

# FIPP WORLD CONGRESS LONDON

9-11 OCTOBER



Revenues: Paid content  
Deep-dive

Where to next with  
digital payments  
and diversification?

**Jon Watts**

Director and Co-Founder  
MTM

MTM is an international research and strategy consultancy specialising in media, technology and communications

## What we do

Consumer insight

Market analysis

Strategy and growth

Service design

Digital transformation

## Recent clients

amazon

NETFLIX

Time Inc.  
INTERNATIONAL

theguardian



Google



HBO

A&E

sky

YouTube

itv

BBC



Turner

BT

Discovery  
NETWORKS INTERNATIONAL

NBC UNIVERSAL

CARAT

O<sub>2</sub>

YOSP>CE

iab

Walt Disney

groupm

EGMONT  
*We bring stories to life*

newsworks

VIACOM  
INTERNATIONAL  
MEDIA NETWORKS

arqiva

BAUER

DMGT



Adobe

SCREEN  
FORCE

EQUINIX

SPOTX

endemol

NAGRA  
KUDELSKI

videology



irdeto

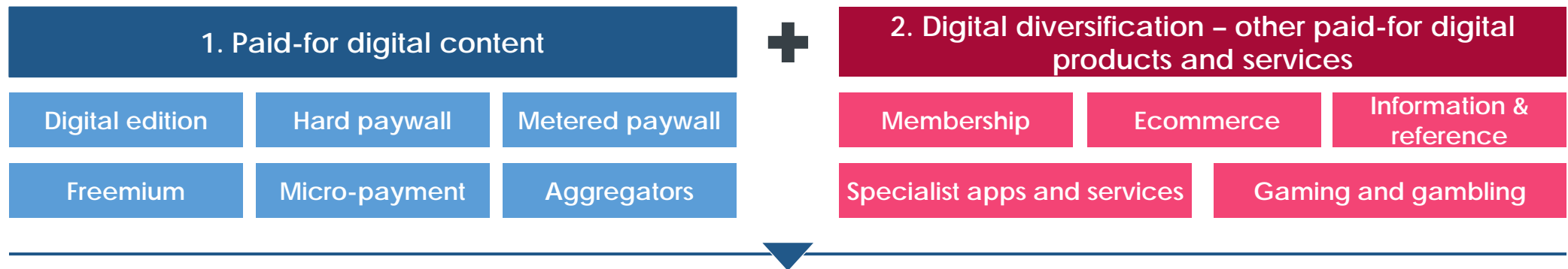
PA Press  
Association

CBS

21ST  
CENTURY  
FOX

OMD

# Overview of the research programme



**Market context:** What is the state of newspaper and magazine publishing industry in Europe?

**Publisher experiences to date:** What have we learnt about demand for paid-for digital offerings?

**Barriers and challenges:** What makes developing digital paid-for offerings difficult?

**Future outlook:** Which paid-for content models and new products and services will drive the most growth?

**Key priorities for the future:** What should publishers do to succeed in digital content, products and services?

Research and analysis, depth interviews and executive seminars across Europe

Thank you to everyone who contributed ...



## Across Europe, newspaper and magazine revenues remain under pressure

↓12%

In 2015, Swedish newspaper revenues declined 6%<sup>(1)</sup> and **advertising revenues declined 12%**<sup>(2)</sup>



*"The plain truth is that **advertising alone will not support our investments in quality content.**" – Magazine publisher, Sweden*

↓9%

In 2016, paid-for UK magazine circulation declined 6%<sup>(3)</sup> and **advertising revenues declined 9%**<sup>(2)</sup>



*"Print definitely isn't dying, but **the market is much more competitive** – the big internet platforms are big everywhere and are still hugely disruptive." – Magazine publisher, UK*

↓9%

In 2016, Netherlands newspaper revenues declined 4%<sup>(4)</sup>, driven by a **9 percent decline in advertising revenues**<sup>(2)</sup>



*"It's very hard to succeed in a small market... **The old model just isn't working** – everyone has to change." – Newspaper publisher, Netherlands*

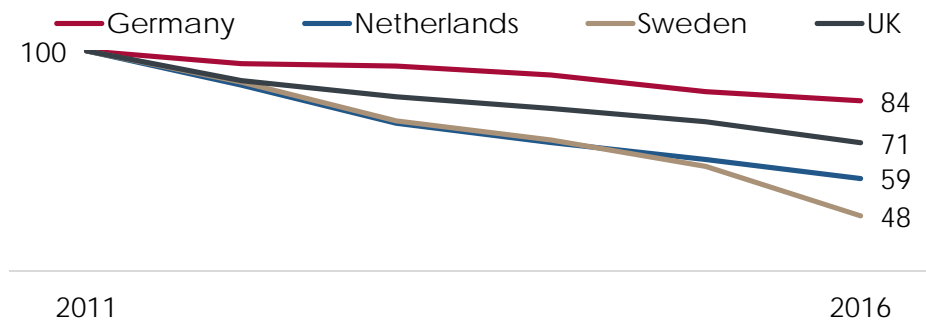
### Sources:

(1) Nordicom, *Media statistics* (2016); (2) GroupM, *This Year Next Year* (2017); (3) ABC (2017); (4) NDP Nieuwsmedia, *Annual Report* (2016)

# Newspapers and magazines face a more challenging and competitive advertising market

## Advertising revenues are under pressure

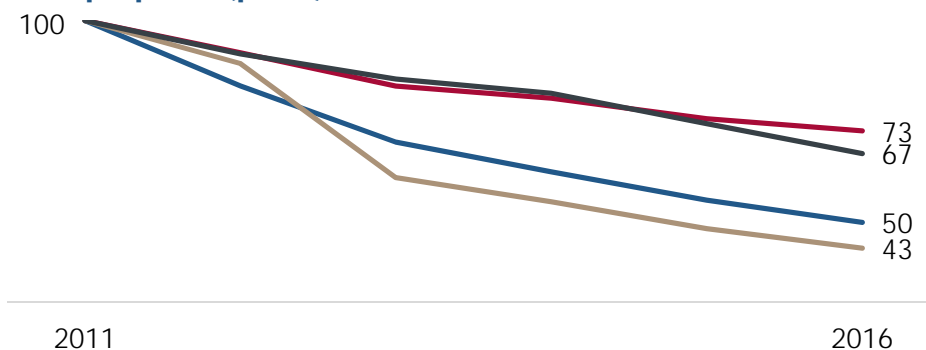
### Consumer magazines (print)



