news articles on rating services such as Digg or social networks or they might even be submitting photographs, a video shoot or a story concerning local news or a major event at which they have been present (a natural catastrophe, a military coup, an accident, etc.) or have particular access to.

Changed online news business models

On the Internet, digital content business models are emerging, some of which mirror offline models (pay-per-item sales, or subscriptions for example) and some of which are new. The seven main and existing generic categories are shown in Figure 3.8 but digital content industries are still mainly experimenting how to generate revenues on line.

Figure 3.8. Digital broadband content business models

1) Voluntary donations and contributions
2) Digital content sales (pay-per-track, pay-per-view, pay-per-game, etc.
3) Subscription-based revenues
4) Advertising-based revenues
5) Selling goods and services (including virtual items) to the audience
6) Selling of user data and customised market research
7) Licensing content and technology to other providers

Source: *OECD Information Technology Outlook 2008*, Chapter 5.

In the case of news, direct revenues generated on line from news consumers are still rather small. Most if not all revenues by all above-mentioned actors are generated via online advertising or online classified ads (business model 4 in Figure 3.8) and potentially content licensing. The heavy reliance on online advertising as a source of revenue applies both to news organisations as well as to bloggers, profit or non-profit online only news sites, Internet portals, search engines, and others. More recently new initiatives were launched via Internet actors to increase the traffic to newspaper organisations' websites and thereby increase their advertising revenues (*e.g.* Google FastFlip). Personal data of users is used at times to be able to sell more lucrative targeted advertising. A number of other Internet actors (search engines, portals, etc) are using news to retain attention to their sites and to provide interesting content to their customer base. However, their revenues are also generated either via advertising or via selling unrelated services (professional mail accounts, Internet access, etc.).

Newspapers and in particular also news wires have also licensed their content to third-parties and started collecting revenues by this mean (*e.g.* the use of Associated Press headlines and full articles by Google or the use of headlines and full news items by Korean Internet portals, see Chapter 5). In this set-up many news-related organisations in the value chain have entered into content-sharing or licensing agreements (*e.g.* the *New York Times* showing TechCrunch articles, a tech blog, or *Le Monde.com* affording full access to *El País*). The financial rewards generated through these licensing deals are mostly undisclosed and it is difficult to obtain hard data on this.

As will be discussed in greater detail below, newspapers and other news organisations have experimented in trying to sell access to news on a pay per-item basis or via subscriptions (business models 2 and 3 in Figure 3.8) but – for the most part – revenues are still negligible (in particular those coming from a pay per-item basis). There are notable exceptions such as *The Wall Street Journal*, *The Financial Times*, *The New York Times* and the like which generate some relevant share of their revenues on line and are able to block access to some or all of their content to persons not subscribing. In fact, the first wave of trials of paid news in the first half of this decade has mostly been a failure, with readers turning away from the respective site and accessing news for free elsewhere. Towards the end of 2009, newspapers were gearing up for a second trial to charge for online news content, hoping that Internet users' willingness to pay has increased. Technical standards recently devised by the newspaper industry which would help control access to content (see Box 3.1) are supposed to help support new online business models.

A rather new trend for newspapers is also to own other Internet-related businesses and to leverage their customer base to sell these other services to them (e.g. online classifieds for apartment rentals and sales, online dating services, online sale of air tickets and other travel services) or to lead them to other content services which are financed yet again over online advertising.

In 2008 and 2009 there were also an increasing number of online news only sites which started to operate under profit or non-profit mode, while operating with large donations and trustees (offline) - sometimes complemented by the possibility to accept smaller donations from readers (business model 1 in Figure 3.8).

Online news actors: impacts, approaches and business models

Table 3.1 summarises the approaches and business models for the different online news actors.

Table 3.1. Online news actors, impacts and strategies**Journalists**

The development of digital content has had a major impact on journalists' working lives and on the way in which they work. The Internet greatly facilitates the access to and diffusion of information. Yet, journalists working within a traditional newspaper organisation now have to cater to both offline and online audiences at the same time (potentially also being responsible for video, blogs, etc.). This might lead to an increased workload, the need for new (multimedia) skills and greater openness to reader feedback or also citizen journalism.

