

WILLINGNESS TO PAY: NEWS MEDIA

In the first of a two-part essay on people's preparedness to pay for the media they consume, **TERRY FLEW** considers the future of news

There has been much attention in recent years to the future sustainability of news production, and the implications of a decline in professionally produced and locally based journalism for civic engagement, democratic participation and the public sphere. There has been a long-term drift of audiences and advertisers away from the dominant mass media formats of the 20th century, such as newspapers, magazines and broadcast radio and television, towards a wider range of digital options, including social media, subscription video-on-demand services, podcasts and blogs. There has also been growing questioning of the role of digital platforms in the transformation of media markets, and how equitable the relationships are between the many creators of news content and the small number of digital platforms, which have near-monopoly power in key digital sectors such as search and social media, as well as dominance in digital advertising.¹ These concerns about industry transformation and market power are overlaid by concern about the consequences of a changing news media ecology, particularly the impact of misinformation and “fake news” distributed through social media platforms by politically and ideologically motivated “bad actors”,² which in turn feeds into a wider distrust of not only the media, but all social institutions.³

This crisis of news and journalism has become a growing concern for policy makers around the world. The Cairncross Review into the future of journalism in the UK found that, with the decline in the number and profitability of news titles in the country, “the future of high-quality news reporting and public-interest news in particular is under threat”.⁴ In Canada, the Final Report of the Broadcasting and Telecommunications Review Panel expressed concern that “the digital shift has threatened the viability of Canadian news content. Traditional sources of news are losing revenues both from advertising and subscriptions ... compromising their capacity to produce quality news and information”.⁵ In its 2019 Digital Platforms Inquiry, the Australian Competition and Consumer Commission (ACCC) observed that:

The rise of the digital platforms has marked a continuation of the fall in advertising revenue that began with the loss of classified advertising revenue in the early days of the internet. Without this advertising revenue, many print/online news media businesses have struggled to survive and have reduced their provision of news and journalism. New digital-only publications have not replaced what has been lost and many news media businesses are still searching for a viable business model for the provision of journalism online.⁶

There has been a great deal of attention given to the relationship between the rise of dominant digital platforms such as Google and Facebook and the precarious fortunes of news media publishers. ACCC Chair Rod Sims has made the point that “these digital platforms appear to be more important to the major news media businesses than any one news media business is to the platforms ... [and] this creates a fundamental bargaining power imbalance between media businesses and Google and Facebook”.⁷ Comparable issues have been raised in many countries around the world. Sébastien Soriano, the President of France’s media regulator Arcep, argued that the power of the digital platform giants is now such that “we need Robin Hood, who took from the rich to give to the poor: we have to take the power from big tech and redistribute it to the many. Control over digital technology must be distributed among users, start-ups and civil society”.⁸ In its 2020 antitrust report on digital platforms, the US House of Representatives Sub-Committee on Antitrust, Commercial, and Administrative Law concluded that “companies that once were scrappy, underdog start-ups that challenged the status quo have become the kinds of monopolies we last saw in the era of oil barons and railroad tycoons”.⁹

PAYING FOR NEWS PRODUCTION

The plethora of inquiries into the power of digital platforms¹⁰ partly overlaps with the crisis of news and journalism. But there is a larger underlying question surrounding who pays for the current and future production of news. For commercially



based news providers, the dominant answer for many years was simple: advertisers. Whether it was classified or display advertising, or paid advertising slots on broadcast services, the assumption was that, for the most part, entities other than the direct producers or consumers of news were paying for the ongoing delivery of news services.

An implicit assumption of the digital age was that social media platforms might be the new display advertising: distribution of content through Google, YouTube, Facebook, Twitter etc. would enhance the reach of news content, and the benefits of advertisers buying space on these platforms would find its way back to the news content creators enabling them to expand their operations. But as the Tow Center for Digital Journalism has identified in its overview of publisher-platform relations over the 2010s, the overwhelming feeling among news publishers by the end of the decade was that the “end of an era” had been reached for this model, with many of the view that the platform companies had not met their end of the bargain, as seen most famously with Facebook’s decision in 2018 to deprioritise news on its News Feed. To take one example, the Deputy Editor of the *New Statesman*, Helen Lewis, explained with their 2018 decision to withdraw content from Facebook that, rather than “rely on advertising income and continually adjust your output to please the whims of Google’s algorithm and Facebook’s latest content strategy”, the better alternative was to “attract readers directly to your website, and ask them to pay something, rather than fund your journalism largely through adverts that users can find intrusive and irritating”.¹¹

The point has been reached where there is significant market failure in the commercial provision of news, with the returns from the advertising market no longer meeting the

requirements for the production and distribution of news to consumers.¹² The crisis of the advertising-supported financial model of news production which dominated mass media in the 20th and early 21st centuries, combined with the dominance of digital advertising markets by a small number of platform businesses, has left a large gap in the financing of journalism. As the Nobel Laureate Joseph Stiglitz observed, “Historically, the production of news has been a joint product with advertising ... and so those ads have supported the production of the news that we all depend on ... But if advertising is going down, there won’t be the production of news.”¹³

THE VALUE OF NEWS

At the same time, this brings into stark focus the whole issue of what is the value of news? As the various public inquiries into the future of news have observed, not all news is equally valuable, nor is it universally under threat of under-provision. Michael Schudson made the point that “The world will survive without a lot of the journalism we have today, but the absence of some kinds of journalism would be devastating to the prospects for building a good society, notably a good democratic political system.”¹⁴

