FINDING STABILITY DURING TIMES OF CRISIS & RISK

Practical insights, changes in assumptions, learnings, and action items for digital subscription businesses

By Arvid Tchivzhel, Sr. Director of Product Development   April 2020

When businesses finalized their planning for 2020, none anticipated their first quarter would end as it did. Planning for the next few months is also incredibly difficult with every forecast being asterisked with wide confidence intervals and unknown risk.

We will not discuss at length macro trends or how an otherwise growing economy reacts due to external impacts – many others are covering this at-length. For publishers, the steady decline in advertising revenue has been accelerated beyond the "slow burn" many planned at the start of 2020. Decisions that were originally going to be implemented gradually are being made in days rather than years.

However, there are some "consolation-wins" for subscription businesses during this time. The influx of audiences seeking quality journalism and willing to pay show that newspapers are not bound to a specific platform or medium and can succeed in a digital form. We shared digital benchmarks from our Listener™ data platform and print benchmarks from our subscription data last week, mirroring similar figures measured worldwide.

While volatility and risk are high, there are learnings from history and our experience in subscription economics that can allow businesses to confidently make decisions and set their chess pieces for long-term success. We will seek to share some practical steps all publishers should be taking now, along with setting expectations on what is likely to happen with respect to digital subscriptions. Stability is in short supply, but we hope these insights continue to lead to thoughtful revenue management and long-term business strategy.

History does not repeat itself, but it rhymes

As with subscription bumps observed after natural disasters like the California wildfires, the Trump bump, and even dramatic Superbowl wins, there are patterns that repeat during and after such emotional events. Understand that many of these new subscribers are motivated to click *subscribe* "in the moment", which is different from a business-as-usual subscription trend. To be clear, we do no not equate the severity, scale or compare these events to COVID-19 in any way, simply to note the motivation to subscribe is of-the-moment rather than flash sales, discounts, traditional audience development tactics or habitual content. Another motivation is likely a sense of moral obligation – many publishers have successfully monitored the messaging of their value proposition without sounding exploitative.

Avg. Publisher Conversion Index Before/After SuperBowl Win
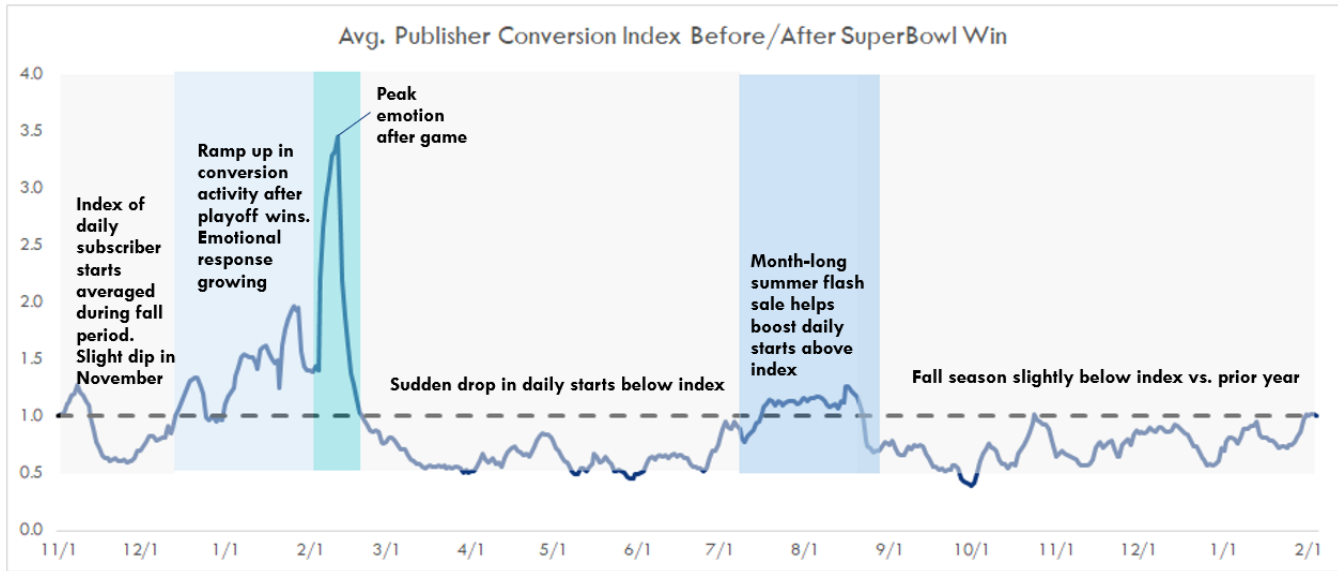
The chart above shows an index of daily conversion averages before and after a Superbowl win. Note the spikes at key games, playoff wins, and the largest spike showing a 3.5X (250%) increase in subscriptions right after the Superbowl win. Note the index falls to 0.5 after the sudden growth (a 50% drop from pre-NFL fervor) and does not recover until next year except for a month-long summer flash sale.

