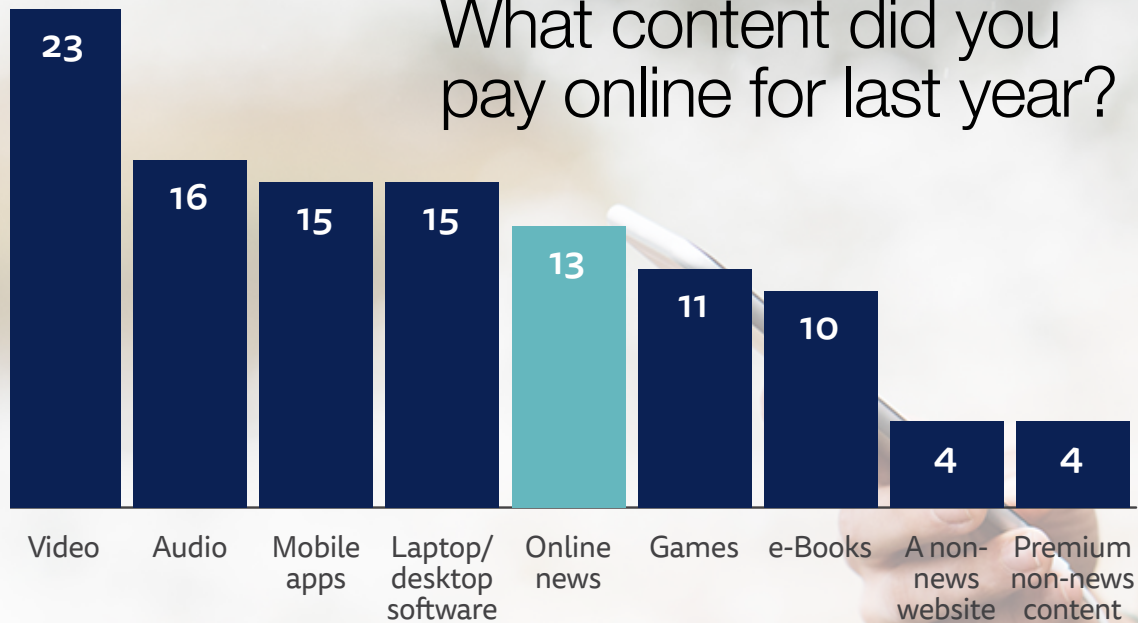# Digital subscriptions briefing

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Almost as many people pay for news as do for apps

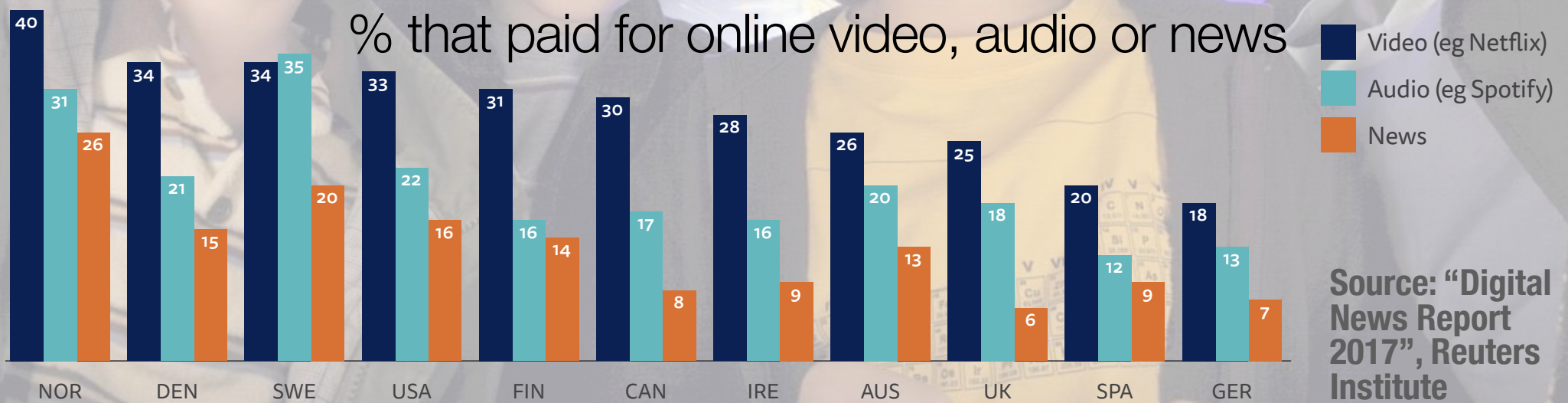## What content did you pay online for last year?

