All The News That's Fit To Pay For Online:

The Case for a Modified News Micropayment Model on the Social Web

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Abstract

This theoretical paper explores the idea of small, per-article payments, which can be as low as a penny or less, for the news industry. The paper examines existing academic and industry literature on micropayments, as well as explores underlying theories in media management and economics, marketing, behavioral economics, sociology, computer information systems and mass communication. The authors propose a "Modified News Micropayment Model" that contains four primary drivers that make the idea of micropayments a feasible and attractive idea for news industries in the Social Web environment--- socialization/sharing, a microearn component, local focus and a centralized banking system. The model is presented and discussed, and future directions for research offered.

Introduction

A new world for processing news and information on the Web is on the horizon. Executives at many news companies have already begun, or plan to start, charging for online content within the year (Loechner, 2009). Newspaper companies have struggled with the same problem as widely popular Social Network Sites (SNS) in the Social Web world, chiefly how to make money off their online products. In recent years, news outlets have vigorously sought new business models. Seeking new business models for online businesses, however, is not a new problem. Businesses have grappled with finding models to sustain their online operations since the World Wide Web rose to prominence in the 1990s.

The move from a Semantic Web to a Social Web, however, has changed the stakes and opened new opportunities to create alternative business models. The Social Web is currently used to describe how people socialize or interact with each other throughout the World Wide Web. Such people are brought together through a variety of shared interests. Understanding a business model under which a firm operates is critically important when an industry "operates in a state of significant change" as news media and SNS presently are (Picard, 2000).

Of late, the search for an online business model has directed attention to micropayment models, the concept of charging consumers small amounts of money (for example a penny or less). In an early 2009 *Time* article entitled, "How to Save Your Newspaper," Walter Isaacson dubbed micropayment as the preferred route while an international 2010 Nielsen survey indicated higher willingness to pay among Americans, as well partiality to micropayment over a subscription model. With academic research clearly arguing that advertising alone cannot provide sustainable profits (e.g. Clemons, 2009), charging for content will be a necessary part of an effective business model going forward. In short, the environment is ripe for micropayment.

If adopted in large numbers by the newspaper industry, such a change, labeled as a free-to-fee movement, would have a seismic effect on the Web, where a "free culture" has been long thought to dominate. While free has been the assumed cultural norm on the Web, hypertext inventor Ted Nelson originally envisioned embedded links as a way of enabling micropayment to make sure people who created good stuff got rewarded for it (Isaacson, 2009).

Therefore, the current study purports to devise a business model under which micropayment for news can feasibly thrive within the Social Web climate. This paper will survey the extant literature, examine existing academic and industry research and thinking on the micropayment solution, and discuss practical and theoretical future directions for models in this realm. The paper concludes by offering a proposed new business model that converges both SNS and news media as primary players in the envisioned model. This study draws from existing economics, mass communication, management, information systems, and sociological literature.

Review of the Literature

Defining Business Models

The transition from a traditional media-only environment to the Semantic Web and then to a Social Web has changed the stakes for traditional media. New opportunities to create alternative business models have emerged as a result, yet, both traditional and new social media have struggled to find a sufficiently profitable alternative model. Understanding business models under which firms operate is critically important when industry "operates in a state of significant change" as legacy media and SNS presently are (Picard, 2000).

"Business models" is an oft-used, and often confused term. A business model is not a strategy, which concerns itself with company, product, marketing, and pricing decisions by individual firms to meet their goals. Drawing upon the framing established by the European Commission's then-Head of Information Technologies (Timmers, 1998), Robert Picard, a prominent media economist, defines business models as "stepping back from the business activity itself to look at its bases and the underlying characteristics that make commerce in the product or service possible. A business model involves the conception of how the business operates, its underlying foundations, and the exchange activities and financial flows upon which it can be successful." (Picard, 2000, p. 62). Timmers (1998) also distinguishes between "business models" and "marketing models" and suggests that firm marketing models are necessary in order for business models to succeed. Others have argued that a business model must blend value, revenue and logistical streams that are critical to the business (Mahadevan, 2000).

Further, Picard (2000), who explored business models of online content services before the advent and proliferation of social media, notes that failed or abandoned business models "may be reintroduced successfully for the same or a different product or service" (p. 62) if conditions in which they failed are no longer present or resistance to some elements disappears. This is worth noting given how drastic social media has altered the Internet landscape. Business models for online content services, such as Paid Internet, Free Web, and Internet/Web Ad Push, or a combination of the models, which failed to work on the Semantic Web may well work in a Social Web environment.

Accordingly, the business model proposed is an abstract framework applicable at the industry level to effectively blend value, revenue, and logistical streams available in the current environment to make money through the distribution of journalism. It should not be confused with a strategic plan-of-action which takes into account case-specific issues such as marketing, resource allocation, and benchmarks. The purpose of any business model, ultimately, is to maximize revenue efficiently to create a profit (Lauden & Travers, 2008).

Willingness to Pay

Economics and marketing theories underlie discussion of several existing, and hypothetical, business models. Willingness to pay (WTP) is an important microeconomics concept worth exploring when discussing the business model referred to as micropayments, defined by The Online Publishers Association as purchases below $5 (Smith, 2003).

WTP denotes the maximum price a buyer is willing to pay for a given quantity of good. It is a ratio-scaled measure of subjective value the buyer assigns to the quantity desired (Wertenbroch & Skiera, 2002). A consumer buys items from a set of alternatives when WTP exceeds the purchasing price. Knowledge of WTP is crucial for determining pricing structures in any potential model for selling content online.

