

## 12<sup>th</sup> Annual International Symposium on Online Journalism

**Day 1, April 1, 2011:**

**Paywalls: Charging for News Content. Does it work?**

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### **Panelists:**

- **Chair: Tim Lott**, Vice-President of Audience Strategy, *The Austin American-Statesman*
- **Jim Gerber**, Director of Content Partnerships, Google
- **Mark Medici**, Director of Audience Development, *The Dallas Morning News*
- **Jorge Meléndez**, New Media Director, Grupo Reforma, Mexico
- **Elvind Thomsen**, Schibsted Media Group, Norway

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**Rosental Calmon Alves:** I think we really had a great keynote, so now we don't have a break, so we're going to go to the first panel. I'm going to invite Tim Lott to...Amy, I'm going to invite Tim Lott to start the panel on the paywall. We need to put the...and we always depend on Amy. So, Tim is the Vice-President for Audience [Strategy] at the *Austin American-Statesman*, our fine newspaper here in Austin, Texas.

**Tim Lott:** I am Tim Lott, Vice-President for Audience Strategy at the *Austin American-Statesman* and a brand new subscriber to full access digital *New York Times*. And I think that's 99-cents for a month and then it's—what—\$8-\$9 a week after that? [sighs] But I'm there. So, the panel...and I'm going to zip through this so we can get to our other speakers. I feel Rosental shooting me these hurry up glances all morning. [Laughter] The panel is on paywalls and do they really work, and I would add, are they actually walls? Start with a quote from the news in the last week. And Vivian, I think, alluded to this. The Times has launched its pay service and just as quickly some—I don't know—web developers, hackers figured out how to get around it. What we want to talk about today is, how is it going so far? Are people going to pay? Some thoughts on the metered approach that the *Times* and others have launched versus a more rigid site-wide wall. Will hacking actually be a problem? And maybe get into some future developments on pay sites.

Our panel today is a distinguished group. Jim Gerber, he's the Director of Content Partnerships from Google. We've got Mark Medici from the *Dallas Morning News*, Jorge Meléndez from Grupo Reforma in Mexico, Elvind Thomsen retired from Schibsted Media Group in Norway, and myself. We're going to be talking at least some in specifics and not philosophy. This group has got some real experience at paywalls. And [I'm] really anxious or eager, rather, to hear from Mark about how it's going in Dallas, from Jorge where they have had paywalls on the Grupo Reforma site since 2003—2?—2002,

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from Elvind where the Norwegian and Swedish and other European newspapers in his group have had paywalls really since their products went online, I think, almost. And I'll add that here in Austin, Vivian talked about *Times Select*. We could have branded this product *Longhorns Select*. It's [HookEm.com](http://HookEm.com), which we launched in December, and which I'm happy to report is going very, very well, to the point of profitability already, so we're pleased with that. We've also last year about this time acquired a pay site for City Hall coverage called In Fact Daily. So we're going to be talking in some realities up here. And finally from Jim, we will hear about some of the developments at Google, including Google One Pass, which does not take 30% of app sales, correct? Okay. So, that's kind of the broad brush of what you'll get out of this panel. So first, I want to call up Jim Gerber. He is Director of Content Partnerships at Google. And let's hear what he has to say about paywalls. Thank you, Jim.

[Applause.]

**Jim Gerber:** Thank you, Tim. Well, thank you very much, and thank you Rosental and to the University of Texas for giving us the opportunity to come and speak a little bit, not just about Google and One Pass, but also about some of what we're hearing from our partners and prospective partners that we're talking to about their thoughts on paywalls. And I'll try to channel some of that, of course, without disclosing anything that's confidential to those organizations.

I'm also happy to be back here in Austin and in Texas. I spent about a year in Texas. I was actually living in Houston, but got to visit Austin a bit. And I actually have a son who's a native Texan, which I know that this group is international, but I know there are also a number of people here from Texas. And for those of you that live here, you know that being a native Texan is quite important. I remember when I was first living in Houston seeing a bumper sticker that said, "I wasn't born in Texas, but I got here as fast as I could." [Laughter] So, very happy to be back.

So, let me start by talking a little bit...sorry about that. Let me see one thing here. All right. I think the order got switched, but we'll wing it. So let me talk first -- start by talking a little bit about some of the challenges to paid growth. I think these things are not going to be very new to a lot of folks in the audience. Vivian talked on some of these.

First and foremost, sustaining traffic. I think there's been a lot of interest lately in metered models, because of the ability to retain some amount of scale for your advertisers and not choke off that advertising revenue, while also building an additional revenue stream around subscription revenue online.

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Challenges around managing access. There are a broad variety of different models--lots and lots of different options. And we'll talk a little bit about some of those.

And then, of course, selling across multiple platforms. Certainly, there are differences in ability to access their proprietary platforms. Some things like the Kindle and the Nook, there are different terms of service. Some companies taking a much more strict ownership of things, whether it's data, whether it's revenue shares, etc. And so trying to make sure that you're maximizing the access to all of your readers who are accessing *your* content across all those different platforms.

The last challenge, of course, is that free is often just a click away. There are numerous sites out there that believe in purely ad-supported models, so these are all the things that our customers are trying to navigate, and they are talking to us about, how do they do that?

So the big question is what model to implement, right? There have been a number of companies that have tried strict paywalls over time, and some of those work fairly well for different types of companies. A lot more folks are implementing metered models today. Along with those, there are questions about whether you have -- what kind of subscriptions are they monthly? Are they annual? How do you price those? Do you offer pay-per-article when someone hits the hard paywall or frankly even when they hit the metered paywall after their 10 or 20 articles per month? And then do you offer a premium model where some content is always free even if you have a paywall or a metered wall? Breaking news. Front story news. Or the inverse of that where the entire site is free with the exception of some very specialized news, whether it's sports enthusiasts news for the Texas Longhorns or obituaries in a specific community where you know there are people that care deeply about what's going on in specific sections. So there are big questions about what to implement in terms of models. And the answer is, it depends, right?

It depends on what type of content you're providing. Certainly, specialized content has a very, very different set of dynamics than more general news content. We see this most notably in financial news where sites like The Wall Street Journal can charge for content and have been for quite a long time. You see this also a little bit in specialized sports news and other types of verticals.

