WHAT'S YOUR DIGITAL ROI?

Is a paywall right for you?

WEBINAR

March 28, 2018

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www.mathereconomics.com

AGENDA

1

Welcome, Introduction

2

Industry Challenges

3

Opportunity Assessment

4

Making the Decision to Launch (or not to)

5

Q&A Session

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INTRODUCTIONS

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PRESENTERS

Arvid Tchivzhel
Director, Product Development &
Data Science Services

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Jim Gorman
Director of Circulation
Sales/Audience

PHILADELPHIA MEDIA NETWORK
The Inquirer DAILY NEWS philly●com

Todd Hodgson
Director of Product Management

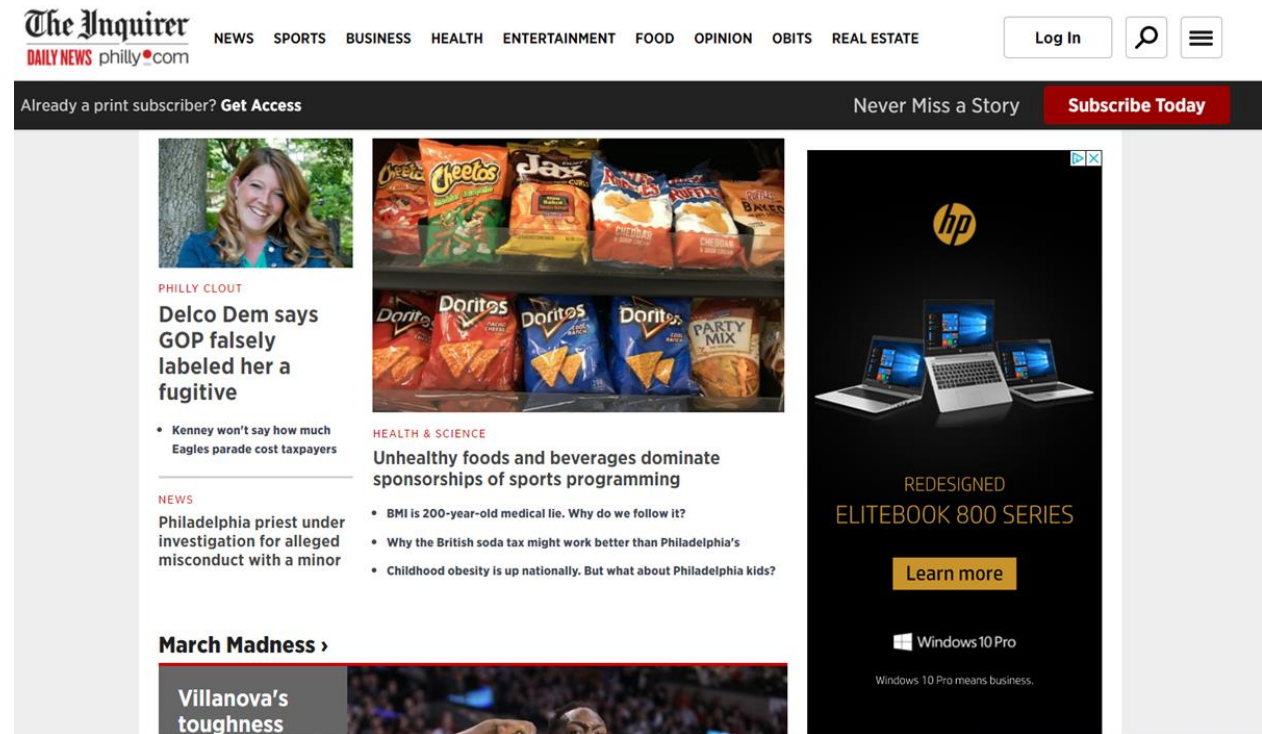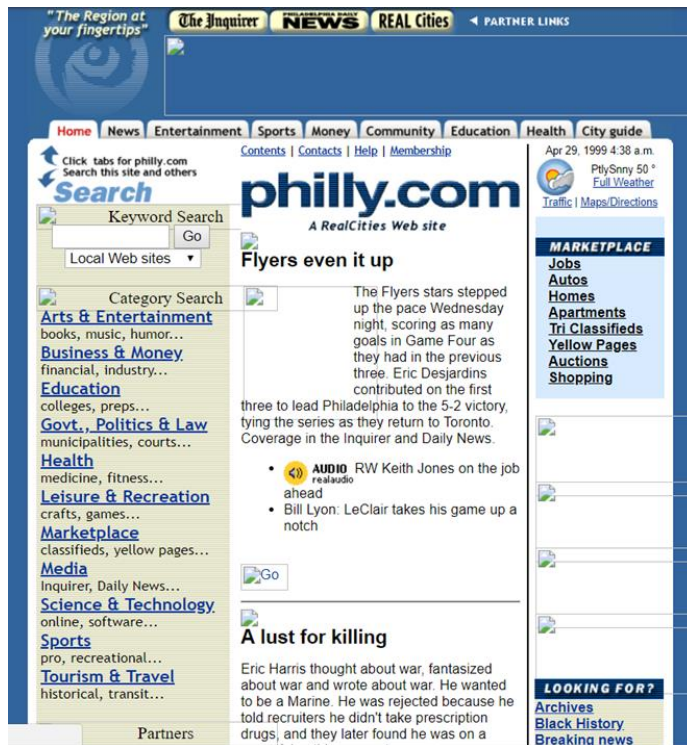Outside

INDUSTRY CHALLENGES

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INDUSTRY CHALLENGES

- Digital ad revenue not growing fast enough
  - Low CPMs, ad blocking, unmonetized users
- Print subs declining
- Balancing digital subscription revenue with ad revenue
- Value proposition and content production