Video	Audio	Mobile apps	Laptop/desktop software	Online news	Games	e-Books	A non-news website	Premium non-news content
23	16	15	15	13	11	10	4	4

The more people watch Netflix or listen to Spotify, the more people in that country pay for online news

% that paid for online video, audio or news

- Video (eg Netflix)
- Audio (eg Spotify)
- News

	NOR	DEN	SWE	USA	FIN	CAN	IRE	AUS	UK	SPA	GER
Video (eg Netflix)	40	34	34	33	31	30	28	26	25	20	18
Audio (eg Spotify)	31	21	35	22	16	17	16	20	18	12	13
News	26	15	20	16	14	8	9	13	6	9	7

Source: "Digital News Report 2017", Reuters Institute

The state of paywalls

Every third nationwide news outlet has a paywall
But users enjoy access to free alternatives everywhere

% nationwide online news outlets charging for content

70	60	50	44	43	40	40	40	38	38	36	33	33	33	31	31	29	27	27	25	23	21	21	20	20	20	13	13	7	6	6	0
BEL	NOR	DEN	POR	ITL	AUS	SWE	UK	GER	NLD	FIN	AUT	SPA	JPN	CZE	SIN	ARG	BRA	FRA	SVK	USA	MEX	POL	CAN	SUI	IRE	HKG	HUN	CRO	CHL	ROM	GRC

N=493 national outlets with the highest reach in 32 markets, May 2018. Source: author's study

Most popular sampling models in 32 countries
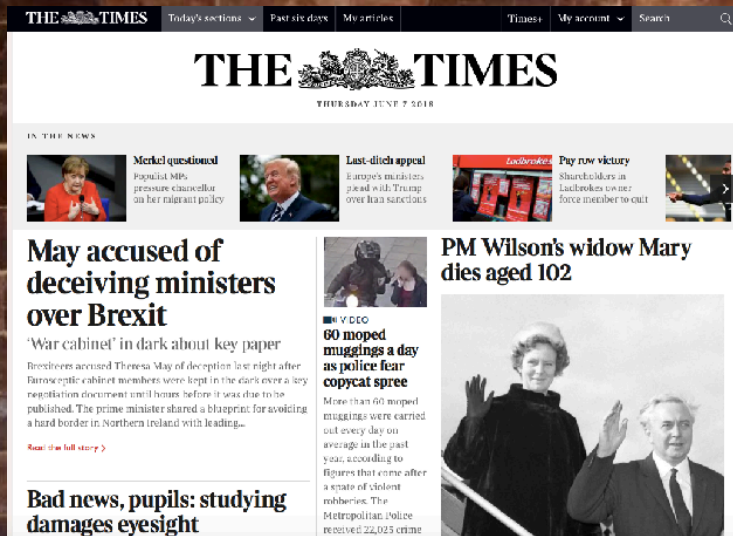
"Hard" + "Trials"
Limited by time **8%**

"Meter" Limited
by volume **12%**

N=131 national outlets with the highest reach in 32 markets, May 2018. Source: author's study

Most popular sampling models in 32 countries

"Freemium" Limited by features **77%**

incl. **"Hybrid"** Limited by volume + features

N=131 national outlets with the highest reach in 32 markets, May 2018. Source: author's study

Most popular sampling models in 32 countries

"Dynamic" Limited by the users' attributes **2%**

"Supported" Members sponsor others **2%**

N=131 national outlets with the highest reach in 32 markets, May 2018. Source: author's study

Why do people pay for news content online?

Is it quality?   Is it exclusivity?   A good deal?

Convenience?   Mission?   Gifts, etc.?

30%
"It allows me to access news from my smartphone or tablet"

23%
"I was offered a good deal"

17%
"I like to have access to information most people do not"

16%
"News you pay is better than free"

16%
"There are benefits from membership other than news access"

13%
"I want to help fund journalism"

Netflix, Spotify shape user expectations about online content but news publishers are slow to follow

Logic of paid packages for 132 outlets in 32 countries

vs. logic of online video and audio services

93%
Differentiate basic and premium packages by distribution devices or formats

GREAT : CONTENT IS NOT
MARRIED TO ANY DEVICE

Watch TV shows and movies on any device.

Welcome to
NETFLIX

From 7,99 €/month | Monthly cancelable | 1 month free

How to grow?