Why is this pattern important to understand during COVID-19?

Publishers are likely amortizing future starts due to unforeseen news events that are driving users to subscribe at a faster pace. Expect a steep drop-off in new subscriptions once the panic begins to reside. At this point, it is difficult to say when this will happen and if there will continue to be escalating developments in the global crisis. At some point, however, we are expecting digital starts to dip below the daily average pre-COVID-19.

Economics of Print Media

The migration from print to digital-only products is already happening but we expect this to accelerate due to pressure on publishers and consumer preferences. At the start of 2020, publishers across the world were experiencing different pacing of this shift. The strength of the print product, economic viability of print/ink/delivery costs, price disparity between print/digital products, internet penetration, percent of digitally activated print subscribers, and aggressiveness of print retention/reduction tactics are all reasons for faster or slower print to digital migration strategies. Though our benchmark data did show that a handful of publishers saw print subscriber growth last month, it seems to be an outlier in the broader trend.

We expect innovative tactics and case studies will evolve in the coming year on how to effectively manage migration from print to digital. A basic tactical recommendation is to continue activating digital access for print subscribers and nurturing digital engagement once they have access.

Content and customer touchpoints in lockstep

Early signs suggest a slight improvement in retention during the last month compared to prior months but the precise impact of COVID-19 content on long-term retention is unknowable at this moment. However, drawing again from history and experience, we expect publishers will need to create a distinct series of retention touchpoints for subscribers acquired during the COVID-19 period in contrast to subscribers acquired from traditional acquisition tactics before February 2020.

