

# Press and profitable news. A business model for online newspapers.

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## Abstract

This work is a study on the Portuguese newspapers that, in the last few years, have started to offer on-line editions cumulatively with those ink-stained. It focuses, among that group, on the two paid digital papers that exist in the country: “Expresso” and “Público” online. The aim is to esteem the economical impact, or its lack, these digital versions have in the whole of the activities of the newspaper. As it is, economical losses are the rule, and online newspapers are still to find out a business model that can bring profits instead of losses.

To investigate the nature and possibilities of such business model – which should be a combination of pay-per-click and click-per-view, or allow a true syndication of contents generating revenue by means of micro-payment – as well as to present the state of the art of the main Portuguese online newspapers it’s the aim of this article.

Online newspapers are engaged in a paradox with no way out at sight: in its great majority, they offer for free what they also sell – their news. It's a real catch-22: newspapers know they cannot afford not having a strong presence in the Internet, but in the new medium users seem quite reluctant to pay for content.

The result, in the case of the Portuguese digital newspapers, is that 80% are offering for free, on the web, the same product they also sell, and the remaining 20% that don't, continue to accumulate losses. Hence, when we try to think of new policies and a business model for online newspapers, we're reflecting on something the industry, for years, has been hunting without success. We're talking about something that doesn't exist yet, but is feasible and should exist.

One thing's for sure, newspapers are not mistaken when they decide to make a presence on the internet, even without getting any revenue from it: the web represents a huge market to explore, one which simply can't be ignored. In the Portuguese context, in most cases, the number of accesses to digital editions is higher than the ink-stained circulation of the same product. So the big question is: how to profit from it? How to make an income from those millions of clicks, that represent a share of attention advertisers should cherish? Nowadays papers compete not only with themselves, offering on the web what they try to sell, but also with a growing menace: free papers, such as 'Metro' and 'Des-tak', which have seen their circulation rise impressively, while the paid papers circulation decays.

These two combined threats urge newspapers to rethink their cost policies and their economical activities on the web. The traditional model of business, in classic newspapers, is well known: news are paid by advertisers, or by their readers, or, in most cases, by both. An application of this model to the on-line version of the traditional newspapers is what has been tried so far without great success, either because advertisers show reluctance in paying for pixels, or because it is not possible to convince reader's to pay for a product it used to be offered for free, and still is in countless sites.

In this paper we shall explore how some changes – both in technological interfaces and web policies - in these two ways of doing the news pay for themselves could contribute to optimize the resources of digital newsrooms, and if that increase of resources was reinvested on

the sites, to constitute a decisive step for the entrance of the Portuguese digital newspapers in the third phase of online journalism as Pavlick conceives it.

## **Text**

In the opening sequence of the film *Minority Report*, from Steven Spielberg, Tom Cruise is in the subway with a magical newspaper in his hands: an almost transparent sheet, wireless and weightless, where daily news materialize and dissolve at his will. For now, the news in digital format are still in the Pleistocene of such brilliant future, and they represent mainly an annoyance and a source of costs for the companies who support them. But it doesn't have to be that way. The emergency of the new medium the internet is couldn't be ignored by the newspapers, who where among the first pioneers to build a presence there. It is now time to start profiting from that presence, and trying to build a business model that rewards the investment done.

This work is a study on the Portuguese newspapers that have been offering on-line editions of its news, and among those, on the two papers who have paid access to their content: "Expresso Multimédia" and "Público.pt".

In estimating the economical impact these publications have in the whole of the activities of the company, we find, unsurprisingly, and independently of the means invested, that that impact is negative. Accordingly, searching for a business model applicable to on-line newspapers which replicate ink-stained products is still a top priority for the managers of such products.

The main goal of this work is to present a review of Portuguese papers on the web, born out of classical ink-stained ones, to characterize its value and potential in terms of readers/advertisers, and to discuss the possibilities of a business model which would allow for revenues instead of losses, that is, a business model that would make papers stop offering what they also sell.

## 1 A declining market

These last few decades have been harsh on newspapers, who are facing a constantly declining market. Profits from journalistic companies may be on the rise, mainly due to a technological revolution that has cut costs in production, of new management rules, and productivity growth in newsrooms; but the picture from the point of view of the public is preoccupying: all papers have been consistently losing readers.

In the USA, for the past 40 years, newspapers have been facing a cycle of decline in readers.<sup>1</sup> In 1964 80% of adult Americans would read a newspaper daily; but in 1997 those figures were down to 58%; and in 2003 Americans who would daily read a paper were esteemed in 54%.<sup>2</sup> By the end of the decade it is expected that less than half of the adults will read a paper daily, a picture made even gloomier due to the fact new readers haven't been harvested, and these actual readers are aging and will tend to disappear.<sup>3</sup>

Newspapers circulation has been accompanying these tendencies. In 1985 American diaries registered a circulation of 62.8 millions, while in 2002 those figures were down to 55.2 millions.

In Europe figures aren't much cheering either: between 1995 and 2004 newspapers circulation has fallen an average of 13%, and a recovery isn't expected soon. With few and local exceptions, European newspapers have been counting losses in circulation for the past 20 years.<sup>4</sup> “*Circulation* is either static or falling in most EU member states, and has been for some years. Declines are steady rather than drama-

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<sup>1</sup>Crosbie, Vin, “*What Newspapers and their web sites must do to survive*”, in [www.ojr.org/ojr/business/1078349998.php](http://www.ojr.org/ojr/business/1078349998.php).