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PHILLY'S JOURNEY

- Philly.com launched in 1998 and was a free site until September 2017

- Previous attempts to monetize digital content Inquirer.com DailyNews.com

- 3 separate competing newsrooms merged into one in the Fall of 2015
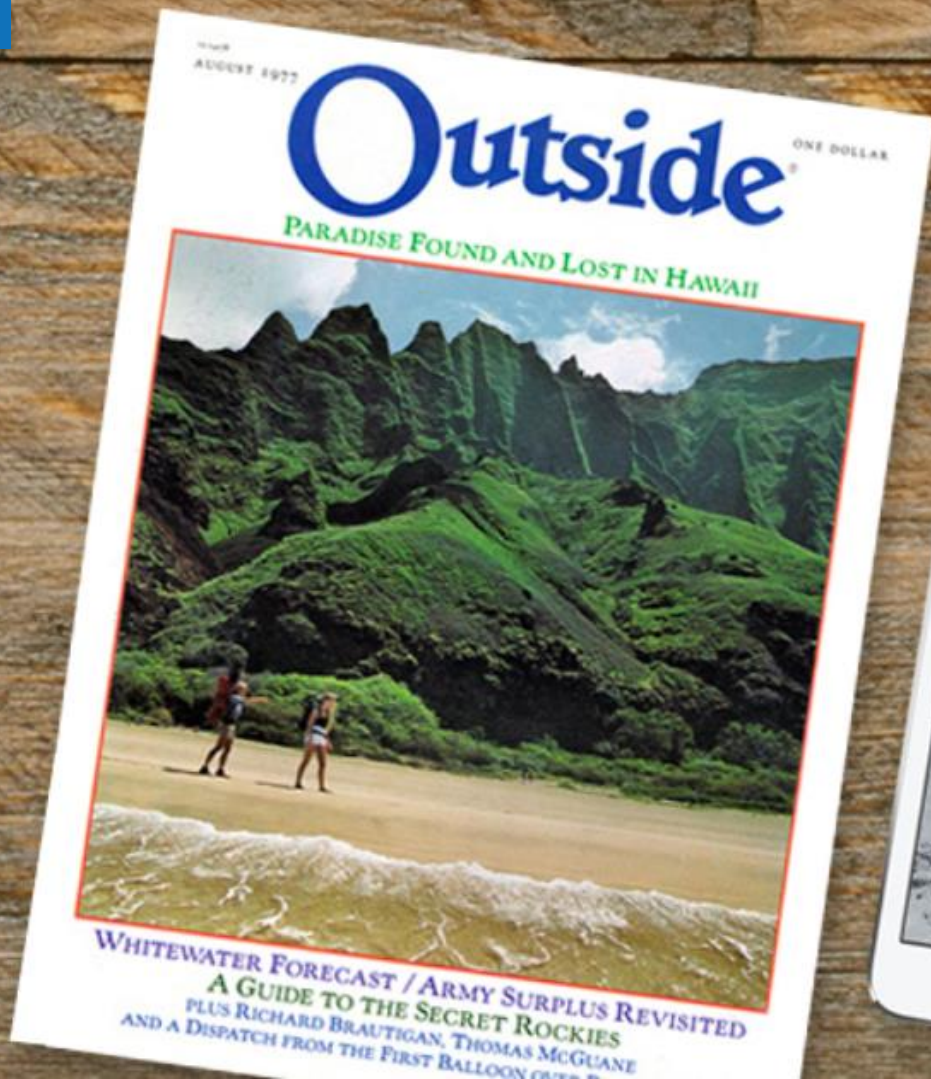
OUTSIDE MAGAZINE'S JOURNEY

1977

2017

PRINT CIRCULATION: 700,000

2017 AVERAGE VISITS: 5.7 M

2017 AVERAGE UNIQUES: 3.5 M

PAYWALL UPDATE?

Learning from the New Yorker, Wired's new paywall aims to build a more "stable financial future"

"People who have studied the information age at this point recognize that there were a bunch of problems and side effects to the fact that people weren't asked to pay for content in the early years of the internet."

Okay, if Facebook and Google aren't publishers: How about editors?

WALL?

$50 PER YEAR

FOMO

mu media update

How *The Wall Street Journal*, is u... paywall to find subscribers

Paywalls are the bedrock of the online subscription publication, *The Wall Street Journal* is taking pay... having their paywall react to readers' browsing h... gathered reader data to target those most likely t...

WE NEED TO TALK ABOUT THE PAYWALL

recode   TRENDING   TOPICS   WRITERS   MORE

We cook, you celebrate. Reserve your Passover meal today.

PODCASTS   MEDIA   ADVERTISING

Paywalls make content better, Wired editor Nick Thompson says

Wired's wall goes up today: Four free clicks, then $20 a year.

WHAT ABOUT US??

We cook, you celebrate. Reserve your Easter meal tod...

DECISION MAKING PROCESS

PRE-DECISION

- Will people pay for content?
- What price should I set?
- Am I going to lose all my ad revenue?
- Who among my audience is going to pay for content?
- What is my value proposition to potential subscribers?
- Am I producing enough valuable content online?
- Will this impact the user experience? – am I going to get negative comments?

ANALYSIS

- Answers all from left and makes a recommendation
- Data-driven approach to addressing common questions
- Delivers comprehensive information to decision-makers and stakeholders quickly – 90 days from tagging
- Thorough documentation

DECISION

- Clear ROI from any decision is understood
- Scenario forecasting shows expected return under varying business rules and assumptions (most likely, optimistic, pessimistic…etc.)
- Mather can help implement and advise throughout the process and implementation (technology, price, reporting reqs, recommendations)

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OPPORTUNITY
ASSESSMENT

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ANALYSIS METHODOLOGY

- Listener™ data platform installed and collected minimum 45 days of data – direct integration with ad systems.

- Analyze audience propensity to pay and advertising risk.

- Prepare breakeven analysis.

- Estimate most likely scenarios and first 12 month forecast.