Becker, DeGroot, and Marschak (1964) were among the first to empirically test and measure consumers' WTP. More recently, Wertenbroch & Skiera (2002) applied the BDM procedure in assessing the utility of lotteries and showed experimentally that differences in WTP estimates arise from the incentive constraint rather than the cognitive effort required in responding.

Consumers' willingness to pay has been widely studied in economics and marketing (Moldovanu & Tietzel, 1998;Vickrey, 1961; Wertenbroch & Skiera, 2002) for at least four decades, but online content has more recently presented new challenges, especially how consumers have largely balked at paying for content (Dou, 2004). Chyi (2005) notes that in a content market, media products are either offered for free or for a fee, whereas WTP is usually taken for granted in the latter. But online an attitude of "no one would pay for" content has prevailed largely because of horizontal demand curves and cross-price elasticity of demand. Online news has been characterized by a demand curve at the price of zero, whereas if the price increases even by a single cent, demand drops to zero. Since substitutes for online news are available, cross-price elasticity is high so the free-to-fee switch envisioned by media outlets could cause a drop in quantity since the substitution effect would be triggered (Chyi, 2005). Chyi & Yang (2009) found evidence that consumers may consider online news as an (economically speaking) inferior good, in part, Chyi speculates simply because it is free (Chyi, 2009).

Micropayments, by nature, should lead to lower prices because of lowered costs of production and distribution in a digital environment by eliminating middlemen, allowing media producers to sell content directly to consumers and in doing so giving consumers more control over content value (Jenkins, 2004; Smith, 2003). As Smith (2003) poses, "what is a news article at MSNBC.com or a video clip at CNN.com worth to consumers in an open market of vast alternatives? No one really knows yet."

Marketing literature purports that consumers use extrinsic cues such as price or brand name to form perceptions of either value, risk or a combination of the two (Dou, 2004) in making purchase decisions. A consumer can use the extrinsic cues to derive product benefits and monetary sacrifice, which leads to perceived product value and thus, willingness to pay, or from the competing stream, consumers form perceptions of risk, which lead to value perceptions and purchase intentions (Dodds, Monroe & Grewal, 1991; Zeithaml, 1988, Bearden & Shimp, 1982, Dou 2004).

More recently, marketing research has begun to explore consumer WTP under a variety of different conditions, such as through a foreign currency or a medium points system (Hsee, Yu, Zhang and Zhang, 2003; Raghubir & Srivastava, 2002). Raghubir & Srivastava (2002) found that although people are aware of the distinction between nominal and real values, their judgments are biased toward the nominal values. Their research supports Shafir, Diamond and Tversky (1997)'s money illusion, which suggests that people think predominantly in terms of nominal rather than real value because nominal representations are relatively simpler and more salient. Raghubir & Srivastava found that individuals are prone to systematic biases in spending foreign money even when they are cognizant of the exchange rate. Hsee et al. (2003) found evidence that marketers can stimulate purchasing behavior by manipulating the way the medium in a rewards program, for example points or credits is distributed. These points-based outcomes are also actually media. These two findings, about currency and points as it relates to WTP, have significant implications for a micropayment business model for newspapers, as will be discussed in future directions.

Toward a New Business Model

With the emergence of the Web, traditional media outlets, such as newspapers, took a rather haphazard approach to their online product as managers viewed online content as complementary to the core print product rather than a standalone, profit-centered product (Saksena & Hollifield, 2002). More than a decade ago, only 3% of online newspapers were subscription-based and less that 20% has adopted e-commerce and pay-per-use models in 1999 (Chyi & Sylvie, 2001).

By the 2000s, newspapers had succeeded in developing a user base by giving content away for free. These users are attractive to advertisers, although the amount newspapers can charge advertisers for online ads is far less than the amount they can charge in print. Obviously, the biggest risk newspapers face in converting to a fee-based model is losing readers, and thus, diminishing advertising appeal (Chyi, 2005). Losing readers, of course, may also mean losing advertisers since the sites will deliver fewer eyeballs.

Still, industry experience and research has made it clear that online advertising alone cannot sustain high enough profits to supplement advertising revenue lost as a result of the digital revolution (Sylvie & Chyi, 2007; Clemons, 2009; *The Economist*, 2009). As a result, newspapers have experimented with various online revenue models only to remain dependent upon advertising as their primary revenue source (Sylvie & Chyi, 2007). As Clemons (2009) points out, while advertising will maintain a role in revenue generation, effective paid models must be added to the mix. *The New York Times*, for example, plans to implement in January 2011 a "metered model" in which a monthly allotment of stories can be read online for free and a flat fee charged for full access after exceeding the allotment. About $700 million in revenue is at stake, according to a former *Times* executive. Since the paper can only charge advertisers online about 1/40th of the price in print it must find new revenue streams, said Penelope "Penny" Muse Abernathy, a former executive at the *Times* and *Wall Street Journal*.

"What's riskier and more puzzling is that it's been over 10 years to figure out we've got to do something in the online arena to start capturing some value because (readers are) simply using this and eroding it as it goes," said Aberanathy, now the Knight Chair in Journalism and Digital Media Economics at the University of North Carolina (Abernathy, 2010).