A challenging online advertising market, due to:

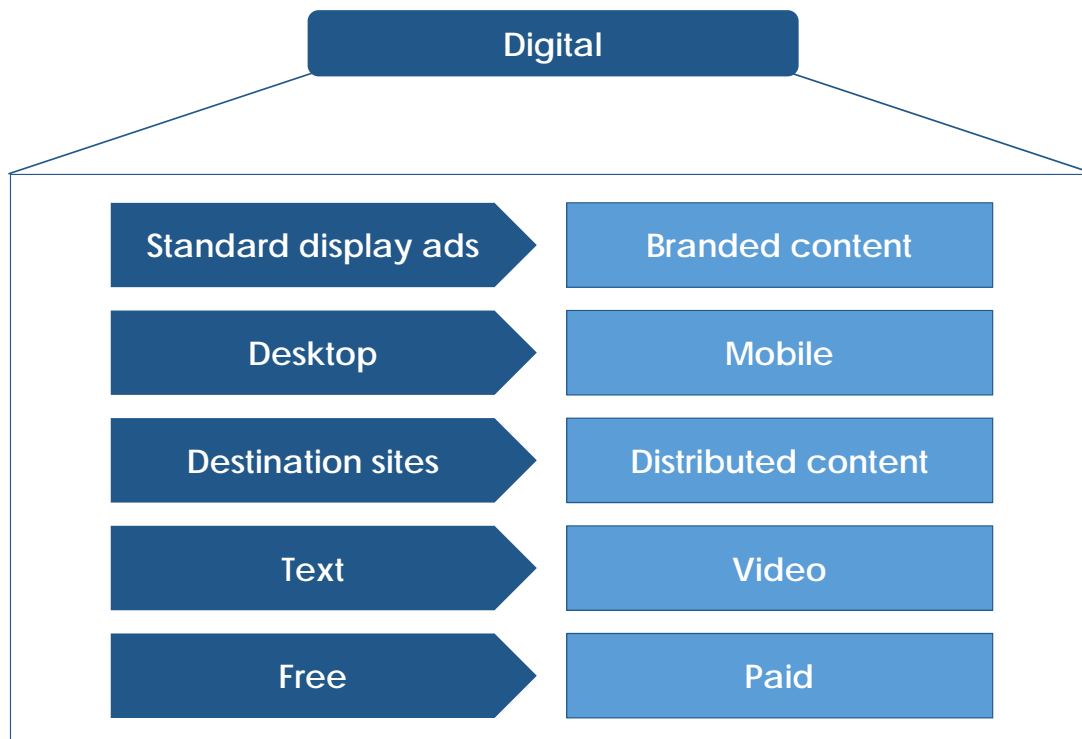
1. The shift to mobile
2. The rise of ad blocking
3. An over-supply of cheap display inventory
4. Strong competition from Facebook and Google


### Newspapers (print)




*"Digital advertising is hard. We're seeing lots of growth, but **CPMs are really low**."* – Newspaper publisher, UK

As a result, newspaper and magazine publishers across Europe are looking for new ways to drive growth



 "Our future is going to be more diverse – *we need lots of new revenue streams that can work together*, under each brand. We can't rely on advertising." – Magazine publisher, Sweden

 "If you're creating something that has real quality and that the audience really wants, *you should charge for it in some way*." – Newspaper publisher, Germany

Publishers have been experimenting with – and offering – paid-for digital content for many years, using a range of models

#### 1. Digital edition



#### 2. Hard paywall



#### 3. Metered paywall



#### 4. Freemium



#### 5. Micropayment



#### 6. Aggregators






However, experiences with direct content payment models have varied widely – many have had limited success

