

Digital view: Life on the Danish Internet

# Economics of news: the case for qualitative journalism on the internet

Documenting the actual economics of four major Danish news-sites



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“Digital view: Life on the Danish Internet” is written by Jon Lund.

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## INTRODUCTION

Digital view: Life on the Danish Internet provides a weekly overview of the evolution of traffic on Danish websites, as measured for nearly 300 of the largest Danish websites member of the Interactive Bureau of Denmark (Foreningen af Danske Interaktive Medier, FDIM).

Data stems from an ongoing research carried out by Gemius for FDIM.

Data is collected through a peer-reviewed, automatic, structured and rule-based methodology and is generally of very high quality.

## THE ECONOMICS OF NEWS

The decline in circulation of traditional print publications combined with the advent of the internet as a publishing vehicle has brought the question of the future of news to the forefront of discussion in the global media-community. High hopes are being voiced as for the deliberating, including and empowering potentials of new media, which allows for new forms of conversations and co-creations, while traditional media-companies at the same time struggles to find new business models that allows them to benefit economically from the new-media landscape.

This report aims at bringing some clarity of the actual workings of the advertising-based new-media economy. This is done through looking at the actual usage of five selected Danish news-sites, assessing what money can be made from advertising at these media and finally looking at what kind of articles draws traffic and thereby advertising revenues.

The report aims to show how the economics of the internet sets out structurally determined patterns, to which online media most adhere, resulting in a situation in which a constant pressure for more traffic pushes online media to publish yet more low-cost and popular content, leaving expensive quality content behind.

### The Danish online world

Denmark is among the most advanced internet-countries in the world. 83 % of all Danish households have access to the internet - more than 90 % hereof through a broadband connection, according to official Statistics Denmark-stats. Add to this, that almost all companies have access to the internet as well, providing even more people with the opportunity to surf the web.

The numbers on the actual usage shows the same pattern. Out of a total population of som 5,5 million inhabitants some 3,75 million adult Danes surfs the internet at least once a month, spending some 71 million hours april (gemiusAudience/FDIM, april 2009).

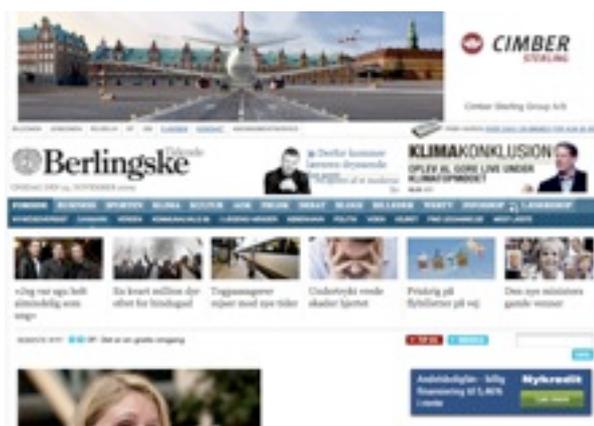
In terms of advertising revenues Denmark is among the leading nations in the world. In 2008 advertisers spend approximately \$ 600 million reaching out to Danish consumers on the internet. Thereby the internet took over the role as the one media-group on which advertisers spend the most money, leaving tv, print and radio behind (Dansk oplagskontrol 2009).

However news media have not been able to keep up with the general growth in this booming online media market. Traditionally news media have accounted for the majority of media consumption, and hence also taken the largest slice of the advertisement pie. This is not so

anymore. Out of the 71 million hours spend on the internet in April, only 11 million - some 15 percent - of those hours were spend on sites which can be labelled “journalistic/editorial” in nature. And proportion which probably by and large translates into the advertising revenue obtained by these sites.

