Digital Subscription Reader Revenue

Benchmarks & Best Practices from 500+ Publications Worldwide

Why Digital Subscriptions?

Ad revenue is down across the news industry

Newspaper Advertising Revenue Adjusted for Inflation, 1950 to 2012

Millions of 2012 Dollars

- Including Online
- Print Only

Source: Newspaper Association of America

Carpe Diem Blog

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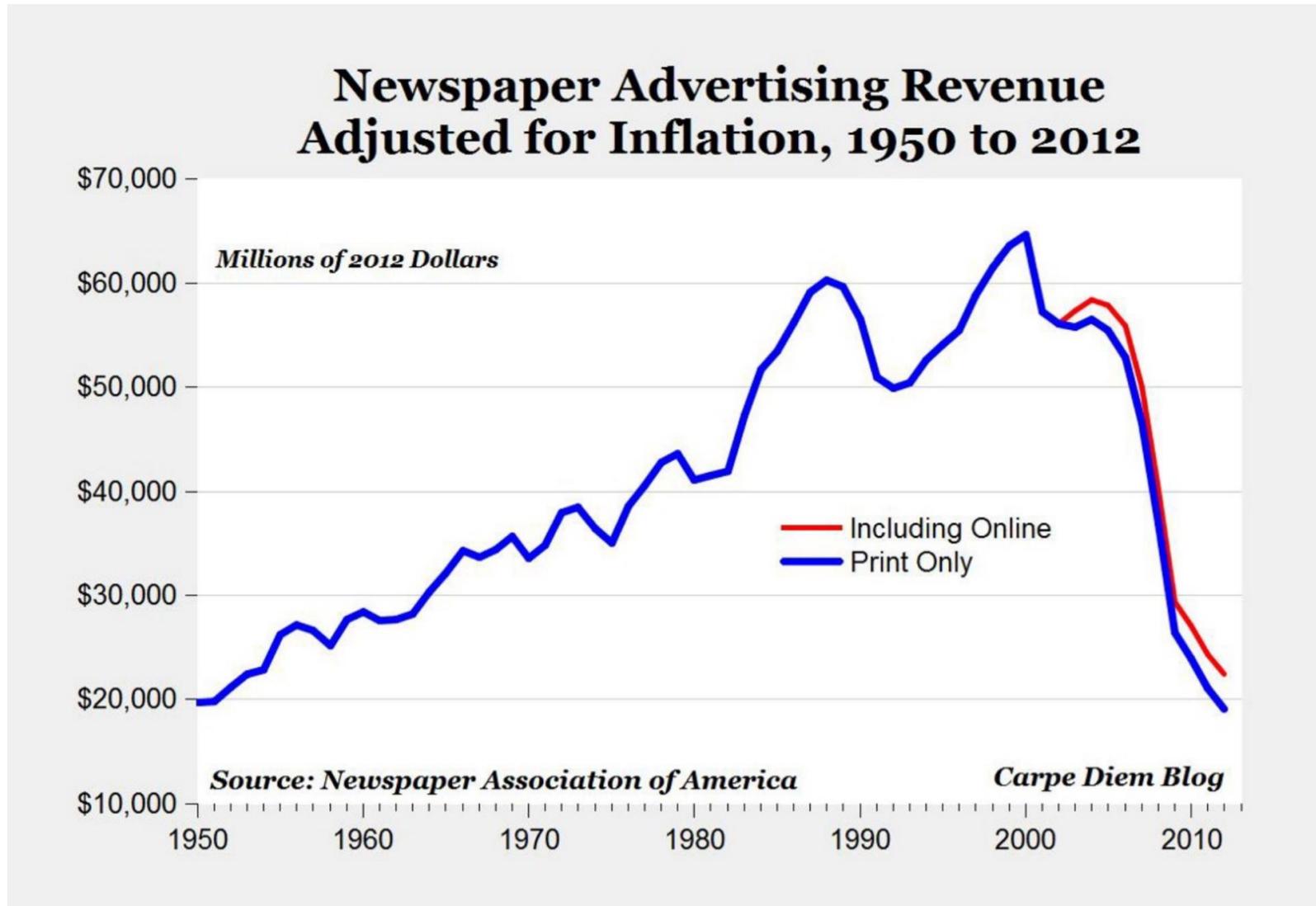
In order to be sustainable, news organizations must find new, recurring digital revenue

Google Rakes In More Ad Dollars Than U.S. Print Media
Advertising revenue in billion U.S. dollars

- U.S. Newspapers*
- U.S. Magazines
- Google (worldwide)
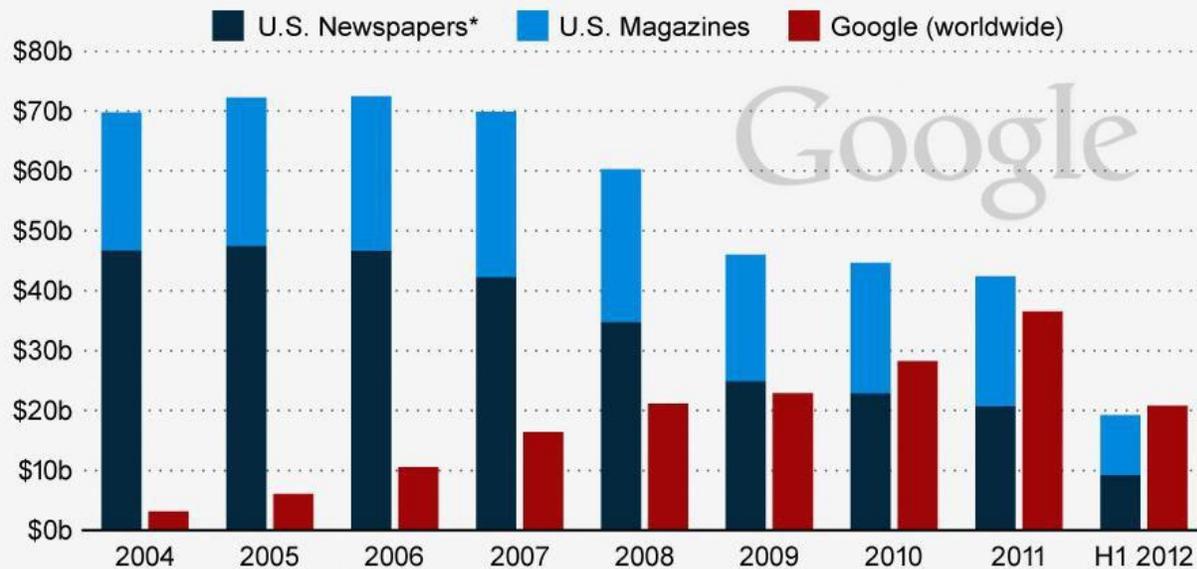
Newspaper vs. Google ad sales

$44.3
Newspaper print ad sales
$46.0
Google digital ad sales
$19.5
Newspaper digital ads
$1.5
$0.1
$3.4

In US$billions
Sources: Newspaper Association of America and Google
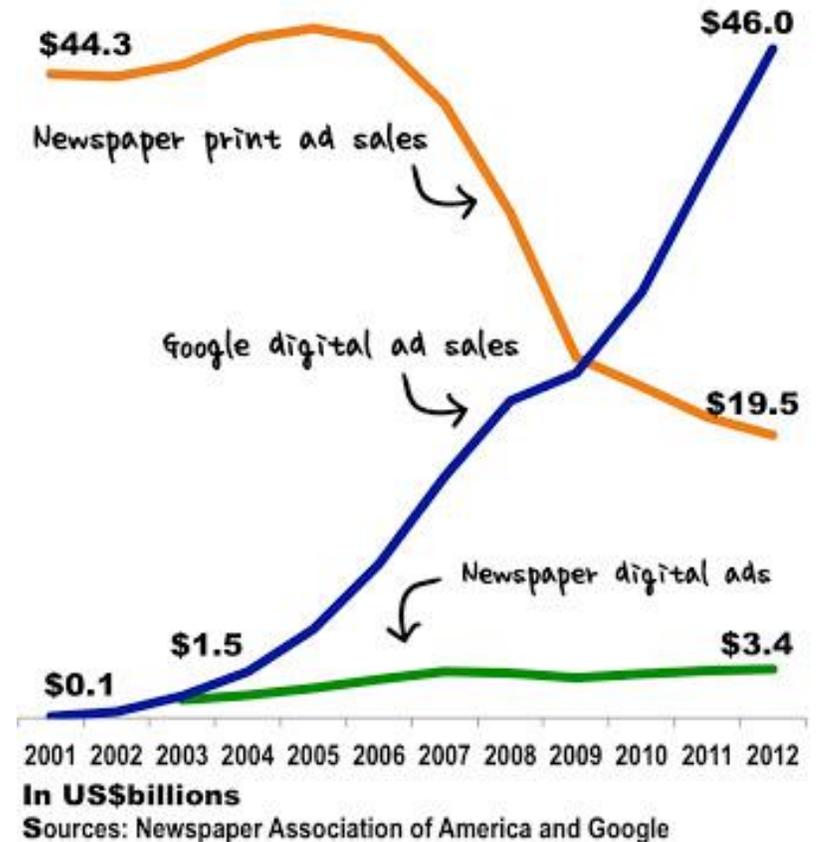
News organizations are being forced to adapt—but there are a lot of challenges to overcome

- Power and profitability in digital advertising largely resides with advertising technology companies and major platforms (Google, Facebook, etc.)

- Publishers only get a small cut—and have no negotiating power against tech giants.

- Consumers have more choice than ever about where, how, and from whom they get their news.

- Recognition of individual news brands is way down; many users trust news shared by their friends, as opposed to specific publications

- Lacking better options, many publishers chase page views and increasingly low-margin digital advertising revenue, creating a **constant negative cycle**.

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An advertising-only digital strategy can have negative consequences for quality journalism

30,000+ social media shares in past month; one of the most viewed stories in Philly area

VS
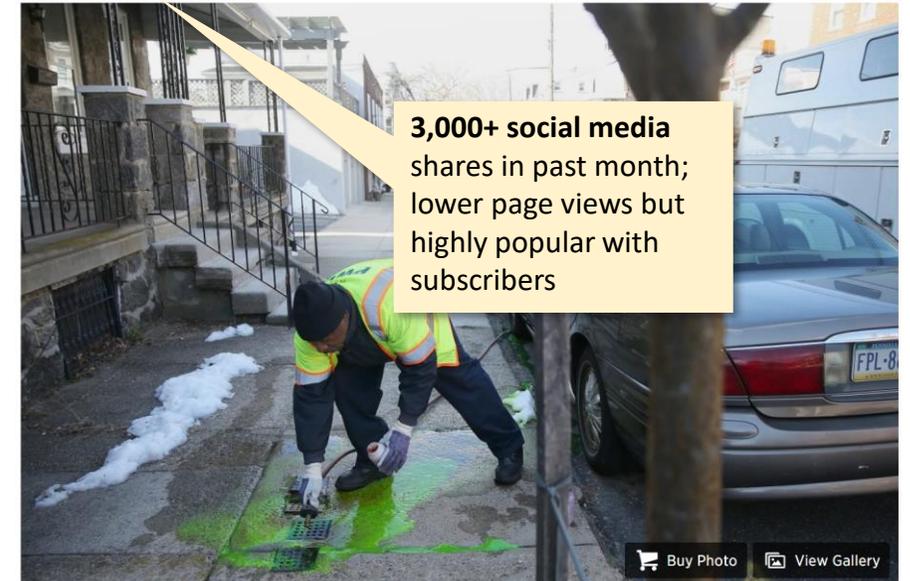
3,000+ social media shares in past month; lower page views but highly popular with subscribers

Digital subscriptions make serving quality journalism to readers your number one *business* priority.

