from print to digital

Managing the economics of media change

NOVEMBER 2022

Welcome to the third age of digital transformation

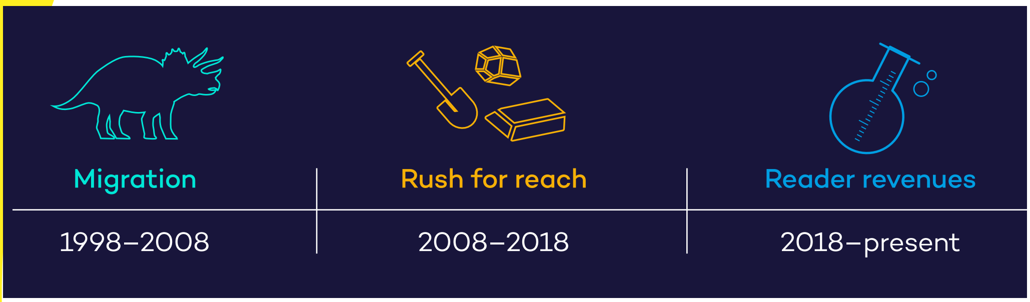
IT'S HARD to believe when we look back now, but Google was not born until September 1998. By the time the Pew Research Centre had begun tracking internet usage two years later, around half of all US adults were already online (a figure that today stands at more like 93%).

The economics of media change were at that time arguably much simpler, if not more daunting. Many a publisher entering the new millennium carried with them the mantra: 'migrate or die'.

By the time the iPhone came along in 2007 (and Android a year later), that survival instinct had morphed into a kind of gold rush mentality, with media owners joining the race for digital reach.

Publishers scrambled to not only to make it to the top of the Facebook newsfeed, but also to reinvent their own products as social platforms – a legacy we still see examples of today in the form of publications like BuzzFeed.

Today of course, we know that throwing the virtual table and chairs in for free is not a sustainable business model, particularly if you will at some



Evolution: Three eras of the digital age

point be setting your sights on selling virtual copies to people alongside their virtual coffees in the metaverse.

Subscriptions (or 'reader revenues', to give them their current title) have emerged in recent years as one of the most important monetisation strategies for our industry. They drive loyalty, trust, recurring revenues, fund sustainable journalism and provide consumers with the benefit of brand continuity in an increasingly fragmented digital world.

Subscription packages also provide us with a great vehicle for navigating the landscape of media change more smoothly. They can be administered via print and digital, and indeed often are administered via print and digital, allowing publishers and readers to stay in touch, wherever on their individual journeys of media change they may be.

It's a trend that's emblematic of the wider age of digital transformation that shapes our industry today, as media owners look for more seamless ways to provide quality content across multiple channels, while maintaining profitability.

This approach was highlighted by FIPP President and CEO, James Hewes, earlier this year on the Journalism.co.uk podcast.

"I think agility is probably the most

important thing that a management team can have now in a media business. There are no sacred cows – you can't say that this is the way we do things," he said.

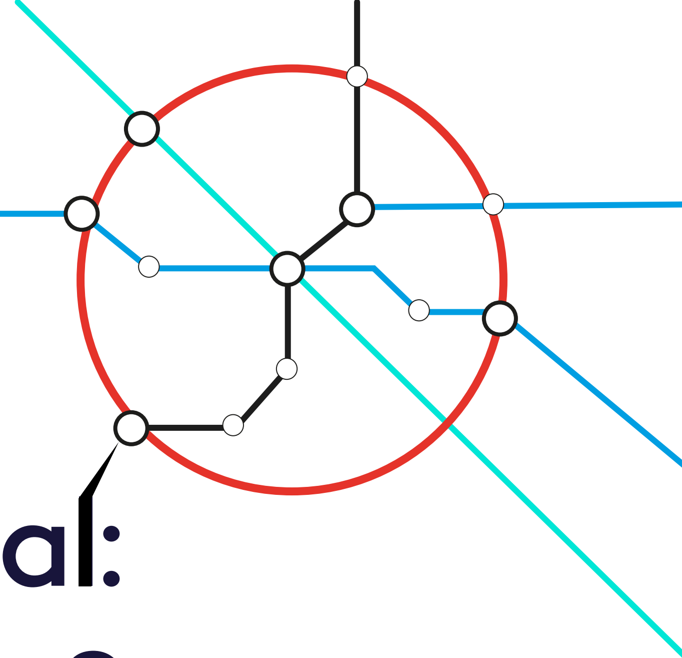
"You've got to be flexible and try new things, whilst at the same time recognising that your legacy business, your core business, is the thing that's providing the profit that enables you to do that. So balancing the old and the new, the existing and the potential, is a really important feature of management.