## Four selected news-sites

In order to dig deeper into the business case for sites claiming a role as a fourth estate, serving the role of a free press, four different Danish news-sites are collected: Berlingske.dk, Politiken.dk, Ekstrabladet.dk and BT.dk. They’re all websites of established print media. None of them are niche - they all have a wide editorial coverage. Two of titles - Ekstrabladet and BT - are (in their print- as well as online versions) tabloid-style (in the classical meaning of the word - i.e.. newspapers which, in the words of wikipedia.org “tends to sensationalize and emphasize or exaggerate” stories. The other two - Berlingske and Politiken - are the websites of the more established daily newspapers, often conceived of as more intellectual and reliable.



bt.dk, berlingske.dk, politiken.dk and ekstrabladet.dk.

Ekstrabladet is the largest newspaper-site in Denmark, reaching some 1,1 million adult Danes a month, only surpassed by dr.dk and TV2.dk - the websites of one of the two largest Danish TV-broadcasters. BT.dk comes in right after ekstrabladet.dk, though reaching only 750.000 adult Danes, followed by Politiken.dk with a reach of 600.000. Berlingske comes in number nine with around 450.000 users above 15 of age.

	# Adult users
dr.dk	1.446.780
tv2.dk	1.246.672
ekstrabladet.dk	1.141.805
bt.dk	756.525
politiken.dk	607.169
jp.dk	571.320
euroinvestor.dk	515.017
berlingske.dk	437.927
e pn.dk	426.519
netdokter.dk	333.594

The 10 largest websites with journalistic/editorial focus measured by the number of +15-years old users having visited the mentioned websites at least once during the month of april, 2009. Source: gemiusAudience/FDIM.

## The online advertising market

The four sites shares yet another characteristic: They all rely primarily on display advertising - that is: banners - as their mean to make money. None of the sites follows a paid-for premium model. All content on the web-sites is freely accessible (as subscriber to the print editions, you're able to access web-editions of the daily print-issue, though).

The classifieds markets - particular jobs, automotive and real-estate - which up until the mid-nineties were owned by (and cash-cows off) the newspapers, plays a minor role today.

As for charging the users for reading online articles, Berlingske Media (owing both berlingske.dk and bt.dk) are actively engaged in trying to find ways of letting the users pay - but not on their general news-sites, such as berlingske.dk and bt.dk. Charging money for access to such content will drive by far the majority of users elsewhere, where journalistic content - good enough to satisfy their needs - can be found for free.

There are several different ways in which a web-site owner and an advertiser can agree on what the advertiser should pay to have his ad up and running at a web-site. Traditionally the two agree

that the ad should be displayed e.g. a hundred thousand times for a fixed price. This is called Cost Per Mille (thousand impressions) or in short CPM.

Alternatively the two could agree that the advertiser only pays when a user actually clicks the ad - in this model the price is referred to as Cost Per Click - or just CPC. This model has the advantage, that the advertiser only pays for having the ad exposed to users of whom he is sure they both see it and find it interesting enough to click on. However, since users very rarely click the ad, the cost of a click is many, many times the fixed cost of having the ad displayed to the user.

In assessing the economics of the four media in question, an "equivalent CPM" per page-impression is constructed. That is: if an ad is actually sold on a CPM-basis, this figure is used, but if the ad is sold on a CPC-basis, the price is converted to the equivalent CPC-price.

In order to construct the equivalent CPM per page-impression, several factors must be taken into consideration for each of the publishers in question. First: how many ads do you have on a given page? Is there only one or is there 10? This differs from site to site and within the site from page to page - a front page and an article page does not carry the same number of ads. Second: what is the price of the ads? Here you'll need to differentiate between e.g. the large banner in the top of the page which costs more than the tiny one in the bottom. Also you'll have to take into account that an ad that has to run on a specific section of the web-site - e.g. travel - is more expensive than an ad the media can place wherever they want. Third you need to recognize that the price will differ depending on who the customer is. Some are able to negotiate large rebates while others aren't. And fourth, you need to know if the site in question has sold out all of its inventory of empty slots, only waiting for someone willing to pay to have his ad put in its place.

The assessment of the actual the equivalent CPM per page impression is done in consultation with three leading media-agencies, who for a living help advertisers buy advertisement space. Each of the agencies have provided their own estimates of the various factors involved in determining the equivalent page-CPM for each site concerning the week in question. Subsequently these have been evaluated and combined to an average equivalent page-CPM.