While the *Times*' approach is not a micropayment model, existing research indicates that micropayment has potential to be the business model of choice among consumers. The previously discussed 2010 Nielsen survey found that 34% of newspaper readers would consider paying for online content and 42% of North Americans would prefer a micropayment plan over a subscription service to the entire Web site (Evangelista, 2010). Sindik & Graybeal (2010) reported that half of digital natives surveyed were willing to pay between a penny and 25 cents with 66% of those willing to pay preferring a 10 cent or less price point. As Clemons (2009) asserts, "People will pay for superior, timely, original content…because they value the content; they will pay for the most current stories online," citing the *Financial Times, Economist,* and *Foreign Affairs* as examples of successful paid models. Although the verdict is still out (Evangelista, 2010), research support for micropayment is increasing as is industry buzz.

Newspaper Industry Debates, Experiments with Micropay

A report by Young & Rubicam, a prominent national advertising and public relations company, predicted that consumers would soon pay mini-fees for much of what is now free on the Internet, dubbing the micropayment model "info a la carte."

"Charging micropayments for the choicest morsels of information will become the prevailing business model for selling smarts, replacing unlimited access for a flat fee," read the Young & Rubicam report.

The report, "Ten Trends for 2000," was issued a decade ago, however, indicating that discussion of micropayment as one of, if not *the* next prominent online business model, is nothing new (Bedell, 2000). The popular press in the late 1990s and early 2000s is filled with reports of companies attempting micropayment systems, and discussion and debate of the merits of such a system. A 2000 *Boston Globe* article, for example, shouted "MICROPAYMENTS

COULD BE THE WEB'S NEXT BEST HOPE" while hypothesizing that payments of a penny or a fraction of a penny would eventually win acceptance among Web users (Dennison, 2000).

Fast forward 10 years and the micropayment debate rages once again, sparked largely by a February 2009 TIME cover story written by Walter Isaacson in support of micropayments. Titled "How to Save Your Newspaper," Isaacson notes a tipping point occurred in 2008 when more Americans got their news online for free than paid for it by buying newspapers and magazines. If newspapers don't see fit to charge for its content Isaacson said he would "feel like a fool for paying for it." Sole reliance of an advertising revenue model in the online realm "can't possibly stand," Isaacson wrote.

Michael Kingsley, the founding editor of *Slate* magazine, which abandoned its subscriber model in early 1999, responded a few days later in a *New York Times* op-ed column that "you can't sell news by the slice." Also in February, a "secret memo" by prominent lawyer Steve Brill proposing a "plan to save the New York Times and journalism itself" was published:

> A business model that is based uniquely on expensive editorial quality but that derives revenue only from advertisers who only indirectly use or pay for that quality is a business model that cannot work. There is simply no example, not one, in print, online, in television of quality content offered for free ever resulting in a viable business.
> (Brill, 2009)

Others chimed in. In contrast to *Slate*'s founder, its current editor, Jack Shafer, wrote a piece in *Slate* that "not all information wants to be free" and discussed ways to invent and refine rich content online that "wants to be sold." (Shafer, 2009) For as many examples of paid content's failures (*New York Times*' TimesSelect, *Slate*, latimes.com's CalendarLive), there are examples of online successes (ConsumerReports.org, *Times* premium crosswords subscribers, paying customers at NewspaperArchive, FineCooking.Com, CooksIllustrated.Com, fantasy sports, gambling and pornography sites) (Shafer, 2009).

The abstract discussions and debates over hypothetical micropayments in 2009 could turn out to be case studies of micropayments in action in 2010. Indicators point to a news industry poised to charge for content this year. A majority of newspaper publishers (60%) responding to a November 2009 American Press Institute survey revealed it is considering initiating paid access for information and news that is presently free, with 25% of publishers indicating they expect to implement a paid strategy within six months. WSJ.com, for example, announced in May 2009 its launch of a micropay feature in addition to its paid subscription program for occasional readers who do not want to pay a monthly subscription (Musil, 2009). Of the API newspapers surveyed, 90% do not charge for content, and only 3% have a paid-only site (Loechner, 2009).

The head of the Associated Press said that a new mindset is forming.

"There is going to be less and less advertising for some number of years," said AP CEO Tom Curley. "Everybody knows (the business) has got to shift to some sort of user payment model." (Fine, 2009).

Everything old is new again.

"With newspapers in cities across the country on the brink, an old idea is being resurrected in the hope of saving them: they should charge for access to their journalism on the Internet," wrote former *Wall Street Journal* Publisher L. Gordon Crovitz in a Feb. 23, 2009 column titled "Information Wants to Be Expensive," "This is a great idea, but about 10 years late."

Crovitz argues that newspaper publishers and editors have been asking the wrong question- “Will people pay to access my newspaper content on the Web?” when they should be asking “What kind of journalism can my staff produce that is different and valuable enough that people will pay for it online?” (Crovitz, 2009)

Much discussion over micropayment has touched on the Web culture of no pay, often attributed to the notion that “information wants to be free,” which Stewart Brand expressed. But Crovitz points out in the same quote, which is often ignored, Brand said that “information also wants to be expensive.”

