

MPP Global Solutions

**Shaping The Future:
How Some Newspapers
Are Leading The Way**

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Shaping The Future:

How Some Newspapers Are Leading The Way

When it took half a village to move a printing press, no one was considering a day when words on paper would be, if not obsolete, then an afterthought – a beautiful, organic but dead art. The words are fine; words and ideas will always survive. The issue is the paper. Like it or not, the future is paperless and with the rapid development of the 24 hour news cycle and the digital consumption of news content, newspapers are in a tenuous situation. What then, are they to do? Exist in continuing states of denial as their numbers turn from black into red? Some may try but those on the leading edge have concluded that the only way to maintain profitability is to search for effective means to monetise digital content.

Until very recently, the means that most, if not all publishers employed to offer their content to readers online was to simply give it to them. Give it to them and hope that there would be enough site visits to generate advertising revenue. This, however, has been exposed as a mug's game; the value that once was thought to exist in such advertising just is not there. What prescient and innovative publishers and advertisers alike have learned is revenue and loyal customers exist beyond a paywall. What used to be a dirty word has become the final word: paid content.

Paid Content is No Longer a Trend: It's Here to Stay

The number of providers experimenting with paid content amongst the publishing industry exploded in the last year. Experimenting is the operative word here; the various payment solutions and paywall offerings are not a one-size-fits-all proposition. Like any innovation, there is trial and error and what was once a hard, gated paywall world with no content available without payment has now realigned into a softer, metered paywall, where readers are enticed with a significant look at the content available to subscribers.

In the United States, since the New York Times instituted its metered paywall two years ago, over four hundred daily newspapers have moved to payment online for content; unrestricted access to their digital content is no longer free. Based solely on data provided by The Times and Financial Times, over 500,000 people in the UK are paying for digital subscriptions¹. This response to sluggish advertising revenues was decisive and in many instances, individual publishers developed their own models and solutions. The most impactful statement from the newspaper industry has been that news content has value and should be considered premium content. Newspapers opening their pages online for free are behind us. Newspaper content must have equal value regardless of the platform.

Page Views Don't Hurt Revenues

When a paywall goes up on a site page views most certainly will drop by between 5% and 40%, paid content, however, quickly covers the lost ad revenue. Almost all publishers experience a glut of content pages in relation to the number of ads they have to display; the idea that the amount of revenue lost from the pay-per-click model is somehow insurmountable is erroneous. To date, there is no known case of a site experiencing a net revenue loss from moving to a paywall as a payment solution, regardless of the percentage of page views lost. Beyond building a digital subscriber base, newspapers also experience an uptick in the number of print subscribers. Consumers respond to quality content. The move to paywalls creates a revenue stream that makes good journalism possible. Simultaneously, monetising digital content creates an imperative to make journalism of high enough quality to inspire someone to pay for it.

¹ Digital Strategies Media Briefing, 2013

Loyal Readers Are Loyal Readers

Loyal customers are the biggest supporters of paid online content and they will support efforts to charge because they want the newspaper to succeed. Understanding what customers want allows for a customisable paywall with specialised price plans. Offering such client-specific improvements strengthen customer relationships. There has been a great deal learned about online subscribers versus non-subscribers. Subscribers spend 180% more time on the site in comparison to non-subscribers. Subscribers have proven themselves committed and voracious consumers of news content. Their loyalty is intimately connected to the quality of their chosen brand.

Paywalls are a Means not an End

The benefits to paywalls are numerable but none of them can be fully realised without adhering to the mantra that paywalls are simply the means, not the end. The end, of course, is subscriber revenue, new streams of advertising revenue and a more concrete understanding of the customer base. Ensuring the paywall is not leaky, that readers are able to access content anywhere on their mobile, tablet or PC with fluidity is key to making the site more attractive to advertisers and customers. Advertisers find paid content sites more valuable. Customers have chosen the brand deliberately, with forethought and intent. The statement is definitive; the customer wants the content and there is a connection with the brand. Therefore, they are open to ads with a different intensity. Furthermore, the subscriber base becomes more local and quantifiable leading to a better understanding of who they are and what they see of the site. This affords advertisers the ability to target the users with greater specificity. Advertisers are also attracted to subscribers because they often have more disposable income. Digital publishers can only leverage these advantages to advertisers if they have great content.