The result is a figure indicating the revenue the four publishers are able to generate from their web-sites, depending on how many page-views are conducted. The figure is US\$ 12,5 per 1000 page-impressions.

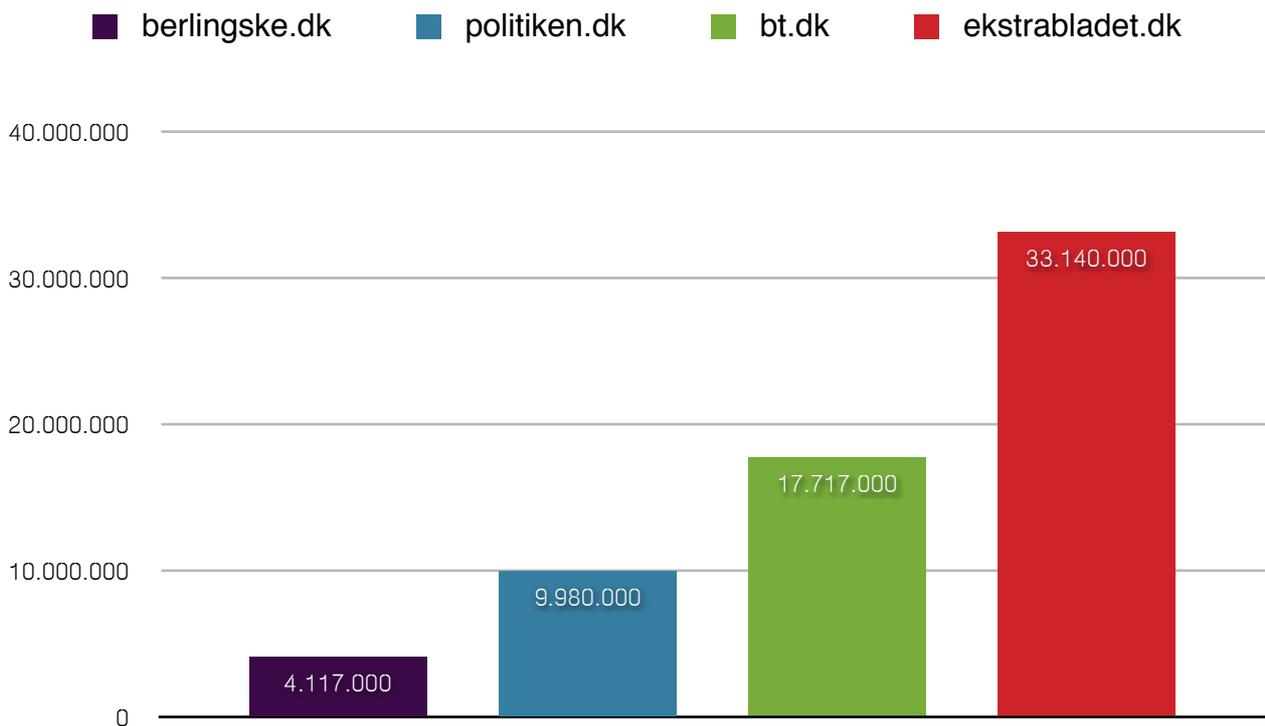
However, in the real world, no such thing as an average equivalent page-CPM across sites exists. Generally speaking Ekstrabladet and BT scores lower and Politiken and Berlingske higher. Due to the complexity of the estimation giving exact numbers for equivalent-CPM for the sites in question is not possible, but the equivalent page-CPM for the individual sites is expected to fall in the interval of +/- US\$ 5 around the average of US\$ 12,5.

## The economic foundation of producing news

So, how much money do the selected sites make? And what do they make them from? In order to answer these questions, lets have a look at the week ending November 22, 2009.