# Why do people buy news content online? Use frequency & volume are the best predictors of sales

Engagement Score =   **Recency (Time from the last visit)**   **X**   **Frequency (Number of visits in past month)**   **X**   **Volume (Number of articles read in past month)**
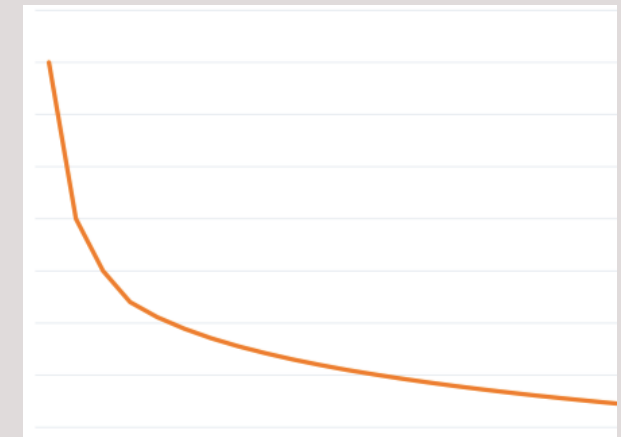

Source: Simplified conversion & churn prediction model of Financial Times as of 2018
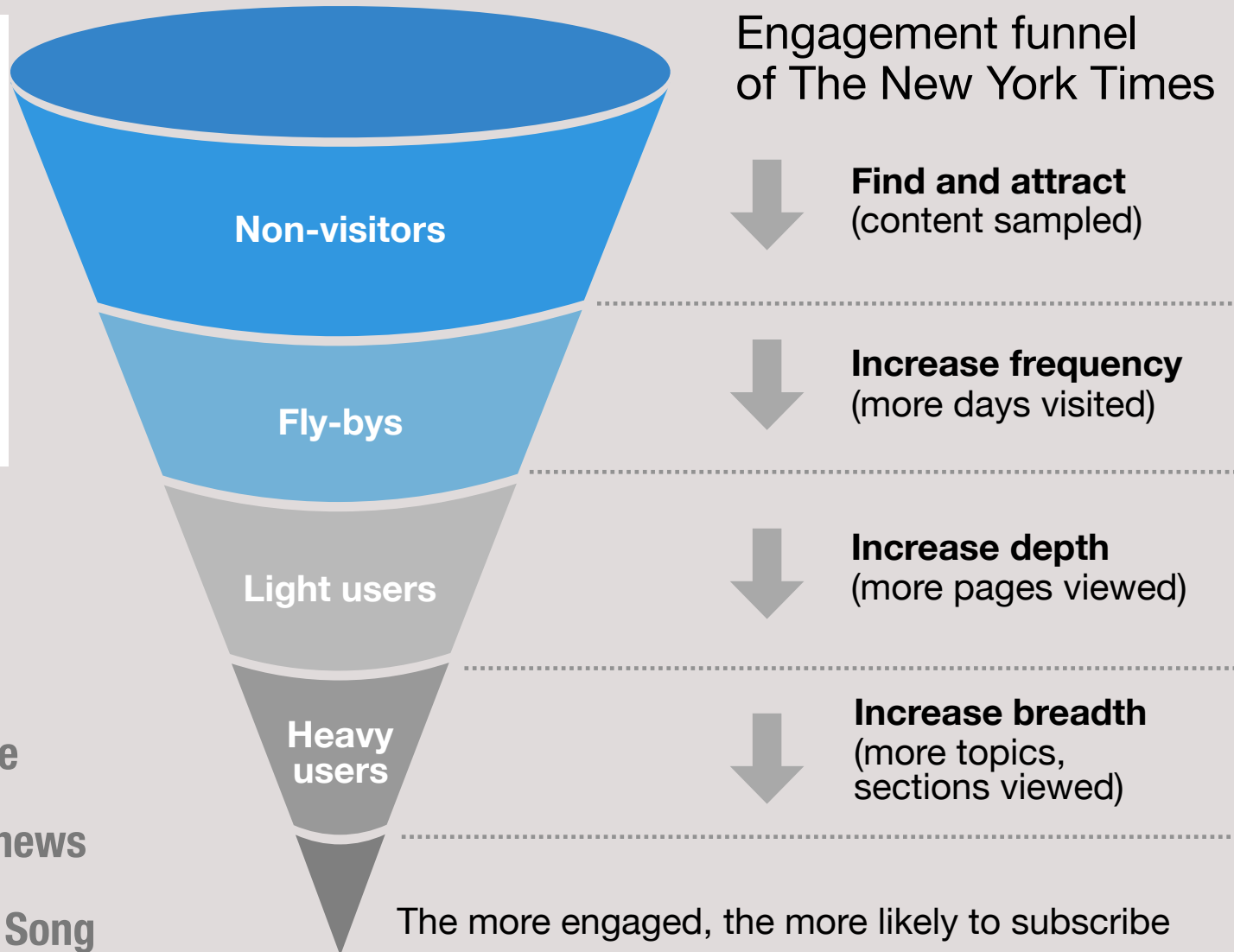
The higher engagement, the higher likelihood of subscribing
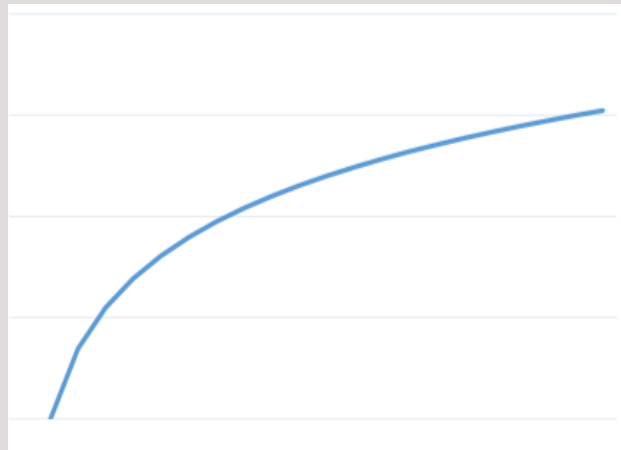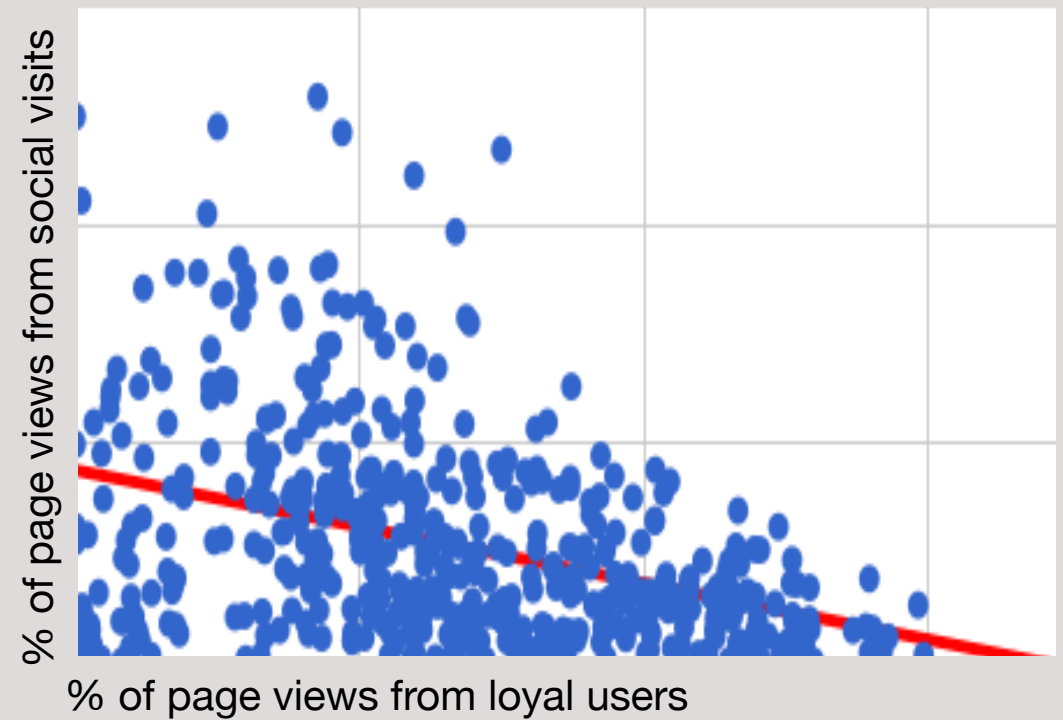