- Deliver final document, data, analysis, and recommendations.
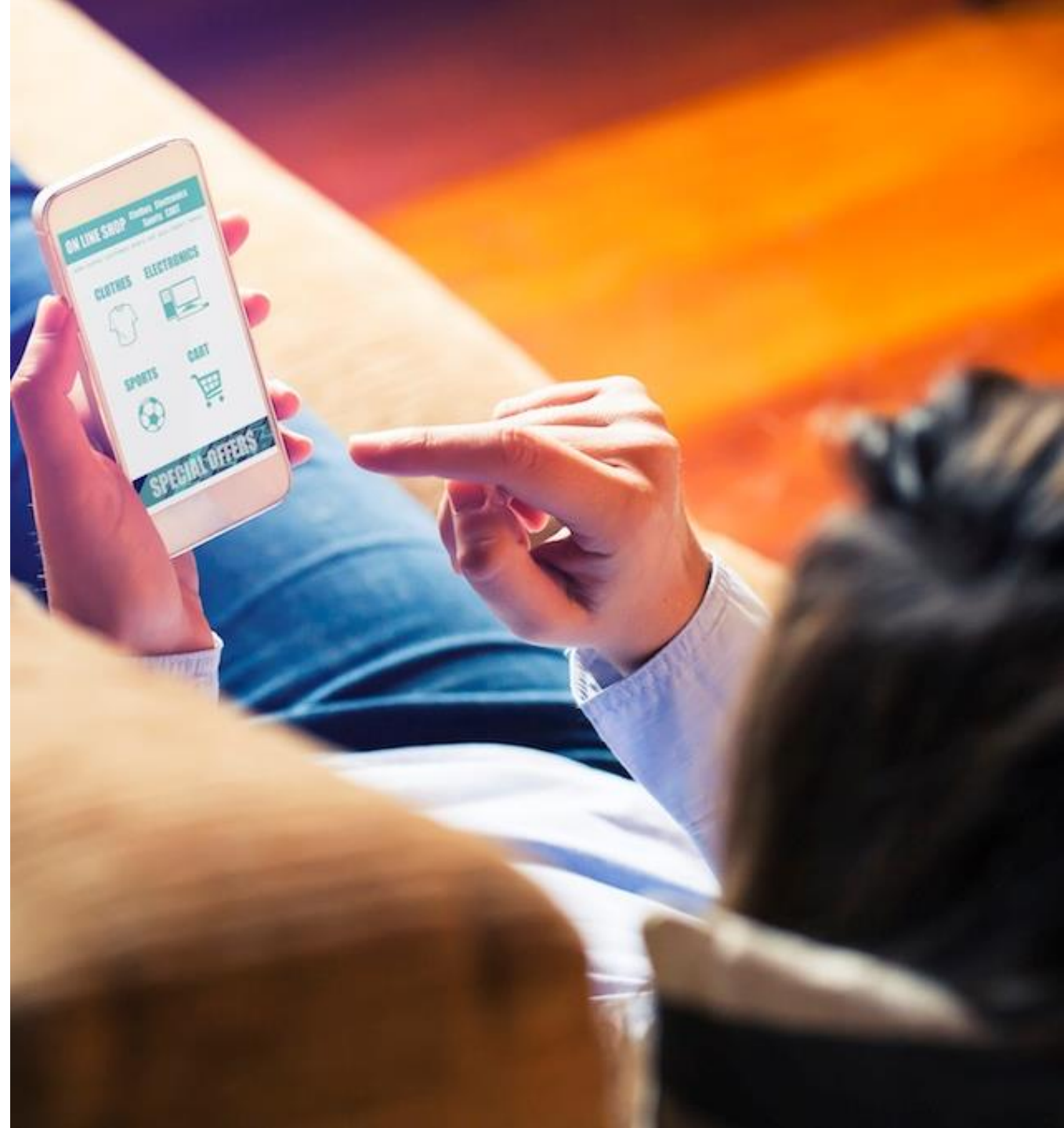
LISTENER OVERVIEW

INGESTION

Listener's javascript tags track data from your website, paywall, and ad server. Listener™ can also integrate your offline data.
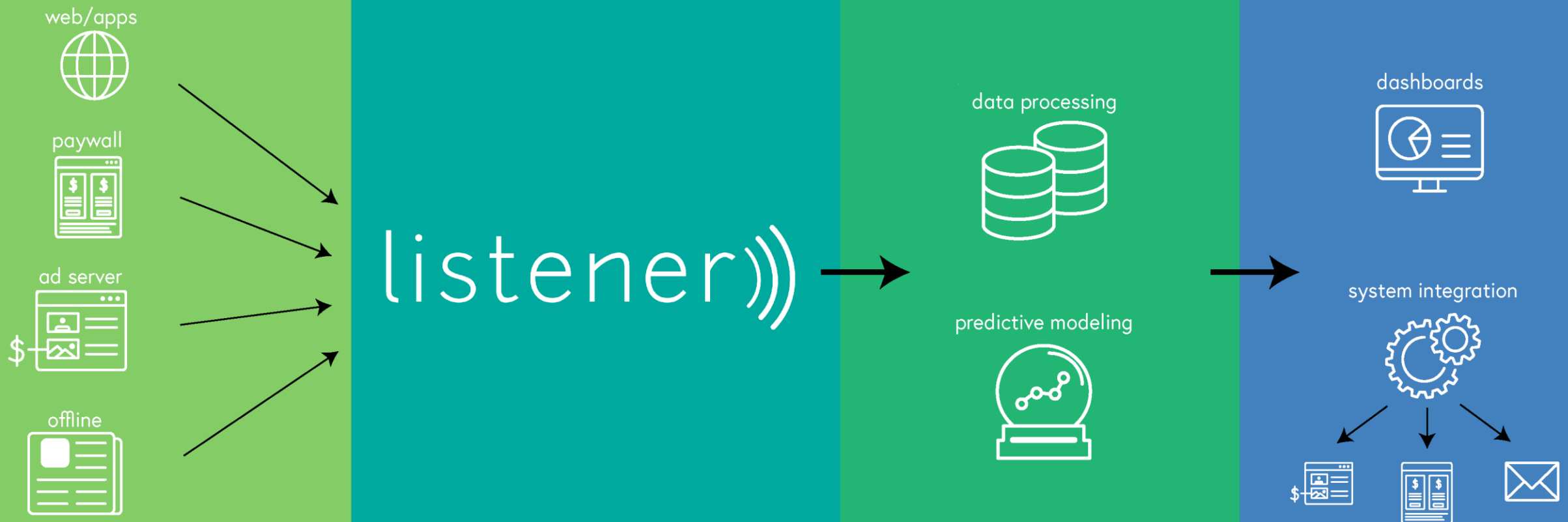
LISTENER™