On tuesday November 17, 2009 - in the middle of the week stretching from monday November 16-22 2009 - municipal elections were held in Denmark. Although not as important as general elections for e.g. the parliament, the elections is likely to have had an effect on - and have marked - Denmark and Danish media. Both in terms of the traffic on the Danish internet (the number of users and the activity they generated) and the number of news articles being written.

According to the preliminary statistics for the week, the four sites showed a total of 65 million pageviews, with ekstrabladet as the absolute number one with more than 30 million page views.



Pageviews (estimated) on selected websites, week ending november 22, 2009. Source: gemiusAudience/FDIM realtime.

The number of page views are measured in a uniform and reliable way, a way which both give a realistic impression of the performance of the individual sites and allows for an apples -to-apples comparison between the sites.

In addition to the number of page-views, it's also possible to establish how many articles the four sites have published during the week in question. The number of articles is interesting, since these are the main traffic-drivers of the four sites. Being news-sites, editorial content - the articles - is what constitutes the sites.

Also the number of articles is interesting in yet another way, as the number indicates the size of costs involved running the site.

The number of articles is obtained by counting all articles published during the week in question in the public available article-archives of each of the sites.

	Berlingske.dk	BT.dk	Ekstrabladet.dk	Politiken.dk	Total
# articles	1050	1000	1200	1080	4330

Number of articles published on four selected websites during the week ending november 22, 2009. Source: berilngske.dk, bt.dk, ekstrabladet.dk and politiken.dk respectively.

By combining the equivalent page-CPM, the number of page views and the number of published articles gives you the estimated total revenue obtained from the four sites as well as the revenue per article.

Equivalent page-CPM	# pageviews	Estimated total revenue	# articles	Revenue/article
12,5	65.000.000	812500	4330	US\$ 188

On average each article on the four selected websites generated \$188 in advertising revenue in the week ending november 22, 2009.

For each of the sites in question factors comes into play that makes the actual revenues per article differ from the grand average. Particularly the very low number of page- (and hence also advertisement-) impressions of Berlingske draws the obtained revenue somewhat down from the average despite their higher prices. Contrary, ekstrabladet.dk might realize higher revenues per article due to their very large number of page impressions. Generally variations of +/- \$75 per article could be expected.

## Popular and low-cost content dominates

Whether \$ 188 per article is enough or not to sustain a viable business off course depends on the costs involved in producing the said article. For a start, Danish journalists makes on average \$8350 a month, and works some 37 hours a week, according to the Danish Journalists union. Also the question of how long time it takes to write the article clearly matters. Is quoting someone else all it takes? Or has the journalist to spend hours, days or weeks researching the story? Apart from these variable factors comes the fixed costs: having servers running, paying rent, staffing the sales department and administration etc. One thing is clear however: the faster you're able to produce your articles, the better your business is.

Another factor contributing the economics of the news is the performance of the individual article. If the article is popular, it generates more page views, ad-impressions and hence more revenue. While well-researched articles can obtain widespread interest and generate page-views, "high-quality" journalism is only rarely amongst the most popular articles.

These two factors works in conjunction to the benefit of popular content which can be readily produced, as witnessed by the lists of most popular articles on the four sites. Each of the sites make information on the "most read articles" available. Subtracting the information on the most read articles from the sites makes the production of the below table possible, for the week ending November 22, 2009.

