Beyond Paywalls

Why the customer journey matters on the path to smarter audience monetization

Zephr | **DIGIDAY**

NEWS

$0.99

$0.99 for a month of NEWS

FILMS

£1

£1 a week for access to FILMS

CULTURE

Answer this question to access our exclusive CULTURE content

1 2 3 4

Register for full access

Subscribe to recieve our print magazine

Get 12 issues for

SPORTS

Apply for our SPORTS package
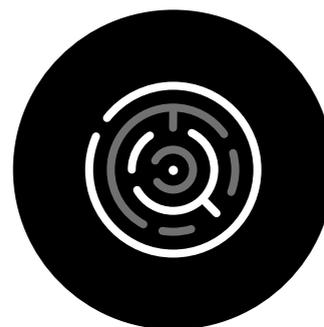
APPLY NOW

Table of contents

Headline findings

More than half of publishers say the biggest contributor to growth will be subscriptions, as revenue diversification beyond advertising ramps up.

Two-thirds of publishers believe the ability to understand and manage the customer journey is key to maximizing the revenue potential of their audience.

Lack of expertise and inadequate technology are the two single biggest limiting factors when it comes to personalizing user journeys.
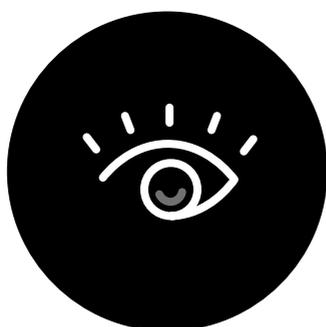
More than half of publishers are actively seeking greater audience insights from first-party data.
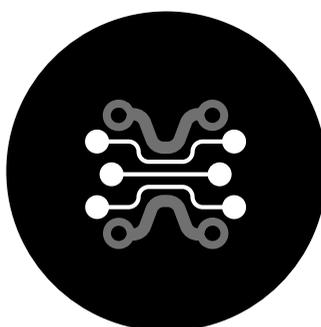
Technical complexity and inflexible tools represent the two biggest barriers to publishers achieving a more agile and sophisticated monetization mix.
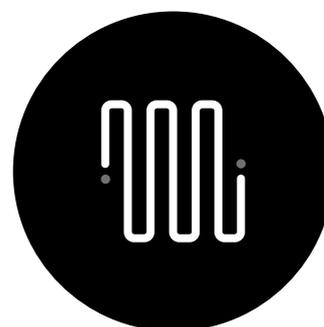
Less than half of publishers say their organization has the capability to control or orchestrate end-to-end customer journeys.

Introduction

Monetizing content at a time when advertising revenue is coming under increasing pressure isn't just about building a paywall. In the pivot-to-paid, publishers have a wealth of options available to begin to develop a lasting two-way relationship with their audience that goes beyond simply putting a barrier between users and the content that they want to access.

However, organizations looking to diversify revenue often face technical and structural challenges and a plethora of options for managing the process. This can make decisions difficult and progress slow. And all the while, the main driver of revenue - digital advertising - has its own issues. Publishers and advertisers continue to grapple with data privacy and the balance between driving greater ad yields and customer experience.

Add to this consumers' need for immediate information, instant gratification plus continuous service improvement - as well as the need to provide a compelling and personalized user experience - and this adds up to a dizzying number of variables to manage. So how can publishers decisively take control of the future of their businesses in such complex times?

In partnership with Digiday, we surveyed more than 100 media businesses in the US and UK to try to answer that question. This research-led report explores the importance of the customer journey to and beyond the paywall, and the emerging need to actively vary the monetization mix in order to maximize customer lifetime value.

Here's what we found and what it means for publishers.

Publishers and advertisers continue to grapple with data privacy and the balance between driving greater ad yields and customer experience.

