



# Why Data Is the Fundamental Building Block of Audiences ...and your viability

*Tom Ratkovich, Managing Partner  
LEAP Media Solutions*

# Where am I going with this?

“Our prosperity will be determined not by how much we can charge for our content, but by how much we know about our customers and our customers’ customers.”

*Tom Ratkovich  
Inland Press Association Annual Meeting  
October 28, 2013*

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# The Star of Our Show Today...



Mary Smith  
40 Cove Road  
Stonington, CT 06371



growth | engagement | monetization

# The Star of Our Show Today...

Registered  
Independent

44 years old

Married with  
children 8 and 12

HH Income > \$150,000

Acxiom Lifestage:  
Mature Wealth

Interest in Home Decor

Scores high for  
Online Purchasing

Interest in Community

High-value customer at  
Bed, Bath & Beyond

Four free ticket offers  
redeemed this year

Participated in March  
Madness Contest



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\$847 in total revenue  
in past 3 years

Digital content: real  
estate, finance

International travel  
video consumption

Prefers email to  
direct mail

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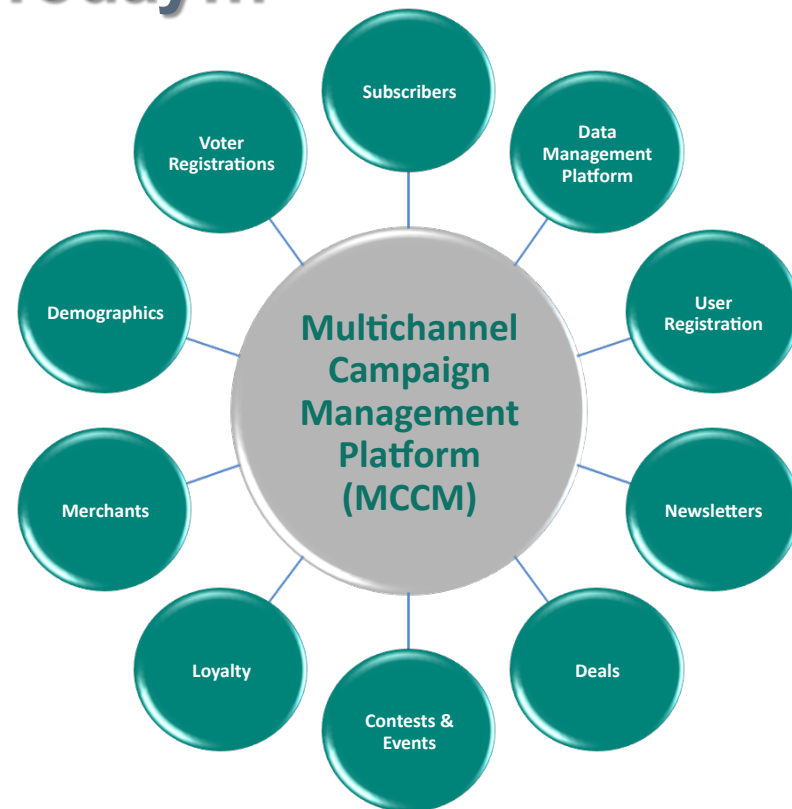
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# The Blatantly Obvious

- Inexorable decline in print circulation
- Unrelenting decay of traditional ad revenue
- Rapidly decreasing share of ad spend
- Profit margins approaching zero or negative

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# Reacting to the Adversity

- Impulse #1: **Cut**
- Impulse #2: **Digital First**
- Impulse #3: **Consumer Monetization**

## **Impulsive Response #1: CUT!**

**“Survival is paramount”**

- People
- Products
- Investments

**Responsible...or Shortsighted?**



*This much we know:*

You cannot cut your way to *sustainable* profitability.



The background of the slide is a vibrant sunset with a large, bright sun partially obscured by clouds. In the foreground, a silhouette of a person is captured mid-jump, leaping from the edge of a dark cliff on the left towards another dark cliff on the right. The person's arms are outstretched, and their legs are in a jumping position. The overall color palette is dominated by warm oranges, yellows, and blacks.

## Impulsive Response #2: “Digital First”

- “How did we miss this?”
- “We need to catch up”

Is this a reasonable reaction?

Should “Digital First” really be “Customer First?”

The image features a silhouette of a person in mid-jump, bridging a gap between two dark, jagged rock formations. The background is a vibrant orange and yellow sky with scattered clouds, and a large, bright sun is positioned in the upper right quadrant. The overall scene conveys a sense of risk, challenge, and achievement.