"The classic example in the media business is the difference between print and digital," Hewes continued. "Your print business is going to be declining in most of its revenue streams – you might have had a bounce with print subscriptions during the pandemic, but in general your business is going to be declining.

James Hewes, President and CEO of FIPP

"So what do you do? You manage that business for value, you manage it for profit. Your digital business are going to be growing, or they should be growing, so you manage them for growth. You take the profits from your legacy business and invest those into the new areas."

In reality, this represents an economic approach, and where numbers are concerned, the answers can be learned. So over the course of this short report, we'll provide a brief introduction to the theory of managing the economics of media change, along with some practical examples of how this process can be implemented day-to-day.



Print vs digital: Where are we?

Before we look at successfully managing the shift from print to digital, it's useful to take a snapshot of where the market currently lies.

Mather Economics' latest Subscription Benchmarking Report, published in September 2022 (when Google turned 24), aggregates (and anonymises) the data of 307 of their US-based clients.

The report provides the industry at large with some very useful insights into what publishers are actually seeing on the ground when it comes to print versus digital today.

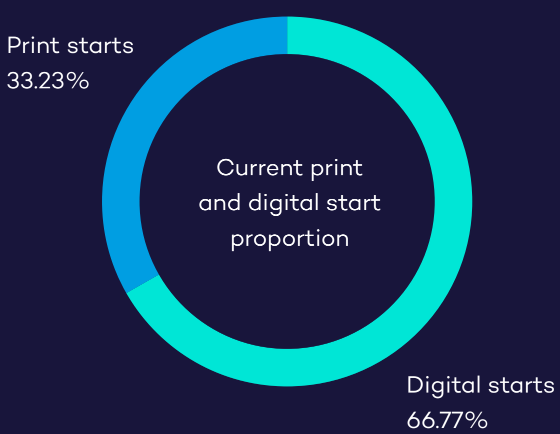
And because they produce these figures directly for and by the industry, they're completely unrivalled in their accuracy. At topline level, two related data sets tell the whole story of what is now happening in the print-digital universe:

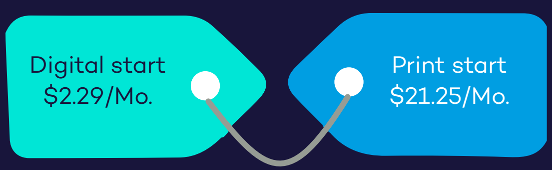
1. Print subscriptions represent approximately 55.9% of the total paid subscriptions recorded in the rolling study. Digital accounts for 44.1%.

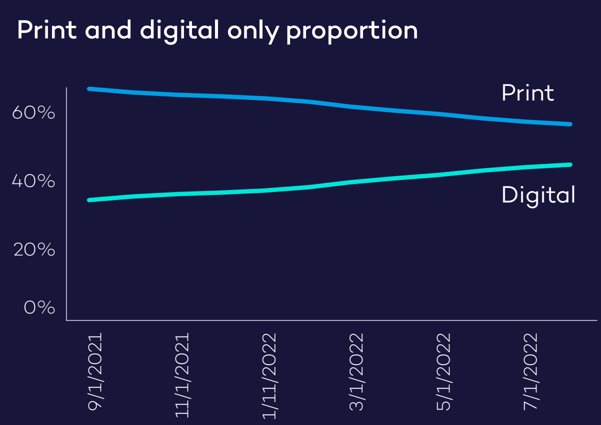
2. However, when we look at the current proportion of new starts for subscriptions to each medium, print accounts for just 33.2%, digital 66.8%.

