



Study: Micropayments in Media

The year 2018 was exciting regarding micropayments in the media. The excitement towards it has increased.

This study summary aims at provoking thinking and boosting the discussion.

How can media benefit from micropayments? Is it the needed boost for the business? What content suits for micropayments? At what price? Has anyone succeeded?

Executive Summary

The year 2018 was remarkable when it comes to micropayments in media. Micropayment models are not rejected anymore because they do not “save” the media business. Micropayments can support marketing and subscriptions and also serve in many other ways as a single source amongst many income streams. The new, broader way of thinking and offering new buying opportunities feeds the people's appetite to buy separate stories and other products.

There is a strong need for conventional media to broaden its thinking. Much various content suit to be sold as single stories. Both traditional media content and still unthinkable products. In traditional media, locality is a definite asset.

According to this study, three essential components should be fulfilled to make customers buy a single media: **1) content is unique 2) content is “hot” for the reader 3) paying is smooth.**

The price for a single story does not determine the buy. However, the study shows that certain thresholds affect consumer behavior. The lowest one is **one euro**.

The pricing is also a strategic decision. E.g., Ekspress Grupp in Estonia has noticed that with the price of 2,99€ sales are more profitable in the short term. In the long run, this brings less new users to pay. Another strategy would be to keep the lower price for the first 3-4 years and get the users used to the service and content.

The most efficient way to define the suitable content and a reasonable price for it is a **broad-based co-operation**. Both sales, business operations and editorial staff should be involved. The benefits are in the most suitable content and motivating the journalists to engage in this concept.

Based on the study we created a model of micropayments in media which media can use as a tool when they define their business model around micropayments. We have included factors from three different levels on which the companies can create a positive environment for the micropayment purchases: 1) consumer 2) publisher 3) media environment.

The results in this study are based on user interviews, user behavior and analysis, expert interviews and written material on the topic. The study includes examples of different outcomes both in Finland and abroad: Winnipeg Free Press (Canada), Ekspress Grupp (Estonia) and Pressdoor (Finland).

1 Business Momentum

The change in the attitudes is strongly influenced by the paywall policies that newspapers are using. The biggest obstacle for implementing micropayments has been the lack of suitable monetizing systems. Now the amount of operations is rapidly increasing all over the world.

Also, the failures in previous trials have been a fruitful source for suspicious attitudes towards micropayments. Also, the tendency to offer content for free has kept the demand latent. Now, this situation is rapidly changing as the paywalls are coming all over the media and the idea of free content is not so obvious anymore. Also, the willingness to pay for content has increased.

The new kind of understanding opens new opportunities also to the micropayments. It is not turned down because it does not "save" the media business. The knowledge of the importance of many smaller revenue streams for the whole has increased. Micropayments can support marketing and subscriptions (Winnipeg Free Press) and as a single source amongst many income streams.

"We should have it, even though it is not the critical issue when it comes to success. Critical is to get permanent subscriptions."

The new, broader way of thinking and offering new buying opportunities feeds the people's appetite to buy single stories.

(But you are willing to subscribe, not thinking you could buy more single articles?) "I would do that too if more newspapers would offer that. I would. I would do a combination of that."

One crucial precondition for broader micropayment markets is the change in the consumers' attitudes. The relationship between the media and the reader becomes more and more critical. Also, the increasing usage of search engines gives a boost to micropayments.

We also looked at the technical preconditions for micropayments. Also, marketing has an essential role as a part of launching new micromedia products. However, this is a part of standard marketing procedure.

One of the most prominent prejudices to micropayments is still the fear of subscription cannibalization. Especially in Finland, many companies share this idea

very broadly. In reality, this is more of a myth than a fact. No reliable evidence supports this. For this study interviewed Winnipeg Free Press, and Ekspress Grupp have succeeded in launching micropayments. In 2018 Ekspress Grupp made a trial in which they removed the micropayments for a week. They noticed that this did not increase the number of subscriptions. When after the week there were both micropayments and subscriptions available for the readers also the amount on subscriptions increased.

"Our numbers show that micropayment does not cannibalize. It is more like a driver for a subscription."

Express Grupp, Winnipeg Free Press, and other experts interviewed have noticed that micropayments can shorten the funnel from a single reader to a subscriber.

