A Potential 'Solution' for the Newspaper Industry
Follow the cable TV model of subscription access. Here's why and how.

By Paul Bermel

(May 15, 2009) -- A potential solution for newspapers to alter their declining revenues and changing business dynamics: follow the cable TV model of subscription access.

Cable TV companies, owned by Multiple System Operators (MSOs), pay monthly licensing fees (anywhere from a few cents to a couple of dollars per month) to the cable TV channels (CNN, ESPN, Discovery, etc.) on a per subscriber basis, regardless of how much cable subscribers watch any channel (obviously higher viewed cable networks command higher per subscriber fees).

Why shouldn't newspapers as a whole unanimously change their own paradigm? As Alvin Toffler famously said: "If you don't develop a strategy of your own, you become a part of someone else's strategy." Isn't that what happened to newspapers with online classifieds and job search ads, when startups in these two categories shifted the playing field and so began the cascade thanks to Craigslist and Monster.com, in the advertiser supported content arena for newspapers?

How It Would Work

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If newspaper web sites blocked access by Internet Service Providers (ISPs) to their online sites and permitted access only to ISPs who had a licensing arrangement with them, this would create a value proposition with consumers whom are ISP subscribers via broadband, DSL, and dialup.

Passionate followers of newspaper web sites would contact their ISP insisting the ISP permit access to the newspaper web site or threaten to switch providers who did provide access. ISPs would then begin marketing their services touting that they provide access to specific, many, if not all, newspaper sites.

For example, The Boston Globe, which is the latest newspaper under financial pressure of closing from its owner, The New York Times Company, has approximately 4 million unique visitors per month (as compared with approximately 325,000 daily print subscribers). Certainly there will be devoted followers of the Globe's web site, Boston.com, who will be outraged that they can no longer access the Globe's web site. Web surfers don't typically visit just one news web site, or newspaper web site; they visit any number of them.

Likewise, search engines and content aggregators like Google and Yahoo to Huffington Post.com to Newser.com (some sites have virtually no original content and simply aggregate selected content from others) who scrape headlines and summaries from newspaper stories under "fair use" laws should be blocked without a licensing agreement too. Otherwise, these "scraper web sites and services" will still create an end around for newspapers blocking with ISPs.

ISPs Generate Over $35 Billion in Revenue
The estimated 97 million U.S. subscribers to ISP services generate approximately $35 Billion in annual subscription fees (according to ISP-Planet.com and a special analysis) -- and none of the revenue is shared with newspapers.

While ISPs have a large capital infrastructure, certainly greater for broadband and DSL providers, there is a huge untapped opportunity in a licensing model given ISPs and content providers interests are aligned – generating value through usage.

Cable Networks Scramble Signals
I remember working at Turner Broadcasting in 1986 when television signals en masse began scrambling their signals. Satellite dish owners had to get off the free bandwagon and start subscribing to content packages from media companies. There were quite a number of cable TV systems too that were carrying cable channels without licensing agreements and they had to fess up immediately, on their own, and sign contacts (because their subscribers were calling asking 'what happened to CNN!').

Internet Portals
This business model change for newspapers, of subscription access through ISPs is really reverting back to how things were on the Internet in the mid 90s, but with a small slant. Back in those early Internet days, many ISPs were fashioning themselves as "portals", aggregating content on their sign-in page to attract subscribers. Many ISPs at the time were paying licensing fees to major content companies, such as CNN, sometimes for exclusive content, often non-exclusive.

Alternative Content Access Creates a Potential Conflict
In the sports field the NBA (nba.com) and Major League Baseball (mlb.com) web sites are doing such a thorough job of providing narrative game summaries, box scores, including video highlights and live video and audio of games over the web and mobile devices, that the perspective of the local paper isn't as sorely missed and web surfers can simply access those sites directly – especially if they no longer live in their favorite sports teams' city.

Perspective
Yes, blogs do serve a purpose, and there are many excellent bloggers; however, newspapers initiate more stories than radio, TV, or bloggers.
Charlie Rose asked Author Tom Wolfe in an interview last year: "If you were giving one last lecture about journalism, what would you say?" Wolfe's response was: "Today, as newspapers are declining rapidly, losing money, I would just point out that all news today comes from newspapers. All of it!"

Conclusion
While there may be no silver bullet to save newspapers, returning to profitability and a sustainable model will likely require the adoption of many, if not dozens of business model adjustments and initiatives. Any one initiative by itself may not save the day, but collectively and systematically adopted and implemented, a course correction should occur.

Applying Toffler's sage advice, newspapers had better write their own business (model) story (and act quickly), or their business existence will continue to be written for them!

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