BENCHMARKING REPORT HIGHLIGHTS

Print (including all-access) and digital only comparison



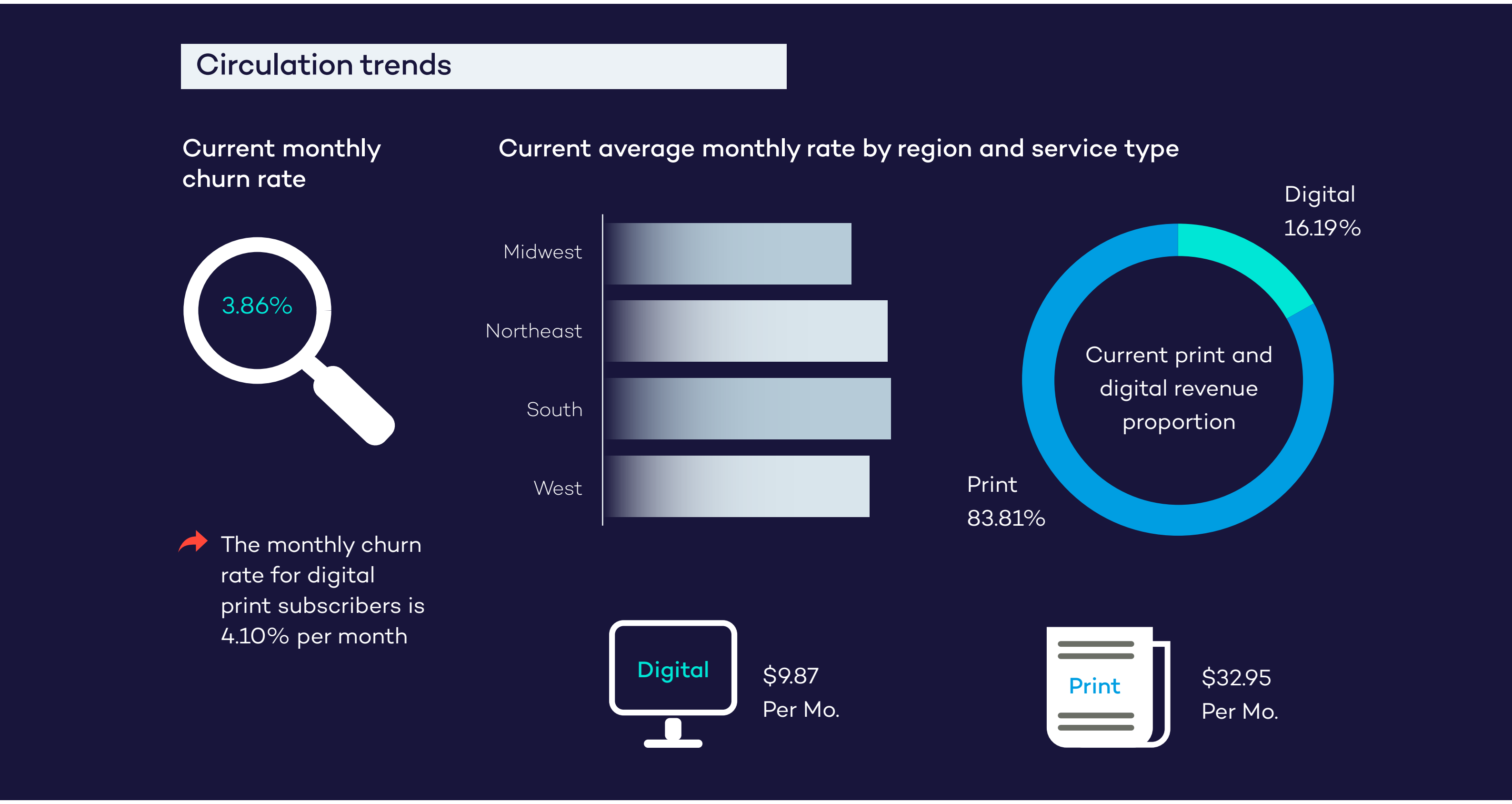




- Digital subscriptions represent approximately 44% of total paid subscriptions (a YOY increase of 29% in digital circulation volume)
- Print subscriptions represent approximately 56% of total paid subscriptions (a YOY change of -15% in print circulation volume)
- Digital paid subscription revenue represents 16.18% of total revenue (a YOY change of 32.98%)
- Print (+All-Access) paid subscription revenues represent 83.82% of total revenue (a YOY change of -4.57%)

This confirms what we know, that print holds the legacy popularity, while the momentum is clearly with digital. Soon, we will reach a subscription volume tipping point where the latter overtakes the former.

Of course, successfully managing this change is not solely about volumes, it's about the value of each form of subscription too. Print still accounts for a whopping 83.8% of total subscriptions revenue, with digital



bringing in just 16.2%. And when we start to incorporate profitability factors into the analysis, such as what it costs to print and distribute paper vs publishing content directly online, then all the fun of the mathematics fair can truly begin!