The state of paid
From ad-funded to blended

As publishers, from digital players to national and regional titles, grapple with paywall trials, metered access and subscription models, it's evident there's no singular approach to monetization. In September 2019, Pete Spande, CRO and publisher of Insider, told Digiday that "moving to a multifaceted revenue model that emphasizes subscriptions doesn't mean advertising is less important". In the same month the UK's largest regional publisher, with more than 150 titles, began experimenting with a paywall, charging readers a small fee for content.

Value is an important part of monetization - it's about the perceived value of publishers' content and the reader's value to the business. Currently, research shows that publishers are unsure whether their current revenue mix maximizes the value of their audience. It's resulted in a blended revenue model.
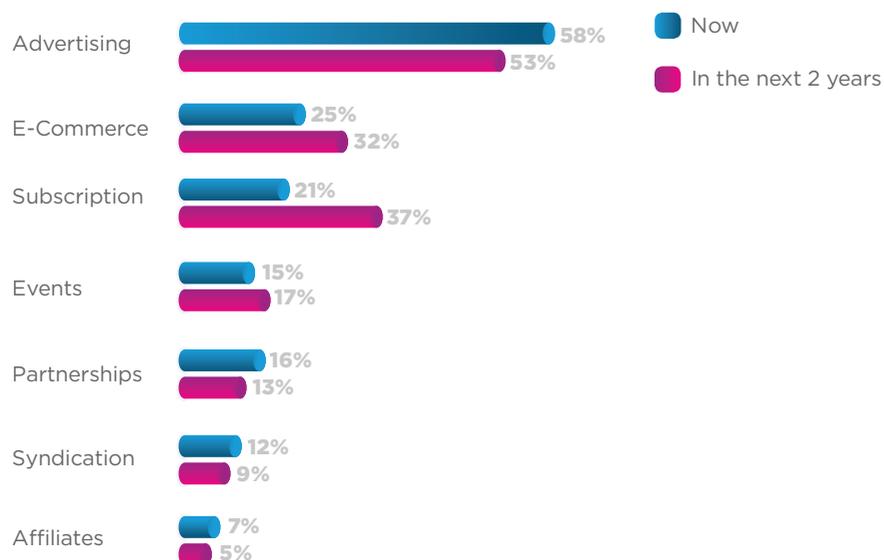
Publishers' revenue growth over the next two years

- Subscription: 55%
- E-Commerce: 50%
- Advertising: 31%
- Partnerships: 28%
- Events: 21%
- Affiliates: 18%
- Syndication: 3%

There is, however, a clear indication of revenue diversification beyond the more traditional advertising and events approach. The majority of publishers see revenue growth coming from subscriptions, with e-commerce and advertising also making significant contributions within the next two years. Partnerships and events are less of a focus but are still part of a publisher's revenue mix.

Publishers also gave an indication of where their revenue comes from now versus where it will come from in the next two years. When looking at where publishers are putting over 40 percent of their revenue now, it's firmly in advertising but over the next two years, again, the data shows a clear shift towards subscriptions and e-commerce.

Revenue over 40% now and in the next two years

Now / In the next 2 years

- Advertising: 58% / 53%
- E-Commerce: 25% / 32%
- Subscription: 21% / 37%
- Events: 15% / 17%
- Partnerships: 16% / 13%
- Syndication: 12% / 9%
- Affiliates: 7% / 5%

Is a paywall the way?

The term paywall is one that doesn't produce a single definition. Publishers are caught in between the need to drive revenue and monetize their content but also continue to drive traffic and boost audience numbers to keep ad revenue steady and growing. This results in differing strategies and understanding of what a paywall means and achieves, which is echoed in the research.

When asked whether they believe that the implementation of a paywall is the best way to understand and build relationships with an audience in the long-term, it divided the opinion of publishers. Some were undecided and neither agreed or disagreed (31 percent), 38 percent agreed and 31 percent disagreed.

Do you believe that the implementation of a paywall is the best way to understand and build relationships with your audience in the long-term?