<sup>2</sup>*Idem.*

<sup>3</sup>“39% of 18-to-34-year-olds read a newspaper daily in 1997, but only 26% did in 2001”, and furthermore, “research in 1985 by Philip Meyer discovered that the newspaper reading habits that people develop in their 20's stick with them as they age”, *ibidem*.

<sup>4</sup>“The most significant structural issue for the newspaper industry is circulation. In many key markets, newspaper circulation has been falling for some years. The decline in circulation in Europe has now been going on for as long as two decades, and shows no sign of lessening”, AA.VV, *Publishing Market Watch Sector Report 1: The European Newspaper Market*, March of 2004, <http://ec.europa.eu/enterprise/ict/policy/publ-ind/sr01-eur-newspaper-market.pdf>.

tic. Other media are growing in reach; this may leave newspapers at a competitive disadvantage”.<sup>5</sup>

Tendencies in the reader’s evolution are an exact mirror of the American *trend*: Europeans over 45 years old are the main share of newspaper readers, and it has been extremely difficult to conquer younger readers, precisely the kind of public advertisers are most interested in.<sup>6</sup>

In this scenery, Portugal appears clearly in counter-cycle, although the tendencies globally considered, and especially the last few years numbers, aren’t optimistic. Two words can explain the Portuguese case: we’re late. Mass alphabetization following the 1974 Revolution has made the number of readers grow, raising circulation, but even though the curb has been descending these last years.<sup>7</sup>

By 2005 the combined circulation, by edition, of the five biggest Portuguese daily newspapers was of 356.682 papers,<sup>8</sup> against 385 thousand issues in 2004, 399.857 issues in 2003, and 361.487 in 2002. The total issues published by daily papers have been consistently on the rise since 1994 (137 millions) to 1999 (almost 386 millions); but since the year 2000 the curb starts descending. According to APCT (Portuguese Association for the Control of Publishing Numbers), the losses in circulation of the five biggest diaries were, between 2004 and 2005, of

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<sup>5</sup>AA.VV, *Publishing Market Watch Sector Report 1: The European Newspaper Market*, March of 2004, <http://ec.europa.eu/enterprise/ict/policy/publ-ind/sr01-eur-newspaper-market.pdf>

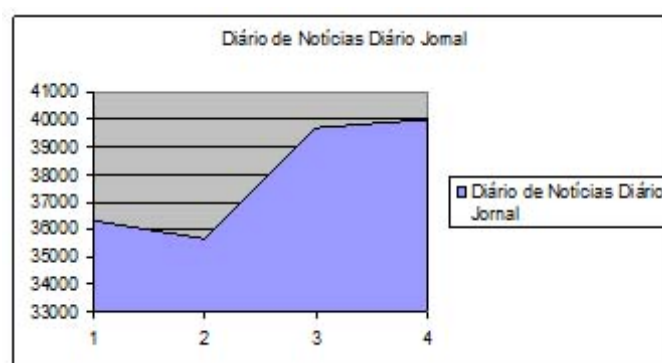
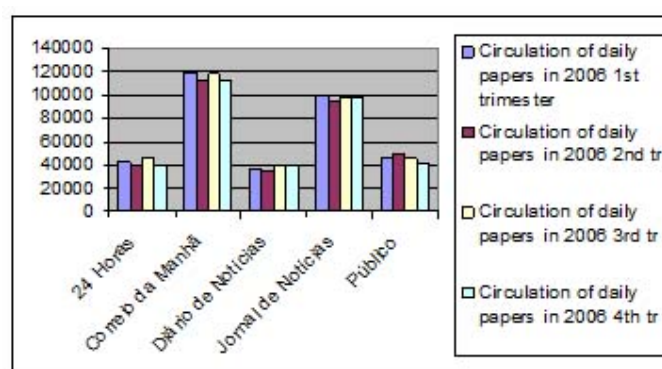
<sup>6</sup>“Socially, the ageing European population is likely to read newspapers more than their younger compatriots. However, newspaper readership in all segments is declining and the ageing population is less attractive to advertisers at present”, “the demographic changes observed in Europe can also be seen in the USA: an ageing population that reads newspapers is the mainstay of the market, and younger people are much less likely to buy newspapers. This challenges newspaper publishers in the USA in the same way that it does in Europe: advertisers are most interested in reaching the age group 18-34”, *idem*.

<sup>7</sup>In 1878 illiteracy in Portugal was up to 82,4%, while in Norway it was 0,08%, in Denmark 0,36%, and Sweden 0,4%, and Germany 0,51%. By 1900 it was 78,6%, and in 1920 it was down to 66,2%. In 1970 Portuguese illiteracy came to 20,5%, and nowadays is esteemed in 8%.

