

PAYING FOR ONLINE NEWS:
WHAT PROVIDES VALUE AND FOR WHOM?

A Thesis
presented to
the Faculty of the Graduate School
at the University of Missouri-Columbia

In Partial Fulfillment
of the Requirements for the Degree
Master of Arts

by
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DECEMBER 2014

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WHAT PROVIDES VALUE AND FOR WHOM?

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This thesis is dedicated to my husband, Jesse, who supported me through this graduate school process and made it possible for me to focus solely on completing this degree. This is also dedicated to my parents who knew nine years ago this was a path I should pursue but let me find my way back in my own time.

ACKNOWLEDGEMENTS

I would like to thank my thesis chair, Randy Smith, for making this research possible through funding and the guidance provided along the way. Also, thank you to the other members of my committee, Dr. Glenn Leshner, Dr. Clyde Bentley and Dr. Antonie Stam, for your support and guidance in this process.

I would also like to thank my colleagues at the Missourian for helping me think outside the box about the value of online news and alternative ways for generating revenue. It is my time in the newsroom that reminds me why research matters and drives my interest in newspaper business models for the future.

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Paying for online news:

What provides value and for whom?

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Abstract

The Internet significantly changed the revenue model for news organizations. Most newspapers elected to offer free websites when they first went online in the 1990s, but as print subscriptions and ad revenues declined, newspapers have struggled to find paying customers online. More news sites have adopted a subscription model, but previous studies have shown willingness to pay is low.

This research considers what online news consumers use news websites for, how valuable certain offerings are and what segments of consumers would be most willing to pay for added incentives. The research was conducted through a quantitative survey and identified surveillance and interaction as uses and gratifications for online news. It confirmed previous studies that willingness to pay is low for online news. But younger males and heavy social media users were more willing to pay, particularly for a subscription that offered additional incentives including a reward program and bundled subscription with other online services such as Hulu+, Spotify or Pandora. Existing subscribers were also willing to pay more than their existing subscription price to receive additional incentives.

Introduction and Purpose

The transition to digital publishing for newspapers has created a significant disruption in the business model for traditional print newspapers. The Internet has created a glut of information, mostly available to users for free, and newspapers have struggled to develop digital revenue models, particularly subscription models.

The traditional economic model of newspapers separated the value created for readers from revenues, which mostly came from advertising (Ludwig, 2000). The traditional advertising model didn't translate to equivalent online revenues because advertisers were no longer paying for production costs and were not willing to pay as much for access to the newspaper's online audience (Ludwig, 2000). In addition, the arrival of new competitors impacted classified advertising revenues.

Different digital models have been discussed and attempted since newspapers first began publishing content online in the mid-1990s. While newspapers knew they needed to find a revenue source, in the rush to go online, it became an afterthought.

New digital models are starting to focus on reconnecting reader value and revenues. Clemons and Lang (2003) wrote that newspapers create reader value through news selection and certification, news production and news distribution. Picard (2010) says it is not news that readers value but what it does for them that

creates value. This means news outlets must prove value by providing content desired by readers in the format and platform that fits them best (Picard, 2010).

But after years of receiving that news for free online, consumers are not willing to pay for access to that content. Studies in 2002 and 2010 found that consumers were generally against paying for online news and chose free alternatives (Chyi, 2005, 2012). Only a few demographic factors were predictors for willingness to pay. The 2010 survey in the U.S. occurred before the recent wave of paywalls by newspaper websites. The paying intent for six different revenue models was low (Chyi, 2012).

As a niche publication, *The Wall Street Journal* found success with its subscription model started months after launching its website in 1996 (Steinbock, 2000). But in recent years, more non-niche newspapers have taken a chance on digital subscription models to compensate for a decline in advertising revenue. *The New York Times* set a standard when it launched a metered pay model, requiring a subscription after accessing a certain number of articles per month, in 2011. According to a 2013 survey, 70% of 416 newspaper publishers surveyed said they have a paid content model for their website. The results from the survey signify that paid content models are becoming the norm (Jenner, 2014).

But there is little research about this latest iteration of the paywall and how readers respond. I was involved in a newsroom that implemented a digital subscription and sought to provide added value to digital subscribers, but we

were at a loss as to what's important and useful to subscribers and what would convert non-subscribers to pay.

Some newspapers are offering value-added services to digital subscribers to increase what a digital subscriber gets beyond unlimited access to the entire website. *The Dallas Morning News* attempted to prove value in user experience by offering digital subscribers access to a cleaner, ad-free redesigned website (Jean, 2013) but shuttered the experiment just nine months later (Jean, 2014). Some newspapers, including *The Sun Sentinel*, offer rewards to subscribers, including discounts at retailers and exclusive contests. Other newspapers tie mobile and tablet applications to a digital subscription. But do readers find value in those services and how do content and engagement come into play?

This research is based on the theoretical framework of uses and gratifications. The research, conducted through a quantitative survey, considers what factors are important in paying for a digital subscription and what incentives or offerings increase the value of a digital newspaper subscription.

The findings of this research will add to the limited research on general newspaper digital subscription models and contribute to academic research on how readers value online news. For newspapers and other news websites using or planning to implement a digital subscription model, this research will provide valuable information about what consumers are seeking for a news site and which value-added offerings will most likely resonate with readers and provide perceived value.

Purpose: The purpose of this study is to determine what news consumers use online news for and what provides value in an online news subscription and for whom.

Literature Review

With the disruption of the news industry created by the Internet, news organizations have been looking for ways to reconnect revenues and value creation. In the traditional newspaper model, revenues were tied to advertisers, who sought access to newspapers' audience.

After years of readers receiving news online for free, the majority of U.S. newspapers are implementing digital subscriptions. *The New York Times* may have set a standard with its metered model, but there is little research on what readers seek from a digital news subscription. Consumers' selection of an online news subscription will depend on the needs they are seeking to fulfill. The willingness to pay for access to online news will also depend on consumers' perceived value of what they are getting for the price paid (Zeithaml, 1988).

A review of uses and gratifications theory and research on consumer value will provide the framework for this research. A look at existing and proposed subscription models will help define the options for consumers to consider.

Theoretical framework

Uses and Gratifications Theory assumes that the audience seeks out media to satisfy a particular need. Uses and gratifications research was first introduced in the 1940s and 1950s. In studying why radio listeners liked a particular show, Cantril (1940) described gratifications research as identifying "the satisfactions which the listeners derive from a certain program" (p. 62).

A more systematic research approach was created in the 1960s and 1970s (Tan, 1981, p. 297).

Katz, Blumler, and Gurevitch (1973) say, “[U&G studies] are concerned with: (1) the social and psychological origins of (2) needs, which generate (3) expectations of (4) the mass media or other sources, which lead to (5) differential patterns of media exposure (or engagement in other activities), resulting in (6) need gratifications and (7) other consequences, perhaps mostly unintended ones” (p. 510).

The basic assumptions of U&G research are that the audience is active and makes media choices based on satisfying a particular need; the audience is able to articulate the motivation behind media consumption; “personal utility is a more significant determinant of audience formation than aesthetic or cultural factors;” and the factors at play in media consumption choices can be measured (McQuail, 2000, p. 388).

Ganahl (1994) defines media use as “a measurement of the audience’s deliberate effort to satisfy specific needs” (p. 6), while gratifications are defined as “satisfied audience needs” (p. 13).

Katz, Haas, and Gurevitch (1973) classified a list of needs from prior literature into five groups: cognitive, affective, personal integrative needs, social integrative needs and escapist.

Cognitive needs refer to the gathering of “information, knowledge, and understanding” (p. 166). Affective needs deal with the “aesthetic, pleasurable and emotional experience” (p. 166). Personal integrative needs are related to

“strengthening credibility, confidence, stability, and status” (p. 166), while social integrative needs refer to “strengthening contact with family, friends, and the world” (p. 167). Escapist needs are the desire to escape or release tension (p. 167).

In a television audience study, McQuail, Blumler, and Brown (2009) defined four types of “media-person interactions” as diversion, personal relationships, personal identity and surveillance. Tan (1981) described these as the “actual needs satisfied by the media” (p. 298). The audience needs described by Katz, Haas, et al. (1973) can also be fulfilled through non-media sources — relationships, hobbies and sleep (Tan, 1981, pp. 288-289).