The metered model: Not a paywall

Paywall Model

- Content is blocked for all users, even casual ones who are highly unlikely to subscribe for access.

- Casual users never visit the site; nearly all engaged readers leave.

- Search and social rankings plummet

- Traffic drops 80-90% and digital advertising revenue disappears.

- Lack of sampling removes opportunity to entice new readers to the brand.

- Editors agonize daily over which content to put "behind" the paywall.

Metered Model

- Casual readers can read X articles for free each month; engaged readers subscribe to read more than that.

- Page views drop slightly and then recover; unique visitors remain steady in most cases. Ad revenue is generally unaffected.

- Publishers make data-driven decisions about the meter limit over time, optimizing traffic and revenue.

- The newsroom becomes a revenue generator, not a cost center.

- Journalists focus on what they always have: **Creating content that readers value.**

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The metered model is now an industry norm

- Just five years ago, nearly all digital news was free.

- Publishers believed users would not pay for content and feared losing ad revenue.

- Today, most U.S. newspapers (78%) charge for digital access.

- Most of those (80%) use the "metered" model which preserves ad revenue & audience. while just 4% use "hard" paywalls.1

- We now know that using the "metered" approach and leveraging data and A/B testing, publishers can "dip their toe in the water" and experiment with digital subscriptions with little risk.

"Why not insist that people pay online?' The reason is, the internet is based on a broadcast model of ad support and it's hard to buck that system... **To disengage is to risk marginalization**."

—McClatchy CEO in 2011

"[T]he new digital subscription initiative we rolled out… is exceeding expectations. The Plus Program is on pace to generate **approximately $25 million in new revenues this year**."

—McClatchy CEO in 2015

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The metered model can convert the most engaged 5-10% of your digital audience into subscribers

- The meter is not a silver bullet. But it can be transformative for a journalism organization.

- Publishers doing this successfully have converted their most engaged users into paying digital subscribers—without losing advertising revenue, audience, or impact.

Subs / Web User	Subs / Regular Reader
12.00%	14.10%
11.85%	13.13%
6.98%	5.38%
6.87%	5.11%
6.04%	4.64%
5.95%	4.37%
5.43%	3.48%
5.33%	2.56%
2.43%	2.39%
2.22%	1.86%
1.41%	1.62%
0.43%	0.62%

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But data from hundreds of publishers who have launched paid models is clear: Results may vary.

- The most successful publishers **outperform those in the 90th percentile on key metrics by 3X**.

- Top publishers **outperform those in the 50th percentile by 10X**.

- In other words, the difference between median performance and best-in-class performance is **ten times as much revenue**.

- Publishers who are succeeding in this area are:

  - **Releasing quality digital content that serves their readers every single day.**

  - **Using data, testing and benchmarks to determine what best serves their readers—and producing more of that.**

  - **Constantly marketing, promoting, and using digital tools to drive engagement and capture new digital subscribers.**

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Our Data Set

The benchmarks in this presentation come from over 500 publishers across a range of different kinds of publications over the course of several years.

Categories

Examples

National & Major Metro Newspapers

NATIONAL POST

CHICAGO SUN-TIMES

THE BALTIMORE SUN

THE INDEPENDENT

San Jose Mercury News

THE SACRAMENTO BEE

Local & Regional Newspapers

WINSTON-SALEM JOURNAL

Billings Gazette
billingsgazette.com

Post-Tribune

Lancaster ONLINE.com

fayobserver.com

NapervilleSun
A CHICAGO SUN-TIMES Publication

Magazines, Digital-Only Brands, Etc.

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Digital Subscription Best Practices

Optimizing the Audience Funnel

Entire Market

Digital Audience

Regular Readers

Stopped Users

Subscribers

Engaged Subscribers

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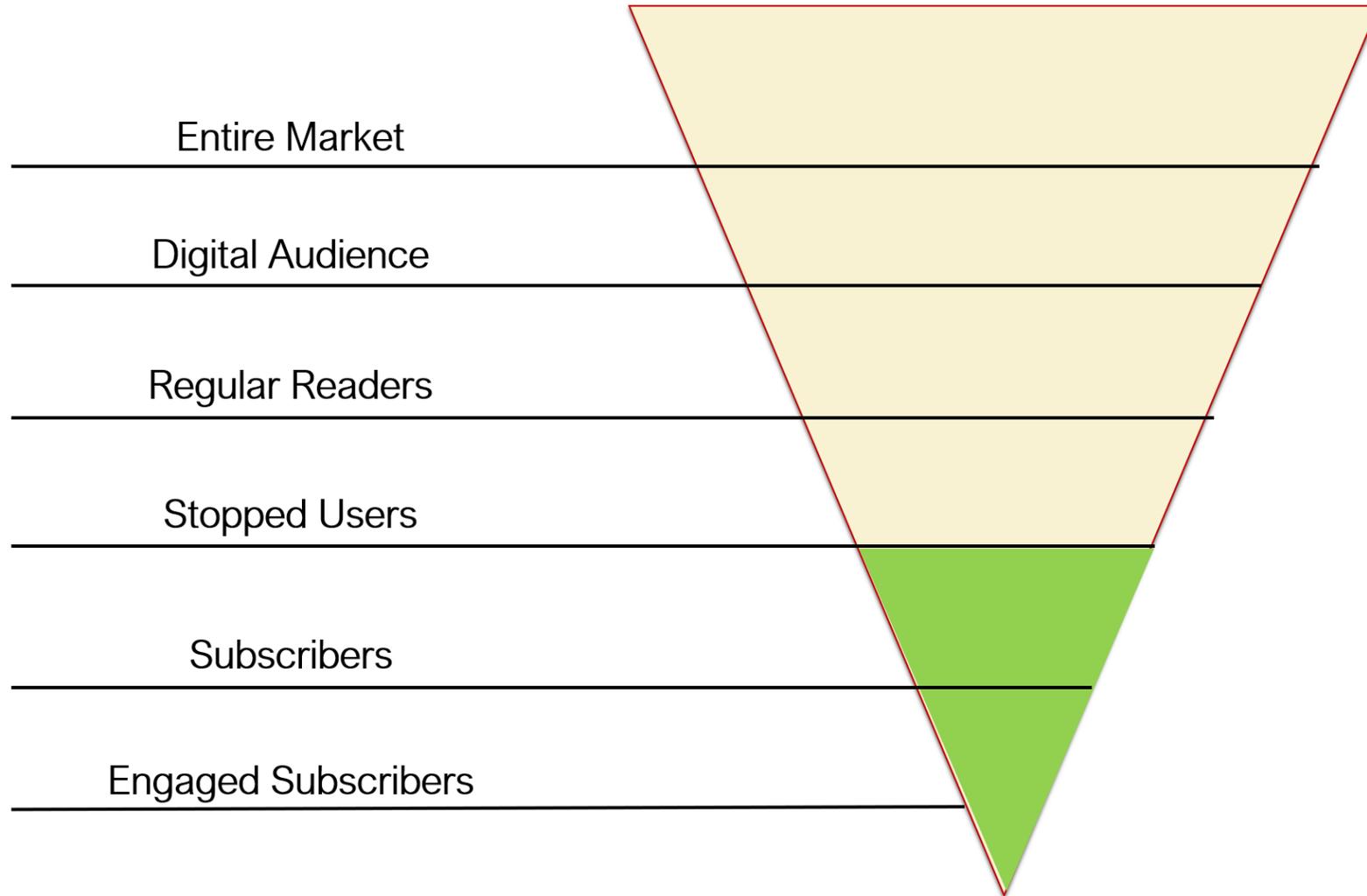
Understanding Market Penetration

- The first way to begin to understand overall audience metrics is to look at your total market opportunity through the lens of market penetration.

Newspaper Website	DMA	DMA Population (000s) (Digital Desktop Audience)	% Reach (Market Penetration)	UVs	PVs (000s)
Star Tribune Network	Minneapolis	2,776	31%	859,529	25,829
Boston Globe Media Sites	Boston	4,113	23%	942,450	18,905
Chicago Tribune	Chicago	5,812	22%	1,254,027	24,476
POST-GAZETTE.COM	Pittsburgh	1,952	20%	397,127	5,970
BALTIMORESUN.COM	Baltimore	1,848	20%	371,119	5,252
DENVERPOST.COM	Denver	2,573	19%	493,593	4,622
AZCENTRAL.COM	Phoenix	3,009	19%	566,535	11,038
SEATTLETIMES.COM	Seattle	3,106	17%	521,574	8,608
AJC.COM	Atlanta	3,861	16%	613,660	5,784
Philly.com Sites	Philadelphia	4,988	15%	752,792	13,293
Dallas Morning News	Dallas	3,968	14%	555,612	6,424
CHRON.COM	Houston	3,373	14%	465,861	6,393
FREEP.COM	Detroit	3,065	14%	416,620	18,082
CHARLOTTEOBSERVER.COM	Charlotte	1,921	12%	237,118	2,231
Miami Herald Sites	Miami	2,667	11%	300,076	3,622
TAMPABAY.COM	Tampa	3,012	10%	315,404	3,195
Tampa Media Group	Tampa	3,012	6%	190,801	2,361
TBO.COM (Tampa Bay Online)	Tampa	3,012	6%	185,287	2,229
BOSTONHERALD.COM	Boston	4,113	6%	227,525	8,812
Sun-Times Media / CRWN (Chicago Region-Wide Network)	Chicago	5,812	6%	321,376	3,387
Miami Herald Sites	Tampa	3,012	3%	86,327	129
TUCSON.COM	Phoenix	3,009	1%	43,245	71