Traditional media is too often too tight in the old fashion thinking of the media content. When it comes to micropayments, it should broaden the thinking because micropayments offer an easy way to expand the scope and even move into new business areas. In the study, we listed these new possible opportunities.

2 Micropayments and Consumers

One significant aspect of the development of micropayments in media is the changes in consumer behavior. At the moment it is in an exciting phase because there have not been too many opportunities to buy media with micropayments. In this study, we get the backbone from the long-term micropayment media, Winnipeg Free Press. Its experiences and others in more early-stage experiments strengthen the idea that consumers are interested in buying single articles. However, along the way, it is essential to understand human motivation to make choices in different situations and with different media.

The changes in behavior are slow - much slower than the development of technology. According to this study, three essential components should be fulfilled to make customers buy a single media:

1) content is unique

"If it's local coverage of a larger issue like a national or international issue. Like, I see something on CBS, and I refer to it in WFP if it's something I'm interested in. Like, this is probably terrible, but I determine according to what I read for free in CBS or other media if I'm interested in a topic and then go

on WFP to read more about it and purchase an article on it. Because I think they have good coverage.”

“If I want to find out it’s a small barrier to finding the rest of the story, or an alternative to the story I’ve already read.”

“Reporting is something I’m more willing to pay for, like stories, investigating reporting, editorials. That kind of stuff. Not just the facts that should be widely known.”

2) content is “hot” for the reader

“Well the hot topics, of course. The Jets right now.”

“I would probably say it’s not so much the brand, but it’s instead how important I think that the story is. How important it is that I need to know that. So if it’s a news organization I don’t normally read that often, but they have a story, and I feel this is important for some reason, then I’ll break out my credit card and set myself up for a two-dollar payment on that story. But otherwise, if I absolutely don’t need to read the story, I probably wouldn’t bother.

3) the paying is smooth

“If I’m on my phone and I have something set up on my phone, and I want to make a micropayment and it says do you want to take this from your phone payment and I could say yes in just one click, it would increase the likelihood of those one-time purchases.”

Besides these, we recommend strongly broadening thinking of the suitable content for micropayments.

2.1 The Consumer Pays for Good Content

The general attitude towards payment of media content has changed radically during the last year. The importance of media as the supporter of democracy has strengthened since the year 2014. The international trend is similar. The fact came visible also in the consumer interviews:

“I made a decision that I wanted to make sure that I was actually sending money to print news organizations because that’s where the news actually comes from. And I think it’s important that we have it in our society.”

“I think we are starving our journalists and news companies and I think it plays a very important role in our democracy.”

Also, the events in international politics have increased the willingness to buy. Fake news and the leaks of personal information in social media services have awakened people to think about their relationship with media.

“One thing that concerns me is what’s happening on Facebook and the whole thing with Cambridge Analytica. To me it’s an indication of something going on, they have to agree that there has to be something to control this. I agree with the idea or the premise that in some ways we should pay for, or there should be some method of making sure that we get the news.”

“Probably I would not want to support any organization that didn’t have any good content.”

People are willing to pay for high-level content.

“But if we want to keep up a certain level of news content then we have to pay for it.”

“The internet isn’t really free, but what is the problem is yeah you can find out anything, but is it true? Is it accurate? Is it coming from some particular viewpoint? Or is it salesmanship? So paying for content that you believe to be accurate, true – you don’t have to agree with it – is a lot better than getting something free and believing it to be true.”

2.2 Diverse Content Work

Besides the three primary arguments, there are some additional ones:

Local news. Winnipeg Free Press the most bought micro media stories are ultra-local news.

“Local news, depending on how interesting they are.”

“Local. I like to know what’s going on locally.”

Catching start/style. The readers talked about the aspects that made them stay with a story and continue reading. For many the beginning was critical:

“I like to think that it’s, e.g., the way it’s written if it’s catchy. Absolutely, if it was on a certain topic if I was, for example, googling something and a crappy

source comes up, but it's on a really salacious thing that I'm interested in at the moment, I'm not going to think like 'Oh well I don't trust this brand.' I'll read it and then remind myself that I probably should be double checking the information."

The source/writer:

"I trust the source."

"What his viewpoints are, and that's just because I've developed a trust in him."