From the supply side, local news and what is referred to as “public interest journalism” are the genres most seen to be under threat. ACCC Chair Rod Sims argued that “The risk that public interest news and journalism including local and regional reporting may be under-produced is an important societal issue. News and journalism generate important benefits for society through the production and dissemination of knowledge, the exposure of corruption, and holding governments and other decision-makers to account.”¹⁵ Similarly, the Cairncross Review observed that while the concept of “high quality journalism”



◀ invariably has a subjective element, there are some forms that have both high social value and which are most under threat in the current economic landscape, most notably investigative journalism and reporting on political and civic institutions (e.g. courts), especially at the local or regional level.¹⁶

PREPAREDNESS TO PAY

While it is important to talk about the value of news to society, if it is to be paid for by means other than advertising – asking readers to pay something – this brings forward the question of its value to individual consumers, as measured by their willingness to pay. A number of publications have been able to successfully pursue a subscription-based approach, including *The New York Times*, *Washington Post*, *Financial Times* and *The Economist*. Jeffrey Goldberg, editor of *The Atlantic*, undertook an ambitious expansion of its newsroom in 2018, observing that “I think quality journalism is a scarce commodity these days and I think the discerning readers reward places that are making stories that mean something.”¹⁷ It is certainly possible that models of news financing that rely upon engaged subscribers, rather than advertisers who have only a limited personal investment in the product, could mark a “levelling up” rather than a “dumbing down” of journalism.

At the same time, research undertaken so far on the willingness to pay for journalism¹⁸ suggests the following:

- It is a minority of news consumers that are prepared to pay for news;
- People are for the most part less prepared to pay for news than they are for entertainment media content such as subscription video-on-demand services (e.g. Netflix, Disney +) or for music (Spotify, Apple Music etc.);
- The demographic most prepared to subscribe for news is middle-aged men from the majority racial and ethnic groups.

In her book *News for the Rich, White and Blue*, Nikki Usher argues that the risk posed by newspapers being increasingly paid for by subscribers is that they will skew even more strongly to elites in major cities than is already the case. Usher argues that the challenge presented by the “unbundling” of print journalism is how to ensure that “this unbundled journalism does not end up leaving only those who are rich, white, and living in blue¹⁹ enclaves with quality news about government and public affairs that holds the powerful to account”.²⁰

A turn to subscription-driven news services could promote a turn to quality. In their comprehensive systematic literature review on the willingness to pay for news, O’Brien et al. observe that no studies undertaken so far draw a connection between trust and willingness to pay for news, even though many

of the most successful digital news brands are also among the most trusted.²¹ At the same time, subscription-driven news could promote further polarisation and news partisanship, reflecting the psychological desire to get information that conforms with and reinforces already existing beliefs.²² What is highly unlikely is that there will be a preparedness to pay for news that is on anything like the scale, or to as many segments of the population, that advertiser-financed news production has delivered for decades.

CONCLUSION – PUBLICS, PLATFORMS AND POLICIES

Ultimately, there will be greater attention given to the third parties that can finance news production, alongside advertisers and consumers. One approach, seen in Australia with the News Media and Digital Platforms Bargaining Code, is to look to digital platforms like Google and Facebook to contribute to news production in an ongoing way, as a quid pro quo for the value that such content brings to their sites. Another is that governments are increasingly involved in funding the production of news.²³



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Such measures have a long history in some European countries, such as Sweden and Austria, and are being trialled in other countries, such as Canada and Ireland. Australia has taken tentative steps in this direction with the establishment in 2020 of a Public Interest News Gathering (PING) Trust, with the Federal Government committing up to AUD\$60 million to support regional and public interest journalism.

The prospect of greater government funding of news production, as a result of market failure in the provision of journalism, throws up a range of complex questions that require further analysis. The first is what is the value of news? We tend to see some forms of news as having high social value (e.g. investigative journalism which exposes the misuse of power), and other forms as largely having value to individuals (e.g. share market predictions in the financial press). Because there has never been much of a link between the production of individual news items and the preparedness of consumers to pay for them, it is very hard to know what the “price” of news is. Eric Beecher, the owner of Australian independent news website, *Crikey*, made this point with regards to the News Media Bargaining Code, when he pointed out that “tech giants were being asked to comply with legislation where they had ‘no idea’ how much money will be involved. It could be \$10 million a year. It could be \$100 million. It could be \$1 billion. It could be \$10 billion”.²⁴ If governments are also going to be asked to pay for news, then the question of what



is the going rate for news is going to become more vexing.

The second point is that governments in Australia and elsewhere already pay for the production of news by financially supporting public service media. If governments are also to subsidise the activities of commercial media, then the question of what the relationship is between the two is inevitably going to arise. In the days when one was clearly financed through advertising and the other through taxation, the distinction was relatively clear-cut. But with public service media increasingly looking to other means to fund their activities, and commercial media looking to governments to support their ongoing activities, there is going to be considerable overlap of both functions and funding in the absence of clear principles or guidelines.

Finally, if governments are going to be in the business of paying for news, guidelines need to be put in place to avoid such programmes becoming a slush fund, where payment is contingent upon favourable news coverage. The predecessor of PING, the Regional and Small Publishers Innovation Fund, was criticised for seemingly arbitrary decisions which looked political, such as the refusal to fund the left-leaning *Guardian Australia* on the basis of it being foreign-owned. The 70-year history of arts funding through councils whose decision-makers are at arm's length from government ministers as well as the recipients of funds may provide some insights in this regard. At any rate, the issues of who decides about paying for the production of news, if it is not advertisers or consumers themselves, and of how much should be paid to make news production viable over the medium-term, are going to challenge media policy makers for some years to come.

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