Journalists can however use the medium and aforementioned tools to build a personal reputation with editorialised content. In theory, journalists are also no longer restricted to writing and editing for a single employer and/or medium, but can write stories for a variety of media – including finding their own news publication or blog. Effectively most of the pure player online news offerings are also run by former journalists.

Revenue sources

Journalists will feel the increased pressure on budgets and may face potential layoffs (the same applies in particular to freelance journalists, photographers who now compete with free resources). Few journalists will be able to increase their revenues due to their increased recognition. Some journalists may – voluntarily or involuntarily – create online news ventures or start working outside the traditional news industry. Some of the online only news experiments and blogs are then often effectively funded by redundancy packages of journalists who were formerly employed by traditional news organisations.

Newspapers¹³

Most newspapers have set up online presences which employ new technologies to push out and distribute information (RSS feeds, e-mail alerts, blogs, Facebook or Twitter presence). These allow users to interact with the paper and one another. As part of a multiplatform strategy, newspapers are developing into a 24-hour, local news-gathering media company which distributes news among our different platforms: print, on line and mobile. To support their online ventures, newspaper companies are acquiring online sites and Internet technology providers.

Revenue sources

Newspapers are experimenting with new models with some having trialled a pay-per read walled garden (e.g. *Times Select*) model which for the most part did not work. A few others have had more success (*Wall Street Journal*). 2009 and 2010 will mark the time when newspapers will try – once more – to restrict access and raise money by selling content. From next year, the *New York Times* will, for instance, follow the *Financial Times* in charging readers on a “metered” model. Readers will be permitted to read a set number of articles free each month but will have to pay a subscription for more. The search of newspapers for profitable business models and new relationships with other news and Internet actors is far from concluded.

.../...

Table 3.1. Online news actors, impacts and strategies (continued)**News wire agencies**

Some news agencies continue to be wholesalers of news to newspapers, broadcasters and websites and others who distribute the news to the end consumer. News agencies benefit from an increased number of online sites which rely on news but which do not have the resources to produce it.

But there is also a general trend for agencies to provide direct-to-consumer services (mostly on their advertising-financed sites but also increasingly on mobile platforms) and specialised, targeted premium information rather than supplying to other intermediaries (such as newspapers) and in fact disintermediating them. At the same time, other news actors are increasingly hesitant to pay large wire agency fees, sometimes cancelling their subscriptions and relying on cheaper or free news material. Broadcasters such as CNN are planning to set up their own news agencies.

Revenue sources

In the context of the above situation, wire agencies are also experimenting with various models and trying to redefine their role in the news value chain. They face decreasing revenues from traditional media establishments, which are partly compensated by fees from new online news actors or direct-to-consumer services.

Broadcasters (including public broadcasters and 24-hour TV news providers)

All major news broadcasters now have an online presence – ranging from small video teasers and text news to more sophisticated offerings with video podcasts; either special online videos or delayed reposting of news editions which were displayed “on the air” hours earlier, extensive news clips, and on-demand archived content.

Revenue sources

These are mostly financed by advertising and by – still to a minor degree – the sale of on-demand content. In large media conglomerates other forms of content (entertainment, etc.) are cross-subsidising the news department. Public sector broadcasters continue to be financed by taxpayer money (and sometimes advertising).

Pure online news players

The last years have also seen the emergence of pure online news entities which are intensive in their use of news distribution technologies such as video blogs. The sites often specialise in certain news niches and some sites are exclusively focussed on citizen journalism. Their role of gatekeepers to the end customer is growing.

Revenue sources

These are driven by new technologies, seed money, citizen journalism and journalists who have voluntarily or involuntarily left traditional news entities. Some of these are for profit whereas others are non-profit (supported by philanthropic funding, for example). Few for profit entities have yet to generate enough revenues to be self-sustaining.

.../...

Table 3.1. Online news actors, impacts and strategies (continued)**Internet portals and search infomediaries**

Increasingly new syndication models are emerging in which Internet portals or other infomediaries act as online news aggregator – sometimes in partnership and revenue sharing agreements with news creators and sometimes without. News aggregators mostly rely and depend on content produced by others, originating from wire agencies, photographers, newspapers *et al.* However, a new trend is also that these businesses increasingly hire journalists themselves.