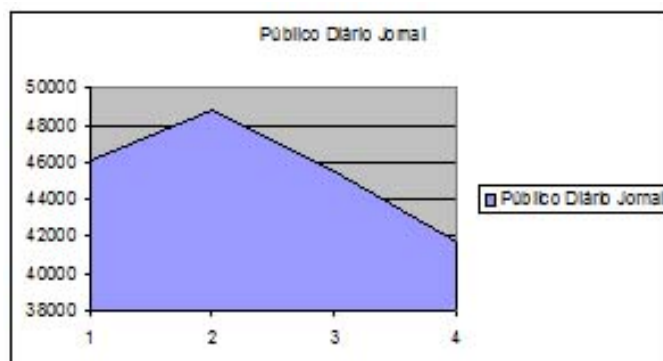
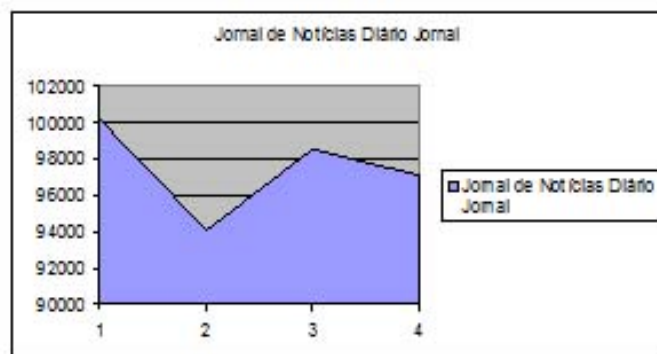
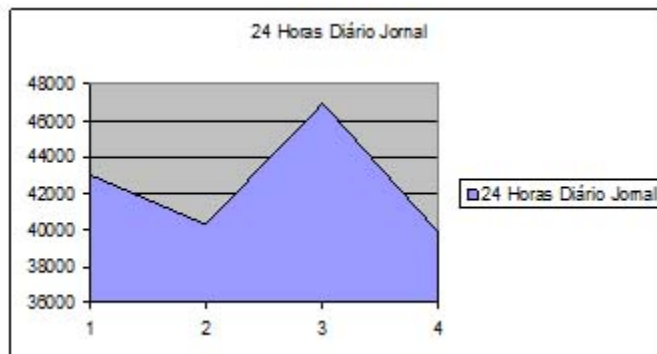
<sup>8</sup>Source: AA.VV, “*Imprensa – Retrospectiva Histórica*”, Instituto da Comunicação Social, <http://www.ics.pt/index.php?op=cont&lang=pt&Pid=78&area=328>, according to data from APCT – Portuguese Association for the Control of Publishing Numbers and Circulation.

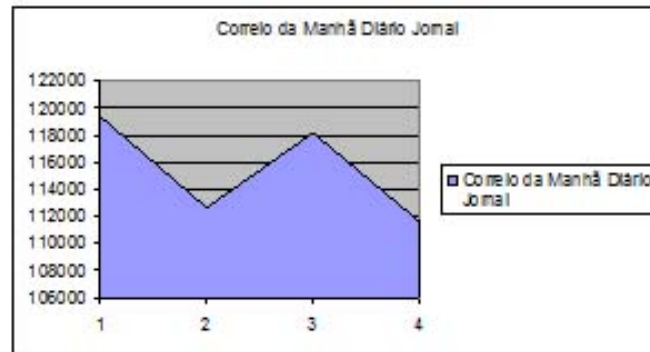
-14,9% to Jornal de Notícias, -11% to Diário de Notícias, -4,3% to Público, -3,3% to 24 Horas, and -1,8% to Correio da Manhã.

Circulation in 2006 presented a fall in Jornal de Notícias, (100,188 to 97,122), Público (46,111 to 41,706), 24Horas (43,007 to 39,830), and Correio da Manhã (119,431 to 111,585); and rises only in Diário de Notícias (36,234 to 39,987), which means the trend globally considered, is negative.<sup>9</sup>

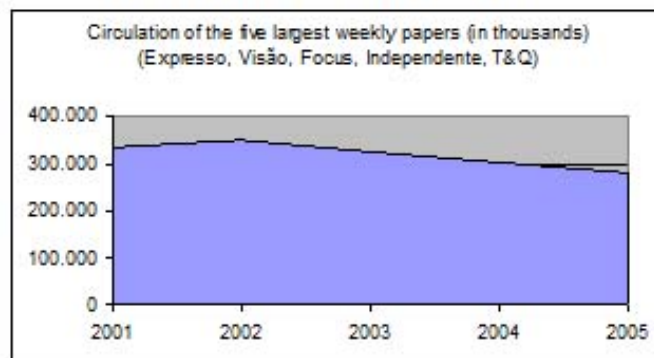


<sup>9</sup>Data extracted from APCT: [www.apct.pt](http://www.apct.pt)



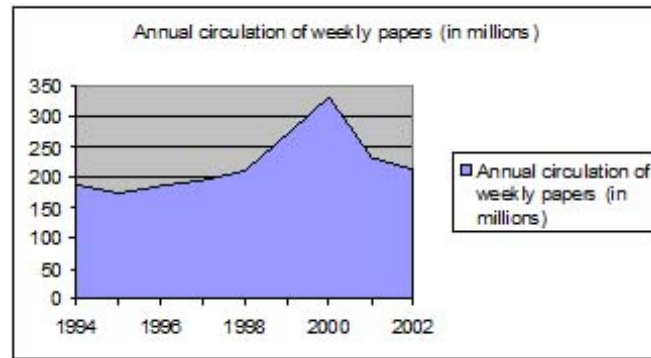


Weekly newspapers present a similar performance. The five biggest, Expresso, Visão, Focus, Independente, and Tal&Qual, had in 2005 a circulation of 280 thousand issues, against 302 thousand in 2004, 324 thousand in 2003, 348 thousand in 2002, and 333.193 in 2001.