Strongly disagree
10%

Strongly agree
12%

Agree somewhat
26%

Disagree somewhat
21%

Neutral
31%
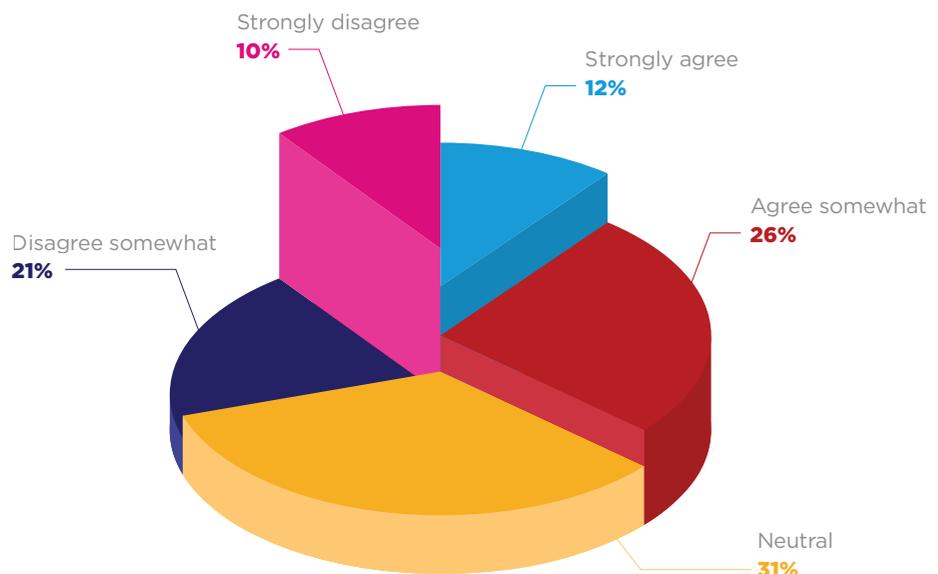
And while a pawall in of itself will not necessarily underpin stronger customer relationships, the commercial potential of a paid content strategy is not in any doubt. "It's the best way to monetize the relationship," says Julie Hansen, CEO US of subscription-based language learning app and e-learning platform Babbel and former President and COO of Business Insider. Hansen says "asking someone to pay isn't necessarily a relationship builder" and adds that "the best way to create a strong habit among a media consumer is to create great content that suits their needs and deliver it in the most convenient way possible".

Denis Haman, former CTO at Which? believes there are also generational differences which manifest in an increasingly sophisticated audience. He says: "I may see a value in subscribing to The Times, but a 20-year-old doesn't because they've never experienced it. The power of the brand is good, but it's not sufficient. You have to build that affiliation with the brand and you have to demonstrate why your product is worth paying for. And you can't do that if you have a very simplistic, disengaged, in-or-out approach to your audience."

Before that value can be surfaced, the audience has to be known

and understood. And then, flexibility of offer is key. The reality is that paywalls are not binary; light registration, metered access, credits per month and social shares - there are multiple semi-permeable constructs that collect first-party permissioned data before any mention of payment.

That data is the foundation of a stronger publisher-reader relationship, as those people move from being unknown to the publisher, to known. From there, the publisher has the right data and insight to understand what's likely to turn a reader into a subscriber and keep them happy and engaged long-term.

Unknown to known

Over half of publishers (58 percent) use analytics as their main method for understanding their audience, followed by a single customer view (22 percent), audience surveys (10 percent) and third-party data (8 percent).

The low reliance on third-party data is a positive sign, in fact over half of publishers (53 percent) are actively seeking greater audience insights from first-party data - 29 percent have done so for over a year and 24 percent started within the last 12 months. The fate of the 23 percent that have no plans to seek insights from first-party will become clear over the next year, as the effect of diminishing third-party cookies takes hold.

