

MATHER ECONOMICS

COVID-19:
EARLY INSIGHTS AND IMPLICATIONS

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mathereconomics.com

AMERICA'S
NEWSPAPERS

DIGITAL SUBSCRIPTION
WEBINAR

APRIL 2ND, 2020

mather:

KEY TOPICS FOR DIGITAL SUBSCRIPTIONS

Strategic Implications

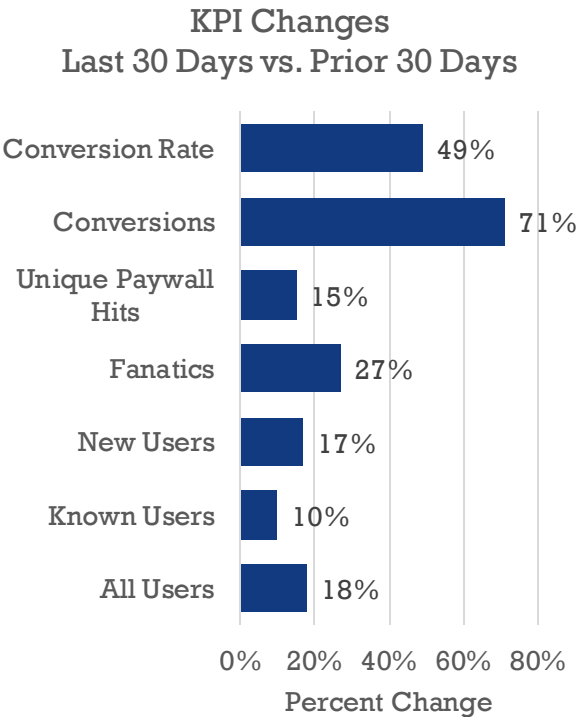
- Now is the time to focus on strategic business planning and focused business rules
- The growth in page views is not 1:1 to the growth in programmatic advertising; direct-sold ads have dropped
- The economics of the Intelligent Paywall TM now swing in favor of aggressive paywalls
- Print to digital migration will be a key focus area this year due to publisher pressure and consumer preference

Immediate Tactical Insights and Recommendations:

- Benchmarks and best-in-class implementation
- Anticipate a dip in subscription growth after the crisis abates
- Anticipate growth in churn after the crisis abates, especially from new subscribers
- Understand that content preferences are not all COVID-19 for your audiences and subscribers
- Create your retention/engagement touchpoints now so you are proactively deploying to your subscribers
- Activate digital access for print subscribers

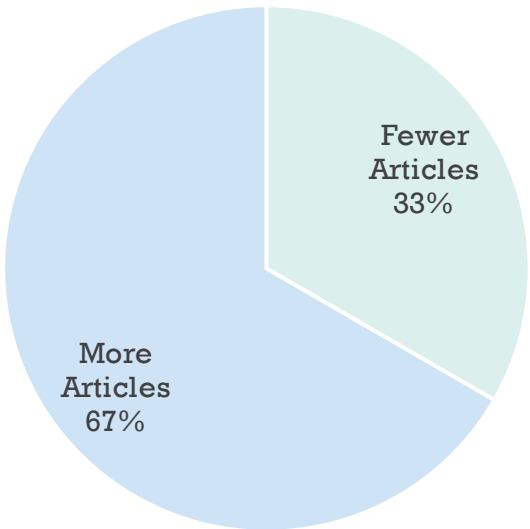
THREE INDUSTRY DATA OBSERVATIONS

Significant growth in volume, engagement, conversion, and subscriptions.

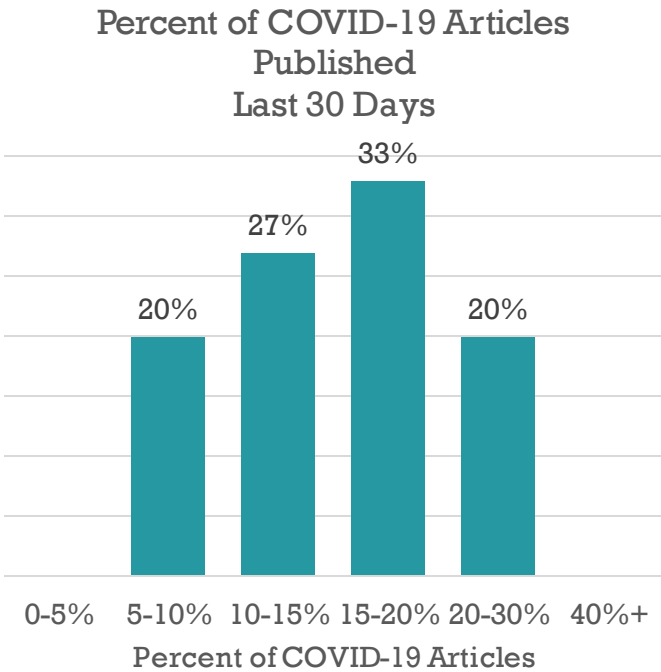


Most publishers have increased their daily article production though one-third have reduced content.

Total Articles Published
Last 30 Days vs. Prior 30 Days



15% of articles published in the last 30 days are related to COVID-19 coverage.