## Jeff Jarvis...

“A legacy news company must become a fully sustainable (read: profitable) digital enterprise before the date at which print becomes unsustainable.”

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# The Error of Our Ways

## Sins of Omission

- Failure to recognize strategic near-term value of print franchise

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# Strategic Value of Print Audiences in Transformation

- Revenue
- Digital customers
- Data

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# The Error of Our Ways

## Sins of Omission

- Failure to recognize strategic near-term value of print franchise

## Sins of Commission

- Intolerable load times
- Auto-play video
- Invasive display ads and interstitials
- Invasion of privacy
- Fraud

### Concerns About Digital Media Buying/Planning According to US Media Agency vs. Brand Marketing Executives, April 2016

% of respondents

	Brand marketers	Media agency
Click fraud	78%	63%
Bot traffic	78%	59%
Viewability	71%	70%
Ad blocking	60%	40%
Conflicting audience data	57%	52%
Control over content environment	57%	52%
Lack of audience data	49%	52%
Consumer privacy	49%	27%
High frequency exposure	27%	47%

Note: among those with digital media decision-making responsibilities; responses of 8-10 on a 10-point scale

Source: MyersBizNet, "Survey of Advertising and Marketing Executives on Media Effectiveness" as cited by MediaVillage, May 2, 2016

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## Impulsive Response #3: “Consumer Monetization”



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## Impulsive Response #3: aka...PAID CONTENT

Will consumers pay for content? Do they **now**?

- Digital subscribers, yes...but the opportunity is finite
- Print subscribers...???

Can the monetization of consumers bridge “the gap?”

## Ken Doctor: “The Newsonomics of Zero”

- Offset declining ad revenues with increasing all-access/digital-circulation revenue
- “...still an aspiration for most metro publishers.”



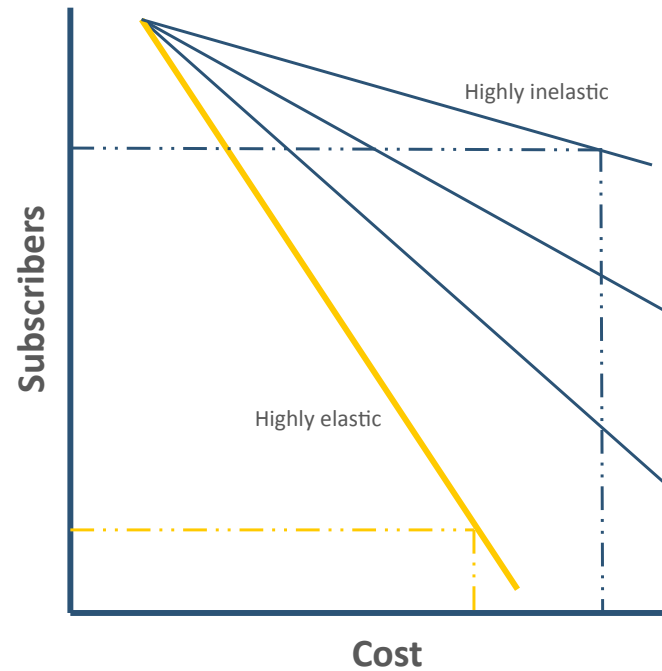
# The Economics of Paid Content

- Price elasticity
- Marginal cost/marginal utility
- Exchangeability



## The “Slippery” Slope of the Pure Paid Content Strategy: PRICE ELASTICITY

- Only a small audience will pay meaningful dollars



# Digital Content is “Free”

- It may not be your content, but it is “exchangeable” content
- The marginal cost exceeds the marginal utility
- The Google factor: information can be found instantly and w/o cost
- Curation adds value – but value that too few will pay for