Diversion is defined as the “escape from the constraints of routine,” “escape from the burdens of problems,” and “emotional release” (McQuail, 2000, p. 388).

Personal relationships relates to companionship and social utility. In the McQuail et al. (2009) television study, companionship applies to the “vicarious relationship” viewers form with media personalities and fictional characters. Social utility refers to the way media is used in interactions with real people, including conversation, social activity around media and fitting in with a peer group (McQuail et al., 2009).

Personal identity includes the “ways of using programme materials to reflect upon or to give added salience to something important in the viewer’s own life or situation” (McQuail et al., 2009, p. 401). These are divided into three categories — personal reference, reality exploration and value reinforcement.

Surveillance is the acquisition of information in order for consumers to be informed about the world around them (McQuail et al., 2009).

In his replication of a newspaper readership study, Towers (1986) hypothesized three factors in the uses and gratifications of newspaper reading: surveillance, diversion and interaction. In his analysis, he found surveillance and interaction were loaded on one factor. He grouped those two factors into one that he called information.

In a study of magazine readership, Payne, Severn, and Dozier (1988) compared the uses and gratifications of readers of consumer magazines to those of trade magazines. Payne et al. (1988) compared three factors: environmental diversion, environmental interaction and environmental surveillance. The study found that readers of consumer magazines are looking for diversion, while readers of trade magazines are looking for interaction and surveillance (Payne et al., 1988).

In a study of Internet usage, Papacharissi and Rubin (2000) identified five factors of motives for using the Internet. These factors are: interpersonal utility, pass time, information seeking, convenience, and entertainment (Papacharissi & Rubin, 2000). The survey of college students supported the “informative and interactive capabilities” (Papacharissi & Rubin, 2000, p. 191). Students that were less comfortable with face-to-face interactions used the Internet as an alternative communication tool or to pass time (Papacharissi & Rubin, 2000, p. 192).

Picard (2010), who has researched the value of news, described the needs being fulfilled by news content and the use of media as functional, emotional and

self-expressive. He describes functional benefits as helping “audiences understand their place in the world and the events around them, and provides information and advice that helps them in their own lives and activities” (p. 79). Consuming news brings emotional benefits that provide “escape, companionship, sense of belonging and community, pleasure security and reassurance, and leadership” (p. 79). Using media offers self-expressive benefits that allow audiences to “identify with the perspectives, ideals, voice, and opinions of a particular news source” (p. 79). These described benefits generally identify the same key uses and gratifications described by others — surveillance, interaction, and diversion.

There are critics of U&G, arguing that it is not theoretical. Some of the challenges include the individual approach in looking at audience consumption that makes it difficult to expand the findings to broader usage. Studies have created different typologies and used different definitions, making it difficult to synthesize the research. Others are critical of the assumption of an active audience and the ability to self-report motivations. (Ruggiero, 2000)

However, Ruggiero (2000) argues that there is still a lot that can be learned from U&G research. Some adjustments have been made to more narrowly define typologies and better refine theories.

“[T]here has been a trend toward enlarging and refining theories concerning affective motivations toward media use” Ruggiero (2000, p. 13) wrote.

While there have been several studies involving uses and gratifications in connection to different media types, there is limited research on how uses and gratifications theory applies to paid online news. Hardin, Koo, Ruihley, Dittmore, and McGreevey (2012) studied why users of sports sites under the umbrella of Rivals.com were willing to pay for access to news about collegiate sports teams.

Hardin et al. (2012) considered five factors: team support, information pursuit, interactivity, diversion and value. The factors were defined as:

1. Diversion — use for relaxation and to escape from daily routine
2. Information — to obtain information and surveillance
3. Interactivity — share experience and knowledge with other message board users
4. Team Support — show support of a specific team
5. Value — product is worth the cost and is superior other forms of information (Hardin et al., 2012, p. 372)

In order to assess value, this research must first determine the uses and gratifications of online news. This study will base the factors of uses and gratifications on those used by Payne et al. (1988) and Towers (1986): diversion, interaction and surveillance.

Defining value

Value is difficult to define in any use because it is personal and varies depending on the product category (Zeithaml, 1988). Based on interviews of consumers, Zeithaml (1988) identified four definitions of value: “(1) value is low

price, (2) value is whatever I want in a product, (3) value is the quality I get for the price I pay, and (4) value is what I get for what I give” (p. 13).

She summarizes the varying definitions into an overall definition:

“perceived value is the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given” (Zeithaml, 1988, p. 14).

Picard (2010) considers the subject of value from philosophical and economic approaches. Philosophically, he considers intrinsic value, value of knowledge and value of experience.

“Value as seen from the philosophical standpoint is constant, with truth being valuable in and of itself and knowledge and understanding providing value in and of itself and knowledge and understanding providing value because of the ability to provide meaning and to be acted upon and to provide meaning and purpose,” Picard (2010, p. 45) writes.

But this approach to value doesn’t equate to economic value or willingness to pay for consumers. Economic value relies on the perceptions of the consumer and can change at any time (Picard, 2010). Economic value “is founded on the concept of worth, that something is useful, that it has importance, and that it can be used in an exchange” (Picard, 2010, p. 46).

Picard (2010) further expands the concept of consumer value for news organizations in a consumer value approach by going beyond the benefits for the price paid and considers “the relative worth or importance of the product in

terms of desirability and usefulness as well as the relationships and context of the contacts between buyer and seller” (p. 68).

But he notes the disconnect between what journalists consider valuable and what news consumers perceive as valuable. Journalists see value in the specific news and information produced, but consumers place the value on how they can use that news and information (Picard, 2010, p. 105).

“Although we may view journalism as good, it does not necessarily have value in and of itself or in terms of its exchange value in the marketplace,” Picard (2010, pp. 77-78) writes.

In the digital age, news organizations can prove their value by sorting through the information and providing content of use to readers in the format and platform that fits them best (Picard, 2010).

Clemons and Lang (2003) identify the sorting of news, what they call news selection and certification, as the news process that creates the most value for readers.

Picard (2010) goes on to emphasize exclusivity and specialization as the value creation strategies that are positive in “use, economic, and intrinsic value” (pp. 94-97). For local news organizations, this means localization. Other publications that cater to a specific interest — sports or business — have typically found success in this specialization approach (Picard, 2010, p. 97).

The nature of the relationship between news consumers and journalists has changed. News consumers desire a conversation, not a monologue. Opening

the door to increased engagement with audience can provide intrinsic and instrumental value for consumers (Picard, 2010, p. 127).

Willingness to pay

There is still a question of whether consumers are willing to pay for online news regardless of the features. Chyi (2005, 2012) found in two surveys conducted eight years apart that consumers are not very willing to pay for online news. Consumers still value the print edition, but when it comes to the online edition, they are unwilling to pay and instead move to free substitutes (Chyi, 2012, pp. 237, 239).

Chyi looked at what predicts a willingness to pay in the two surveys conducted in Hong Kong in 2002 and in the U.S. in 2010 (Chyi, 2005, 2012). In the Hong Kong survey, for demographics, age was the only predictor of willingness to pay, where younger users were more willing to pay than older users (Chyi, 2005, p. 139). When controlled for gender, age and education, there was a correlation between time reading newspapers and willingness to pay (Chyi, 2005, p. 139). The biggest reason people gave in the Hong Kong survey for not paying for online news was the existence of free alternatives (Chyi, 2005, p. 138).

In the U.S. survey, Chyi (2012) found that demographically, younger males were more willing to pay for online news than others, and news interest is a predictor of willingness to pay for all formats (p. 239). The survey also looked at whether the revenue model had an effect on paying intent (Chyi, 2012, p. 234). The paying intent for all six revenue models considered — a device at a reduced price or free, with a long-term contract with a news provider; micropayments;

tiered or metered model; day pass; customized content; and free access for print subscribers — was low (Chyi, 2012, p. 235). Chyi concluded that the type of model was irrelevant; it was a matter of whether there was a charge at all for web access (Chyi, 2012, p. 242).

