



Digital Content Subscription Strategies Pay Off for Publishers

Research background & methodology

Despite the wide availability of free content sources online, a strong market exists for paid subscription based content. A wide range of digital content companies effectively leverage paid models as part of their overall revenue strategy. Among the newspaper and magazine members of the Online Publishers Association (OPA), a trade organization representing the leading digital media brands, 95% have a paid subscription strategy. The OPA interviewed executives at member companies to examine the best practices for implementing and growing a digital subscription business.

Participants

Condé Nast: Monica Ray, EVP, Consumer Marketing

Consumer Reports: Christian Nimsky, VP, Digital Interactive Products & Services

The Financial Times: Rob Grimshaw, Managing Director, FT.com

The Financial Times: Jocelyn Cripps, EVP, Global Marketing

Gannett Co, Inc.: Saira Stahl, VP, Corporate Strategy

Harvard Business Review: Joshua Macht, EVP & Group Publisher, Harvard Business Review Group

Meredith Corporation: Andy Wilson, SVP, Digital Marketing and Audience Development

The New York Times: Denise Warren, EVP, Digital Products & Services

Time Inc.: Kim Miller, VP, Digital & Traditional Consumer Marketing, PEOPLE brand

Time Inc.: George Linardos, SVP, Digital Marketing & Business Development

The Wall Street Journal: Michael Rolnick, Head of Digital / Chief Digital Officer

The Wall Street Journal: Romy Newman, Head of Digital Advertising and Integration

Key points

1. **Revenue:** Digital Subscription Positively Impacts Publishers' Bottom Line
2. **Subscription Demographics:** Ushering in a New Generation of Subscribers
3. **Marketing:** Changing the Marketing Organization to Deal with Digital Subscriptions
4. **Customer Retention:** Addressing Engagement and Churn with Data Science
5. **Editorial:** Balancing Data-Driven Approach to Content Creation and Recommendation
6. **Advertising:** Leveraging Subscriber Data for Ad Sales
7. **Audience Development:** Driving Consumer Awareness of Digital Content
8. **Mobile Platforms:** Brand and Product Diversification

Revenue: Digital Subscription Positively Impacts Publishers' Bottom Line

The majority of publishers interviewed indicate that diversifying their revenue by introducing a paid digital subscription has a positive effect on their overall business.

Introducing paid access models was not without risks. Publishers had concerns about the impact on other parts of their business, in particular on their digital advertising sales and print subscriptions. While a number of publishers admit that limiting the freely accessible content restricts ad sales, the overall effect on business is overwhelmingly positive.

Cannibalization of the existing print subscriber base no longer appears to be a concern. For most publishers, a digital subscription proved a great companion product to print subscriptions by increasing the number of touch points with the consumer across different platforms. Moreover, standalone digital products often attract a new set of subscribers.

Perhaps more importantly, the rise of digital subscription business precipitated a fundamental shift in organizational thinking, structure and expertise. The majority of publishers surveyed say digital products no longer operate as separate business units - the insights these products generate and the business needs they create are not addressed in isolation, but are often solved through leveraging the overall organizational resources.

"One lesson learned is that the digital subscription business should not be treated in isolation. By integrating decisions around this part of the business with others, we enhance our overall performance. Our decision to bundle the digital offering into print, for instance, prevented digital from cannibalizing print."

- Denise Warren, EVP, Digital Products & Services, The New York Times

"Subscription revenue makes the foundation of the business much more solid. It gives you real confidence in investing: we can be bolder about investing in all sides of the business – subscription, advertising, editorial."

- Rob Grimshaw, Managing Director, FT.com

"Digital doesn't necessarily stand in its own vertical silo – there are really great marketing teams that drive the brands, they just need to take new digital products, new digital channels and integrate that into current marketing."

- George Linardos, SVP, Digital Marketing & Business Development, Time Inc.

"We are shifting content production practices. Our editorial function used to be focused on print, but we are transitioning to a multi-channel content creation, where both print and digital channels participate during all stages of formulating a story."

- Christian Nimsky, VP, Digital Interactive Products & Services, Consumer Reports

Subscription Demographics: Ushering In a New Generation of Subscribers

On average publishers' digital subscribers are younger than their print subscribers, say the majority of those interviewed. Moreover, for most publishers, digital subscribers are often entirely new customers with whom they had not previously had a print relationship.

Most publishers do not feel that a digital subscription appeals to a fundamentally different audience – rather, as new generations of consumers join the life or career stage which is the target demographic of a publication, publishers are successful in recruiting them as new subscribers. Because they are increasingly used to consuming digital products, digital subscriptions are a natural fit.