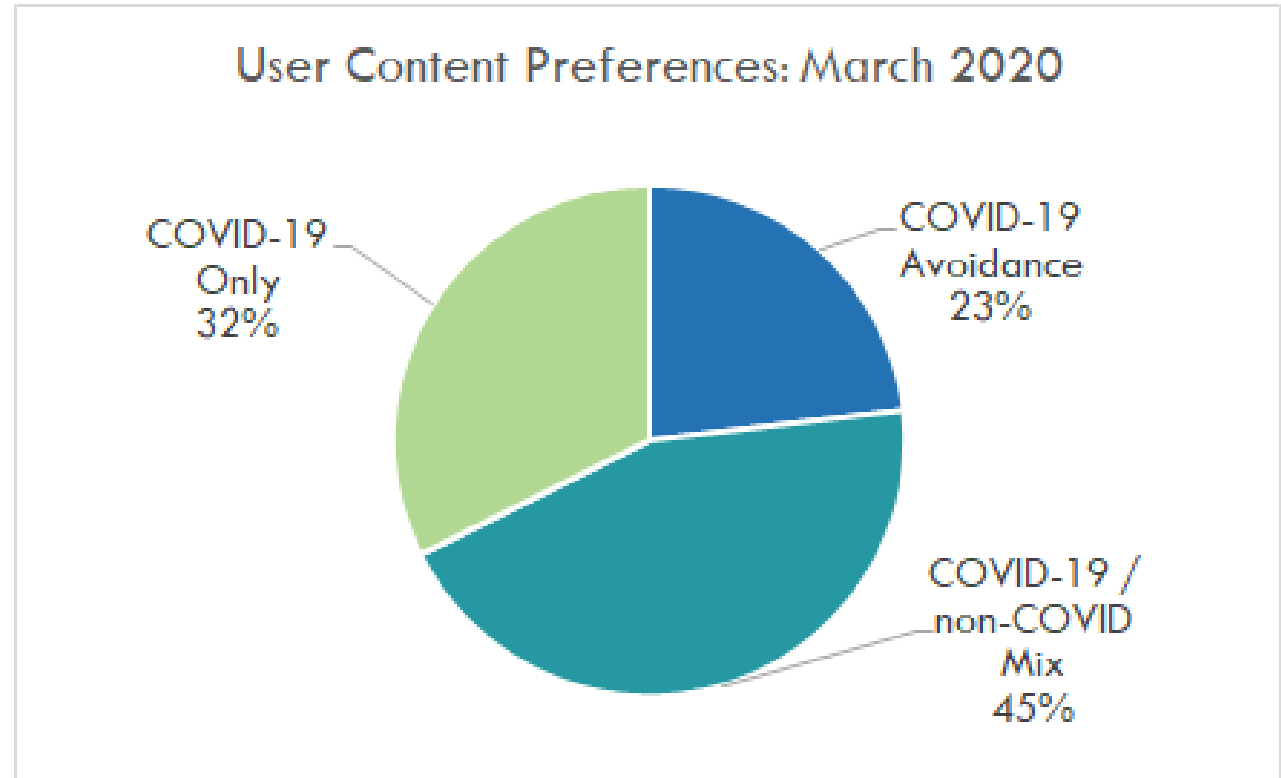
USER BEHAVIOR TRENDS AND SEGMENTS

Three levels of content engagement have been observed:

1. COVID-19 content **almost exclusively**
2. A mix of COVID-19 **and other content**
3. COVID-19 content **avoidance**

Audience segments have been created to target each distinct group with personalized messaging

Anonymous / new users and existing subscribers can be targeted with engagement, acquisition, and retention tactics



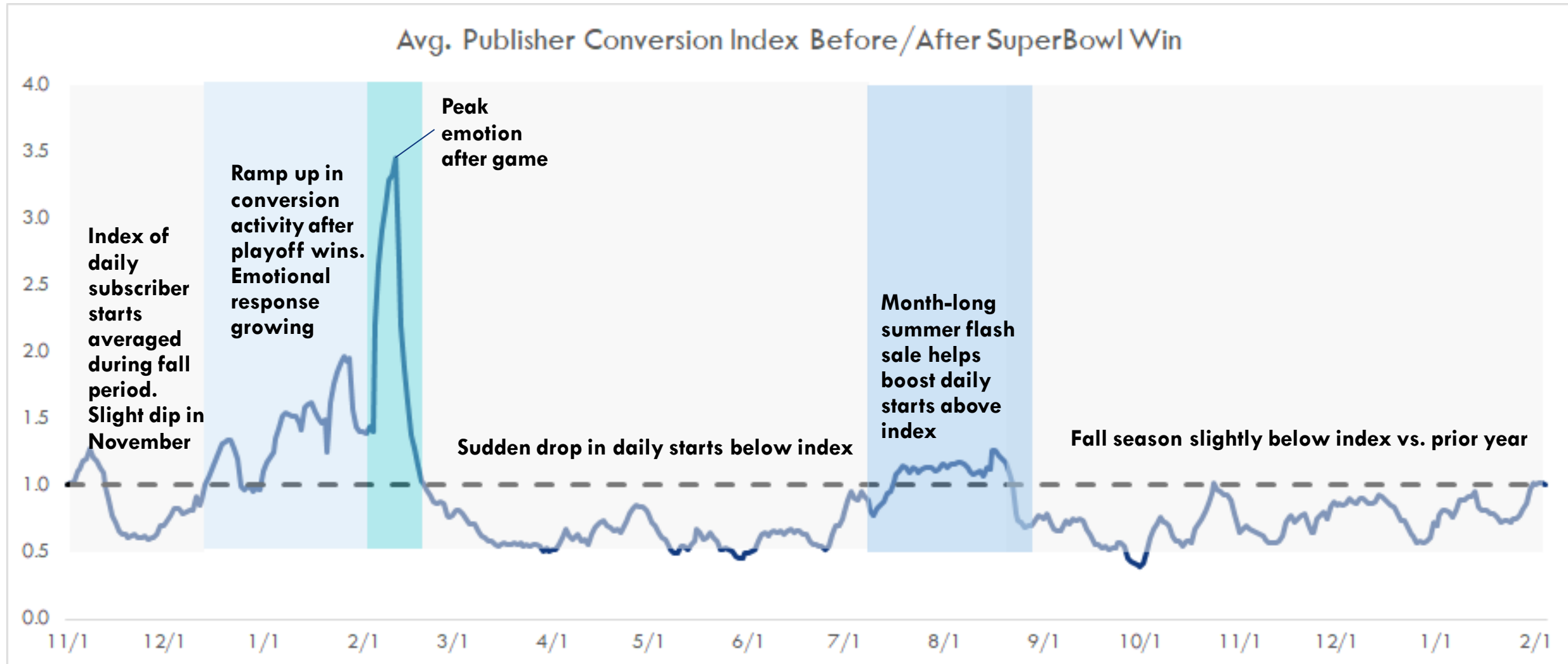
NEW USER AUDIENCE SEGMENTS

The **new user** segment has grown by 17% on average across the industry.

This presents an opportunity to apply aggressive top-funnel and mid-funnel tactics, such as newsletter promotion, brand awareness, and grow loyalty longer term.