It depends on your reach, if you are international, like *The New York Times* or an FT or other sites, if you're national news like *USA Today* or other national sites, or if you're very specific to a local area, that's going to change things dramatically in terms of how much you care about those drive-by users, how much you care about reach, how much your advertisers care about those things. So, it depends.

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It also depends on what your goals are. Some companies are going after this specifically to create a new revenue stream. Others are really using it as a defensive mechanism to keep people subscribing to the print paper, because the print paper is still very, very profitable. So it depends on your goals as well.

What we're hearing from our partners about what they want and what they need is the ability to not only create once and distribute everywhere, but to sell once and let their users access from a broad variety of platforms. Selling across those different platforms or selling and then enabling access because their readers are using these multiple devices depending on where they are, what they're doing in their day, if they are at the office, at home, or on the go.

So let me shift gears and talk a quick bit about One Pass. It is first and foremost a payment authentication platform for publishers. It is device agnostic. It is meant to allow you to let your users get access through a broad variety of devices. How you choose to charge for that is up to you. We have publishers who will be changing one price for access across all devices; others that will be charging incrementally by device. We see these models in places like *The Dallas Morning News*. We see it in the *New York Times* paywall, etc.

The vision again is to allow companies to develop a new revenue stream, a digital revenue stream, increase reader engagement, both your online readers, as well as for your print subscribers--to do this quickly and easily with a lightweight implementation. We have publishers that have gotten live in literally one week or two weeks on the platform--again, to be device agnostic. To provide business that model flexibility. And to do so in a very cost effective means. It's been reported—I don't have it up here—the road share that Google keeps for One Pass is 10%.

So business model flexibility. I'm not going to read through all these, but you see them here. There are lots of options between hard paywall and metered wall. Providing auto-renewing subscriptions or simply a time-limited subscription, like a day pass or week pass with access to the entire site. Some people are offering pay-per-article or for a bundle or a special event, like paying for access to specialized coverage around the Royal Wedding or some event like that. And then, of course, the most important perhaps of these is, how do you want to treat your print subscribers? Do they get access bundle for free? Do they get it at a deep discount? Either way it's important to provide value to those you're most—right now—you're most profitable consumers. And lastly, how do you provide in-app access for those very loyal readers that Vivian highlighted are your most engaged readers, where brand is king, where they download your app because they want your point of view.

As far as roles and responsibilities, publisher's in entire total control with One Pass in terms of what models to employ, what prices to select, etc. Also

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handles front-line customer support. Google manages, as I mentioned, payment authentication, provides reporting, provides revenue share back to the publisher and customer data as well.

This is simply a sample of how it might look. The key point here is, again, is the publisher controls all of this. How much content to show prior to asking the user to either log in or to pay? In this case, there are two options, but again the publisher has the ability to offer multiple options from pay-per-article to the various other models.

So, the question everyone is wondering is: what is the answer? What's the silver bullet? As much as I'd like to say that there is one silver bullet, the reality is there isn't. It is going to depend, again, on whether you're content is general, specialized, international, whether you're a local community. We see companies like Freedom Communications that put two papers behind a pay wall--left one behind because they had no competition in that market. It worked quite well. The other, they pulled down the paywall after about six months, because the competition changed the dynamics very dramatically. So even for that one company.... Waco is another example that has a paper behind a paywall and others not, because of the nature of those markets. So you really have to think hard. I met with a publisher the other day that said only 20% of their paper readers were their online readers, so there was a very low degree of overlap. That's going to change the dynamic of what kinds of models and what you do to try to get people to pay online.

So, what can you do? I liked Vivian's comment, "We need to be in a constant state of relentless experimentation." So what you want to do is you want to find a set of tools, whether it's One Pass or something else. I would not recommend Home Grown. But a set of tools that allow you to iterate, experiment, change, and deploy different models.

So, thank you very much. I look forward to your questions.

[Applause.]

**Tim Lott:** So, our next speaker is guy who has a newspaper [job]. His grandfather was publisher of *The Oregonian* in Portland up until his late eighties, I believe. And please welcome Mark Medici from *The Dallas Morning News*.

[Applause.]

**Mark Medici:** I'll just stand down here. [microphone feedback] Just pass me that. Holy cow. All right. So, my name is Mark Medici. I'm from *The Dallas Morning News*. There's two names up here. And Grant and I are kind of doing this purposefully. Grant, who is not here, obviously I am, is the digital new General Manager of Digital at *The Dallas Morning News*. Grant's role in our subscriber content initiative is to really oversee the content

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vertical and the sales vertical. So in Dallas, we've taken some dramatic approaches just to the newspaper industry over the last three years. And one of most dramatic was this notion of editorial verticals reporting up through sales general managers that were used to just being ad guys. Grant is no ad guy. He's a really bright, smart guy, but that content team that publishes content on [DallasNews.com](http://DallasNews.com) on our iPad, smartphones, reports up to Grant. My job is that I oversee all of our consumer audience, so I'm responsible for kind of the monetization of all of our platforms and then responsible for building out the technology infrastructure architecture behind what we just launched in Dallas.

So, I was up in Portland literally six weeks ago. I needed to have some respite from the amount of stress that was being created by the subscriber content initiative in Dallas. So I went to dinner with my grandfather and my uncle. They have a long publishing legacy. My grandfather was the publisher of *The Oregonian* until he was 88, which that just still boggles my mind. And so we were at dinner, and he wanted to know everything about what we were doing in Dallas. He was fascinated by it and is convinced that it will never work. And, you know, that's what happens when you try to tell an 88-year-old who's steeped in deep newspaper legacy that you're going to have subscriber content. And he said to me, he said, "You're missing one key ingredient to all of this." And I said, "Okay. Impart your wisdom on me." And he said, "The newsroom is going to hate you." And, you know, that's a very interesting thing that we've been wrestling with in Dallas, because they do. [Laughter] You know, I'm 50% Italian, I'm 50% Irish, so I'm kind of a conflicted passionate type of guy. And if you know anything about Jim Moroney, who's almost 100% Irish, he's a really passionate guy. And so, you know, I kind of pray at the altar of Jim Moroney, because he fits my personality type.

We were in a meeting about three months ago with the editorial team. George Rodrigue, who is an incredibly bright guy, a friend of mine, but hasn't really embraced this. And, tensions were up. Everyone was arguing, and Moroney just gets up out of the meeting and walks out of the room—right?—and comes back into the room like two minutes later with a handful of newspapers and *throws* them on the table. And he goes, "George, it's always been paid!" You know, people pay for the content. They've always paid for it. They might just pay for it in pulp. And we like to refer to pulp now at *The Dallas Morning News* as just a platform, right?

