

# BCG

TECHNOLOGY, MEDIA &  
TELECOMMUNICATIONS

## **Willingness to pay for news online** Key findings from an international survey

November 2009

THE BOSTON CONSULTING GROUP

# Key findings

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**Will consumers pay for online news? This is a burning issue for newspapers in the developed world**

**The Boston Consulting Group (BCG) in October conducted a survey of 5,000 consumers in nine countries, including the U.S., U.K., France, and Germany, that suggests people are willing pay a modest amount, around \$5 a month, for online news. This finding is applicable to most developed markets but applies to content that is**

- unique (e.g., local news or specialized coverage)
- timely (e.g., continuous news alert service)
- conveniently accessible on a device of choice

**While encouraging, this willingness to pay will not fundamentally shift newspaper industry economics. For instance, it would shift the revenue mix in the U.S. from the current 80/20 percent mix of advertising to consumer pay by 2 to 3 percentage points toward consumer pay. However, its impact on margin would be more significant and could off-set one to three year's worth of forecasted advertising decline.**

**However, this consumer willingness to pay would disappear if disruptive, free models emerge. For example, if Google, Yahoo and others were to offer comparable free services while making money in other ways**

**Finally, this impact will not affect all newspapers in the same way. It will differentially benefit newspapers with unique reporting and/or a unique voice as well as those with strong subscriber bases. In particular, the average major metro is not well positioned to take advantage of these trends. It will also play out differently in different countries, as the structure of news reporting varies dramatically.**

**These findings imply that there will be many hybrid models for accessing and paying for content, e.g.,**

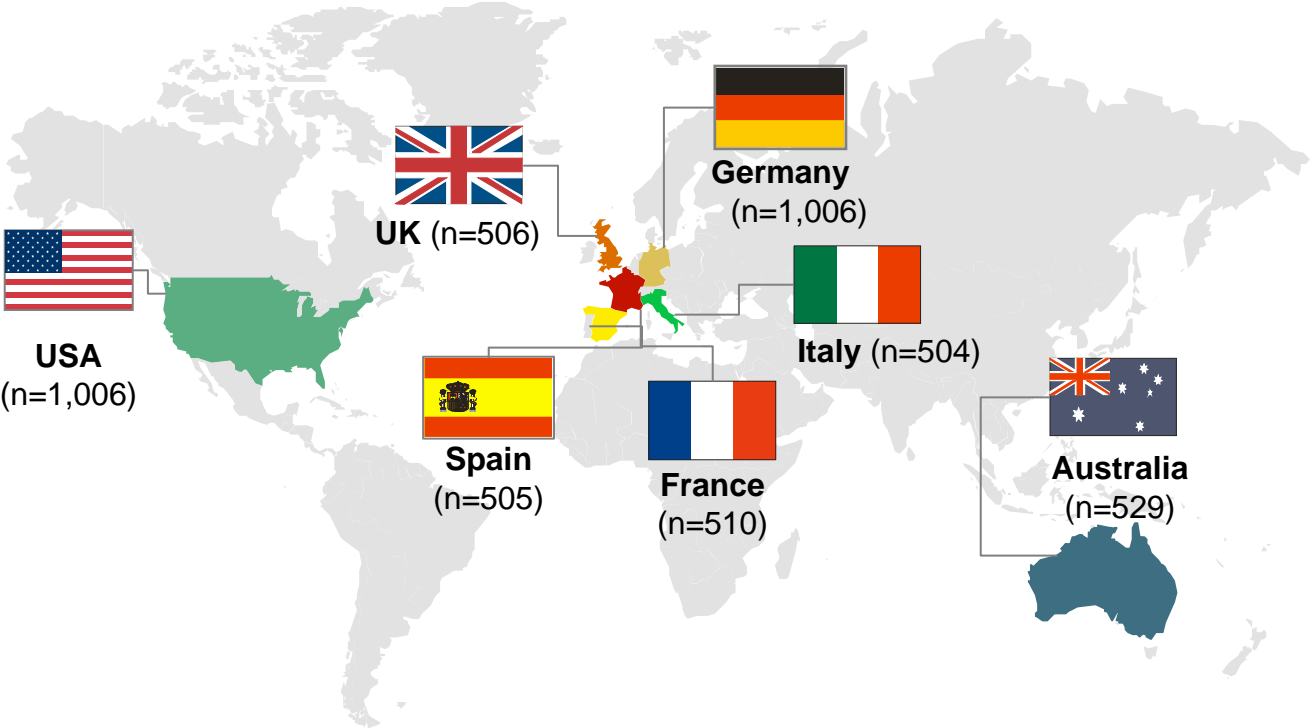
- the best newspapers will leverage their content and subscribers and incrementally improve their economics
- different customer segments will have different preferences for how to access, and how to pay
- new entrants will look for ways to provide news as part of their customized and personalized offers to all devices

# BCG conducted a multi-country survey in October 2009: "Will consumers pay for online news?"

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5,083 consumers participated in the survey from top 9 markets including...

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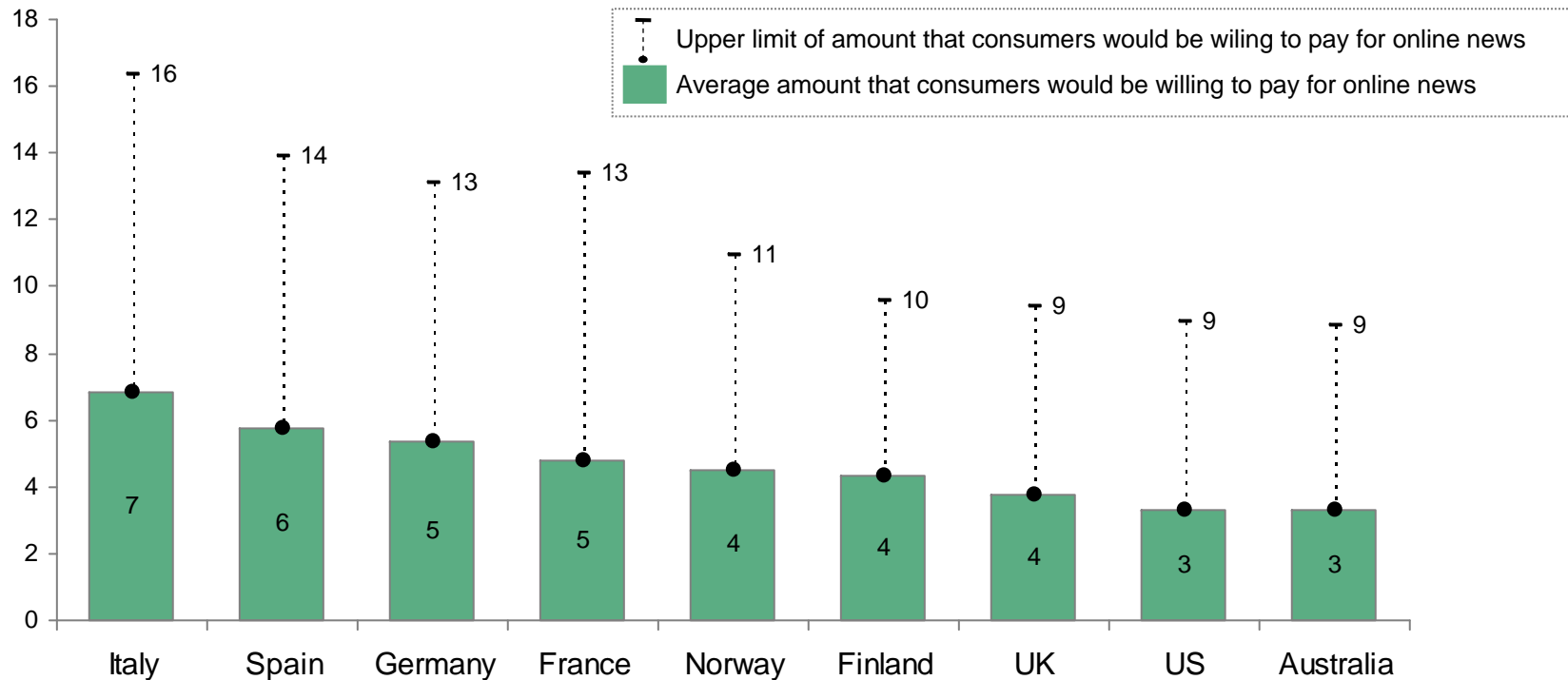


Note: Including the countries with the sample size more than 500  
Source: BCG Multi-Country Survey on Online Paid Content (Oct, 2009, sample size=5,083), BCG analysis

# Consumers are willing pay a modest amount, around \$5 a month, for online news

*How much per month are you willing to spend to get online news on your PC or mobile?*