# The Denver Broncos

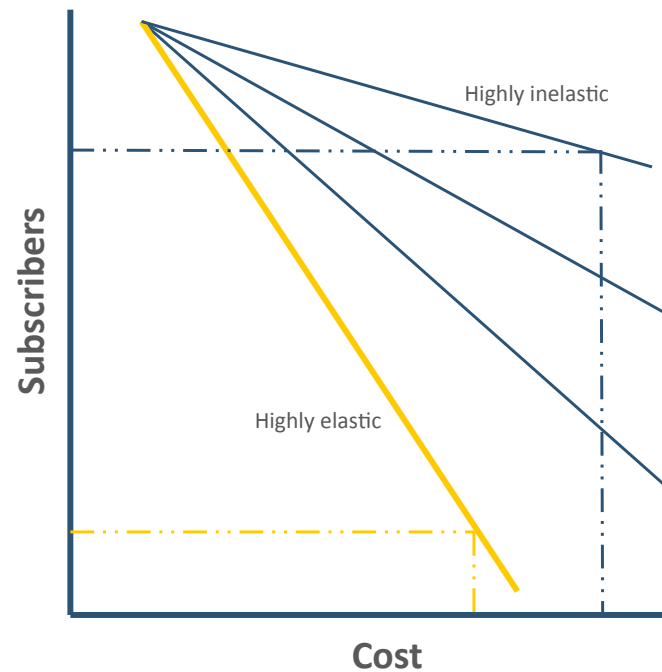
- DenverBroncos.com
- ESPN.com
- NFL.com
- BleacherReport.com
- MMQB.com
- Sbnation.com
- Sports.Yahoo.com
- Milehighreport.com
- SI.com



- Profootballweekly.com
- CBSsports.com
- Foxsports.com
- PredominantlyOrange.com
- NBCsports.com
- Scout.com
- Facebook
- Twitter
- Instagram

## The “Slippery” Slope of the Pure Paid Content Strategy: PRICE ELASTICITY

- Only a small audience will pay meaningful dollars
- Small audience weakens appeal to advertisers
- Small audience erodes brand value
- Small audience undermines customer intelligence
  - *Revenue optimization strategies typically fail to account for the opportunity cost of uncaptured data*



# Should We Abandon Consumer Monetization Efforts?

1. Establish appropriate strategic goals



# Misguided Objectives

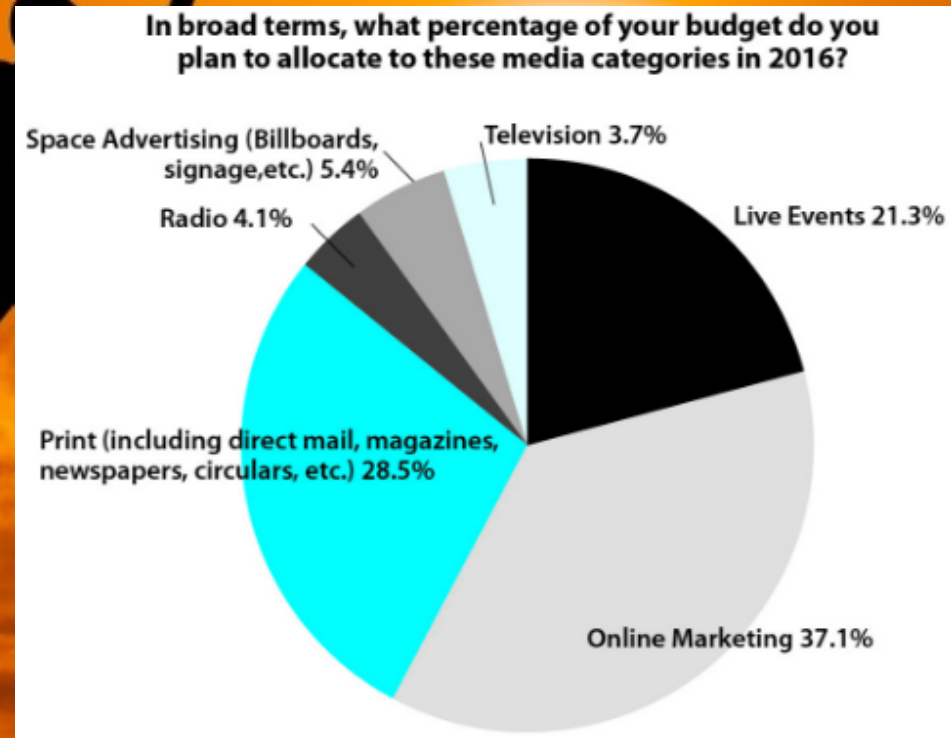
- “We want consumers to deliver 50% of revenue”
  - Two ways to get there
- NY Times Q1 2016: Readers delivered 57% of total revenue
  - Q4 2010 just prior to paywall: 38% of revenue from consumers
  - Q1 2016: Total YOY revenue down 1.2%
  - Digital advertising decreased 1.3%
  - “Zero is an aspiration”

## Should We Abandon Consumer Monetization Efforts?

1. Establish appropriate strategic goals
2. Add value to the customer relationship - membership
3. Make data a currency of exchange

## The Measured Response: Revenue Diversification

- Events
- Native advertising
- Digital services
- Video
- Niche publishing
- Email marketing
- Direct mail marketing



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**“Revenue follows audience[s]”**

Bob Gilbert, VP/Audience, Morris Communications

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# What is an “Audience?”