1. A very small proportion of consumers are **willing to pay for mainstream news online**, regardless of payment model

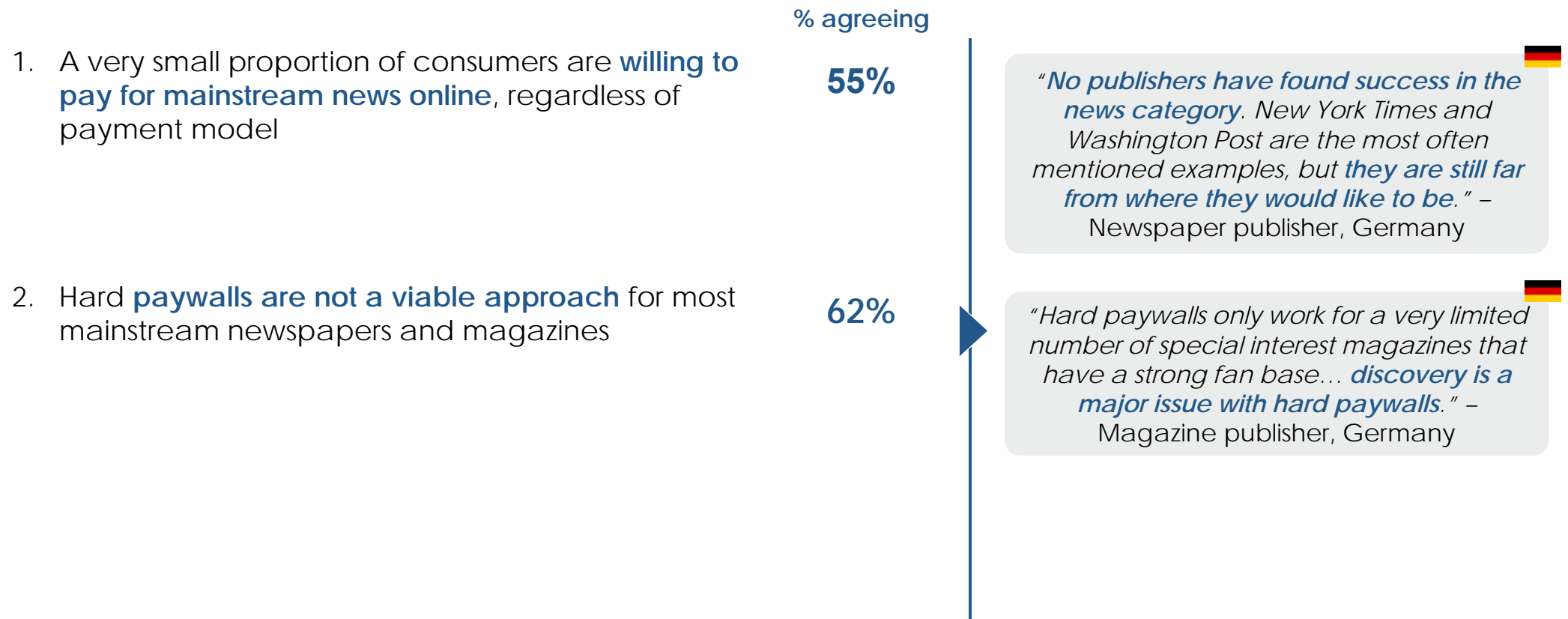
% agreeing

**55%**

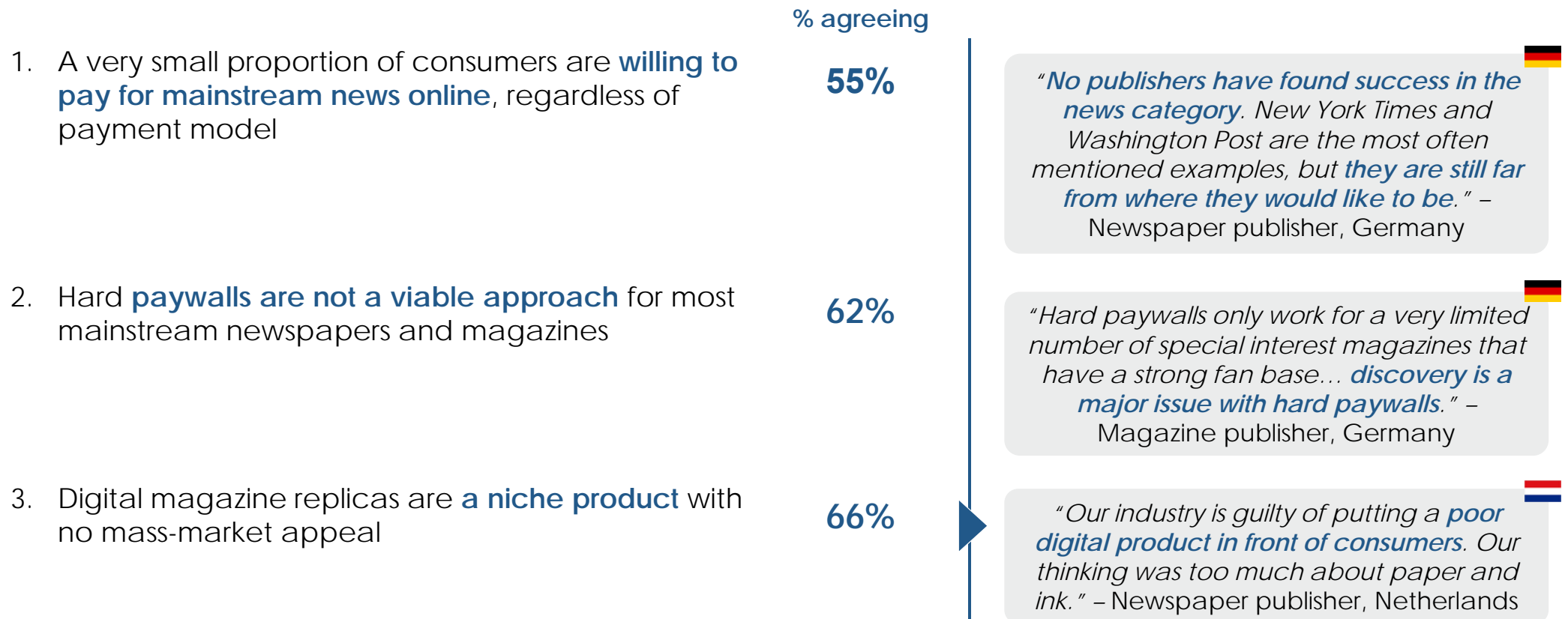


*"No publishers have found success in the news category. New York Times and Washington Post are the most often mentioned examples, but **they are still far from where they would like to be.**" – Newspaper publisher, Germany*

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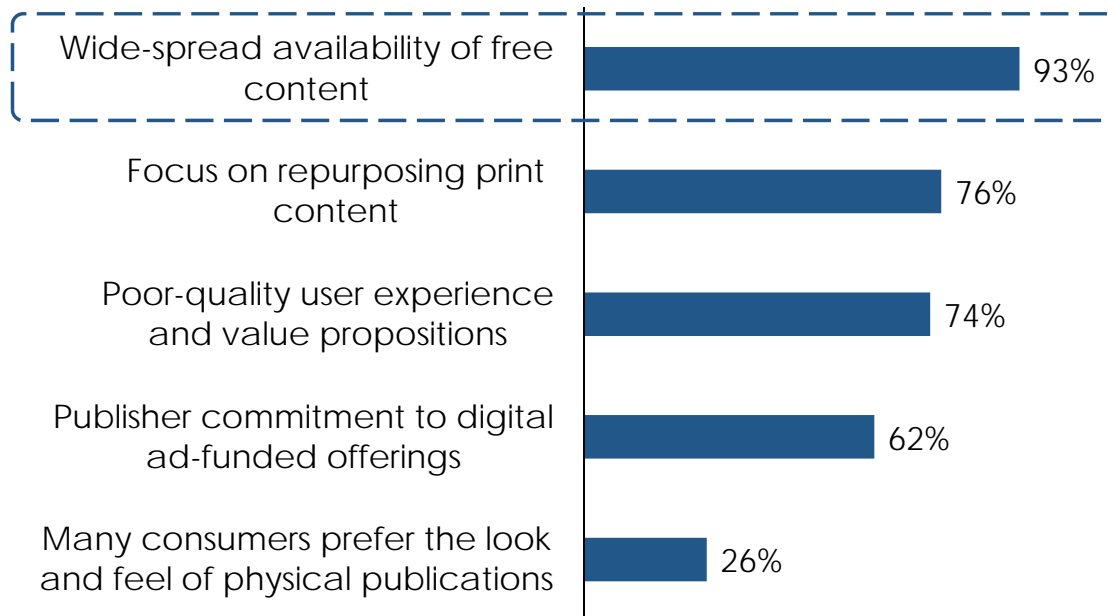


However, experiences with direct content payment models have varied widely – many have had limited success