“Digital only subscribers tend to be younger, more tech savvy; they also use multiple platforms.”

- Saira Stahl, VP, Corporate Strategy, Gannett Co, Inc.

“Readership is an acquired habit. Millennials will be no different from the previous generation in acquiring this habit. As millennials reach the life stage where one becomes a New York Times subscriber, they will subscribe.”

- Denise Warren, EVP, Digital Products & Services, The New York Times

“Our print and digital subscribers are the same group of senior decision-makers; digital consumers are a little bit younger, more likely to be digital natives, but generally we have similar demographics across all platforms.”

- Jocelyn Cripps, EVP, Global Marketing, The Financial Times

“Our user is defined not by demographics, but by a profile – it is someone who needs to know all of the news and information that the WSJ offers.”

- Michael Rolnick, Head of Digital / Chief Digital Officer, The Wall Street Journal

Marketing: Changing the Marketing Organization to Deal with Digital Subscriptions

Virtually all publishers invest in developing new organizational capabilities to market digital subscriptions. Expertise in direct marketing, the main tool of print publishers, is not enough in the digital environment.

Publishers discussed three main areas where they are developing new marketing expertise, depending on the specifics of their business: digital marketing, in particular social media, platform partnerships and the application of data science. Publishers approach developing digital marketing capabilities through a mix of staff retraining and restructuring, and bringing in expertise from the outside. Building up data-driven marketing has generally been a part of an overall investment in data science.

“We started out — like many magazine publishers — with a strong focus on database marketing. We collected and maintained a list of profiles with some intelligence on our subscribers but the focus was on getting the “renewal.” As we’ve transitioned to digital, we’ve had to develop internal capabilities for digital marketing, including social media and paid content marketing while also understanding more about our consumers and what motivates them.”

- Christian Nimsky, VP, Digital Interactive Products & Services, Consumer Reports

“We hired outside the publishing industry for consumer marketing, editorial and sales roles. We have been particularly keen to hire digitally savvy editors and marketers with experience in mobile, social, and e-commerce.”

- Kim Miller, VP, Digital & Traditional Consumer Marketing, PEOPLE brand, Time Inc.

"We now have a fantastic partnership team that deals with OEMs and OS platform partners. We have created relationships with Apple, Amazon, Google, B&N, others. This is a new discipline: just as there is an organization that manages print magazine relationships, we now have an organization for managing digital edition relationships."

- George Linardos, SVP, Digital Marketing & Business Development, Time Inc.

"Digital subscription requires very different circulation sales and marketing skills. To address that we have invested in ongoing employee training and put data at the heart of our organization"

- Jocelyn Cripps, EVP, Global Marketing, The Financial Times

"We have hired a group of people in both marketing and development, often cherry-picking talent from other industries, particularly for marketing roles."

- Andy Wilson, SVP, Digital Marketing and Audience Development, Meredith Corporation

Customer Retention: Addressing Engagement and Churn with Data Science

The wealth of insights on digital consumer behavior offers publishers opportunities to develop new retention techniques and to address customer churn. Clearly, the more engaged a consumer is, the less likely he/she is to churn, therefore engagement and other consumer data can help publishers pursue two closely related goals: serving customers better and retaining them longer. In addition to monitoring traffic to help surface popular content and site sections, publishers are employing a variety of algorithms to identify the propensity of readers visiting a publication's free sections to subscribe, predict outcomes of trial subscriptions, evaluate the churn risk among subscribers and establish the lifetime value of consumers.

Virtually all publishers mentioned using consumer behavior data insights in some capacity, with half saying they are investing heavily in 'big data'. Data science is a new discipline to publishing and they are keen to bring in staff with expertise from industries that have more experience in the data science field, particularly online gaming and e-commerce.

These two industries are at the forefront of two big data application fields – monetization and recommendation engines – that publishers are pursuing in the context of digital subscription business. Monetization models – algorithms that evaluate the subscriber acquisition funnel scenarios and further up-sell opportunities for existing customers – are a boon to a publisher's marketing tool-set. Recommendation engines are becoming instrumental in improving the digital consumer experience: publishers find them useful in their efforts to keep readers on their sites longer as they explore and find more content related to their original task or which they simply find interesting.

Data also enables publishers to offer personalization, serving their consumers similar or related content when it is most relevant to them. Data is also useful to understand consumer behaviors – and how they differ across platforms which allows publishers to tailor the user experience on each device.