But even this remains a relatively straightforward equation, which we can these days thankfully solve largely by inputting the figures into the P&L spreadsheet and letting Excel work its magic (other providers are available!).

What's really interesting here is the detail, and what we find when we begin to hone in on the definitions. The 'print subscriptions' category actually refers to both print and digital, or as it's defined here, 'All Access'. So in other words, if you subscribe to the print, you get the digital too.

This classification is important not only in our basic understanding of the quantitative figures themselves, but also because it provides a broader, more qualitative insight into the mindset of publishers and consumers today.

Meanwhile, a Latin American Subscription Lab Report Mather carried out in 2021 showed that less than half of all digital content from participating newsrooms was consumed by readers who eventually became subscribers.

The Mather team performed a detailed content analysis for each publisher, which revealed how each topic, author, section and subsection performed across multiple dimensions.

For each article, Mather evaluated two dimensions – the number of high propensity readers (users with high visit frequency and visit depth) who read the article and the percentage of the article's readers who were high-propensity.

One of the most surprising findings across this cohort was that, on average, 66% of the content the publications produced had no impact on the path to conversion. In other words, in the 30 days prior to converting, these subscribers only engaged with 33% of the content available to them. These articles also accounted for 86% of all article page views.

Understanding what types of content are most resonant on a subscriber's path to conversion informs editorial and marketing strategies. As publishers move toward a digital subscriptions strategy, it's crucial to think about what content is most effective at driving subscriptions.

> Successfully managing change is not solely about volumes but the value of each form of subscription too

5 ways to tune up the engine

01

Swap gut feel for science

Two of the biggest challenges facing publishers today are working out what content should go behind a paywall and finding a way of balancing advertising and subscription revenue based on audience engagement, propensity to subscribe and user value. The solution? Using data science to dynamically set paywalls and subscriber-only content.

For too long, newsrooms have simply gone on 'gut feel' when setting content for premium status. As this Mather case study shows adopting a robust data-driving strategy when it comes to paid subscriber-only content can be a game changer for publishers.

Case study results

An estimated 3-year LTV incremental lift from subscriber revenue of $2.7m using Mather's Premium Content Engine

$2.7M
3-year incremental lift in LTV

30.4%
growth in premium conversion

$1.5M
remaining revenue opportunity

By using Mather's Premium Content Engine – which organises content intelligently, selects articles for premium status through NLP, and maximizes subscriber LTV modelling – A US daily newspaper and website publisher saw an estimated 3-year LTV incremental lift from subscriber

THREE PAYWALL STRATEGIES		Current State	Modeled	Modeled
		Meter= 10	Across-the-board (ATB)	Meter= 5
MONTHLY	Page views at risk	597,905	1,043,335	740,753
	Paywall hits	26,102	82,678	62,004
	Conversion rate	0.97%	0.78%	1.19%
12 MONTHS	Total conversions	5,379	8,668	9,649
	Total sub revenue	$292,612	$485,121	$545,285
	Ad revenue at risk	($73,233)	($128,259)	($91,135)
	Net revenue	$219,379	$356,862	$454,150
	Dollar trade-off	$4.00	$3.78	$5.98
	Net revenue per user	$41	$41	$47

revenue of $2.7m. The lesson to be learnt here is that having an effective Premium Content Strategy can increase the number of sales attempts to drive acquisition growth, convert readers who may not convert under traditional metered paywalls and reinforce the value of the publisher's content to paying subscribers.

The extent to which Intelligent paywalls can maximise total digital revenue is explored in another Mather report How Intelligent Paywalls Maximize Total Digital Revenue.

Mather Economics' Listener Data Platform allows any paywall to become an Intelligent Paywall, giving users the right offers and messaging at the right time to maximise net revenue by balancing advertising and subscription revenue.

By comparing a targeted paywall strategy to the current state and across-the-board meter of five articles per month, Mather determined that targeting the readers most likely to subscribe with acquisition offers increases the number of acquired subscribers by 11% while saving about 30% in the lost advertising revenue relative to the more aggressive across-the-board strategy and raising the net digital revenue by 27%.

02

Re-examine your audience funnel

The old sales/marketing/purchase funnel remains a useful visual today. It simultaneously shows the pathway to conversion, while reminding us that while the traditional customer journey from brand awareness to transaction is made, our audience may become smaller, but also more valuable.