## What are the key challenges facing publishers, as they look to grow paid-for digital content revenues?

### What factors have impeded the growth of digital content sales?

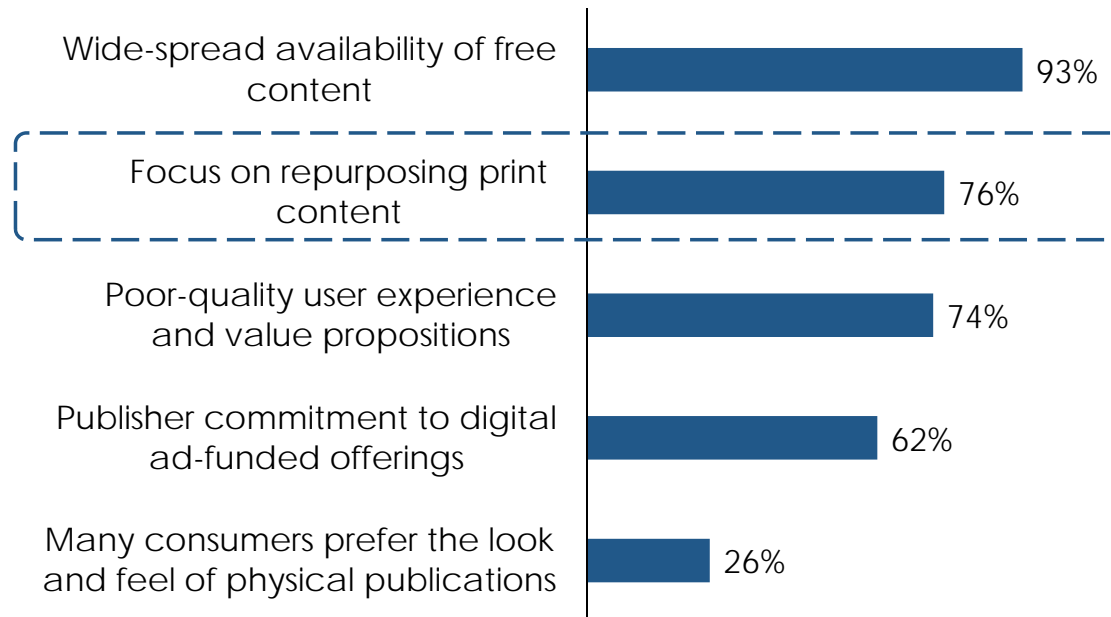


 *"Too much content is still free. Consumers are willing to pay for good quality content... It's our job to **identify and develop that high-quality content** that readers will want."* – Newspaper publisher, Sweden

**Note:** Proportion of respondents who responded 4 = Important factor or 5 = Very important factor (n = 47)

# What are the key challenges facing publishers, as they look to grow paid-for digital content revenues?

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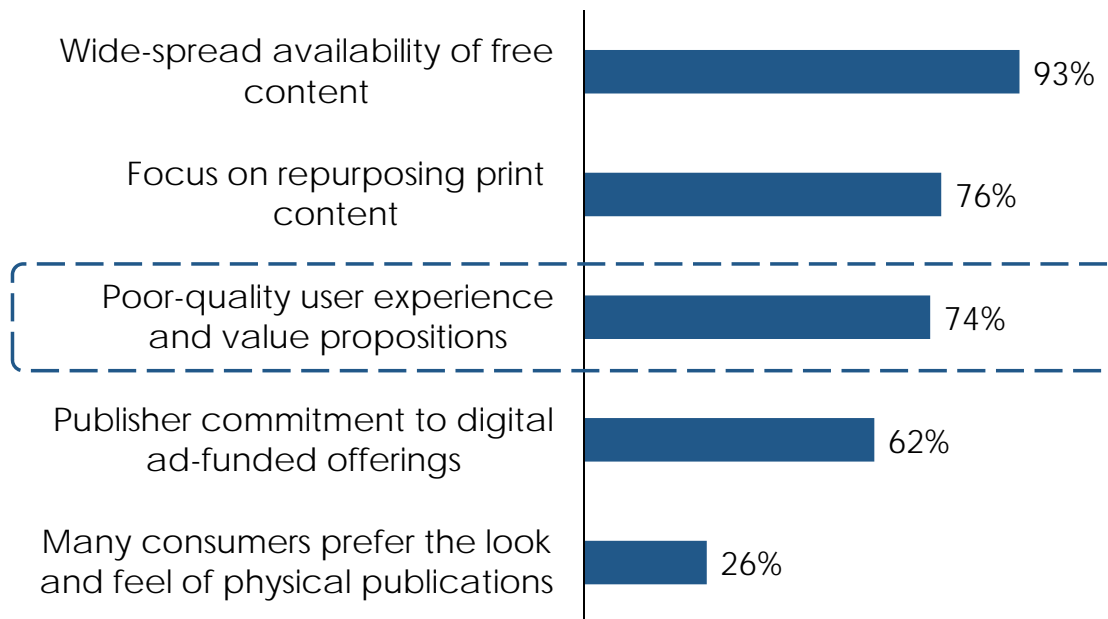


*"Many publishers take the inside-out perspective – here's what we make money from in print, how can we replicate that digitally? They completely overlook the most important question, which is: how do people consume content online?"* – Newspaper publisher, UK

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## What are the key challenges facing publishers, as they look to grow paid-for digital content revenues?


### What factors have impeded the growth of digital content sales?



*"In digital, **user experience is business critical**. It needs to be easy, convenient and free of frustrations. We need to invest heavily in product testing and quality assurance to make sure our digital products work in all environments and situations." – Newspaper publisher, Germany*

**Note:** Proportion of respondents who responded 4 = Important factor or 5 = Very important factor (n = 47)

Today, many publishers are experimenting with memberships, ecommerce, and specialist apps and services, to leverage their reach and brand

 "People will pay for memberships where they feel that they're **part of a cause to support quality journalism**." – Newspaper publisher, Sweden

 "Ecommerce has a lot of potential, if you can find **exclusive categories that fit with your brand**." – Newspaper publisher, UK