Listener™ collects data from digital customer activity to grow audience engagement, build subscriber revenue, protect and improve advertising revenue and publish the right mix of content for your digital properties.

DATA ANALYSIS & REPORTING

The Listener™ team then processes and analyzes your data.

OUTPUT

After analysis and processing, the data is put into dashboards. It can also be integrated into your paywall, ad server and email systems.

web/apps

paywall

ad server

offline

listener)))

data processing

predictive modeling

dashboards

system integration

SEGMENTATION METHODOLOGY

Users are tracked across three key indicators of engagement using six key metrics:
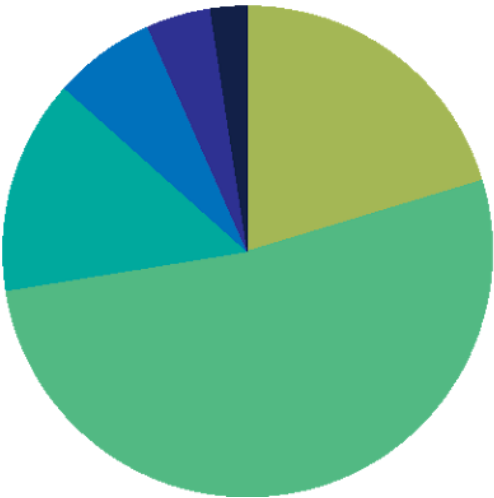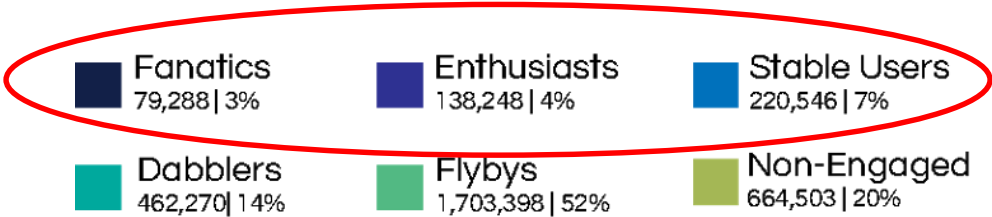
Volume: Page Views & Article Page Views

Frequency/Recency: Unique Days

Site Usage: Content Breadth, Scroll Depth, & Time on Site

TOTAL AUDIENCE BY ENGAGEMENT GROUP

All Users

- **Fanatics** 79,288 | 3%
- **Enthusiasts** 138,248 | 4%
- **Stable Users** 220,546 | 7%
- **Dabblers** 462,270 | 14%
- **Flybys** 1,703,398 | 52%
- **Non-Engaged** 664,503 | 20%

All Page Views

- **Fanatics** 2,119,019 | 27%
- **Enthusiasts** 1,143,948 | 15%
- **Stable Users** 915,732 | 12%
- **Dabblers** 1,016,587 | 13%
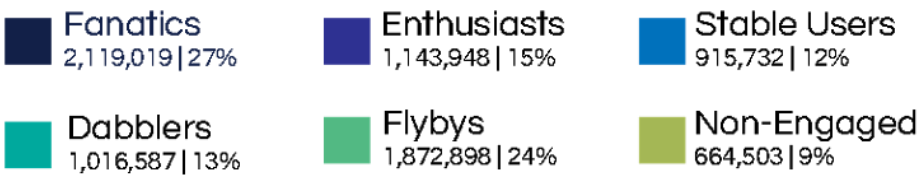- **Flybys** 1,872,898 | 24%
- **Non-Engaged** 664,503 | 9%

14% of user are actively engaged

Active users generate 54% of page views

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TOTAL AUDIENCE BY ENGAGEMENT GROUP

Fanatics

ALL USERS	79,288
KNOWN USER %	27.58%
PAGE VIEWS	26.73
ARTICLE PG VIEWS	21.75
UNIQUE DAYS	8.50
VISITS PER DAY	1.35
TIME PER VISIT	08:08
SCROLL DEPTH	60.42%
AD REVENUE	$6.05

Enthusiasts

ALL USERS	138,248
KNOWN USER %	21.22%
PAGE VIEWS	8.27
ARTICLE PG VIEWS	7.33
UNIQUE DAYS	3.56
VISITS PER DAY	1.19
TIME PER VISIT	08:20
SCROLL DEPTH	59.77%
AD REVENUE	$1.98

Stable Users

|	
ALL USERS	220,546
KNOWN USER %	13.14%
PAGE VIEWS	4.15
ARTICLE PG VIEWS	3.91
UNIQUE DAYS	2.02
VISITS PER DAY	1.15
TIME PER VISIT	08:21
SCROLL DEPTH	62.75%
AD REVENUE	$0.87

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USER PREFERENCES & BEHAVIOR

In addition to engagement, each user's behavior is tracked to measure revealed preference.

Industry benchmarks suggest desktop devices, local and known users, direct/Google referrers, and unique content are correlated with propensity to subscribe.