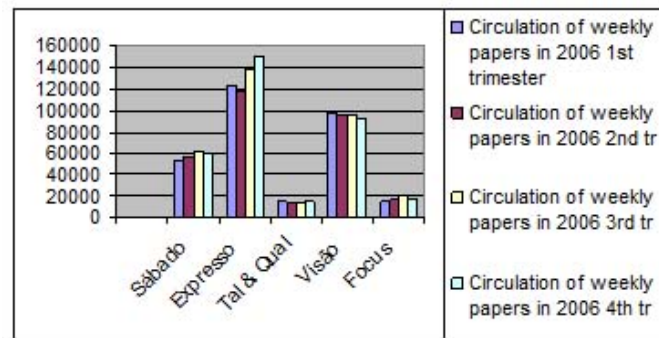


The total of annual issues from weekly papers, though not in a straight line, present a clear rise since 1994 (189 millions) to 2002 (212 millions); but since 2000 the curb has become negative, with an abrupt fall registered that year: 332.8 millions in 2000, against 233.8 millions in 2001, and 212.5 millions in 2002.





Figures which, in the four trimesters of 2006, confirm weekly papers are slightly rising, with the exception of *Visão*:<sup>10</sup>



It can be concluded from such figures that in the last decade the circulation of daily and weekly Portuguese papers has had a significant growth, contrary to what's been going on in Europe and USA, but with a decrease since the year 2000 – which can be related to the economic crisis the country has known since the turn of the millennium, and which also caused advertising profits to shrank for a short period.

Besides, Portugal, following a model common to most southern Europe countries, is one of the nations in which the advertising share in newspapers is less significant, with most advertising investments benefiting televisions. While in Finland the share of the advertising market belonging to newspapers is of 58%, in Luxembourg of 59%, in Spain

<sup>10</sup>The figures to the year 2006 are based on APCT data: [www.apct.pt](http://www.apct.pt)

of 22%, in Greece of 16%, in Portugal that share comes only to 11%.<sup>11</sup> The greatest rival of newspapers, in this last case, are commercial televisions, with a share of advertising resources of about 63,5%, following the *outdoor* with 7,8%, and the radio with 6%.<sup>12</sup>

According to Markttest,<sup>13</sup> whose study follows different methods from the one quoted above, in Portugal investment in advertisement almost duplicated from 2002 (2,319 million euros) to 2006 (4,050 million euros), but this growth is more significant to television, whose share in advertisement has grown from 65.9 in 2002, to 70.2 in 2006; whilst print media had a share of 19.4 in 2002, and a decrease to 18.2 in 2006.<sup>14</sup>

Along with these tendencies it can be observed in Portugal, for the past ten years, the disappearance of several newspapers, some of them, for a while, of reference in their field, and the creation, but in smaller number, of new publications. In a list which is not exhaustive, in the past few years have been extinct papers such as “O Jornal”, “O Independente”, “Diário de Lisboa”, “Diário Popular”, “O Diário”, “Notícias da Tarde”, “Portugal Hoje”, “O País”, “Tempo”, “A Capital” and “O Comércio do Porto”. Meanwhile, some new publications have seen the daylight, such as “24 Horas”, “Visão”, “Sábado”, and “Focus”, among others.

## 2 Information *haute couture*

The drop in circulation and penetration of newspapers in Europe and in the USA – Portugal, traversing a financial crisis since 2000 is a slightly different case – seems mostly indifferent to economical conditions,

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<sup>11</sup>Source: AA.VV, *Publishing Market Watch Sector Report 1: The European Newspaper Market*, March of 2004, <http://ec.europa.eu/enterprise/ict/policy/publ-ind/sr01-eur-newspaper-market.pdf>, p. 35. According to data from Markttest, the advertising share of the press in Portugal was of 18,3% in 2006, but this number also includes advertising in magazines. Also, such figures have been falling for the past three years, a decay which has been absorbed by television. In AA.VV., *Anuário de Meios e Publicidade 2006*, Markttest, Lisboa, p.355.

<sup>12</sup>*Idem*.

<sup>13</sup>“Markttest” is the Portuguese reference company which monitors the audience and advertising shares of the different kinds of media, and publishes an annual report on it.

<sup>14</sup>In AA.VV., *Anuário de Meios e Publicidade 2006*, Markttest, Lisboa, p.355.

representing a trend which seems way far from changing in the nearby future.

It is very clear that among the causes for the decline of the industry is the emergency of new media, accompanied of deep changes in information consumption habits, especially within the younger public, namely those between 18-35 years old.

Never before so many alternative information sources were at the will of a public increasingly demanding in what concerns diversity. In Portugal TV is still a privileged source of information access for the overwhelming majority of the public, but if we pay attention to the figures of access to information sites on the web, we can see a significant and continuous growth, which will not diminish while broadband and flat-fees increase in Portuguese households.

The number of daily readers from news pages in the web is, today, wider than the number of those who buy ink-stained papers, and this huge mass of readers shall continue to grow, possibly accompanying the decline of traditional papers circulation.

Internet's competition, the competition newspapers entangle among themselves on the web, the appearance of very successful free papers like "Destak" and "Metro",<sup>15</sup> are serious competitors to an industry which is still on the search for a model to adapt to these new ages.