And it's actually a unique identifier for us in this digital space. Because as we look at companies that forget to innovate...and I could very easily have put a newspaper up there, right? So let's just pick on Blockbuster for a second, right? Because Blockbuster is a brick and mortar company, right? They went from VHS to DVDs to trying to do something...the remote is not getting this. So Redbox came and they said, "We can maybe get to audiences a little bit more efficiently than Blockbuster. We can get into the grocery store." So Redbox comes into the marketplace. Blockbuster comes back and says, "Ah-

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hah, you know, we'll do something like On Demand." And then, you know, Netflix comes back and says, "Ah, we'll do both." Right? "We'll do both of those things." And then Apple comes and says, "Hey, we're Apple. We're going to be on your television." [Laughter] Right? Right? And, you know, people want to bang on Apple and they want to bang on Google. I think it's awesome, right?

Growing up in Seattle and living for ten years in Portland, the big gorilla there is Nike. Well, Nike needs Adidas, right? Nike is constantly innovating, because they need to have that competition in the footwear space. You know, Nike is much more than a footwear company now, and so is Adidas.

Who would have said in the eighties that Apple's core competency going forward would probably be content? Because I would make the argument to you today that Apple core competency is iTunes, right? They just happen to be a fantastic marketing company. They have fantastic devices. But the device and the marketing is nothing without actively being able to engage people, and that's what iTunes does, right? So iTunes really capitalized on what Napster, you know, really, really wasn't able to do. Napster was just a little bit too soon. And then Steve Jobs looked at the space and said, "Shit, I can monetize this. The music industry needs me." And Napster just really kind of pulled the scab off of what the music industry wasn't able to do, because sharing had come along, and they just were too aggressive, right? They didn't think the business model through, right?

So, let's look at how we got here. So if the nineties were all about scale, right? I've got a fancy slide if this thing works. If nineties was all about scale, and the 2000's to 2005 were all about searching and linking, and now were in this Web 2.0 where we're sharing everything. I mean, look at the companies that are scrolling across the board. And I tried to put them in kind of chronological order. It's really about how we're going to manage this whole process of linking of content, right? And it's a very, very interesting conversation to have, because journalists and the quality journalists, they want to have scale. They want to be heard. And it's relatively a new phenomenon. You know, up until 1995-'96 when newspapers were partnering with AOL, you know, this notion of journalism was very local, right? I can't remember who asked the question about the newspaper and the scalability of local news. That's what people read a newspaper for. That's what they subscribed to *The Dallas Morning News* for. That's why they subscribed to *The Wall Street Journal*. That's why they subscribed to *The New York Times*. Because that was the way that they received getting content.

You know, I look at this and I say, how do we transition this whole sharing and this whole thirst for all of this very accessible content and go forward? You know, Sulia...raise your hand if you've seen Sulia. Right? If you have not been to Sulia, I don't even care if you do it right now, it is quite frankly one of the most amazing sites, I think, in the Internet space and really from an app space. What Sulia has done is that they curate and aggregate all of this

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amazing Twitter feeds. So they take all of your feeds, all of them, right? Tim Cowlshaw, who is one of my favorite columnists who writes on the Cowboys, you know, two times a week, he's on Sulia as much as he's on [DallasNews.com](http://DallasNews.com), because he's posting the link to his Twitter, the link to his article to his Twitter account.

So one of the things that we haven't solved for yet in Dallas is, what do we do with that? Who owns that content? Does Tim? Where does the intellectual property lie in terms of how we monetize and manage the content that we put out on a daily basis? Because now Flipboard, which is my favorite app, they are using Sulia now as a list service, right? So Sulia curates all of these incredible headlines all over through people Tweeting, right? And then Flipboard literally uses that as a list service for their links—right?—to publish an incredible news aggregation site. The experience on Flipboard, to me, is the best I've ever seen. The great equalizer to all of this though and the great learning from a newspaper perspective is the platforms. Right?

So the platforms, to me, allow you to do this, right? Here is traditional. Before March 8<sup>th</sup> this is what we had in Dallas, right? We had this pulp platform, we had this interactive platform, and we had a loyalty site that sits underneath me that's just horrendous and that we're trying to kind of rescann and re-manage. Vivian talked about the importance of the brand. We add iPhone, and we're calling it iPhone right now. We're launching on Android mid-May, so even internally for us we're trying to get out of this whole iPhone/iPad thing. It's really not the right way to go to market. It's more about the smartphones. It's more about the tablets. But the cool thing to all of this, and Vivian hit on it, is that it's this interconnectivity of new audiences, but the audiences are unique.

The reason I got into newspapers is because I saw a gap, and the gap for me in the nineties when I came to newspapers was I was shocked after coming out of college and knowing everything—right?—at the lack of data that newspapers collected and used. I mean, there was none of it, right? Everyone wants to talk about Scarborough data. Well, Scarborough data is great, right? Readership is fantastic. That's great. But at the end of the day, who's going to own the relationship with the customer? When we make decisions about Google's One Pass and when we make decisions about how we deal with Apple, really it has nothing to do with the 30%, has nothing to do with the 10%. It has to do with who owns the relationship with the consumer at the end of the day, right? That's why we built ours internally. Because at least initially we needed to have some information that we've never had before. We have never had any information about our consumers and how they consume content on [DallasNews.com](http://DallasNews.com). None. And don't raise your hand and say registration is a good way to get at that information, because quite frankly it's not.

So now today, on a transaction base, I have the ability to take a credit card, tie it to a household, append that household with really, really rich, robust

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data, empirical data, and tell the newsroom exactly who's reading A, B, and C. There's a lot of holes in this so far though, right? We went out to Omniture and said, "Hey, listen, we want — we don't want the aggregate level of how many stories were viewed on [DallasNews.com](http://DallasNews.com). We want the session path for Fred Stickle who lives in Allen, Texas. I want to know what his point of entry was. I want to know if he came from a search engine. And then I want to know what he did on the site. I want to know to the second how much [time] he spent reading a political article. And then I want to know if the next click was that he just wanted to go to the sports section. And it's not enough to know if he went to the sports section. Then I want to know if he went to Jean-Jacque Taylor because he read the maps." And Omniture looked at us and said, "Pssh. We don't do that." And, you know, so we're now looking at companies in Dallas who we could build this out for, because really having paid content is really nothing if I can't tell the newsroom, "These people live here. This is the content that they engage with." All right?