Optimizing the Audience Funnel

Entire Market

Digital Audience

Regular Readers

Stopped Users

Subscribers

Engaged Subscribers

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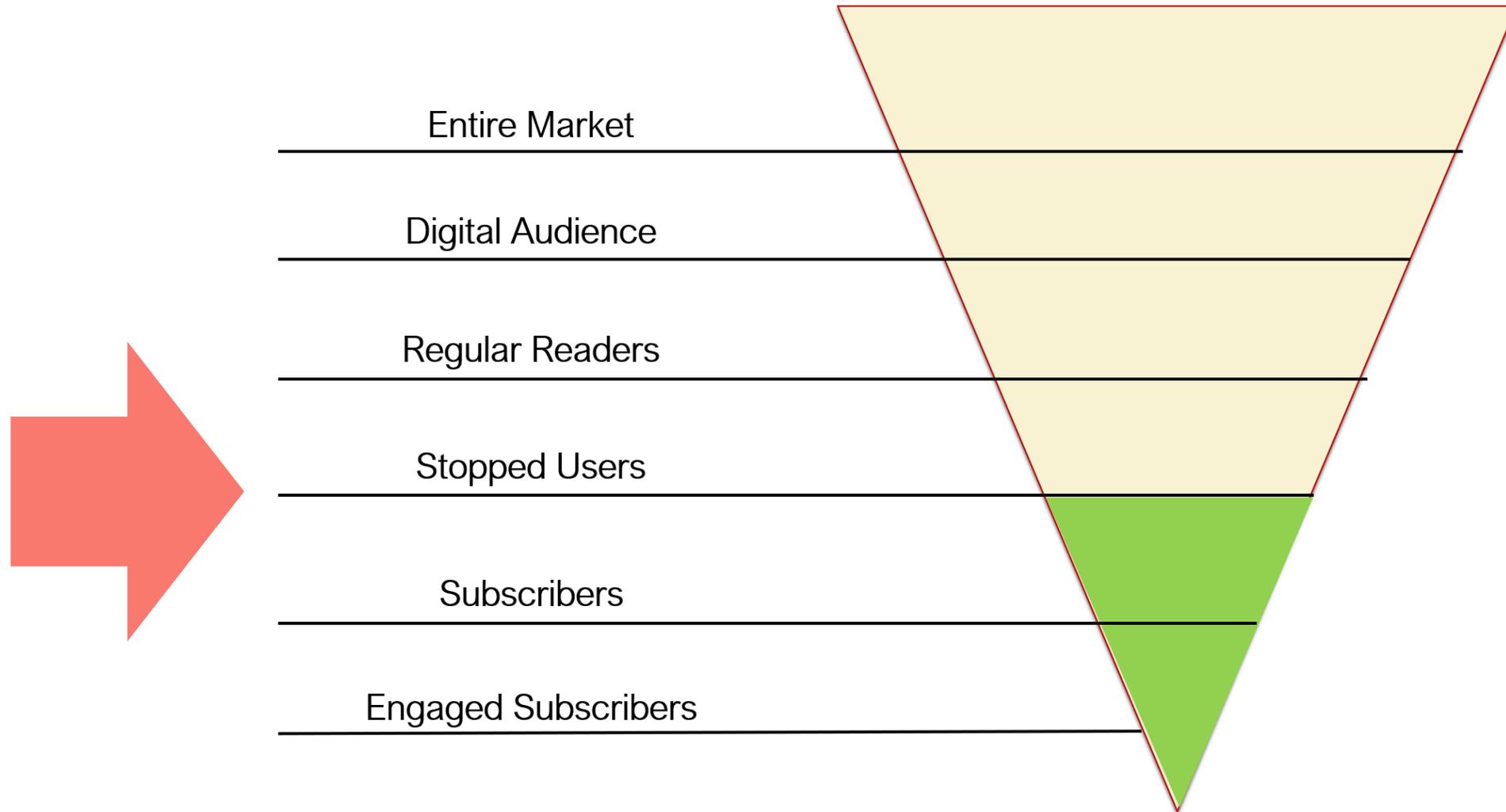
Understanding Reader Engagement

Reader Engagement

	One-Time Readers	Occasional Readers	Regular Readers
Typical Publisher	80%	17%	3%
Typical Metered Publisher	69%	25%	6%
Market Leader	43%	27%	30%

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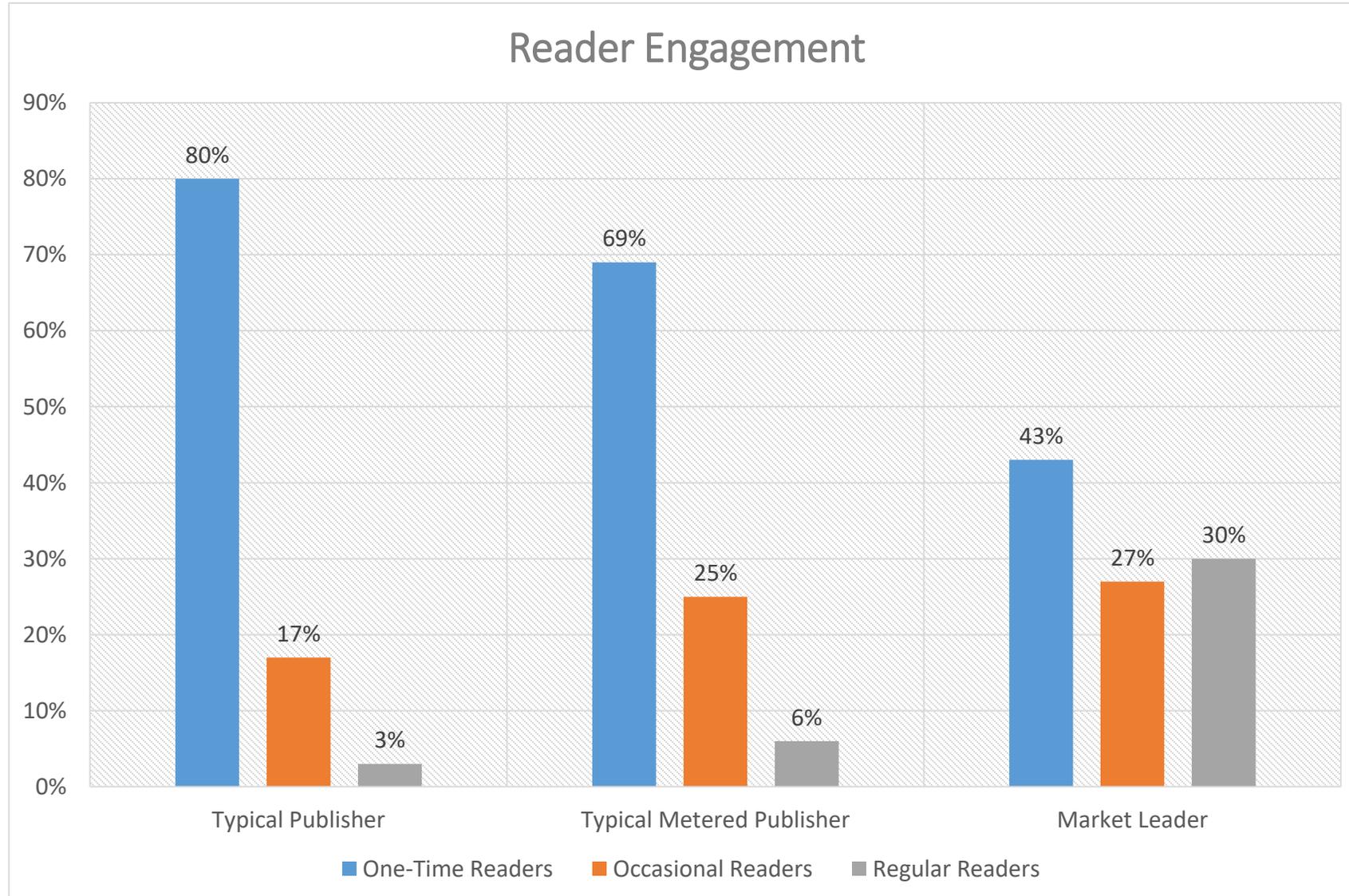
Most successful metered publishers stop 5-10% of their digital audience with a payment gateway

- Stop Rate is a very strong predictor of overall subscription sales

- The most common cause of a plateau is not stopping enough users.

- This can and should be segmented by platform / channel, but this industry-wide data set is based on desktop data primarily.

$$Stop\ Rate = \frac{Unique\ Visitors\ Hitting\ the\ Stop\ Threshold}{Unique\ Visitors}$$

Industry-Wide Benchmarks:

Successful pubs are here...

Not here!

Percentile	Stop Rate
95%	8.4%
90%	6.0%
80%	4.2%
70%	3.0%
60%	2.5%
50%	1.8%
40%	1.0%
30%	0.6%
20%	0.4%
10%	0.2%
5%	0.0%

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Slide 19

There are two ways to increase a low stop rate: increase engagement, or tighten the meter

Meter Rules

Stop Rate

Engagement

1 If your **stop rate** is below the norm, the first step is to determine whether it is an issue of your **meter rules** an issue of poor **engagement**.

2 If your **meter rules** are within the norm, but your stop rate is low, **engagement** is likely the issue

3 If you have 5-10% of Unique Visitors viewing 5-10 stories per month, and you are not catching them, your meter limit is likely too high.

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Meter Limits – Industry Norms

Meter Limit Distribution

Over 16	2%
11 to 15	15%
6 to 10	25%
5 or less	57%

% of Publishers
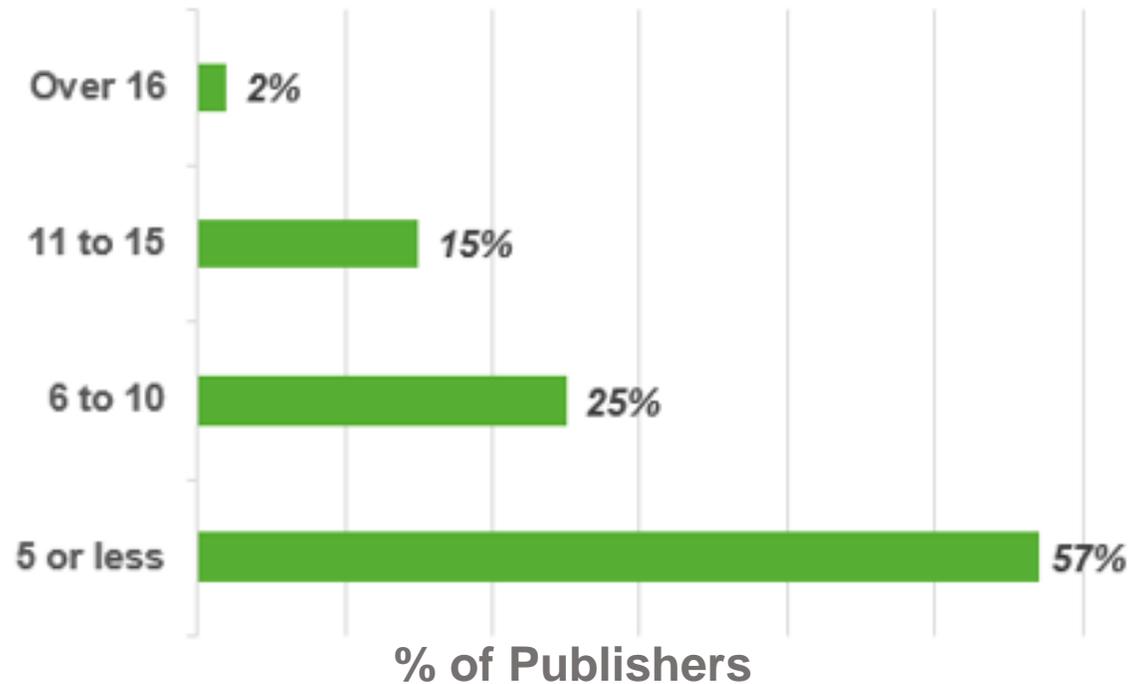
Average "Stop" Meter Setting