EXPECT A DIP IN GROWTH AFTER SURGE



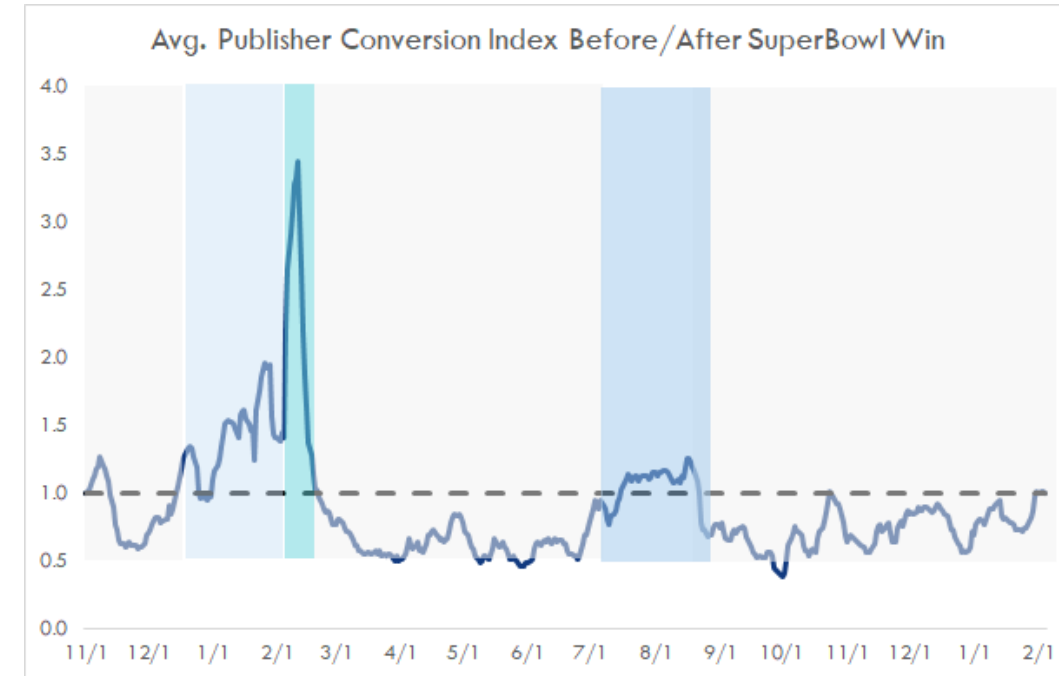
POSSIBLE REASONS AND IMPLICATIONS

The Superbowl win caused a 250% growth in daily starts compared to the index. Similar patterns are seen with major events such as natural disasters, national emergencies, and even positive events like sports victories.

Expect a drop-off in daily conversions below February/March levels after COVID-19 panic begins to reside (April? June? September?).

Future subscriptions are likely being amortized now.

Understand the emotional motivation of these new subscribers vs. traditional audience development and acquisition tactics.



WHAT DOES THIS MEAN FOR RETENTION

Early indications show a slight improvement in retention during March.

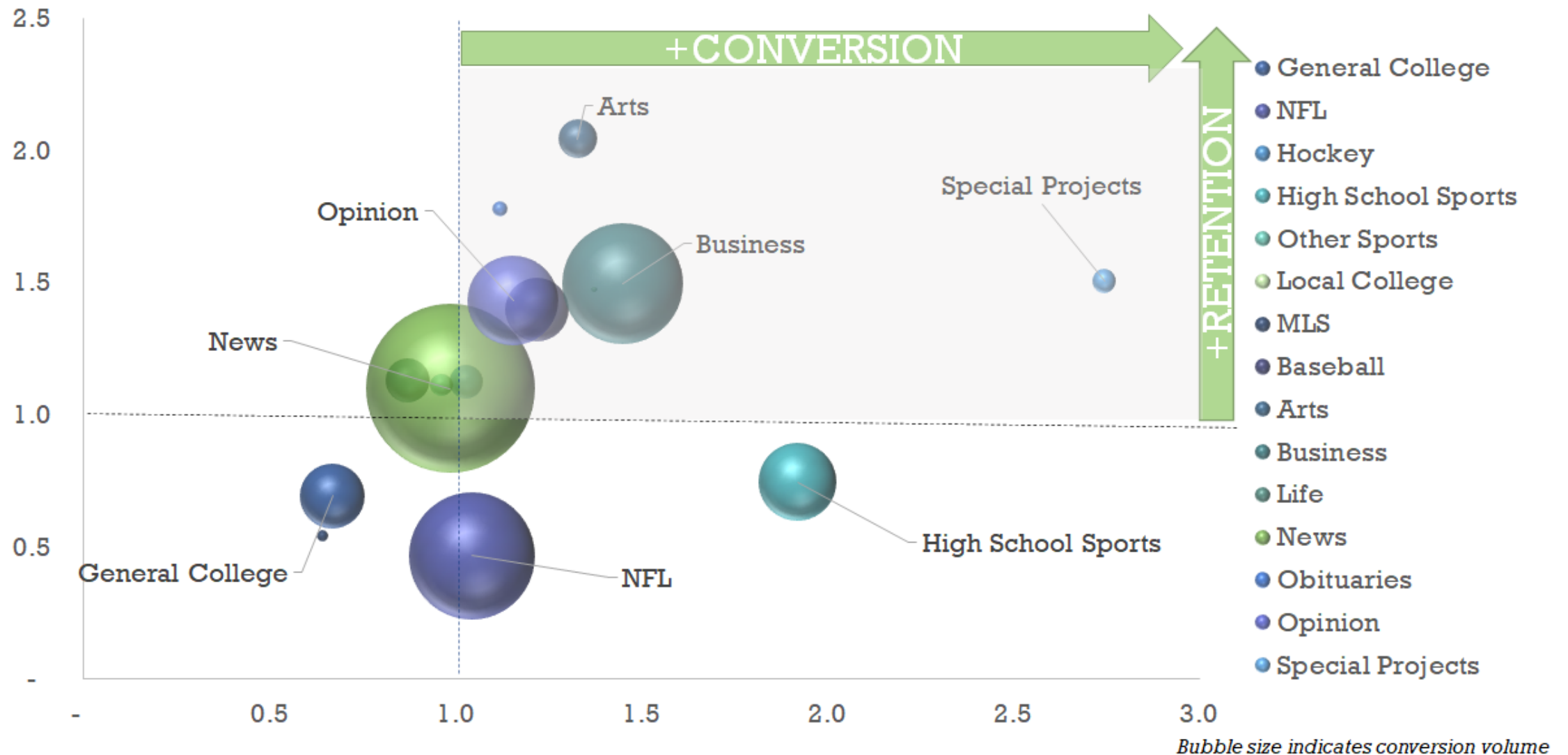
When specific content leads to conversion, and that content is not part of standard habitual local news, expect an uptick in churn as the crisis abates.