Free author Chris Anderson asked Brand why he changed the hacker imperative that information “should” be free to “wants to,” to which Brand replied: “It flips the perspective from yourself to the phenomenon, and the phenomenon is that value is coming from this peculiar form of sharing. ” (Anderson, 2009)

There are also movements afoot to create infrastructure and systems that will enable newspaper (and other media outlets) to implement micropayment options. Crovitz, Brill and Leo Hindery, Jr. created Journalism Online, LLC., which “seeks to enable news publishers to generate new revenues from readers and distributors for their digital content and—because it does not have to be a choice between one revenue source or the another—to restore the optimal mix of circulation and advertising revenue necessary to finance original reporting and editing. For print publishers, this move toward paid access online will also restore the value proposition of the print medium by eliminating the fully free online alternative.”

The company plans to offer an “innovative online payment system that will be flexible for publishers and easy for readers, making it simple for publishers to begin charging readers for access. The Journalism Online platform will help publishers and readers by offering common customer accounts across all its publishing affiliates and by enabling readers to select 'all you can read' packages across different news publishers based on their areas of interest." (JournalismOnline.com)

Journalism Online isn't the first organization attempting to establish online payment systems for media products, nor will it likely be the last. Flooz, Beenz, CyberCash, Bitpass, Peppercoin and DigiCash are a few examples of failed micropayment companies.

Meanwhile, Facebook's SpareChange, which allows users to charge their PayPal accounts or credit cards; Twitter's Twitpay, Bee-Tokens, Tipjoy, and online role-playing games offer glimpses of variations on micropayment systems in action today.

Others are also working on refined specialized micropayment systems. Cynthia Tapaldos founded Kachingle, described as an online tip jar of sorts, to capitalize on users' interest in sharing what they're doing. Any Web publisher, from the *New York Times* to a personal blogger, can solicit contributions through a Kachingle medallion on its pages, replacing a pricing decision by a publisher with a user's behavior determining what content is worth (Mitchell, 2009). Bodega is a centralized platform that allows swapping of virtual goods and currencies across video games and social networks with the potential to trade the virtual wares in for cash (Kincaid, 2009).

One of the biggest players to enable micropayments is the search giant Google, which drafted a proposal for the Newspaper Association of America to power micropayments for news sites with Google Checkout (Seward, November 2009). Google CEO Eric Schmidt addressed the topic.

"What percentage of news organizations will charge for content? And it's entirely their decision. If they do so, then we want to make sure that we have products that they can use to help them charge. Right? Because we're in the infrastructure business. We respond. But, to me, that's a relatively straightforward infrastructure decision. Could we get them to use Google Checkout, other payment systems, and so forth? But I think it's early to talk about that." (Seward, November 2009)

The Google proposal notes that its Checkout system "could be improved to be more relevant for news and media companies," and specifically suggests micropayment as the means to do so:

"While currently in the early planning stages, micropayments will be a payment vehicle available to both Google and non-Google properties within the next year," the proposal reads. "The idea is to allow viable payments of a penny to several dollars by aggregating purchases across merchants and over time. Google will mitigate the risk of non-payment by assigning credit limits based on past purchasing behavior and having credit card instruments on file for those with higher credit limits and using our proprietary risk engines to track abuse or fraud. Merchant integration will be *extremely simple* (emphasis theirs)." (Seward, September 2009)

Enter Social Media

Google rose to prominence as a new media giant in the late 1990s and early 2000s by creating an innovative search mechanism. Since then, Google has continued to expand its offerings either through continued innovation or acquisition. Google purchased YouTube, the leading online video site, in 2005, and launched new social media products Wave and Buzz in recent months.

Newspapers initially viewed Google as an enemy. Media baron Rupert Murdoch, whose News Corp. company owns the *Wall Street Journal* and *New York Post,* has even chastised the

Palo Alto-based company for "stealing" news content. A number of newspapers have changed their tune, viewing Google as a strategic partner as evidenced by the industry association's request for proposal from Google.

Newspapers have relied on new media companies, and recently social media sites like Facebook and Twitter, as alternative distribution mechanisms to get their content to readers across a variety of platforms. Facebook and Twitter allow people who already know and trust each other to make recommendations, said Jason Erdahl, executive director, digital at *Star Tribune* (Berger, 2009).

News outlets are acutely aware of the social drivers behind wider dissemination of their core content. The social dimension of news is likely to increase even further in the future, according to Robert Reich.

"Without significant filtering of what comes in, quality will suffer. Value comes from providing people with the ability to interact and in finding ways to spur more and better content in partnership with community members," Reich wrote in a recent *Nieman Reports* article. "As the editor in chief of Wired, Chris Anderson explained, "social filtering is the way people will consume media going forward." It also turns out to be the way to create content successfully." (Reich, 2009)

The issue has been that there is "no proven way" to bring in money to sustain the content creation, Reich writes. "There is no doubt that must-read content, embedded in a community experience, will be a critical element for all who achieve success," Reich wrote. "People will pay for content in which they find value."

Picard argues that understanding the function and use of social media is "critical in making business decisions," (Picard, 2009).

Discussion

Making the Case for a Modified News Micropayment Model

In all likelihood, there will not be one grand one-size-fits all saving model for the online news media. Rather, there will be several different models, hybrid models and a blend of some existing structures. For the news industry, it seems unrealistic to replace an advertising-driven model with a model dependent upon readers, which account for less than 20% of print revenue. Despite much discussion in the popular press and widespread support from industry, a pure micropayment model does not seem likely to work. News company executives' indication to move toward a micropayment system within the next year will be a critical first step to gauge in a practical way consumer willingness to pay for online content in an environment and amid a culture that for more than a decade has been that "information wants to be free."