So, let's just talk about why it will work. First of all, listen. I already said with Apple content is the king. All right? Newspapers have got great content. We just have to figure out how to manage it properly. I don't have a stance on what we should do with social [media]. Should we lock down journalists from being able to take intellectual property with *The Dallas Morning News*? No, I don't. I say that we look at Sulia and say, shoot, how can we make the experience for Sulia really good for consumers in Dallas? So that they don't go to Sulia. So that a Sulia-like experience for all of our Twitter feeds are managed on a daily basis at [DallasNews.com](http://DallasNews.com). Let them Tweet. We're not going to wait on scale, right? It would take *The Dallas Morning News* 175-million impressions a month to pay for our newsroom. Before the paywall we had 40-million. So, you know, we have a publisher who's made content the tip of the spear of this thing. We knew we would never scale on [DallasNews.com](http://DallasNews.com). We never would. It generates roughly \$15-million a year. We have \$95-million a year in circulation revenue. So it wasn't hard to determine where that should be placed.

Manage your content. We talked about that a lot. Believe in who you are. So this is what I probably deal with the very most day in and day out in Dallas. This is a seed change for the way that we go to market. It's a seed change for our journalists. It's a seed change from an advertising perspective. Everyone has to go, like, just hunker down. It's kind of the foxhole mentality. Who do you want in the foxhole with you? And really, we've got to have the whole company in the foxhole with us. We're the first metro in the United States to do what we're doing. It's very aggressive. Because, listen, we know we're not *The New York Times* and we know that we're not *The Wall Street Journal*, right? So we're the first to be able to say, on all of these platforms, we're going to give access to our subscribers and we're going to increase the value proposition there. Right?

Provide easy access. That's key. And I don't even think that we've done that very good yet. I said to Jim just the other day that I still, I think, am a little

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bit in the days that nothing broke, right? So, but I was also saying to Jorge that probably something hasn't broke because *The Dallas Morning News* doesn't get the media or international attention that *The New York Times* would get from that type of an environment. So it's not like we have the brightest computer science minds in the world instantly trying to hack our site and blogging about how to do it. I'm sure if they got to *The Dallas Morning News* they would rip us to shreds and as quickly as they did *The New York Times*. So let's not kid ourselves, okay?

You know, at the end, I'm really excited. I said to John McKeon the other day, who is the president of *The Dallas Morning News*, I looked at him and I said, "Now I know what it feels like to work at the newspapers in the 1980s." You know, it's like there's some momentum at our newspaper, and I don't think people know what to do with it. So in the Q&A, we can go over some of the metrics. I'll tell you that in the first week we sold 2,200 new Sunday subscriptions [to] *The Dallas Morning News* over a two-month period of time. So I think people locally kind of get it.

So, that's it for me--back to Amy or Tim.

[Applause.]

**Tim Lott:** [Jorge Meléndez is] Vice President of New Media at Grupo Reforma based in Monterrey, and needless to say, Jorge and his group are practicing their craft with tremendous courage under some dangerous and difficult circumstances. So, a warm welcome to Jorge Meléndez.

[Applause.]

**Jorge Meléndez:** Thank you. That would be the subject of another conversation. Thank you. I'm not from Texas, but close enough. We're headquartered in Monterrey, so I hope you consider us almost Texans. We're a general interest newspaper that has had a successful paywall since 2002, so nine years and counting. So I'm hoping this is going to be interesting for the majority of the media which are not the specific, how do you do a successful paywall?

So, basically, we're the largest newspaper company in Mexico. We have the leading broadsheets in Mexico City, which is the paper we're mostly known for, *Reforma*, even though it's one of our younger papers. Our broadsheet in Monterrey is called *El Norte*. That's where our headquarters are. That paper is from 1938. And we have *Mural* in Guadalajara. It's also a young paper. And we have tabloids, six tabloids in five cities, including the metro franchises, and *El Sol*, which is actually our oldest paper in Monterrey, the only afternoon paper that we have from 1922. In total we have nine newspapers and 1.5-million daily circulation.

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We have the most popular news sites for our papers, *Reforma* and [ElNorte.com](http://ElNorte.com), and we're in the process of developing verticals. So we have a sports site that's called Cancha, a play field for sports in Spanish. And we're in the process of developing more verticals. I can't tell you which ones because there is some competition here. [Laughter] Our paywall, as I said, has been around since 2002. I would have to say that we are pioneers in the Internet space in Mexico. Our news sites actually have been up since the mid-1990's, but on purpose we had those news sites at a very low key level, because we had a portal. We had a portal that was called Infocell and we did not want to submit that portal to the competition that the news sites would provide. When we sold in November of 1999 the portal, a Mexican Bloomberg type platform that we had, and an ISP, Telefónica España, to Terra Networks, then we re-launched our news sites in 2000.

So we had our news sites for two years that were free. And in 2002, we started looking at the end of 2001, 2002, and we said, the online advertising market in Mexico is *this* size and it did not make any strategic sense to be offering all of our content and more for free. So we said, this doesn't make any sense. We can always take a paywall down. People will not complain if you stop charging. They will complain if you start charging. So we decided, like Nike, just do it. And we did it, and that's what I want to tell you [about].

There's three ways around our paywall: newspaper subscribers—I'll talk a little bit about that—online subscribers and of course the apps. Access to all of our news sites is free for newspaper subscribers, and even if you have a weekend subscription, you will have free access the whole time to all of our sites. So if you are a subscriber to one of our papers, you can access all of our sites for free. Online, 80%. That's basically you pay 80% of the newspaper price, subscription price. So basically to the people that are in the cities that we circulate, we're basically telling them, "You might as well get the paper. For just a little bit more, you get all this paid content delivered to your house." And the people that are outside the cities that we circulate in, they are willing to pay 80%, because they want to be kept in touch with what's happening in Monterrey, Mexico and Guadalajara.

Some of our site is free. We offer a taste. Because, of course, you always have the problem of, if you close the sites, you have this fantastic site [and] nobody is going to know how good it is. And how do you get new subscribers? So we do have them taste the main page. The main page is free, even though if you click an article, then you have to hit the paywall. The classified ads are for free of course to provide liquidity to the marketplace. If you email an article, if a subscriber emails an article, that link would be free to whoever receives that page even though that person -- even if he or she is not a subscriber. And certain selected content every day we put there.

