An Introduction to Utilizing Benchmark Data

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Our clients frequently ask us the following question: *"How is my company performing relative to similar companies?"* Benchmarking is an effective tool for organizations, and this article is an introduction to audience benchmarks for the news media industry. We hope this piece will spark further interest in benchmarking analysis, as well as provide a foundation for its proper use.

Below is a sample of aggregated print subscription benchmarking data, an explanation of these benchmarks, suggestions on how to utilize benchmarking data, and a summary of benchmark comparison shortcomings.

Region	Avg. Rate	Avg. 7D Rate	Avg. MBP Price Increase	Avg. Control Stop Rate	Avg. Inc. Stop Rate	Avg. Rev. Change YoY	Avg. Subs. Change YoY
NORTHEAST	$6.06	$7.38	15.98%	7.88%	1.27%	-3.63%	-6.90%
MIDWEST	$4.71	$6.13	13.77%	7.10%	1.48%	-3.89%	-5.65%
SOUTH	$4.13	$4.90	16.28%	9.93%	2.04%	-3.51%	-8.91%
WEST	$3.61	$4.54	18.52%	10.12%	1.78%	-5.57%	-7.47%
Division							
NEW ENGLAND	$6.93	$8.88	19.71%	10.45%	0.85%	-3.30%	-6.42%
MID ATLANTIC	$5.65	$6.63	14.20%	6.54%	1.42%	-3.79%	-7.13%
EAST NORTH CENTRAL	$5.35	$6.43	13.67%	6.82%	1.21%	-3.55%	-5.24%
WEST NORTH CENTRAL	$3.69	$5.31	13.92%	7.45%	1.80%	-4.45%	-6.30%
SOUTH ATLANTIC	$4.01	$4.61	16.78%	10.54%	2.35%	-3.03%	-9.09%
EAST SOUTH CENTRAL	$4.37	$5.39	13.84%	7.85%	1.51%	-4.49%	-9.13%
WEST SOUTH CENTRAL	$4.26	$5.26	16.73%	9.84%	1.69%	-3.95%	-8.39%
MOUNTAIN	$2.83	$3.76	16.54%	10.73%	1.38%	-3.10%	-4.98%
PACIFIC	$4.03	$4.97	19.61%	9.83%	1.98%	-6.92%	-8.82%
Size							
000-025K	$3.98	$4.81	14.91%	8.69%	1.81%	-3.87%	-7.58%
026-050K	$5.88	$6.11	19.26%	8.71%	1.65%	-6.01%	-7.76%
051-100K	$5.35	$6.48	19.93%	11.77%	1.67%	-3.01%	-5.87%
101-200K	$6.04	$8.55	18.86%	8.83%	1.20%	-5.95%	-8.06%
201K+	$3.00	$4.19	21.19%	11.28%	3.71%	-1.37%	-2.79%
Overall	**$4.52**	**$5.54**	**16.40%**	**9.07%**	**1.75%**	**-4.21%**	**-7.38%**

National Average Rate $4.52; National Average 7-Day Rate $5.54
(Actual net-prices paid by customer)

The Metrics

The following are descriptions of the benchmarking metrics included in the table above:

- **Average MBP Price Increase:** the average MBP gross percent increase, determined per region/division (each client determines their market increase).
    - ***Market Based Pricing (MBP):*** *one of the flagship products at Mather Economics, which uses subscriber information to determine optimal renewal price points in order to increase revenue and reduce stops.*
- **Average Control Stop Rate**: the average stop rate of the MBP sample control group.
- **Average Incremental Stop Rate:** the difference in stop rates between the subscribers who receive MBP increases and the control subscribers who do not. (*This is one of the primary metrics used by Mather to determine the effectiveness of the MBP program.*)
- **Average Revenue Change YoY and Average Subs Change YoY**: these metrics measure the percent changes from the beginning of 2016 to the beginning of 2017 (year-over-year).

Utilizing Benchmark Data

The purpose of benchmarking data is to inform business strategy, not to set universal targets. When evaluating benchmark data, the first step is to determine your end-game. Are you looking to minimize stop loss or maximize revenue? To what degree are you willing to sacrifice your subscriber count to increase your short-term revenue? What are the key performance indicators (KPIs) by which you measure the success or failure of your end-game?

As an example, let's assume that we are a South Atlantic Division publication whose average rate is $3.20 and average MBP percent increase is 10%. Let's further assume that our customers are especially price-sensitive and that last year we suffered a dramatic decline in our subscriber base. The first thing we notice from the benchmark data is that our average rate, and average percent increase, are below the division's mean. Perhaps our first instinct is to boost our percent increase to 16.8% to match the division's average, but is that the correct choice? In this scenario, based on this data, we would not recommend this price increase as the optimal strategy.

We'd suggest the best strategy is to maintain a moderate average increase, since our priority is subscriber retention. Instead, it would be wise to utilize a different strategy, perhaps by increasing our acquisition rates or the sophistication of our retention efforts. We extract maximum value from the benchmark comparison by utilizing the data as a 'guide/tool,' in combination with our end goal, to make strategic and informed decisions, rather than directly translating the numbers into performance goals.

Shortcomings of Benchmarks

While these benchmarks are a great tool to inform business strategy, they don't give us the whole picture. As an example, the table above shows that in the South Region we see the largest decrease in subscriber counts in the most price-sensitive region. By looking at these metrics, we may assume that they should be given the lowest percent increases. However, we also see that they have the smallest decrease in revenue over the past year. These benchmarks do not tell us what is driving this combination of characteristics. Are they losing the least profitable subscribers? Are they acquiring subscribers at higher rates?

Benchmarks do not tell us the answer, but they do lead us to ask the right questions.