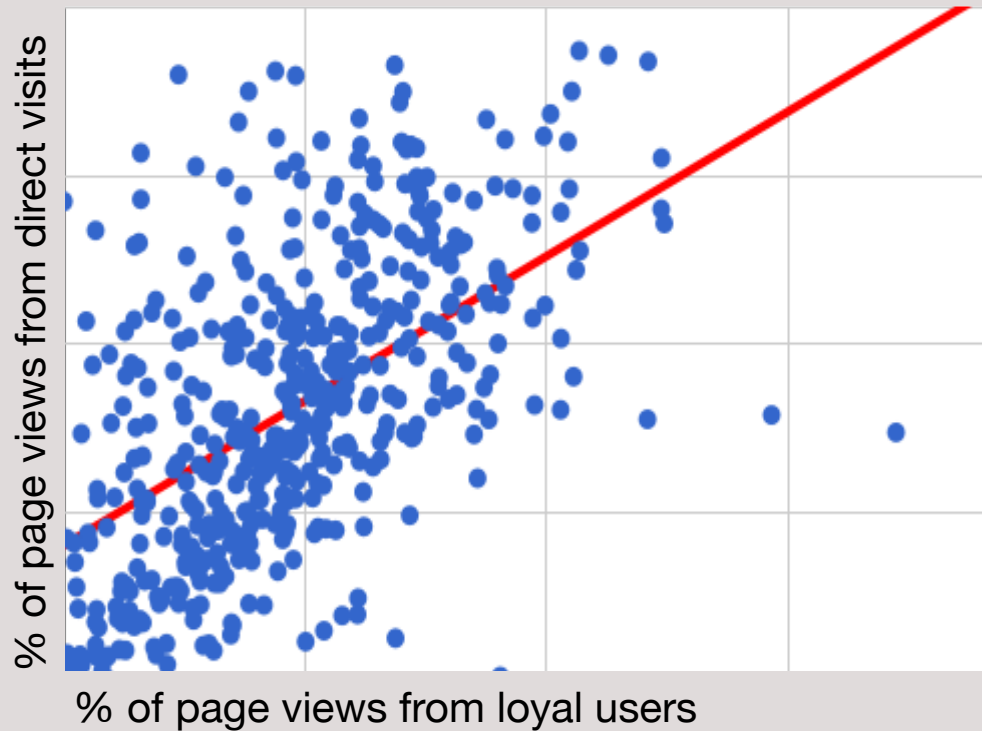The higher engagement, the lower likelihood of churn

How to make people loyal? 60% visitors don't return the next week

Simplified engagement funnel based on the NY Times corporate presentation from 2017.
Data based on a sample of 500 news websites. Data from Chartbeat.
Source: study of the author & S. Song

Engagement funnel of The New York Times

Non-visitors

Fly-bys

Light users

Heavy users

Find and attract (content sampled)

Increase frequency (more days visited)

Increase depth (more pages viewed)

Increase breadth (more topics, sections viewed)

The more engaged, the more likely to subscribe

News websites that enjoy more loyal users, see more direct visits and less from social media

% of page views from direct visits

% of page views from loyal users

% of page views from social visits

% of page views from loyal users

Based on a sample of 500 news websites with the highest volume of page views in the Charbeat client network. Data from Chartbeat, May 2018. Source: study by the author and S. Song

Meter vs. Freemium Who's a subscriber?

Users caught by meter churn at lower levels because the paywall filtered loyal users

% of visitors

number of page views per visitor per month

Users lured by single articles churn at higher levels because they are not loyal users yet