13	January 2012
11	
10	
8	
5	Current

Avg. "Stop" Meter
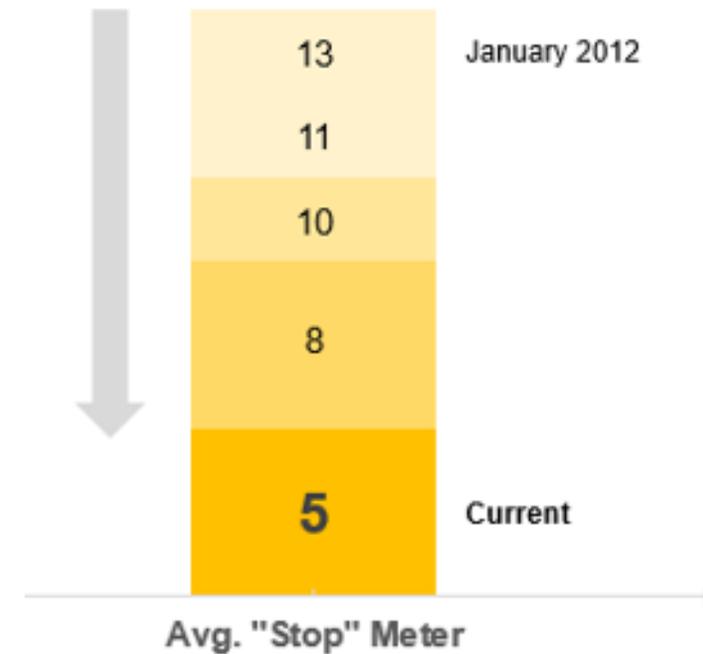
Scope of Metered Content – Best Practice

Metered Content	Free Content
• All article pages from print	• Home page
• All digital-only content	• Section fronts / index pages
• Mobile web article pages	• Sponsored content
• Blog posts	• Classifieds, births, celebrations, engagements, obituaries.
• Clicks from social media or search	• Puzzles, events calendar, events, lottery, weather

Meter Targeting Rules – Best Practices

Common forms of targeted metering rules:

- **Geographic Targeting:** Differing meter rules or messages based on a user's location (in-market vs. out-of-market)

- **Referral Targeting:** Differing meter rules or messages based on a user's referring domain. (E.g. Search, social.)

- **Content Targeting:** Differing meter levels or experiences based on a user's

- **Propensity Targeting:** Differing meter rules based on a statistical analysis of a user's likelihood of subscribing based on a combination of factors and attributes.

- **Dynamic Metering:** Differing meter rules based on advertising demand, user behavior, or other factors that change day-to-day (and throughout a day).

- **Ad Block Metering:** Different meter rules (or hard wall) for users with ad blockers.

The Reader Journey

Awareness	Experience	Preference	Loyalty	Advocacy
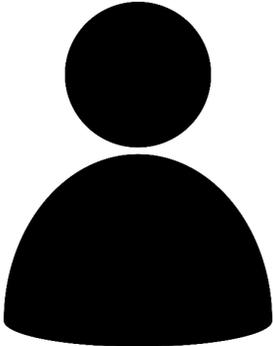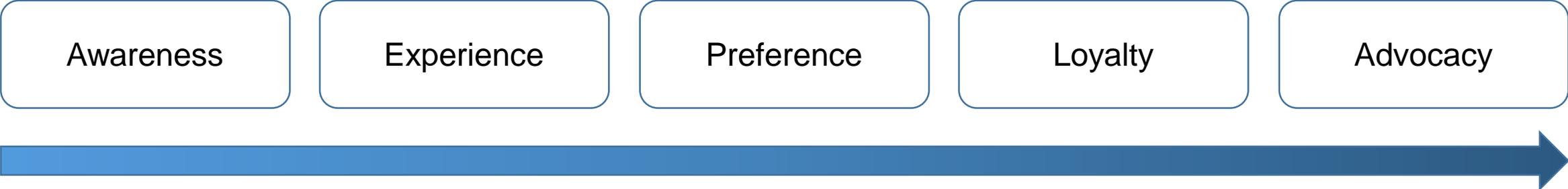
Profile of a likely subscriber

5-10x — Reads 5+ articles per month

2-3x — Reads multiple categories of content

2-3x — Accesses your content across multiple devices

2-3x — Lives in your market area and reads local news

5-10x — Subscribes to a newsletter or has provided email

**4-6x** — Follows your brand on social media
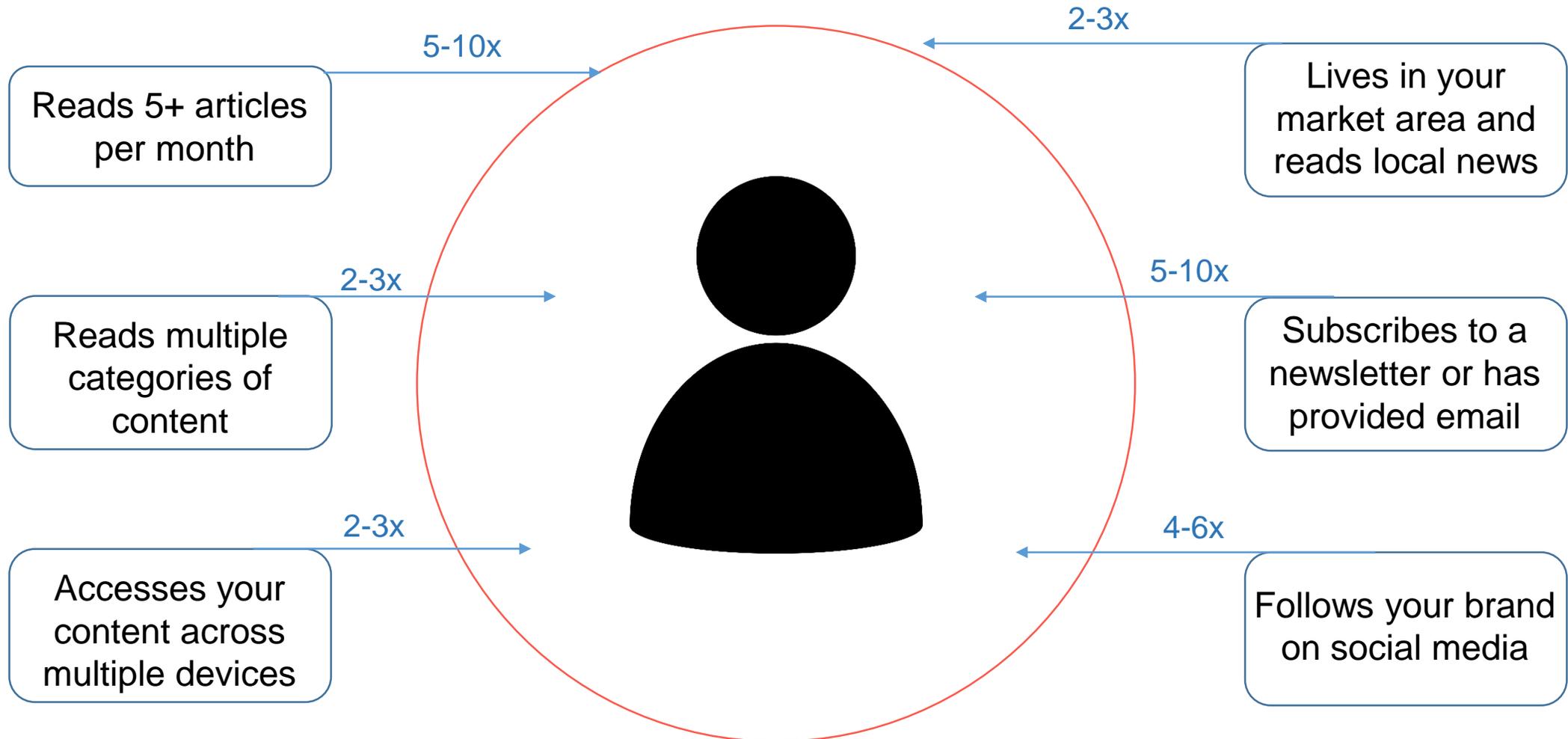
What Kinds of Content Drive Conversion?

Local

- Users who view local news regularly are typically **5-10X more likely** to subscribe than users who view national news, wire sourced stories.

- Publications that produce more local (non-AP) content generate greater subscription sales—sometimes by a factor of 10.
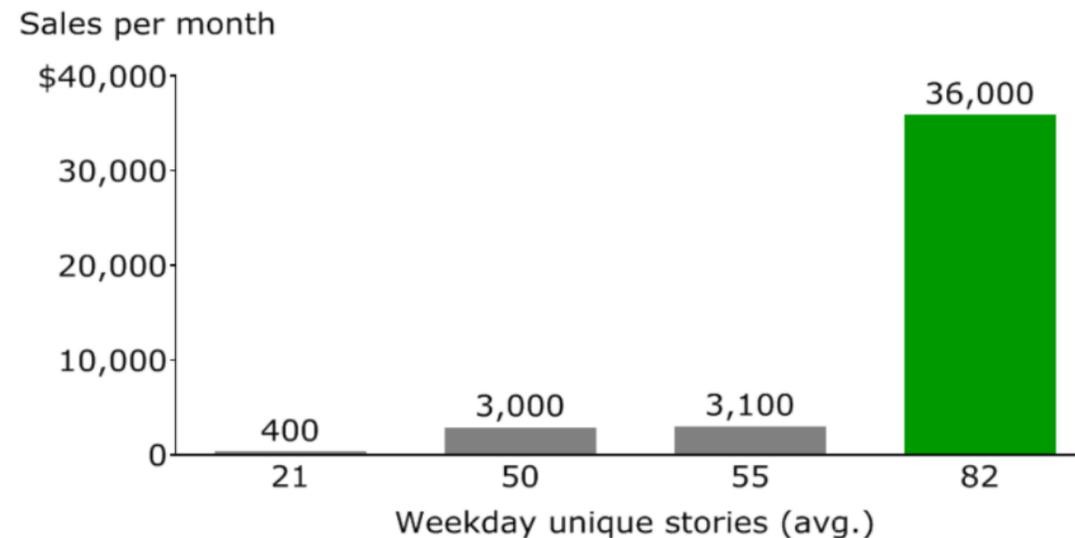
Example: Article Scoring

What content drives them to subscribe?	
Article	**% Subscription Contribution**
Article 1	4.5%
Article 2	3.3%
Article 3	3.3%
Article 4	3.1%
Article 5	2.9%
Article 6	2.9%
Article 7	2.7%
Article 8	2.7%
Article 9	2.5%
Article 10	2.2%

Defined as % of new subscriptions sold for which this article was in the user's "path to subscription" – i.e., the user viewed this as part of their meter count before subscribing.