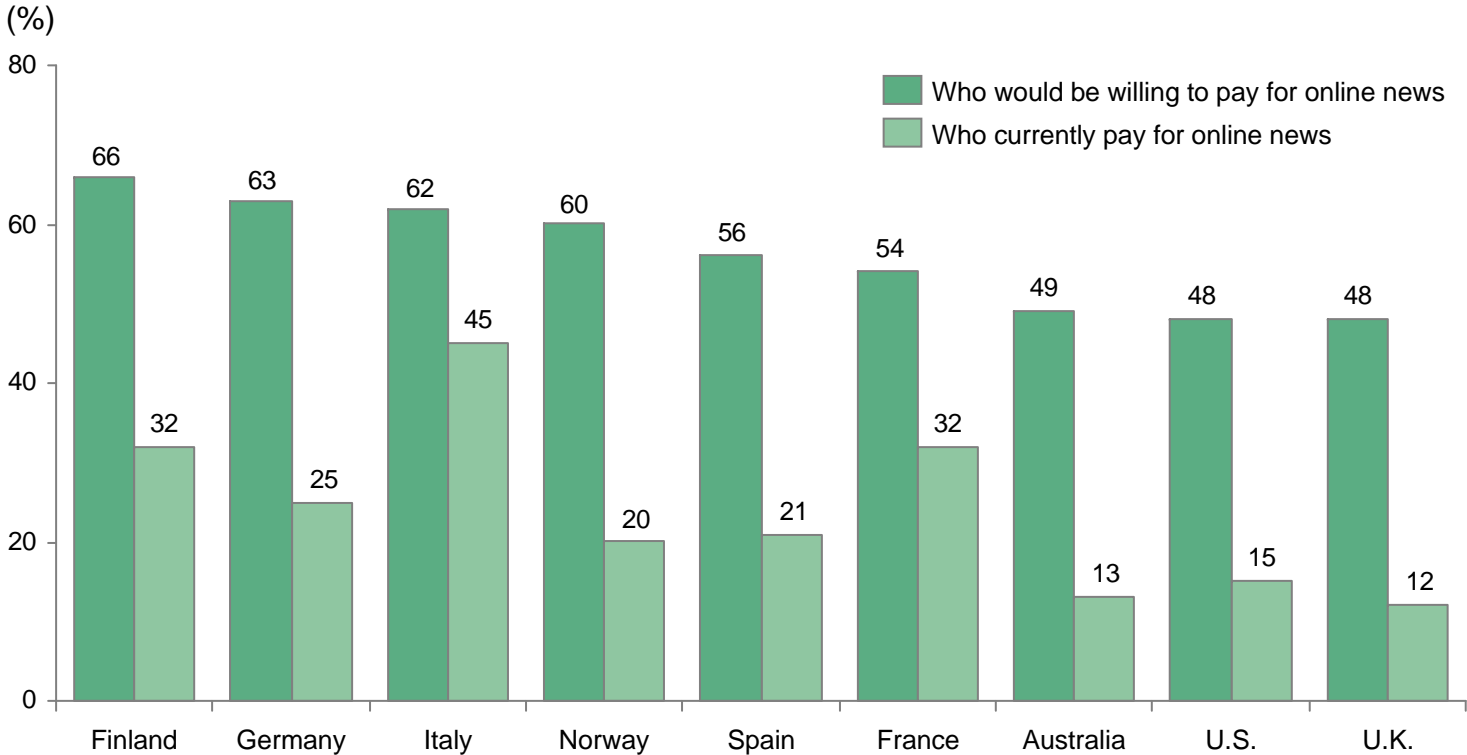
Average amount that consumers would be willing to pay for online news (\$)



Source: BCG Multi-Country Survey on Online Paid Content (Oct, 2009, sample size=5,083), BCG analysis

# Consumers willingness to pay varies by country

**% of respondents who said they would be willing to pay for online news vs. those who said they currently pay for online news**

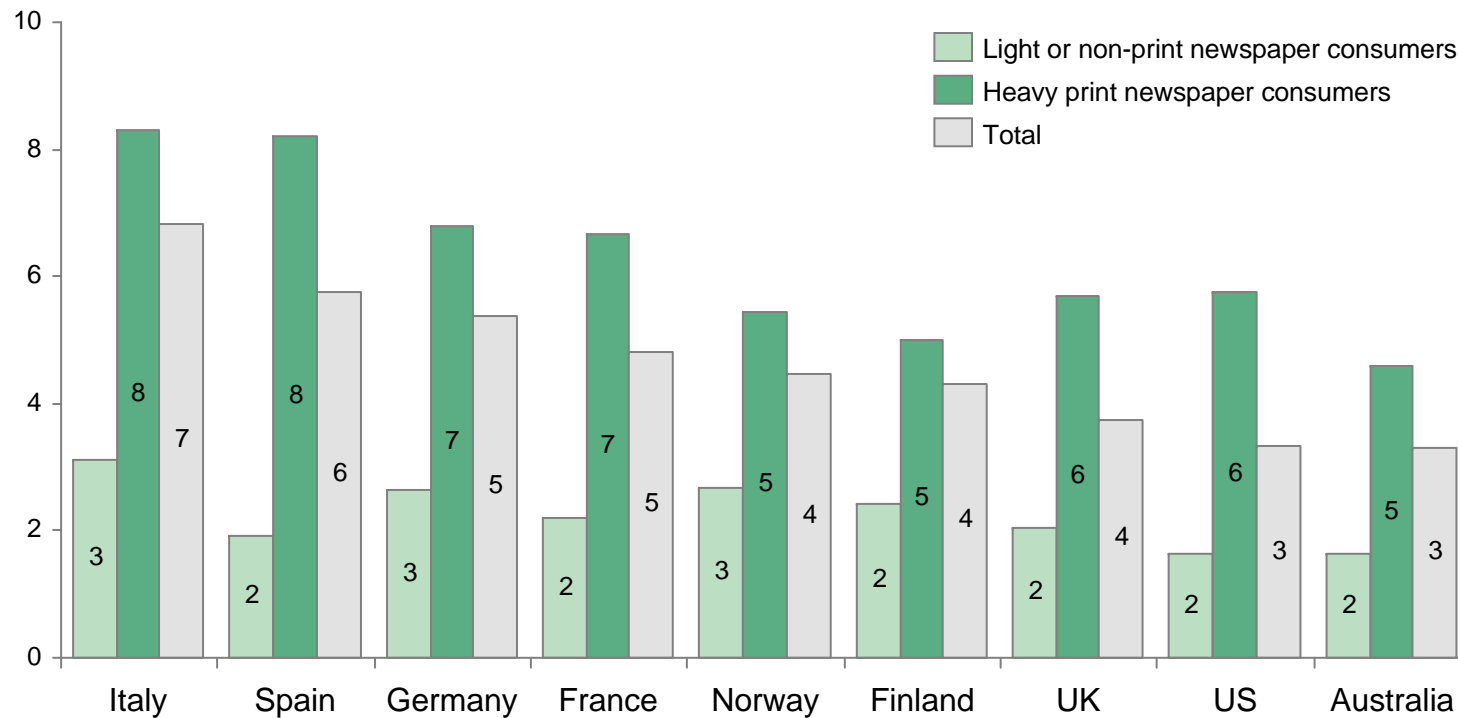


Source: BCG Multi-Country Survey on Online Paid Content (Oct, 2009, sample size=5,083), BCG analysis

# Heavy consumers of print newspapers are more willing to pay for online news

*How much per month are you willing to spend to get online news on your PC or mobile?*