It may sound simple but knowing your audience and understanding their interests is hugely beneficial for businesses. For The Times, reviewing what content resonated with their readers proved to be commercially successful. In August 2019, News UK reported that in the past year, paying digital-only subscribers for The Times and The Sunday Times rose 19 percent to hit 300,000 and registered-access users, who have access to two articles a week, grew to 5 million from 3 million last April.

The research shows an appetite to follow News UK's success. Forty-four percent say they have customized their monetization methods to their audience demographics, which correlates with the number of publishers actively seeking first-party data to understand their users, as this will be a key element of customization capabilities. A further 34 percent plan to start the customization process over the next 12 months.

Static to dynamic plus personalization

Which? Is currently in the process of turning its "zombie subscribers" into habitual users through dynamic paywall testing. Haman says that traditional subscription-based businesses were built on a system where people sign up and forget they have done so, therefore the customer's subscriptions rolls over without them actively wanting it to. The "zombie subscribers" weren't necessarily engaging with the product says Haman, which needed to change. Haman adds: "With services like Netflix - which everyone uses daily - Spotify, all of these subscription businesses, they have changed the paradigm of that subscription economy where the engagement and the usage is key to healthy, long-term financial outlook".

Which? is testing its paywall and identity management to give the brand the ability to shape user experience.

Haman says: "That is absolutely crucial to be able to design the new experiences, acquire new users and demonstrate the quality content that we have without giving everything away for free."

PEI Media began a similar journey for its brands, to focus on digital content and creating a dynamic paywall to allow flexibility based on audience interest and intent to subscribe. Tony Skeggs, chief technology and information officer at PEI Media, says: "It's about trying to orchestrate those journeys, which becomes part of email marketing to drive people through to web content that is relevant to them and then to bring down the paywall at the right time. We introduce you [to the brand] and let you have some of our content, to a point that we think that you have shown enough intent to buy and that's when we bring down our paywall."

Maximizing
revenue potential

Publishers that have long offered trials, offers and sampling, such as The Economist's 12 issues for £12 or the FT's four-week access for £1, are now finding ways of developing that trial-led access into fully-fledged subscribed customers.

"The word paywall is still quite emotive," says Nick Tjaardtsra, head of Global Advisory at The World Association of Newspapers and News Publishers (WAN-IFRA). "The first step in this post-cookie world is usually a registration wall, that allows publishers to start rewarding the engagement of specific users." However, Tjaardtsra says "once you've discovered the stories that those individual readers are willing to pay for, and even better the stories that keep them paying, you can finally move from reach to relationships."

Maximizing revenue potential isn't solely related to tailoring the editorial content to readers' preferences. The ability to understand and, as a result, actively shape and influence what customers see, experience and feel on the path to that purchase decision is vital for publishers.

"We're definitely trying to make sure that we're more aware of the customer journey across media forms," says Hansen. "We're starting to focus, diligently, on understanding how our messages play out across the different media, so that we have a better understanding of what the user has been exposed to, what Babbel messaging they've been exposed to prior to signing up. And that's very much a recent focus."

Sixty-six percent of publishers agree that understanding and managing the customer journey is important when maximizing revenue potential from their audience - 26 percent take a neutral stance and just eight percent disagree.

This is backed up by many publishers either actively looking into customer journeys. The research shows that just under half (47%) of publishers say their organization has the capability to control or orchestrate end-to-end customer journeys - 26 percent have been able to do so for over a year and 21 percent for less than. A third (33 percent) plan to start within the next 12 months.

However, it would appear that there is still some work to be done internally within businesses to refocus on metrics that give a clear picture of the benefits of such strategies over time. For example, 50 percent of publishers say that customer lifetime revenue is not yet a key metric for their organization, which is perhaps surprising. But then the 39 percent who say it is are indicative of a positive move towards more customer-centric monetization approaches.