	Berlingske.dk	BT.dk	Ekstrabladet.dk	Politiken.dk
1.	Private messages from 9/11 leaks ( <a href="#">Private beskeder fra 9/11 lækkes</a> )	<a href="#">I'm deeply choked (Jeg er dybt chokeret)</a>	Nude sexy ski-teachers in the snow ( <a href="#">Nøgne sexede skilærere i sneen</a> )	Sareen: "I left the town-hall in anger" ( <a href="#">Sareen: »Jeg forlod rådhuset i vrede«</a> )
2.	Palins son-in-law ready for "porn" without stick ( <a href="#">Palins svigersøn klar til "porno" uden stav</a> )	Man lost half his body ( <a href="#">Mand mistede halvdelen af sin krop</a> )	Best from behind ( <a href="#">Bagfra er bedst</a> )	Bondam wanted fantasy-position ( <a href="#">Bondam ville have fantasipost</a> )
3.	Son of Jørn Utzon questions 9/11 ( <a href="#">Jørn Utzons søn tvivler på 9/11</a> )	Was laid off few days before dying ( <a href="#">Blev fyret få dage før sin død</a> )	Laid off few days before dying ( <a href="#">Fyret få dage før sin død</a> )	Reds rage over Bondam ( <a href="#">Rød blok raser over Bondam</a> )
4.	Black actors removed from film-poster ( <a href="#">Sorte skuespillere fjernet fra filmlakat</a> )	Samanthe Fox back in sexy swim-suit ( <a href="#">Samantha Fox tilbage i sexet badedragt</a> )	Millions for masturbation-video of Miss California ( <a href="#">Millioner for Miss Californiens onanivideo</a> )	Jan Fog: Rich people can't vote for SF ( <a href="#">Jan Fog: Rige kan ikke stemme på SF</a> )
5.	Heavenly light-party once more ( <a href="#">Så er der lysfest på himlen igen</a> )	Won million-lottery three times ( <a href="#">Vandt milliongevinst tre gange</a> )	Vote for the hottest babe of the election ( <a href="#">Stem på valgets lækreste babe</a> )	Bondam acknowledges desperat offer for fantasy-position ( <a href="#">Bondam erkender desperat tilbud om fantasipost</a> )

Top five most read articles on the four selected websites during the week ending november 22, 2009. Source: berlingske.dk, bt.dk, ekstrabladet.dk and politiken.dk respectively.

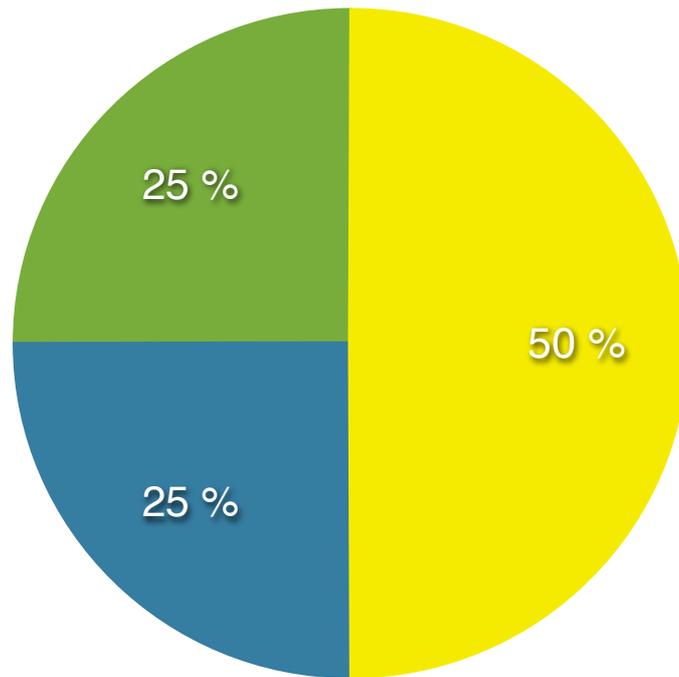
A measure of the costs of producing the articles can be found by investigating each article, and categorizing it into four groups: a. syndicated stories, which are plainly quoted in full length from another source, be that a press release or a story at another media with minor re-writings, b. single-source stories involving an autonomous, but limited, journalistic endeavor, c, investigative stories where the journalist has done an effort to get sufficient background to present a fuller version.