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Unique / Distinctive

- Publications chasing page views have a big incentive to produce nearly identical articles about any popular or viral topic in the news.

- Digital subscription models increasingly invest in unique, distinctive content that provides readers with a **perspective, angle, or reporting that only that publication can provide.**

- As you build up a base of digital subscribers, you can learn from data and invest in more of the kinds of content that appeals to potential and actual subscribers.

Eagles agree to terms with former Packers TE **Richard Rodgers**
PhillyVoice.com - 17 hours ago
The **Philadelphia Eagles** announced that they have agreed to a one-year contract with former Green Bay Packers tight end **Richard Rodgers**, a third-round pick in 2014. Rodgers (6'4, 257) had his best season with the Packers in 2015, when he had 510 receiving yards and 8 TDs. He had a very ...

Report: Ex-California tight end **Richard Rodgers** signs 1-year deal ...
Dayton Daily News - 18 hours ago
Report: Ex-California tight end **Richard Rodgers** signs 1-year deal with **Philadelphia Eagles**. 0 ... **Richard Rodgers** didn't get a chance to play in a Super Bowl during his four seasons with the Green Bay Packers, getting closest in 2016 when they lost to the Atlanta Falcons in the NFC Championship Game.

Richard Rodgers leaves Packers to sign with **Eagles**
The Derby Informer - 13 hours ago
But rather than being a springboard to bigger things for the 2014 third-round draft pick, he saw his playing time dwindle thereafter, leading Wednesday to his decision to accept a one-year deal from the **Philadelphia Eagles** in an effort to reignite his career with the reigning Super Bowl champions.

Eagles' **Richard Rodgers**: Hooks up with **Eagles**
CBSSports.com - 18 hours ago
In his other three seasons, **Rodgers** combined for 62 receptions (on 106 targets) for 656 yards and five TDs as his strengths dictated more blocking duty. With Zach Ertz comfortably embedded as the No. 1 tight end, **Rodgers** should have a similar role in **Philadelphia**. That said, Ertz has missed one or two ...

**Eagles** sign former Packers tight end **Richard Rodgers** in free agency
Madison.com - 17 hours ago
He'll try to reboot his career with the **Eagles**, where he could fit in as the No. 2 tight end behind Zach Ertz. The **Eagles** also have Billy Brown, Joshua Perkins, and Adam Zaruba on their roster at tight end. They can add to the position in the draft, too. They haven't drafted a tight end since Ertz in 2013. Signing ...

Example: Dallas Morning News

COLLEGES · 2d

Texas A&M's five most likely players to be picked in this year's NFL Draft

COLLEGES, TEXAS A&M AGGIES, NFL DRAFT

Texas A&M coverage drives most overall page views among college football categories for DMM, but not many subscribers.
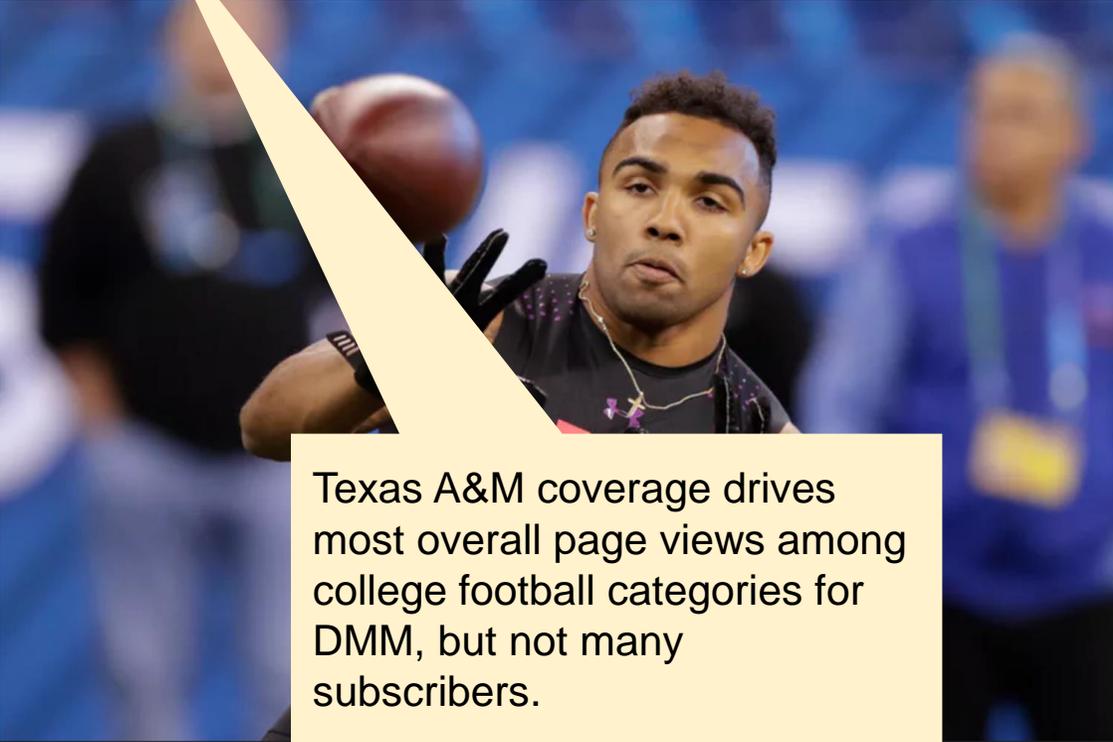
Michael Conroy/AP
Texas A&M wide receiver Christian Kirk runs a drill at the NFL football scouting combine in Indianapolis, Saturday, March 3, 2018. (AP Photo/Michael Conroy)

SMU MUSTANGS · 37m

For the SMU defense, the new mentality under coordinator Kevin Kane is 'attack'

SMU MUSTANGS, COLLEGES

SMU coverage had a smaller audience, but more proportional subscription starts—so Dallas added more reporting resources to the SMU beat.

Andy Jacobsohn/Staff Photographer
New SMU football defensive coordinator Kevin K... dy Coliseum on the campus of Southern Methodist University in Dallas Wednesday February 7, 2018. SMU football announced the addition of 12 student0athletes to the 2018 SMU signing class. (Andy Jacobsohn/The Dallas Morning News)

Relevant to Daily Life

- Potential subscribers subscribe to **news as a service**. That means, in essence, that they're paying for access to information that helps them live better.

- Common topics that are likely to be highly viewed by subscribers and engaged readers:

  - Coverage of public transit, traffic, utilities, and other local resources.

  - Information about new businesses, construction, and developments, and economic changes (especially relating to job availability).

  - Information about local politics, especially issues that affect education, neighborhood development, and public safety.

  - Local college & high school sports coverage (beyond scores)

  - Local culture and arts news, especially shows and exhibits readers can visit

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Examples: NYT
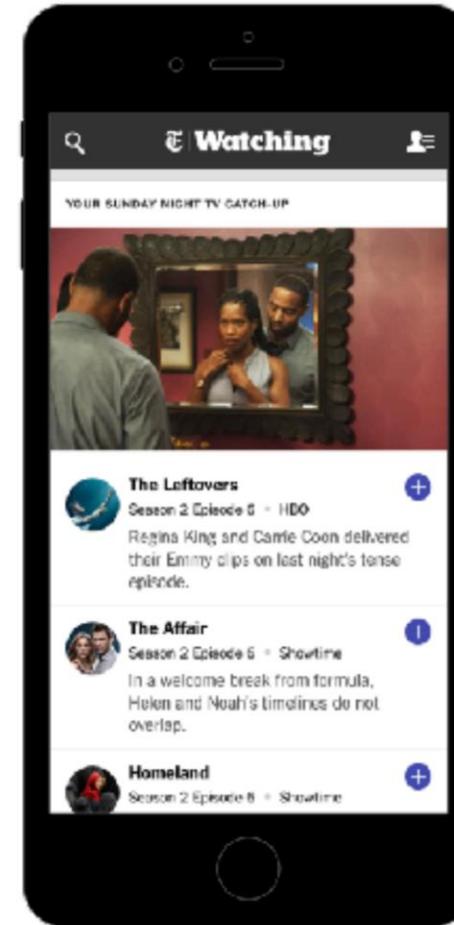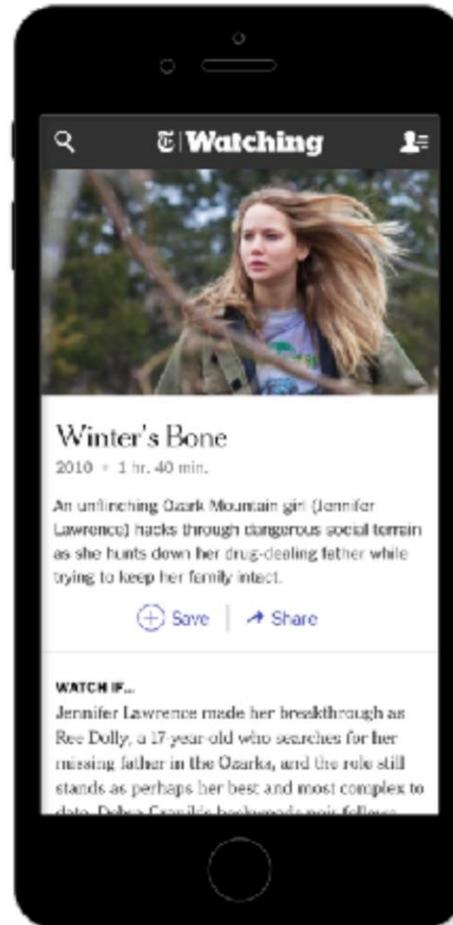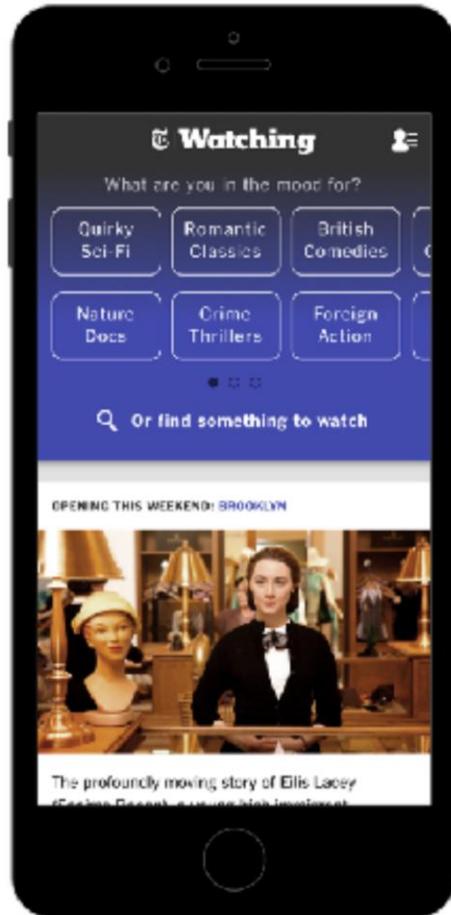
Timely, Frequent, and Consistent

- In order to build a base of engaged digital subscribers, you must offer readers a digital product that they want to refresh and return to on at least a daily basis.

