Subscriptions vs. advertising
Finding balance in news business models

grzegorz.piechota@inma.org  Hamburg, September 24, 2019
Who am I? Grzegorz “Greg” Piechota

Researcher-In-Residence, International News Media Association

Former fellow at University of Oxford, Harvard University and Harvard Business School

Former news editor and executive at Agora, Poland

Selected publications

- Unlocking the Customer Value Chain
  Digital disruption and transformation strategy

- Nurturing Value for News Consumers
  Reader revenue strategy and tactics

- Evaluating Distributed Content in the News Media Ecosystem
  Digital platform strategy and tactics

- IPI Report Brave News Worlds
  Reader and civic engagement strategy and tactics
INMA Readers First Initiative

Latest meet-up: **Customer Data Platforms**, Sep. 18

Next research: **Growing Local Subscriptions**, Sep. 25

Next subs summit: **New York City**, Feb. 25-28, 2020
The next big thing in reader revenue is... innovation in advertising
Businesses want to market to real people and not just to proxies. Cookies don't buy cars.
Talent, skills, tech, data we’ve acquired to grow reader revenue becomes our new competitive advantage.
Shift to reader revenue Reality and not just strategy

Flip of revenue sources at The New York Times

Based on annual reports of New York Times Company
Newspaper industry revenue sources flip


2014
Consumer revenue surpasses advertising revenue

The journey to digital reader revenue

New pricing strategy

The first year

Goal: to learn

Often started as a marketing project

Minimum viable product

Pilot tests

Point of no return: commitment from the top
Many have passed this

Goal: To get the product-market fit

Need to adjust content, product, marketing

Need to adjust an operating model

Point of no return: new business model

New pricing strategy

Redefined business model
Reinvented company

New pricing strategy

Redefined business model

Some got here

Goal: To scale

New tech stack: data analytics, personalisation, optimisation

Growth comes from never-ending experimentation

Point of no return: culture change
New pricing strategy

Reinvented company

Redefined business model

New dawn of advertising

What's next?

Goal: To apply new skills to reinvent ad biz

Productisation of internal tools, processes

Adding services to differentiate

Point of no return: new tech stack
Couldn't we go any faster? What if we had the best editor, the richest owner and the best tech know-how?
The number of digital-only subscribers of The Washington Post, in 1000s

- **Marty Baron becomes an editor-in-chief**
- **Jeff Bezos becomes an owner**
- **The first anniversary of the paywall**
- **The second anniversary of the paywall**
- **The third anniversary of the paywall**

Source: Washington Post 2018
The sixth anniversary

The Post is ready to go after ads

New ad platform Zeus

Self-service, programmatic

Social formats

Networked inventory

Targeting

Analytics

Source: Washington Post 2019
Why us? Why this? Why now?
Digital marketing maturity model
Where are you?

01 Performance marketers
Channel & Campaign focused
- Search
- Display
- Programmatic
- Mobile
- Social
- Re-targeting

02 Omni-channel marketers
Engagement & Journey focused
- Audience planning
- Journey mapping & Personalisation
- Cross-channel targeting
- Fractional Attribution

03 People-based marketers
Customer & Value focused
- Identity-driven audience strategy
- Segmentation & Lifetime Value modelling
- Lifecycle strategy
- Customer portfolio management

Based on Understanding People-Based Marketing, Merkle 2018
Best practices Strategic re-targeting “sleepers” or lapsed users via ad networks at the Chicago Tribune

Source: Tribune Media Company, INMA World News Media Congress 2018
Best practices Journey personalisation at Aftenposten

Omni-channel on-boarding communication plan

Touchpoints API to serve personalised messages

Source: Schibsted, INMA Media Subscriptions Summit 2019
Best practices Articles that lead readers to subscribe
De Groene Amsterdammer, The Netherlands

Article attribution scoring for journeys of two individual users

Fractional attribution score

First click or a hook article

Last click or a sales closing article

Re-engaging article after a break

Journeys to conversion of two users of a Dutch news site. Article pages in the order of viewing. Mixed attribution model using a first click, last click and time decay. Source: Deep.BI for INMA, 2019
Best practices
Automated tagging at The Toronto Star

Natural Language Processing applied

300,000 articles processed in a year

45 models used

Source: The Toronto Star, INMA World News Media Congress 2019
Best practices: Predicting registrations at Die Zeit, Germany

Frequency of visits found to be the most predictive in the model

Source: Die Zeit, Mather/INMA Symposium on Reader Revenue 2018
Best practices: Customer portfolio and channel management at the Wall Street Journal

Indirect subscriber
Customer of Apple News+

Core member
Subscription for individuals

Premium member
Subscription for firms

Enterprise customer
Custom offers for firms

Selected general news, lifestyle stories

Business news, events

Niche verticals, events

Data sold as a service

A story of a news man called Jerzy...
“They’ve got cookies but you’ve got receipts!”
People-based marketing: What do advertisers need?