The survey also asked what price respondents were willing to pay for different formats. The average price users were willing to pay for web access was \$3.10 and for apps, \$1.50 (Chyi, 2012, p. 239). But users were willing to pay \$7.70 for print. Chyi (2012, p. 239) notes that this willingness to pay more for print points to the experience readers desire from a format. The survey was conducted just after the Apple iPad was released, so it was too early to accurately predict people's willingness to pay for tablet apps.

History of digital revenue models

In 1996, 124 newspapers had websites, but few had a plan for generating revenue online (Harper, 1996, p. 6). The survey by Harper (1996) identified revenue strategies at the time; these included subscriptions (13 newspapers), digital advertising, and Internet Service Providers, where newspapers were ISPs and a digital subscription was part of the cost of service (Harper, 1996, p. 7). Most of those surveyed said they would charge for access to archives (Harper, 1996, p. 7).

Three of the newspapers surveyed were offering free online ads, and others weren't sure what they should be charging advertisers on this new platform (Harper, 1996, p. 7). Even though the newspapers were making the effort to go

online, the managers weren't sure about the technology or even if it would last (Harper, 1996, p. 11).

“Future research should focus on the economic viability of the online newspaper and whether it is simply a transitional phase to a different type of system to provide news and information,” writes Harper (1996, p. 11).

Harper (1996) found smaller newspapers were hesitant to invest significant funds, while the content editor at *The New York Times* encouraged investment in research and development (p. 11).

Ming and White (2000) identified similar business models in a study of conversations about revenue between 1996 and 1999. In addition to digital subscriptions and advertising, the researchers suggest a transactional model where online news sites serve as intermediaries for consumers and sellers (Ming & White, 2000, pp. 80-81).

In 2005, Mensing (2007) conducted a survey to identify changes in digital revenue models and strategies for online news sites since a 1996 survey. Mensing (2007) found that it was more of the same (p. 33). Newspapers didn't have a clear plan for revenue, and some newspapers that had digital subscriptions from the beginning had ended them (Mensing, 2007, p. 24). But in the 2005 survey, 40 percent of managers were expecting a shift to online subscription fees (Mensing, 2007, p. 30). Display and classified advertising were heavily relied on for digital revenues, and there was little investment in research for future digital models (Mensing, 2007, p. 35).

In the midst of the ongoing transition to the web, newspapers' advertising revenues were hurt by the recession of 2008. Before the recession, advertising revenues in print represented 80% of newspapers' advertising revenues, and online ad revenue represented just 10% (Kirchhoff, 2010, pp. 32-33). Print revenues declined and were not expected to return to pre-recession levels (Kirchhoff, 2010, p. 33). Large newspaper companies were also trying to manage large amounts of debt from purchases before the recession (Kirchhoff, 2010, p. 34). The response from newspaper companies was to cut costs, which meant laying off newsroom staff, shrinking the size of the print edition and even decreasing the number of distribution days (Kirchhoff, 2010, p. 32).

Charging for online content "has become the norm" among newspapers in the U.S. (Jenner, 2014). In a survey of 416 newspaper publishers, 70% said they had a paid content model, according to Jenner (2014). Of the remaining 30% of publishers, 55% said they would introduce a pay model in the next year (Jenner, 2014). While scholars do not consider a single model as a magic bullet for sustaining newspaper operations through digital revenues, paid online content has become a common model for users to establish an additional revenue stream.

Working models

However, some news sites have successfully created an online subscriber base that supports operations. *The Wall Street Journal* is the most cited success story in the literature.

Steinbock (2000) breaks down what made *The Wall Street Journal* successful in its digital endeavors. *The Wall Street Journal* developed the

interactive site with a clear business plan in place (Steinbock, 2000, p. 182). When the site, known as Wall Street Journal Interactive Edition, launched in the summer of 1996, it was free but only for a limited time, which was clearly stated to readers (Steinbock, 2000, p. 184). Within six months of launching, a permanent price structure was in place, and over time, the *Journal* converted web readers to digital subscribers (Steinbock, 2000, p. 186). By 1998, there were 250,000 Interactive subscribers, of which about 150,000 were new customers (Steinbock, 2000, p. 186). *The Wall Street Journal* also never compromised on advertising rates; it required a premium for advertisers to reach its audience (Steinbock, 2000, p. 186). The Interactive site was treated as a separate medium, not just a place for republishing what was published in print (Steinbock, 2000, p. 186). For example, technology news was expanded online at the request of readers (Steinbock, 2000, p. 188).

The Wall Street Journal did not enter the digital world blindly. It invested heavily in research and development and knew where its revenue would come from before the site was launched (Steinbock, 2000, p. 189).

Steinbock (2000) described the factors for success this way: “It invested aggressively in new technologies that would provide the customers with value-added services, as well as more and better products, and it systematically shifted investment capital to allocations that promised the best returns” (p. 189).

Another example of a successful subscriber-based news site is Rivals.com. According to the survey by Hardin et al. (2012), Rivals.com has created a loyal customer base (average time of subscription was 3.5 years) through the news and

community offered on its various sites (p. 374). The site shows that given the desired content in a common community, readers are willing to pay for access.

The New York Times first tested a subscription service through its Times Select program, which limited access to columns and certain other features to paid subscribers (Schiller, 2007). The service ended in 2007 after two years (Schiller, 2007). In 2011, *The New York Times* launched a metered pay model that requires a subscription after accessing a certain number of articles per month ("Choose the Times subscription that's best for you," 2013). *New York Times Magazine* reported in 2012 that *The New York Times* has more revenue from subscriptions than advertising (Coscarelli, 2012). At the end of the second quarter of 2014, *The New York Times* had 831,000 digital subscribers (The New York Times Company, 2014).

Other newspapers mentioned briefly in the literature include the *Arkansas Democrat-Gazette*, which launched a digital subscription model in 2002 (Nevradakis, 2013), and the *Tulsa World*, which offered digital subscriptions from 2000 to 2005 and relaunched digital subscriptions in April 2011 (Tartakoff, 2011).

Nevradakis (2013) found that the early adopters that stayed the course — like the *Arkansas Democrat-Gazette* and *The Wall Street Journal* — have been more successful with paid digital models and have seen a greater benefit in print circulation.

Proposed models

Some scholars suggest that content is not the only thing to consider in driving value for consumers.

Berman, Battino, and Feldman (2011) in their investigation of new business models for media say the one-size-fit-all model doesn't work anymore. Newspapers need to think about improving the user experience and provide options for customization (Berman et al., 2011, pp. 44-45). New platforms provide opportunity for increasing value or retaining customers as value-added options (Berman et al., 2011, pp. 51-52).

The *Miami Herald* created and sold an app focused on the Miami Dolphins to create new value instead of charging for something that was previously free (Mitchell, 2012, p. 162).

Mitchell (2012) also emphasizes user experience in considering what the consumer wants. He also sees opportunity for local newspapers in selling community, not just content.

In September 2013, the *Dallas Morning News* announced it would drop its original paywall system that limited what content was available to non-subscribers (Jean, 2013). Instead it launched a new subscription site that boasts a cleaner design with fewer ads as well as personalized recommendations, following the idea of value in user experience (Jean, 2013). Non-subscribers still had access to all of the stories but on the original site with ads (Jean, 2013). By July 2014, the *News* had shut down the paid website and discontinued its paywall (Jean, 2014). The chief marketing officer said the newspaper would shift its

resources to the mobile space and declined to provide details about the number of subscribers during the experiment (Jean, 2014).

Another approach to the online subscription is bundling. *The Times of London* announced plans to bundle its online subscription with a subscription to Spotify, an online music service (Doctor, 2014a).

The South Florida Sun Sentinel has restricted investigative reporting, in-depth sports stories, columns, and blogs to subscribers. Users who register with the site but don't subscribe get five "premium" articles per month, while everyone else gets access to "unlimited breaking news." Other perks for subscribers include: a rewards program, which includes deals for various products and contests; a digital replica of the print edition; and "discounted access to our signature events" (Sentinel, 2014).

Slate is testing a model that provides additional enhancements to subscribers but doesn't impact the experience for non-subscribers. The magazine will increase the opportunity to engage with the brand through private events and question-and-answer sessions. (Benton, 2014) In the latest iteration of its digital subscription, *The New York Times* is attempting something similar with Times Premier that provides more access for Premier subscribers, including behind-the-scenes reports from journalists on big stories, two free ebooks per month and exclusive video interviews (New York Times).