- This means that they must log in and see unique, distinctive, local content relevant to their lives and produced by you on a daily basis.

- Subscribers will expect your digital content to be written and designed with their needs—as digital readers—in mind. Simply publishing content from the print edition a day early doesn't meet all of these needs.

- AP stories don't hurt, but they aren't a big driver of digital subscription value. Readers need to associate your brand with something specific and special.

Key Content Metrics to Track:

**Total Pieces of Content Published Digitally Per Week**

Total unique local stories produced per week.

Min, max, daily new local stories published this week

Average Engaged Readers per Story Published

Data can tell you what content will resonate with your most engaged readers

Content that drives new starts vs. Content viewed by subscribers

Non-Subscriber - Percent of Starts (Visit Particpation)   Subscriber - Percent of Traffic
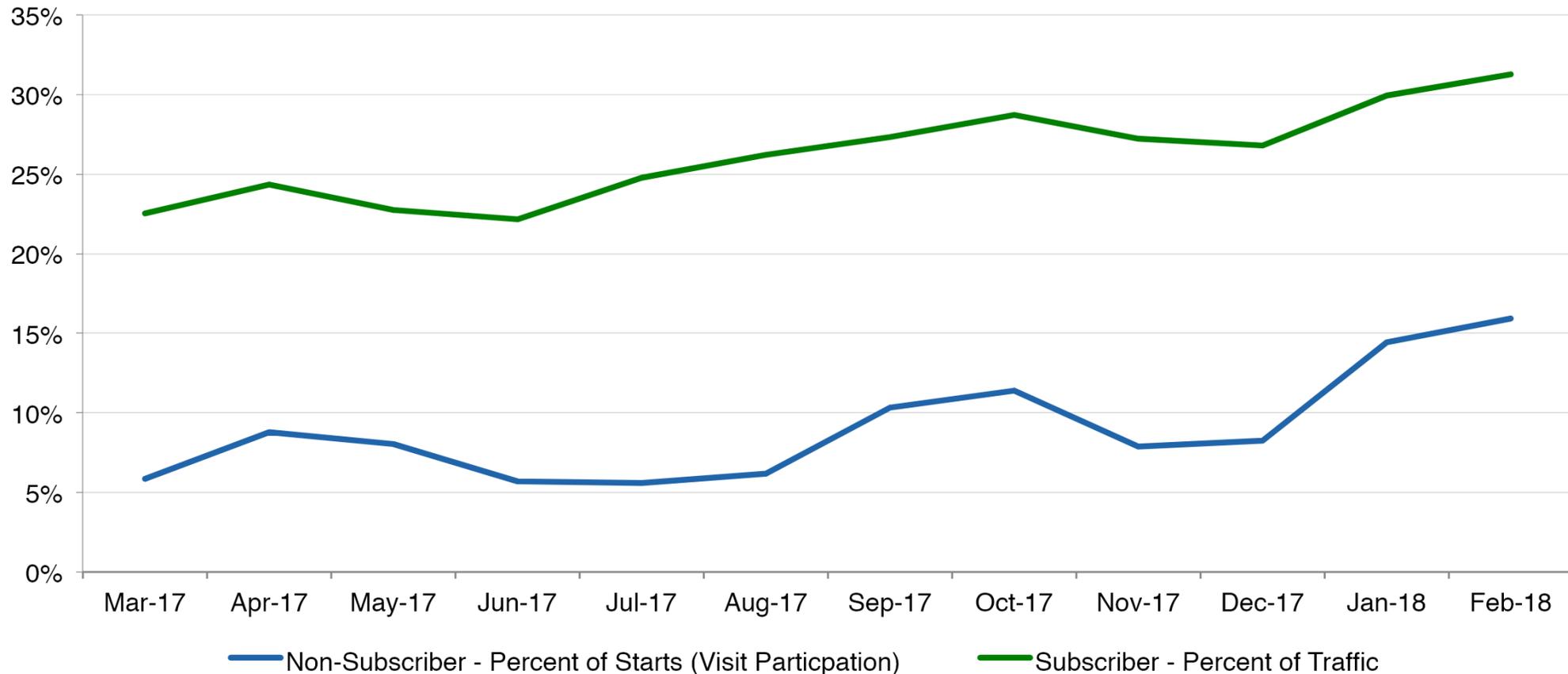
Key Engagement Metrics to Track Today

Unique Visitors

Known Users

Occasional Readers

Regular Readers

Other strategies for improving engagement

- Invest in a high-quality email strategy including daily newsletters, breaking news alerts, and a strategy for growing your lists.

- Improve website and native app navigation, load times, user experience, and overall product quality.

- Provide high-quality, data-driven content recommendations to users accessing your digital products (including in-site recommendations and push notifications).

- Build and execute a social & search strategy focused on finding and engaging potential audiences with whom your content is likely to resonate and provide value.

- Set clear goals and KPI's around increasing engagement, rather than simply overall traffic, and align the newsroom around these metrics as the definition of success.

- **Invest in great content that your audience finds valuable.**

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Once users are stopped by a meter message, *conversion* becomes the focus

- Paid Stop Conversion Rate is an important metric for understanding sales conversion as a function of content access limitation.

- While more granular conversion rates are needed to manage a powerful marketing strategy, PSCR can be used to understand overall performance.

- Paid Stop Conversion Rate * Stop % * Total Audience = Monthly New Starts

Percentile	PSCR
95%	1.93%
90%	1.31%
80%	1.04%
70%	0.83%
60%	0.62%
50%	0.54%
40%	0.47%
30%	0.40%
20%	0.33%
10%	0.24%
5%	0.21%

$$PSCR = \frac{Paid\ Subscription\ Sales}{Unique\ Visitors\ Hitting\ the\ Stop\ Threshold}$$

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Stop Rate x Conversion Rate x Unique Visitors =

Monthly Subscriptions Sold

Price affects conversion rate, but most publishers have room to increase price with testing

Average Monthly Digital-Only Price over Time

$6.66 (2011)
$6.85 (2012)
$8.83 (2013)
$9.26 (2014)
$9.93 (2015)
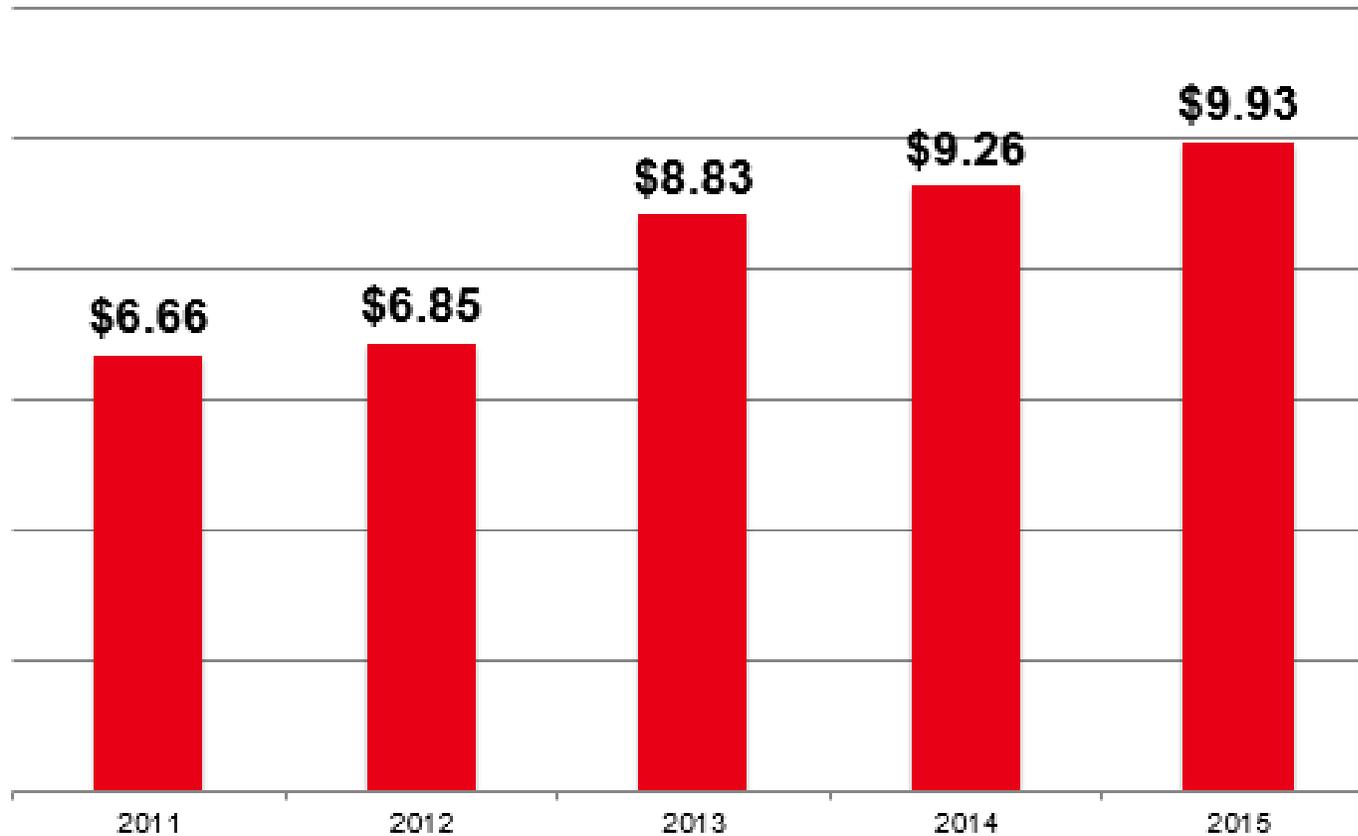
A 2018 American Press Institute study suggests this number has not changed much, with the median price remaining at **$10/mo**

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Trial rates greatly increase conversion rate