- **66%** Improved customer satisfaction
- **57%** Enhanced brand awareness
- **57%** Deeper customer insights
- **52%** Improved customer retention
- **50%** Increased sales revenue
- **50%** Improved targeting of campaigns

Based on a survey of 300 U.S. marketing leaders. Study by Forrester Consulting on behalf of Equifax, October 2018
How to productise our skills?
Example: Advanced targeting at The Columbus-Dispatch, USA

- Matching subscribers, ticket buyers
- Creating lookalike segments
- 15-20% improvement in CTRs
Example: Lead ads for cars, real estate at RIA, Ukraine

Premium-priced pay-per-call ad service

Verified advertisers and advertised products

Incentive to generate quality leads, by optimising campaigns

Source: RIA.com 2019
Example Advertising self service tools at Jysk Fynske Medier, Denmark

One stop shop for planning, designing, optimising campaigns of publishers’ sites, on Google and on Facebook

Source: Nexta.io for INMA 2019
Example Ad campaign reporting at Amedia, Norway

Interactive dashboard

Data based on real people

Benchmarks with other campaigns

Source: Amedia, INMA World News Media Congress 2019
Pains of doing the splits
Is there really a split? Small percentage of readers usually brings most of revenue in ads AND subscriptions

Breakdown of online revenues of Gazeta Wyborcza by customer segments

- Online users: 10% of users generate 74% of total online revenue (ads+subs)
- Subscribers: 46% revenue
- Scanners: 28% revenue
- Other visitors: 26% revenue

Source: internal data of Agora, 2019
Driving loyal usage is the best strategy ALWAYS
Habitual usage = subscriptions + ad inventory + data

Frequency of visits, number of pages viewed, time on a page in 14 days vs. subscriber’s churn vs. propensity to buy within two days

The more days in a month a subscriber visits, the less likely she is to cancel.
Plan content portfolio by business models, marketing roles and not just by topics, formats

Content play for digital subscriptions
Converts new subscribers
Engages existing subscribers
Creates a habit of regular reading

Content play for display advertising
Increases reach of a site
Attracts segments attractive for advertisers
Provides a context to ads

Play for branded content
Responds to the advertiser’s needs
Attracts readership on a site
Attracts readership in social media

Content play for e-commerce
Creates, defines needs and desire for purchases
Helps readers in product discovery
Drives conversions
Two extreme UX Advertiser-first vs. reader-first

Home page of LeFigaro.fr

Home page of Premium.LeFigaro.fr
Balancing the product
Resolve the conflict of the next best actions by focusing on driving usage

Go away!
Go away!
Go away!
Stay with us and read!
Go away!
Go away!
**Approaches** Differentiate experiences or improve the UX for both free and paid visitors?
Balancing UX according to predicted user value

User has been given offer and typically navigates away

User uses Android phone and monetizes well on AdX

Mobile Y

2 Article Views Y

General News Section Y

High Area Income Y

Less Education Y

Highly Cookied Y

Source: The Wall Street Journal, INMA Media Subscriptions Summit 2018
Ad formats innovation Could sponsored & branded content keep users engaged longer on our site?
Ad formats innovation: Could more interactive formats keep users engaged longer on our site?
Ad formats innovation Could new storytelling and advertising formats keep users on our site?

Source: ASOS story of Instagram, 2019
### Balancing marketing function

Is there anybody responsible for marketing here?

<table>
<thead>
<tr>
<th>Advertising revenue</th>
<th>Funnel stage</th>
<th>Consumer revenue</th>
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<tbody>
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<td><strong>Newsroom, B2C Sales</strong></td>
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Source: re-organisation project at an European publisher 2019
Balancing marketing function

Resolve conflict by assigning KPIs, resources along the funnel

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Source: re-organisation project at an European publisher 2019
Two streams
How the departments collaborate

B2B/B2C Sales
Goal: Find, attract 10,000 football fans

Marketing
- Data analytics
- Newsroom
- FB
- SEO

B2B/B2C Sales

B2B/B2C Sales
Goal: Engage football fans to increase CTRs on ads/promos by 30%

Product
- Tech
- UX
- Data analytics
- Newsroom

B2B/B2C Sales

Source: re-organisation project at an European publisher 2019
Cascades of Objectives and Key Results co-set by teams

Company’s objectives
- E.g., fund independent journalism to save democracy

Business divisions’ objectives
- B2B: e.g., increase revenue, performance of ad campaigns
- B2C: e.g., increase number, average LTV of digital subscribers

Departments’ objectives
- Marketing: e.g., increase number of female users
- Newsroom: e.g., increase engagement of women
- Product: e.g., increase e-mail newsletter base

Source: re-organisation project at an European publisher 2019
What’s your objective for 2020?
The next big thing in reader revenue is innovation in advertising.

Businesses want to market to real people and not just to proxies. Cookies don't buy cars.

Talent, skills, tech, data we’ve acquired to grow reader revenue can be our new competitive advantage.

Questions?

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- Co-Author with Thales Teixeira, “Unlocking the Customer Value Chain”, Penguin/Randdom House, February 2019