

The Keys to Keeping Digital Subscribers – and their Revenue



Tim Franklin, Senior Associate Dean, Leader, Medill Local News Initiative

Edward C. Malthouse, Research Director, Spiegel Research Center

Amalie Nash, VP/Local News, USA Today Network

Christine Taylor, Managing Editor, Chicago Tribune

Medill Local News Initiative

An R&D Project to Help Sustainability, working with partners like:

San Francisco
Chronicle



Chicago Tribune

The Newsday logo, which consists of the word "Newsday" in a white, bold, sans-serif font. A small red swoosh underline is positioned beneath the "N". The logo is centered within a solid blue rectangular background.



What Drives People to Pay for Local Journalism

Medill's Spiegel Research Center (SRC), a leader in consumer and audience-based research that drives financial outcomes, is analyzing many terabytes of customer data about reader behavior and customer preferences at these 10 morning papers.



Human-Centered Design for Local News Products

The Northwestern University Knight Lab, renowned for its development of digital storytelling tools and platforms, is interviewing news consumers and assessing data on their online behavior to inspire creation of products, tools and approaches.



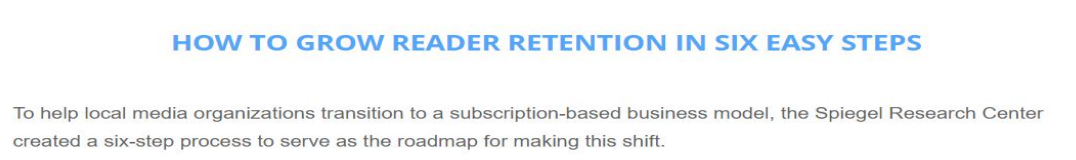
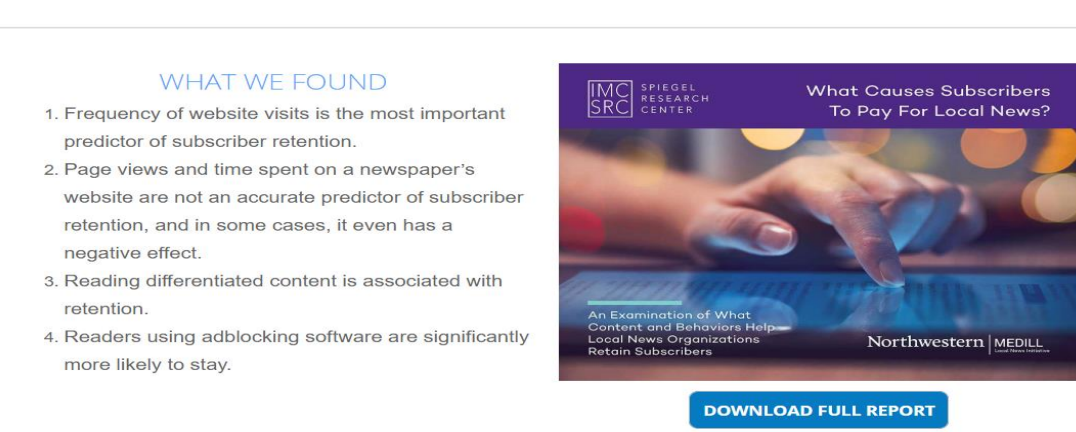
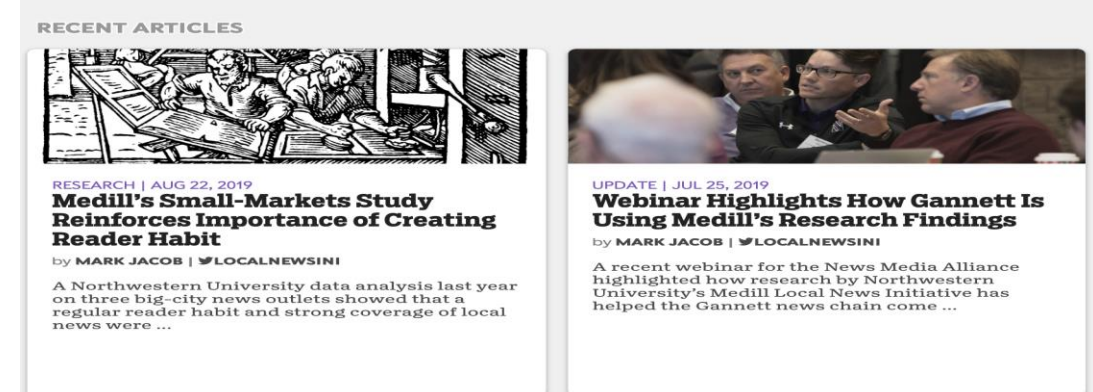
Understanding Media Markets

Medill is analyzing data from a variety of media markets in a project to correlate local news consumption with other demographic factors in those areas. Each media market has its own personality, and no single solution can solve the challenges of local news consumption.



Medill News Leaders Project 2019
Sustaining the Business of Local Journalism

The crisis in local news is indisputable: Round after round of layoffs, expanding news deserts and abandoned areas of coverage, particularly in the case of long-established print publications. Now, the challenges to local journalism seem even more daunting.