These examples provide the scenarios that will be used to gauge perceived value from news consumers in this research.

But not all newspapers are focused on the digital subscription approach. Under the leadership of Jeff Bezos, *The Washington Post* is focused on improving its journalism and expanding its reach. While the newspaper has a metered paywall, it recently partnered with local newspapers around the country to give the subscribers of those newspapers access to its content (Doctor, 2014b). *The Washington Post* gains audience but not subscription revenue, though it could see increased digital advertising revenue from that expanded reach (Doctor, 2014b).

The lack of research in this area has left most news organizations guessing the best way to gain and serve digital subscribers. Online digital subscriptions are becoming common practice, but it is unclear what needs have to be met for a consumer to pay and what, if anything, adds perceived value for the news consumer. This research is based around those questions.

Methodology

Research questions

Research question 1: What uses and gratifications create perceived value for the consumer as part of an online subscription?

Research question 2: What predicts paid value (in dollars) for certain offerings as part of an online subscription?

Research question 3: For existing subscribers, what offerings add perceived value for an existing subscription?

Research question 4: How much are consumers willing to pay for values of journalism?

Methodology

Research design: The research was conducted using a quantitative online survey. The research is specifically looking at the use and willingness to pay for online news, so it is appropriate to use an online only survey. Chyi (2012) used an online survey in her most recent willingness to pay study. The online survey model provided a larger sample size at a lower cost.

Testing instrument: An online survey (Appendix 1) was developed based on previous media uses and gratifications studies and willingness to pay studies, as well as the research on value-added offerings news sites are trying in digital subscription offerings.

The survey was created through the survey website Qualtrics. The survey split respondents into non-subscribers and subscribers and adjusted the

questions accordingly. The non-subscriber survey had 16 questions, and the subscriber survey had 15 questions. The survey took an average of 8 minutes to complete.

Participants: The survey was conducted using a national non-probability panel supplied by Qualtrics. Qualtrics recruits panelists from online communities, social networks and websites. The volunteers are then narrowed through quality control systems before being included in a panel. A random selection of panelists was contacted by email to participate in this study.

The study was funded through chair funds from Randy Smith, Donald W. Reynolds endowed chair. The online panel through Qualtrics cost a total of \$2,500.

Online panels are now used in one-third of all quantitative research because of the reduced time and cost required to conduct studies, but there is some debate about the quality of data based on non-probability panels (Callegaro, 2014, p. 18). This survey was specifically designed for Internet users and not including non-Internet users was not a concern, but studies have shown that members of online panels are heavier users of the Internet than the general online population (Callegaro, 2014, p. 47).

In this survey sample, females were overrepresented compared to the general online population.

The panelists that chose to respond from an email invitation were prescreened to determine eligibility. Respondents had to be age 18 or older and not work in a media field. The respondents were also asked how frequently they

typically read news online: daily, 4-5 times a week, 2-3 days a week, once a week or rarely. Respondents that selected once a week or rarely were not allowed to continue to the remainder of the survey.

There were 547 completed surveys for study. The sample size is typical for these studies, which had sample sizes ranging from 200 to 750 participants.

The response rate was 51%. Eligible respondents were compensated \$1.50 for completing the survey through a third-party vendor used by Qualtrics.

Procedure: The researcher built the survey after committee approval. Following IRB approval, the survey was shared with a product manager at Qualtrics. Data quality measures were added, including attention filters and forced responses. Qualtrics did a soft launch of the survey on June 25, 2014, to gather 10% of the responses to assure data quality. The survey was paused while the researcher reviewed the data. One issue involving the collection of data for the frequency of reading news online was resolved after the initial testing period. The survey was fully launched on June 26, 2014. By June 28, 2014, 550 responses were completed, and the survey was closed. Under the terms of the contract, the data from over-quotas was not provided to the researcher.

Of the 550 responses, three were removed. Two were removed because respondents said they subscribed to an online news site but then indicated they didn't know or weren't sure of where they had a subscription. The third response was removed because the respondent did not reside in the United States.

The researcher downloaded the data as an SPSS file for data testing. The next section discusses the controls and variables used in testing.

Controls

Age: The age of respondent in years.

Gender: Gender of respondent.

Education: The highest level of education the respondent completed.

Income: Annual household income for the respondent, selected from a range.

Marital status: The relationship status of the respondent.

Location: The state the respondent resides in. (These results were standardized and then grouped by census demographic regions.)

Independent variables

Online news use: As part of the pre-screening, respondents were asked how often they read news online. Respondents that read news online daily, four to five times a week and two to three times a week were allowed to continue with the survey.

News source: Respondents were asked to indicate how frequently they use different sources for news. For each source, respondents selected frequency of use on a 1 (never) to 5 (always) scale. The sources are: Newspaper website, print newspaper, other news websites, radio news, television news, social media and other.

Dependent variables

Willingness to pay and free alternatives (non-subscribers): How likely a respondent was to pay for an online news subscription and how likely they would

be to seek a free alternative if their preferred site required a subscription on a 1 (very unlikely) to 7 (very likely) scale.

Perceived value of types of content and interaction (non-subscriber):

How valuable respondents considered certain formats of content, ability to interact on the site and with the reporters and editors and other features of online news on a 1 (not at all valuable) to 7 (very valuable) scale.

Dollar value of values of journalism (non-subscriber): How much respondents were willing to pay for certain values of journalism. Respondents chose from a scale of nine dollar amounts from \$0.01 to \$20 but also had an “already expected option.”

Dollar values for offerings as part of subscriptions (non-subscriber):

How much respondents were willing to pay for online news subscriptions that included specific add-ons. Respondents chose from a scale of nine dollar amounts from \$0.01 to \$20.

Perceived importance of types of content and interaction (subscriber):

How important respondents considered certain formats of content, ability to interact on the site and with the reporters and editors and other features of online news on a 1 (not at all important) to 7 (very important) scale.

Perceived value of values of journalism (subscriber): How valuable respondents considered values of journalism on a 1 (not at all valuable) to 7 (very valuable) scale.

Dollar values for offerings as part of subscriptions (subscriber): How much respondents were willing to pay on top of existing subscription prices for

certain add-ons. Respondents chose from a scale of nine dollar amounts from \$0.00 to \$20.

Demographics

For the entire sample of 547, participants ranged in age from 20 to 86. The average age was 48.71, and the median age was 50. Of respondents, 65.6% were female and 34.4% were male. The median education level was some college with 40.6% having completed a college degree or higher. In terms of marital status, 57.4% were coupled and 41.8% were uncoupled. Forty-eight states were represented with the largest number of respondents (37.3%) living in the South, based on U.S. Census regions.

When respondents that didn't select an income were removed (n=530), the median annual household income was \$50,000 to \$74,999. The mean annual household income was \$40,000 to \$49,999.

Subscribers vs. nonsubscribers

The survey split to separate respondents that currently subscribe to an online news site from those who don't. Of respondents, 47 responded yes that they subscribe to an online news site.

Demographically, subscribers ranged in age from 26 to 67. The mean age was 42.6, and the median age was 41. Of subscribers, 51.1% were female and 48.9% were male. The median education level was a master's degree with 63.9% having completed a college degree or higher. In terms of marital status, 63.8% were coupled and 36.2% were uncoupled. Twenty-three states were represented with the largest number of subscribers (51.1%) living in the South, based on U.S.

Census regions. The mean and median annual household income was \$50,000 to \$74,999 for subscribers.

Respondents who said they subscribed to an online news site were asked to give the name of the site they subscribe to. Local news sites were the most frequent at 12 respondents, and CNN was the most frequent single news source, cited by 10 respondents. Five respondents subscribed to more than one site.

For non-subscribers (n=500), the age range was 20 to 86 with a mean age of 49.28 and median age of 51. Of non-subscribers, 67.0% were female and 33.0% were male. The median education level was “some college” with 38.6% holding a college degree or higher. For marital status, 42.4% were uncoupled and 56.8% were coupled. The mean and median household income for those that responded (n=483) was \$40,000 to \$49,999.