The presence of several kinds of media that also convey information, or, at least, consume the public's precious time, can partly explain the difficulties in recruiting the younger public: many, and many more people simply can't spare the two hours the reading of a daily paper, in average, requires. Information consumer patterns have become erratic and fragmented: just like it happened with television consumption right after the appearance of cable TV and thematic channels. Youth consumes information throughout the day: they listen to the radio while travelling to work, watch tv news report, and deepen the subjects that most interest them, or those which affect them, from the internet, and not necessarily, or exclusively, from sites belonging to media corporati-

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<sup>15</sup>In a scenario of generalized drop in newspapers circulation, the free paper "Destak" has seen its circulation raise 39.8% from 2004 to 2005, from 77.977 issues, to 129.603 issues. And no one doubts anymore such growth, from the point of view of the public, is also made at the expense and against paid newspapers.

ons: news aggregators, blogs and forums play an increasingly important role in the way youngsters get their information.<sup>16</sup>

Instead of the informational *prêt-à-porter* traditional media represented, of rigid structure unilaterally selected by their almighty editors, information consumption patterns are nowadays, and will be much more in the future, pretty much near to *haute couture*, that is, a personalized product, specifically conceived to this, and not other, consumer; and this happens because in the huge mosaic daily information consumed by the average well informed European, he tends to cut out and select, from a plurality of media, the subjects on which, given the small amount of time he can spare, he wishes to be informed. The consumer of the future – and this never before was at hand, because never before such a variety of almost free media has been at the disposal of the average reader – will also “edit” the information he receives, researching it actively, and selecting the most pertinent to him.

The great oligopoly of information is threatened, and no conscious editor can nowadays ignore that fact.<sup>17</sup>

Is this the end of the journalist’s profession, and of the newspaper’s role? Obviously not. The wider the mass of available information, the more this info glut threatens to obliterate the reception systems, and so the more necessary the role of journalists will become: he is the one which selects and reports news truthfully, contextualizing them and explaining their real significance and meaning.<sup>18</sup>

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<sup>16</sup>“... the internet also creates a new focus for the reader’s attention. It now takes up to 10% of the available “media time” for European users, compared with 13% taken up by reading newspapers (...). The newspaper industry has seen its dominance eroded by television over many years. Television viewing now takes up over 41% of “media consumption” time for Europeans; newspapers 13%. Increasing use of the internet is seen as the next threat. At present, less time (8% according to one study) is spent using the internet than reading newspapers, but these relationships are changing all the time. The increasing use of broadband internet access by consumers is making the experience easier, more attractive and cheaper in many EU member countries, and many commentators believe that it will lead to more use of online news services as a substitute for newspaper purchase”, AA.VV, *Publishing Market Watch Sector Report 1: The European Newspaper Market*, March of 2004, <http://ec.europa.eu/enterprise/ict/policy/publ-ind/sr01-eur-newspaper-market.pdf>.

<sup>17</sup>Not by chance, totalitarian regimes place all kinds of difficulties to Internet access, and to cable or satellite tv access.

<sup>18</sup>Predictions that open-source “journalism” (“Oh-my-news”, for instance), or

Hence, it is perfectly natural to say newspapers are in a privileged position to make the best of the emerging technological mutations. They'll have to change – that's for sure – but such changes won't necessarily be for worse.<sup>19</sup> Independently of their support, and of available media, the old job of reporting and transmitting information, listening to all interests in stake, commenting on them and inserting them in their broader context, will make all the sense in a world where information is permanently threatened with overload.

### 3 Digital Immigrants

Most Portuguese newspapers with market significance have migrated to the Internet their *ink-stained* editions. Because if the industry can change, a lot, and in unforeseen and unpredictable ways, it is still pro-

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blogger's "nano-journalism" will devour traditional media, still seem to me exotic wishfull-thinking. "The question most place nowadays, and because the whole world seems thirsty of their five seconds (no longer minutes) of fame – (hey, I'm important too. Won't someone listen to me?) – is if open source is a viable model in news business, and in such case, what effects would it have. If news are not to become some kind of talk-show of the bizarre, a melting pot of facts and fiction, of rumours and revelations, of myths and verbal incontinence; from which, at most, we can extract data of sociological interest, then open source is not the answer to news business. A general information newspaper – about real facts, occurring in the real world, witnessed or researched and checked by the one telling them – in open source format, wouldn't be more than a rumours stand. In the first place it is obviously impossible to verify the credibility of the sources. And in second, the site would be vulnerable to all kinds of attacks, from the mythomane, to the impostor, to the compulsive liar . . . not forsaking spin doctors and marketing professionals in the legitimate exercise of their jobs", in **GRADIM**, Anabela, *Manual de Jornalismo*, col. Estudos em Comunicação, 2001, Covilhã. If we add to all this logistic and accreditation difficulties. . . I rest my case. But this doesn't mean the reader's contribution on the paper's content production will not be reinforced in the future. On this subject, cf. **GILLMOR**, Dan, *Nós, os media*, 2005, Editorial Presença, Lisboa.