<https://localnewsinitiative.northwestern.edu/>

<https://spiegel.medill.northwestern.edu/what-causes-subscribers-to-pay-for-news/>





Medill News Leaders Project 2019

Sustaining the Business of Local Journalism

<https://localnewsinitiative.northwestern.edu/>

Medill News Leaders Project

2019 Findings



There's rising urgency about the crisis in local news, with the next 3 to 5 years being seen as pivotal.



There's an accelerating trend to reduce print frequency to cut manufacturing and distribution costs.



The business model for local television news is on the cusp of its own major disruption.



The transition to a consumer-pay system is seen as a key pathway for a sustainable business model for local news.



There's a rapidly growing universe of nonprofit local news organizations helping fill the void.

Data scientists and researchers from Medill's Spiegel Research Center analyzed more than 13 terabytes of integrated reader and subscriber data from 16 local news organizations.

Medill's Knight Lab conducted human-centered design research.

The findings are challenging conventional wisdom about strategy, organization and metrics for success.

IndyStar.



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Reaching for a New Business Model



Reader Revolution

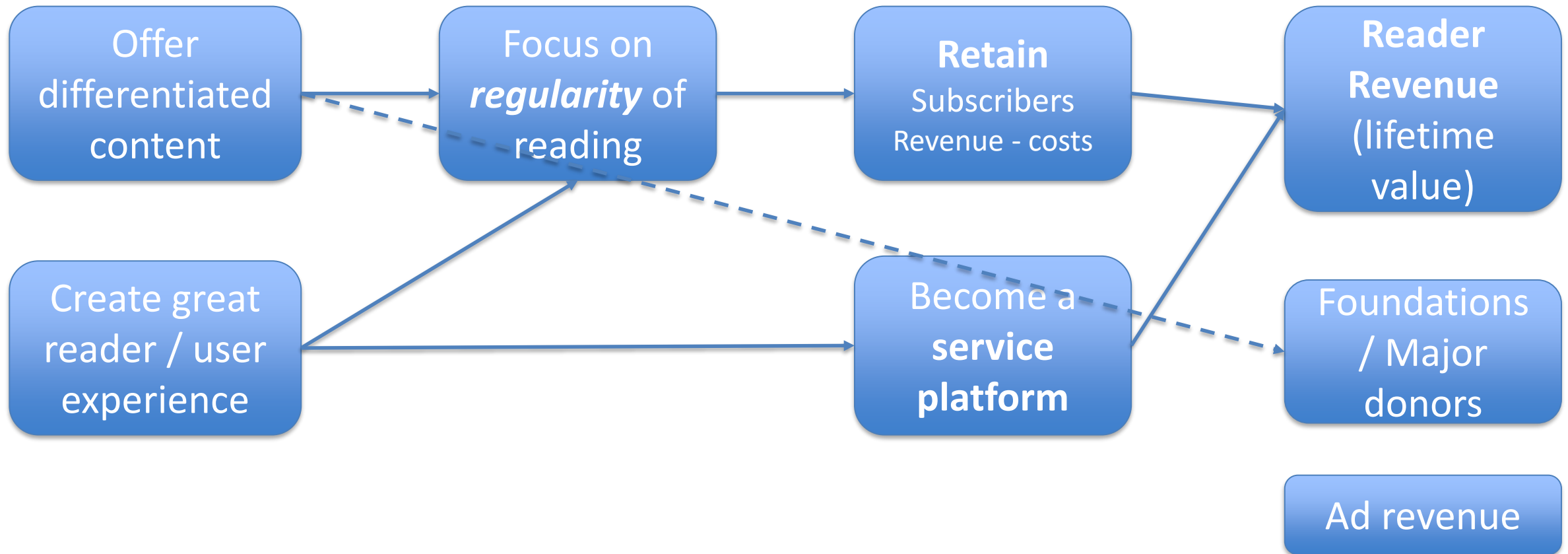
“This research is really a
paradigm shift . . .
It’s a big shift, a huge kind of
shift in mission.”