Respondents were also asked the frequency they use various sources for news. Among non-subscribers, television and other news websites (those not tied to a newspaper) were used the most frequently with a mean of 4.17 and 3.63, respectively, based on a 1 (never) to 5 (always) scale, with standard deviations of 1.099 and 1.282. Newspaper websites were third at 3.28, standard deviation of 1.260, followed by print newspapers (2.96, standard deviation of 1.402) and social media (2.78, standard deviation of 1.490).

Results

Research question 1: What uses and gratifications create perceived value for the consumer as part of an online subscription?

Research question 1 sought to examine the uses and gratifications that create perceived value for news consumers. Nine statements regarding the perceived value of offerings in a news website subscription were factor analyzed using principal component analysis with Varimax rotation. The analysis showed two factors that explained a total of 69.181% of the variance for all of the variables.

Table 1: Factor analysis of Uses and Gratifications

Statements: How valuable would the following be in a subscription to a news website? (Not at all valuable to very valuable, 1 to 7)	Component 1	Component 2
More video and interactive content		.593
More local news coverage		.807
News stories with more context and explanation		.803
Digest of the most important news		.771
Ability to customize the website experience based on news you are interested in		.674
Commenting on stories	.836	
Online chats with reporters and editors	.902	
Networking events to talk with reporters and editors	.902	
Ability to rate stories	.791	
Reliability (Chronbach's Alpha)	.913	.827
% Total variance explained	36.887%	32.294%
Total variance explained = 69.181%		

The first factor was labeled interaction based on the high loadings of the following items: commenting on stories; online chats with reports and editors; networking events to talk with reporters and editors; and the ability to rate stories. The surveillance factor explained 36.887% of the variance and had a strong Chronbach's alpha of .913.

The second factor was labeled surveillance based on the high loadings of the following items: more video and interactive content; more local news coverage; news stories with more context and explanation; digest of the most important news; and ability to customize the website experience based on the news you are interested in. The surveillance factor explained 32.294% of the variance and had a Chronbach's alpha of .827.

The means of the factors were 3.5825 for interaction and 4.992 for surveillance based on a 1 to 7 scale of not at all valuable to very valuable.

Research question 2: What predicts paid value (in dollars) for certain offerings as part of an online subscription?

Overall, respondents were unlikely to pay for an online news subscription. Respondents were asked, "How likely is it that you would pay for news and information from a news website?" They selected from a 1 to 7 scale of very unlikely to very likely. The mean response was 2.28 with a standard deviation of 1.570. When asked, "If you had to pay for access to your preferred online news website, how likely is it that you would find a free alternative?", the mean response was 2.0420 on a 1 to 7 scale of very likely to very unlikely. But in a

hierarchical regression, there were some significant predictors of respondents' likelihood of paying.

In the first model of demographic factors, age was a significant predictor with younger respondents more likely to pay for a subscription to a news website. In the second model, which includes the frequency of use of different sources for news, age and gender were significant demographic predictors. Frequency of using newspaper websites, print newspapers and social media as news sources were also significant predictors in likelihood to pay. Those predictors explain 25.1% of the variance in likelihood to pay.

Table 2: Regression model of willingness to pay

<i>Model 1 (n=482)</i>	
Predictor	Beta
Gender	.079
Age	-.210***
Income	.079
Education	-.020
Model	F(4, 477)=7.244, p<.001
R Square	.057
<i>Model 2 (n=482)</i>	
Gender	.095*
Age	-.196***
Income	-.014
Education	-.004
Newspaper websites	.220***
Print newspapers	.221***
Other news sites	.058
Television	.008
Radio news	.075
Social media	.127**
Model	F(6, 471)=16.193
R Square	.218***
R Square change	0.161***

*p≤.05, **p≤.005, ***p≤.001

To answer research question two, respondents were asked to put a dollar value on different offerings as part of an online subscription. Respondents selected a dollar value for six different offerings: access to mobile and tablet

platforms; fewer ads on a user-friendly site; bundled with another online subscription (ex. Hulu+, Spotify, Pandora, Netflix); exclusive content for subscribers; reward program (ex. discounts at restaurants and retailers, points for redeemable prizes); and digital replica of the print edition (if site is part of a newspaper or news magazine). The dollar values were \$0.01, \$2.50, \$5.00, \$7.50, \$10.00, \$12.50, \$15.00, \$17.50 and \$20.00.

The dollar amounts that respondents were willing to pay were small across all offerings. The mean only reached \$2.50 for the reward program offering.

Table 3: Mean and median values of offerings in a monthly subscription for non-subscribers

Offering	Mean (n=500)	Median (n=500)	Standard deviation
Access to mobile and tablet platforms	1.52	1.00	1.095
Fewer ads on user-friendly site	1.77	1.00	1.345
Bundled with another online subscription	1.94	1.00	1.537
Exclusive content for subscribers	1.80	1.00	1.331
Reward program	2.01	1.00	1.457
Digital replica	1.74	1.00	1.430

While respondents were not willing to pay much for the different offerings, there were significant predictors of how much respondents were willing to pay, according to a hierarchical regression model. Social media users were more

willing to pay for all six different offerings and age and gender were significant predictors in some cases.

The tests were also run to test frequency of reading online news as an independent variable. It was not a significant predictor in any case. The models below do not include the variable because missing data for that variable decreases the sample size and otherwise had no impact on the results.

Table 4: Regression model of offerings for non-subscribers

	Mobile/tablet platforms	Fewer ads on user-friendly site	Bundled with other service	Exclusive content	Rewards program	Digital replica of print edition
<i>Model 1 (n=482), standardized coefficients (Beta)</i>						
Gender (male)	.124*	.089*	.091*	.116*	.092*	.110*
Age	-.152***	-.088	-.197***	-.130**	-.137**	-.063
Income	-.007	-.016	.047	.050	.065	.0045
Education	-.061	-.013	-.057	-.089	-.083	-.108*
Model	F(4,477)=5.317, p<.001	F(4,477)=1.984, p>.05	F(4,477)=6.559, p<.001	F(4,477)=4.736, p<.001	F(4,477)=4.414, p<.005	F(4,477)=3.183, p<.05
R Square	.043	.016	.052	.038	.036	.026

* p ≤.05, **p ≤.005, ***p ≤.001

Model 2 (n=482), standardized coefficients (Beta)

Gender (male)	.130**	.096*	.102*	.131**	.107**	.125*
Age	-.111*	-.052	-.163***	-.084	-.091	-.006
Income	-.039	-.053	.005	.012	.020	.020
Education	-.034	.016	-.026	-.061	-.054	-.111*
Newspaper website	.007	.036	.033	.087	.061	.091
Print newspaper	.057	.072	.126*	.051	.082	.069
Other news site	.102*	.109*	.070	.064	.045	.018
TV	.039	.055	.022	.053	.031	.113*
Radio	-.048	-.066	-.056	-.049	.000	.013
Social media	.152**	.143**	.164***	.165***	.190***	.130*
Model	F(6,471)=3.218, p<.005	F(6,471)=3.691, p<.001	F(6,471)=4.202, p<.001	F(6,471)=4.141, p<.001	F(6,471)=4.665, p<.001	F(6,471)=3.369, p<.005
R Square	.080	.061	.100	.086	.090	.066
R Square change	.038**	.044***	.048***	.048***	.054***	.040**

* p ≤ .05, ** p ≤ .005, *** p ≤ .001

For a subscription that included mobile and tablet platforms, age and gender were significant predictors in the first model at $p < .05$ and $p < .005$, respectively. Males and younger respondents were willing to pay more for that option than other demographics. Income and education were not significant predictors. In the second model, which included demographics and frequency of use of different news sources, age and gender remained significant predictors. In addition, respondents that frequently use other news websites (non-newspaper sites) and social media as news sources were more willing to pay more for mobile and tablet platforms than frequent users of other news sources. The two models explain 12.3% of the variance.

For a subscription that includes access to a user-friendly site with fewer ads, the first model with demographics was not significant. There was significance for the second model. Males and users of other news websites and social media are more willing to pay more for access to a user-friendly site with fewer ads. The two models explain 7.7% of the variance in how much respondents were willing to pay.

