Canadian Consumers Unwilling to Pay for News Online

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Key findings:
• Ninety-two per cent of Canadians who get news online say they would find another free site if their favourite news sites started charging for content.

• Eighty-one per cent say they definitely will not pay to continue reading their favourite online news site.

• Canadians are more willing to pay for music, games, e-books and even ringtones than they are to pay for news but even in these categories, the numbers are not high.

• The vast majority of consumers is unwilling to accept fees but up to 30 per cent indicate they would definitely or probably pay, if there were no other choice.

• Charges are most acceptable for breaking news (28 %) or hard news (22 %). Nineteen per cent indicate they would pay for international news and 16 per cent would purchase feature and analytical news.

Consumers don’t want to pay
News consumers, long used to getting their news free because production costs were mostly subsidized by advertising, are balking at the idea of having to pay for content, now that revenues are falling below the level needed to sustain media operations on both legacy and online platforms.

For the last few years, operators have been scrambling to find a new model that will generate sufficient revenue to keep them afloat. Many, including media titan Rupert Murdoch, have seized on paywalls as the panacea for what ails the news business but consumers are not prepared to go along, according to a collaborative survey conducted recently by the Canadian Media Research Consortium (CMRC) and Vision Critical.

The internet survey of 1,682 adults showed that Canadians are overwhelmingly opposed to fees for content. Ninety-two per cent of those who get news online said they would find another free site.
if their favourite news sites started charging for content. Somewhat surprisingly, there is little or no difference among age groups, educations levels or urban and rural populations on this question. At present, approximately 85 per cent of internet users in Canada get news online at least once a month.

If media owners insist on going ahead with paywalls against these odds, 81 per cent of consumers say they would not pay to continue reading their favourite online news site. Only four per cent overall are willing to pay and the other 15 per cent are unsure. (See Figure 1.) Here, there are no significant differences among those unwilling or unsure about paying but there is some variation in the results for the sexes and language groups, among those willing to pay. Men (5%) seem more willing than women (2%). French speakers (6%) are more willing than English speakers (3%). There is also more willingness as education and income levels rise but keep in mind that these results apply only to four per cent who read news online. So long as these attitudes prevail, media owners had best start looking elsewhere for new revenue streams. Having gotten used to news online for free, people seem adamant that they won’t pay.

**Might attitudes change over time?**

Is there any hope that attitudes could change? Perhaps, but so far, there is scant evidence that they will. An online survey of Canadians, conducted in 2009 by Vision Critical, found similar resistance and surveys done in the U.S. and the U.K. don’t reveal much appetite for paywalls. Opposition in the U.S. is not quite as strong as in Canada – 82 per cent would go elsewhere if their favourite sites started charging, according to a Pew Institute study carried out in 2010. Where paywalls have been introduced, huge losses in online traffic have resulted. The Globe and Mail reported recently that The Times of London regularly attracted more than six million unique visitors per month but since July 2010 when paywalls were introduced, the number has not gone above 2.5 million, a 60 per cent drop from one year ago. The New York Times started charging Canadians on March 17. So far, the newspaper company does not appear to be discouraged by its counterpart’s disappointing numbers.

The recent CMRC survey found that Canadians are more willing to pay for music, games, movies, e-books and even ringtones online than they are to pay for news but even in these categories, the numbers are not high: twenty-six per cent already pay for music; 19 per cent pay for games; nine for movies; eight for e-books and a surprising 12 per cent for ringtones. When consumers first started having to pay to download music, resistance was widespread so perhaps this is evidence that attitudes toward paying for news could change over time. The problem is that media owners need new revenue streams sooner, rather than later, and they may not survive long enough for attitudes to change.

While they may be totally against paying for news, consumers have started to think about what they would do if charges were implemented. Respondents to the survey answered several questions having to do with what types of news and publications they would be willing to pay for and what form of payment they would prefer. The vast majority of consumers is unwilling to accept fees but up to nearly 30 per cent indicate they would definitely or probably pay, if there were no other choice. The numbers vary depending on the type of publication. Twenty-eight per cent would be definitely or probably willing to pay to receive
their local online newspaper or their national newspaper. Eighteen per cent say they definitely or probably would pay a fee for an online international newspaper; 17 per cent would definitely or probably pay for a national magazine or to take part in an online community site based on common interests. The only noteworthy variant among these overall results is that for local and national online publications, French speakers seem slightly more inclined to definitely or probably pay (31%) than English speakers (25%). However, among those who definitely won’t pay, there is no discernible difference of opinion between English and French Canadians.