Revenue sources

The sites are mostly financed by advertising or selling services unrelated to news. News is used to further a “captive audience” and Internet traffic.

News platform providers (smartphones, e-readers, e-commerce merchants)

New technology platforms providers are emerging around e-readers or smartphones to distribute news or support different devices than PC or notebook screens. This is either driven by intermediaries which repurpose news services for certain new platforms (e.g. the iPhone), network providers or by the hardware producers themselves. In the latter cases, gatekeepers to the end-customer will ask for a cut of the revenues from news providers.

Revenue sources

Revenue and business models are also only developing in this field. Applications to access news over smartphones are still mostly free. But at some point news providers or platform providers will start charging for news provision (either pay per item or subscription models as already in place for Amazon’s Kindle, for instance). Revenue sharing agreements have to be elaborated and fine-tuned to lead to sustainable business models.

Notes

1. B. Veenhof, B. Wellman, C. Quell and B. Hogan (2008), “How Canadians’ Use of the Internet Affects Social Life and Civic Participation”, Statistics Canada, www.statcan.gc.ca/pub/56f0004m/56f0004m2008016-eng.pdf.
2. The annual reports of the World Editor’s Forum (2008 and 2009) deal with e-readers in some detail.
3. Amanda Lenhart, Susannah Fox, “Bloggers: A Portrait of the Internet’s New Storytellers”, PEW Internet & American Life Project 2006. The report is based on surveys of 4 573 Internet users and 233 bloggers conducted between July 2005 and April 2006.
4. <http://people-press.org/report/479/internet-overtakes-newspapers-as-news-source>. This survey found that Americans are increasingly turning to online sources, as well as radio for their news, while going less to daily newspapers and television.
5. According to PriceWaterhouseCoopers and the World Association of Newspapers (WAN), consumers are willing to pay for online content. Two-thirds of respondents in a global survey said they were willing to pay for general news content online – and all are willing to pay for it in print, despite the advent of the free daily newspaper.
6. Younger, “Heavy Online News Consumers Are Not Newspaper Readers”, according to comScore Plan Metrix, Study Highlights the Importance of Extending Traditional News Brands to Online, Reston, Virginia, 13 March 2008.
7. www.nytimes.com/2009/05/04/business/media/04askthetimes.html?_r=1&pagewanted=all.
8. Australian Communications and Media Authority (ACMA), Telecommunications Today – Report 6: Internet Activity and Content, 2008, p. 18, www.acma.gov.au/WEB/STANDARD/pc=PC_9058.
9. <http://prorev.com/2009/08/study-only-3-of-newspaper-reading-is.html>.
10. www.digitalcenter.org/WIP2009/WorldInternetProject-FinalRelease.pdf and <http://annenberg.usc.edu/AboutUs/News/090429CDF.aspx>.

Internet users report a large increase in time spent reading online newspapers, according to the eighth annual “Surveying the Digital Future” project conducted by USC Annenberg’s Center for the Digital Future. In questions about reading online and print, newspapers found that Internet users read online newspapers for 53 minutes per week, the highest level thus far in the Digital Future studies. In contrast, Internet users in 2007 reported 41 minutes per week reading online newspapers. The project also found that 22% of users said they stopped their subscription to a printed newspaper or magazine because they could access the same content while online.

11. www.awa-online.de: AWA Allensbacher Markt- und Werbeträgeranalyse Präsentation 2006.
12. [http://archives.lesechos.fr/archives/2008/LesEchos/20257-118-ECH.htm?texte=la per cent 20presse per cent 20quotidienne per cent 20gagne per cent20des per cent 20lecteurs per cent 20malgre](http://archives.lesechos.fr/archives/2008/LesEchos/20257-118-ECH.htm?texte=la+per+cent+20presse+per+cent+20quotidienne+per+cent+20gagne+per+cent+20des+per+cent+20lecteurs+per+cent+20malgre).
13. There are many relevant academic publications on newspapers going online: van der Wurff and Lauf (2005), Walravens (2006) and other publications listed in the reference lists in this study.

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