

Dear Publishing Colleagues,

Media is all abuzz with AI, so yes, I will discuss AI, but also provide some thoughts on the future of the web page, micropayments, marketing to different generations, and more.

Is Google in danger of being displaced?

That sounds ridiculous. Google has been the 800-pound gorilla for a long time. But AI might disrupt Google.

ChatGPT has changed the nature of “search.” You no longer type a query and get a list of websites to visit. You get an answer.

Once the visitor has an answer to his question, there will be little or no reason to visit any of the links on the search results page. This will cause a big decline in website traffic.

This will also disrupt Google’s ad business. If fewer people are going to web pages, fewer people will be seeing the ads on those pages, which are largely controlled by Google!

Google has a beta version of how they’re going to tackle this. Like ChatGPT, the page provides an answer, but it also provides links. Google’s solution will be constrained by their need to protect their own revenue streams. Competitors won’t be.

It’s very possible Google will be replaced as the dominant player in the new generation of “search,” where people want answers, not a homework assignment.

Summary:

AI that can answer questions is making lists of search results seem quaint. The nature of search is about to change radically, but Google has to protect its ad business. Competitors don’t have that burden.

What comes after the webpage?

Web pages are losing their significance.

1. Because they have so much competition from podcasts, YouTube, Twitter, Tik Tok, Email, Apps, etc.
2. Because the reader experience on mobile is awful, and most web traffic is on mobile.

Consider these points as you map out your publishing strategy.

- Put the content consumer first.
- Start with the problem you’re solving and allow the distribution channel to follow.
- Expect to be on many different channels.
- Don’t be “web page centric” in your thinking.

The answer? What comes after the web page is lots of different formats for content.

Marketing to different generations

Bob Hoffman mocks the idea of generational differences.

He has quoted experts who have used very similar language for different generations. It's amusing.

Still, surely there are differences. Someone raised on black and white TV and 45s has to have a different brain from someone raised on an iPhone and Spotify.

Here's my take.

- There must be significant differences between generations.
- Most of what you hear about generational differences is probably hype and pseudo-scientific BS.
- Be skeptical of expert opinions on how to treat a given generation.
- Overall generational differences might not be significant in your market.
- Take alleged generational differences as hypotheses to be tested, not as rules.

Summary:

Be skeptical of claims about generational characteristics.

Rethinking Micropayments

Micropayments are the idea that won't catch fire but also the idea that won't die.

Publishers are starting to take another look because ad revenues are declining, and subscription revenues aren't always making up the difference. Do micropayments belong as part of the paid content ecosystem?

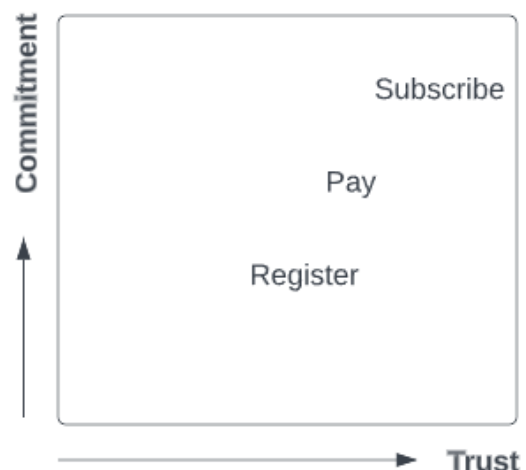
Advocates say readers will only subscribe to a couple brands, but are willing to pay for content from many more.

Think about the source of the content. A registration requires some trust and some commitment, while a subscription requires a lot of trust and commitment. "Pay" falls between. See the chart on the right.

Think of the type of content. Reimagine the chart with the vertical axis as uniqueness and the horizontal axis as value. The bottom would be "content I can get anywhere for free." The top right would be "unique content I value." Once again, "pay" falls between register and subscribe.

Micropayments seem like they should work for sources and content the reader trusts and is willing to pay for, but won't subscribe to. Or won't yet subscribe to.