Content studies have confirmed that different content is relevant for conversion vs. retention outcomes.

Seasonal or one-time coverage often exhibits this type of pattern.

Publishers will need to set up distinct retention campaigns for users converting during the COVID-19 period.

SPORTS CONVERTS BUT DOES NOT RETAIN



BUSINESS RULE RECOMMENDATIONS

- Basic and breaking news COVID-19 content remains free though counts towards the meter
- Free registration wall on COVID-19 content to gather email addresses
- In-depth coverage should remain behind the paywall, similar to premium content designation in other content areas
- Newsletter development and promotion (long-term and breaking news)
- Do not disable the paywall completely from your websites – other content should be left as-is
- Communicate clearly with your audience about your business rules and decision
- Ask users to donate: sponsor a subscription, donate to a good cause, donate to the newspaper
- Reach out to print subscribers and encourage digital activation; the latest news will be in digital form and doing so will help reduce risks and challenges of home delivery
- Use the influx of new users to your site as an opportunity for top-of-funnel and mid-funnel audience development – do not be hesitant to state your editorial decision and value proposition clearly
- For repeat users, encourage them to sample non-COVID-19 content to grow the relationship (via widgets, newsletters, banners, and other calls-to-action)

IN CONCLUSION...

- Mather Economics is committed to helping our clients during this difficult time and are taking action wherever we see opportunity to better manage digital revenue.
- Benchmark data is preliminary and will continue to evolve as the world adapts over the coming weeks and months.
- Audience segment volumes for the new audience and COVID-19 content will be prepared along with testing and recommendations for campaigns at our client's discretion.
- The segments may be used in the paywall, ad sever, email system and any other marketing channel for engagement, acquisition, and retention tactics.
- Mather Economics will seek to proactively inform our clients and partners of any relevant insights.
- All data is from the Listener Data Platform for periods Jan. 17 – Feb. 16 and Feb. 17 – Mar. 17, 2020.
- Please do not hesitate to reach out to any of us at Mather with questions.

SUBSCRIPTION OBSERVATIONS

The COVID-19 pandemic has created tremendous disruption across global business, including publishing.

Our partners are experiencing several impacts to their operations, including:

- a sharp increase in news consumption, particularly via digital channels
- a significant decline in demand for advertising, both online and in print
- a significant decline in single copy draw as quarantine procedures impact traffic

We are receiving many questions from our partners, including not only how COVID-19 impacts pricing and retention programs, but also how an individual publisher's experience is comparing to the broader market.

In order to gauge the early impacts of these turbulent times on subscriptions, we can leverage Mather's database, which includes weekly subscriber data from hundreds of news publishers.

The following benchmarks include a broad cross-section of ~200 publishers and are analyzed over a recent one-month period from 24 February through 23 March.



AGGREGATE METRICS AT-A-GLANCE

Insights

Over the previous month, digital subscription volumes have accelerated, leading to total **circulation growth of 3.32%**

Total **print volumes** are down **0.89%**

Retention rates for digital and print subscribers were similar, but **marginally higher for print at 96.12%**