% of visitors

number of page views per visitor per month
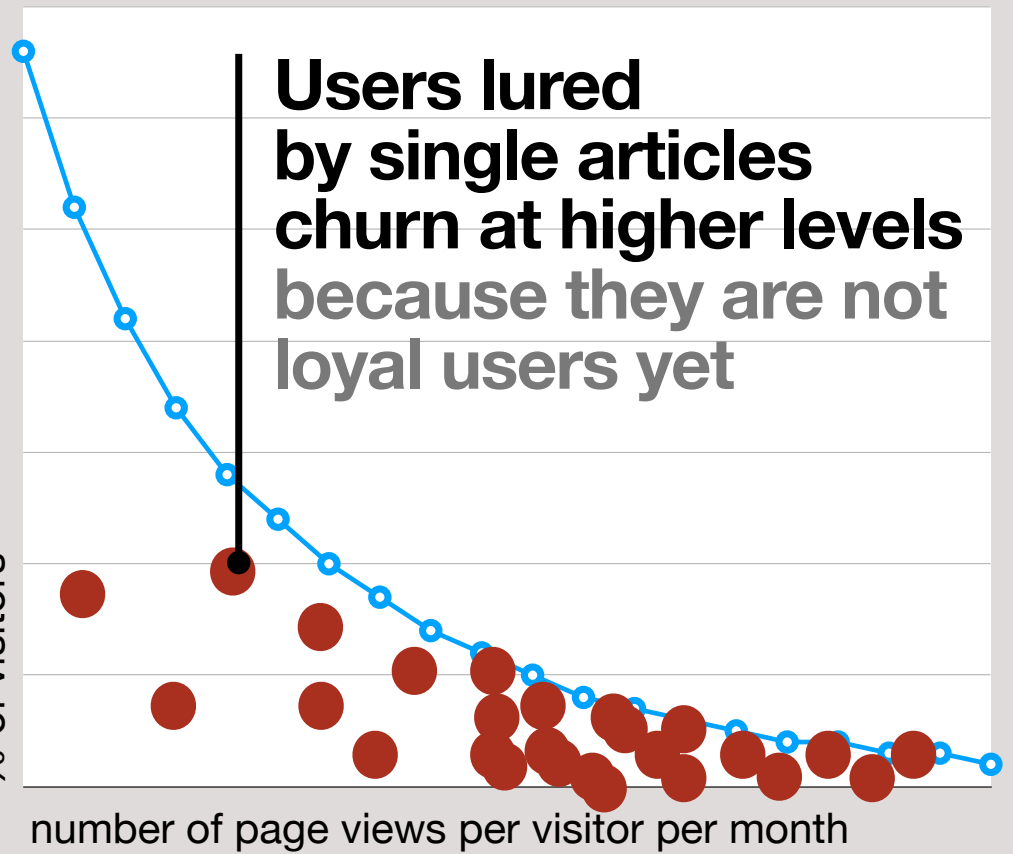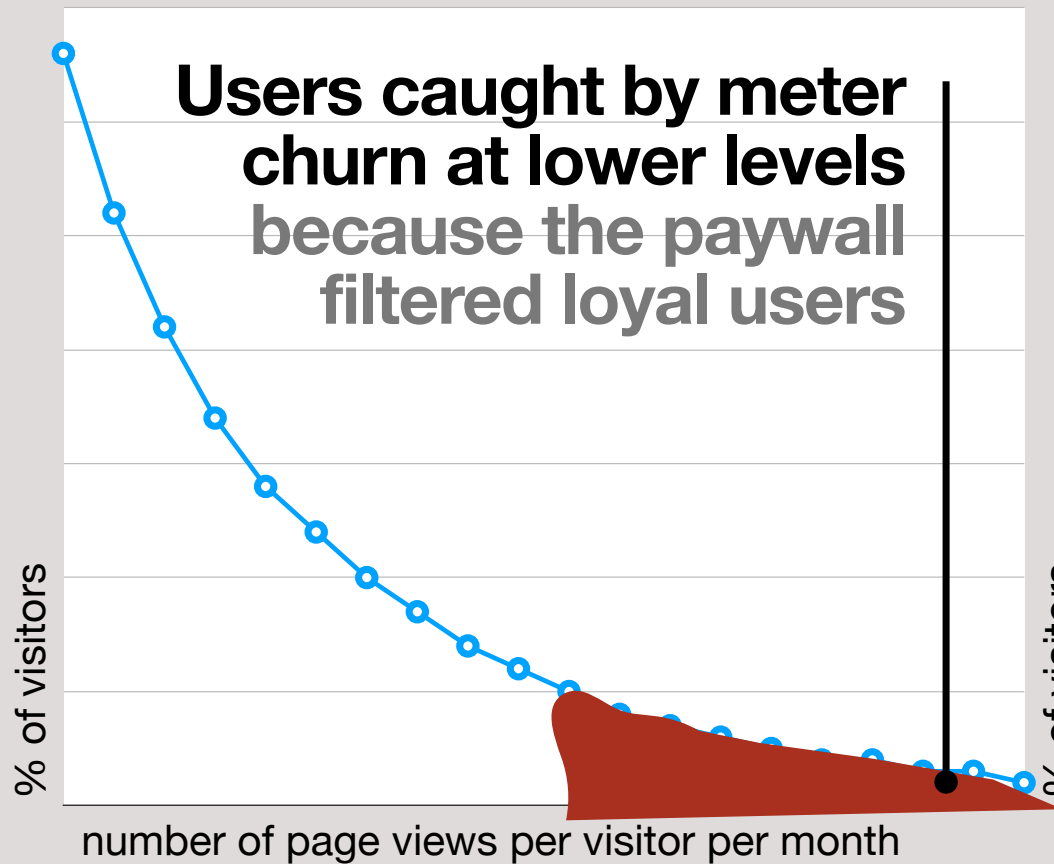