Digital subscriptions briefing

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Almost as many people pay for news as do for apps

What content did you pay online for last year?

- Video: 23%
- Audio: 16%
- Mobile apps: 15%
- Laptop/desktop software: 15%
- Online news: 13%
- Games: 11%
- e-Books: 10%
- A non-news website: 4%
- Premium non-news content: 4%

Survey in 36 countries, N=71,805
The more people watch Netflix or listen to Spotify, the more people in that country pay for online news.
The state of paywalls
Every third nationwide news outlet has a paywall
But users enjoy access to free alternatives everywhere

% nationwide online news outlets charging for content

N=493 national outlets with the highest reach in 32 markets, May 2018. Source: author’s study
Most popular sampling models in 32 countries

"Hard" + "Trials"
Limited by time **8%**

"Meter"
Limited by volume **12%**

N=131 national outlets with the highest reach in 32 markets, May 2018. Source: author’s study
Most popular sampling models in 32 countries

"Freemium" Limited by features 77%

incl. "Hybrid" Limited by volume + features

N=131 national outlets with the highest reach in 32 markets, May 2018. Source: author’s study
Most popular sampling models in 32 countries

"Dynamic" Limited by the users’ attributes 2%

"Supported" Members sponsor others 2%

N=131 national outlets with the highest reach in 32 markets, May 2018. Source: author’s study
Why do people pay for news content online?

Is it quality? Is it exclusivity? A good deal?

Convenience? Mission? Gifts, etc.?
“News you pay is better than free”

“It allows me to access news from my smartphone or tablet”

“I was offered a good deal”

“I like to have access to information most people do not”

“News you pay is better than free”

“There are benefits from membership other than news access”

“I want to help fund journalism”

Netflix, Spotify shape user expectations about online content but news publishers are slow to follow

Logic of paid packages for 132 outlets in 32 countries vs. logic of online video and audio services

93%

Differentiate basic and premium packages by distribution devices or formats

N=131 national outlets with the highest reach in 32 markets, May 2018. Source: author’s study
How to grow?
Why do people buy news content online? Use frequency & volume are the best predictors of sales

Engagement Score = Recency (Time from the last visit) × Frequency (Number of visits in past month) × Volume (Number of articles read in past month)

The higher engagement, the higher likelihood of subscribing
The higher engagement, the lower likelihood of churn

Source: Simplified conversion & churn prediction model of Financial Times as of 2018
How to make people loyal?
60% visitors don’t return the next week

Engagement funnel of The New York Times

- Find and attract (content sampled)
- Increase frequency (more days visited)
- Increase depth (more pages viewed)
- Increase breadth (more topics, sections viewed)

The more engaged, the more likely to subscribe

Simplified engagement funnel based on the NY Times corporate presentation from 2017. Data based on a sample of 500 news websites. Data from Chartbeat. Source: study of the author & S. Song
News websites that enjoy more loyal users, see more direct visits and less from social media

Based on a sample of 500 news websites with the highest volume of page views in the Chartbeat client network. Data from Chartbeat, May 2018. Source: study by the author and S. Song
**Meter vs. Freemium**

Who’s a subscriber?

Users caught by meter churn at lower levels because the paywall filtered loyal users.

Users lured by single articles churn at higher levels because they are not loyal users yet.

% of visitors

number of page views per visitor per month

Source: analysis by the author
Business case for hybrid models
After one converts fans & heavy users, one needs to attract segments by interest

Adoption curve of the subscription service by different segments

Inspired by new technology adoption curve as defined by: Moore, “Crossing the Chasm”, 1991
Development of the NY Times’ digital bundle

Analysis by the author. Data from the financial report of New York Times Co. for 1Q 2018

- Fans: 2,330k Subscribers of news product
- Heavy users: 453k Crossword & Cooking
- Pragmatists: Hard for new verticals
Responsive paywalls What happens when a subscriber becomes a sleeper?

Only 1 outlet noticed a change in behaviour in an ethnographic study of 45 customer journeys.

Data collected in February-June 2018. Source: study by the author.
How to differentiate?
Uber kills taxis. Why does Airbnb kill no hotels?

Uber & LA: in 3 years taxi rides down up to 42%

Airbnb & Austin: in 5 years hotel nights down 10%

Source: Los Angeles Department of Transportation; Zervas, Proserpio, Byers 2016
How to differentiate? Align the core product to subscribers or loyal users, and not other visitors.

Visits to news websites worldwide in 2017, by source:

- Direct: 37%
- "Dark social": 17%
- "Facebook": 13%
- "Google": 22%
- Everything else: 11%

Visitors coming directly or through e-mail & notifications are likely more loyal.

Sample of 5,000 sites. Source: Chartbeat 2017
### Drivers of differentiation

Newsrooms discover that heavy users have different interests than flybys.

<table>
<thead>
<tr>
<th>Most popular topics in Aftenposten in 11/2016 (for subscribers)</th>
<th>Most popular topics in Der Spiegel in 2/2017 (for subscribers)</th>
<th>Most popular topics in Gazeta Wyborcza in 6/2017 (for subscribers)</th>
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<td>Love</td>
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<td>Foreign news</td>
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<td>Crime</td>
<td>Science news</td>
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Source: Aftonbladet 2016, Der Spiegel, Gazeta Wyborcza 2017
Total User Value is the new metric
90k heavy users (2%) bring 86% of the Boston Globe’s $40m digital revenue (subs + ads)

Source: Boston Globe 2017