The same set of visuals can be used

Key performance indicators for the audience funnel

Growing audience

Engaging users

Converting readers

Manage subscribers

Grow	Engage	Convert	Manage
• % Users by referrer (social, search, direct)	• % known users • % returning users • visits per user	• Paywall hit rate • Paywall conversion rate • Conversions per 1M users	• Digital-only churn rate • Digital-only subscriber price • % Digital-only subscribers

Understand how you perform across the audience funnel to prioritize resources and investment.

Mather Listener™ tracks audience funnel metrics over 200 websites (~70 included in this report).

- Grow the audience to fill the funnel with new users from organic and paid sources. Analyse which channels lead to loyal and paying readers to optimize your acquisition budget.
- Engage new users to become repeat users. Use nurturing tactics such as offering newsletters, registration in exchange for temporary or incremental access and content recommendations to build habit.
- Convert readers by restricting access via metered or premium paywalls. Utilize online (paywall) business rules, email marketing, and A/B testing to maximize sales attempts and conversions.
- Manage subscribers by tracking engagement on web, e-edition, and apps. Ensure your print subscribers activate digital access and utilize behavioural data to target disengaging subscribers with churn reduction messaging.

to conceptualise today's subscriptions management process, as we move from growing our audience, to engaging users, through converting them to subscribers, and ultimately managing these relationships to create value on both sides.

As much as this approach is a funnel, it is also a process, and can be viewed in linear fashion from left to right (or of course as a circle, when brand advocates turn into stimulators of further growth).

Taking a joined-up approach to growth, engagement, conversion, and management ensures that we are not neglecting any one part of the process, and this in itself represents an economic doctrine. Because if you have a subscriber journey made up of fours legs, then it's important to ensure that you are assigning 25% of your time and resources to each section (at least until you refine the process further) to each.

If you suddenly set your sights on subscriptions, and subscriptions alone... and throw the reach baby out to make way for the reader revenue bathwater, then this not only neglects a key part of the on-boarding process, but of course jeopardises advertising revenue. So a verizontical approach is useful, because it's also a balanced one.

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03

Keep a performance scorecard

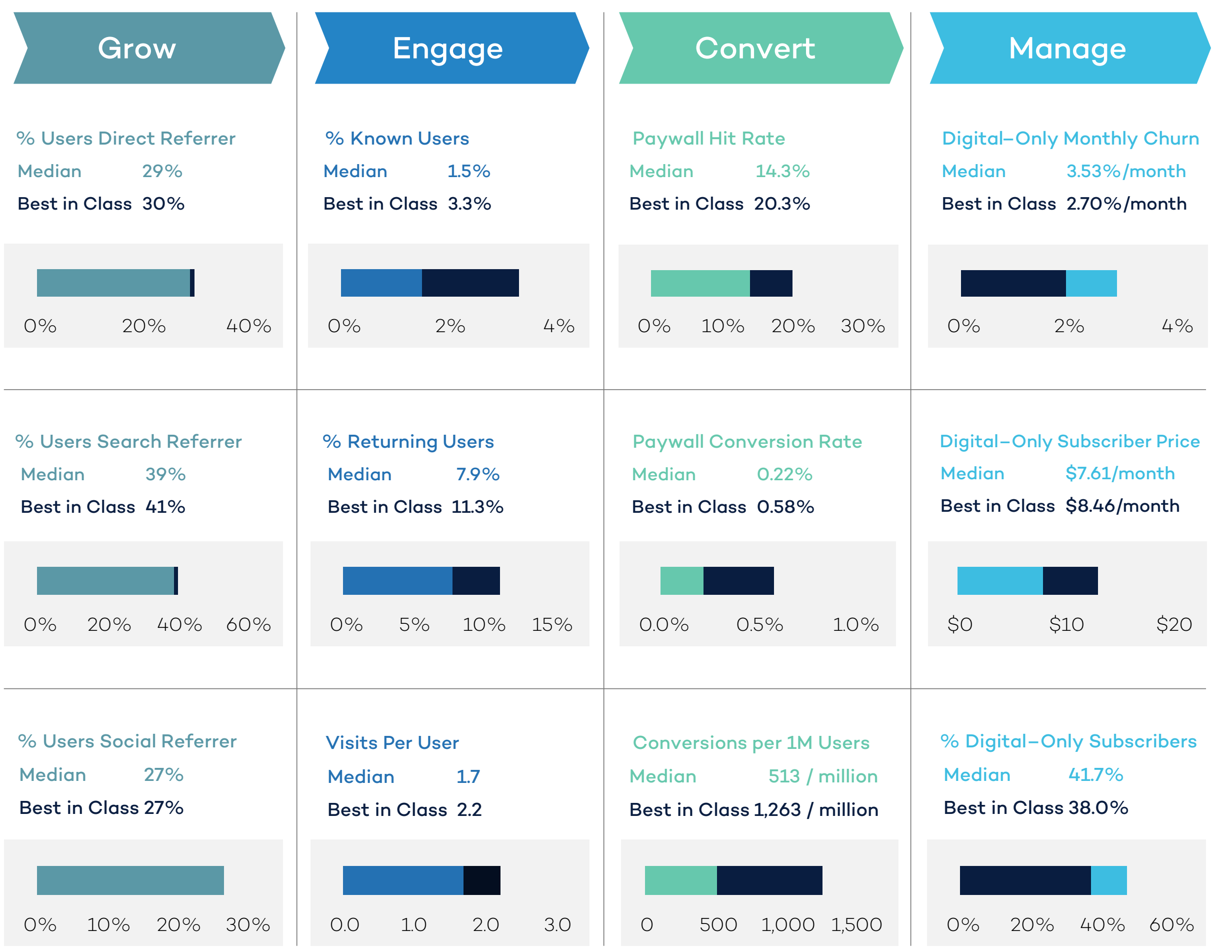
A key part to success is measuring performance against the median, best-in-class or comparable peers to determine your maturity as a publisher.