Credibility/brand

"I was rather thinking about that there might be interesting stories, or columnists, somewhere around the world. If the story was within the paper you read, and you could buy it as a single story – the question is, do you consider that source credible enough because WFP considers been judged by the WFP a good story. Otherwise, I think that if you saw it elsewhere by accident, you probably wouldn't pay for it because you don't know how well it is. But you said it doesn't increase the credibility. "

Targeting is a good way of getting what people want if the media as a whole does not interest them.

"It gives everything in one package."

News. The willingness to pay also affects the desire to pay for the press. However, in many cases, people want to have something in connection with the report.

"News, opinions, and editorials from certain news."

"I'm willing to pay for news with opinion."

"To keep in touch with what's going on in the world and around me. If you don't pay, you get a lesser amount."

Archives. These are a big possibility but a big chance, as well. In the consumer interviews, this was first a strange idea, but finally, they get excited about it:

"My first opinion was 'no not really,' but yes (after listening to Dwayne), there would be different stories that I would be interested in, so for sure."

“I agree that probably if it was a feature, like ‘here’s a story that you might be interested in’ as opposed to the searchable database. I think it could work like with normal articles, if some were interested, they’d pay for it, and if they were a subscriber, then they would just get it. I term of paying for access to a searchable archive before all the older stuff became digital and achievable, I think that would be useful for students. I don’t know if a normal subscriber would actually pay a separate fee for that. Maybe. “

Useful information that ranges from economic information analyzes to the instructions to repair antique furniture.

“If it’s related to my work.”

There is a strong need for conventional media to broaden its thinking. Much various content suit to be sold as single stories. Both traditional media content and still unthinkable products.

Based on the interviews and literature the most efficient way to define the suitable content and a reasonable price for it is based on a **broad-based co-operation**. Both sales, business operations and editorial staff should be involved. It is essential both get the most suitable content and to motivate the journalists to engage in this concept.

2.4 One Euro Makes the Difference

The price for a single story does not determine the buy. However, the study shows that certain thresholds affect consumer behavior. The lowest one is **one euro**.

“I don’t know that I necessarily noticed until you said, you reminded that it was 27 cents an article. I don’t notice daily. I think if it were, for example, a dollar an article then I’d be a lot more cautious on what I’m clicking on and I think at that point I would have to look at – I think it would be a reactionary decision to change on subscription. I think it would completely depend on how much I was using it and how much it showed up on my credit card payments.”

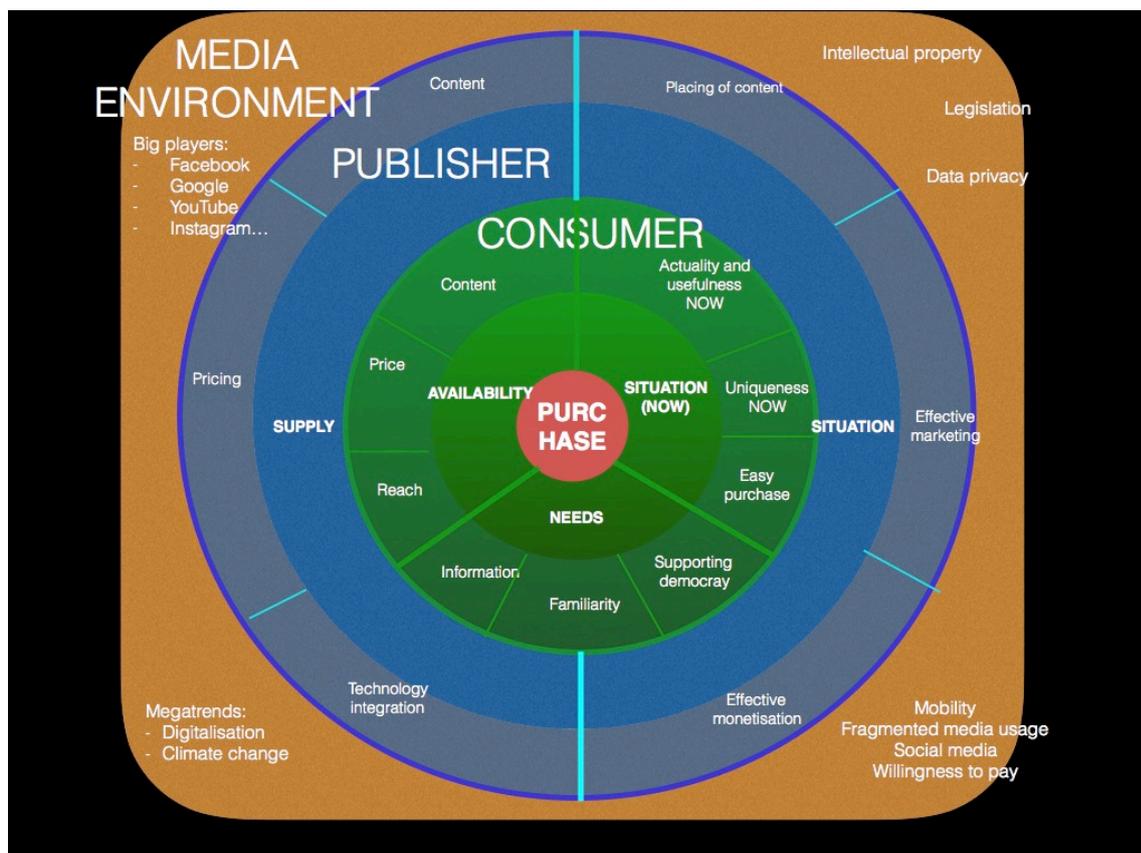
“I think from myself, what I think about what I’ve been through life as I was picking up a newspaper it was from 50 cents to a dollar a day. So I had no problem doing that. And if I was to think about now what would I do, I would think I would still use that as a basis, I’d anywhere from 15 to 30 dollars a month, but what I would ask for that 15 dollars a month would be that I got articles that I was interested in so I could go through and pick, not only the writers but also the subject material. So if someone came to me and said ‘ok,