Now the app strategy that we have is right now they are free. We are kind of in the 2000 phase that we were some years ago with our sites. We're

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creating an audience. And we have a very aggressive app strategy. We think the content that we have in our sites is very hard to navigate in a small device. You can do it in an iPad or an iPhone, which is the platform that has more runway so far. It is very hard to navigate the depth of content that we have in our sites. So instead of having one app, we have many apps. We have news apps. We have sports apps. We have restaurant and bars [apps]. We have movie guides [apps]. As you can see there from the list of apps, we have a slightly or I guess different strategy, because we believe...I think I agree with the people who have spoken with me before that the apps is just a game changer. So we're betting highly on this.

The implementation of the paywall. Keeping the newspaper subscribers was key. That was the most important thing, because if we didn't keep the newspaper subscribers, our traffic was going to go from 100 to zero. And we didn't want that to happen, because we have a lot of newspaper subscribers. So we created this interactive process with focus groups to develop a way that the newspaper subscribers—which a lot of them were not very young and we wanted them to have their...we let them know beforehand. I don't remember if it was 45 or 60 days before. And we gave them time to get their username and password. And 90% of them got the username and password, so we were very, very successful in that. I have some thoughts on lessons that we learned in the focus groups a little further ahead.

The negative impact for the paywall was very manageable. We lost 35% of the traffic, but one year later we had recovered that traffic level and actually ad revenue—as I said, the ad market in Mexico is very small—and ad revenue was up paradoxically that year 10% even though we lost 35% of our traffic.

The positive impact was great. I'll share some metrics right after this. We stopped minor circulation declines in the papers. We were not having any major problems, but we were seeing that people were, after two years of having all of our content and even more interactive videos, whatever, on the sites, we saw that we were starting to lose some of our print subscribers, and that stopped. And we got online subscribers.

And I'll share with you some of the metrics from the paywall experiment. The newspapers are doing very well. The circulation in the broadsheets are holding steady for the last eight, nine years, so we haven't lost any circulation, which is very good news for a broadsheet, a subscription-based paper. On the tabloids, we've had compounded annual growth rates of 5% for the last eight years, so that's very good. Advertising, about 6% growth rate per year for the last eight years. And the class ads, actually, we kept growing at 2.3% per year for the last eight years, so that's very, very good metrics.

These are some of our statistics. We have about 300,000 newspaper subscribers in all of our papers, our broadsheets, because the tabloids do not

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have subscriptions. The online-only subscriptions are 50,000, so it's one out of seven, about 14% of our subscribers are online, and that's 80% of the newspaper price without the print cost, so that's actually very, very good. We have about 6-million monthly unique visitors in all of our sites and about 90-million page views. And our average daily visits per user is six.

What are the lessons and insights that I can share with you about our experience? Well, if you're going to implement free access through your newspaper subscribers, it's very important to have a very simple process, because you don't want to lose those free sure subscribers.

And we learned two things. These are pretty basic, but people do not read instructions. No matter how clear the instructions were on the page, the Internet culture just trains you to click and see what happens. [Laughter] So we had a very, very clear process and we were very proud of it. We brought it to our first focus group. Complete failure. So as few words as possible, action verbs, and clear instructions would be my recommendations, very specific recommendations, and in each step, since people, even if you have this simple instruction set, people will still skip it. So, troubleshooting. You will know when you do focus groups what the mistakes are, so have some specific troubleshooting for those specific mistakes at the part of the process that that user is going to be facing or that reader is going to be facing. And in general, just offer ways to contact to solve problems.

Now, why would people...? I swear I didn't change this slide after Vivian spoke. But, why would readers pay? You have to think about that if you're going to put a paywall; particularly, if it's going to be a hard paywall. And for us, there's many parts of that answer, but one key part is local content. For us, local content is key. And I put an example here. In our print papers, we've had for more than 30 years what we call the suburban editions, and these are editions, tabloid editions that are like community papers with a lot of social content, like parties, and tournaments, and sports, and prices for those communities. So for example in Monterrey, we have about ten of those with a lot of pages very, very good for print and for online too. So for example here in the Sierra Madre and GP, you can have more content than you have in the newspaper. So you'll have more pictures. But not only that, I put there the photo at the end there which is, for example, the store that we have with the pictures. And right there in the red circle, you can actually buy a picture there and you could create a mug, I mean, a cup or put it on a t-shirt or buy it for an SMS. There's many things you can do. So local is very, very important for us. And we focus a lot of our efforts on providing great content, because we know nobody is going to be able to match that.

Then, of course, it's not the only thing. We have lots of interactivity, multimedia, real-time value added. We have company books. We have portfolio management tools. We have all of those other things. But local, nobody is going to be able to offer what we can offer. Without some other tools, somebody could.

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Early on, advertisers let us know that the quality of advertising was as important as the size. So build size, improve quality, targeting, profiling, etc. Of course, the print ad habits, a variety of formats, sizes, interactivity, different places, etc.

Now, about a paywall today. Particularly in the U.S., the situation is of course more difficult than in 2002. The readers are used to free. There's aggregators, there's more competition, and so it's a little bit later in the game than when we did it. And of course the metrics of the newspaper business are so bad that it's almost like to some extent, it seems like from an outsider's perspective, like a Hail Mary pass. You know, if that's the thing, then that has to be a very big pass for a lot of yards, because the metrics are not good. You need to understand your readers, who they are, why they are reading you, [and] when they are reading you. And the key question is, if you're going to put a paywall, what key needs will the site satisfy so that people will pay? In our case, as I said, local is a very important component.

I'll say about three more final thoughts. Simplicity is key. Avoid losing sure customers; all the things that I talked about the newspaper subscribers. So that's very important. And I think a couple of things is, how do you measure success? You're going to change significantly the way people are accessing your information. So you need to know how you're going to measure success after you put the paywall, because otherwise you're not going to know if you achieved it or not. And lastly, I'd say, what will you do if that success is not reached? So, what are you going to do with your system?

That's it. Thank so much.

[Applause.]

**Tim Lott:** Our final speaker and rounding out the international aspect of this symposium is Elvind Thomsen. He's retired from Schibsted Media Group in Norway, but he's been a news media executive there and in North America for 40 years or more. So, Elvind.