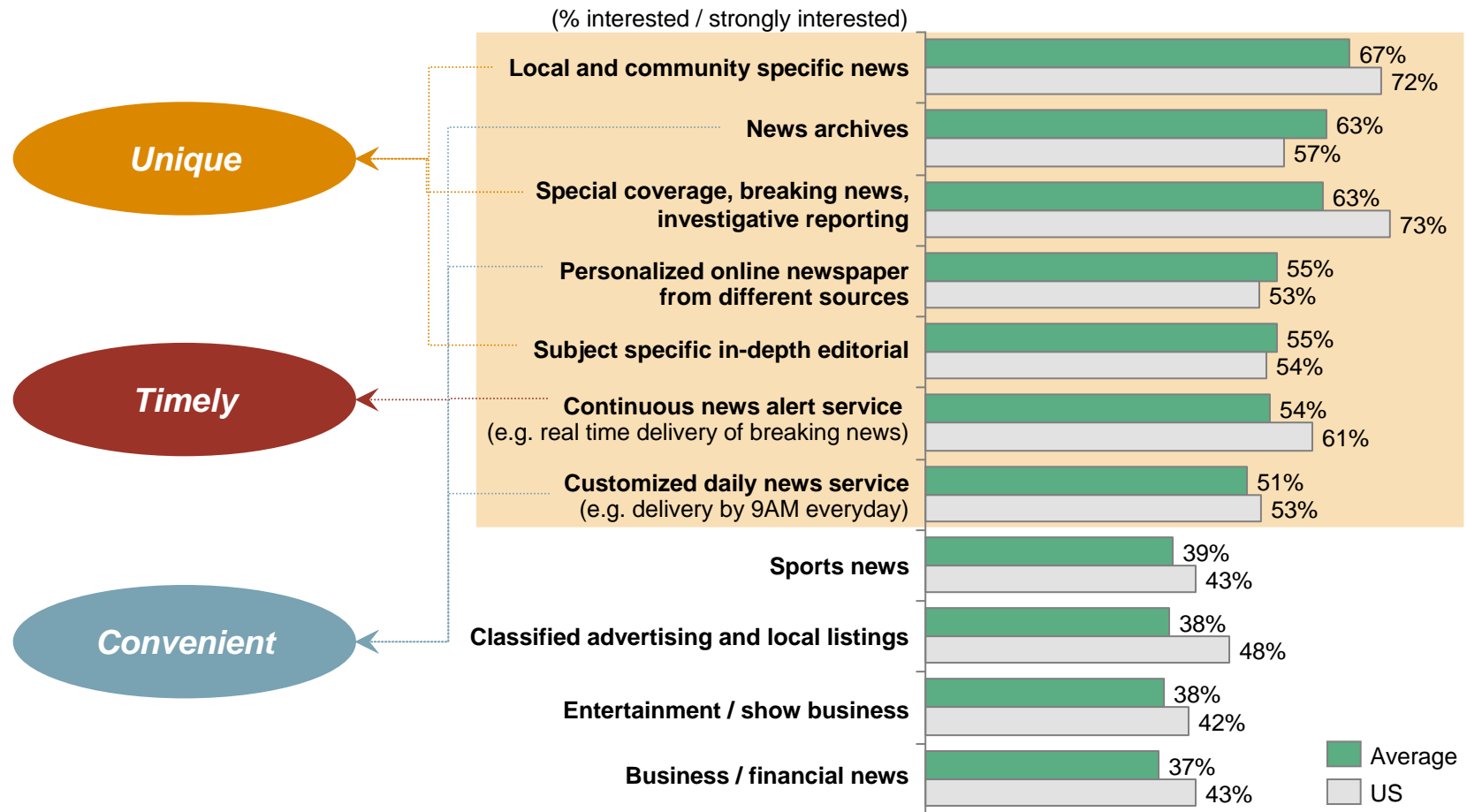
Average amount that consumers would be willing to pay for online news (\$)



Note: Light or non-print newspaper consumers - Respondents who currently spend less than \$5/mth on print newspapers, Heavy print newspaper consumers - Respondents who currently spend > \$5/mth on print newspapers  
Source: BCG Multi-Country Survey on Online Paid Content (Oct, 2009, sample size=5,083), BCG analysis

# Highest willingness to pay for online news that is unique, timely and conveniently accessible ...

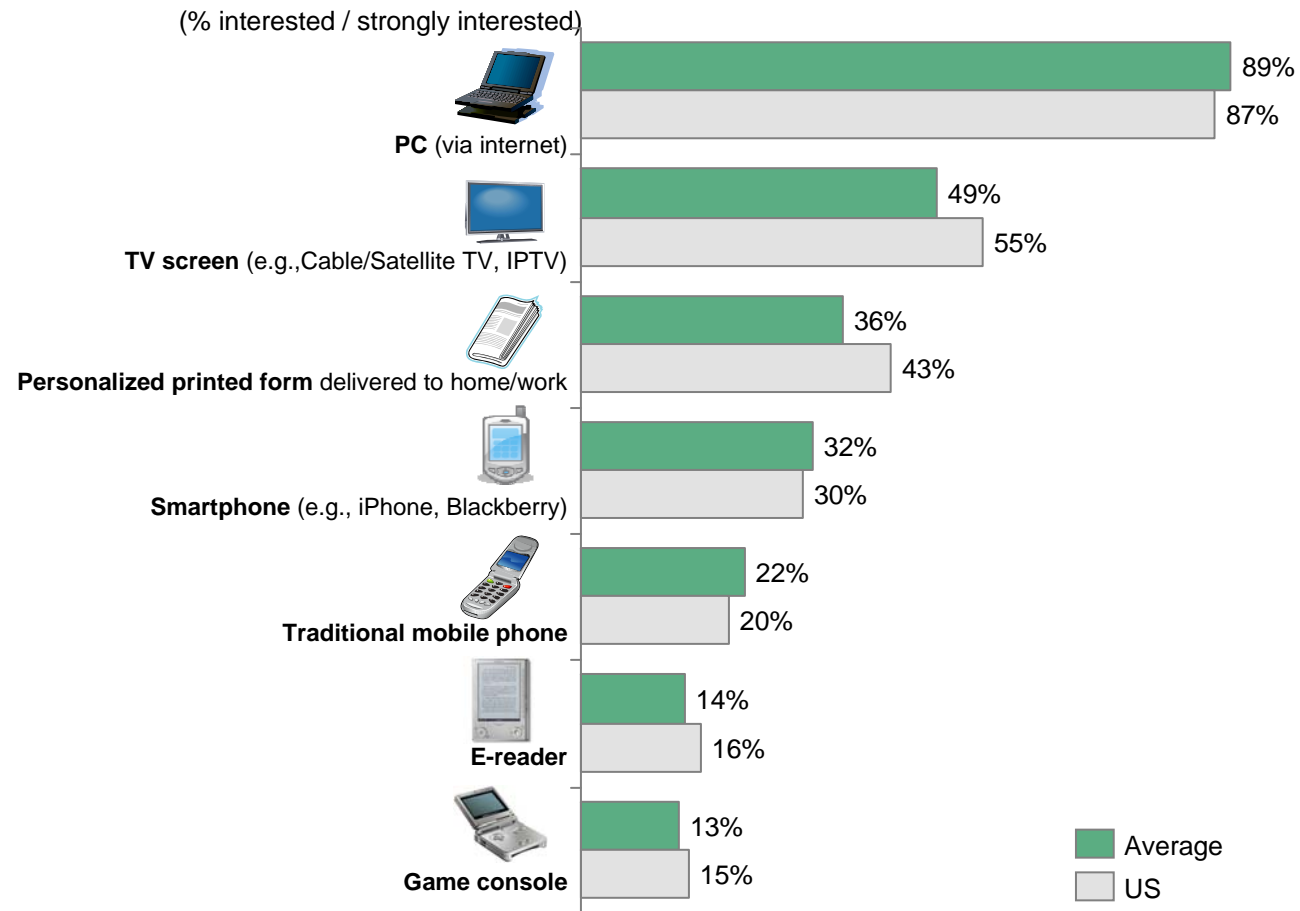
*How interested would you be in accessing each of these type of online news?*



Note= Average is the average score (% interested/strongly interested) of 9 countries  
 Source: BCG Multi-Country Survey on Online Paid Content (Oct, 2009, sample size=5,083), BCG analysis