**1. Memberships**



**2. Ecommerce**



**3. Information and reference**



**4. Specialist apps and services**



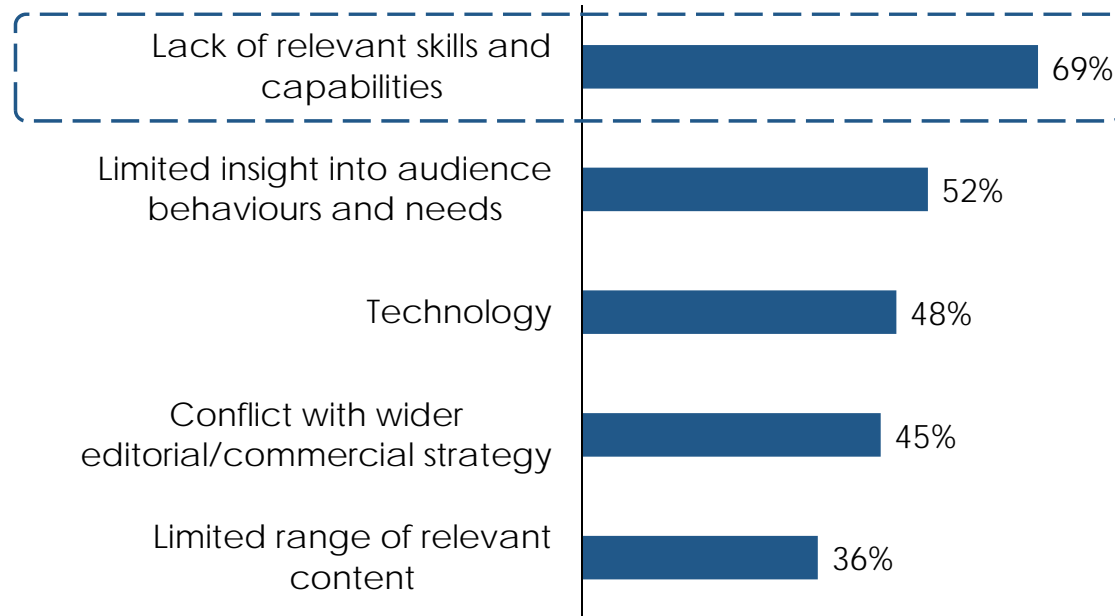
**5. Gaming and gambling**



 "There are a lot of 'me too' offerings already in areas like cooking, fashion or fitness – it's **hard to offer something distinctive**." – Magazine publisher, Netherlands

However, digital diversification into paid-for products and services presents important challenges

What are the key organisational challenges facing publishers developing paid-for offerings?



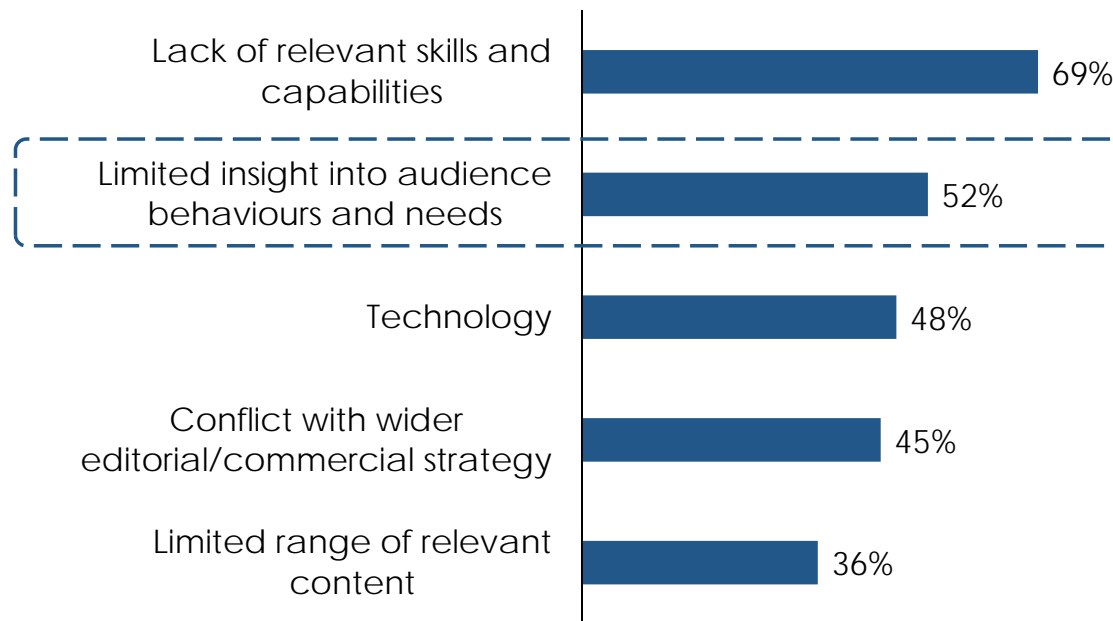
*"Launching new digital products and services requires **completely different skills and capabilities that you can't find in editorial teams.**"* – Magazine publisher, Germany


**Note:** Proportion of respondents who responded 4 = Important challenge or 5 = Very important challenge (n = 47)



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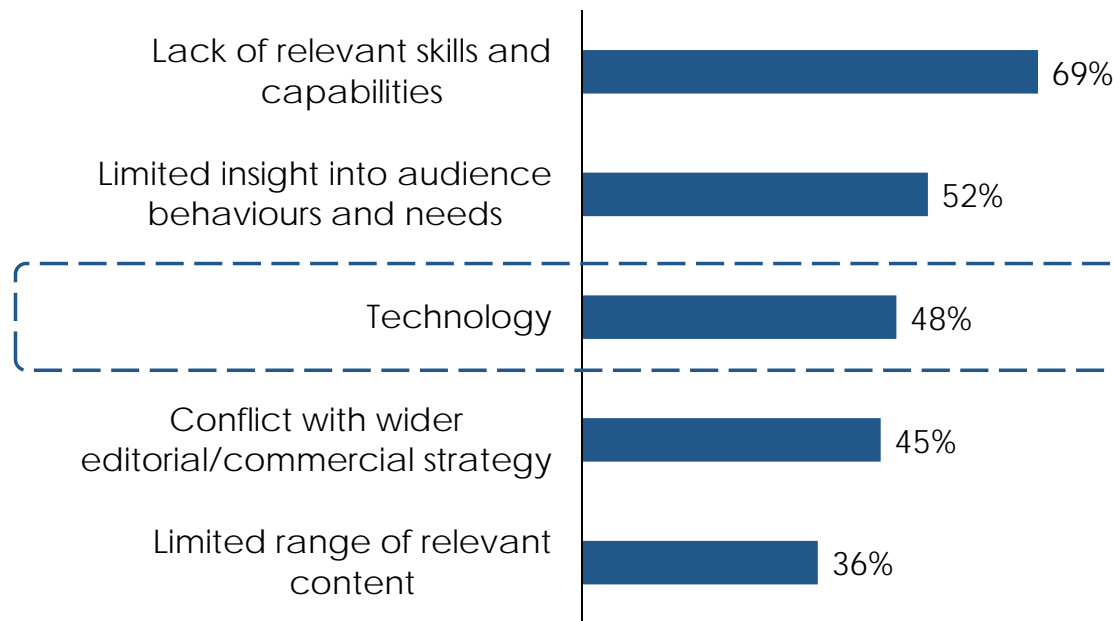