Here's the problem. If this is such an obvious and logical division – as it seems to be – why haven't micropayments caught on? There are a few barriers.



From the reader's perspective ...

1. Any sort of regwall or paywall is an irritation. Unfortunately, we've trained a generation of readers to expect to get content for free. A micropayment solution would have to be as easy or easier than a regwall or paywall.
2. Nobody wants to set up *yet another* account with somebody – who's going to spam you forever and ever – just to pay \$2 to get a single article. An effective solution would have to be able to use a payment option the reader has already created, like Apple Pay, Google Pay, Paypal, etc. Also, it might be a good idea to have a method to give away an article or two when someone first signs up, just to sweeten the deal.

On the publisher side ...

1. It seems like a lot of work. Somebody has to pick which articles are for sale, set prices, assign SKUs, and then report on all that. Will it be worth the effort? An effective micropayment strategy would have to make that process very simple and fit into the publisher's existing data scheme.
2. The publisher might believe micropayments will detract from subscription sales, but we've already seen that micropayments address the audience of people who are willing to pay, and trust the content, but aren't yet willing to subscribe. So if it's done right, it opens doors rather than closing them.
3. The publisher needs to get the reader's contact information. Getting a buck for an article is okay. The real money is in the relationship.

There are a lot of other things to consider here. For example, different age groups might have different attitudes to micropayments.

Finally, low-priced introductory subscription offers – with an assurance that it will be easy to unsubscribe – might fill most of the gap that micropayments are trying to fill.

Quartz and Time close their paywalls

Publishers have long had to balance subscription revenue and ad revenue. That continues in the online world, different strategies seem to work for different brands, and different types of content.

Subscription revenue is in focus recently as ad revenues are declining, but not all paywalls work. What are the differentiators?

I asked ChatGPT to make two lists for me: one of publishing companies with paywalls, the other of companies that took down their paywalls. I then asked it what each group has in common as opposed to the other group.

The group with successful paywalls ...

- Targets a more affluent and educated audience,
- Focuses on business, finance, and high-level journalism, and
- Tends to have a larger market.

The second group tends to be more regional, with a lower price and a smaller market.

Those are interesting thoughts, but Hal misses some key points. The big hitters in the paywall world are unique. *The New York Times, The Wall Street Journal, The Financial Times*, etc. Nobody is like them. They're in their own class, with their own voice.

The other thing to consider about paywalls is that they are inherently leaky, and half of U.S. consumers try to bypass publisher paywalls.

Quartz recently removed its three-year-old paywall. The move is designed to expand its general readership, but that's at the expense of its paid membership business.

People who prefer the ad model might look at the Quartz example and say, "See, paywalls don't work!" To buttress their case, they might cite the example of Time, which has also dropped its paywall.

The Quartz example isn't that great for advocates of removing paywalls, because even after "ungating" their content, readership has dropped from 3 million per month to 1.3 million per month. The strategy didn't work.

There are a lot of complicating factors here as well, such as a merger with G/O Media, which raised some questions of cultural fit. Some of the cultural friction from the merger led leading Quartz reporters to leave.

This about-face in content strategy likely played a role in the dwindling traffic, said Felix Danczak, the senior director of subscriber experience at subscription platform Zuora. Quartz spent years cultivating an audience willing to subscribe to its newsletters and pay for reporting, then reversed course to embrace a free model based on volume.

(See "One Year After Removing Its Paywall, Quartz's Traffic Continues to Drop" by Mark Stenberg.)

The bottom line is that all kinds of things were going on at Quartz, and you can't pin this on paywall vs. no paywall. I'm an advocate of paywalls, but they don't work for everybody.

Thoughts on how publishers should react to AI

- Don't write for search engines or ad revenue. Write for people
- Incorporate AI into your own offerings. Use your content to answer reader questions. Readers won't have the patience to sort through articles to find answers.
- Words on a page or screen will progressively become less valuable. Diversify into other distribution channels, like video and audio. Use both short and long form.
- Control your own distribution channels and don't rely on tech platforms.

Sincerely,



Greg Krehbiel