**Elvind Thomsen:** Thanks a lot for inviting me, and I can tell you [this is my] first time in Austin. Came in on Wednesday. Took me 14 hours to leave two-feet of snow to get here, and I don't think I want to go back [laughter] even though I know I have to. I've been invited to be part of this panel to talk about, I mean, will we be able to find new business models by being able to charge our users, our readers for the content [and] the product that we deliver to them? And I'm, as Vivian was earlier today, I'm also very optimistic, because I think there are great opportunities out there if we just know how to know our customers. So what I'm going to do is very briefly take you through a few of the things that are setting the standard for what we do back home.

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I come from a small country, 4.9 million Norwegians, and they speak a strange language called Norwegian. [Laughter] But it is a very media savvy country. The Internet penetration is almost total. It's broadband. The newspaper readership is what all of you would envy us [for]. The average Norwegian reads 1.3 newspapers per day, but it's scary because a year ago they read 1.6 newspapers a day. So it is kind of scary. Newspaper readership fell by more than 10% from 2009 to 2010. And part of the reason is the broadband penetration and part of the reason is this...and even this. 64% of all grown Norwegians are on Facebook.

So I come here being retired but still very much involved in following what media developments are taking place all over the world. In my some-40 years in the business, I have never been at so exciting times as we do have now. And I am, as Vivian was earlier today, I am very optimistic about the future.

I come from a company that was founded in 1939. It was a book printer in 1860. The book printer had spare capacity, so we started a newspaper. And that newspaper grew, and in 1966, the family company also acquired a newspaper called VG. It was founded during the war, just after the German occupation in Norway, and that's the newspaper I started on in 1968. And it went from being a family-owned newspaper up until 1992 when it was listed on the Norwegian Stock Exchange. And we at that time also realized that we would not be able to grow anymore within Norway. Due to political considerations, we were already at that time a dominant player. So we said we have to become an important player in Scandinavia. And from then on, it is really history.

But as I said, newspaper circulation has been falling even though in Norway in total 111 newspapers, total circulation peaked at the turn of the century, at the turn of the millennium. And as you can see on the curve here, the red ones are the national family tabloids that are single copy sales, and they [have] experienced a dramatic fall in circulation. But also the subscription base [of] regional and local papers are losing in circulation. And if we do the forecast, we'll see that the outcome in the future is going to be pretty grim. Not to the same extent that you experienced here in the United States, but still.

But what have we been doing over the years? And I'll show you two samples from what has happened since 1997. On the left, you'll have the VG, the Norwegian newspaper. On the right, you have Aftonbladet, which is a major newspaper in Sweden. And as you can see, print readership is falling. That's the lightest blue column. The medium blue is the ones that read on print as well as online. The dark blue are the ones that are only reading online. So as you can see, our print readership is falling, but our total reach is strongly increasing and has been so for all these years.

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And because of our very strong presence, as with news sites, VG in Norway is the most visited news site—no—website of any websites. And the same thing in Sweden. Aftonbladet is the second most visited news site of all news sites. But as you'll also see, what we have been successful in was by being cannibals around the turn of the century and by launching classified websites aiming at keeping the market share for classified ads, which used to be the base of the newspapers, we were able to grab that and not having new players come in and take the classified ads. So we have by far the strongest classified presence in Norway, in Sweden, and also increasing in a lot of the new countries that we moved into. Schibsted as of today are involved in 23 different countries around the world—Latin America, Europe, and Asia. And this is where we are really building the future of our company on, is by being able to attract new kinds of revenue.

And as you can see in 2002, 3% of the total revenue was online. Last year, 30% of the total revenue of the Schibsted Group came from online. But more importantly, more than 50% of the net profit was made by our online turnover. And if you look at it, you can see here that purely classified sites account for 23% of the total revenue. 6% of the total online revenue—total revenue—comes from the newspapers' websites. That is not the classifieds, but is the banner ads and what you may get in behind the paywalls. Traditional print advertising accounts for 25% and circulation or subscription revenues are 35% of it all. And the other revenue such as distribution and printing, etc., [is 11%].

But what we have succeeded in is the transition to go from print as the only source of revenue to becoming more and more like a digital player, the way the Journal Register Company here is trying to do much, much faster than we have ever managed to do so. And as you can see, if we compare ourselves to other media players, we have been far successful, very successful. Actually, Springer, the biggest German publisher, who is also present in close to 20 countries, they are also very much involved in getting the transition to digital. And you can compare this to the U.S. companies like *New York Times* and Gannet, and we are a few steps ahead.

And why is this so important to be there? Because the changes that have taken place in the media scene are just going to come faster and faster. And we know that becoming a global player also makes us have to be investing in all the new types of media ventures. And of course, the buzz of the moment is what's happening in mobile. And what you see here is that the growth in mobile is now tremendous. And this is where we know we have to be, especially now when you see the new iPhones, and I mean, even here has not included what's happening with the iPads.

What we are doing is we have to acknowledge that our readers, they are used to [being] online 24/7, and we have to understand that when we are trying to make the content that we want them to have. And by learning how difficult or different a person as a consumer of news is behaving depends

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very much on the context, depends very much on the time of the day, [and] it depends very much on the platform that he uses.

And just to see what the VG newspaper in Oslo, a national newspaper in Oslo, you can see also here the quite distinct differences in user behavior between the online which is the dark blue, the green which is the iPhone, and the red which is the iPad, and [you can] see how different people use it. And we have to understand this in order to make the best possible content on these different platforms. And again, how quickly this is going to change in the future. We know, I mean, iPads we barely knew about a year ago, and we can see how important it has become already, and who knows what's next.

We talked about Flipboard. We talked about Sulio?

**Man:** Sulia.

**Elvind Thomsen:** Sulia. And we know that. I mean, we just know that two years from now it's going to be much, much more complex. So what has been the problem for the news industry? In my opinion, it has been we have been so obsessed by trying to deliver what we were very good at on all the new platforms, and at the same time, we are failing to understand the changes in consumer behavior and preferences by being online 24/7. So we have to learn. We have to experiment. We have to repackage. We have to fail. We have to segment and fine tune our products or the content in order to be delivered to diverse clusters of our audience, as also was mentioned earlier. I may share my interests for politics with some fellows, but I have totally different interests on other fields of the news specter. And I think we will not prosper as news media based on one single business model. We have used to. We have for hundreds of years lived on one basic business model, but the future will not be based on one. It will be based on multiple revenue streams that in total will make us able to still continue to do the journalism that is so important for us.