DIGITAL

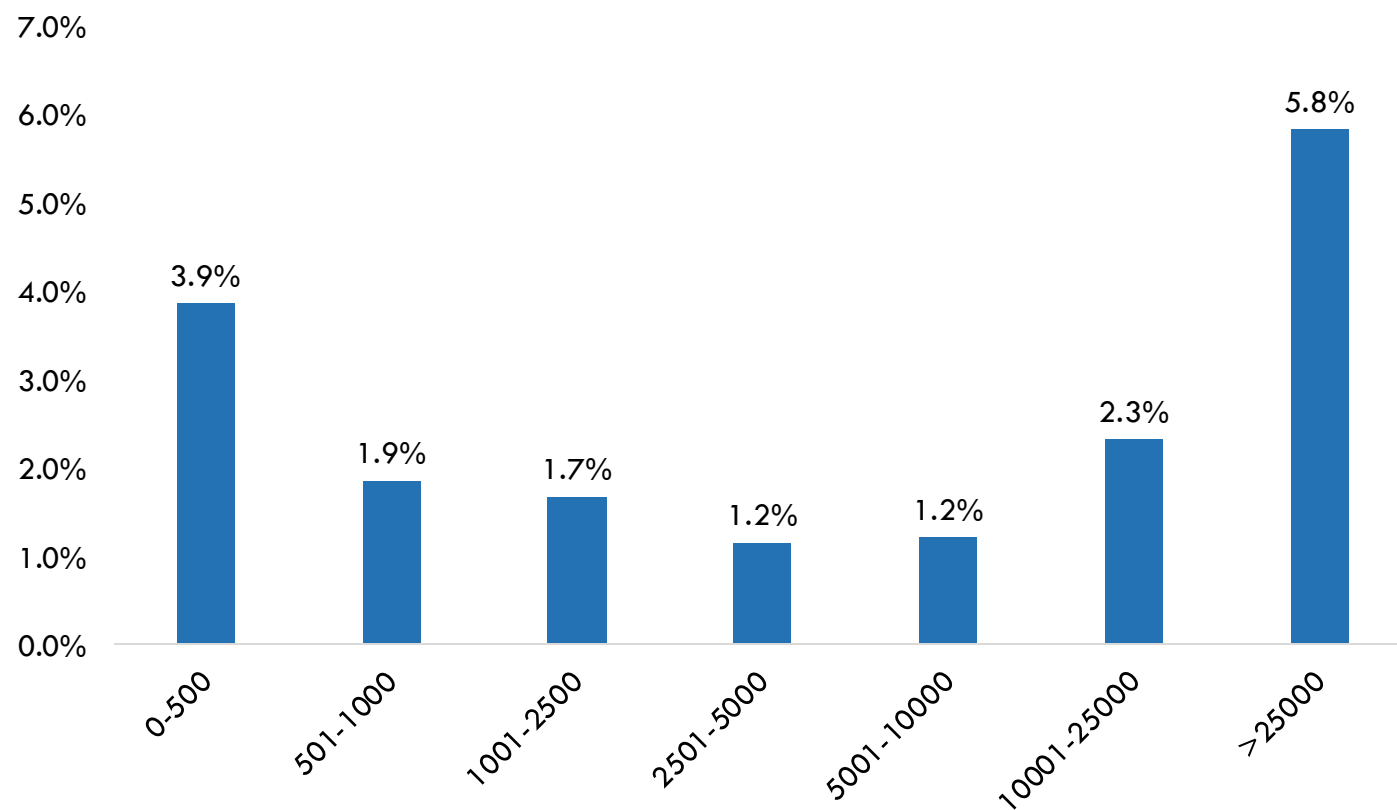


PRINT

Publications	196	176
Volume Growth	3.32%	-0.89%
Current Rate (wk)	\$2.13	\$6.74
Previous Rate (wk)	\$2.12	\$6.70
Rate Growth	0.31%	0.59%
Start Rate	7.43%	3.00%
Stop Rate	4.06%	3.80%
Retention Rate	95.89%	96.12%

DIGITAL BENCHMARKS – CIRCULATION

Avg. Digital Circulation Growth
by Market Size



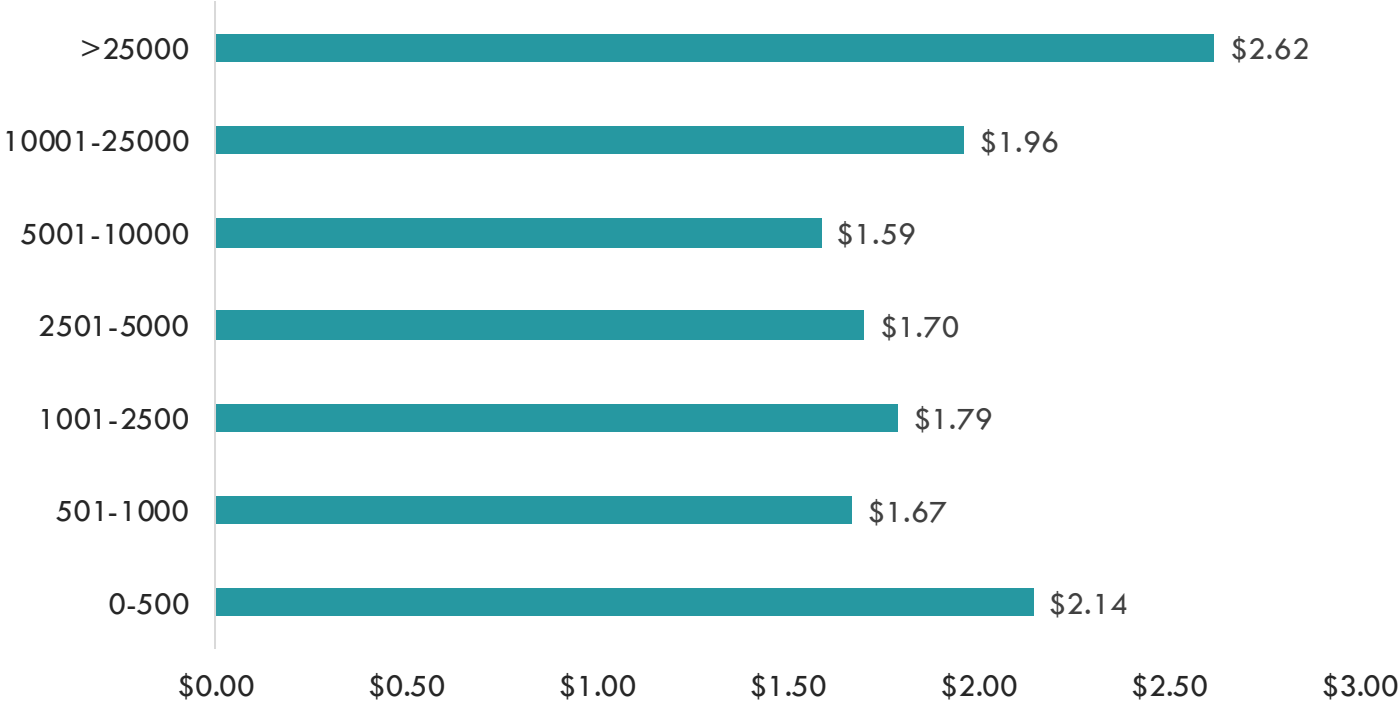
Insights

The largest digital publishers have experienced the sharpest percentage growth in circulation over the previous month

Small digital publishers have also grown significantly, while those from 2.5k – 10k have experienced the smallest growth