It is interesting, but hardly surprising, that opposition to paying for online magazines, be they local, national or international, is even higher than for newspapers in all these categories. Eighty-eight per cent say no to charges for local magazines, 85 per cent are against charges for international magazines and 83 per cent don’t want to pay for national magazines online. Numbers opposed to paying for newspapers in these categories are, on average, 10 per cent lower.

**What if there were no choice but to pay for content?**

If there were no choice, some online consumers would likely pay for certain types of news. Charges are most acceptable for breaking (28%) or hard news (22%). Nineteen per cent indicate they would pay for international news and 16 per cent would purchase feature and analytical content. Investigative news and financial news come next at 13 per cent each. Sports follow with 12 per cent willing to pay. Specialty news, soft content, entertainment and celebrity news and Pro/Am news (generated by citizen journalists but professionally edited) are at the bottom of the list, presumably because if one of these sites starting charging, it is so easy for a consumer to go elsewhere to find that kind of news. Again, it is prudent to remember that substantial majorities in all these categories remain unwilling to accept charges of any kind. (See Figure 2.)

Somewhat surprisingly, results in this area do not vary significantly by age but it appears that as education levels rise, fees are more acceptable, but only for some types of news (hard or breaking).

When it comes to what form of payment would be most acceptable, the survey shows a clear preference on the part of the consumer for a flat-fee subscription. Thirty-four per cent say they prefer this method. The next closest, among available choices, is metered charges – pay as you go (20%). There is little support for any of the other options presented: a per-day charge (6%), per-article fee (4%), or by purchasing a mobile device application such as a Blackberry news app (7%). The remainder does not want to pay… period! (See Figure 3.)

If people are unwilling to pay for content, are they ready to accept advertising online or to register and share personal data with the provider in the hope that these things will cover the costs of producing news and save them from having to pay a user fee? The news on this front, from a media owner’s point of view, is good and bad. The good news is that eighty-two per cent of news consumers are willing to accept advertising along with content if it means the latter is free. Only nine per cent are against and the same
per cent is unsure. The bad news for owners is that 58 per cent are not willing to serve up personal data as a means of mitigating costs. Nineteen per cent are willing to co-operate and 23 per cent are not yet certain. For most, this is a privacy issue and while the academic literature on the end of privacy seems to suggest that younger users are less concerned, this survey did not produce that result. Results were the same across all age groups, except among those who were “not at all comfortable” with sharing personal data. Here the traditional relationship showed up: people over 55 were more opposed (62%) than were those in the 18 – 34 age group (47%).

Given that media owners – old and new – see marketing of personal data as having the potential to make up for a good portion of lost revenues, this has to be a concern for them. Many members of the public are only beginning to become aware that when they search, buy or surf online, they are leaving a trail that provides useful information which can be aggregated, sold and used by merchants as a means of targeting people already interested in the type of product they are selling. The advantages of this type of advertising are obvious and more companies are doing it every day. If and when the public becomes more aware of the issue and decides they really don’t want it to continue, it may be too late. The practice is already widespread so the genie is out of the bottle.

Conclusion
If only consumers were as comfortable paying for content as owners would like them to be, the future would be a lot rosier. For owners, the paywall solution is neat and tidy, just like the old model except that the lion’s share of production costs is borne by consumers, not advertisers. Paywalls might work for selective publications, such as The Wall Street Journal and the Times of London but given current public attitudes, most publishers had better start looking elsewhere for revenue solutions. The Wall Street Journal is a financial newspaper with a specialized audience; the Times of London claims its audience is extremely loyal and would pay, if necessary. The latter lost droves of online readers (60% or more) when it introduced a paywall around its site in July 2010 but the owners say they are confident they can replace lost revenues in a matter of months, not years. Many remain sceptical.

Whether the Times of London succeeds or not, there is very little likelihood that their experience could become the model for others that are unable to replicate the quality of this venerable institution. When The New York Times introduces paywalls in the US at the end of March, it will provide a better test but again, this publication is revered by its readers because of a quality few can match.

Time is of the essence because a lot of media companies are already in trouble due to lost revenues as readers switch to online news. In order to survive, they need additional revenue streams in a matter of months, not years.

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This is the first in a series of reports that looks into the changing news consumption habits of Canadians. The next report, which examines how Canadians use media devices to access news, will be released in two weeks.