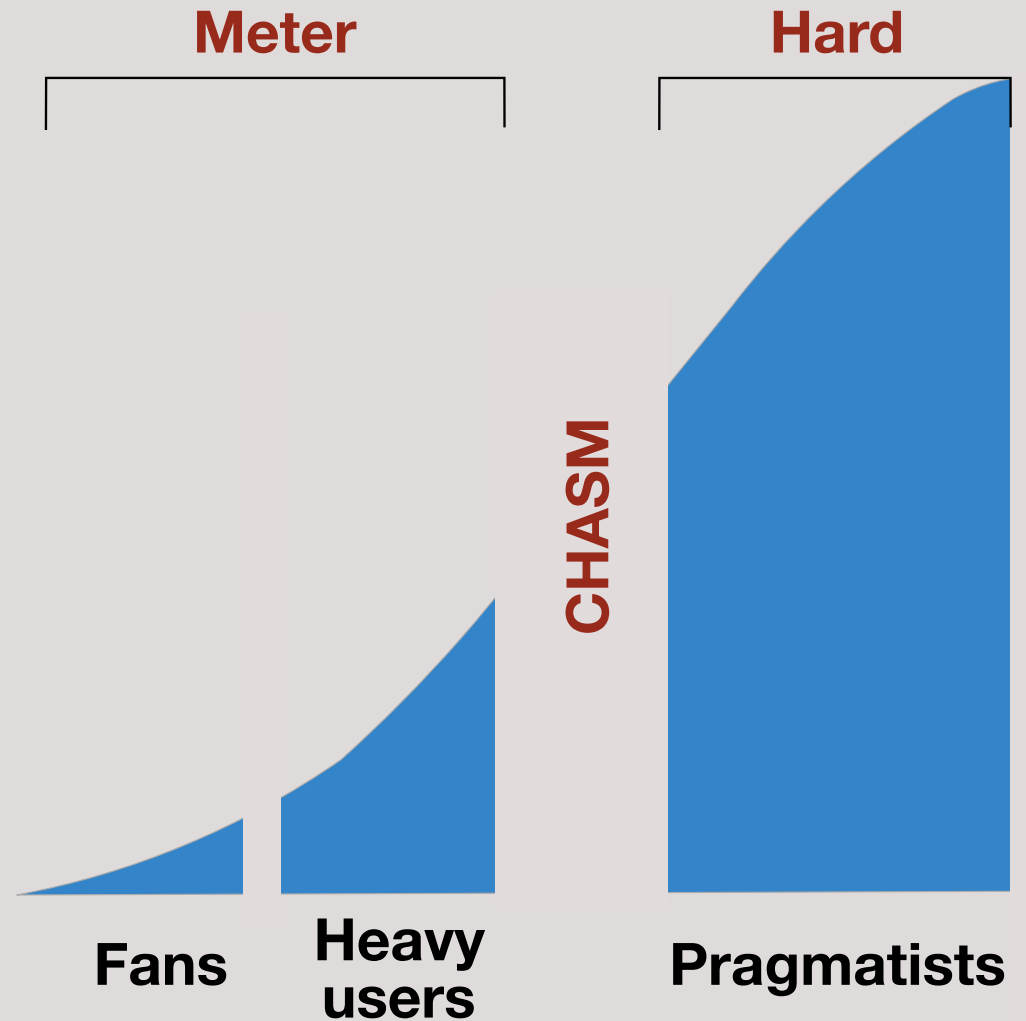
Business case for hybrid models
After one converts fans & heavy users, one needs to attract segments by interest

