

# MPP Global Solutions

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## Emerging Models in Paid Content

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## Emerging Models in Paid Content

The way in which people consume news content has changed drastically in the last few years, largely thanks to the general pace of life and the way in which technological advances have made it easier and more convenient than ever to have news at the click of a button.

This shift in consumer habits has meant a rise in people getting their news and related content through new platforms, which has subsequently driven a decline in traditional print revenues, leaving publishers needing to move towards new strategies. A report earlier this year from the American Enterprise Institute stated that US print revenues have declined by 50 per cent in just five years, now sitting at their lowest point since 1950.<sup>1</sup>

Paid content strategies have become more prevalent as a result of this, wherein publishers charge consumers to view digital content, allowing them to provide high quality content through digital media while retaining revenues.

Paid content models have now become so popular with publishers that more than two-thirds in the US and over half in the UK are employing them, and it is a similar story across the world.

The UK provides a good example of just how important these are, with a recent report from Ofcom<sup>2</sup> stating that digital news consumption has overtaken print for the first time. As of June 2014, the number of people using websites and apps for news reached 41%, up from 32% a year prior, while the volume reading newspapers remained static at 40%.

In recent years, the rise of mobile technology, and the customer's preference for these channels have been a particularly strong driver behind the growth of paid content strategies. In the past year, Audiweb<sup>3</sup> recently reported, mobile consumption accounted for 15% of all news, with smartphones up 7% and tablet use up by 113%.

## A Customer-first Approach

There can be little doubt that the change in strategies from publishers is in response to customer demand. As growing numbers migrate to the web to seek out news, it makes sense for publishers to monetise their digital content.

To make a success of this, though, it's vital that companies are taking a customer-first approach. Giving people what they want and need is the soundest strategy for achieving success in paid content. If publishers take a long-term approach of targeting customers on a personal level, they have a much higher chance of sustained profits.

Converting readers into subscribers, which is the primary challenge most publishers now say they face according to a recent poll from MPP Global Solutions, builds up a level of brand loyalty, which leads to a far lower churn rate, which in turn enables a strong recurring revenue stream and the chance to launch new products and services to loyal customers.

So why are successful paid content strategies needed so desperately in the current market?

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<sup>1</sup> Creative destruction: Newspaper ad revenue continued its precipitous free fall in 2013, and it's probably not over yet., American Enterprise Institute, April 25<sup>th</sup> 2014

<http://www.aei-ideas.org/2014/04/creative-destruction-2013-newspaper-ad-revenue-continued-its-precipitous-free-fall-and-its-probably-not-over-yet/>

<sup>2</sup> News Consumption in the UK, Ofcom, June 25<sup>th</sup> 2014

[http://stakeholders.ofcom.org.uk/binaries/research/tv-research/news/2014/Ofcom\\_News\\_Report\\_2014\\_slides.pdf](http://stakeholders.ofcom.org.uk/binaries/research/tv-research/news/2014/Ofcom_News_Report_2014_slides.pdf)

<sup>3</sup> 'Intense' Social and Mobile Interaction Drives Change in Digital News, MPP Global, August 4<sup>th</sup> 2014

<http://www.mppglobal.com/us/ecommerce-payment-gateways-news/'intense'-social-and-mobile-interaction-drives-change-in-digital-news.aspx>

It's largely down to the decline in the print market, which is evidenced by some of the UK's largest newspapers.

What this means, of course, is that new long-term sources of revenue are needed, and this is achieved through the generation of a loyal customer base. Brand loyalty can be improved by giving customers what they want and when they want it.

This assists conversion rates and aids the turning of users into paid subscribers. It's all about knowing what drives people to subscribe - be it offers, premium content or any other factor - and making use of this data.

Being fresh and exciting is key to the success of any paid content strategy. Publishers have to be able to excite and engage their customers to convert them into subscribers and keep them on board. So how is this done?

The use of data in order to provide in-depth analysis of customer behaviour and information is an important factor. Customer data has become essentially a digital currency to publishers, allowing them to use information to target their audience more effectively and deliver marketing campaigns and new products or services and offers to the right audience at the right time and in the right way.

Most important, though, is keeping the customer happy. Subscribers want high-quality content, a seamless user experience free from roadblocks and barriers and a personal approach to what they consume. By keeping their focus on the customer in these ways, publishers can greatly improve retention.

## The Business Model

The key to success with a customer-first mindset is getting the business model right for each company. An effective business model will answer these vital questions - who are the customers and what do they value? And how can we deliver this at an affordable cost?