Syndicated articles	Single-source articles	Investigative articles
<ul style="list-style-type: none"> <li>- Black actors removed from film-poster (<a href="#">Sorte skuespillere fjernet fra filmplakat</a>) - Berlingske.dk</li> <li>- Heavenly light-party once more (<a href="#">Så er der lysfest på himlen igen</a>) - Berlingske.dk</li> <li>- I'm deeply chocked (<a href="#">Jeg er dybt chokeret</a>) - bt.dk</li> <li>- Man lost half his body (<a href="#">Mand mistede halvdelen af sin krop</a>) - bt.dk</li> <li>- Was laid off few days before dying (<a href="#">Blev fyret få dage før sin død</a>) - bt.dk</li> <li>- Samantha Fox back in sexy swim-suit (<a href="#">Samantha Fox tilbage i sexet badedragt</a>) - bt.dk</li> <li>- Won million-lottery three times (<a href="#">Vandt milliongevinst tre gange</a>) - bt.dk</li> <li>- Nude sexy ski-teachers in the snow (<a href="#">Nøgne sexede skilærere i sneen</a>) - ekstrabladet.dk</li> <li>- Laid off few days before dying (<a href="#">Fyret få dage før sin død</a>) - ekstrabladet.dk</li> <li>- Millions for masturbation-video of Miss California (<a href="#">Millioner for Miss Californiens onanivideo</a>) - ekstrabladet.dk</li> </ul>	<ul style="list-style-type: none"> <li>- Private messages from 9/11 leaks (<a href="#">Private beskeder fra 9/11 lækkes</a>) - Berlingske.dk</li> <li>- Palins son-in-law ready for "porn" without stick (<a href="#">Palins svigersøn klar til "porno" uden stav</a>) - Berlingske.dk</li> <li>- Son of Jørn Utzon questions 9/11 (<a href="#">Jørn Utzons søn tvivler på 9/11</a>) - Berlingske.dk</li> <li>- Best from behind (<a href="#">Bagfra er bedst</a>) - ekstrabladet.dk</li> <li>- Bondam acknowledges desperate offer for fantasy-position (<a href="#">Bondam erkender desperat tilbud om fantasipost</a>) - politiken.dk</li> </ul>	<ul style="list-style-type: none"> <li>- Vote for the hottest babe of the election (<a href="#">Stem på valgets lækreste babe</a>) - ekstrabladet.dk</li> <li>- Sareen: "I left the town-hall in anger" (<a href="#">Sareen: »Jeg forlod rådhuset i vrede«</a>) - politiken.dk</li> <li>- Bondam wanted fantasy-position (<a href="#">Bondam ville have fantasipost</a>) - politiken.dk</li> <li>- Reds rage over Bondam (<a href="#">Rød blok raser over Bondam</a>) - politiken.dk</li> <li>- Jan Fog: Rich people can't vote for SF (<a href="#">Jan Fog: Rige kan ikke stemme på SF</a>) - politiken.dk</li> </ul>

Top five most read articles on the four selected websites during the week ending november 22, 2009 categorized according to type of journalism.

The results of this categorization-process shows half of the most popular stories to be syndicated, 25 percent to be single-source and 25 percent to be investigative.

● Syndicated      ● Single-source      ● Investigative



Top five most read articles on the four selected websites during the week ending november 22, 2009 categorized according to type of journalism.

In conclusion it seems that the articles most popular, and therefore most suited for maximizing advertising revenues, are stories which doesn't require any greater journalistic or editorial effort. From an economic point of view you don't need to trouble yourself to much obtaining your elaborated or even investigative stories: the readers are happy with the simpler stuff anyway.