Rather than abruptly pulling the plug on a stream of free information, suddenly guarding content behind pay walls and hoping consumers will pay to enter the sites, online media outlets should gradually nudge consumers toward paying for content and offer incentives to do so.

One way to do so is through the ability to *microearn*. If media outlets want to implement a micropayment system, they should also concurrently implement a microearning system. A microearn system could function much like a rewards program, where users can earn points for disseminating news, information and online content to friends and followers. Airlines, hotels and gaming industries have been incredibly successful at implementing rewards programs so there is an existing model that online media could follow. Given that literature and existing research suggests that consumers are more likely to spend more money when using "foreign currency," media outlets, and particularly news outlets should establish their own currency system. This could be either a media outlet currency or a points system. For example, the *Wall Street Journal* could offer “WSJ Bucks,” the *New York Times* could have “Times Tender,” and there could be other media outlet currencies, such as “*Gazette* Greenbacks”, “Media Moolah,” “*Courant* Currency,” and so forth and so on. News outlets would be able to establish their own pricing structures for these new forms of currencies. Or media outlets could choose a points system along the lines of the Nintendo Wii model, where consumers pay $X for Y amount of points.

Rather than a pure play Micropayment Model, the authors argue instead for a “Modified News Micropayment Model.” (see Figure 1). There are four key drivers to this proposed model: socialization/sharing, micro earning, local focus, and a central banking system (see Table 1).

Other academy and industry experts writing about this topic have written about some of the concepts we believe are vital to our model. They warrant discussion here. Many smart minds are tackling micropayment and new models from many different angles.

Microearn

Jeff Reifman, CEO of NewsCloud in a September blog post, touched on some nuggets of the authors’ proposed model. The “Modified News Micropayment Model” suggests that the ability to microearn is the most critical missing component of a sustainable model. Reifman notes that micropayment technology would allow publishers to add valuable new features, such as “sharable news” making it easy to share news with your friends, whereby Facebook integration could highlight trending stories read and shared by friends and colleagues. Reifman also notes that “microcredits could become a new promotional currency.” He argues that e-commerce providers could give users micropayment credits for visiting their sites (similar to how users of Microsoft's search engine Bing can get PayPal credits back off purchases made on e-retailers discovered through use of their search engine), much the way, the proposed model proposes that news users can get credit for disseminating news to others. For example, Bob reads an article that is particularly interesting and posts it to his Facebook profile. Bob's friends then take his recommendation and purchase the article themselves. Bob would receive microcredits for the referrals.

Foremski also advocates offering ways for readers to pay for content and to celebrate the best citizen journalists and bloggers of the communities, which a microearn system would allow.

In his "secret memo," Journalism Online co-founder Steve Brill also espouses a microearn component. Under his plan, websites from which a paying customer originates would receive 5% of any initial customer payment, likewise, a referral fee would apply to readers who pass along an article to someone who decides to buy it (Brill, 2009). Such pass-alongs, Brill notes would become viral marketing that produces sales and turn current "parasites" into a sales force.

While not referencing social media directly, Brill makes the authors' point in regards to microearn transforming powerful online social networks into partners in distribution and value creation and, yes, revenue creation. It should be noted here, per earlier WTP discussions, that points and "foreign currency" is needed to mask the true incrementally miniscule costs of such transactions. Earning 100 "Courant Currents" for disseminating an article, for example, sounds more exciting than earning, say 1/10th of a cent.

Socialization

The social aspect of payment for Web content is also extremely vital. Clemons (2009) argues that while traditional media, specifically (for Clemons) newspapers, have the capacity to create unique valuable content they lack the ability to share it. In terms of online presence, traditional media also lack logistical streams for distribution that Mahadevan (2000), per our earlier business models discussion, cite as being integral to any model.

In the Social Web, these logistical streams allow for value creation through facilitating interaction and sharing. Without these logistical streams, it difficult, if not impossible, to generate *a critical mass of users* which Zeng & Reinartz (2003) show to be a crucial revenue driver in business models for the Social Web along with *trust* and *willingness to pay*. Traditional media websites, at present, cannot hope to generate revenue because of their largely static nature expecting readers to come to them, excepting RSS feeds. Without distribution streams, the value of their content is minimized and revenue creation ability is crippled.

The new Social Web features vast networks of logistical streams to distribute product. However, the social nature of these networks depend greatly on legacy media content that has become an integral part of social interaction within the Social Web via sharing, co-viewing, and discussion. For example, about 10 percent of ChicagoTribune.com's traffic comes from social media referrals. Further, the social bookmarking site Digg produced 35,000 page views for a single story (Berger, 2009). Yet, like the tradition outlets, social media are in the same situation as traditional media. Free web-based networks that allow users to connect and communicate with others, develop personal networks, and share content (Enders, Hungenberg, Denker, & Mauch, 2008) have not been able to sufficiently monetize their vast user-bases.

Out of mutual necessity, traditional media and social media engage in a symbiotic relationship forming the value and logistical streams of a business model. The question that remains is how to use these to create the revenue stream. The proposed model contends that marrying this relationship with a microearn mechanism is an answer. In doing so, many of the questions and arguments surrounding micropayment are negated and, in fact, turned into reasons to adopt micropayment.