<sup>19</sup>Those changes won't be negative, if not from the industry's standpoint, at least from the point of view of information itself. Most analysts agree that, for the industry, the land of milk and honey, and of streets paved in gold, are times coming to their term, and most papers will have to re-seize their operations, tolerating and adapting to the new forms of competition, namely through the reinforcement of local news coverage, or product personalization. That is, most agree the industry has reached its full maturity, and therefore its most likely newspapers won't continue to grow. . . but saying it, is very different from predicting their end.

fitable and it won't be extinct. For starters, those making, with newspapers, a strong presence on the internet, are precisely traditional media corporations, which have an invaluable capital in human and technological resources, and priceless know-how in the thorny business of reporting the news. Those advantages simply can't be ignored.

Another priceless capital they have at their disposal is their *brand-name*, a stainless reputation and the public's trust, something they strenuously earned, and that from now on will have to struggle to maintain and deserve.<sup>20</sup> And this will happen mostly due to the end of the unilateral point of view dictated by an editor. It is known for a fact that from now on editors will have to give voice (listen?) to the public. In Portugal, for instance, the recent appearance of ombudsman in reference newspapers such as "Público", "Diário de Notícias", or the public television, signal this attempt to stay in tune with such brave new world. From the moment on in which anyone, with no cost, can have access to the global mediatic stage, the market will be lesser and lesser tolerant with information error or manipulations. That is to say, the immense power of *agenda-setting*, and it correlate, the *power to silence* what shouldn't be said or heard, are definitely way out of hand of media corporations nowadays.

Most weekly and daily nationwide Portuguese newspapers belong to this category of digital immigrants:<sup>21</sup> they all have sites, with varying degrees of sophistication and interactivity, but who fulfil the goal of making available the news of their ink-stained editions. Such are the cases of "Público" ([www.publico.pt](http://www.publico.pt)), "Jornal de Notícias" ([www.jn.pt](http://www.jn.pt)), "Correio da Manhã" ([www.correiodamanha.pt](http://www.correiodamanha.pt)), "Diário de Notícias" ([www.dn.pt](http://www.dn.pt)), "24 Horas" (<http://www.24horasnewspaper.com>), "Expres-

<sup>20</sup>Rupert Murdoch seems to share this opinion, for, in 2005, he would emphasize the need of traditional media to change and adapt to the public's new consumption habits; but also that the industry is very well prepared to face that challenge. Cf. Murdoch, Rupert, "Speech to the American Society of Newspaper Editors", 2005, in [www.newscorp.com/news/news\\_247.html](http://www.newscorp.com/news/news_247.html).

<sup>21</sup>Even among local/regional newspapers, and Portugal is the third European country with more titles published per capita, the presence on the Internet, through *web sites*, is impressively strong. Cf. AA.VV, *Publishing Market Watch Sector Report 1: The European Newspaper Market*, Março de 2004, <http://ec.europa.eu/enterprise/ict/policy/publ-ind/sr01-eur-newspaper-market.pdf>, p. 30; and also [www.obercom.pt](http://www.obercom.pt).

so” ([www.expresso.pt](http://www.expresso.pt)), “Visão” (<http://visaoonline.clix.pt>), “Sol” (<http://sol.sapo.pt>), and of the sports newspapers “O Jogo” ([www.ojogo.pt](http://www.ojogo.pt)), “A Bola” ([www.abola.pt](http://www.abola.pt)), and “Record” ([www.record.pt](http://www.record.pt)).

What we can observe in the press as an industry – and not only in the Portuguese case – is that their web operations represent mostly a cost, even though they are fed, for free, by the news production machine of the traditional platform of those papers, and, several years after the migration, that they all are far from obtaining revenues from those operations. To online newspapers maintained by classical or ink-stained operations, economical loss and absence of revenue is the rule, and it is yet to be found a business model which could be applied to them, generating profits instead of losses.

The case is – and it’s far from being a Portuguese eccentricity – while they loose circulation, and consequently, advertising income, newspapers got caught in a stunning paradox: they are offering online, for free, the same product they also sell. It’s a true *catch-22*: newspapers know they can’t afford not being online, but in the new medium no one seems willing to pay for content.

The result is that, in the case of digital Portuguese newspapers, 80% are offering digitally what they also sell in print, and the remaining 20% who don’t, and who tried to organize paid access to their sites, continue to accumulate losses.

Solving such an enduring and challenging *catch 22* is clearly beyond the scope of this modest report. And yet, it is urgent to reflect on a business model for online newspapers, or in a re-arrangement of the existing models, for news making is – not only, but also – a business; and businesses that cannibalize themselves will not live long enough to tell the tale.

One thing’s for sure, newspapers were right when they decided – at all cost, that is, with no cost at all – to build an Internet presence, for the new medium represents a huge market to explore. And, for now, all studies are unambiguous: in what concerns the Portuguese reality, the number of accesses to digital editions is, in most cases, superior to the paper circulation of the same product. We’re also seeing that classical papers, besides offering their content, are feeding for free pointers and news aggregators such as *google.news* – something they’d better stop doing if they put their minds into making money.

Among the dozen of Portuguese papers that offer their contents on the web, two have decided, after an experimental period in which that service was provided for free, to make their access paid through a subscription: cases of the daily “Público”, and the weekly paper “Expresso”; while “24 Horas” and “A Bola” demand a reader’s registration, but keep the access of registered clients for free.

The newspaper Público has an html version of its print edition with restricted access (only some of the news are available); and also a pdf version, which is an exact replica of the printed issues, and only available through paid access for subscribers.