DIGITAL BENCHMARKS – WEEKLY RATE

Avg. Digital Rate (Weekly)
by Market Size



Insights

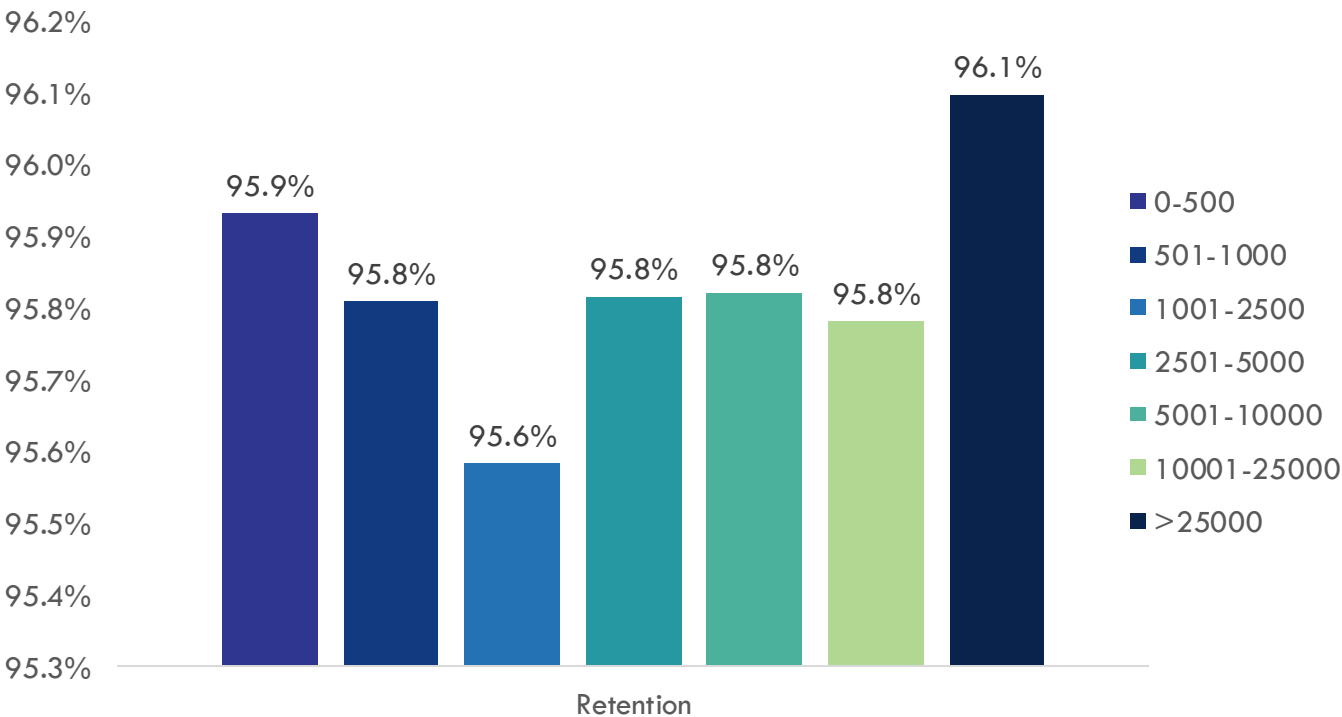
The largest digital publishers also have the highest average subscription rates

Interestingly, the smallest digital publishers have the second highest average subscription rates

Those with circulation sizes between 5k and 10k have the lowest rates

DIGITAL BENCHMARKS – RETENTION

Avg. Digital Retention
by Market Size



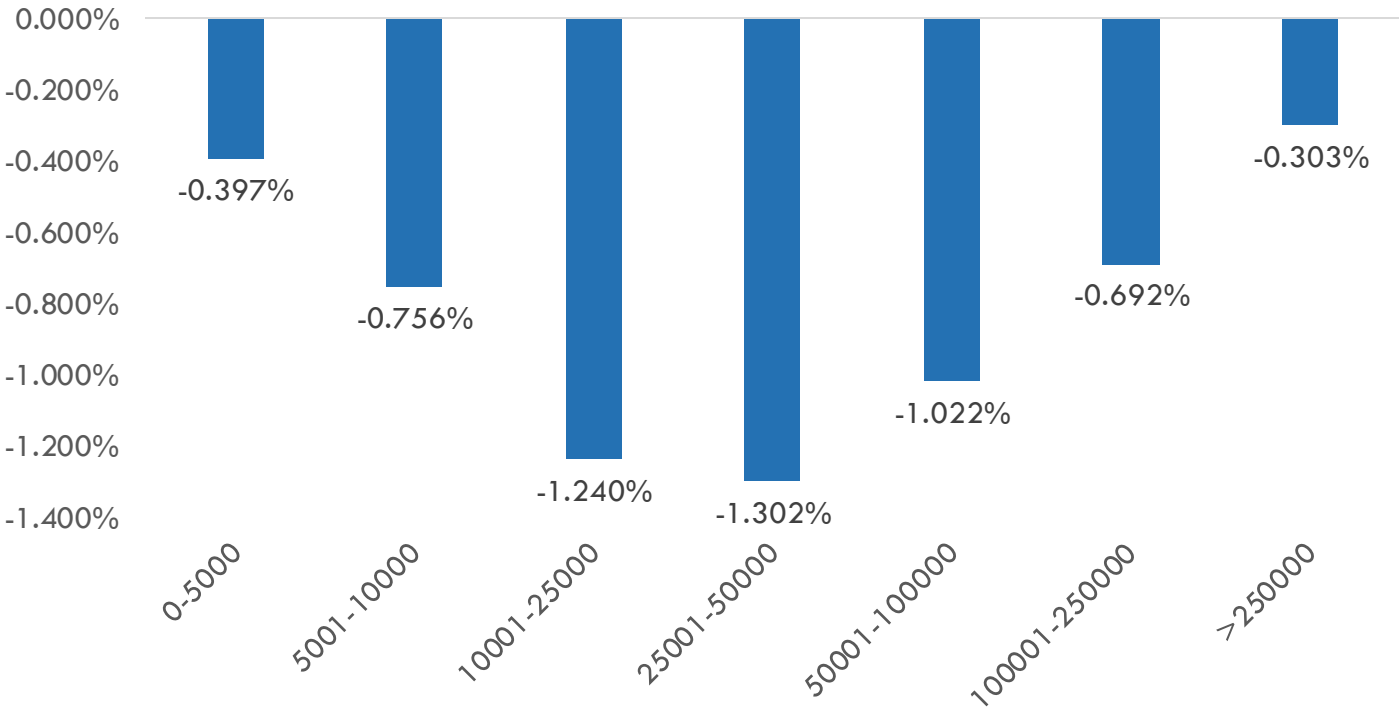
Insights

The largest digital publishers also have the highest average retention over the previous month

Those with circulation sizes between 1k and 2.5k have the lowest retention rates

PRINT BENCHMARKS – CIRCULATION

Avg. Print Circulation Growth
by Market Size



Insights

The largest print publishers have experienced the lowest percentage loss in circulation over the previous month

Small digital publishers have also shown modest print subscriber losses

Publishers in the 25k-50k circulation range exhibited the sharpest print declines