# ... and conveniently accessible on a device of choice

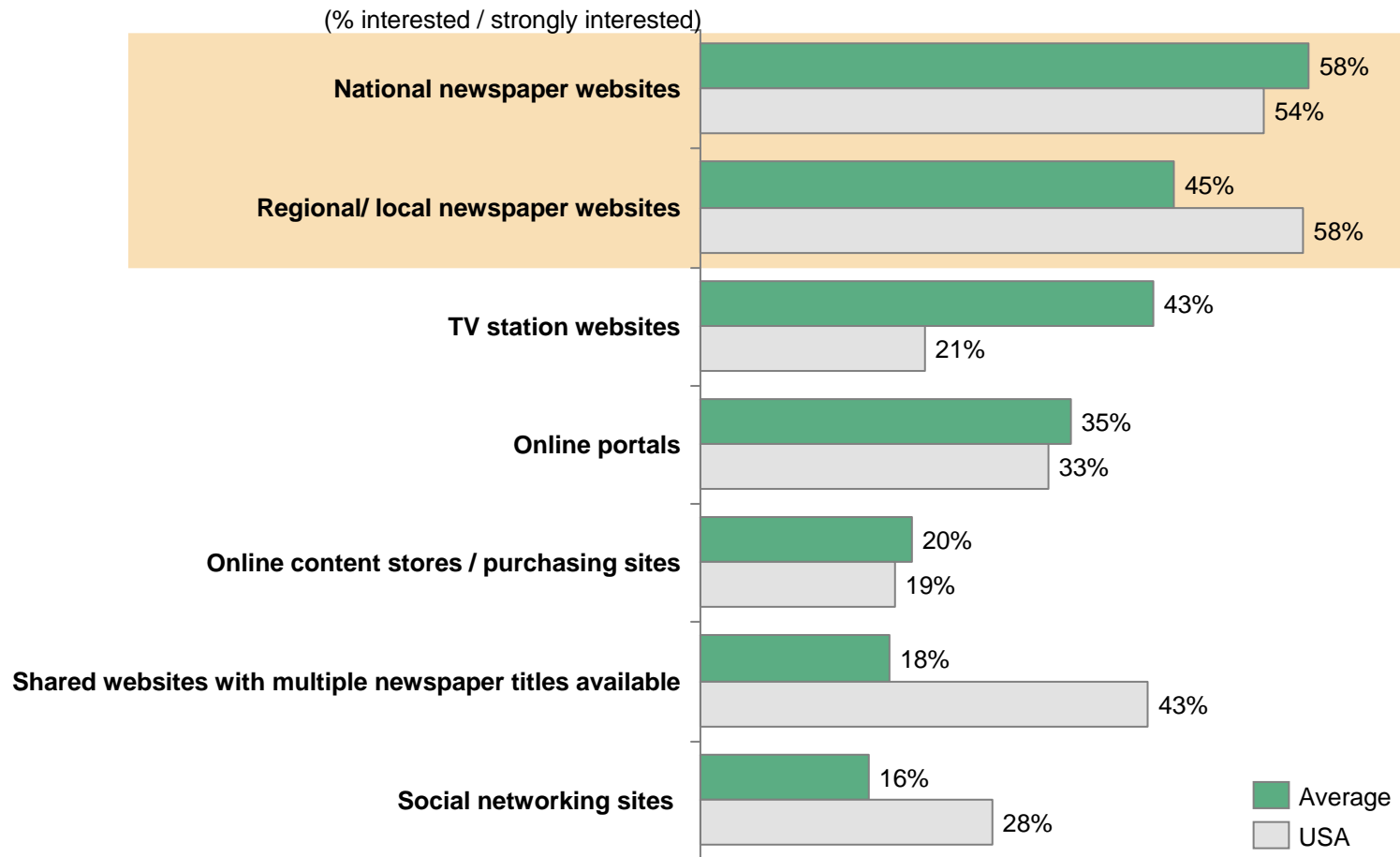
On which device would you prefer to receive your online news?



Note= Average is the average score (% interested/strongly interested) of 9 countries  
 Source: BCG Multi-Country Survey on Online Paid Content (Oct, 2009, sample size=5,083), BCG analysis

# Newspapers are preferred sources for online news

*Which of the following providers would you like to purchase online news from?*

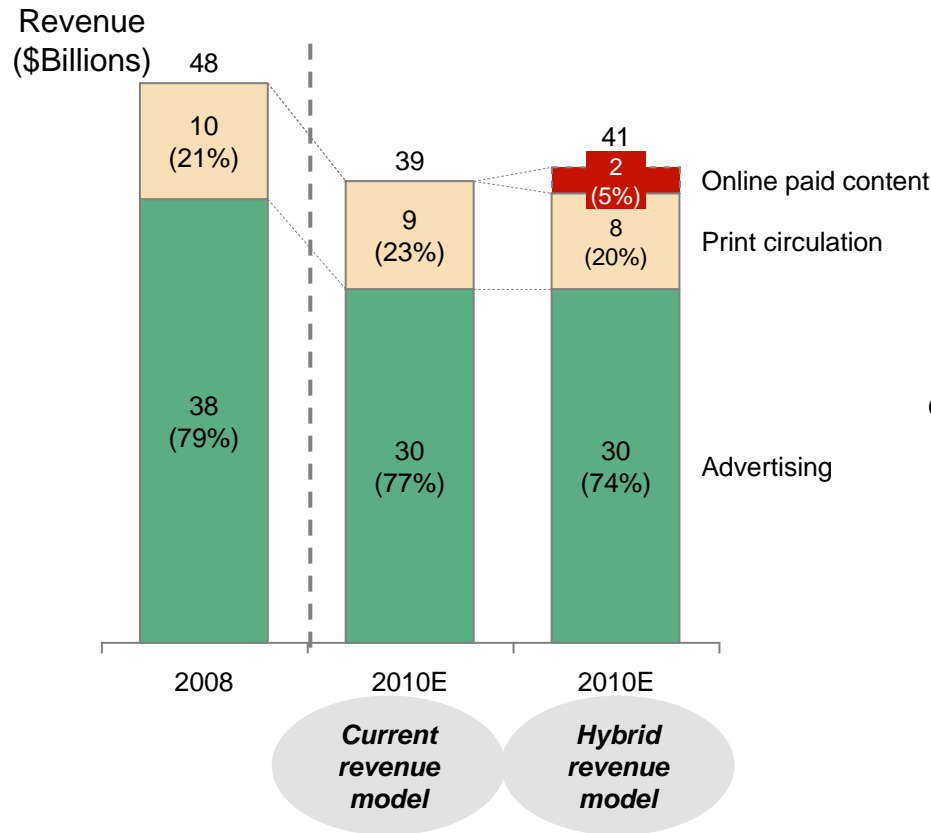


Note= Average is the average score (% interested/strongly interested) of 9 countries  
 Source: BCG Multi-Country Survey on Online Paid Content (Oct, 2009, sample size=5,083), BCG analysis

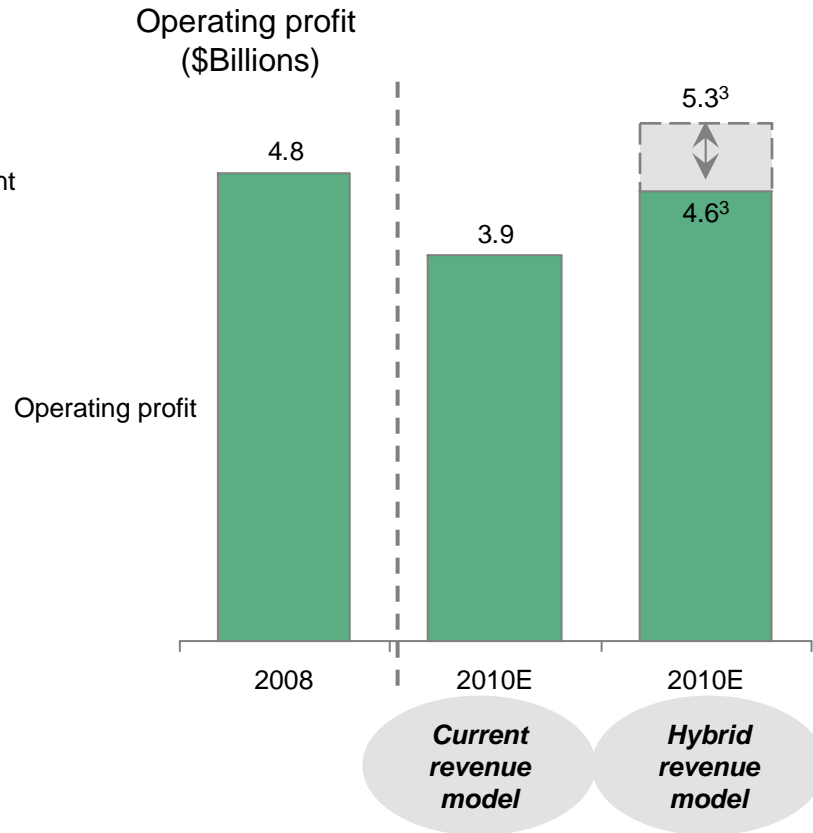
# While encouraging, paid online news will not fundamentally shift newspaper industry economics