And we need to learn that we have to do these multiple revenue streams in order to in total make that. And we just see what happened to the music industry. And we see now that, I mean, what they used to depend on was the sale of albums, and now they get less than 20% of their total revenue from the sale of albums. So we need to be able to diversify, to put down and repackage everything we do in order to be able to keep the position and keep the role in society that we have been used to for so many years. And part of this is that we need to be able to repackage and rebrand and make new focus for the consumers to understand that we are trying to deliver what they really are interested in, in the way that they would prefer to have it.

So what I'll do is I'll give you a few examples of what is happening in Europe. I'll go to Germany first, where the Springer Group is experimenting with Hamburger Abendblatt, and where they say that all the news online that is

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international and national will be open to everyone. But what is unique is what we are doing locally and regionally, and so we'll charge [for] it. And you can see here every story online is branded. You need to be a subscriber if you go further on, on these specific stories. All the print subscribers have this for free. The other ones you can subscribe, and they've only one thing. They have a monthly price, and they give you rebates or discounts the longer period you subscribe for.

Another example is *VG*. You'll get more information about some of the specifics of *VG* tomorrow. This was one of the apps that *VG* launched on September 1st last year. And on day one, it became number one on the most sold ones. The interesting part of this is, it's selling for \$5.00 and gives you up-to-date all the time TV listings, reviews of the TV shows, and everything like that, but this is for the iPad, on September 1st. And the iPad was for sale in Norway—came for sale in Norway at the end of November. But at that time, more than 50,000 Norwegians had bought an iPad from the United States, so the traffic was immediate. And I think it's about 10,000 apps that have been sold for the iPad, and there are 50,000 apps for the iPhone on this particular one.

If we go to Sweden, they did put a paywall [in]. The *Aftonbladet* did put a paywall in, in 2003, where they said extra content will be charged. And it is about -- the charge is about \$5.00 a month, and they have 115,000 subscribers. The churn is pretty high, but they manage to be able to sell new subscriptions at a better rate than they were losing. They did introduce for a short time trying micropayments, piece by piece or day by day, but that immediately made a decrease in the subscribers for that, so they have abandoned doing the pay-by-story or the pay-by-day.

But what they are also doing, and very successfully, [is] also making pay-per-view for a lot of videos, which may be their own, but also may be like here *National Geographic* and documentaries. And they do retain 50% of payments. And one of the most successful ones is the pay clubs, where as you can see here they've had 380,000 subscribers since year 2003. And it's not inexpensive. It's pretty expensive, but it gives every participant in the club personal, individual follow-up on how they are to lose weight. *VG* has accepted [and] have formed similar clubs costing even more and being very successful as well.

And, of course, there are other ways of finding ways to get new revenue streams by e-commerce. And one of the most important things is that we are learning how to get new streams in. Still, in these newspapers, 80% of the—two more minutes—80% of the revenue is from banner ads. But the last 20%, half of it is from the clubs and other ways of doing this. And what we do foresee is the future of payment models where you have free site, you have a base paywall, and then you will do niche verticals which you can charge more for.

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And these are just one of the many few things that we have to do, but we have to learn one thing: we are, after hundreds of years of history, we are having far too much baggage. [Laughter] So what we do need is we do need to get rid of a lot of this, but we also need to be able to repackage what we have been good at into the different forms or vehicles that will bring us to these specific and much smaller segments of the audience.

So I'll leave you with a quote. I won't do it by quoting Clay Shirky as Vivian did, but I will do it with a quote from a much older man, and a quote that has been instrumental in the way that the Schibsted Group has been able to reorganize and restructure themselves. And it speaks for itself. [The following quote is shown on the slide: "It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to the change." - Charles Darwin]

Thank you for your attention.

[Applause.]

**Rosental Calmon Alves:** We still have time for two questions and a few comments. It's the first time we're going to more chairs, so bear with us.

[Chairs are moved and there is some non-transcribed chitchat.]

**Tim Lott:** So I think we're going to open it up for questions if you have any, but I'll get started on asking a more basic question, and that, gentlemen, is, if people aren't willing to pay for what we're doing, are we doing the wrong thing? Is it any different from a cup of coffee that someone is not willing to pay for? Mark.

**Mark Medici:** I would say that my kneejerk reaction to that would be that we have been -- the business model isn't sustainable if we can't figure out the digital future. I think it's just that easy to say. Most of the companies that aren't named *The Wall Street Journal* and *The New York Times* just can't scale the amount of available advertising inventory that there is really in the atmosphere to put forward as a sustainable business model. So, you know, I think that Vivian said it quickly. I think that [it's] fail, fail quick, and try something else. My opinion is that we've let the free journalism, the free online access to our content go on way too long. And so I'm excited that we're trying this. There's a lot of data that we've never had before that we'll have our access to. And maybe it will really change the way that we produce content. We're finding that already in the first couple of weeks in our experiment in Dallas.

**Tim Lott:** Jim, coming at this question from a non-newspaper perspective or from the perspective of an aggregator, how do you answer that question? If people won't pay for it, what does it say about what we're producing?

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**Jim Gerber:** Well, a number of folks have said this already, right? There have been a number of models—radio broadcasts—that have been entirely ad supported. And I think that, again, it depends on the type of content. There will always be those, but I do think that we're at a point, as Vivian said, where there are some changes that have happened—device evolution, people's willingness to pay—where I think you will start to see a mix of models. And I think it's a very positive sign for the industry that you're starting to see people pay on places like *Dallas Morning News*, on *The New York Times*, but there will always be a mix.

**Tim Lott:** And do you think that for a mid-sized newspaper, Mark, in a city like Austin or Raleigh, North Carolina, that by definition what we're going to be charging for is local, as Jorge said? Anyone.

**Mark Medici:** I'll just very quickly give you a statistic. So, we launched two weeks ago in Dallas. We now have digital subscriptions in every single state in the United States. So that's a very interesting answer to that. And what they are accessing is local content.

**Tim Lott:** Another way of putting it is, are we ever going to be able to charge for commodity news? Is that horse out of the barn?