PRINT BENCHMARKS – WEEKLY RATE

Avg. Print Rate
by Market Size



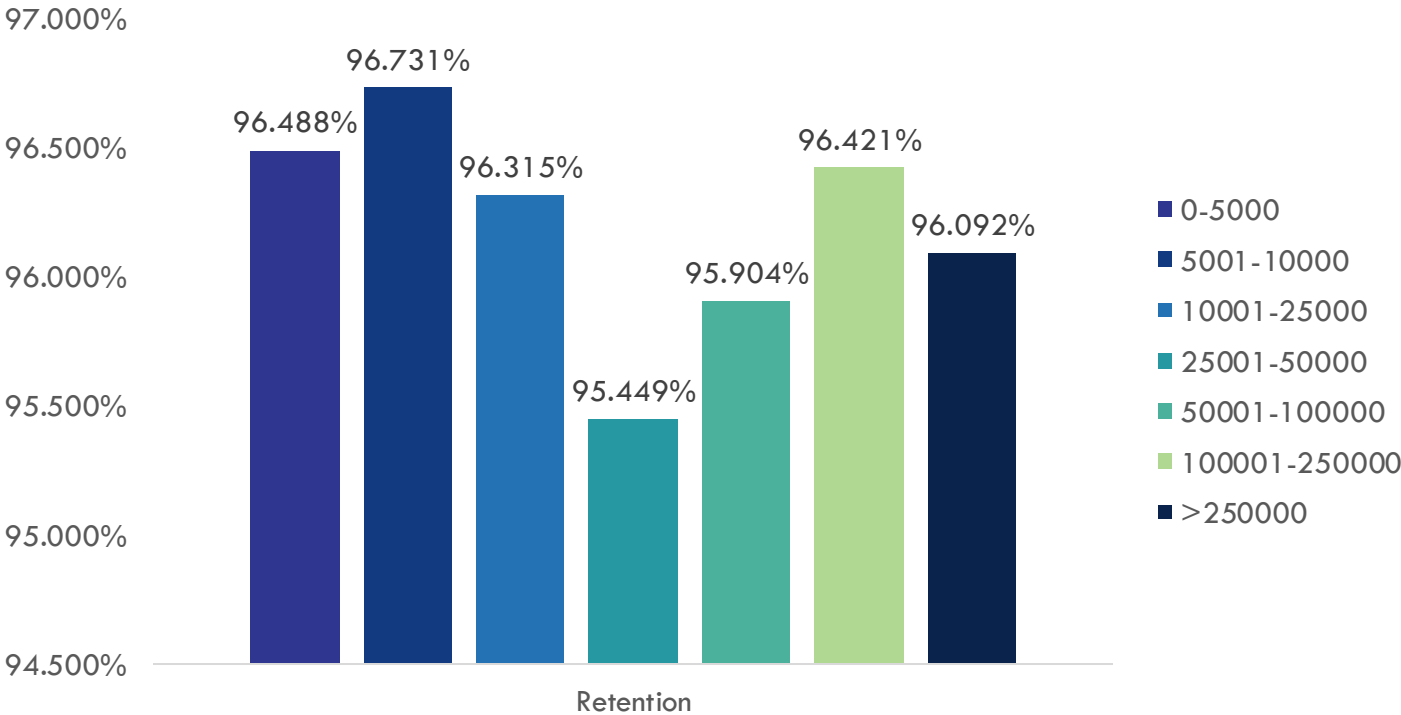
Insights

Markets with 100k – 250k subscribers have the highest average print subscription rates

The smallest publishers have the lowest average print subscription rates

PRINT BENCHMARKS - RETENTION

Avg. Print Retention
by Market Size



Insights

The smallest publishers are experiencing the highest average print retention rates

Publishers with 25k-50k print subscribers are exhibiting the lowest monthly retention

PRINT TO DIGITAL CONVERSION BENCHMARKS

Insights

US Newspapers continue to invest heavily in digital subscriptions (+52% YoY)

Print rate increases (+14.3%) are largely offsetting circulation declines (14.5%)

Share of digital subscribers as percentage of total circulation is growing, from 9.3% in 2019 to 24.3% in 2020



YoY% CHANGES (2020 vs. 2019)

METRIC	DIGITAL	PRINT
Rate	7.14%	14.34%
Circulation	52.20%	-14.52%
Base Attrition	31.23%	30.41%
Weekly Revenue	62.89%	-2.36%

	2019	2020	% Change
Monthly Rate	\$8.52	\$9.13	7.14%
Circulation (avg.)	5,961	9,072	52.20%
Circulation (med.)	1,558	3,881	149.15%
Monthly Revenue (avg.)	\$50,840	\$82,812	62.89%
Monthly Revenue (med.)	\$11,606	\$22,649	95.14%
	2019	2020	% Change
Monthly Rate	\$25.16	\$28.77	14.34%
Circulation (avg.)	44,279	37,850	-14.52%
Circulation (med.)	15,087	12,094	-19.84%
Monthly Revenue (avg.)	\$1,114,583	\$1,088,228	-2.36%
Monthly Revenue (med.)	\$382,239	\$363,041	-5.02%

DIGITAL BENCHMARKS - CANNIBALIZATION

Cannibalization
Rate 12.86%

New Monthly Rate – \$11.30

Old Monthly Rate – \$25.16

Rate Loss – 55%

Cannibalization = % current digital subscribers that were print one year ago

INSIGHTS

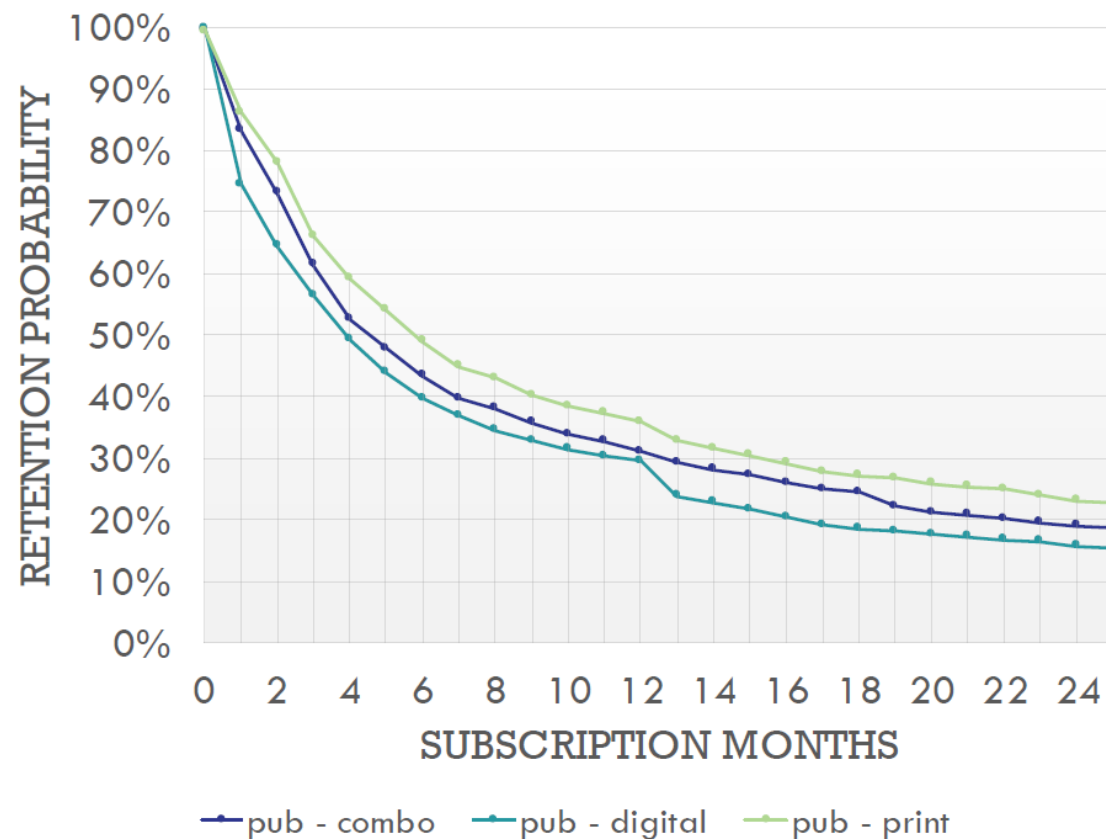
Significant portion of former print subscribers are open to digital only subscription

