could attract a foreign buyer – Seven's action was widely perceived by commentators and Optus Vision advisers as an attempt to give Seven the opportunity to renegotiate its programming contract.

Subscriber blues

By early 1997, all Australian pay TV operators were thought to have fallen substantially behind their target subscriber figures. Optus' estimated figure of 150, 000 subscribers fell far short of its scheduled target of 450, 000. As mentioned earlier, such shortfalls hit pay television operators badly, because the fees paid to Hollywood studios for programming rights were based partly on 'guaranteed' subscriber numbers, leaving operators to pay for subscribers they did not have.

In March, Optus Communications moved to take full control of Optus Vision. By April, Optus Vision made no secret that it had entered into discussions with Telstra over cable-infrastructure sharing arrangements. On 24 April 1997, Optus Communications announced it was to fully integrate its operations with Optus Vision. The Optus Vision network, carrying local telephony and pay TV, would ultimately merge with the Optus Communications network, which hauls long-distance and international telephony.

In June, Ziggy Switkowski's association with Optus Communications and Optus Vision came to an abrupt end, being replaced with Englishman Peter Howell-Davies, the nominee of majority shareholder Cable & Wireless, placing Optus into a holding pattern controlled by its UK overlord. In August, Optus appointed Australian Chris Anderson as its new CEO, an antipodean front man hired partly to disguise the fact that Optus is now a UK company which will primarily be run from London.

Alasdair Grant

Online but in the red

Can online news services make money?

A paradox of the information revolution is that while everyone agrees that information is valuable, most of us are not prepared to pay for it, at least not in full.

Information consumers are accustomed to being subsidised. Sometimes the subsidy comes from advertisers, as in commercial broadcasting and newspapers; sometimes from taxpayers, as in public broadcasting; sometimes from the creator of the information, as in many books which are written in effect for free.

And as the authors of a new paper on online news services observe, the habit of subsidy is also firmly entrenched in our newest medium, the Internet.

Susan Mings and Peter White have released a paper *Making Money From the Web?: Business models for online news,* part of La Trobe University's Online Media Program. They quote the American researcher E.K. Meyer: 'Directly charging Internet users for information has met with substantial resistance, particularly among early adopters of the "Internet culture". The Internet was created specifically to encourage free exchange of information among academic and government researchers. Users steeped in this tradition tend to view any commercial activity as infringing and hold one credo above all others: "Information wants to be free".'

Which actually means: 'We want information to be subsidised'. Fair enough, perhaps, but this attitude is one of many problems which confront news organisations which are trying to establish Net publishing operations – widely seen as strategically vital in the long term – without losing large amounts of money.

Many newspapers now have an online presence. According to the Website maintained by *Editor and Publisher* magazine, there are now more than 1200 daily papers online, along with more than 500 weeklies, 100 business papers, and a number of other specialised newspapers.

The vast majority of these are based in the United States, but Australia is also well represented, with ten titles. The most important of these are the major Fairfax papers, including *The Age, Australian Financial Review* and *Sydney Morning Herald,* and News Corp's *The Australian.* A number of provincial newspapers have also dipped a toe in cyberspace (including the *Illawarra Mercury,* which will be handy for the researchers at *Media Watch*).

Most of these sites have appeared only in the past two or three years, and many more are likely to follow. But as White and Mings point out 'There seems to be some consensus that newspaper publishers' (and others) rush to the Internet has vastly outstripped their understanding of how to profit from these endeavours'.

They identify four models for making information available on the Web on a commercial basis. These models rely respectively on subscriptions, advertising, transaction charging and 'bundling' with other Internet services.

The experience to date has not been encouraging for the subscription model, although there are some exceptions. The *Wall Street Journal* has succeeded in signing up some 100,000 subscribers to its online service, some 60 per cent of whom are not print subscribers. Another service, with much cheaper pricing, the Nando News Network, is also reportedly doing reasonably well.

Many newspaper sites operate on a 'teaser' system, in which a certain amount of information is provided free, with the promise of 'premium' services such as archive access and searchable classified advertisements for subscribers.

But given that there is so much that is free on the Net, subscribers remain reluctant, and many American newspapers have been unsuccessful in attracting adequate subscriber numbers.

There may be some future for subscriptions to online services among younger people who do not have the newspaper buying habit and who are more at home with online services, but overall the outlook is not bright.

As one research group notes: 'Web site publishers can only make up 40 per cent of their costs from online subscriptions, which unlike advertising, will show scant improvement by the year 2000. In order for an online publication to post a profit in the next two years, it would have to exceed 95,000 subscribers or charge a $77 average sub price. Neither scenario is likely.'

What about advertising. Is this, perhaps, the way to make things pay? Anyone who has logged on to *HotWired*, the web site maintained by *Wired* magazine, cannot escape the impression that it has tapped into some heavy money through their banner advertisements.

E.K. Meyer says of *HotWired* that in 1994 it was successful in 'lining up 12-week, $30,000 sponsorships for portions of its online service . . . All available sponsor slots were sold to companies such as AT&T, IBM, Sprint and Volvo even before the magazine opened to the public.'

Other publications have used the banner advertising model with some success. An online publication can be attractive to advertisers. It allows them to target certain audiences very precisely, and it is much easier to keep accurate records of how many people visit a site than, say, read a magazine.

In addition, the demographics of those who surf the Net are for the most part attractive to advertisers.

Whether newspapers can adapt to the new medium to protect their traditional lifeblood, classified advertisements, is an interesting aspect of Web advertising.

Mings and White have found that the most enterprising and innovative uses of classified adverts online have been developed by non-newspaper classifieds companies, and that the online classified services offered by many newspapers have been relatively 'weak and ineffectual' – although the Fairfax newspapers in Australia are an exception.

Another model examined in the paper is 'transactional' charging, where small fees are charged for each use of a site's material. The *San Jose Mercury News* site, for example, allows subscribers to search its archives, along with those of 11 other newspapers, for fees which vary depending on the day and time. The *New York Times* also sells crossword puzzle answers for small discrete payments.

According to one commentator quoted in the paper, J. Conaghan, this is the way of the future: 'Many – of not most – Web seers and soothsayers view [microtransactions] as the eventual salvation for Web profitability'.

The final model canvassed is 'bundling', which involves a strategic alliance between the newspaper and another organisation with an interest in the Net: examples include Internet service providers, the makers of Web browsers, other newspapers and other content providers.

Recently Microsoft's Internet Explorer browser was offered with a free year's subscription to the *Wall Street Journal* Interactive site, while Netscape offered personalised subscriptions to the *New York Times* to anyone using Netscape 3.0 or higher.

Perhaps more promising are arrangements by which newspapers pool their content resources and advertising: a good example is the New Century Network, a US consortium which has grown to incorporate over 200 local newspapers.

But the picture presented by Mings and White is of an industry which has still to thrash out a way to provide information services on a commercial basis.

No one model provides a satisfactory answer, and it is not even clear that a mix of them will prove a solution.

One observer quoted by the authors says: 'Publishers need to do more than simply adapt existing business models for use in cyberspace; they need to pioneer new models that fit the medium.'

Richard Evans

Making Money from the Web? Business models for online news, by Susan Mings and Peter White, is published by the La Trobe University Online Media Program and costs $150. The program's website is at http://teloz.latrobe.edu.au/OMP/.