"The speed at which you can implement a change, the **confidence** you have in the data that's associated with that to continue to make **relevant changes** and the cost that's associated are key things that all publishers in our space will be very aware of and focused on."

— *Tony Skeggs, chief technology and information officer at PEI Media*
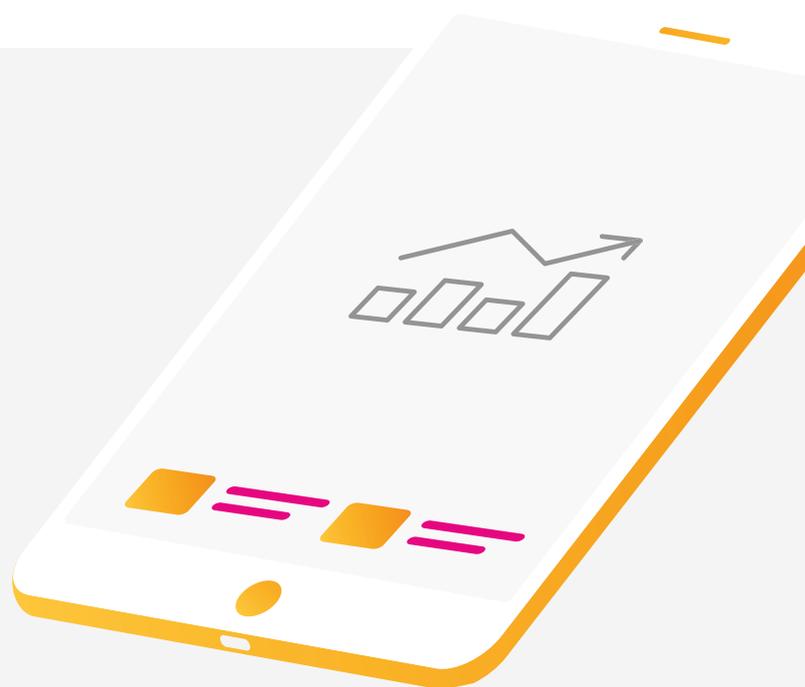
Personalization takes time and expertise

When it comes to dynamically personalizing customer journeys in order to improve acquisition, up-sell and retain customers, there are blockers. Forty percent of publishers say a lack of expertise is the biggest limiting factor, followed by inadequate technology (26 percent) and insufficient data (23 percent).

Skeggs at PEI Media says: "Publishers like ours that come from traditional backgrounds, have not been used to having to understand their audience in that great level of detail. They certainly haven't been used to having technologies that allow them to react to their audience and then change at a relevant pace."