Ad blocking users are an opportunity to monetize unrealized revenue.
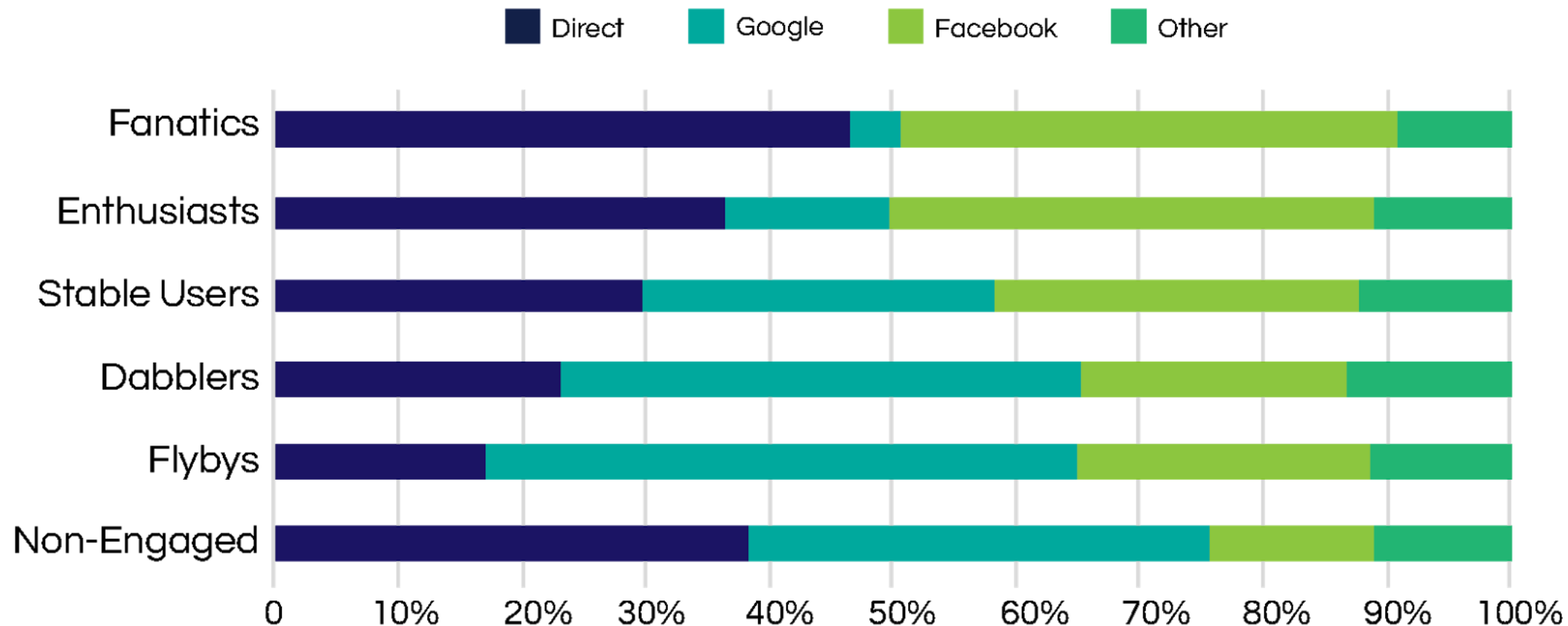
Top Content Preference by Engagement Group – Users
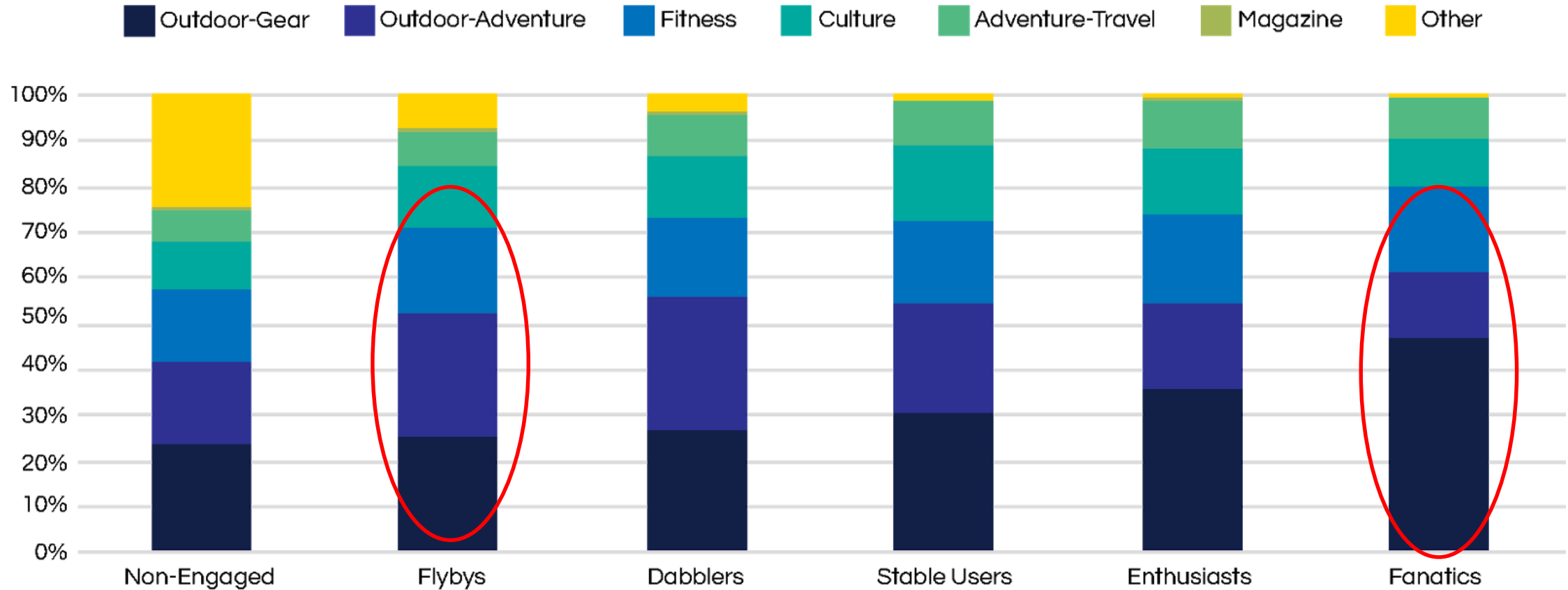
AUDIENCE SOURCE