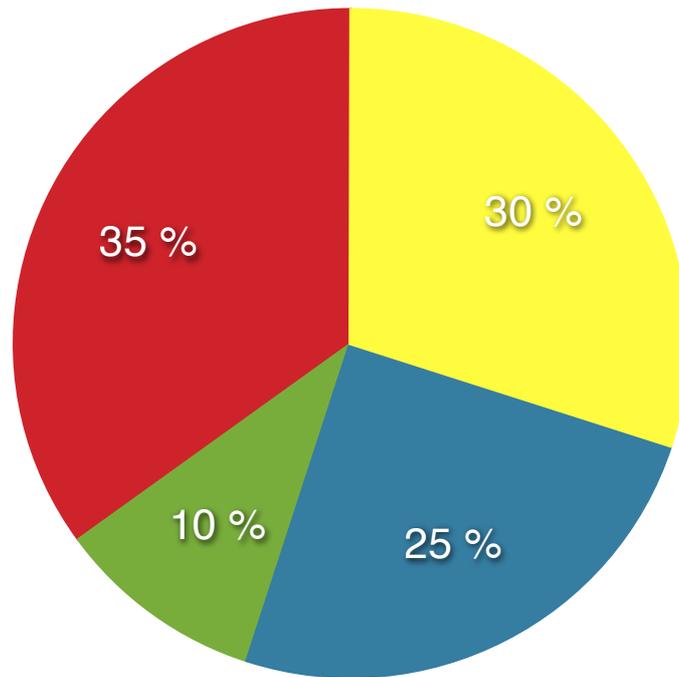
Another aspect of popularity is the subject-matter of the articles. The 20 top-stories can be divided into stories which deals with a. sex (Articles labelled "sex" are stories in which sex plays a prominent part), b. sensationalism (articles which appeals due to their sensational character), c. living (articles which focuses on leisure, free time activities and events ) and d. society (articles dealing with matters with relation to the functioning of society).

Sex	Sensationalism	Living	Society
<ul style="list-style-type: none"> <li>- Samantha Fox back in sexy swim-suit (<a href="#">Samantha Fox tilbage i sexet badedragt</a>) - bt.dk</li> <li>- Nude sexy ski-teachers in the snow (<a href="#">Nøgne sexede skilærere i sneen</a>) - ekstrabladet.dk</li> <li>- Best from behind (<a href="#">Bagfra er bedst</a>) - ekstrabladet.dk</li> <li>- Millions for masturbation-video of Miss California (<a href="#">Millioner for Miss Californiens onanivideo</a>) - ekstrabladet.dk</li> <li>- Vote for the hottest babe of the election (<a href="#">Stem på valgets lækreste babe</a>) - ekstrabladet.dk</li> <li>- Palins son-in-law ready for "porn" without stick (<a href="#">Palins svigersøn klar til "porno" uden stav</a>) - Berlingske.dk</li> </ul>	<ul style="list-style-type: none"> <li>- Won million-lottery three times (<a href="#">Vandt milliongevinst tre gange</a>) - bt.dk</li> <li>- I'm deeply chocked (<a href="#">Jeg er dybt chokeret</a>) - bt.dk</li> <li>- Man lost half his body (<a href="#">Mand mistede halvdelen af sin krop</a>) - bt.dk</li> <li>- Was laid off few days before dying (<a href="#">Blev fyret få dage før sin død</a>) - bt.dk</li> <li>- Laid off few days before dying (<a href="#">Fyret få dage før sin død</a>) - ekstrabladet.dk</li> </ul>	<ul style="list-style-type: none"> <li>- Heavenly light-party once more (<a href="#">Så er der lysfest på himlen igen</a>) - Berlingske.dk</li> <li>- Black actors removed from film-poster (<a href="#">Sorte skuespillere fjernet fra filmplakat</a>) - Berlingske.dk</li> </ul>	<ul style="list-style-type: none"> <li>- Private messages from 9/11 leaks (<a href="#">Private beskeder fra 9/11 lækkes</a>) - Berlingske.dk</li> <li>- Son of Jørn Utzon questions 9/11 (<a href="#">Jørn Utzons søn tvivler på 9/11</a>) - Berlingske.dk</li> <li>- Sareen: "I left the town-hall in anger" (<a href="#">Sareen: »Jeg forlod rådhuset i vrede«</a>) - politiken.dk</li> <li>- Bondam wanted fantasy-position (<a href="#">Bondam ville have fantasipost</a>) - politiken.dk</li> <li>- Reds rage over Bondam (<a href="#">Rød blok raser over Bondam</a>) - politiken.dk</li> <li>- Jan Fog: Rich people can't vote for SF (<a href="#">Jan Fog: Rige kan ikke stemme på SF</a>) - politiken.dk</li> <li>- Bondam acknowledges desperat offer for fantasy-position (<a href="#">Bondam erkender desperat tilbud om fantasipost</a>) - politiken.dk</li> </ul>

Top five most read articles on the four selected websites during the week ending november 22, 2009 categorized according to content of article.