While not a perfect example, studies on content correlation with both conversions and retention suggest there is a difference in what is relevant for each side of the funnel.
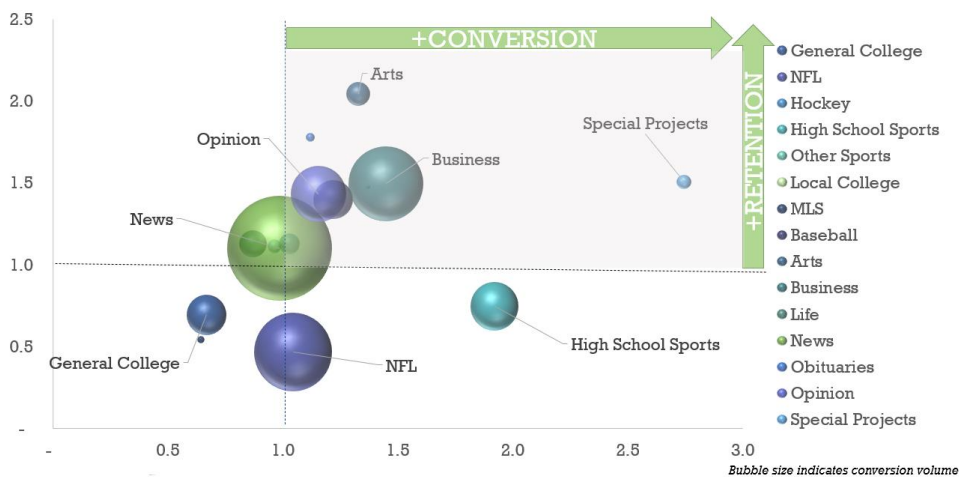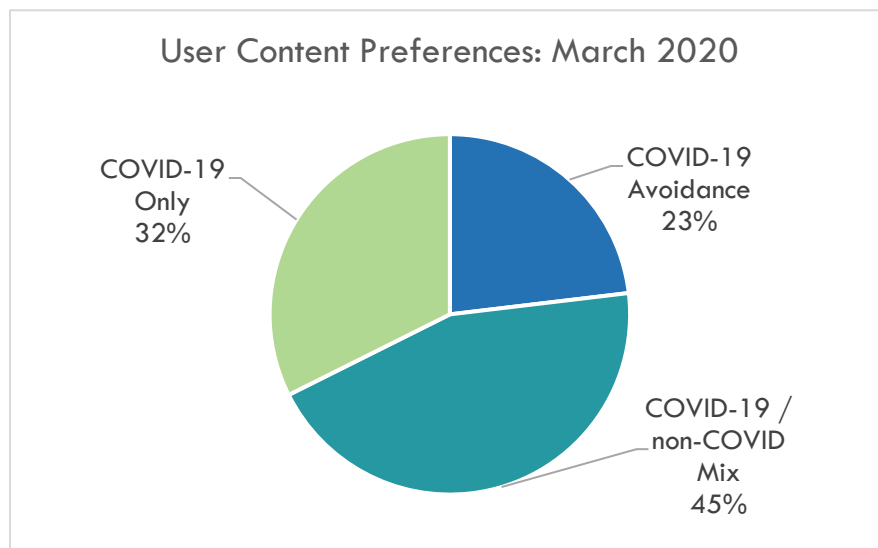

This chart shows sports content (for this publisher, high school sports in particular) was found to be highly correlated with conversion but not relevant for retention. Arts, business and opinion was more relevant to building long-term loyalty and retention.

The insights from the type of content analytics revealed the need to have a distinct set of retention touchpoints for seasonal sports content. This retention series includes promotion of non-sports content to build habit, promotion of other product features (newsletters, apps, events…etc.) to reinforce value

beyond the reason someone subscribes, especially during the off-season. Without proactive retention intervention for this sports audience, churn is more likely.

Again, this example is for traditional seasonal content and COVID-19 is not an equivalent. However, we know COVID-19 will reach an end (hopefully soon) which means publishers need to start developing retention tactics today to deploy at a moment's notice.

A lot of focus now is on COVID-19 content but don't forget the loyal audience that was built before this crisis erupted. Make sure you understand the types of stories your audience is reading before and after subscribing. Our Listener data demonstrates three distinct types of audiences currently on most publisher websites: **COVID-only readers, COVID/other mix, and COVID-avoidance readers**.

User Content Preferences: March 2020

COVID-19 Only 32%
COVID-19 Avoidance 23%
COVID-19 / non-COVID Mix 45%

The chart above shows that about 32% of audiences exclusively read COVID-19 coverage, 42% read a mix of COVID-19 and other stories, and 23% are trying to avoid COVID-19 stories.

By understanding content preferences for non-subscribers and existing subscribers, publishers can make sure to use the right acquisition language and content promotion tactics for each user. For example, if you know that a quarter of your audience is seeking to avoid COVID-19 stories, emphasize positive news stories and other valuable local news coverage as part of the call to action when targeting this audience.