"Retention and churn are huge issues for a digital subscription business. This has been a world of revelation – it's not something the publishing industry had to deal with before. There are thresholds in usage (engagement) that show when people are likely to cancel subscription; this is what drives our product management – measure of success is how much new features drive the engagement on the site."

- Rob Grimshaw, Managing Director, FT.com

“Engagement is very important to success – we need to convince people to spend more time with the New York Times and thus value their subscription more. Our recommendation engine is one such effort.”

- Denise Warren, EVP, Digital Products & Services, The New York Times

“We take inspiration from companies like Amazon, which spend a lot of time acquiring a customer and then spend an equal amount of time programmatically [i.e. applying data science] keeping the consumer engaged.”

- Michael Rolnick, Head of Digital / Chief Digital Officer, The Wall Street Journal

Editorial: Balancing Data-Driven Approach to Content Creation & Recommendation

Consumer data can also be applied to editorial development. It provides valuable insights on the user experience for content delivery formats and interactive features, and in particular how different features are used on different platforms: for example, some publishers find that picture galleries get a lot of mileage from tablet users. Insights from detailed daypart data is also being used to inform the digital publishing cycle.

Some publishers pointed out that there is a certain risk in the use of data particularly when content consumption data is used to dictate future content development. “Super serving” consumers the specific content they like can create a vicious circle where visitors always see content similar to what they originally came for and potentially miss out on content they did not know they would have liked. This applies to both personalization and content creation efforts.

Publishers stress that the key ingredient of a great subscriber experience is great content: unique coverage, trusted opinion and editorial judgment. Data insights are only complementary to the existing publisher expertise in these fields and can further be leveraged to underscore the necessity of continued investment in content creation capabilities.

“The danger of using data in content creation is becoming an echo chamber. At the Financial Times, we have heritage and editorial responsibility to inform the world about the things they did not know about. It is thus important to use the data in a controlled and measured way – it is something that helps with editorial decisions, but does not drive them.”

- Rob Grimshaw, Managing Director, FT.com

“Our content creation process is editorially driven, however we use data to give content creators recommendations on usability of new digital features – e.g. if we notice that consumers do not use a new interactive feature, perhaps we do not prompt them to click the button to activate that feature and they simply do not notice it – we can learn such things from data and evolve our product over time.”

- Monica Ray, EVP, Consumer Marketing, Condé Nast

Advertising: Leveraging Subscriber Data for Ad Sales

The majority of surveyed publishers selling stand-alone advertising in a subscription environment agree that subscription data has given them an edge in advertising sales and contributed to a lift in CPMs.

Consumer behavior and demographic data creates valuable targeting opportunities that publishers can extend to advertisers. Advanced data science capabilities — automated data analysis instruments and staff who can develop, interpret and apply them — are leveraged even further to create custom tools for advertisers. However, publishers can also leverage demographic or behavioral data by itself for advertising sales without investing in data science capabilities.

“When consumers login on the website we know who they are...we can marry the behavior to demographic and subscription data. This allows us to not only target the consumer as we pitch our internal products and content, but also allows advertisers to target better.”

- Kim Miller, VP, Digital & Traditional Consumer Marketing, PEOPLE brand, Time Inc.

“We are making investment in data analytics – this not only drives our consumer-focused efforts, but is something we can also sell to advertisers. Our interactive tools allow us to know the consumer better – I think this is going to be hugely valuable to advertisers, this is where we will get a premium. Our total ad sales have grown 30% in the last few years even as print declined; we have not had an issue with trading print dollars for digital dimes.”

- Joshua Macht, EVP & Group Publisher, Harvard Business Review Group

“We have grown advertising business every single year since we’ve introduced subscription. Because of the deep relationship we have with the audience and the data we have on our subscribers we can guarantee that advertisers reach very specific scarce audiences. We consistently achieve a premium above market CPM.”

- Rob Grimshaw, Managing Director, FT.com

“We have more data on our consumer demographics that we can share with advertisers. We can show that this is a more valuable audience – more affluent, more digitally oriented. Moreover, we can also offer advertisers more information about what content consumers are interested in.”

- Saira Stahl, VP, Corporate Strategy, Gannett Co, Inc.