for 15 dollars a month we'll give you articles on – it could be news coverage – but on a specific subject matter', then I would do it. Because it would be something, I would be interested in."

The pricing is also a strategic decision. E.g., Ekspress Grupp in Estonia has noticed that with the price of 2,99€ are more profitable in the short term. In the long run, this brings less new users to pay. Another strategy would be to keep the lower price for the first 3-4 years and get the users used to the service and content.

3 The Model

Based on the study we created a model of micropayments in media. We have included factors from three different levels on which all the companies can create a positive environment for the micropayment purchases: 1) consumer 2) publisher 3) media environment.



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SUPPLEMENTS

Expert interviews

1. Otto Peltola (Lehtiluukku/ePaper Finland Oy) 12.1.2018
2. Tanu-Matti Tuominen (IPR VC) 15.1.2018
3. Bob Cox (Winnipeg Free Press) 26.1.2018
4. Cristian Panson (Winnipeg Free Press) 26.1.2018
5. Iain Coates (Winnipeg Free Press) 26.-27.1.2018
6. Petri Pekki (Digital Media Finland) 2.2.2018
7. Thomas Baekdal (blogger) 3.2.2018
8. Tommi Heikkonen (Fiare Oy) 8.3.2018
9. Hannele Nikkanen (Long Play) 12.3.2018
10. Raimo Mäkilä (Alma Media) 26.6.2018
11. Kaspar Hanni (Ekspress Grupp) 23.7.2018
12. Andre Veskmeister (Ekspress Grupp) 23.7.2018
13. Tuomo Telkkä (Anygraaf Oy) 3.8.2018
14. Ari Toivanen (Fokus Media Finland Oy)
15. Mikael Johnson (Pressdoor Oy) 15.8.2018
16. Niroshan Balas (Zlick) 30.8.2018
17. Erki Koldits (Zlick) 30.8.2018
18. Jyrki Utriainen (Karjalainen) 14.11.2018

Winnipeg Free Press interviews

Iain Coates, Director of Marketing

Christian Panson, VP - Digital and Technology

W.: 65+, Male, Reads news once a day, subscribes to other media online

Joel: 35-49, Male, Reads news once a day, subscribes to other media online

Roberta: 65+, Female, Reads news 4-6 times per week, does NOT subscribe to other media online.

Kristal: 18-34, Female, Reads news online more than once a day, subscribes to other media online

Marcel: 50-64, Male, Reads news once a day, does NOT subscribe to other media online