For the third option — an online news subscription that is bundled with another online service (Hulu+, Pandora, Spotify, Netflix) — the first model with demographics was significant at less than .001. Male and younger respondents were willing to pay more for a bundled subscription. In the second model, age and gender remained significant predictors. In addition, frequent users of print newspapers and social media were willing

to pay more for a bundled subscription. The two models explain 15.2% of the variance.

For a subscription that includes exclusive content for subscribers, the first model for demographics was significant with male and younger respondents willing to pay more. In the second model, only gender was a significant predictor for demographics, while frequent users of social media as a news source were also willing to pay more for exclusive content. The two models explain 12.4% of the variance.

For the rewards program, the first model was significant with male and younger respondents willing to pay more for that option as part of an online subscription. In the second model, gender remains a significant predictor, and frequent users of social media were also willing to pay more. The two models explain 12.6% of the variance.

In the final option — a digital replica of the print edition — the first model was significant with gender and education level as significant predictors. Respondents that were male and had a lower level of education were willing to pay more for access to a digital replica. The second model was significant with gender and education remaining significant predictors. TV users and social media users were also willing to pay more for access to a digital replica. The two models explain 9.2% of the variance.

Subscribers

Subscribers were asked what they were willing to pay for the offerings beyond the current subscription price. The scale started at \$0.00

and went up by \$2.50. Subscribers were willing to pay more than current subscription prices for offerings.

Table 5: Mean and median of dollar values of offerings in a monthly subscription for subscribers

Offering	Mean (n=47)	Median (n=47)	Standard deviation
Access to mobile and tablet platforms	2.74	2.00	2.231
Fewer ads on user-friendly site	2.83	2.00	2.220
Bundled with another online subscription	3.45	3.00	2.292
Exclusive content for subscribers	3.19	2.00	2.242
Reward program	3.21	3.00	2.264
Digital replica	3.32	3.00	2.351

In the hierarchical regression for subscribers, there was a much smaller sample (n=47), and there were fewer significant predictors to explain the variance.

Table 6: Regression model of offerings for subscribers

	Mobile/tablet platforms	Fewer ads on user-friendly site	Bundled with other service	Exclusive content	Rewards program	Digital replica of print edition
<i>Model 1 (n=47), standardized coefficients (Beta)</i>						
Gender	-.035	.051	-.081	.063	.089	.166
Age	-.229	-.141	-.118	-.304*	-.226	.068
Income	-.113	-.131	-.153	-.154	-.098	-.061
Education	-.299	.253	.360*	.393*	.341*	.470**
Model	F(4,42)=2.05	F(4,42)= 1.082	F(4,42)= 1.880	F(4,42)= 4.096, p<.05	F(4,42)= 2.462	F(4,42)= 2.772, p<.05
R Square	.164	.093	.152	.281	.190	.209

* p ≤ .05, **p ≤ .005, ***p ≤ .001

<i>Model 2 (n=47), standardized coefficients (Beta)</i>						
Gender	.052	.127	.040	.120	.188	.268
Age	.095	.127	.197	-.087	.160	.376
Income	-.026	-.023	-.054	-.112	-.040	-.050
Education	.327	.244	.351	.423*	.383*	.453*
Newspaper	-.203	-.225	-.154	-.173	-.342	-.147
website Print newspaper	-.103	-.037	-.149	-.057	-.015	.012
Other news site	-.103	-.006	.052	.099	.068	.236
TV	.164	.122	-.053	.107	.148	-.242
Radio	.286	.269	.254	.133	.108	.028
Social media	.352	.323	.500*	.242	.513*	.548*
Model	F(6,36)=1.829	F(6,36)=1.180	F(6,36)= 1.904	F(6,36)= .676	F(6,36)= 1.760	F(6,36)= 1.832
R Square	.359	.242	.356	.354	.374	.394
R Square change	.195	.149	.204	.073	.184	.185

* p ≤ .05, **p ≤ .005, ***p ≤ .001

Demographics were a significant predictor for exclusive content. Younger and more educated respondents were willing to pay more a subscription that included exclusive content. The frequency of news sources used was not a significant predictor. The demographics model explains 28.1% of the model.

There was no significance in the models for any of the other offerings.

Research question 3: For existing subscribers, what offerings add perceived value for an existing subscription?

To answer research question 3, subscribers were asked about their perceived value of five values of journalism. The survey asked, “How much do you value the following items as part of your online news subscription?” The items were: timeliness, accuracy, exclusivity (content not found anywhere else), localization and compilation of the most important relevant news for you. Respondents answered on a 1 to 7 scale of not at all valuable to very valuable.

Timeliness and accuracy had the highest means for perceived value at 6.34 and 6.55, respectively. The median for both was 7 (very valuable). Exclusivity and compilation of news were also considered valuable with means of 6.02 and 6.09, respectively, with medians of 6. Localization of news had a mean of 5.83 and a median of 6.

Table 7: Mean and median perceived value for values of journalism

Perceived value (1 to 7) (n=47)	Timeliness	Accuracy	Exclusivity	Localization	Compilation
Mean	6.34	6.55	6.02	5.83	6.09
Median	7.0	7.0	6.0	6.0	6.0
Standard deviation	.915	.802	1.372	1.158	1.158

Research question 4: How much are consumers willing to pay for values of journalism?

To answer research question 4, respondents were asked to put a dollar value on five values of journalism. The survey asked, “How much would you be willing to pay for an online news subscription that promised the following things.” The selections were: timeliness, accuracy, exclusivity (content not found anywhere else), localization and compilation of the most important relevant news for you. Respondents selected from “already expected” (1), \$0.01, \$2.50, \$5.00, \$7.50, \$10.00, \$12.50, \$15.00, \$17.50 and \$20.00.

Generally, respondents already expected these values to be part of a news organization. For timeliness and accuracy, the mean was 1.75 and 1.84, respectively, and standard deviations of 1.215 and 1.455, indicating respondents already expected those things. Exclusivity had the highest mean at 2.50 and a standard deviation of 1.530, but that translates to a small dollar amount. Localization and a compilation of news had means of 2.23 and 2.39, respectively, with standard deviations of 1.454 and 1.626.

Table 8: Frequencies and mean and median values for value of journalism values in a monthly subscription

Value (n=500)	Timeliness	Accuracy	Exclusivity	Localization	Compilation
Already expected	59.6%	63.4%	29.2%	40.0%	37.2%
\$0.01	19.4%	14.0%	30.4%	26.0%	26.6%
\$2.50	13.8%	10.8%	21.0%	19.2%	16.8%
\$5.00	4.6%	6.6%	10.2%	8.2%	9.2%
\$7.50	0.2%	1.8%	3.0%	2.6%	4.8%
\$10.00	1.4%	1.6%	4.2%	3.0%	3.0%
\$12.50	0.4%	0.4%	0.6%	0%	1.0%
\$15.00	0.4%	1.0%	1.0%	0.4%	0.4%
\$17.50	0%	0%	0.2%	0%	0.4%
\$20.00	0.2%	0.4%	0.2%	0.6%	0.6%
Mean	1.7560	1.8360	2.50	2.2260	2.3940
Median	1.0	1.0	2.0	2.0	2.0
Standard deviation	1.215	1.455	1.530	1.454	1.626

Discussion

The results of the survey supported previous uses and gratifications studies and willingness to pay studies. The survey also identified potential new audiences and approaches news websites can target and implement for online subscriptions.

For research question one, the factor analysis of uses and gratifications of online news confirmed surveillance and interaction. A third factor (diversion) did not emerge. The items that applied to diversion loaded on surveillance in the analysis.

While the interaction variable had higher loadings, the surveillance factors held a higher value for non-subscribers. The means of the factors were 3.5825 for interaction and 4.992 for surveillance based on a 1 to 7 scale of not at all valuable to very valuable. The means for the surveillance factors ranged from 4.18 to 5.36, while the means for interaction factors ranged from 3.40 to 3.97.

The emergence of the surveillance factor confirms that gathering information is a valuable part of consuming online news. Respondents are looking for content useful to them as evidenced by a high value placed on local news coverage (mean = 5.36). News stories with context and explanation were also highly valued (mean = 5.22). The format of consuming that information mattered less. Video and interactive content was of less value (mean = 4.18), and a digest of important news (mean = 5.07) and a customizable website (mean = 5.13) held slightly less value than the content itself.