He adds: "Some of the blockers have been the cost and the time it's taken to learn, the strategy around that learning and having enough data on your audience to give you some confidence that you understand what you're actually doing. That's all going to affect potential pricing models that you might look to take on in the future, which is very different from the way that we all fairly bluntly price our models today."
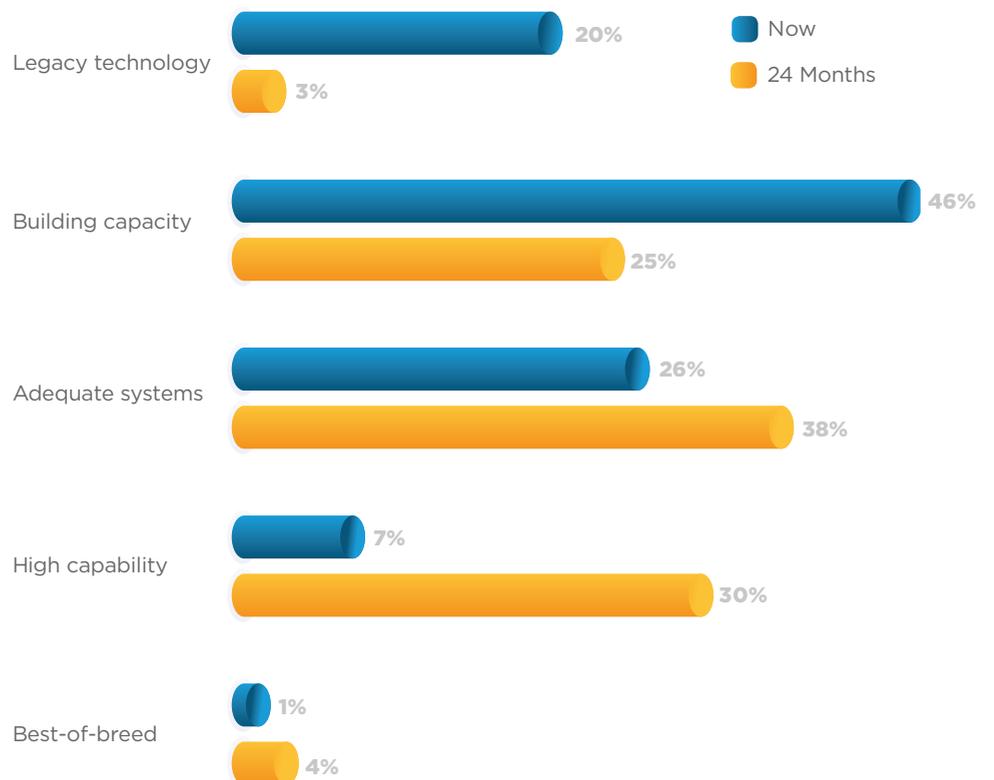
Tjaardtsra at WAN-IFRA says the pivot-to-paid challenges for established national and international news titles are similar - data, marketing and technology. He says: "There are completely new roles in the newsroom - analysts who can translate data on reader engagement into actionable insights, who can suggest target segments for marketers, who themselves must decide which stories to promote and how to optimize marketing messaging."

"And the tech that sits behind this gets more complicated every day - processing large datasets, marketing automation, advanced CRM, personalization algorithms, the list goes on. The role of the managing editor is changing fast - from newsroom organization to a kind of CTO."

Despite the challenges, publishers show an ambition towards building the capability to meet their pivot-to-paid objectives. And, equally, best-of-breed technology platforms are emerging that deliver smarter, intuitive products that simplify the optimization process, allowing editors and marketers to create and deploy smarter, data-driven customer journeys - and all with limited technical expertise.

Publishers technical capacity to execute end-to-end customer journeys now and where they need to be in two years

	Now	24 Months
Legacy technology	20%	3%
Building capacity	46%	25%
Adequate systems	26%	38%
High capability	7%	30%
Best-of-breed	1%	4%

Powering the monetization mix

Our data shows the technology and tools used to power different parts of publishers' businesses is shifting towards a data and customer-led approach. To drive advertising, the majority of publishers are using analytics tools (75 percent) and marketing automation (50 percent), for e-commerce, subscriptions and partnerships the use of analytics and customer data platforms or data management platforms scored highly. Customer journey orchestration is mostly used for powering publishers' subscription businesses.