Audience Development: Driving Consumer Awareness of Digital Content

The majority of publishers mentioned that one of the areas they are still actively working on are digital levers or cues that drive awareness of a publication with a new subscriber, or highlight new features, products or content with existing customers. One of the advantages of a print publication is the physical accessibility of the product: a newsstand in a grocery store, airport or on a street corner is a great showcase. That dynamic is yet to be fully replicated by digital publications, despite options such as a landing page placement in the Apple® newsstand and other digital storefronts. So the digital subscriber acquisition funnel is one area for improvement. On the engagement front, publishers are actively experimenting with alerts, push notifications and email blasts, as well as promoting their content through social media.

“The post office is a fantastic tool for marketing print: the consumer opens their mailbox, sees the magazine and is prompted to read it. We need to develop similar triggers for digital.”

- Monica Ray, EVP, Consumer Marketing, Condé Nast

"For weekly magazines, customers got conditioned to see a new edition every Thursday on the corner store stand. On digital there is not so much conditioning yet – we can do push notifications, but the publishing industry has not yet figured out how effective that is yet."

- George Linardos, SVP, Digital Marketing & Business Development, Time Inc.

"Print newspaper gives you a visibility of the product; once it is not there you need to work hard to educate your future readers. We work closely with educational institutions - it is very important that the audience of tomorrow have access to our content."

- Jocelyn Cripps, EVP, Global Marketing, The Financial Times

Mobile Platforms: Brand & Product Diversification

Most publishers agree that mobile products are an essential requirement for a digital subscription business. While most started off with porting the desktop product to mobile platforms, it is clear that consumers use mobile products in fundamentally different ways. Tablets are relatively easy to address in that the lean-back consumption patterns mirror that of the way in which people consume print publications. Thus, transferring print content to tablet environment offers a relatively straightforward solution, particularly in the case of the digital magazine editions.

By contrast, the smartphone use case is entirely different and publishers are looking to harness its full potential. News publishers have a natural advantage in this – quick news fix is one of the most common smartphone use cases – and they are working hard to figure out the content creation and publishing cycle for this platform and how it fits into their overall editorial processes. Lifestyle publications are experimenting with brand diversification, particularly in the utility smartphone app space, creating new gateway products to their higher value digital subscriptions.

"We have asked ourselves how the People brand and our subscription model feed into users' smartphone behavior. To answer that we have built two new 'entry level' products CelebWatch, a core breaking news app, and CelebFood, a utility and entertainment app in one."

- Kim Miller, VP, Digital & Traditional Consumer Marketing, PEOPLE brand, Time Inc.

"The formats for tablet and mobile will have to change again. A few years ago publishers were looking at how digital complements print; now we are beginning to look at how different digital platforms complement each other."

- Joshua Macht, EVP & Group Publisher, Harvard Business Review Group

"People read different things on different platforms – for example, long form pieces, such as commentary and analysis, on tablets, very short sound bites on the mobile [smartphone]. At the moment FT output is uniform across all channels, but we are looking into ways to address the different platform specifics."

- Rob Grimshaw, Managing Director, FT.com

"Right now our mobile efforts are very simple – there is a replica of the magazine on the various tablets. We are working on expanding our mobile offer – there are several paths we can take: monetize mobile directly, use it as a retention tool, and use it as a marketing vehicle."

- Christian Nimsky, VP, Digital Interactive Products & Services, Consumer Reports

"I can see us offering paid apps in the future; we could target areas where we already see consumer interest, e.g. sports in strong local sports markets."

- Saira Stahl, VP, Corporate Strategy, Gannett Co, Inc.

For more information, visit www.online-publishers.org.

Contact

OPA: Lisa Abourezk
SVP, Marketing, Online Publishers Association
646.473.1000 Ext. 109
LAbourezk@online-publishers.org

PR: Elizabeth Luke
Account Executive, High10 Media
212.918.2026
Elizabeth@high10media.com

About the OPA

Founded in June 2001, the Online Publishers Association (OPA) is a not-for-profit trade organization dedicated to championing the content people love by helping to fuel the growth and vitality of high quality news, information and entertainment brands in the digital age. The OPA elevates the importance of original content by delivering thought leadership, providing a platform for member interaction and advocating for members among advertisers, policymakers, and the press. The Association also produces proprietary research on advertising and media consumption online for its members and the public, creates public and private forums to explore and advance key issues that impact content brands, and works to educate the public at large on the importance of quality content brands. Members of OPA represent the highest standards in online content creation with respect to editorial quality and integrity, credibility and accountability. OPA's membership has an unduplicated audience of 220 million unique visitors or 100% reach of the U.S. online population (comScore Media Metrix, January 2013).

For more information, visit www.online-publishers.org.

The interviews took place between August and October 2013.