Online news has opened the door for increased interaction between news organizations and news consumers. This interaction factor had high loadings, but the means reflect a lower value placed on these opportunities by news consumers. Respondents found the highest value in the ability to rate stories (mean = 3.97) and commenting (mean = 3.54). Online chats with reporters and editors (mean = 3.40) and networking events (mean = 3.42), often offered as add-ons for subscribers, were considered slightly less valuable by non-subscribers.

The value of the surveillance factors shows that content matters, and while interaction is a factor in uses and gratifications of online news, it is less valued by news consumers.

The results of research question 2 reflect previous studies of a low willingness to pay for online news. Just 9.6% of non-subscriber respondents selected 5, 6 or 7 on a scale of 1 (very unlikely) to 7 (very likely) to pay for information from an online news site.

However, newspaper readers of both print and online were more willing to pay than frequent users of other sources for news. Newspaper companies have been the ones to venture into paid online news subscriptions, and based on the results, it appears they would have the most success in converting their existing customers.

Research from the *Columbia Missourian* supports this finding that existing readers are more likely to be converted to paying customers. The majority of digital subscribers surveyed by the *Missourian* were existing users of

the site and decided to join based on marketing of the online subscription on the newspaper's website (Stephens, 2014).

Other predictors of willingness to pay included frequent users of social media and younger males. This aligns with the willingness to pay study conducted in 2010 (Chyi, 2012). The study found younger males were more willing to pay for a web edition and an app. These demographics indicate newspapers could find a younger audience for their web offerings than might be typically assumed.

Also confirming Chyi (2012)'s study, income was not a significant predictor for willingness to pay.

When it comes to additional offerings, some respondents were willing to pay for some of the offerings but still in very small amounts. A reward program had the highest mean dollar amount, followed by a subscription bundled with another online service. These results indicate that respondents were more willing to pay when there was an added bonus for their money.

Across the board, the predictor for all of the offerings was gender with males willing to pay more for offerings. In the first model, age was a significant predictor with younger respondents willing to pay more for all offerings except fewer ads and a digital replica of a print edition. Age dropped as a significant predictor in the second model for all offerings except mobile and tablet platforms and a bundled subscription.

In the second model, education was a significant predictor for a digital replica of the print edition. Respondents with less education were willing to pay

more. Print editions typically direct readers to the most important stories, indicating hierarchy more clearly than a news site. This result could show that those with less education are looking for a clearer indication of what the important news is than a website provides.

Income never became a predictor in the models.

Respondents that used social media for news frequently were the smallest in number — 33.4% rated frequency of use at 4 or 5 on a 1 (never) to 5 (always) scale. However, these users were willing to pay more for all offerings. While the research on news outlets' use of social media is still limited, current research indicates most news outlets are focused on news dissemination (Armstrong & Gao, 2010). The findings of this survey indicate there could be more opportunity for news outlets to promote online subscriptions and convert its social media followers to paying customers. This group was more likely to pay generally, but they also responded to the added incentives as part of a subscription package.

Users of news websites not tied to a newspaper (“other news websites”) were willing to pay more for subscriptions offering a mobile and tablet platform as well as a subscription to a website that had fewer ads and a more user-friendly approach.

The experiments with a less cluttered website have been on the newspaper side — with mixed success. *The Dallas Morning News* launched a subscriber only site with fewer ads and stronger design but shut it down just nine months later. *The Boston Globe* launched BostonGlobe.com in the fall of 2011 under a hard paywall, while its Boston.com remained free with less content from the print

edition. By the spring of 2014, the *Globe* was using a metered paywall for BostonGlobe.com, similar to *The New York Times*' approach. The *Globe* was also an early leader in responsive design.

There is little academic research about the design and usability of news sites and the differences between a newspaper website and a news website such as CNN, Huffington Post or Yahoo News. It's possible there could be more room to improve in the user experience for the latter or that the consumers of other news websites care more about user experience than consumers of newspaper websites.

Print newspaper readers were willing to pay more for an online subscription that included a bundled service. This added-value service could be a better incentive than an online news subscription alone if print readers are generally satisfied with consuming news in print.

Respondents that were already committed to pay for news online (subscribers) were willing to pay more than their existing subscription prices to get more perks. Subscribers were willing to pay the most for a bundled subscription. *The New York Times* has started offering different levels of subscription with increasing perks. In addition to the digital subscription service, the Times has added a cheaper, more basic service is based around the mobile app NYT Now. It also launched Times Premier, which offers subscribers willing to pay more an insider view of the Times, access for family members and preferred access to events, among other things (Beaujon, 2014). A subscription to the Times' Opinion section was also tried. That subscription included access to

content on a mobile opinion app (New York Times, 2014). In its second quarter 2014 filing, the Times said NYT Now, NYT Opinion and Times Premier “represented the majority of the growth in the number of digital subscribers” (The New York Times Company, 2014). However, *The New York Times* announced in October 2014 that the NYT Opinion app would be shut down and the NYT Now app was not performing as well as the company hoped (Somaiya, 2014). The survey results indicate that this is a possible model for increasing revenue from existing customers.

Education was a significant predictor for four offerings in the first model and three in the second model. More educated people were willing to pay more for subscriptions that included a rewards program, exclusive content or a digital replica in the second model. The results differ from the non-subscriber results when it comes to the digital replica of a print edition. Lower education was a predictor for non-subscribers.

Among subscribers, frequency of social media use was a predictor for three offerings — a bundled subscription, a rewards program and a digital replica of the print edition. The interest seems to be high in a subscription that provides something more tangible for the money spent.

The results of research question three indicated that subscribers place a high perceived value on the values of journalism with timeliness and accuracy ranked as the most valuable on a 1 (not at all valuable) to 7 (very valuable) scale. Subscribers also found value in a compilation of news that is important and

relevant for them. Exclusivity and localization also had a high value among subscribers.

Subscribers seem to recognize the value of the values of journalism and are looking for a news site that provides accuracy and timeliness. More customization and exclusivity are less important but still valued and could serve as added-value for subscribers.

For research question four, it was determined that non-subscribers were not willing to pay for the values of journalism. Accuracy and timeliness were already expected. Generally, news websites have maintained a commitment to accuracy, and timeliness became even more important in the Internet age, though accuracy is sometimes sacrificed for timeliness. Since most news websites started off free and most with subscriptions that allow some free access, news consumers have come to expect accuracy and timeliness as givens.

Non-subscribers were willing to pay a minimal amount — less than \$2.50 — for exclusivity, localization and compilation. This seems to indicate there is some recognition of these as value-added offerings. This could be a way for news outlets to distinguish themselves and build a more loyal reader base even if those readers aren't willing to commit to paying for a subscription.

Limitations and future study

This study has weaknesses that could be addressed through further study. The survey was conducted using a non-probability online panel, affecting the ability to generalize the results to the online population. Participants in an online panel self-select by choosing to volunteer for a panel (Callegaro, 2014, p. 6), in

this case, reached through online marketing methods. It is appropriate for this study about paying for online news to target Internet users, but research shows participants in online panels tend to be heavier Internet users than the rest of the online population (Callegaro, 2014, p. 47). In addition, the participants were incentivized by a commercial research firm to participate in the study.

Participants were pre-screened to determine online news consumption. However, news consumers were not specifically targeted through the sites they use for consuming news. A more direct approach in reaching the audience of online news sites might provide more insight into potential customers of news websites.

The demographics leaned heavily toward women, which affects generalization to the larger population.

Existing subscribers to online news sites were not specifically targeted but were segregated to respond to a different set of questions. The result was a very small sample for the questions that applied only to subscribers, creating a larger margin of error in the results for that segment. Future studies could specifically target subscribers to provide more reliable results about what is valuable to subscribers.

For uses and gratifications, there were a small number of variables considered in the factor analysis and a limited number of variables that could have pointed to a third factor of diversion. A broader option of variables is needed to fully identify the uses and gratifications of online news.

Conclusion

Online subscriptions may never be the magic bullet for revenue for news websites, but this study shows there are opportunities to create additional revenue from new and existing audiences.