For any business, brand recognition is also important. It's vital that customers know who you are and what you stand for as a brand, as well as understanding that you know who they are and what they want from their dealing with you.

To create a successful business model, there are a number of different key factors that need to be considered. These include:

- Keeping an eye on audiences and their willingness to pay for products and services other than the core so you know what you can pitch to them and when
- Delivering continuity and retaining a consistent message and strategy so customers do not become confused.

The latter of these is particularly important when it comes to the user interface that customers are interacting with, because it assists greatly with brand loyalty and the generation of a longer relationship.

## Current and Emerging Models

A paid content strategy is not just a single approach. There are a number of current and emerging strategies employed by a range of publishers across the world, all of which can be seen to be successful in their own ways.

### Paywalls

Paywalls are the 'core' of paid content, and are really where it all began. These are essentially a 'block' on viewing content that requires payment to bypass.

There are two main types of paywall:

#### *Hard paywall*

The first is a hard paywall, which was originally associated with the Times. This kind of paywall blocks out all content until someone subscribes.

#### *Metered paywall*

A more modern approach is the metered paywall, which takes a different tactic. Publishers allow customers to view a specified amount of content before they are met with a wall. This is a more flexible option that offers huge control to publishers on how much and which content they wish to grant free access to before a reader subscribes.

Other kinds of paywall include freemium, where only premium content is behind the wall, and the vast majority of content is still free to view, and iTunes style approach, called micropayments, where people sign up but pay on an article-by-article basis as opposed to subscribing.

Over the years, the attitude towards paywalls across the world has gone through a large change. At first they were seen as somewhat taboo, with customers ready to reject the idea of paying for something that they were previously able to access for free.

However, in recent years, as more and more people become comfortable with paying for goods and services via the internet, the sentiment towards paywalls has softened considerably. When this is coupled with better marketing and an understanding of what customers want and will pay for, it has led to paywalls being much more common, and 40% of publishers now make use of them.

While these paywall models form the foundations of any paid content strategy, though, there are now also a growing number of emerging models for customisation of subscription options. So which of these are we seeing as being successful now?

### **Offers and free trials**

Offers and free trials are the most common strategy in this sphere. These allow you to promote yourself to the customer, either by giving them something free to try for a certain period of time, or giving them money off a subscription. It helps to improve brand loyalty, enables greater engagement opportunities and can offer something that presents better value for money.

### **In-app subscriptions**

In-app subscriptions are also becoming more important as more consumers use these to source their news content. The tablet marketplace is growing at 400% per year, so it's not hard to see why this is a preferred tactic for publishers.

This focuses on people's engagement with technology and where they look for their news. The most effective way to utilise this strategy is to make apps available for free downloads, before customers purchase a subscription thereafter to access content.

### **Bundling**

In a bid to break down barriers to access, another tactic that has become more common is for companies to make use of bundling, which offers one account, one subscription, but on multiple devices. There are instant upsell opportunities, it offers better personalisation and customisation for a reader.

### **Rewards and loyalty schemes**

The final emerging model that we are seeing more and more often now is that of rewards schemes. These schemes are incredibly effective when implemented properly because they make people feel like they are part of an exclusive club, which is fantastic for building brand loyalty.

Rewards and loyalty schemes work best in niche marketplaces, where the idea of being a part of something is an important thing for customers.

### **Beyond the Wall**

While there are a number of different strategies for paid content that are either currently widely in use or are starting to emerge, what do we see beyond the paywall? What is the future of paid content?

#### *Datawall*

One strategy is to look towards a datawall rather than a paywall. Customer data is big money for analysts working in advertising and marketing, and this strategy can be utilised in charging customers via information rather than money.

Rather than asking people to pay, content is provided for socio-economic information. This helps get a tighter grip on the digital audience to shape future strategies, as well as being able to generate revenue through third-party advertisers.

#### *Sharewall*

Another upcoming strategy could see publishers exploit the rise of social media. The fact is that the vast majority of people will use social media at some point, which publishers could use to their advantage.

A sharewall would again replace the need for customers to pay, and instead would enable them to earn credits to spend on articles through sharing certain things through social media. Not only does it incentivise the customer to engage and share freely, but it also allows the publisher to reach an all-new customer base.

#### *Post-paywall*

The final new strategy we see moving forward is one that has already started to make its way into testing at certain publishers, although no one has yet taken it live – the post-paywall. This is similar to a paywall in that customers can first see a number of articles free.

However, after this, they are asked to create a payment account, and they are charged for a block of five articles at a time. This is a hybrid of micropayments and a subscription, and allows the customer a better level of control over their payments. It is likely to be the next big step in paid content strategies.