Example: U.S. newspapers

**Paid online news would have a negligible impact on industry revenues ....**



**.... however, its impact on operating profit would be more significant**



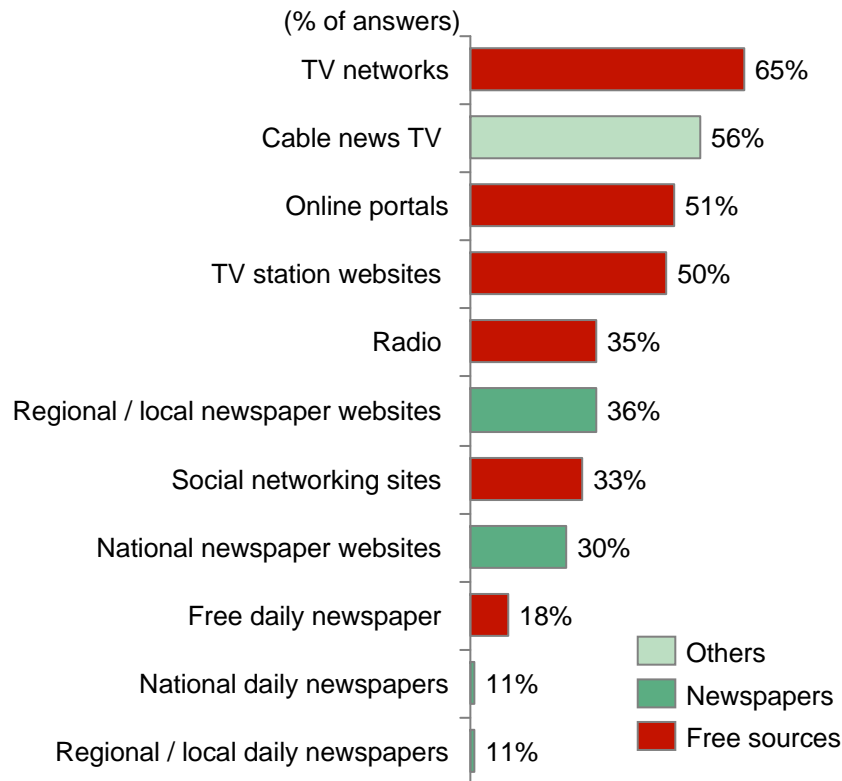
Assume 1. 70% internet penetration, ~40% newspaper reach in U.S.; 2. 10% operating margin for US newspaper industry with the current revenue model; 3. Potential savings by online operation- 30-66% of total cost  
 Source: BCG Multi-Country Survey on Online Paid Content (Oct, 2009, sample size=5,083), U.S. Census Bureau, NAA, Veronis Suhler Stevenson 08, eMarketer 09, Journalism Studies 09, BCG analysis

# This consumer willingness would disappear if a disruptive, free model emerges

The U.S. survey result

## Consumers are already widely using free news sources

*Which are your usual sources for news and information?*



## Google, Yahoo and others already offering innovative free online news services

Example: **Google reader**

- Easy search for feeds for readers' favorite news sites and blogs



- Providing online news sources that high-profile journalists or key opinion leaders read









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Grist	<a href="#">Subscribe</a>

# Different customer segments will have different preferences for how to access, and how to pay

The U.S. survey result

	What content?	On what device?	How to pay?	Via which billing method?
 <i>Business use</i>	<p><b>Local news/info</b> (74% interested)</p> <p><b>Subject-specific editorial content of interest</b> (63%)</p> <p><b>Business news</b> (60%)</p>	 <b>PC</b> (87% like)  <b>TV screen</b> (59% like)  <b>Smartphone</b> (46% like)	<p><b>Monthly subscription</b> (60% preferred)</p> <p><b>Bundle subscription</b> (52% interested)</p>	<p><b>Credit card payment at the news website</b> (63% preferred)</p>
 <i>Young and personal use</i>	<p><b>Local news/info</b> (72% interested)</p> <p><b>Subject-specific editorial content of interest</b> (56%)</p> <p><b>Entertainment and show business</b> (55%)</p>	 <b>PC</b> (93% like)  <b>TV screen</b> (56% like)  <b>Personalized printed form delivered to home/work</b> (53% like)	<p><b>Monthly subscription</b> (50% preferred)</p> <p><b>No bundle offer</b> (65% disinterested)</p>	<p><b>Online payment provider (e.g. Paypal)</b> (71% preferred)</p>

**There will be many hybrid models for accessing and paying for the content**

Source: BCG Multi-Country Survey on Online Paid Content (Oct, 2009, sample size=5,083), BCG analysis

# Summary of the survey methodology and sample

BCG multi-country survey on willingness to pay for online news

## Description of survey methodology

**BCG conducted a proprietary multi-country survey about the propensity to pay for online news**

**The survey was conducted from October 8<sup>th</sup> to 14<sup>th</sup>, 2009 via the web**

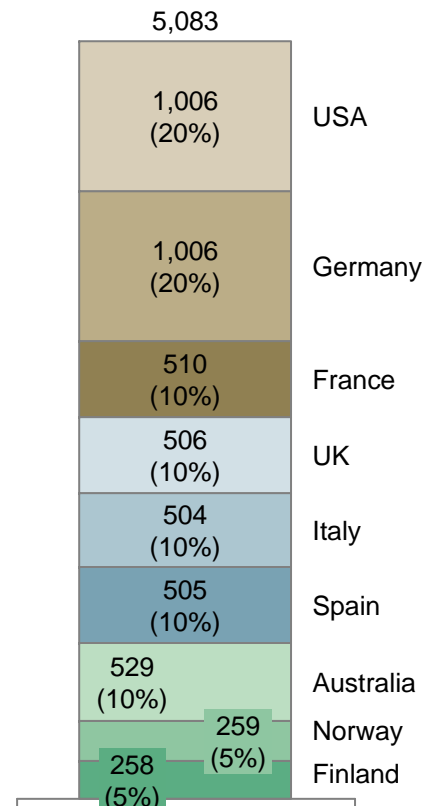
**A total of 16 questions were asked**

- Preference on news sources
- Preference on online news topics
- Spending propensity for online news
- Preference on reading format/device for online news

**Research Now managed the online field work and survey process**

## Sample composition (N=5,083 in 9 countries)

### Sample distribution



- All are web users
- All are readers of news and information on current events online (from any source)
- 50% men, 50% women
- Four age ranges, equally distributed: 18-29, 30-39, 40-49, 50-65
- Located in all regions in each country
  - Except Australia focusing Melbourne and Sydney

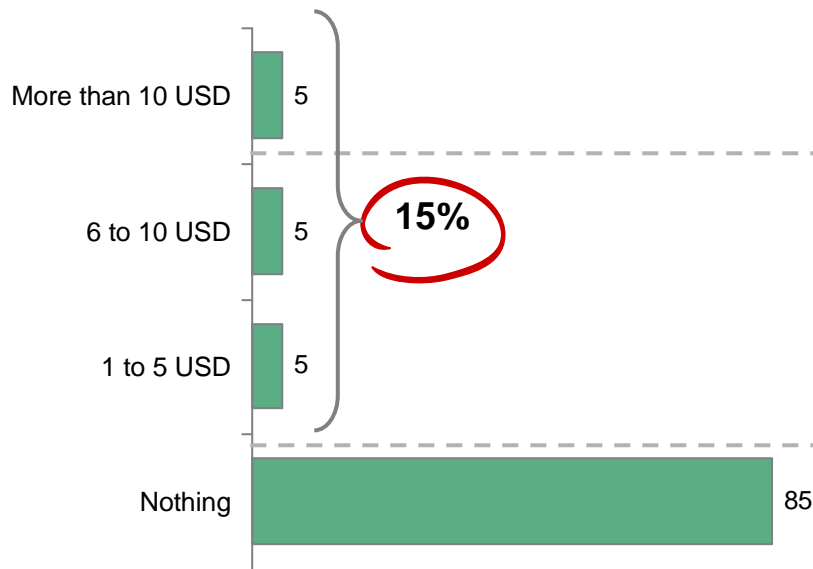
## Appendix: Additional Country Data

# 48% of U.S. consumers are willing to pay for online news – vs. 15% currently paying for online news

## 15% currently paying for online news

How much do you spend per month on any online news subscription?

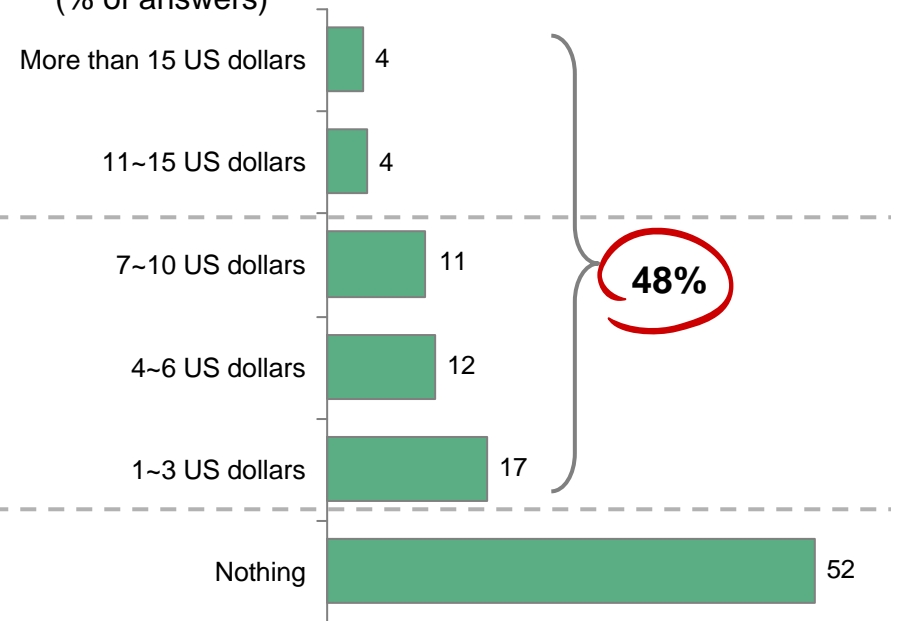
(% of answers)



## 48% are willing to pay for online news

How much per month are you willing to spend to get online news?