Adding up the numbers "sex" and "sensationalism" accounts for more than half the most read stories, while "living" takes up 10 percent and "society" 35 percent.

● Sex      ● Sensationalism      ● Living      ● Society



Top five most read articles on the four selected websites during the week ending november 22, 2009 categorized according to content of article.

The split of stories is not, however, the same on all sites. Ekstrabladet.dk, the absolutely largest of the four sites, features four “sex”-stories and one “sensational” story among its top 5 most read, while bt.dk had four “sensational” stories and one “sex” story. Berlingske.dk had one “sex”-story, two “living” stories and two “society”-stories, whereas Politiken.dk had five “society” stories.

## Tough times for quality content

The investigation of the economy of news on the internet performed in the above study highlights how the forces of the news market systematically attracts popular, low-cost content. It is shown how the five most read articles on the investigated web-sites are dominated by copy-paste syndicated articles dominated by articles on sex and sensationalism (with politiken.dk standing out, however, featuring only non-syndicated articles dealing with society).



The investigation also highlight why this is so: with an average advertising revenue of \$188 per article, stories like these are basicly what the sites can afford to produce.

## DATA AND METHODOLOGY

“Digital view: Life on the Danish Internet” provides a weekly overview of the evolution of traffic on Danish websites, as measured for nearly 300 of the largest Danish websites member of the Interactive Bureau of Denmark (Foreningen af Danske Interaktive Medier, FDIM).

The data stems from various sources, as explained above. As for the number of user and page views of the sites investigated, these draws from an ongoing research carried out by Gemius for FDIM, measuring all page views of the sites taking part of the survey, and published on <http://fdim.dk/?pageid=123>

The querying and processing of data, identification of key parameters for selected sites showing significant trends, however, is done by Jon Lund based on a profound experience in traffic-analysis and an in-depth knowledge of the Danish internet-landscape.

Data on users and page views is collected through a peer-reviewed, automatic, structured and rule-based methodology and is generally of very high quality.

The preliminary number of page views used in this report, has a general uncertainty of +/- 5 % within a 95% level of confidence. This uncertainty is, as FDIM notes, explained as follows: "In the regular gemiusAudience measurement, the definition of publications (websites) is given in the rules for the said study, especially the concept of "Look & Feel". The definition hereof can vary from month to month. The final definition of a given publication for a given month is decided upon, after all data have been gathered for the month in question. For the estimated realtime figures, the last known definition of each site is used - that is the definition stems back to the latest officially published gemiusAudience measurement, being two month prior to the present month (m-2)."

Apart from the preliminary figures for number of visits, FDIM publishes an official statistic, carried out by Gemius, based on monthly reporting. This statistic, which is not been drawn upon in this particular analysis, includes information on the socio-demographic makeup of audiences of individual websites, and information on websites not being member of FDIM, like Google.com, facebook.com, wikipedia etc. The official statistics are available on [www.fdim.dk](http://www.fdim.dk) and through a special analytics application.



## ABOUT JON LUND

Jon Lund is advising, speaking and analyzing the impact of new media and new technology on business and society. Jon Lund views openness and transparency as factors contributing to the growth of business, the welfare of societies and the well-being of individuals. Open up, give away data, figures, facts and opinions, invite customers, business-partners and society in general to engage with you, in the long term will leave you better off.

From 2004 to 2009 Jon Lund was general manager of IAB Denmark (Foreningen af Danske Interaktive Medier, FDIM) and headed as such the official measurement of activity and ad spend on the internet.

Jon Lund is member of the board of IAB Europe and has held honorary positions as member of the Danish Ministry of Cultures advertising forum, member of the board of directors of the forum of the Danish Media, member of ICC Denmark's marketing committee. He holds a masters degree in Political Science and has worked with internet since starting his own agency in 1995.