Active Digital Monthly Subscriptions Following Trial Product
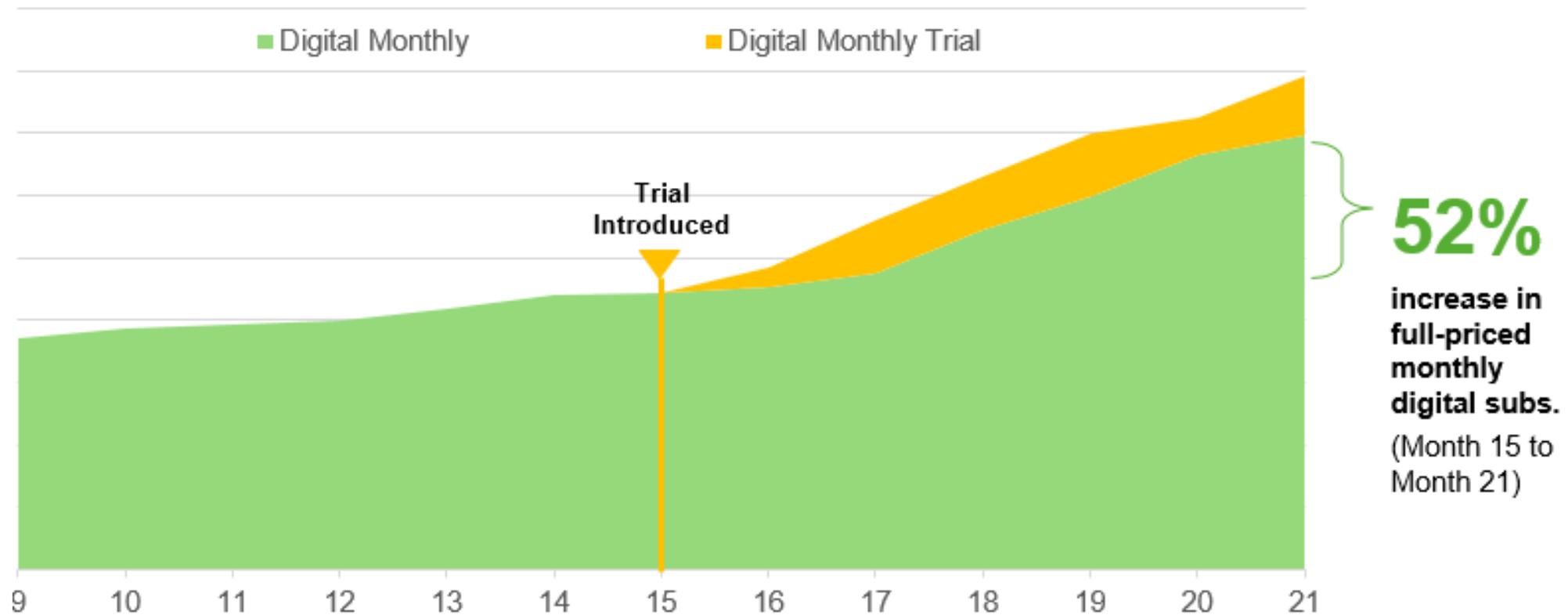
Legend: ■ Digital Monthly   ■ Digital Monthly Trial

Trial Introduced (at month 15)

52% increase in full-priced monthly digital subs. (Month 15 to Month 21)

X-axis: 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21

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Annual pricing is typically 10x the monthly price

Annual pricing is typically 10x the monthly price

Total Revenue Earned Over 2 Years Per Subscription Type

Legend: Monthly — Monthly with Trial · · · · Annual —

+17%

Y-axis: Total Revenue Earned (Cumulative) — $0, $2,000, $4,000, $6,000, $8,000, $10,000, $12,000, $14,000

X-axis: Month — 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24
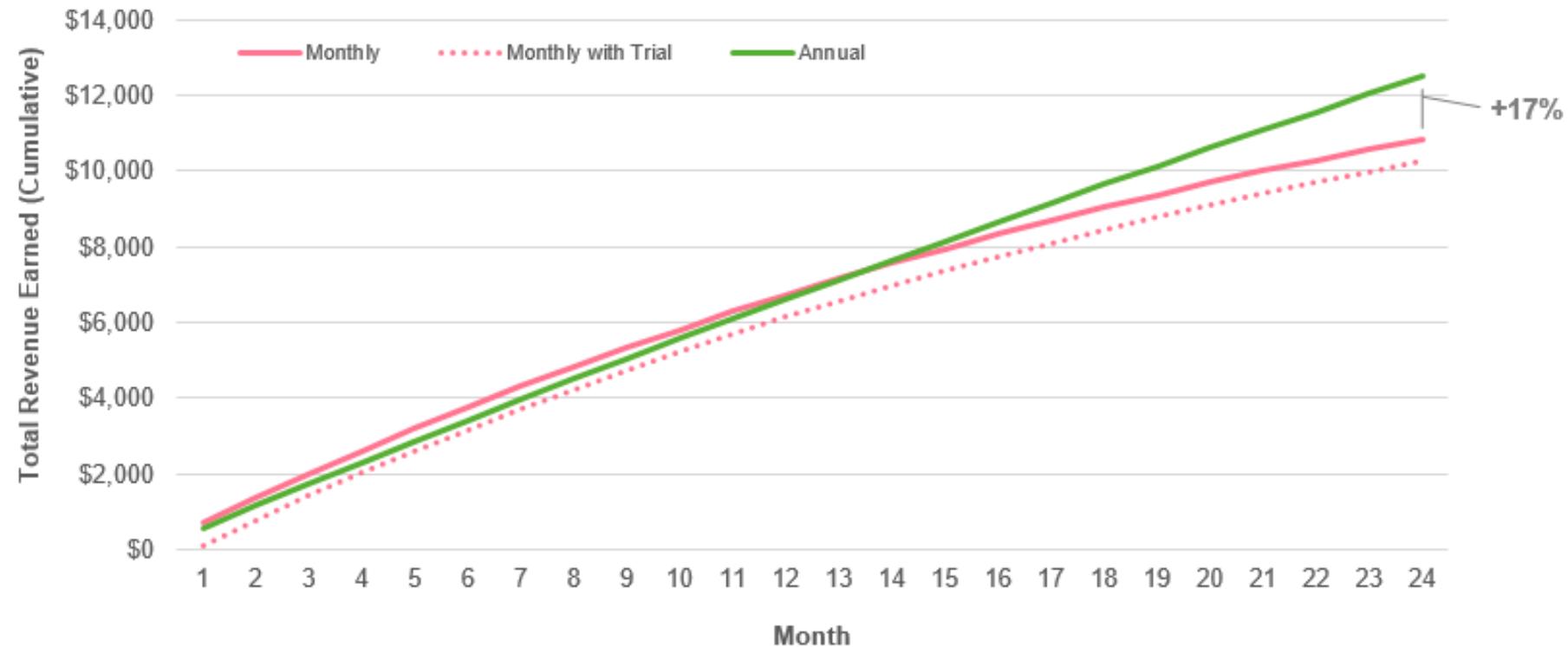
Conversion Rate vs. Meter Level

High, Low, and Average Paid Stop Conversion Rate by Meter Level
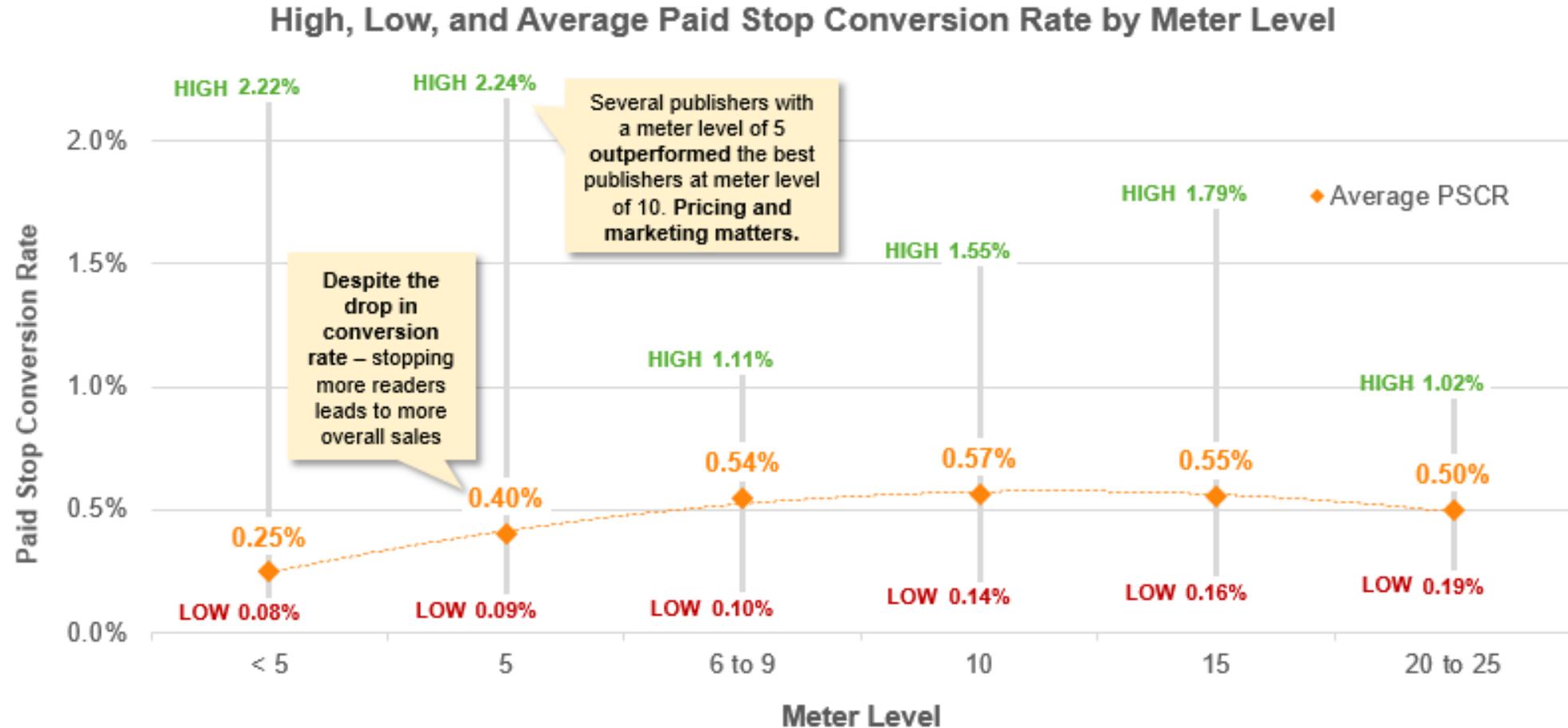
Conversion Rate tends to drop over time—but publishers have been able to maintain rates of 1-2%

Average Paid Stop Conversion Rate by Months Launched

Legend:
- Average
- Leading Publisher (Example)
- Lagging Publisher (Example)

Annotations:
- Conversion rates are rarely steady – rather they have peaks and valleys that correspond to promotional activity
- Publishers performing below our leading range often have little (or ineffective) marketing / promotional activity
- 1 to 2% Paid stop conversion rate (PSCR) leading benchmark range

Y-axis: Paid Stop Conversion Rate
X-axis: Months After Launch

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The price a publisher can charge has little to do with their 'size'—or the size of their market

Do Publications in Larger Markets Tend to Charge More?