 "Data scientists have become key. Publishers often have more data than they realise, but they **need to hire smart people to analyse it** in a meaningful way."  
– Aggregator, UK

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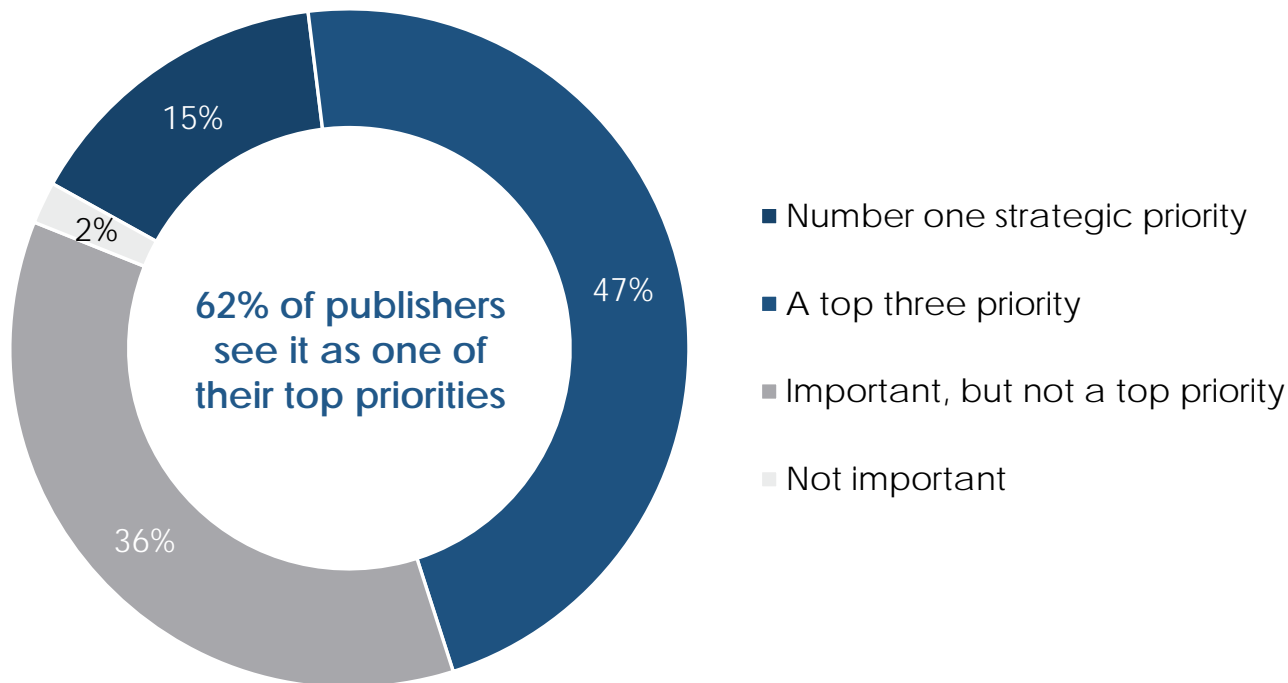


*"We **don't prioritise technology and development resources enough**. It's very important and always in short supply, especially in relation to paid-for services." – Magazine publisher, UK*

**Note:** Proportion of respondents who responded 4 = Important challenge or 5 = Very important challenge (n = 47)

Looking forwards, 62% of executives see the development of new digital paid-for products and services as one of their top three strategic priorities

Where does the development of new digital paid-for products and services rank among your company's strategic priorities?



*"Due to recent market developments, we see it as **a necessity to develop new revenue sources**... but it's challenging and there's a lot of work to be done." – Newspaper publisher, Netherlands*

The majority of European publishers are cautiously optimistic that the digital paid-for offerings can deliver significant growth

How confident are you that direct-to-consumer paid-for digital offerings can help to drive significant growth in publisher revenue over the next three years?

Average scores (1 = Not at all confident to 10 = Very confident)



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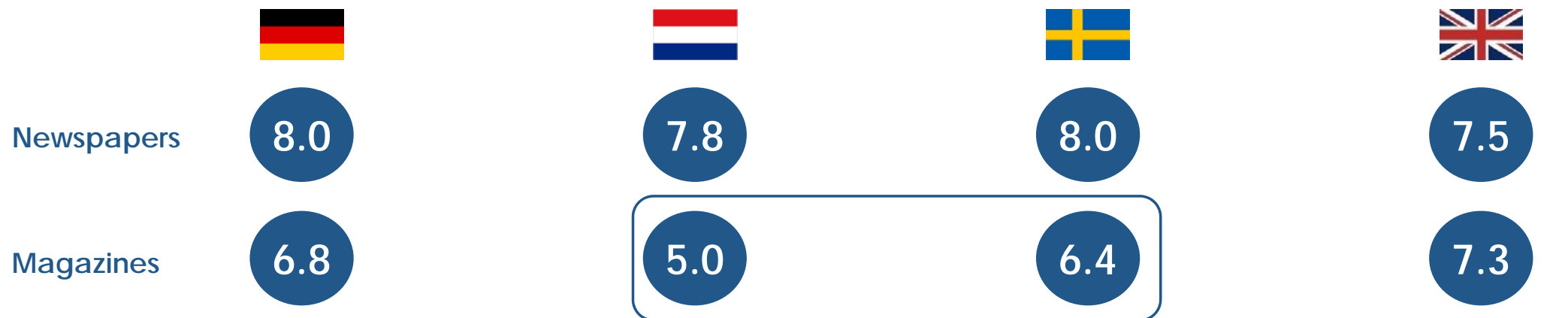
*"The **market for English-language news is global**. We have to compete against both local and international publishers, and there is a lot of great content that is available for free." – Newspaper publisher, UK*