On average, subscribers that convert to digital contribute 55% less revenue on a monthly basis

RETENTION BENCHMARKS

New Digital Customer Retention

New Digital customers converting through aggressive acquisition offers have retained at similar levels as new print customers for many clients, indicating a stronger loyalty to publishers unlike previous years.



BENCHMARKING SYNOPSIS

01



Digital subscription volumes have grown considerably over the last month, with overall circulation growing over 3.3%, with start volume (7.4%) considerably outpacing stops (4%).

02



Large digital publishers, particularly those with more than 25k digital subscribers, outperformed the broader market in terms of digital subscriber growth (5.8) and retention (96.1%).

03



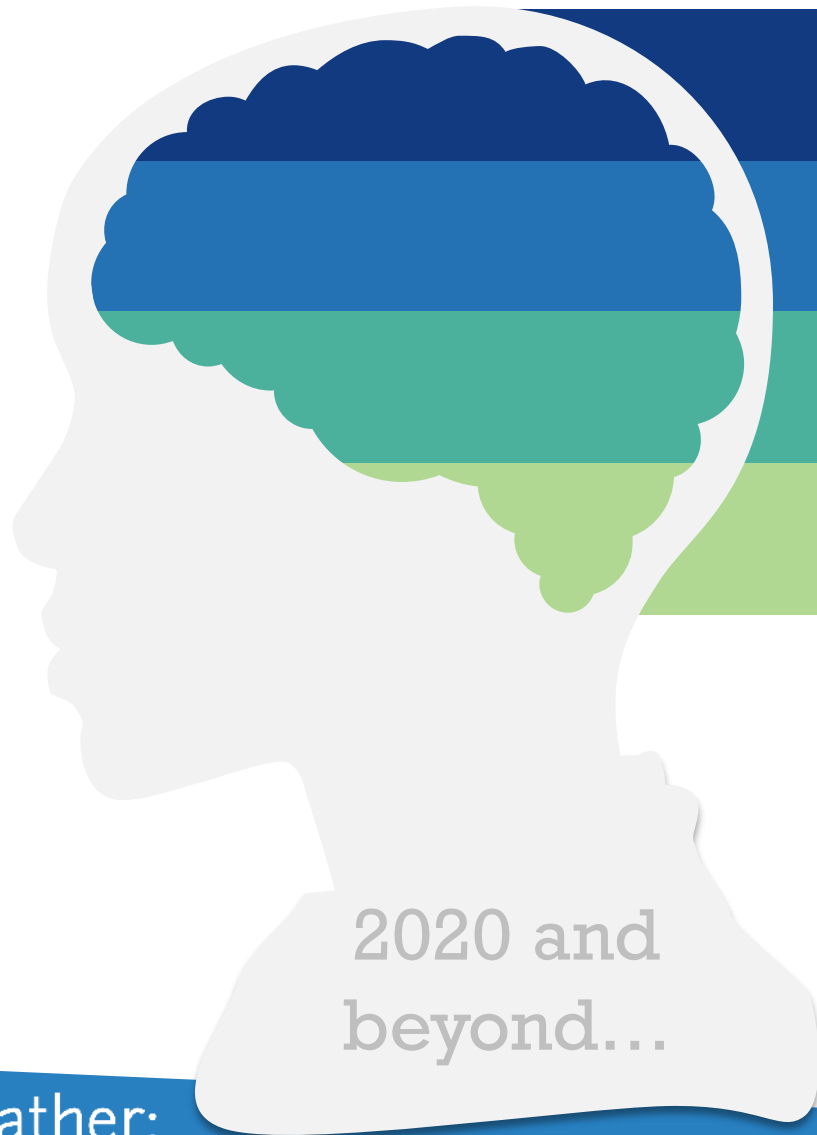
Print volume declines were moderate at -0.89% and largely on trend or slightly below last year's benchmarks.

04



Midsize print publishers, particularly those with 25k-50k print subscribers, had the highest rate of print circulation losses at -1.03%.

CONSIDERATIONS FOR BUSINESS CONTINUITY



2020 and
beyond...

Subscription benchmarks are a helpful tool for gauging the impact of COVID-19 on subscription businesses and for use in comparing individual publisher performance against the broader market.

However, **individual market considerations** are still paramount when evaluating pricing and retention programs.

For pricing considerations, publishers should evaluate the impact of increased demand for news on the price sensitivity of print and digital subscribers. While the initial reaction may be to lower subscription rate or pause pricing programs, in many cases the increased demand for news may increase a subscriber's willingness to pay.

For retention programs, publishers can track and take proactive action on segments of their user bases that are at an increased risk of churn. In the current environment of surging online news consumption, subscribers that are disengaging from their normal behaviors are important to pay close attention to in the retention process.

... Mather's team of economists and data scientists are ready to discuss your individual conditions and provide the analytics support necessary to help your business through these challenging times.

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