Adoption curve of the subscription service by different segments

Meter

Hard

CHASM

Fans

Heavy users

Pragmatists

Inspired by new technology adoption curve as defined by: Moore, "Crossing the Chasm", 1991

Development of the NY Times' digital bundle

Meter

Hard for new verticals

Fans

Heavy users

Pragmatists

2,330k
Subscribers of news product

453k
Crossword & Cooking

Responsive paywalls What happens when a subscriber becomes a sleeper?

Only 1 outlet noticed a change in behaviour in an etnographic study of 45 customer journeys

Data collected in February–June 2018. Source: study by the author

How to differentiate?

# Uber kills taxis. Why does Airbnb kill no hotels?

Uber & LA: in 3 years taxi rides down up to 42%

Airbnb & Austin: in 5 years hotel nights down 10%

Source: Los Angeles Department of Transportation, Zervas, Proserpio, Byers 2016

How to differentiate? Align the core product to subscribers or loyal users, and not other visitors

Visits to news websites worldwide in 2017, by source

Direct
37%

"Dark social"
17%

Google
22%

Facebook
13%

Everything else
11%
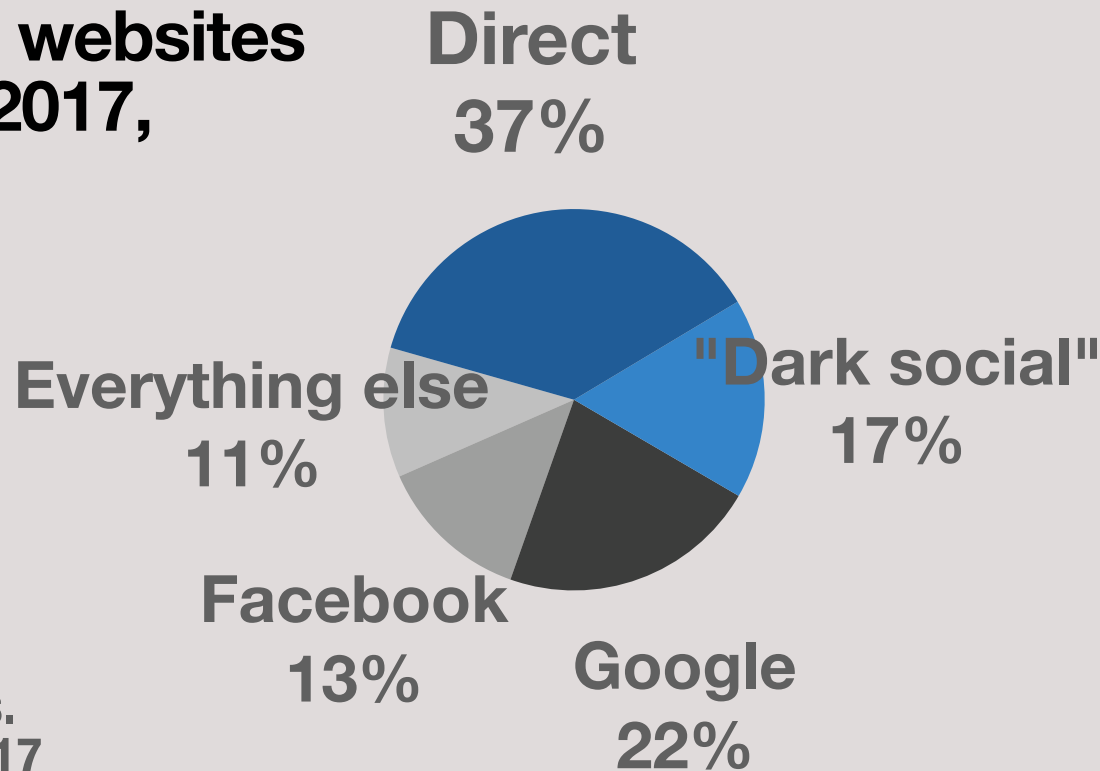
Visitors coming directly or through e-mail & notifications are likely more loyal

Sample of 5,000 sites.
Source: Chartbeat 2017

Drivers of differentiation Newsrooms discover that heavy users have different interests than flybys

Most popular topics in Aftenposten in 11/2016 (for subscribers)
- Love
- Women
- Loneliness
- Drugs
- National politics
- Donald Trump
- Rape
- Hillary Clinton
- Medicine
- Russia

Most popular topics in Der Spiegel in 2/2017 (for subscribers)
- Lifestyle
- Crime
- Scandal
- USA
- Sexuality
- Consumer advice
- Refugees
- Islamists
- Russia
- Football

Most popular topics in Gazeta Wyborcza in 6/2017 (for subscribers)
- Foreign news
- Science news
- Culture news
- Local news
- National news
- Comments
- Features
- Female magazine
- Sports news
- Business news

Total User Value is the new metric
90k heavy users (2%) bring 86% of the Boston Globe's $40m digital revenue (subs + ads)

Source: Boston Globe 2017

Questions?

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