- Tom Rosenstiel, Executive Director,
American Press Institute

The New Paradigm of Readership in Local News

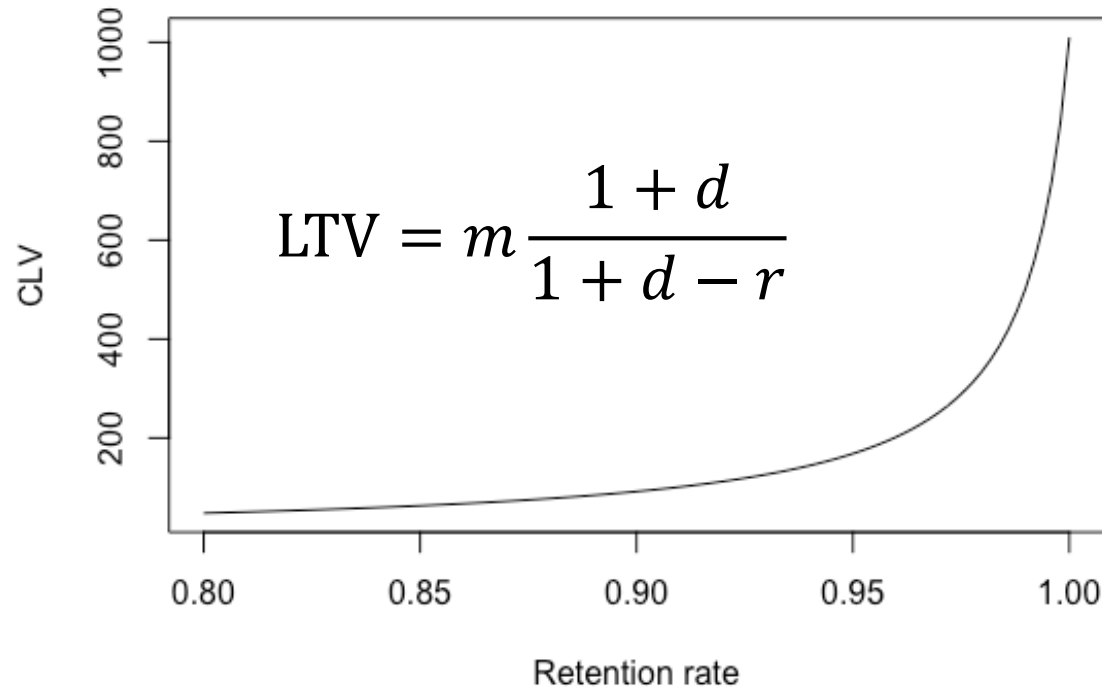
Edward C. Malthouse
Erastus Otis Haven Professor of Integrated Marketing Communication
Professor of Industrial Engineering and Management Science
Research Director, Spiegel Center on Digital and Database Marketing
Northwestern University

The new paradigm for local news



The importance of high retention rates

Retention Rate (r)	Expected Payments	Lifetime Value (LTV)
.9	10	\$92
.92	12.5	\$112
.94	16.67	\$144
.95	20	\$168
.96	25	\$202
.97	33.33	\$253
.98	50	\$337
.99	100	\$505
.995	200	\$673
1	Forever	\$1,010



- LTV: discounted sum of future cashflows due to relationship
- Expected number of payments = $1/(1-r)$
- This assumes $m = \$10$ revenue per month and a monthly discount rate of $d = 1\%$
- Lifetime revenue increases quickly with small changes in the retention rate (when it is high, but not low)!

Trial offers

Worth every **penny**:
1¢/day

3 months of digital access for 95¢

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There's a lot going on: the approaching elections, local policy, business buzz, lifestyle trends, sports scoops and more. Move beyond just keeping up. Dig into the topics that matter most to you.

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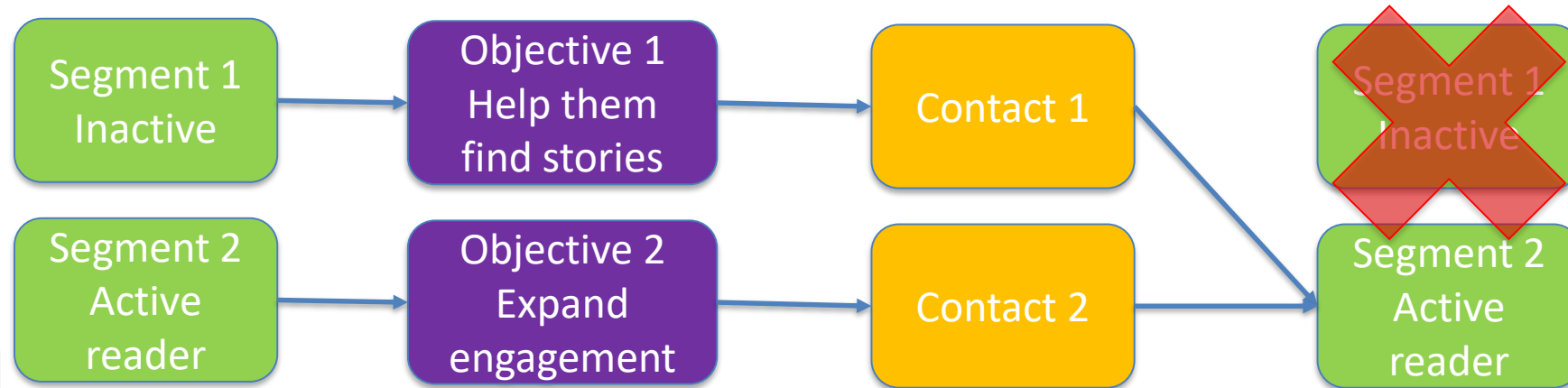
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New subscriber contact strategy



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○ Chicago Tribune <chicagotribune@z1.chicagotribune.com>

○ Edward Carl Malthouse

Tuesday, November 12, 2019 at 5:15 PM

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Chicago Tribune

**Thank you for being a subscriber.
Here are some of our most-read stories today.
Check them out.**

Remember to log in to your account to access the articles below.



A 90-year-old North Dakota woman lost \$400K — her life savings — to a Jamaican lottery scam. She's been paid back just \$287.

A 90-year-old North Dakota woman who was robbed of her life savings by a Jamaican lottery scam says she has been paid back only \$287 of the \$400,000 she's owed. Edna Sc...

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Senate Majority Leader Mitch McConnell saves Kentucky Gov.