In this context, your individual score can be calculated based on the difference between these figures. In its recent Digital Audience Benchmarking Report, below, Mather dives into this process even further, with the assignment of specific metrics to specific stages. At the growth stage your acquisition strategy comes back into play, analysing exactly where audiences are coming from.

At the management stage, metrics such as churn can be more useful, and

additional variables can be tested against them. For example, some publishers still make the mistake of communicating too much with audiences, while not segmenting the lists with enough rigour.

Whatever your focus, Mather benchmarks this against the industry average and best-in-class, so you can check your progress in terms of days gone by and those to come and within the context of the wider industry.



04

Migrate or die

We used this phrase in the introduction to this report in slightly more dramatic context, but when it comes to converting historic readers into future eyeballs, it's a useful reminder of just how beneficial the digital option can be.

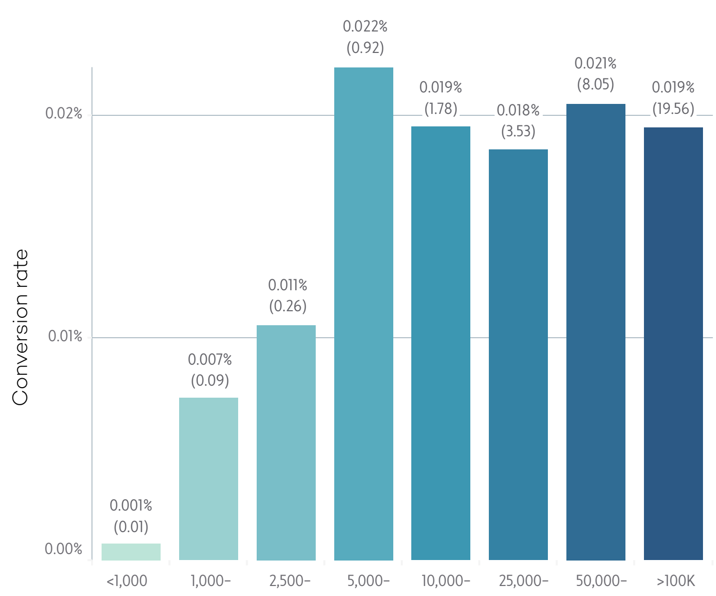
'Stop saves' are a great way to retain your existing readership, albeit at a reduced rate.

If somebody has been paying $32.95 per month for the 'All Access' option, and wishes to cancel, then it's

Current average weekly print-to-digital only conversion by circulation size

DID YOU KNOW?

Mid-sized markets (10k - 50k total subs) tend to perform best in terms of their ability to convert their existing print subscribers to the digital only product, as a percent of the total. The majority of cases are derived from stop saves.