Weak correlation (r = -0.14)

An "r" of 1 or -1 would indicate a perfect relationship. Depending on the factors being studied, a factor of 0.5 or higher can indicate a strong correlation.
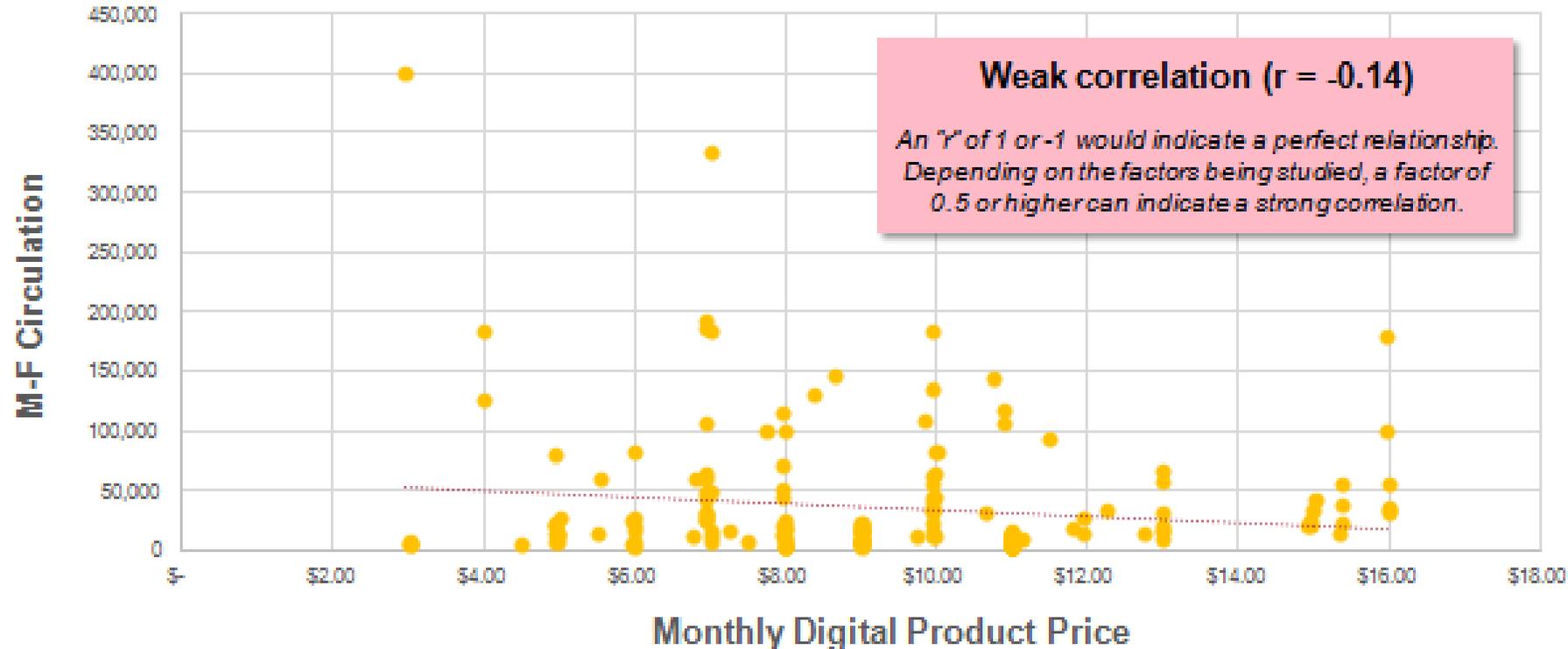
Key strategies for improving conversion

- Get clear on who your customers are and, through testing, the core value propositions you offer to each segment—and then target marketing efforts accordingly.

- Improve subscription interface through testing, reducing friction by eliminating extra copy, checking page load times, cutting unnecessary fields, and reducing clicks.

- Simplify offers and subscription options—and ensure that you're selling your digital subscription proudly and primarily, rather than as an after thought.

- Create and execute year-round marketing calendar focused on the value of your content – and the associated value to users – paired with promotions and discounts on a regular basis.

- Maximize conversion opportunities from search, social, email, and other channels.

- Experiment with new metering rules, such as targeted meter messages per content type and dynamic metering approaches.

A key retention benchmark: Monthly Retention Rate

- There are many ways to look at churn as an element of retention. For benchmarking purposes, we use a simple, combined monthly rate.

- Retention Rate can be used to calculate average customer lifetime and customer lifetime value.

- We don't yet have your retention data, so this data is taken from a broader set of publishers.

$$RR\% = \frac{Customers\ Active\ in\ Month\ X}{(Customers\ Active\ in\ Month\ X - 1) + (Sales\ in\ Month\ X)}$$

Industry-Wide Benchmarks:

Percentile	RR%
95%	97.0%
90%	96.4%
80%	95.8%
70%	95.1%
60%	94.8%
50%	94.4%
40%	93.9%
30%	93.2%
20%	92.2%
10%	91.3%
5%	89.6%

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Because churn compounds over time, small changes in the rate can have a big impact on revenue over time

Expected Customer Retention After 1 Year - Paid, Monthly Products

64.4%

50.1%

33.5%

Percent of Customer Active

Months After Purchase

90th Percentile   50th Percentile   10th Percentile
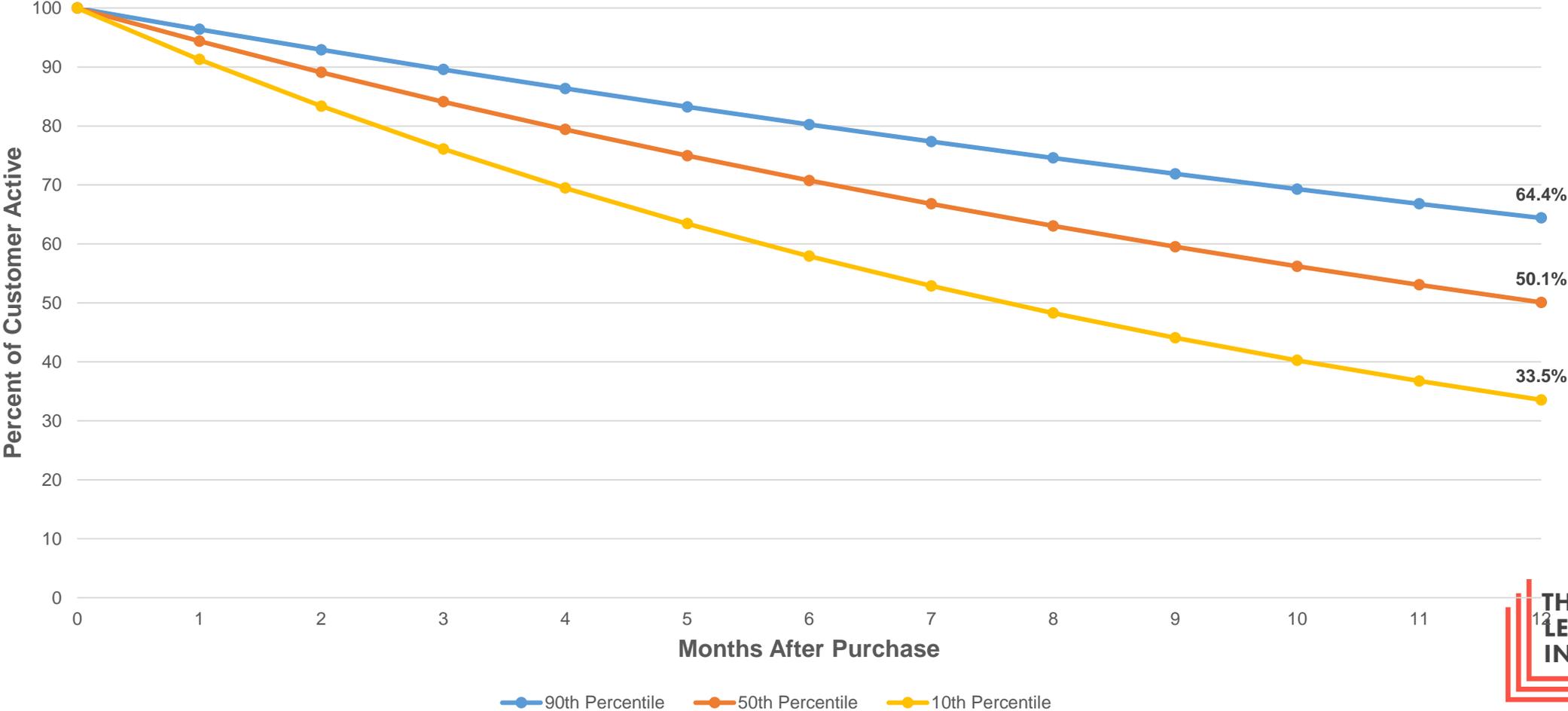
Pricing can affect retention rate—and each publisher needs to test to find the right set of offers

Price	Top 10%	Median	Bottom 10%
$0 - $2	97.1%	94.9%	92.7%
$2.01 - $4.50	96.4%	94.5%	91.9%
$4.51 - $6.50	96.1%	94.7%	92.1%
$6.51 - $7.50	96.3%	94.5%	91.7%
$7.51 - $8.50	96.2%	93.6%	89.7%
$8.51 - $9.50	94.4%	92.4%	90.3%
$9.51 - $10.50	96.8%	94.8%	91.7%
$10.51 - $11.50	96.7%	93.4%	92.8%
$11.51 - $12.50	96.4%	94.0%	91.6%
$12.51 - 14.99	95.9%	94.1%	90.7%
$15.00+	96.5%	92.4%	89.2%

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But… the key to retention long-term is to engage all subscribers in your digital products effectively

- Subscriber engagement measures the percentage of active subscribers that log-in to their accounts in a given month

- The leading 10 percent of publishers have almost 2.5X the engagement rate as the bottom 10 percent

$$Subscriber\ Engagement = \frac{\#\ Subscribers\ Logged\ In\ in\ Month\ X}{\#\ Subscribers\ Active\ in\ Month\ X}$$

Percentile	SER%
95%	90.1%
90%	87.3%
80%	82.9%
70%	78.7%
60%	74.4%
50%	71.0%
40%	64.8%
30%	56.2%
20%	48.3%
10%	36.1%
5%	27.8%

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Engagement matters: There is a strong correlation between subscriber engagement and retention

Correlational Study: Monthly Retention vs. Subscriber Engagement

Key strategies for improving retention

- Understand the source of your churn—including reasons for cancellation, causes of payment delinquency, and other factors.

- Reach out to canceled subscribers to learn what went wrong—and improve your products, offers, and customer service as a result.

- Prioritize and reward the newsroom for content that engages subscribers; show this data side by side with broader traffic leaderboards that might emphasize a different type of content instead.

- Find common characteristics of users who cancel and begin to model propensity to churn based on these data points (as well as engagement data more broadly.

- Implement catch-and-save, win-back, and surprise and delight offers for users who are likely to churn.

- **Invest in more of the content that your subscribers love.**

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Questions?

Thank You!

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