UK newspaper publishers appear less confident than peers in other European markets, suggesting the **UK market is unusually competitive**

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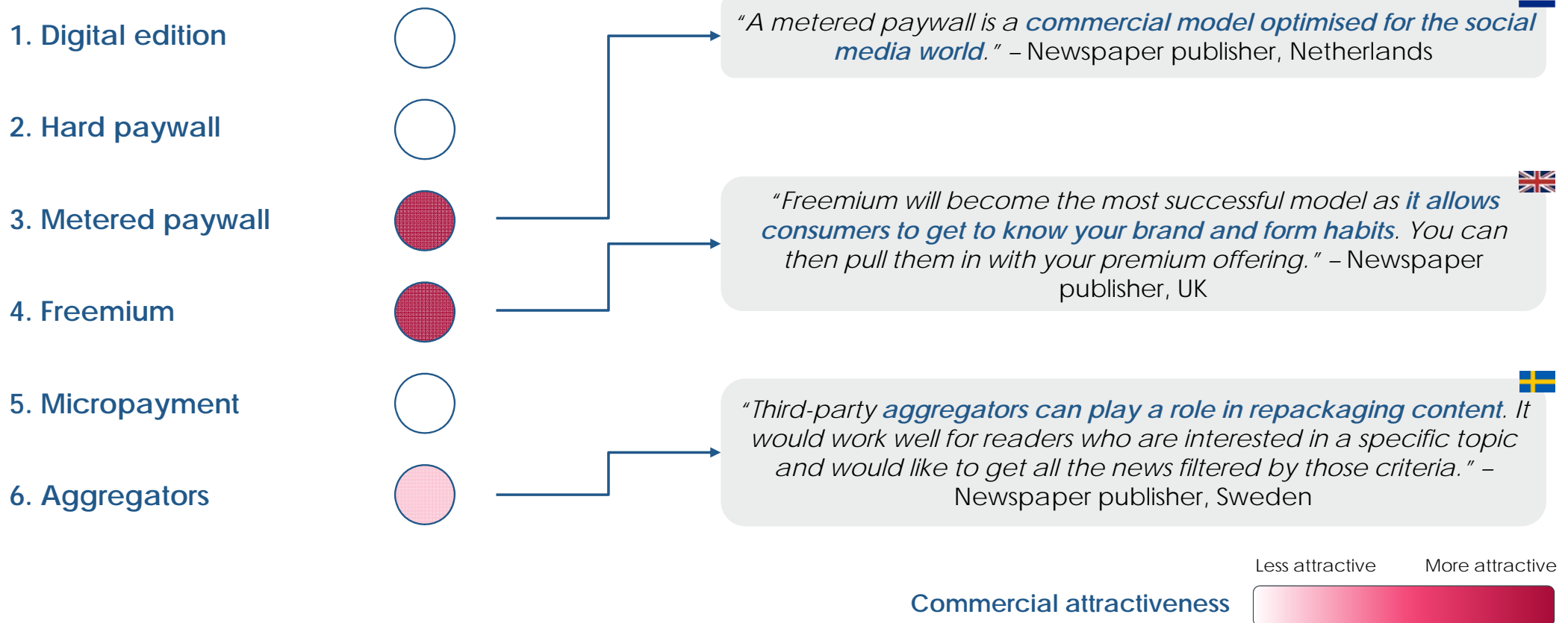


Magazine publishers in Sweden and the Netherlands are less optimistic than in Germany and the UK, citing the **smaller size of their markets** and **limited investment capabilities** as key challenges

*"We're confident that digital will drive revenue growth, but significant growth won't happen over the next three years. **Most magazine publishers are simply not ready** for it." – Stina Abenius, Publishing Director at Aller Media AB*

For most newspaper publishers, metered paywalls and freemium models are now well established as the favoured models

### Newspapers: attractiveness of digital paid-for content models





Gadi Lahav  
Head of Product

FINANCIAL TIMES



*We've always taken a flexible approach to paid content. **Allowing sampling of journalism is a really important part of attracting new readers and subscribers,** and we're seeing this approach to access becoming increasingly popular in the industry.*

*We've seen that users are more willing to pay if they feel they are getting a **great user experience and access to exclusive content.***





For magazine publishers, paid-for content models remain challenging, but some publishers are positive about the prospects for curated aggregation

### Magazines: attractiveness of digital paid-for content models

1. Digital edition



*"People still like printed magazines – **they don't need to read them online.**" – Magazine publisher, UK*

2. Hard paywall



3. Metered paywall



4. Freemium



5. Micropayment



6. Aggregators



*"Micropayments won't ever work for magazines. You need to convert the user every time and **everyone who is in the conversion business knows how hard it is to do it.**" – Magazine publisher, Germany*

*Magazines have a great potential to **grow through third-party platforms** – the digital replicas we see today are rubbish, so there's a lot of opportunity around **curating and enriching that content.**" – Magazine publisher, Netherlands*

Commercial attractiveness



Note: Proportion of respondents who responded 4 = Important challenge or 5 = Very important challenge (n = 47)



Unn Edberg  
Executive Vice President

# Chef.

“

*Most magazine content is niche – **people will pay for aggregators who can super-serve specific niches**... for example, boat enthusiasts being able to get all boating-related content in one place.*



”

For newspaper publishers, digital diversification opportunities vary – but ecommerce is emerging as a favourite

### Newspapers: attractiveness of digital diversification opportunities

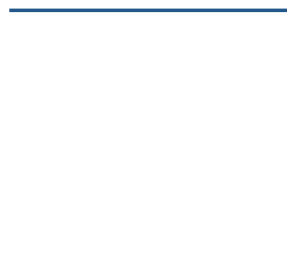
#### 1. Membership



*"Membership schemes are a great opportunity for journalists to install one-to-many discussions and **engage with their audiences at a different level.**" – Newspaper publisher, Germany*



#### 2. Ecommerce



*"The publishing industry hasn't woken up to the reality that **setting up an ecommerce business is cheap** – publishers just need to find the right product categories that work well with their brands." – Newspaper publisher, Sweden*



#### 3. Information and reference



#### 4. Specialist apps and services



#### 5. Gaming and gambling



# Magazine publishers see digital diversification opportunities in ecommerce, memberships, and special-interest offerings

## Magazines: attractiveness of digital diversification opportunities

### 1. Membership



### 2. Ecommerce



### 3. Information and reference





### 4. Specialist apps and services



### 5. Gaming and gambling



 "Memberships will work for brands that can **build communities around a specific passion point or interest.**" – Unn Edberg, Executive Vice President at Chef

 "You need to **connect content to an ecommerce offering.** So far, it's been very rudimentary; there's a long way to go." – Magazine publisher, Germany

Commercial attractiveness 

Less attractive      More attractive



Michel Koch  
CMO

Time Inc.