Services for subscribers include access to Público Digital, “which allows readers to visualize pages with the exact same aspect than printed pages, and graphically select the articles to be read”, says the administrator of this section; an online archive, which means all editions since January of 2005 can be searched by content; a news alert service in the desktop; and the subscription of newsletters in several different areas. The site has been investing in a growing interactivity with its readers, with features such as the possibility of commenting on newsflashes, links to blogs, links to thematic sites that have partnerships with the paper, and also, access to very complete dossiers on some subjects.

The site Público.pt has 17 employers who work exclusively for the online edition, and about two thousand subscribers, among the ones who sign the html version (the less expensive – 50 euros a year), and the pdf edition (99 euros a year). Both options, naturally, cost less than signing the ink-stained edition (270 euros). Micro-payment has recently made its appearance in “Público”, with the option on acquiring the subscription of the daily digital edition of the paper (1 euro), an “expensive” choice since this is more or less the price of a single ink-stained issue. Another recent novelty is the possibility of developing searches in the archive database of the paper (1 euro per article), which has more than 100 thousand news, inserted since 1998

Unsurprisingly, these two thousand subscribers (curiously the exact same number of subscribers of the print edition), and the income from advertisers, are still to make the project break even, in what concerns costs and profits. Besides, the digital edition of Público, which hasn’t produced yet any revenues, can count on free contents produced by the



classical presentation of the paper's newsroom – and all that free work isn't counted has additional cost.

As Público's responsible recognize, "at this time the operation balance is negative", and the paper's administration "is still looking for a profitable business model to the internet". They're not alone.

The site of "Expresso Multimédia" employs nineteen workers: six journalists, twelve operators that feed the database, two web designers, and a sound and video streaming technician. The newspaper, which offers some free news and services, provides additional functions for subscribers and access to the whole content of the paper issue. The subscription fee amounts to 60 euros a year, and grants access both to an html version of the paper's content, and a pdf edition, appropriately named "e-xpresso". Among other features of interactivity, Expresso offers the possibility of commenting on the news provided, and it was the first Portuguese paper to include a podcast service, for important interviews, and a "soundbite" service, which amounts to the possibility of hearing, by phone, catch phrases from interviews (60 cents, each soundbite, charged with the phone call).

According to e-expresso managers, the paper has, presently, five thousand subscribers, and, like Público, the operation's balance is still negative, although management believes to be "in the right track to break even in the nearby future", that is, to attain the point where the total revenue equals the total costs associated with the production of the e-paper.

#### **4 E-papers and the Attention Economy**

If profits are still to be found in Portuguese newspaper sites, readers are crowding to get there. And the well known fact is: where there's public willing to stop, linger, and pay attention, there's market for advertisers to produce their magic, and advertising to enchant their public.

We shall focus on the Portuguese case, although the figures in western Europe and USA follow the same pattern. According to Markttest, the time dedicated to domestic Internet consumption has increased 30% in the first semester of 2006, in relation to the homologous period of the previous year. In the term considered, Portuguese have dedicated to the web 94 million hours. The study detects a million and 574 thousand

users, which have visited more than 11 thousand million pages, representing an increase of 48.2%, in relation to the homologous period of the previous year.

This Marktest study, named NetPanel, focuses in the web audience of Portuguese media groups, like Cofina, Lusomundo, Impresa or Media Capital, who own, among other sites, the newspapers we've been analysing.

Press related sites are no doubtfully popular. According to the managers of "Público" and "Expresso", their web pages register, respectively, 14 million pageviews and half a million of unique users per month; and 9.5 millions of pageviews a month to "Expresso".<sup>22</sup>

According to Marktest, in April of 2006, 804 thousand portuguese accessed, from their homes, to newspaper sites, magazines and online information, representing a 20% growth in relation to the previous homologous month. During that month, information sites were accessed by 166 thousand unique users a day, who visited over 44 million pages, and spent a total of navigation time wider than 641 million hours; a value which rose 16% the next month, to 745 million hours.

Netpanel results show that Público was the online newspaper with more accesses made from home, with 275 thousand unique users, followed by "A Bola" with 249 thousand, "Record" with 196 thousand, "Diário Digital" with 188 thousand unique users, and "Expresso", with 167 thousand. In terms of pageviews, "A Bola" has the leadership, with 11 million pages, followed by "Record" with 5 millions, "Expresso" with 3,6 millions, and "O Jogo" with 3,5 millions.

If we cross these numbers with the figures of the ink-stained editions of these paper's circulation, we'll easily come to the conclusion that, in most cases – Público, for instance – the number of online readers is superior to the number of the classical issue's readers; and this even if we count four readers for each paper distributed.<sup>23</sup> In this light, it is hardly understandable and seems slightly irrational the values Marktest

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<sup>22</sup>The difference between the number of pageviews can be due to the fact that Público is a daily paper, while Expresso is a weekly one, and only has 4 to 5 issues a month, while Público edits 30.

<sup>23</sup>The average of total circulation per edition (sales, signatures and offers) of these papers in 2005 was of 50.701 to "Público", 128.168 to "Expresso", 86.964 to "Record", and 44.878 to "O Jogo", figures, without exception, always inferior to the number of unique users on their sites.

has found: a *share* of 22,3% in advertising profits for the press, and of 0,6% for advertising made on the internet.