○ MJ Sailing <mj.sailing@inbound.bonjoromail.com>

○ Edward Carl Malthouse

Monday, January 20, 2020 at 9:49 AM

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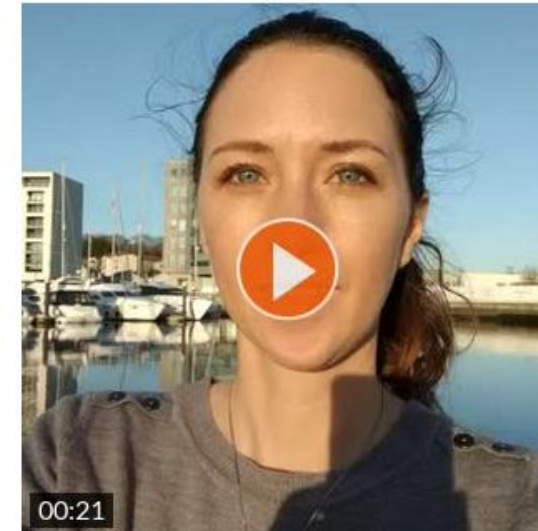
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Studying what drives retention

- We have 19 news organization partners
 - Seven large-city news organizations
 - 12 small-market news organizations in the Midwest
- For each paper we have ...
 - Subscriber records for many years
 - Click-stream reading data for roughly two years (13 TB)
 - In some cases, subscriptions to newsletters
- Estimate multivariate survival analysis models predicting the time until churn (canceling) for subscribers, including controls and reading behaviors as lagged, time-dependent covariates

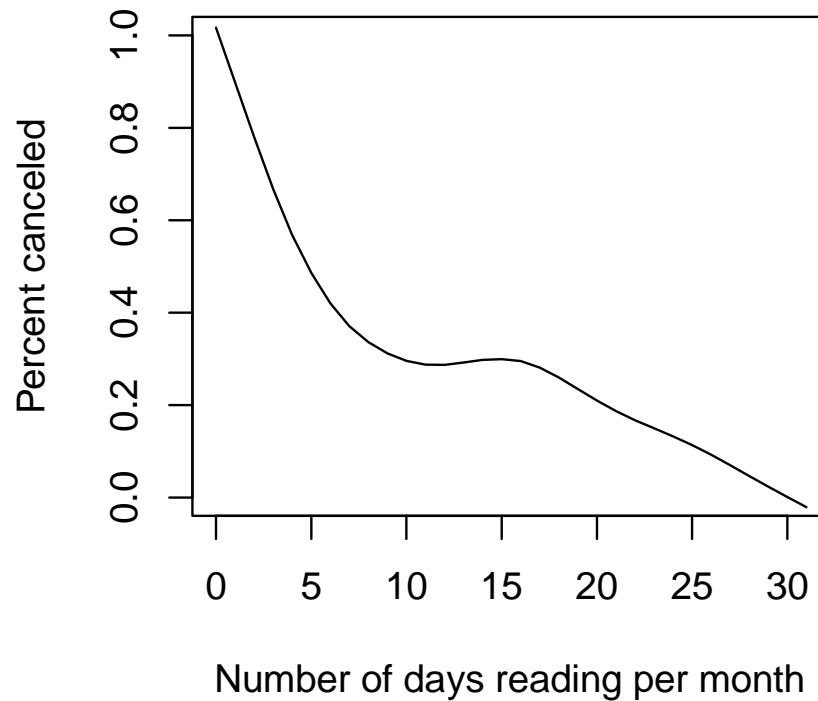
Definitions

- **Hard churn:** cancel subscription payments
 - Directly linked to financial outcome
 - Difficult for organizations to join it with reading data
 - Too late—subscribers give early-warnings signals that relationship is at risk
- Need a leading indicator of hard churn:
 - **Regularity:** number of days per month with any reading
 - **Intensity:** number of page views per day of reading
 - **Depth of reading:** time per article
 - **Breadth:** reading many subjects versus few

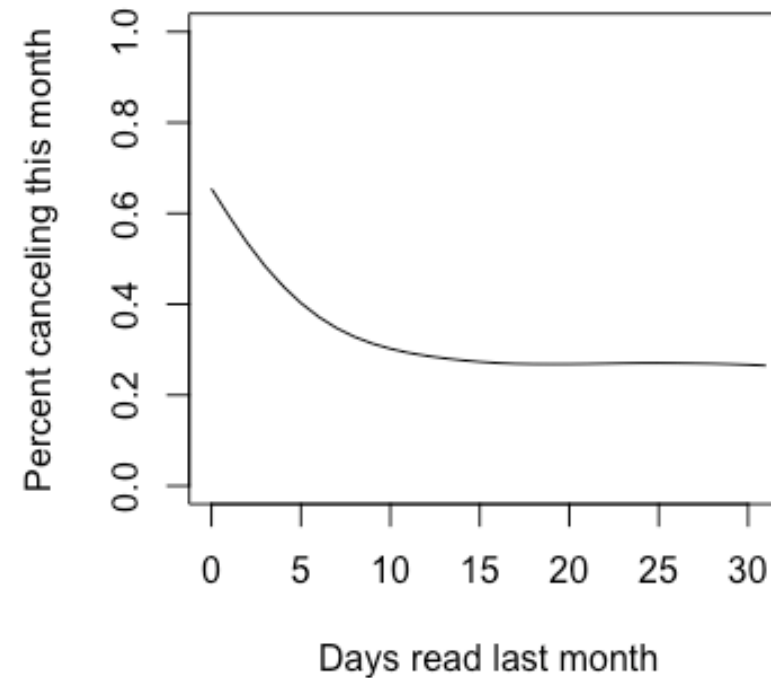
$$\text{time} = \underbrace{\# \text{days}}_{\text{regularity}} \cdot \underbrace{\frac{\# \text{PV}}{\# \text{days}}}_{\text{intensity}} \cdot \underbrace{\frac{\text{time}}{\# \text{PV}}}_{\text{depth}}$$