Engagement Group by Top Referrer – Users

Legend: Direct, Google, Facebook, Other

REVENUE ANALYSIS

Advertising risk under varying business rules is measured

The required conversion volumes in this analysis assume 100% risk mitigation in the first month of launching a paywall (no months of negative ad revenue).

The "most likely" scenario given propensity to pay and competitive price points with existing content indicates whether or not the publisher will break even.

SMALL RISK FROM A METERED PAYWALL

Ad Revenue at Risk – Overall
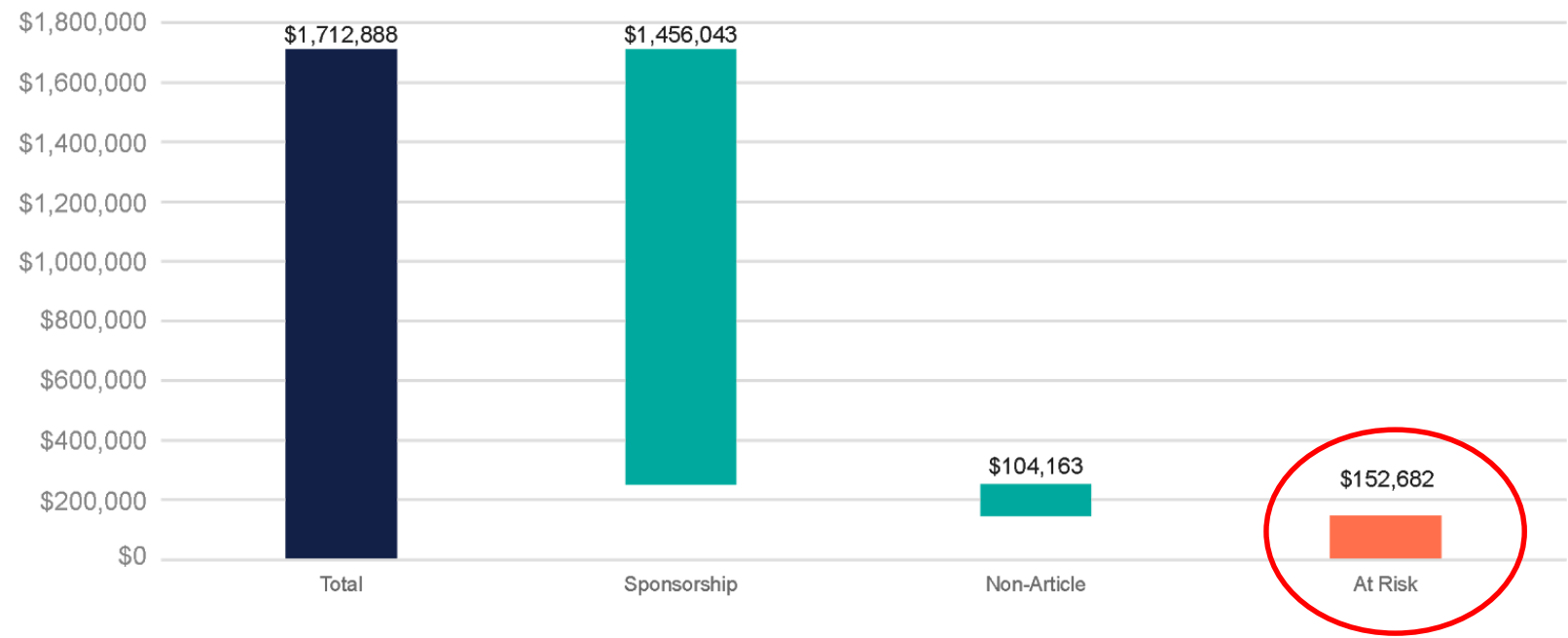
9% Only 9% of advertising would be at-risk from a metered paywall