Alan Mutter, a journalism instructor, technology consultant and blogger, writes that “the other gotcha is that content would have to be secured so that someone who bought it could not turn around and provide it to a friend, or worse, publish it on the web for free.” (Dubner, 2009) Sending it to a friend is precisely what a media outlet would want. And rewarding the reader for sharing that news with a microearn system eliminates the incentive to commit copyright violations and publish in a free Web outlet. Doing so costs the reader the ability to make money.

Either way you look at it, the social aspect of payment for Web content is vital. In many ways, Web users are already dependent upon this socialization aspect as a referent of content we're willing to click-through. “In most cases, we do a search looking for something we already know we want,” writes TechFlash blogger Paul Andrews in a February 2009 post. “Often it's been referred to us by a *trusted source* (emphasis added), either in a blog link or by email or simply word of mouth. We’re eager to see it.” Anderson (2009) further describes the potential of online social networks:

> ‘Facebook ‘friends’ are a classic unit of reputational currency. The more ‘friends’ you have, the more influence you have in the Facebook world, and the more social capital you have to spend. Indeed, most of the value of Facebook is in the fact that it has created perhaps the world’s largest closed market of reputational currency, which is the foundation of its estimated multi-billion dollar valuation (p. 163).

Anderson later posits questions that shape well the vision of the proposed model:

> But what if we could treat attention and reputation as quantitatively as we do money? What if we could formalize them into proper markets so we could explain and predict them with many of the same equations that economists use in traditional monetary economics? To do so, we'd need attention and reputation to exhibit the same characteristics of traditional currencies: to be measurable, finite, and convertible (p. 182-183).

Clay Shirky, an NYU journalism professor and New York-based digital media consultant, argues that charging for content reduces users' ability to share that content with friends:

> "Users like sharing. We like it so much, in fact, that we are willing to reward amateur outlets that enable it at the expense of professional ones that forbid it. ... This strong preference for sharing in turn means that nickel and diming us not only raises the cost of a piece of content, it sharply lowers the value as well, because payment systems have to forbid such sharing in order to function." (Dubner, 2009)

On the contrary, we believe that adding a microearning component enhances the value of the content because it is disseminated, shared and discussed in social circles. In essence, the socialization of news increases the social value of the content and also allows for a monetary reward for the dissemination of news.

Local focus

Newspapers are leveraged to capitalize off their expertise, and monopolization of local news and information. They can bank on the fact that people will pay a small amount to get information about subjects such as a Little League game or zoning board meeting that they can't get elsewhere (Crovitz, 2009; Brill, 2009). And when news breaks in a local community that is of compelling interest to the rest of the nation and world, the news outlet can literally cash in (think New Orleans benefiting from Katrina coverage, Atlanta capitalizing off Michael Vick's dog fighting case, New York media outlets earning from Sept. 11). Journalist purists might scoff at a newspaper benefiting from tragedy, but if they're being honest that's no different from the norm of the print edition, with 72-point bold fonts shouting "WAR!", "DISASTER!" and so forth. The “Modified News Micropayment Model” retains local content as a priority focus. For many newspapers, local content has long been their “bread and butter.” The proposed model allows news sites to retain local pricing decisions that will attract local audiences with its local content. Hyperlocal has long been a buzzword in journalism circles and the recent economic calamity enveloping the news industry will only lead to increased importance of covering local issues.

Jeff Jarvis argues that the collapse of big regional newspapers will lead to alliances of small news Web sites, each intensely focused on local news. The “Modified News Micropayment Model” helps address this.

Foremski calls on newspapers to focus on original content which people are more likely to pay for since they can't get it anywhere else. He also says newspapers should focus on hyper-local coverage, where they “own” their regional beat (Foremski, 2009). The calls for news outlets to focus on local competencies echoes the long-tail resource-based strategies that Sylvie recommends newspapers implement in order to obtain a sustained competitive advantage (Sylvie, 2008).

Centralized Banking system

Bodega is a platform that helps users swap virtual goods and currencies across different games, and across different social networks. Bodega allows users to sell virtual goods at auction in return for Bodega Bills. Bodega Bills can then be used to purchase other virtual goods (so you could potentially buy points on another game or social network) or trade them in for cash. (Kincaid, 2009)

A similar centralized banking system could follow along the lines of what Bodega attempts to do for news. That could be Google Checkout. That could be PayPal. That could be Journalism Online's Press + system. Journalism Online's new system, after a few months of beta testing, has only recently become public within the last two months. Single article micropayments are one of the options offered in its "ReaderRevenuePlatform" offered to publishers. While the Press+ system offers an important step in the right direction, it does not have microearn capabilities nor does it accommodate news socialization.

And in its proposal to NAA, Google suggested a fee-based subscription model that offered packages of content. The Google Checkout model, as proposed, may be a first start but the proposed "Modified News Micropayment Model" may work better. The "Checkout" proposal appears more likely to benefit large media companies, but may leave out the local markets in its cable-esque model. The Google Checkout model of having a pay one price and get access to numerous media outlets seems like an updated version of the AOL model that did not work. The Checkout model also leaves out socialization, whereby consumers may be more willing to pay for local content they can't get anywhere else than national content and the referrents of search and trust.

In short, the current payment systems are predicated primarily on an outdated model of news, that news content is in one location, the print site and that traffic comes from that single site. This simply is not the case. News consumers come to the articles and products from multiple referents. Thus, the model posits that news content and pricing decisions should be conducted at a local level, leverage the socialization and sharing aspects inherent in the Social Web, allow for the ability for readers to micro earn for content that their friends opt to micropay for, and allow for readers to cash out and cash in at a centralized banking system.