*Memberships will be great for special interest publishers. Take cycling, for example – it's a massive market and cycling enthusiasts would be happy to pay for membership of a cycling-related club, **providing them with a way to connect with like-minded people** and offering them easy access to cycling gear and advice.*





Krischan Lehmann  
Digital Director

**CONDÉ NAST**  
GERMANY



*We have really strong fashion and lifestyle brands and **we see a major opportunity to use them to build specialist digital services.** These services need to deliver a new type of experience. They need to be more like coaching, one-to-one personalised interactions, then audiences will be willing to pay for them.*



What are the priorities for publishers looking to grow consumer revenues online with paid-for content, products and services?

1. Strong premium **brands**




*"It is very important to **stay true to your brand and focus on your customer needs**. We need to stay in touch with our customers and be able to cater to their evolving needs." – Magazine publisher, Germany*




## What are the priorities for publishers looking to grow consumer revenues online with paid-for content, products and services?

1. Strong premium **brands**
2. High-value **content** and compelling **user experiences**



*"People will always be drawn to quality content – that's why they come to your website. If you **invest in a strong and differentiated content proposition**, you will definitely have a good starting point for making money with new digital products."* – Ronald Bouwman, Sales Manager Ad Sales at NRC Media




*"Poor user experience is very often one of the main reasons that readers shy away from subscriptions. It's very important to **get things like signing up, payment, and the renewal process right**."* – Newspaper publisher, UK



What are the priorities for publishers looking to grow consumer revenues online with paid-for content, products and services?

1. Strong premium **brands**
2. High-value **content** and compelling **user experiences**
3. State-of-the-art **analytics**, customer **insight** and digital marketing capabilities





*"We need to empower all teams across our business to **get access to audience data and know how to interpret it**, ranging from journalists and editors to programmers. It's a new way of thinking." – Newspaper publisher, Sweden*



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*"Our business was transformed by having **immediate access to relevant data and a tech team that can respond quickly.**"* – Gadi Lahav, Head of Product at Financial Times 

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A compelling value proposition that consumers will pay for

Importantly, one size does not fit all – publishers need their own unique strategies

## Strategies for paid-for products and services

### 1. Membership

#### Good fit with (e.g.):

- High-quality news and current affairs
- Business and finance

#### Key considerations include:

- Trust in newsbrand and reputation
- Campaigning, political
- Strong connection between digital and non-digital offering
- High reach, taking advantage of digital publishing and distribution to maintain reputation

Importantly, one size does not fit all – publishers need their own unique strategies

### Strategies for paid-for products and services

|               | Good fit with (e.g.):   | Key considerations include:  |
|---------------|---|--|
| 1. Membership | <ul style="list-style-type: none"><li>• Fashion and personal care</li><li>• Hobbies and recreation</li><li>• Home and gardening</li></ul> | <ul style="list-style-type: none"><li>• Strong fit with the brand and editorial policy</li><li>• Higher-value, higher-frequency retail categories</li><li>• Focused on non-commodity or specialist goods</li></ul> |
| 2. Ecommerce  |   |  |

Importantly, one size does not fit all – publishers need their own unique strategies

### Strategies for paid-for products and services

|                              | Good fit with (e.g.):   | Key considerations include:  |
|------------------------------|---|--|
| 1. Membership                | <ul style="list-style-type: none"><li>• Business and finance</li><li>• Specialist (e.g. automotive, consumer electronics, technology)</li></ul> | <ul style="list-style-type: none"><li>• High-value, aggregated information, not easily available elsewhere</li><li>• Editorial impartiality, range and depth</li></ul> |
| 2. Ecommerce                 | <ul style="list-style-type: none"><li>• Education, property (e.g. school guides)</li></ul>  |  |
| 3. Information and reference |   |  |

Importantly, one size does not fit all – publishers need their own unique strategies

### Strategies for paid-for products and services

|                                 | Good fit with (e.g.):   | Key considerations include:  |
|---------------------------------|---|--|
| 1. Membership                   | <ul style="list-style-type: none"><li>• Hobbies and recreation (e.g. how-to content in cooking, fitness, gardening)</li></ul> | <ul style="list-style-type: none"><li>• Personalised or high-value-added service not available elsewhere</li></ul> |
| 2. Ecommerce                    | <ul style="list-style-type: none"><li>• Fashion and personal care</li><li>• Business and finance</li></ul>                    | <ul style="list-style-type: none"><li>• Strong links to editorial personalities and trusted guides</li></ul>       |
| 3. Information and reference    |   |  |
| 4. Specialist apps and services |   |  |

Importantly, one size does not fit all – publishers need their own unique strategies

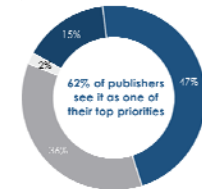
### Strategies for paid-for products and services

|                                 | Good fit with (e.g.):                                    | Key considerations include:  |
|---------------------------------|--|--|
| 1. Membership                   | <ul style="list-style-type: none"><li>• Sports</li></ul> | <ul style="list-style-type: none"><li>• High audience reach and brand relevance</li><li>• Focus on data and results</li><li>• Long-running seasons, broad appeal</li></ul> |
| 2. Ecommerce                    |  |  |
| 3. Information and reference    |  |  |
| 4. Specialist apps and services |  |  |
| 5. Gaming and gambling          |  |  |



In summary, consumer revenues are a key priority – to win, publishers need to invest in brands, content, tech, and talent

- Across Europe, publishers see **consumer revenues and digital diversification** as an important strategic priority.
- Higher-quality newspapers are **widely adopting digital subscription models**; magazine publishers are **pursuing a diverse range of paid-for opportunities**.
- Successful businesses will need **premium brands, high-quality content, technology platforms, data and analytics capabilities, and top digital talent**.





**Any  
questions?**