Note: Parenthesized values are the average absolute number of weekly conversion

Average over the last month. Sep 2022

obviously easier to derive a $9.87 PCM subscription from that user than to sign a new one up from scratch.

One is conceptually gaining £23.08 to keep things the same, while the other would need to pay $9.87 to undergo change – a process that, as the very existence of this report demonstrates, we as human beings are not always necessarily that keen to go through.

These of course are again basic numeric economics in action, and when you begin to examine the possibilities for different digital pricing points, right across the user management journey, there is scope for tinkering.

But it's important to remember that mindset also plays a part on the seller, as well as the buyer side of the relationship. Because, in this particular instance, you are not losing a print subscriber, but gaining a digital one!

Mather's Latin American Subscription Lab Report also shows publishers should adopt a meter strategy that is more restrictive on both ends of the reader engagement distribution to optimise subscription conversion from both the fanatic and transient segments.

> When you begin to examine the possibilities for different digital pricing points, there is plenty of scope for tinkering

05

Understand the value of your content

Of course, all of these actions will be of complete irrelevance, if the content isn't there in the first place. It's no secret that for legacy brands this will be less of a consideration, because they already know that, whether in print or digital, there is an audience out there for their content.

But in fact, publishers of all shapes and sizes can, and are finding new and innovative ways to package up their content to make it more appealing.

In August, *CREEM* magazine published its first print edition in 33 years. It's a splendid-looking, 10 X 14", 128-page publication that features, amongst other things, an exclusive one-on-one interview with Slash.

But as treasured as the print copy may be, what people are really buying into is the *CREEM* archive.

For $5 a month, subscribers can access the publication's entire 1969 – 1989 archive, containing over 69,000 articles, reviews, images, and ads, which have been meticulously

The first *CREEM* magazine in 33 years has sparked renewed interest in the brand's extensive archive

scanned and presented in the form of the 224 original issues.

Those wishing to upgrade their membership can opt for the print + digital option ($79/year), and there's even a fan club priced at $129 per year that includes exclusive material.

Another example from the magazine world where bundling has helped breathe new life into a publication is *Empire*. The Bauer offering recently launched an exclusive events series solely accessible to the magazine's VIP Club subscriber base.

For £7.99 PCM, Club members receive a print copy of the magazine, the Spoiler special podcast, and an annual Picturehouse or My Cineworld Plus membership, as well as the latest edition.

The news sector is arguably more straightforward in this area, because in theory you are either publishing current affairs or you're not. But as we have previously seen, even basic print + digital bundles themselves are becoming of increasing interest to publishers and consumers alike, especially when we examine the value of different components within them.

Ultimately, if you truly understand the value of your content, and the different ways in which it can be sliced, there are opportunities there even for news publishers to become more creative in the ways they package it up.

Summary

WE HOPE we have demonstrated within the course of this short report that managing the economics of media change is today as much about mindset as it is about mathematics.

Where print was once the centralised hub for all other media spokes - be that digital, social, events, or whatever else you could slap your brand on to turn a profit, we are now fast approaching a tipping point where that needs to change, if we haven't reached it already.

By putting your main digital platform in as guard, and asking print to take a seat on the bench, you're really sending a message to fans – and investors – that the franchise is entering a whole new era: Exciting times ahead!

Meanwhile, you've still got one of your most recognisable faces of all time there coming off the bench, getting the crowd going and contributing numbers when you need them.

And of course, unlike Michael Jordan or Larry Bird, it's unlikely that print will ever fully retire, especially as we learn increasingly of the sustainability values that renewable materials can bring.

In this respect media change really becomes about continuity,

> Media change really becomes about continuity and reinvesting the profits of yesterday into the growth areas of tomorrow

and as we have seen, reinvesting the profits of yesterday into the growth areas of tomorrow.

Subscriptions represent a particularly healthy way of doing this, because they arguably provide more stable and controllable forms of revenue than other sources.

But of course, as previously stated, advertising should not be forgotten. And indeed, with the cookiepocalypse looming, and high quality, first-party data environments coming back into fashion amongst brands, there are huge opportunities for success across the revenue streams, if only they are balanced in the right way.

What's abundantly clear today is that the industry stands at one of the strongest points we have found it in, since the birth of Google in 1998.

And with so many options – and opportunities – now available to media owners in terms of how they package and position their content it's fair to say that profits on the roundabouts no longer necessarily mean losses on the swings.

It makes sense to have your digital platform as a guard and print coming off the bench

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