METERED CONTENT IS NOT RECOMMENDED

Ad Revenue at Risk – Content
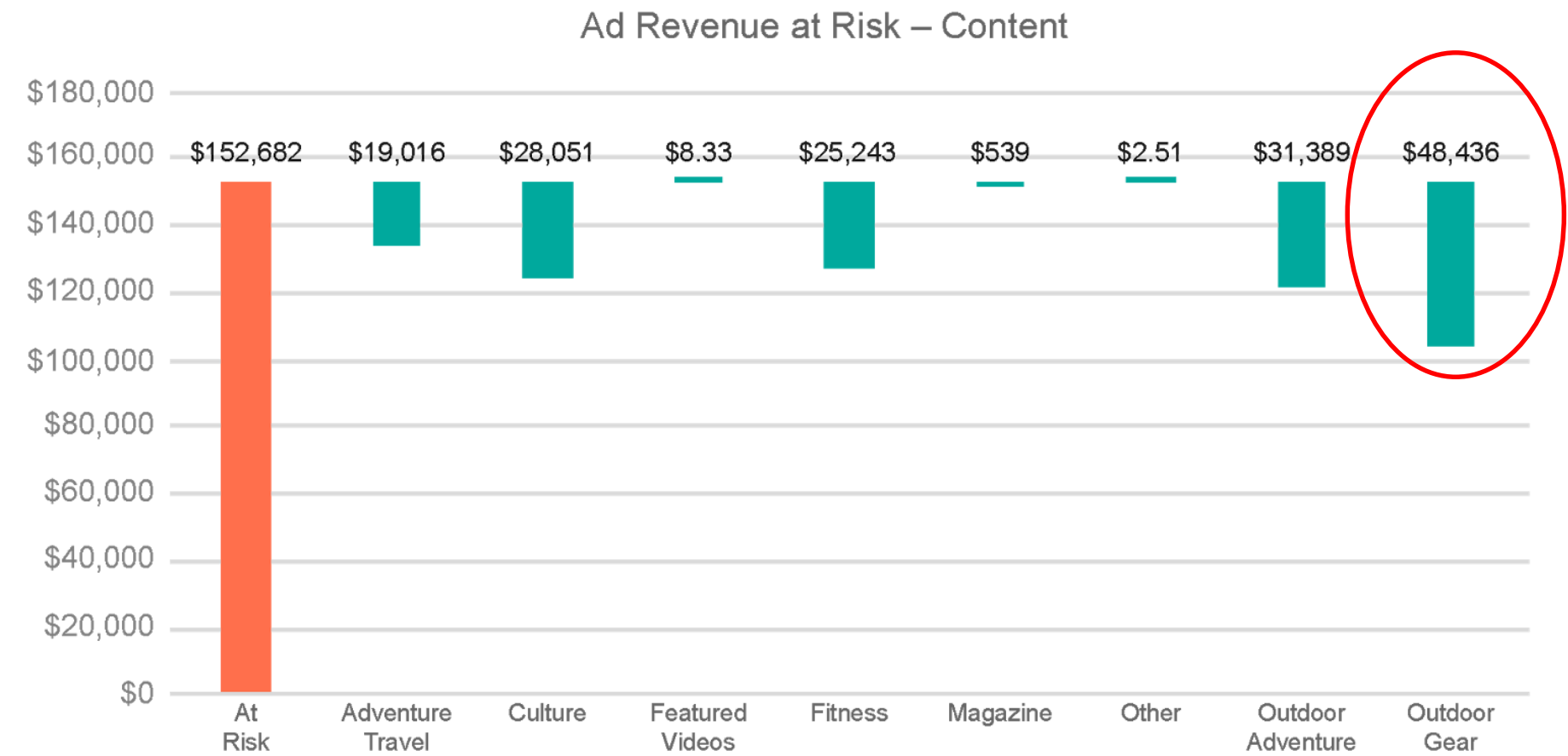
Metering Outdoor-Gear content is not recommended

LOW ADVERTISING RISK AT RISK (PAGE METER)

Ad Revenue at Risk – Page Meter

- At Risk: $152,682
- 1: $96,533
- 2: $68,352
- 3: $54,570
- 4: $45,302
- 5: $38,739
- 10: $20,925
- 15: $11,990
- 20: $7,616
- 25: $4,898
- 30: $3,120

Free Article Page Views

Low advertising revenue at risk

LOW ADVERTISING RISK AT RISK (DAY METER)

Ad Revenue at Risk – Day Meter

Low advertising revenue at risk
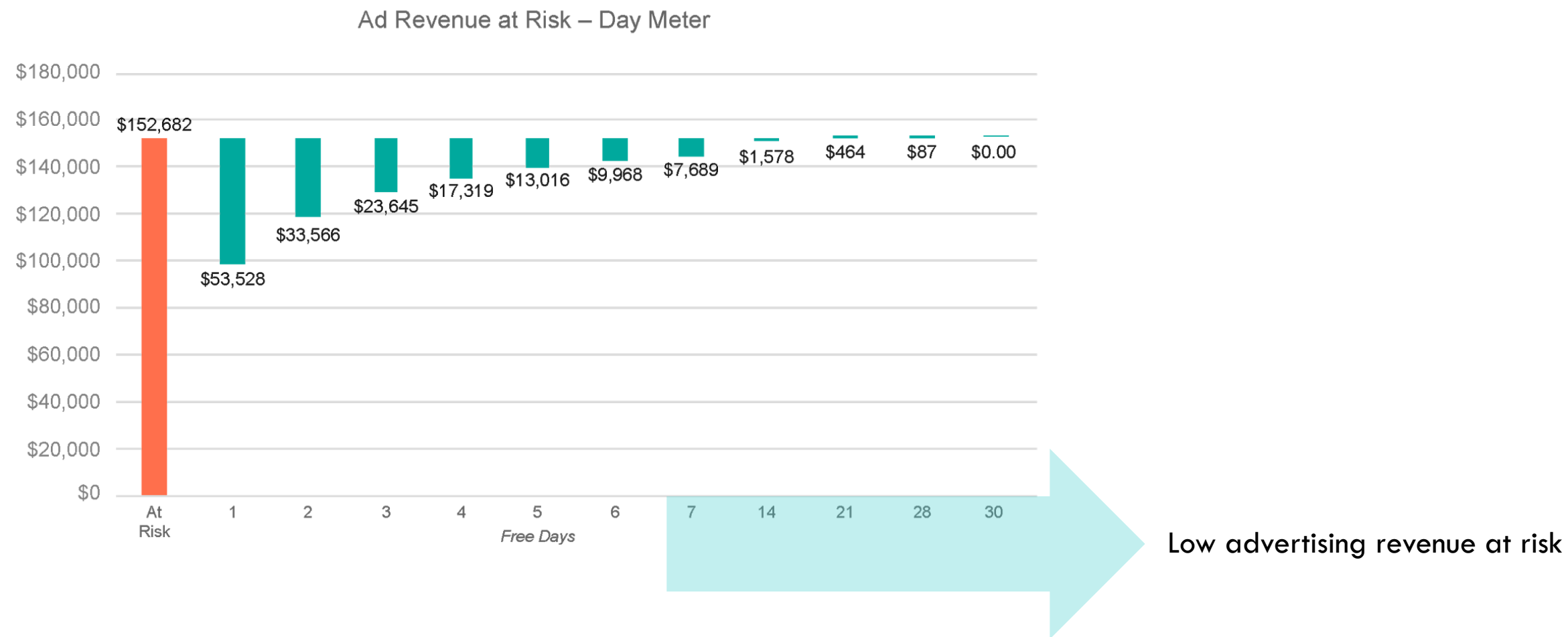
BREAKEVEN THRESHOLDS - 12 MONTHS