Reading **regularity** drives retention

One Larger Market



12 Smaller Markets



Regularity reflects habit

- Habit: something that you do often and regularly, sometimes without knowing that you are doing it
- A news organization that becomes part of a reader's habit becomes essential to that person's life
- Low regularity indicates a “soft churn”

Predict churn among digital-only subscribers:

	Big Market A	Big Market B	Big Market C	12 Small Markets	
Regularity (Days)	-10.3	-8.5	-5.5	-9.6	Regularity drives retention
Intensity (PV/day)	13.5	2.6	-0.8	4.4	Extent & Depth drive churn
Depth (Time/PV)	2.1	3.6	1.6	1.1	
Breadth	-7.2	0.37	4.3	0.7	Mobile varies by market
Mobile	-3.025	5.3	1.2		

Green is good (retention)

Red is bad (churn)

Z-scores for slopes predicting churn

Key question: why would page views be associated with churn?



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By NICK KIM
7:00 AM

Sports Highlights



Vrabel on facing Ravens: On any other day they would be fun to watch
NFL | 0:30

McCown gets emotional after wild-card loss to Seahawks
NFL | 0:29

Kirk Cousins yells 'you like that' to Vikes locker room after win

Up Next - Vrabel on facing Ravens: On any other day they would be fun to watch

Rapoport offers timeline for record-setting Warriors contract
NFL | 0:33

Dalvin Cook on returning from injury: 'I definitely feel refreshed'
NFL | 0:18

Cordarrelle Patterson's best returns | 2019 season
NFL | 1:48

VOICES

Column: ESPN should drop Booger McFarland and Joe Tessitore as 'Monday Night Football' announcers



By PHIL ROSENTHAL
10:00 AM

Ask Amy: Shy guy wants to learn to connect

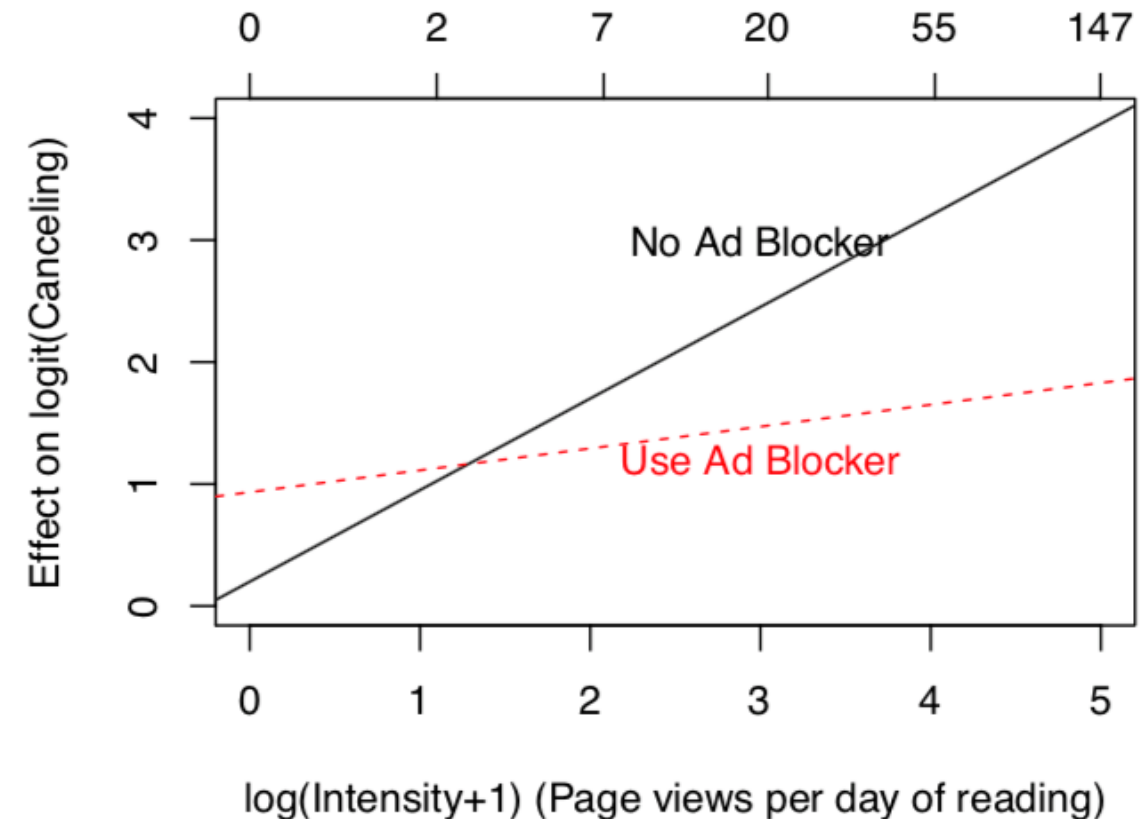


By AMY DICKINSON

- Get no-nonsense advice for better living delivered to your inbox every morning

Test of ad-interference hypothesis

- Predicting churn from reading and control variables
- Regularity strongly associated with retention
- After controlling for regularity, there's a positive association between extent and churn—**the more people read, the more they churn**
- Adding an ad-blocker*extent interaction, along with control variables, *the effect of extent on subscription canceling is reduced for those using ad blockers!*