Satisfying Consumer Demand

With great content, paywalls also lead to improved reader comments and a more vibrant overall brand-based social media experience. It is a short leap from the online site to the twitter feed to the Facebook page. When it comes to the customer, the digital publisher must embrace the idea of giving the subscriber more. They want the ability to make changes to accounts or subscriptions instantly. The modern digital user is not prepared to accept gradations of performance depending on the platform. They want a bespoke experience that has considered them in advance. Making content ubiquitous is the key to driving user take-up. For this to occur, payments and entitlements must be centralised for a multichannel customer. The benefits to the publisher are equally enticing. The potential for journalists, columnists and guest editors to have extended and evolving relationships with their readership leads to deeper brand loyalty and opens the doors to new styles of online storytelling based in the dialogue established between writer and readership via twitter feeds, posted comments responded to by the writer, and various other social media offerings.

Offers and Incentives are King

A publisher must take advantage of paywalls by offering subscribers opportunities to pay more. With a consumer already on board for the base services with an active online payment account, the publisher can easily cross-promote other services or subscriptions with one click of the mouse by the customer. These promotions should be significant to your subscriber. The value inherent in their subscription increases significantly if it also offers extended benefits and discounts. Publishers may also offer free digital versions to print subscriber as a customer-retention tool.

Protect Content

Protecting content with a metered access paywall maintains the content's value while not cutting the site off from being available to new potential subscribers. The metered paywall allows non-customers to have a casual but pleasurable experience with the site but also identifies those who are using the site to a degree that indicates they are excellent candidates to be offered a subscription prompt. Their re-visits demonstrating the value they find in the brand. The metered approach ensures the site maintains traffic high enough to satisfy all advertisers while still extracting direct revenue out of the readership who have the greatest need or want for the content.

Industry Leaders

The Times

In the two years since The Times launched its hard paywall in July 2010, the number of digital subscribers is nearly 300,000 and has resulted in a tangible increase in ad revenue. The hard paywall initially allowed virtually no access without subscription. As a response to the constantly changing world of e-commerce solutions, the summer of 2012 saw a slight softening of The Times paywall when the site began to allow headlines and excerpts to show on Google for the first time since spring 2010. It will be interesting to study online data from The Times over the next year or two to understand what the potential shift from gated to metered paywalls means for an established publishing leader.

The New York Times

The New York Times have been the vanguard in the metered paywall. What was initially established as a twenty article paywall for non-subscribers has been shifted to ten articles. When the non-subscriber has reached the tenth article, a pop-up appears encouraging the reader to subscribe to experience what the entire site has to offer. The newspaper discovered that twenty was too high to be effective at converting readers into subscribers whereas ten met with much greater success. There are over 600,000 customers getting unlimited access to the New York Times website and mobile apps for a price ranging between fifteen dollars and thirty-five dollars a month.

For the first time in the history of the New York Times the circulation revenue surpassed advertising revenue. A boost of 7.4% year on year to circulation revenues to over 200 million has resulted. From the implementation of the payment plan, the paper has seen digital revenue growth; according to the Guardian, the New York Times collects an average of about 5000 new subscribers a week.²

The metered system has quickly taken hold as the go-to option when deciding on what type of paywall to employ. There is no denying the hard numbers that the New York Times has generated. It provides an excellent example of a publisher learning, adapting and thus improving – using the paywall as a means to a profitable end.

² The New York Times Company, 2012

The Telegraph

The Telegraph has a unique set-up; currently, the Telegraph doesn't have a paywall of any sort in the UK. The international market, however, has been governed by a generously metered paywall. It allows international readers access to twenty articles before offering monthly subscriptions for less than two pounds. This puts a premium on the message that the Telegraph online is not a closed to non-subscribers. Overseas subscribers offer less opportunity to generate ad revenue and are not potential print subscribers. The benefit of a soft paywall for this market then is to gather important data to aid; it seems, in the development of an eventual metered paywall approach for the domestic market.

Summary

As the above examples illustrate, newspaper publishers are convinced that paywalls are the future of online publishing. Accepting the realities of digital ad revenues has, perhaps forced the industry's hand but to surprisingly strong results. It has illuminated new streams of ad revenue and given newspapers added leverage when negotiating with advertisers. Not to mention that newspapers are relevant again to the modern reader and will continue to be relevant as long as they exercise best practices when delivering paywalls.

Remembering that content is everything; users must feel valued and have content that lives up to their expectations. Digital publishers also need to be conscious to differentiate their content from each other's - being specific in their branding. Furthermore, understanding a metered paywall over a hard paywall is the wisest choice based on existing information of user habits is vital. Once the paywall is established, publishers must take steps to make the paywall secure, avoiding the pitfalls of leaky paywalls that undermine profits and impact on the brands reputation.

The future of newspapers is mobile, fluid, digital and protected by metered paywalls. Those that strive to satisfy their readers with innovative new methods of monetising digital content will always exist on the leading edge.

To continue the debate



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