Free Article Page Views	MONTHLY KPIs			BREAKEVEN CONVERSIONS				BREAKEVEN CONVERSION RATE			
	Article PVs at Risk	Ad Revenue at Risk	Paywall Hits	$0.50	$1.00	$2.00	$3.00	$0.50	$1.00	$2.00	$3.00
Hard Wall	6,385,373	$153,000	2,686,290	54,615	27,307	13,654	9,102	2.0%	1.0%	0.5%	0.3%
1	3,981,229	$96,533	2,551,971	34,458	17,229	8,615	5,743	1.4%	0.7%	0.3%	0.2%
2	2,818,970	$68,352	912,798	24,399	12,199	6,100	4,066	2.7%	1.3%	0.7%	0.4%
3	2,250,589	$54,570	451,761	19,479	9,740	4,870	3,247	4.3%	2.2%	1.1%	0.7%
4	1,868,355	$45,302	297,900	16,171	8,086	4,043	2,695	5.4%	2.7%	1.4%	0.9%
5	1,597,662	$38,739	219,263	13,828	6,914	3,457	2,305	6.3%	3.2%	1.6%	1.1%
10	862,976	$20,925	87,900	7,469	3,735	1,867	1,245	8.5%	4.2%	2.1%	1.4%
15	494,481	$11,990	47,363	4,280	2,140	1,070	713	9.0%	4.5%	2.3%	1.5%
20	314,099	$7,616	29,933	2,719	1,359	680	453	9.1%	4.5%	2.3%	1.5%
25	201,998	$4,898	20,413	1,748	874	437	291	8.6%	4.3%	2.1%	1.4%
30	128,659	$3,120	14,663	1,114	557	278	186	7.6%	3.8%	1.9%	1.3%

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SCENARIO FORECASTS - 12 MONTHS

			Conversion Rate	Paywall Hits	Conversions	Active Subscribers	Article PVs at Risk	Article PVs at Risk%	Subscription Revenue	Ad Revenue	Net Revenue
Moderate conversion rate with standard market entry	15 Page Meter; $2;00	Model 1	0.80%	26,964	2,595	2,016	201,553	3.16%	$31,805	-$58,094	-$26,290
Moderate conversion rate with aggressive market entry	6 Page Meter; $2.00	Model 2	0.60%	99,562	7,188	5,591	700,543	10.98%	$87,827	-$201,919	-$114,092
Optimistic conversion rate with strong market entry	10 Page Meter; $2:00	Model 3	2.46%	45,269	13,564	10,441	378,859	5.94%	$170,760	-$109,199	$61,561
Moderate conversion rate with standard market entry	7 Day Meter; $2.00	Model 4	0.80%	21,013	2,020	1,569	126,757	1.99%	$24,768	-$36,158	-$11,390
Moderate conversion rate with aggressive market entry	3 Day Meter; $2.00	Model 5	0.61%	94,459	6,929	5,389	466,692	7.31%	$84,683	-$133,127	-$48,444
Optimistic conversion rate with strong market entry	3 Day Meter; $2.00	Model 6	1.30%	90,551	14,299	11,078	455,385	7.13%	$176,733	-$129,901	$46,832

PAID CONTENT SURVEY

	Backpacker	Businessweek	New Yorker	Cook's Illustrated	ESPN Insider
Paywall Type	No Paywall	Metered	Metered	Premium	Premium
Meter Setting	N/A	4 articles	2 articles	Some articles are viewable	Hard Paywall
Monthly Price	$12/year $1.11/month Ad-Free $39/year $3.99/month	$50-$60/year $4.15-$5/month	$110/year $9.16/month	$24.95/year $2.08/month	$4.99/month or $3.33/month for a year
Intro Offer	30-day free trial for ad-free	$12 for 12 weeks	$12 for 12 weeks	Free 14 day trial	None
Product Offering	Print Newsletter Digital Ad-free	Print Digital App All-Access Newsletter	Print Digital App All-Access Newsletter	Print Digital	Digital ESPN The Magazine

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CONCLUSIONS FOR OUTSIDE MAGAZINE

- First year net revenue is not likely to be positive

  - Though an optimistic conversion rate could yield profitability in the first 12 months

- Low subscription prices from competitors and relatively high eCPM require significant conversion volume to break even

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RECOMMENDATIONS TO OUTSIDE MAGAZINE

- Test and learn:
  - Registration wall
  - A/B paywall test

- Assess value proposition of content:
  - Competition
  - Volume/frequency of new content
  - Uniqueness
  - Comparison to magazine and Premium Outside TV

BEST PRACTICES

Mather has worked with over 600 publishers and has over 15 years of experience managing print and digital subscriptions as well as customer management, predictive modeling, and implementation and ongoing support services.

MAKING THE DECISION

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THE DECISION

Common challenges, questions, stakeholder issues…etc.

MAKING THE DECISION

- Select meter technology platform and vendor partners
- Determine pricing and meter metrics strategy
- Will readers pay enough to offset ad revenue decline?
- Segmentation and targeted messaging based on content consumption and propensity to subscribe
- Optimize subscription/ad revenue opportunities
- Go or no go?
  - Analysis paralysis

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Q&A
SESSION

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CALL US WITH QUESTIONS

Thanks for joining our webinar!

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Mather Economics
1215 Hightower Trail
Building A, Suite 100
Atlanta, GA 30350

www.mathereconomics.com