Predict churn among digital subscribers

Differentiated versus commoditized

	Big A	Big B	Big C	Small 12	
Mobile	-8.71	2.12	-2.30	-2.33	Mobile varies by market
Home page	-3.69	1.26	-0.86	-1.29	
Differentiated	-6.75	-3.60	-2.02	-0.78	Differentiated drives retention
Commoditized	33.3	-0.80	-2.45	-4.28	Commoditized varies by market

- Other drivers of churn (in some markets): Nascar, horoscopes, certain syndicated columnists, recipes
- Other drivers of retention: local food, local entertainment, certain local columnists

How to drive regularity and avoid overload?

News briefings?

San Francisco Chronicle

Morning Fix

Wednesday, July 31, 2019

Top Stories



Search of Gilroy gunman's home finds white supremacy materials, ammo boxes, gas mask

By Matthias Gafni, Dustin Gardiner, Tatiana Sanchez and Karen de Sá

Investigators who searched the Nevada home of the Gilroy Garlic Festival shooter found items suggesting he was considering a massive attack.



Mass shootings in California: Rare but increasingly deadly

By Joaquin Palomino

A Chronicle analysis found that over the past two decades, there have been at least 67 mass-casualty shootings in California, claiming a total of 251 lives.



Interactive map: How the Gilroy Garlic Festival shooting unfolded

Our online graphic shows what happened during Sunday night's mass shooting at the Gilroy Garlic Festival. Three people were killed and 12 wounded by a 19-year-old man who had grown up in the south Santa Clara County city.



Gilroy Garlic Festival shooting puts other Bay Area food, music events on high alert

By Gwendolyn Wu

When thousands descended on Gilroy, the attendees' expectations included music and food, not a gunman who would kill three and injure a dozen more.

The Washington Post

The Post Most



(Justin Sullivan/Getty)

Marianne Williamson's fans made her the 'orb queen' of the 2020 campaign

Her first debate won her many devotees, from ironic meme-makers to earnest occultists.

By Avi Selk • [Read more »](#)

To deter migrants, Trump administration builds elaborate scaffolding at the border, and on the books

By Nick Miroff • [Read more »](#)

Warren and Delaney had a good night. CNN had a terrible one.

Opinion • By Jennifer Rubin • [Read more »](#)

If the U.S. economy is in good shape, why is the Federal Reserve cutting interest rates?



It's been an eventful week in UK politics, to put it mildly.

Prime Minister Theresa May began the week hoping to push through her vision for Brexit. Days later, she survived a coup from within her own Conservative party.

But how did this happen? What does it mean? And what comes next?

The story in 100 words

Politics is all about numbers and dates.

This week, **650** members of the UK parliament were supposed to vote on the deal Theresa May struck with EU members on how exactly the UK should leave the EU.

Instead, **317** Conservatives had a vote of no confidence in her leadership. She won, but by only **200 votes to 117**, leaving her weakened and her party more divided than ever.

What's next?

The government must hold a vote on Mrs May's deal by **21 January** or come up with another plan. But with little chance of her winning such a vote and no sign of a Plan B, this looks like a profound political crisis.

The story in 500 words

How significant was this week?

<https://www.bbc.com/news/uk-46551986>

Testing Newsletter Hypothesis: Org D

- We have 5,878 digital-only subscribers from another news organization and know their subscriptions to 10 different newsletters
- The table gives panel-data slopes predicting regularity of reading from newsletter dummies- indicating that the newsletters increase engagement with content and this decreases churn

	Regularity	
Predictors	Slope(SE)	Z Value
Local list	0.5370(0.0199)	26.93
Sports	0.2491(0.0152)	16.43
Business	0.0392(0.0234)	1.68
Breaking news	0.2863(0.0139)	20.64
Entertainment	-0.0523(0.0253)	-2.07
Politics	-0.1501(0.0253)	-5.92
Family	0.3414(0.0208)	16.44
"Now"	0.6470(0.0097)	66.65
Travel	-0.0516(0.0249)	-2.07
Real estate	-0.0220(0.0264)	-0.83

Testing newsletters: Org B

- 13,439 new subscribers, control for seasonality and device
- The number of newsletter signups is associated with reducing churn ($z=-2.66$)
- The number newsletter opened is associated with reducing churn ($z=-2.92$)
- The number of newsletter clicks is weakly associated with reducing churn (-2.14)