(% of answers)

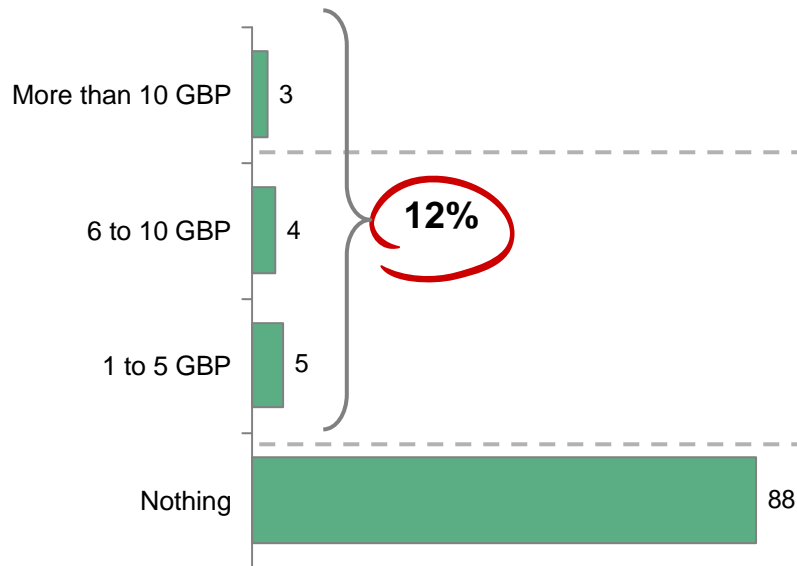


# 48% of U.K. consumers are willing to pay for online news – vs. 12% currently paying for online news

## 12% currently paying for online news

How much do you spend per month on any online news subscription?

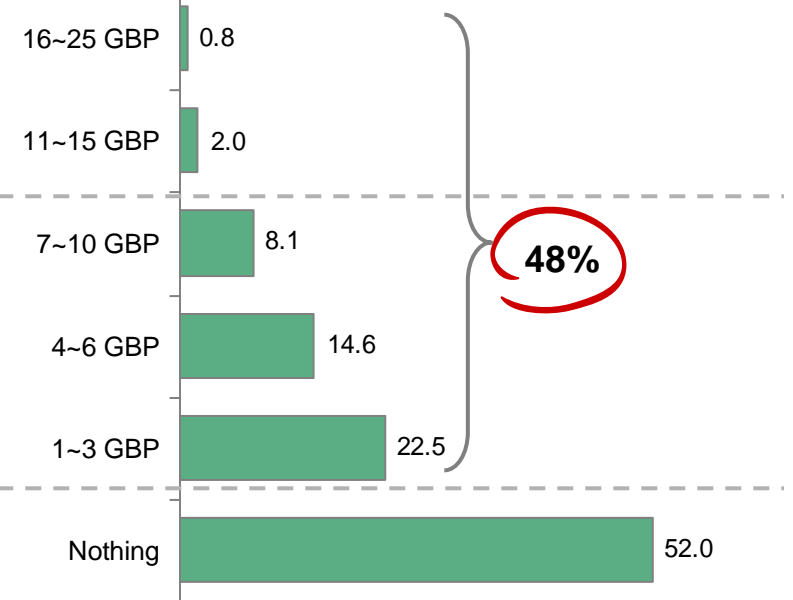
(% of answers)



## 48% are willing to pay for online news

How much per month are you willing to spend to get online news?

(% of answers)

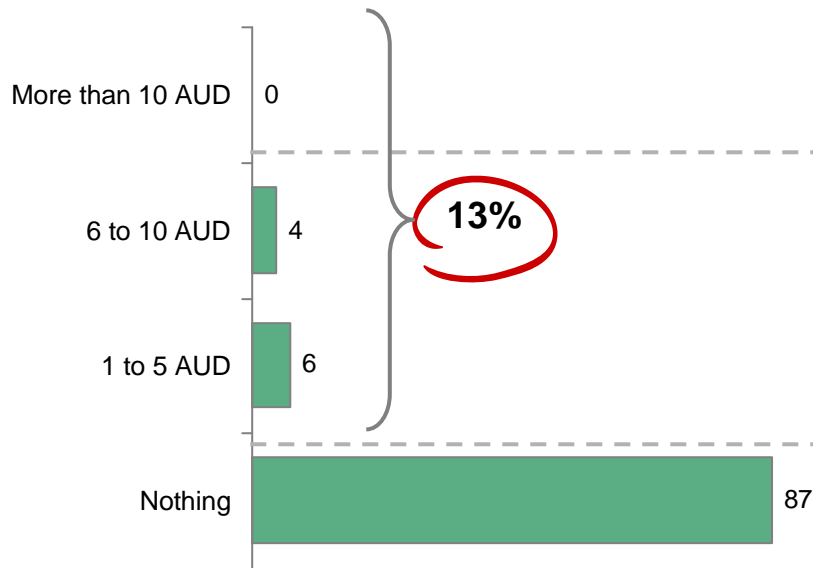


# 49% of Australia consumers are willing to pay for online news – vs. 13% currently paying for online news

## 13% currently paying for online news

How much do you spend per month on any online news subscription?

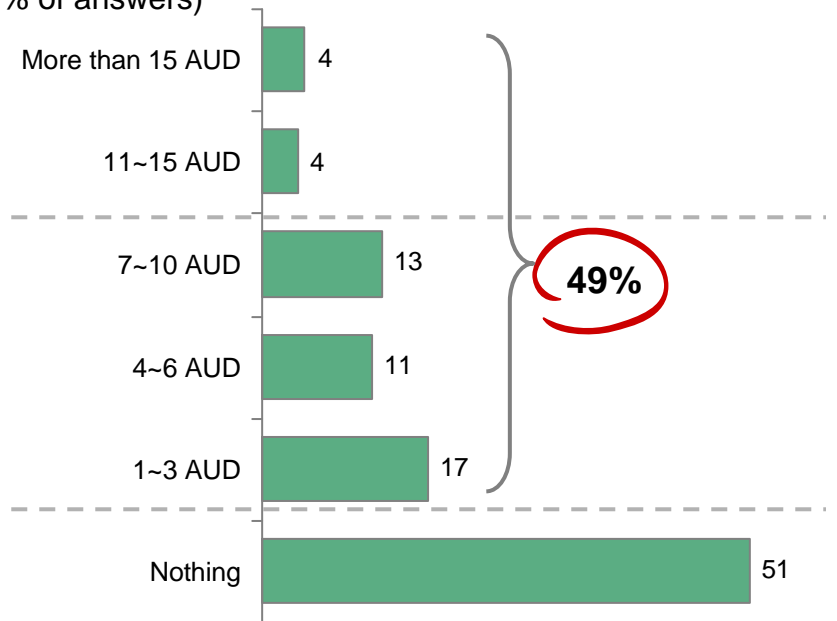
(% of answers)



## 49% are willing to pay for online news

How much per month are you willing to spend to get online news?

(% of answers)

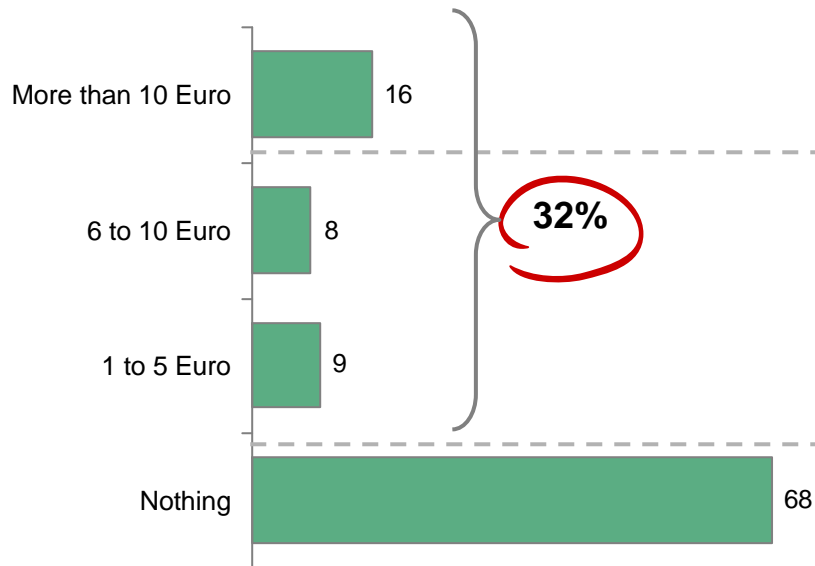


# 54% of France consumers are willing to pay for online news – vs. 32% currently paying for online news

## 32% currently paying for online news

How much do you spend per month on any online news subscription?