Modified News Micropayment Model in Action

Having discussed the primary drivers of the "Modified News Micropayment Model," let us briefly describe how the model could work in practice. We'll use a hypothetical news reader, who we'll call Jonathan Jones, as an illustrative example. Jonathan Jones regularly reads *The New York Times*, *Wall Street Journal* and his local daily newspaper, *The Courant.* Jones is also an avid social media user, with accounts on Twitter and Facebook, where he has several hundred "followers" and "friends." In this hypothetical example, all three news outlets have decided to offer micropayments. The *Journal* decides to sell *"*WSJ Bucks*"* to its readers. *The Journal* determines that $100 will buy 1 million "WSJ Bucks" and to charge 5 "WSJ Bucks" per article. *The Times*, meanwhile, has created *Times* Tender and charges users $100 for 100 Tenders. One Tender will give its readers access to 10 *Times* articles. *The Courant* has established its own currency, "Currents" and charge $1 for 50 Currents. The *Courant* charges 1 current per article.

All three media outlets have partnered with the same company that provides the platform for their respective micropayment billing systems. With a simple press of a button, Jones can purchase articles from his favorite newspapers' Web sites. When Jones reads an article that really resonates, he recommends it to friends, colleagues and associates on his social networks. On this particular morning, Jones posts one tweet with a link to an article from the *Courant* and another tweet to an article he purchased from the *Times* on Twitter, and shares the links to two of the articles he read in the *Journal* on his Facebook page. All three newspapers' regularly track the sources of who is buying their articles online. Because Jones has synced his Twitter and Facebook accounts with the media payment platform, the respective newspapers recognize when he has been the referent to an article purchased and credit his account accordingly.

All three media outlets offer differing microcredit options. *The Journal* rewards 10 "WSJ Bucks" to Jones for every 5 people in his network who purchase the article he recommended. *The Times* tracks all the referrals from Jones and once he has successfully referred his peers to purchase 100 articles from the *Times*, he is rewarded with 10 Tenders (which will give him access to 100 articles). *The Courant* dishes out 1 current for each article that is purchased by someone Jones referred to the newspaper's Web site.

Being a heavy news consumer with discerning judgments for quality and a heavy social media user, Jones is able to regularly accumulate free WSJ Bucks, Tenders and Currents based on the social capital he utilizes on a regular basis from the purchasing peers in his networks. Jones uses the free credits he earns to pay for the articles he regularly reads and recommends to his friends. His friends' news consumption pays for him to read for free. On this particular day, however, Jones wants to buy a birthday gift for his daughter Hannah's 10^{th} birthday. He goes to the centralized banking system, where he converts half of his WSJ Bucks, Tender and Currents into cash, which he uses to buy his daughter a Nintendo Wii. Jones then trades the remaining half of his media money for Wii Points, which he gives to his daughter along with her new gaming system.

But Jones is not alone. Many of his friends pass along the articles he recommended to people in their network of friends, some of whom purchase the articles recommended, which earns *them* credit. Jones' friends also purchase articles he had not seen and makes recommendations, which he then purchases adding microcredits to his friends' coffers.

The newspapers have thus added a new revenue stream that allows them to retain local pricing control, while benefitting readers like Jones, who easily and effortlessly pay for content while also earning access to paid content if successful at promoting worthy reads. Having described the proposed model through this hypothetical narrative, let us turn to the consequences of our proposed model.

Implications

The consequences of the proposed model, quite frankly, are unknown. The fiercest advocates of micropayments convey an almost utopian view that such a business model would serve as savior to journalism (Isaacson's TIME cover, afterall, is titled "How to save your newspaper."). We're not willing to say that charging people for content will save journalism in and of itself. We also do not contend that our Modified News Micropayment Model is "THE Answer" to all of newspapers and journalism's ails. We do contend, however, that it is one small step in the right direction and that coupled with other models could help address some of the problems facing the news media. One potential outcome of the model, if adopted on a large-scale basis, is the economization of online news. The model literally makes news a hot commodity, that can be bought (from consumer perspective), sold (from business perspective) and traded (shared). By capitalizing on the socialization and sharing aspects that have defined the Social Web, the model also builds on, capitalizes on and in some instances restores journalistic trust. News companies will leverage not only their brand names, but the social capital of their most loyal readers and followers, in disseminating a product that can be trusted as not only accurate and credible but also worthy (and worth paying for).

While the journalistic consequences of the proposed model are uncertain, the consequences of doing nothing and preserving the status quo approach are all too clear: more of the same. More journalists losing their jobs. More news titans, like the Tribune Co., filing for bankruptcy. More supercentenarian newspapers shuttering their doors (as was the case of the closing of the 150-year-old Rocky Mountain News).

The economic reality dictates that a paid model for content online is necessary and inevitable for viable sustainability. Like Clemons (2009), we agree that advertising maintains an important role but must be part of the solution rather than the solution. Consumers now get their information online; as a result, advertising rates are dropping with consumer need for advertising messages. Advertising needs help and the proposed model conceptualizes how to provide it.

In order for a fee-based model to work, be it in the form of micropayments, bundles or flat rates, the industry as a relative whole would likely need to adopt in unison. Even then, there would likely still be substitutes available. For example, if the newspaper industry adopts a payment model and the broadcasting industry does not, consumers could turn to local television websites for news and information. As Chyi (2005) points out "unless every alternative news product increases the price at the same time, switching from free to fee can only trigger the substitution effect, which would result in a huge decline in the quantity demanded" (p. 133). Teece (1987) also notes the ease of replication of media products in the digital environment as an issue.