CLV Calculator

	Pros L	Pros H	Trial L	Trial H	Full L	Full H	Churn L	Churn H	Total	Sub Rev	PVs	Other Rev	Value
Pros L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	7.7	\$0	\$ 0.02
Pros H	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	380.3	\$0	\$ 0.76
Trial L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ 1	13.4	\$0	\$ 1.03
Trial H	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ 1	278.5	\$0	\$ 1.56
Full L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ 12	4.2	\$0	\$ 12.01
Full H	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ 12	250.7	\$0	\$ 12.50
Churn L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	2.1	\$0	\$ 0.00
Churn H	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	163.6	\$0	\$ 0.33
# acquired/month	0	0	0	0	0	0	0	0	-	Ad \$/PV	0.002		
New transition matrix after adding the change in P													
	Pros L	Pros H	Trial L	Trial H	Full L	Full H	Churn L	Churn H		Churn rate			
Pros L	63.6%	8.0%	8.8%	9.3%	5.3%	4.1%	0.8%	0.1%		0.9%			
Pros H	16.6%	60.8%	1.7%	15.0%	0.8%	4.7%	0.1%	0.3%		0.5%			
Trial L	0.0%	0.0%	8.2%	3.1%	56.1%	26.7%	4.7%	1.3%		6.0%			
Trial H	0.0%	0.0%	1.0%	1.6%	15.0%	77.5%	1.3%	3.6%		4.9%			
Full L	0.0%	0.0%	0.0%	0.0%	83.4%	11.9%	4.3%	0.4%		4.7%			
Full H	0.0%	0.0%	0.0%	0.1%	18.1%	78.6%	1.0%	2.2%		3.2%			
Churn L	0.0%	0.0%	0.6%	0.2%	1.3%	0.3%	91.8%	5.7%		97.6%			
Churn H	0.0%	0.0%	0.7%	1.0%	0.2%	1.0%	25.9%	71.3%		97.1%			
The following summarizes the state of your database in 3 years (36 months)													
	Registered prospect	Trial subscribers		Full-price subs		Churned		Total	Reader Equity				
	0	176		10,504		15,320		26,000	\$ 4,539,908				
T	Pros L	Pros H	Trial L	Trial H	Full L	Full H	Churn L	Churn H	Total	Contrib			
0	5,000	5,000	1,000	1,000	3,000	3,000	4,000	4,000					

In 3 years:

- Reader equity \$4.54M
- 10,780 subscribers

Acquire 200 Trial Subscribers Each Month

	Pros L	Pros H	Trial L	Trial H	Full L	Full H	Churn L	Churn H	Total	Sub Rev	PVs	Other Rev	Value
Pros L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	7.7	\$0	\$ 0.02
Pros H	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	380.3	\$0	\$ 0.76
Trial L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ 1	13.4	\$0	\$ 1.03
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Full L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ 12	4.2	\$0	\$ 12.01
Full H	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ 12	250.7	\$0	\$ 12.50
Churn L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	2.1	\$0	\$ 0.00
Churn H	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	163.6	\$0	\$ 0.33
# acquired/month	0	0	100	100	0	0	0	0	200	Ad \$/PV	0.002		
New transition matrix after adding the change in P													
	Pros L	Pros H	Trial L	Trial H	Full L	Full H	Churn L	Churn H		Churn rate			
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Pros H	16.6%	60.8%	1.7%	15.0%	0.8%	4.7%	0.1%	0.3%		0.5%			
Trial L	0.0%	0.0%	8.2%	3.1%	56.1%	26.7%	4.7%	1.3%		6.0%			
Trial H	0.0%	0.0%	1.0%	1.6%	15.0%	77.5%	1.3%	3.6%		4.9%			
Full L	0.0%	0.0%	0.0%	0.0%	83.4%	11.9%	4.3%	0.4%		4.7%			
Full H	0.0%	0.0%	0.0%	0.1%	18.1%	78.6%	1.0%	2.2%		3.2%			
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Churn H	0.0%	0.0%	0.7%	1.0%	0.2%	1.0%	25.9%	71.3%		97.1%			
	The following summarizes the state of your database in 3 years (36 months)												
	Registered prospect		Trial subscribers		Full-price subs		Churned		Total	Reader Equity			
	0		424		14,686		18,090		33,200	\$ 5,375,840			

In 3 years:

- Reader equity increases from \$4.5M to \$5.4M
- Subscribers increase from 10,780 to 15,110

What if we cut advertising by half?

In 3 years:

- Reader equity decreases from \$5.4M to \$5.3M

	Pros L	Pros H	Trial L	Trial H	Full L	Full H	Churn L	Churn H	Total	Sub Rev	PVs	Other Rev	Value
Pros L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	7.7	\$0	\$ 0.01
Pros H	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	380.3	\$0	\$ 0.38
Trial L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ 1	13.4	\$0	\$ 1.01
Trial H	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ 1	278.5	\$0	\$ 1.28
Full L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ 12	4.2	\$0	\$ 12.00
Full H	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ 12	250.7	\$0	\$ 12.25
Churn L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	2.1	\$0	\$ 0.00
Churn H	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	163.6	\$0	\$ 0.16
# acquired/month	0	0	100	100	0	0	0	0	200	Ad \$/PV	0.001		
New transition matrix after adding the change in P													
	Pros L	Pros H	Trial L	Trial H	Full L	Full H	Churn L	Churn H		Churn rate			
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Pros H	16.6%	60.8%	1.7%	15.0%	0.8%	4.7%	0.1%	0.3%		0.5%			
Trial L	0.0%	0.0%	8.2%	3.1%	56.1%	26.7%	4.7%	1.3%		6.0%			
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Full L	0.0%	0.0%	0.0%	0.0%	83.4%	11.9%	4.3%	0.4%		4.7%			
Full H	0.0%	0.0%	0.0%	0.1%	18.1%	78.6%	1.0%	2.2%		3.2%			
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Churn H	0.0%	0.0%	0.7%	1.0%	0.2%	1.0%	25.9%	71.3%		97.1%			
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	0			424			14,686		18,090	33,200	\$ 5,305,956		