Hansen at Babbel uses the vast amount of data about user behaviors to understand its customers on a deeper-level, in addition to conducting both quantitative and qualitative consumer research to try to understand user motivation. Hansen says "publishers, are often reluctant or not hardwired to be asking their consumers those questions". She says: "Publishers do glean a lot of usage data, as we do, but on top of that we do a lot of research that helps us to really understand the customer."
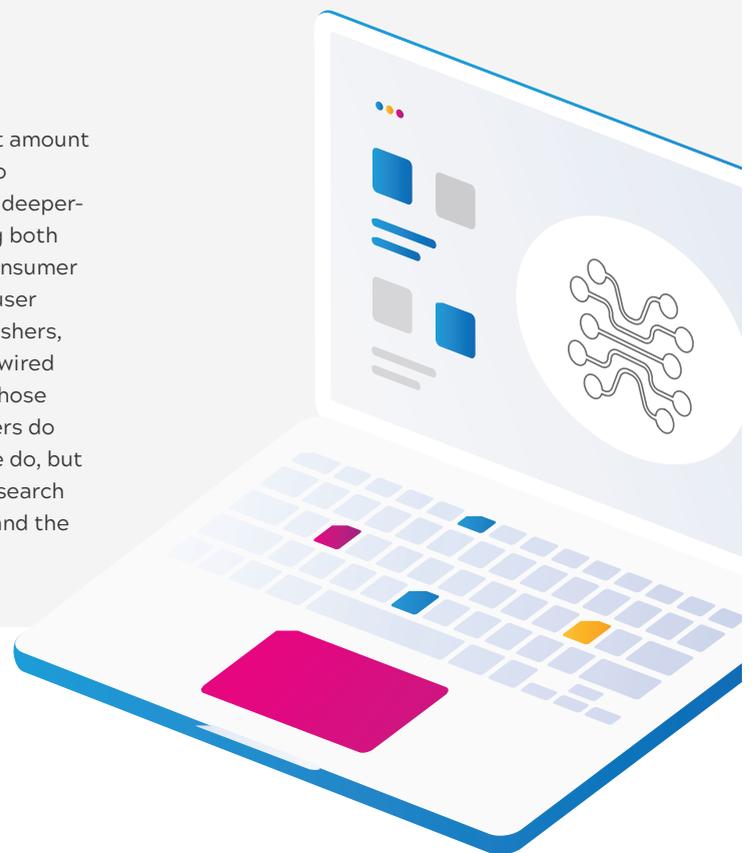
Technology agility is key

Costs and fees (60 percent), tech complexity (56 percent) and inflexible tools and technology (47 percent) top the list of the biggest barriers to creating an agile and sophisticated monetization mix. While investment and the cost of technology is obviously a considered decision for many businesses, it's telling that complexity and inflexible tools and technology rank higher than legacy systems, internal buy-in and the lack of data and insight. It suggests a tech and expertise issues rather than a business's ability to get started. And it also highlights an emerging trend away from monolithic or home-brew systems and towards working with more agile best-of-breed SaaS technology partners to reduce time to value, increase responsiveness and de-risk technical development.

Haman, former CTO at Which?, says everything he needed to change its paywall required technical intervention but he made it his mission to remove this as an obstacle. He says: "For us to be able to react to a breaking news story,

for instance, Whirlpool announces that they are going to recall all of the tumble dryers. For us, at the click of a button, to unlock all the Whirlpool related content and give it away for free as part of our charitable mission, well that's massive."

"As opposed to going into a backlog for developers to make changes and to make an exception for something," he adds. "The ability to be agile and responsive to whatever is happening, that in itself has a tremendous amount of value."

Skeggs at PEI Media says: "The speed at which you can implement a change, the confidence you have in the data that's associated with that to continue to make relevant changes and the cost that's associated are key things that all publishers in our space will be very aware of and focused on."

This correlates with the most important factors for publishers when it comes to selecting the components of a technology stack - cost and implementation.

> "It is absolutely crucial to be able to design the **new experiences**, acquire new users and demonstrate the **quality content** that we have without giving everything away for free."
>
> — *Denis Haman, former CTO at Which?*

Closing
thoughts

Subscriptions and e-commerce are a growth area for publishers, as revenue diversification beyond advertising and events ramps up. But paid content strategies rely on a balance between monetizing an audience and building one. With many unsure if their monetization mix maximizes customer value, unearthing both content and customer lifetime value, is an important starting point for publishers.