**Elvind Thomsen:** No, I don't think we will be able to charge for commodity news which is accessible everywhere. But what is unique about us, about what we do, is what we will be able to charge even though if it's the way we handle commodity news, because the way we do it, the way we package it may be so interesting that people will still look, which is what I think is what's going to happen with the paywall that *The New York Times* is doing. Because a lot of people will go to *The New York Times* because it is *The New York Times* and the way that they package it.

**Jorge Meléndez:** I think it's an incremental process. It's not a switch on and off. It's a dimmer. And at some point the light is on. So you need to give the readers enough reasons. One of the parts of your offerings is going to be commodity. You need to have that. We have that. I mean, we have the company books. Well, actually, that's not a commodity, but we have the real time, the financial markets, whatever. But you need to give them specific reasons of things that are different in your site, and if there's enough of those, there may be a point in which a user is going to say, "Yeah, I'll pay for that." But you don't know what that's going to be, so you have to have many things in your sites that could actually...that's why I said you need to understand what your users value, and part of it has to be commodity, but I think the newspaper has got into this mess [in] part because you look at the front page—I'm going to go to another place—but you look at the front pages of the newspapers, and they were commodities, really. And for us in our newspapers, if the front page of our newspaper in Mexico is the same as the newspaper in Monterrey, we're not doing our jobs. Because the local, there has to be local news that are relevant and able to compete to create a local

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product. And if you're not doing that in your paper, you're not going to be able to do it in your site. So that's why it has worked for us.

**Jim Gerber:** Moving onto status, that we are seeing newspapers do a tremendous amount of experimentation with not just, in the case of a metered model, where that meter should be, how many articles, but what's always in front of the wall, like you said, general news or breaking news or front-page news and what's not. And how many in the case of subscription papers, like *The Wall Street Journal*, frankly, how many clicks they allow in for free, and they are constantly tweaking [that]. A lot of papers are constantly tweaking that. So I think you'll see a lot more evolution in that area.

**Tim Lott:** Professor?

**Rosental Calmon Alves:** We can have just a couple of questions because we are late. But if anybody has a burning question, please come to the mike. Iris is there first. She was running. [Laughter]

**Iris Chi:** Iris Chi. I'm teaching here at the School of Journalism. I have a question. There are usually two motives behind the paywall plan. One is to generate new revenue. The other one is simply to protect the print edition, and some of you just mentioned that. I'm wondering at this point, which one do you think is more important? Because if it's the second one, then if nobody -- simply because nobody is paying does not mean you should not charge for it. But if it's the first one, then if it fails, then you may need to try something different quickly. So I'm wondering which one is the real driver at this time.

**Mark Medici:** In Dallas, it's both, right? So the answer to the question, first and foremost, was that the strategy was put in place to really protect the, let's call it, \$100-million of subscription revenue that we have right at our fingertips right now. But the larger term is that it's in my daily work. That's what I do on a day-in, day-out basis. I don't think that under any circumstances do I foresee *The Dallas Morning News* maintaining a relationship of \$100-million from here into the future. So the second stage of this evolution is really about, how many of our print subscribers can we get to engage across these platforms on a day-in and day-out basis? How does Grant's team position news differently that's unique that's not found inside a format of pulp in the newspaper that gets people excited about engaging across these platforms? Because, listen, the expense model in the newspaper industry, digital will not save that. That is not the answer to the equation. Even at *The Dallas Morning News*, will we have to consolidate print base? I don't know. But with the rising price of fuel which ink is pulled from, with the rising price of pulp, will the \$2-million of revenue that we monetize directly with the consumer be to see digital? Will that offset rising pulp prices that would elevate outside of that \$2-million? We need to get people who are on pulp to migrate digitally so that we can start presenting them news like that.

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And I think we have a short period of time to where that adoption has got to take place.

**Jorge Meléndez:** I just want to say it depends. But for us, it was defensive, really, because we saw the advertising market. [The] online advertising market was so small it didn't make sense for us to risk [it]. I think in the U.S what's left to defend is small. [Laughs/laughter] So you've lost a lot. So I would think it's now offensive. You want to recuperate some of what you've lost. But it really depends on the paper.

**Jim Gerber:** Let me offer a third, quickly, a third alternative. It's not just A or B. I think what Mark just said is, when he used the term migration, what we're hearing from a lot of people is that they see this as a way to migrate their readers from understanding that by paying for the paper edition and getting access to the online, that over time is they let go of the print edition, because they're either being green and don't want to kill trees or because they find themselves just reading the online edition more than the print edition. That they understand that they are paying for it, and then continue paying for it online. So it's also the third option is more of a migration strategy to retrain their users --

**Panelists:** Yeah.

**Jim Gerber:** -- as to how they pay.

**Tim Lott:** I think we have one final question.

**Marlise Brenol:** Hi. I'm Marlise from *Zero Hora Newspaper* in South Brazil. And we closed our printed digital version a time ago, and we had a lot of rejection whenever people would like to share their content. And in our online website, we invest a lot on connection, shared, and live coverage, like...[inaudible] ...like covered live and all that. And I was wondering if you all could share with us your experience, if such connection was effective whenever you closed your content and made it only paid, and if you had any kind of rejection like we did.

**Jorge Meléndez:** We closed it so long ago [that] there was no social media. [Laughter] So it's hard to judge the effect. In 2002, it didn't exist. But I would imagine that there could be. There's ways around it. But at some point, you have to make a decision of what you want to do. So I don't think you can have both worlds. There has to be an effect. But as I said, it's hard for us to measure it, because we didn't see the comparison of before and after. It was just so long ago. We're doing well in social media. In the metrics I shared with you, we're doing well.

**Marlise Brenol:** Yes, but how have you managed this connection, this shared connection with social media?

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**Jorge Meléndez:** In our case?

**Marlise Brenol:** Yeah, yeah. I saw that you opened the...

**Jorge Meléndez:** If you forward an article or you Tweet it or if you email it, it's free, but you have to be a subscriber. So if a subscriber accesses our sites and they share that article with a thousand people, that's fine. That's advertising that we have great content, which is one of the things that you lose when you have a paywall. You have this fantastic site, but...

**Tim Lott:** Okay, thanks. And a big hand for our [panelists].

**Rosental Calmon Alves:** Yes.

[Applause.]

**Rosental Calmon Alves:** We have ten minutes for a coffee break. Delicious coffee, wonderful little finger food. So ten minutes and come back, please.