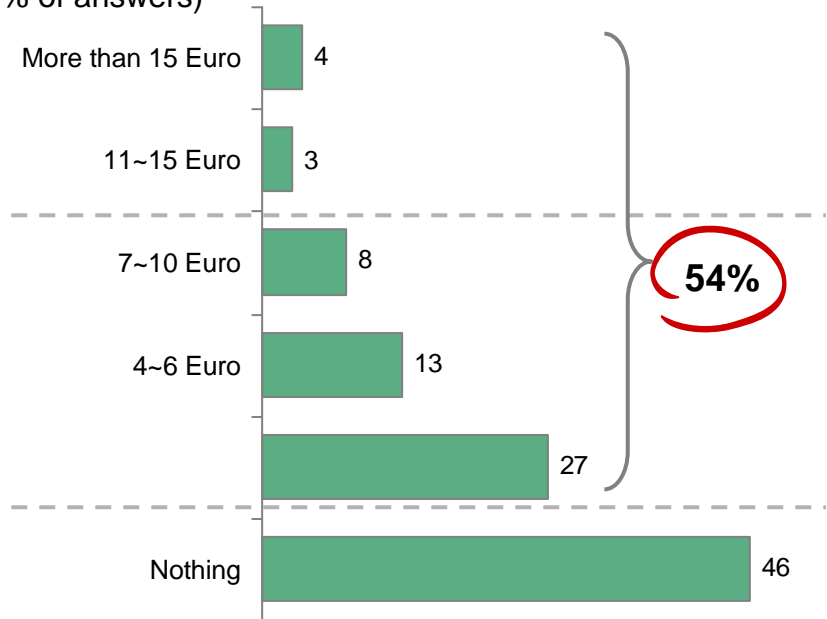
(% of answers)



## 54% are willing to pay for online news

How much per month are you willing to spend to get online news?

(% of answers)

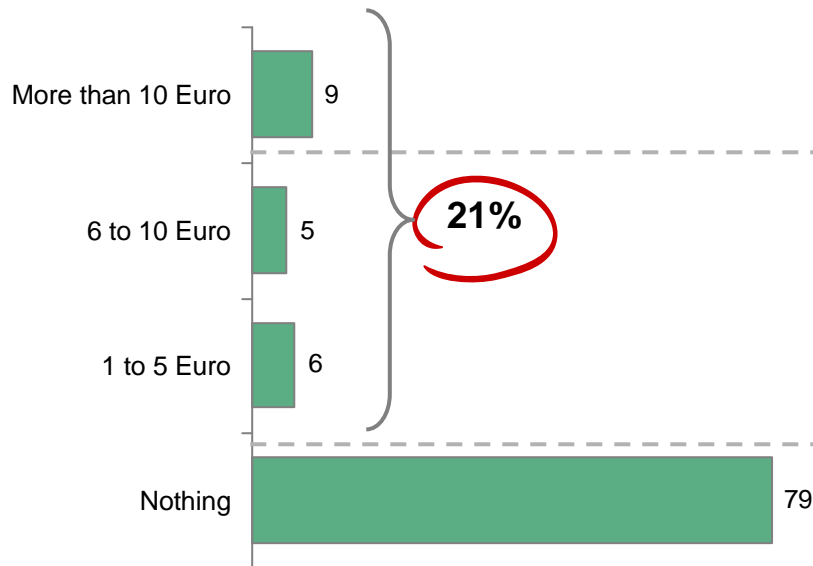


# 56% of Spain consumers are willing to pay for online news – vs. 21% currently paying for online news

## 21% currently paying for online news

How much do you spend per month on any online news subscription?

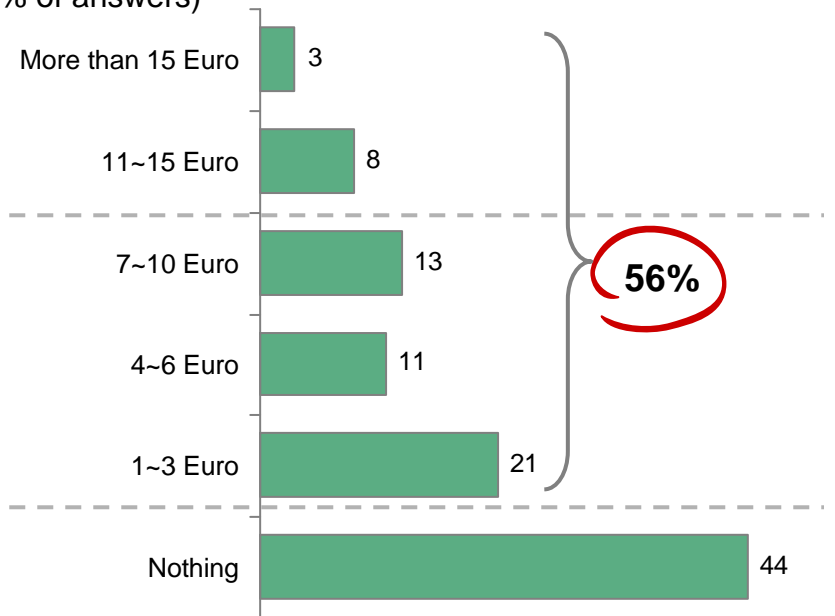
(% of answers)



## 56% are willing to pay for online news

How much per month are you willing to spend to get online news?

(% of answers)

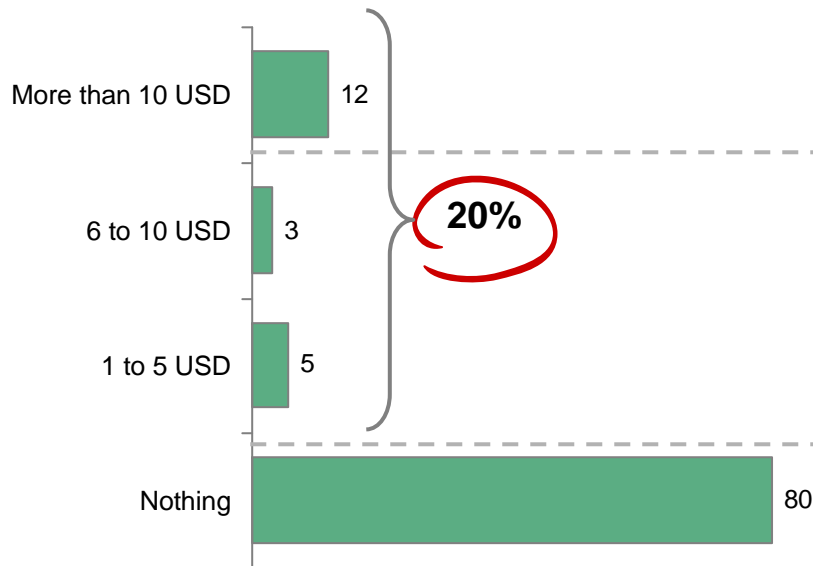


# 60% of Norway consumers are willing to pay for online news – vs. 20% currently paying for online news

## 20% currently paying for online news

How much do you spend per month on any online news subscription?

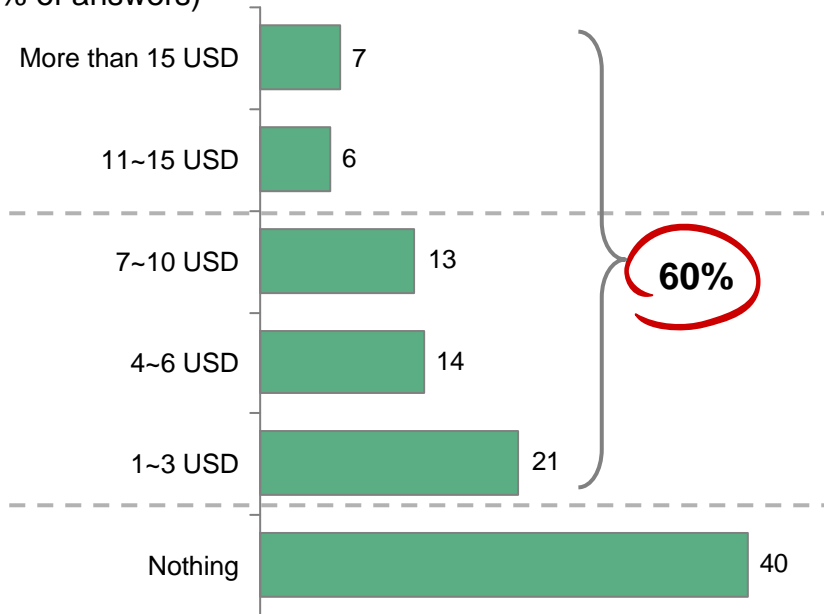
(% of answers)



## 60% are willing to pay for online news

How much per month are you willing to spend to get online news?