That value differs depending on a number of variables, such as interests, entry points and even the perceived value of content by generation, so a personalized and dynamic approach not only to paid content strategies but also the technology that powers it will ensure publishers thrive rather than simply survive.
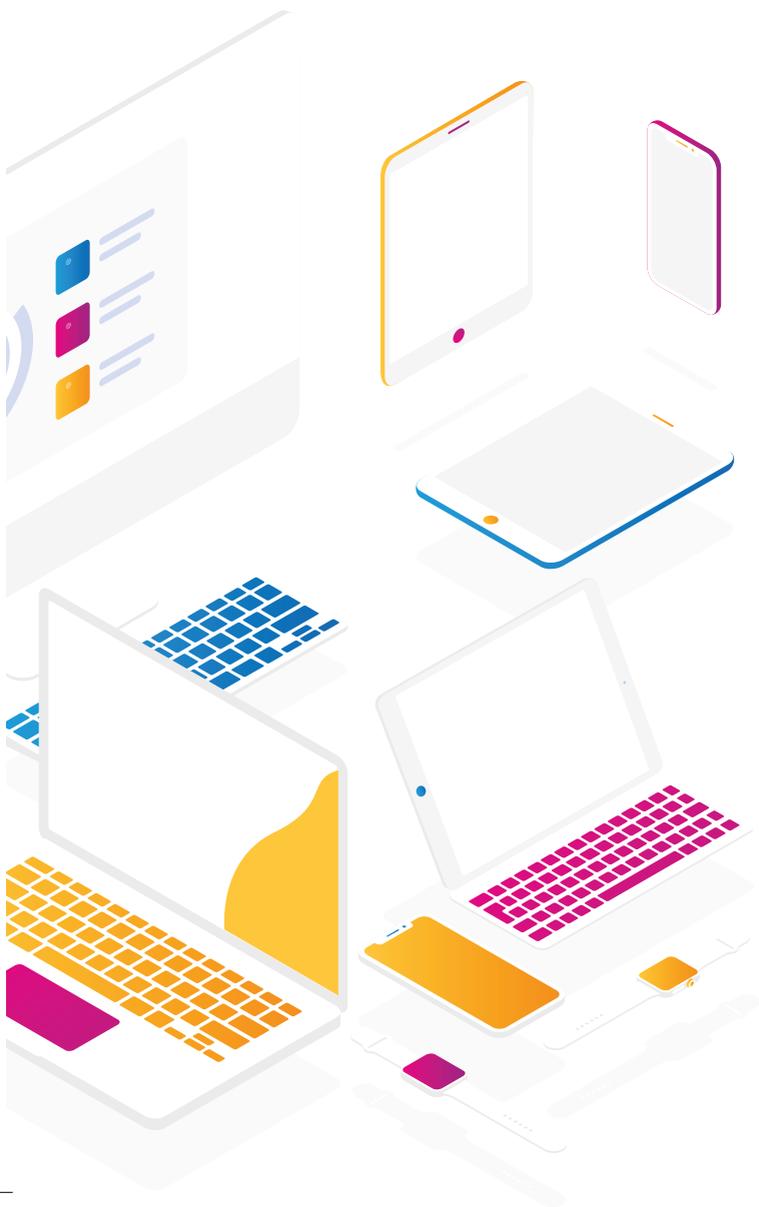
"Once you've **discovered the stories** that those individual readers are willing to pay for, and even better the stories that keep them paying, **you can finally move from reach to relationships**"

— *Nick Tjaardtsra, head of global advisory at The World Association of Newspapers and News Publishers*

About Zephr

Zephr helps leading media businesses and brands gear up for the subscription economy. Our identity, access management and customer experience platform makes the swift deployment of personalized trial, sell and upsell journeys easy - all at unprecedented speed and scale.

Our dynamic paywall technology allows non-technical teams to design, test and deploy new reader registration, trial, subscription and retention journeys instantly through intuitive, code-free drag-and-drop tools.

Founded in 2017 and based in London, we enable a range of international clients, including News Corporation, Dennis Publishing and Which?, to build better customer relationships and long-term customer value.

Get in touch

hector@zephr.com
+44 (0)7984 169049
www.zephr.com