## **Success Stories**

Some of the most successful paid content strategies across the world are those which have unique attributes that allow them to stand out. So where are the success stories currently being seen in paid digital content?

In the UK, two of the best examples of strategies that are seeing real success are the Telegraph and the Daily Mail.

### **The Telegraph**

The Telegraph has managed to see its operating profits rise to £60 million<sup>4</sup>, largely due to the robustness of its paywall. The focus from the publication was on security, and it has managed to create a meter that is not easily defeated or bypassed. People cannot merely clear their cache or change browsers if they want to continue viewing content, meaning that those who

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<sup>4</sup> Telegraph Media Group 'reaping rewards' of metered paywall with operating profit up to £60m, according to reports, The Drum, January 12<sup>th</sup> 2014

<http://www.thedrum.com/news/2014/01/12/telegraph-media-group-reaping-rewards-metered-paywall-operating-profit-60m-according>

really want to read must pay. This has been credited as one of the cornerstones of the Telegraph's success.

### **The Daily Mail**

At the Daily Mail, the freemium paywall has been successful for a different reason altogether. At the height of its performance, the website was seeing up to 15,000 subscribers a day<sup>5</sup>, with this being credited to the fact it knows its audience better than anyone else.

By knowing its audience and what they want, the publication has created a brand that customers are extremely loyal to, and will come back to time and again, making them far more likely to become paying subscribers.

## **Paid Content Around the Globe**

Elsewhere, different nations worldwide are adapting to the rise of paid content strategies in different ways.

For example, in Scandinavian countries, there has been little resistance to the rise of paywalls, and companies therein saw little drop in revenues or subscriber numbers as their customers were happy to pay. On the flipside, French and south-western European readers have been much more reluctant, which means that newspapers therein such as L'Équipe have had to create innovative and groundbreaking strategies that are more enticing.

When it comes to European nations, however, Germany has been the real trendsetter. Paywalls are still being used readily and bundling of print and digital products are driving strong revenue results.

Success in Germany comes from how publishers bundle print and digital and how they use multi-level paywalls, which are testament to the use of data and analysis and how knowing customers can help shape a strategy to get the desired results.

One particular success story in Germany is the popular newspaper Bild. Its sports league app saw 150,000 subscribers in the first year while focused only on the German basketball league, targeting niches such as sports teams, which has proven a very successful content monetisation model.

## **Making Paid Content Work for You**

To make a paid content strategy work for your business, there are a number of key considerations that need to be made. By remembering all of these factors, you can ensure that you have the best chance of success, whatever your actual tactic happens to be.

### *Remain flexible and adaptable*

This is one of the most important factors of all. Being able to keep one eye on your customers and what they want and need allows you to react to changes and evolve your business model in order to take these into account, giving you a better chance of retention in the long term.

Adaptability will also come into play when it comes to dealing with your tactics themselves. The industry changes, and if you have a strategy that is able to be changed and evolved to suit the new ways the industry works, then your chance of success is maximised. Remember, while something may work well right now, it may not necessarily be that way forever.

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<sup>5</sup> Sales of Daily Mail Plus tablet edition grow to 15,000 per day, Press Gazette, October 11<sup>th</sup> 2013

<http://www.pressgazette.co.uk/sales-daily-mails-plus-ipad-edition-grow-15000-day>

### *Know your limitations*

This is also an important issue to address. It's all well and good to look at bringing in a paid content model, but do you have the people and skills needed to do so, and does your technology hold up to the demands that taking on this sort of strategy will bring?

If not, you should look at the way other companies can help. Legacy platforms, for example, need to be addressed, and if your website is not up to scratch, or you don't have back-end management facilities to cope with marketing and subscriptions, working with someone who knows how to address this is key.

### *Clearly define your focus*

As a publisher, it's also vital that you clearly define your focus. A strategy can only be a good strategy if everyone knows what it is setting out to achieve.

For example, if you are offering purely desktop services, then make sure this is a consistent focus. If multi-platform is your key goal, then again, this needs to be a focus throughout. By defining your focus, you allow for consistency in brand messaging and marketing, which will have a great impact on brand loyalty for customers.

### *One size does not fit all*

And finally, never follow the crowd. Remember that one size simply does not fit all. Just because someone else has had a great level of success with a certain strategy, it doesn't mean that you will automatically see similar results.

You need to know your own business and your audience. Are you a local or national publication? How large is your audience? Are they affluent? What are they likely to want to pay for?

Once you can answer these questions, you can form your own unique paid content strategy with the best chance of success in the long run.

## **To continue the debate**



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