But retention rates should increase

	Pros L	Pros H	Trial L	Trial H	Full L	Full H	Churn L	Churn H	Total	Sub Rev	PVs	Other Rev	Value
Pros L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	7.7	\$0	\$ 0.01
Pros H	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	380.3	\$0	\$ 0.38
Trial L	0%	0%	0%	0%	1%	1%	-1%	-1%	0	\$ 1	13.4	\$0	\$ 1.01
Trial H	0%	0%	0%	0%	1%	1%	-1%	-1%	0	\$ 1	278.5	\$0	\$ 1.28
Full L	0%	0%	0%	0%	1%	1%	-1%	-1%	0	\$ 12	4.2	\$0	\$ 12.00
Full H	0%	0%	0%	0%	1%	1%	-1%	-1%	0	\$ 12	250.7	\$0	\$ 12.25
Churn L	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	2.1	\$0	\$ 0.00
Churn H	0%	0%	0%	0%	0%	0%	0%	0%	0	\$ -	163.6	\$0	\$ 0.16
# acquired/month	0	0	100	100	0	0	0	0	200	Ad \$/PV	0.001		
New transition matrix after adding the change in P													
	Pros L	Pros H	Trial L	Trial H	Full L	Full H	Churn L	Churn H		Churn rate			
Pros L	63.6%	8.0%	8.8%	9.3%	5.3%	4.1%	0.8%	0.1%		0.9%			
Pros H	16.6%	60.8%	1.7%	15.0%	0.8%	4.7%	0.1%	0.3%		0.5%			
Trial L	0.0%	0.0%	8.2%	3.1%	57.1%	27.7%	3.7%	0.3%		4.0%			
Trial H	0.0%	0.0%	1.0%	1.6%	16.0%	78.5%	0.3%	2.6%		2.9%			
Full L	0.0%	0.0%	0.0%	0.0%	84.4%	12.9%	3.3%	-0.6%		2.7%			
Full H	0.0%	0.0%	0.0%	0.1%	19.1%	79.6%	0.0%	1.2%		1.2%			
Churn L	0.0%	0.0%	0.6%	0.2%	1.3%	0.3%	91.8%	5.7%		97.6%			
Churn H	0.0%	0.0%	0.7%	1.0%	0.2%	1.0%	25.9%	71.3%		97.1%			
The following summarizes the state of your database in 3 years (36 months)													
Registered prospect	Trial subscribers		Full-price subs		Churned		Total	Reader Equity					
0	368		20,119		12,714		33,200	\$ 6,494,831					

In 3 years:

- Reader equity increases from \$5.3M to \$6.5M
- Subscribers increase from 15,110 to 20,487

The effects of pricing

Price per Month	Retention Rate	Expected Payments	CLV
\$6	98.5%	64.6	
\$10	97.2%	35.2	
\$15	96.3%	27.1	
\$20	95.7%	23.5	

- As price increases the retention rates go down

The effects of pricing

Price per Month	Retention Rate	Expected Payments	CLV
\$6	98.5%	64.6	\$238
\$10	97.2%	35.2	\$263
\$15	96.3%	27.1	\$323
\$20	95.7%	23.5	\$384

- As price increases the retention rates go down
- But CLV increases!
- You should test this, but sites may be undervaluing their content

Implication

- Make sure consumers derive value regularly
 - Understand your value proposition
 - Email updates and newsletters are an obvious way to drive regularity, but they should be tested
- Pay attention to the user experience.
 - Test effects of advertising and apps
- Not all page views drive retention
 - Test effects of commoditized vs. local content

On becoming a service platform

- Focus on creating value for readers
- Then you will become a trusted, regular destination, and can act as a broker for the user
- Other organizations will pay for access to readers
- The secret is having the reader's trust (and data)

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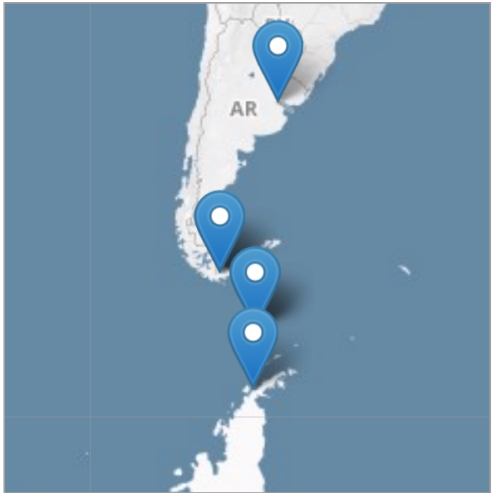


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