Benchmarks show about 15% of all articles produced last month were related to COVID-19 content. A lot of content being produced is not specifically related to breaking COVID-19 news and this is important to remember as part of the value proposition for existing subscribers and for longer-term retention tactics as the crisis recedes. Make sure anything except breaking news is behind the paywall and communicate this decision to your readers proactively. Asking your readers to support journalism is not exploitative and is critical for effective long-term revenue management.
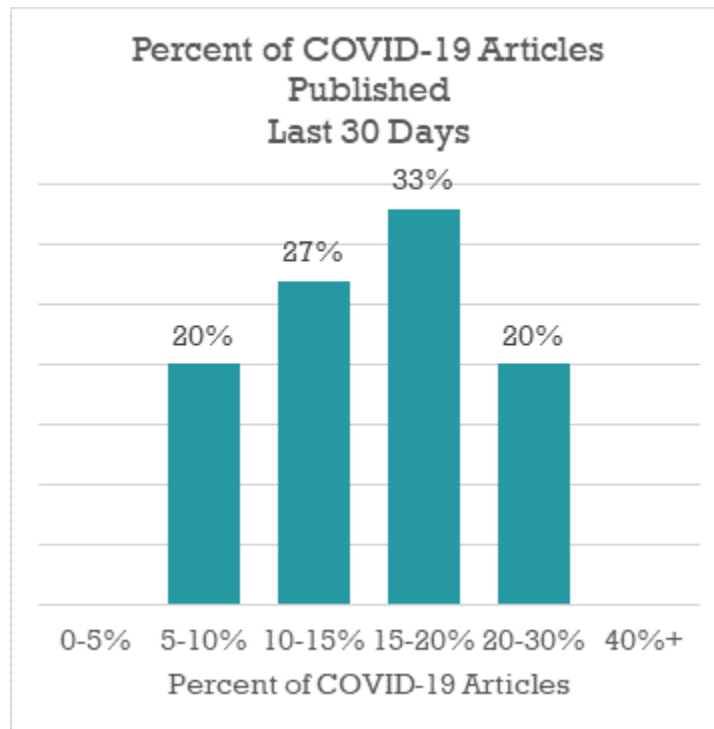
The chart above shows a frequency distribution of unique articles published with direct COVID-19 coverage. The average is 15% with a plurality of publishers generating between 15-20% of COVID-19 articles.

Paywall business rules favor subscriptions

Effective revenue management for digital publishers maximizes net revenue. The Intelligent Paywall™ algorithm is calibrated to find an optimal meter setting (or percent of premium content for non-metered sites) based on measuring the tradeoff between risked advertising revenue and subscription revenue growth. The goal is to develop a paywall strategy that minimizes advertising risk while maximizing subscription opportunity.

With the sudden decline in direct-sold advertising, the economics of the Intelligent Paywall™ swing strongly in favor of subscription revenue. Though page views are soaring now, evidence shows the growth in programmatic revenue is not 1:1 to the growth in page views. Thus, any risk to advertising that is driven by aggressive paywall tactics is significantly reduced. The Intelligent Paywall is suggesting tighter meter levels (fewer free articles) or a much higher percentage content set to premium (subscriber-only).

Many publishers have already acted after observing the accelerating decline in advertising and we are working closely with our clients to advise the right paywall strategy.

The long-term impact and shift in dynamic paywalls will be shared as we gather additional benchmarking data over the coming months.

Be sure to review our article last week with general best practices on how to treat COVID-19 content within your paywall business rules.

We are in this together

We are all learning new information every day about how to manage the COVID-19 crisis. This is true from a journalistic perspective, a business models perspective, and personally for our loved ones.

The learnings above are derived from our decades of experience managing subscription models and digital revenue as well as data-driven insights historically and in real-time. Now is the time to invest in your digital subscription business, manage it with a clear strategic vision, and data-driven tactical focus.

Do not hesitate to contact any of us at Mather Economics for help during this extraordinary time. We will continue to share updates to help manage digital revenue and support our partners.

About the Author

Arvid Tchivzhel has over ten years of experience leading strategy and guiding companies to make analytics actionable. He currently oversees development and delivery of new products and services, as well as internal processes, analytics, staffing, and business development.

In response to the revenue shift in the media industry, he led the development of Listener™, a modern data platform built from the ground-up to solve the most critical questions for media companies across audience, advertising, and content.

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