## **5 Profiting from so many clicks: in search of a business model**

The traditional business model of classical newspapers is well known: news are paid by their advertisers, or by their readers. In the vast majority of cases, news are paid by both, although the burden on advertisers tends to be heavier than the reader's.<sup>24</sup>

To apply this model to the online versions of classical newspapers has been tried without known success: either because advertisers won't pay for pixels, or because readers are unwilling to pay for a product – content – which is freely offered in dozens of other sites.

Yet, some changes in these two ways of making news pay for themselves could contribute to optimize the resources digital papers have to better themselves, for if that resource growth was to be reinvested in the sites, that surely would advance their entrance in a new phase of online journalism: one that privileges interactivity, multimedia, and contents specifically produced to the web (instead of “recycled” content coming from the paper issues).

The imbalance between the number of news site users – in rapid and steady growth -, and the corresponding declining circulation in newspapers, raises the fear that that audience will deviate the share of attention from traditional newspapers, hurting their advertising sales, and their income. For “although Internet's advertising offer hasn't produced, yet, a sustained business model, it has potential to seriously erode conventional advertising from newspapers”.<sup>25</sup> On the other hand, classified ads – a traditional cornerstone in reader's and profits raise – have started their migration to the web, and not from newspaper sites, but mostly

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<sup>24</sup>“Newspapers in the majority of EU countries depend on advertising for between 50% and 60% of their revenue. A notable exception is Luxembourg, which generates 80% of newspaper revenues from advertising: this may be a result of its very small population”, in AA.VV, *Publishing Market Watch Sector Report 1: The European Newspaper Market*, March of 2004, <http://ec.europa.eu/enterprise/ict/policy/publ-ind/sr01-eur-newspaper-market.pdf>

<sup>25</sup>*Idem.*

through alternative services which now are rivals and competing with them in that market.

What all these numbers show is the gap between the advertising income generated on the Internet, and the extended public whose attention the web captures. So, how can digital news be made to pay for themselves? How to profit from so many clicks?

That could be attempted essentially in two ways, inspired in the business model of traditional press: advertisers pay, through a combination of *pay-per-click* and *click-per-view*; and readers pay, but for this latter to work, a true syndication of contents would have to be established, relying on some form of micro-payment.

In the first case – advertisers pay – the paper would have to systematically employ some kind of model, similar to the one it made the success of google.ads. For instance, the paper could present news leads and titles, but to open the entire piece a click on an ad veiling the page is required. This click might, or might not, redirect the reader for the advertisers site, but at least ensures the advert has been seen. Advertisers, on their turn, instead of paying a fixed price for their propaganda, would pay for the number of clicks, or visits to their site, obtained. This kind of ads can very easily be personalized, or targeted to specific publics, maximizing the company's investment in advertising.

Beating the reader's reluctance to pay for pixels seems much more difficult to obtain: it would take, at least, a revolution leading to the syndication of contents. J. D. Lasica has sharply diagnosed what's in stake in this case: "*We're tired of giving away today's news. We can't afford free riders on our service*", but "*only if you're in a market that's isolated, and you're in a monopoly position, paid content can work*".<sup>26</sup> The main problem is the online news market may be everything, but isolated. One of the reasons why people won't pay for a digital edition, is that there's always a nearby paper, offering the same thing, but for free. In Portugal that is clearly the case, with ten free access papers, against only two who are trying to get paid.

If monopoly could be imposed, and none edition were of free access, some readers that now wander through publications, would be compelled to sign one or more of those.

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<sup>26</sup>Lasica, J. D., "*Are Digital Newspaper Editions More Than Smoke and Mirrors?*", in [www.ojr.org/ojr/technology/1054780462.php](http://www.ojr.org/ojr/technology/1054780462.php)

But one cannot lose sight to the fact that such wandering, rambling without a purpose, straying and returning to path, is a good thing and a value *per se* when surfing the web. Newspapers don't always present the same news, and often when they do, the journalistic treatment differs widely.

Vin Crosbie<sup>27</sup> defends that the way for newspapers and their web sites to survive is that, instead of selling generic editions for all readers, in the future they'll have to build personalized and individually relevant editions, for content and distribution technologies that allow it already exist.

Making the access to all online papers paid, while accepting the characteristic wandering from one site to another web surfing demands, could only be made through a very specific type of micro-payment: the reader would pay an insignificant, almost symbolic amount, not for an entire newspaper issue, but for each news he'd read, regardless the publication in which he was reading. And that payment could be micro-micro, less than half a dozen cents, for, judging by the number of pageviews presented by Portuguese online newspapers, the cost for the readers would be individually irrelevant, and the revenue for newspapers very attractive.

So, instead of Crosbie's suggestion for the production of thousands of different papers, with the DNA and the fingerprint of each client, in this micro-payment model – a model which, again, would only work in a closed market, with no competition from free products – the reader would himself build his individually relevant edition, by means of the path and reading patterns his wandering in news sites would produce.

When digital ink finally replaces pigments in a sheet, if ever, and the ink-stained paper is no more than an old memory, the newspapers digital migration will be complete, and the problem solved. But until then newspapers will continue to strive for new ways of improving their business – these I've been talking about, or others –, and reflecting on those ways of improving the present business model is also a contribution to the fulfilment of such migration.

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<sup>27</sup>Crosbie, Vin, "What Newspapers and their web sites must do to survive", in [www.ojr.org/ojr/business/1078349998.php](http://www.ojr.org/ojr/business/1078349998.php)

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