The model proposed assumes that traditional media are transitioning to paid models in the near future as research and industry press contends. Considering the symbiotic relationship legacy media already have with the Social Web, a model that partners the two creates the most favorable atmosphere for all media to adopt paid models in unison. By doing so, the substitution effect is negated. By incorporating the microearn element, the model builds in at least partial counteraction of the replication problem. As consumers are rewarded for references, an incentive is present to encourage others to purchase content as opposed to duplicating and disseminating it.

Uncertainties exist regarding the implications of the proposed model. What is certain is that what is what the industry is doing now does not work. Doing something is better than doing nothing. We will conclude by offering suggests toward moving forward.

Future directions

The proposed model presents a number of opportunities for future research. While the business model is a conceptual framework applicable at an abstract industry level, a logical next step would be to test the model in local communities. Implementing the model, concurrently with the design of firm-level strategic plans of action would make for compelling case studies, as well as test the viability and practicality of the concepts. Partnerships between the academy and various news companies could make such future research possible. Newspaper companies willing to experiment with new business models could serve as participants in a pilot study designed to carry out various aspects of the "Modified News Micropayment Model."

And while the proposed model is designed for the Social Web, much social activity has migrated beyond the Web and onto a mobile platform. According to Smith (2003), "the holy grail of micropayment solutions might be the increasingly ubiquitous cell phone, which is both a content delivery vehicle and a billing system." Thus, a "Mobile Modified News Micropayment Model" may also be in order. The popularity and proliferation of smart phones has led to the development of an increasing number of "apps" that deliver news content (Associated Press, CNN, NPR, and *The New York Times* all have apps, for example) and social network sites (Twitter, Facebook and Foursquare). While newspaper companies have tried and failed to implement pure play micropayment systems on the Internet, mobile offers a second chance to experiment with ways to monetize news content on a platform where consumers are more willing to pay, while avoiding the pitfalls of free online content (Saba, 2010). Future research should explore mobile micropayment possibilities, as well as other business models for mobile platforms.

Another direction for future research is to conduct a number of micropayment experiments aimed at measuring consumers' willingness to micropay. Experimental designs would allow for the control of pricing points, payment systems and currencies, among other variables.

And finally, this study has explored and presented a micropayment model for *news* (primarily newspaper) content, but the model may be just as viable for other forms of media. Future studies could examine business models for other news industries, such as television, as well as entertainment, SNS's and user-generated content (Smith, 2003; Andrews, 2009; Isaacson, 2009; Foremski, 2009).

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FIGURES

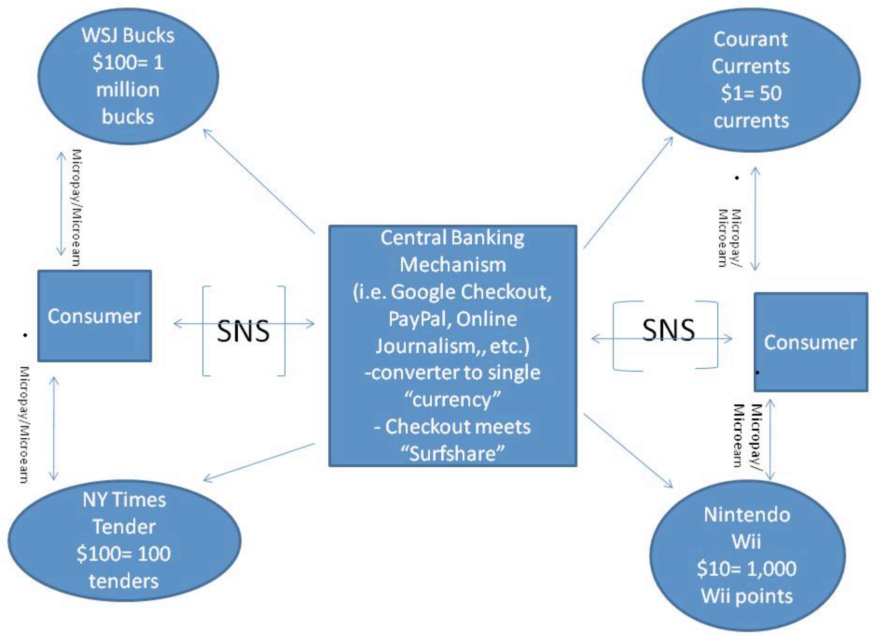

Figure 1. Modified News Micropayment Model

TABLES

Table 1. Modified News Micropayment Model Drivers

Driver	Description	Examples
Socialization/Sharing	Capitalizes on SNS logistical streams and social capital of social networks to disseminate valued information to trusted peers	-“Re-tweet” feature on Twitter - “Share” function on Facebook -Blogroll, links on blog sites
Microearn	Functions much like a rewards program, where users earn points for disseminating news, information and online content to friends and followers	Airlines, hotel, gaming industries
Local focus	News sites retain local pricing decisions that will attract local audiences with its focus on local content.	-Newspapers “bread and butter” has long been local content -Hyperlocal blogs
Centralized banking system	Allows universal currency exchange so that users can swap “currencies” from different platforms and trade in for cash	-Google Checkout -PayPal