(% of answers)

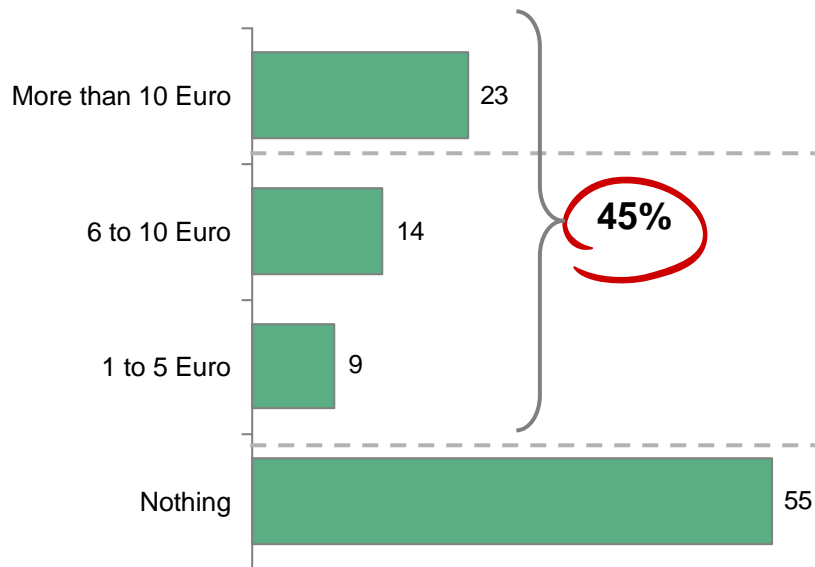


# 62% of Italy consumers are willing to pay for online news – vs. 45% currently paying for online news

## 45% currently paying for online news

How much do you spend per month on any online news subscription?

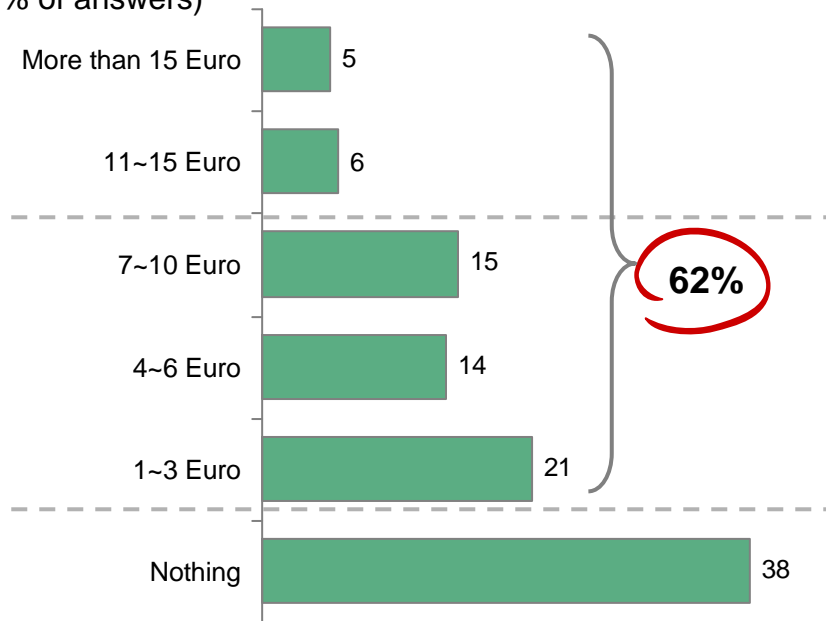
(% of answers)



## 62% are willing to pay for online news

How much per month are you willing to spend to get online news?

(% of answers)

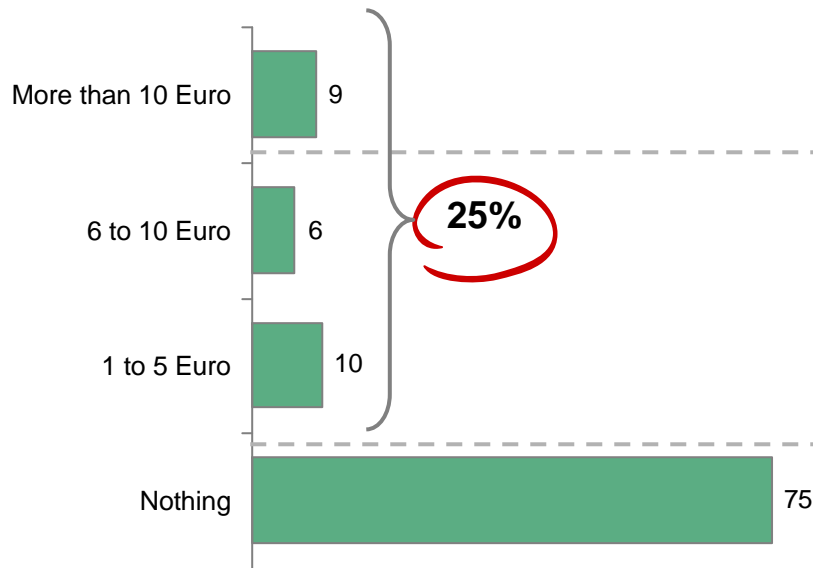


# 63% of Germany consumers are willing to pay for online news – vs. 25% currently paying for online news

## 25% currently paying for online news

How much do you spend per month on any online news subscription?

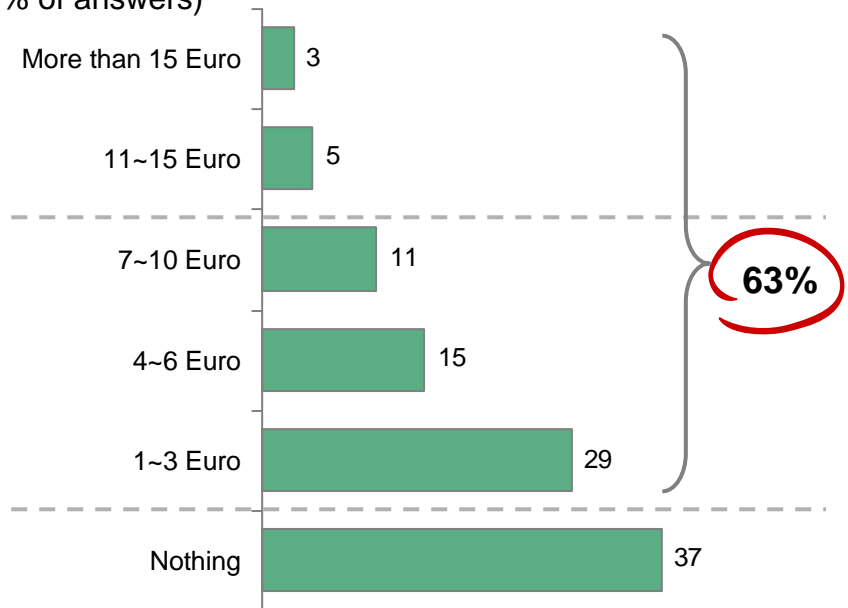
(% of answers)



## 63% are willing to pay for online news

How much per month are you willing to spend to get online news?

(% of answers)

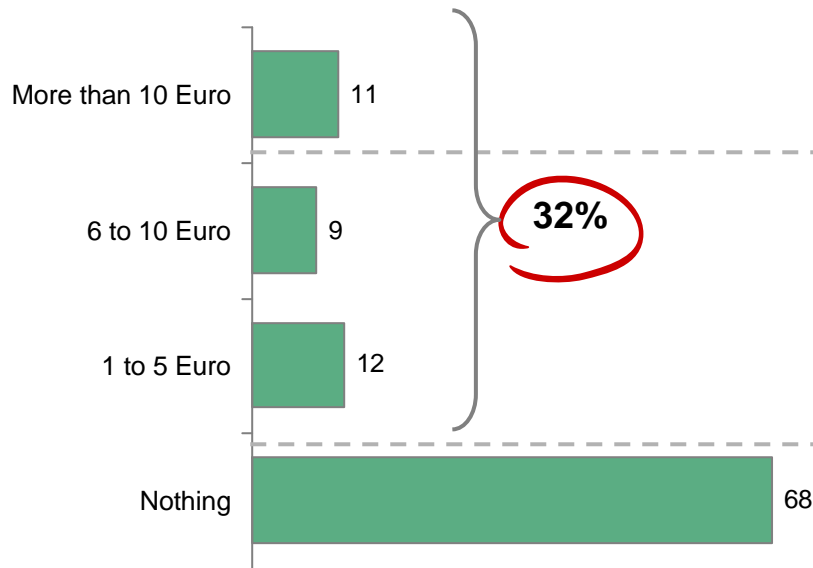


# 66% of Finland consumers are willing to pay for online news – vs. 32% currently paying for online news

## 32% currently paying for online news

How much do you spend per month on any online news subscription?

(% of answers)



## 66% are willing to pay for online news

How much per month are you willing to spend to get online news?

(% of answers)