The results of this study show that there is opportunity to appeal to new subscribers if news organizations are more creative in the offerings for digital subscriptions through bundling with other online services such as Hulu+, Netflix and Pandora, and reward programs that offer discounts or other incentives. The study also identifies potential new audiences for news organizations to reach, but news outlets can't be afraid to be more aggressive in marketing and need to be willing to promote and sell the journalism they produce.

Younger males and social media users are particularly open to paying something for the right package offered by a preferred news organization. News organizations need to meet these consumers where they are to convert them to subscribers. Social media is often used to direct followers back to content, but it is also a powerful marketing tool that news organizations shouldn't be afraid to use to promote subscriptions.

Newspapers also have a built-in audience that is more likely to pay for a digital subscription than users of other news sources, according to this study. Newspapers should focus on what their existing readers are looking for and build a digital subscription package that builds on the loyalty of existing readers.

Once news organizations convert a reader to a subscriber, there is greater opportunity to expand subscriptions and encourage subscribers to pay more for additional perks. The publications listed by subscriber respondents indicated a loyalty to a local news outlet, and some respondents subscribed to multiple publications. Newspapers and other news organizations should look for ways to not only retain these customers but also expand the packages to capitalize on additional revenue.

Content is still a key piece for news organizations as readers expect timeliness and accuracy regardless of whether they pay or consume news for free online. But readers are looking for and willing to pay for localization, exclusivity and compilation in consuming news.

Journalists themselves also play a role in connecting with readers and potential subscribers. In addition to surveillance, news consumers are looking for interaction in consuming news online, and journalists are the ones that can provide much of that.

News organizations have woken up to the need for additional revenue from their websites after years of giving content away for free, but it will take a concerted effort to change the mindset of news consumers. Considering subscription packages that appeal to readers is one way to convert readers and provide added revenue. Both the business side and the news side should be involved in interacting with the audience to convert readers to subscribers. News organizations shouldn't feel limited by the customers of the past. This study

shows potential for converting younger readers. But loyal customers also are willing to pay the most for added incentives.

Online subscription revenue is unlikely to fully support a news organization, but it can certainly add to existing revenue and create loyal readers. News organizations need to think outside the box in terms of the type of subscription packages and the marketing of those packages to new and existing customers.

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Appendix: Survey questions

Prescreening questions

Are you age 18 or older?

Yes

No

Do you work in media (newspapers, TV, radio, online news, public relations)?

Yes

No

In a typical week, how often do you read news online?

Daily

4-5 days

2-3 days

1 day

I don't read news online.

Informed consent/introduction

Informed Consent Form

Paying for Online News: What predicts value?

Introduction

This study attempts to collect information about how consumers value online news.

Procedures

You will be asked to complete a survey about your experience with online news and what you value in an online news subscription. This questionnaire will be conducted with an online Qualtrics-created survey.

Risks/Discomforts

Risks are minimal for involvement in this study. Although we do not expect any harm to come upon any participants due to electronic malfunction of the computer, it is possible though extremely rare and uncommon.

Benefits

There are no direct benefits for participants. However, it is hoped that through your participation, researchers will learn more about what users value in reading and paying for online news.

Compensation

Participants will receive a fair incentive for their opinions.

Confidentiality

All data obtained from participants will be kept confidential and will only be reported in an aggregate format (by reporting only combined results and never reporting individual ones questionnaires will be concealed, and no one other than the primary investigator will have access to them. The data collected will be stored in the HIPPA-compliant, Qualtrics- secure database until it has been deleted by the primary investigator.

Participation

Participation in this research study is completely voluntary. If you desire to withdraw, please close your Internet browser.

Questions about the Research

If you have questions regarding this study, you may contact Elizabeth Stephens at ecstephens@mail.missouri.edu.

Questions about your Rights as Research Participants

If you have questions you do not feel comfortable asking the researcher, you may contact Randy Smith smithrandall@missouri.edu. Or contact the University of Missouri's Institutional Review Board at UMCRESEARCHCIRB@missouri.edu.

Campus IRB Use Only

Approval Date: June 25, 2014

IRB Project Number: 1211916

I have read, understood, and printed a copy of, the above consent form and desire of my own free will to participate in this study.

Yes

No

Rate the frequency you use the following sources for news.

Never All of the Time

Newspaper websites

Print newspaper

Other news websites

Television

Radio news

Social media
(Facebook, Twitter)

Other (please
explain)

Do you subscribe (pay money for access) to any news websites?

Yes

No

Nonsubscribers

Do you subscribe to a print newspaper?

Yes

No

Do you subscribe to a news magazine (ex. Time, Newsweek)?

Yes

No

How likely is it that you would pay for news and information from a news website?

Very Unlikely Very Likely

If you had to pay for access to your preferred online news website, how likely is it that you would find a free alternative?

Very Unlikely Very Likely

In terms of content, how valuable would the following be in a subscription to a news website?

Very valuable Not at all valuable

More video and interactive content

More local news coverage

News stories with more context and explanation

This is an attention filter. Select "Very valuable."

Digest of the most important news

Ability to customize the website experience based on news you are interested in

How valuable would the following offerings be as part of a subscription to a news website?

Not at valuable Very valuable

Commenting on stories
Online chats with reporters and editors
Networking events to talk with reporters and editors
Ability to rate stories

How much would you be willing to pay for a monthly online news subscription that promised the following things?

Already expected \$0.01 \$2.50 \$5.00 \$7.50 \$10.00 \$12.50 \$15.00 \$17.50 \$20.00

Timeliness

Accuracy

Exclusivity
(content not
found
anywhere else)

Localization
(focus on the
impact of news in
your local
community)

Compilation of
the most
important and
relevant news for
you

How much would you be willing to pay for a monthly online news subscription that included the following offerings?

\$0.01 \$2.50 \$5.00 \$7.50 \$10.00 \$12.50 \$15.00 \$17.50 \$20.00

Access to mobile and tablet platforms

Fewer ads on a user-friendly site

Bundled with another online subscription (ex. Hulu+, Spotify, Pandora, Netflix)

Exclusive content for subscribers

Reward program (ex. discounts at restaurants and retailers, points for redeemable prizes)

Digital replica of the print edition (if site is part of a newspaper or news magazine)

Subscribers

What online news website(s) do you subscribe to?

Do you subscribe to a print newspaper?

Yes

No

Do you subscribe to a news magazine (ex. Time, Newsweek)?

Yes

No

In terms of content, how important are the following to your online news subscription?

Not at all important Very important

Video and interactive content

Local news coverage

News stories with more context and explanation

Digest of the most important news

Ability to customize the website experience based on news you are interested in

How important would the following be if offered as part of your online news subscription?

Not all important Very important

Commenting on stories

Online chats with reporters and editors

Networking events to talk
with reporters and editors

Ability to rate stories

How much do you value the following items as part of your online news subscription?

Not at all valuable Very valuable

Timeliness

Accuracy

Exclusivity (content not found anywhere else)

Localization (focus on the impact of news in your local community)

Compilation of the most important and relevant news for you

How much more would you be willing to pay for your monthly online news subscription
if it included the following offerings?

\$0.00 \$2.50 \$5.00 \$7.50 \$10.00 \$12.50 \$15.00 \$17.50 \$20.00

Access to mobile and tablet platforms

Fewer ads on a user-friendly site

Bundled with another online subscription (ex. Hulu+, Spotify, Pandora, Netflix)

Exclusive content for subscribers

Reward program (ex. discounts at restaurants and retailers, points for redeemable prizes)

Digital replica of the print

edition (if tied to a print newspaper or news magazine)

Demographics

What is your gender?

Female

Male

Please indicate the highest level of education completed.

Grammar School

High School or equivalent

Vocational/Technical School (2 year)

Some College

College Graduate (4 year)

Master's Degree (MS)

Doctoral Degree (PhD)

Professional Degree (MD, JD, etc.)

Other

What is your current marital status?

Rather not say

Divorced

Living with another

Married

Separated

Single

Widowed

How old are you?

What state do you live in?

Please indicate your current household income in U.S. dollars

Rather not say

Under \$10,000
\$10,000 - \$19,999
\$20,000 - \$29,999
\$30,000 - \$39,999
\$40,000 - \$49,999
\$50,000 - \$74,999
\$75,000 - \$99,999
\$100,000 - \$150,000
Over \$150,000