1. the group of spectators at a public event; listeners or viewers collectively, as in attendance at a theater or concert.
2. the persons reached by a book, radio or television broadcast, etc.
3. a regular public that manifests interest, support, enthusiasm, or the like; a following.



# Building AudienceS with Data

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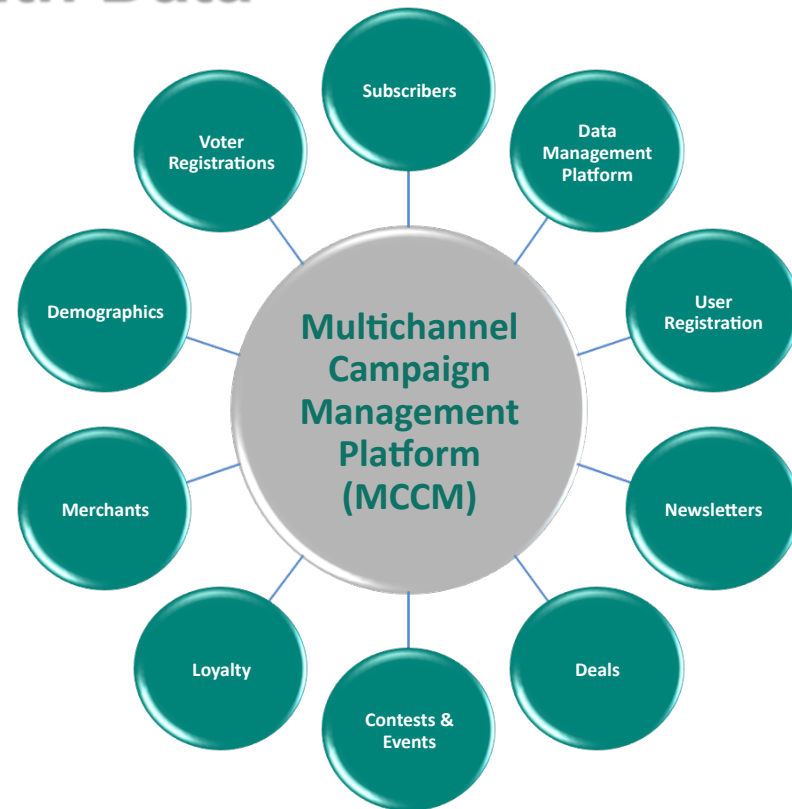
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# What Do We Know?

## Core Operational Systems

- Name/address
- Tenure
- Frequency
- Price
- Source
- Products
- Credit status
- Vacation schedules
- Complaints/satisfaction

## E-Commerce/Deals

- Email address
- Shopping preferences
- Consumption behavior
- Price sensitivity

## Contests/Events

- Lifestyle interests

## Digital Registration

- Email address
- Channel preference
- Content consumption

## Loyalty Platforms

- Lifestyle interests
- Content preferences

## Data Management Platforms

- Content engagement
- Frequency
- MAC/IP address

# What Else Can We Know?

A silhouette of a person in mid-jump, arms and legs outstretched, jumping over a dark cliff edge. The background is a vibrant orange and yellow sunset sky with a large, bright sun partially obscured by clouds.

## Demographics

- Name/address/phone
- Age/gender/ethnicity
- Marital status
- Occupation/education
- Hispanic language preference
- Number of children/ages
- Political party
- Homeownership/home value/type/age
- Length of residence

## Other

- Vehicle interest/car buyer/number
- Channel preference
- Online purchaser
- Direct mail purchaser
- Military veteran

## Lifestyles

- Dog/cat owner
- Culture/arts/collectibles
- Fashion
- Camping/fishing/hunting/shooting
- Gardening
- Gourmet cooking/food
- Travel – foreign/domestic
- Home video games/computers
- Bicycling/boating/golf/tennis/skiing
- Home furnishing/decorating
- Home improvement
- Fitness/running
- Casino gambling
- Sweepstakes/contests
- Wines

## Voter Registrations

- Party affiliation

## Merchant Customers

- Content engagement
- Frequency

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# Technology Building Blocks

## Data-Generating/Data-Managing

- Transaction management systems
- Registration platforms
- DMPs
- E-commerce platforms

## Data-Leveraging

- Integration
- Analytics/modeling
- Digital marketing
- Campaign management
- Marketing automation
- Reporting

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# What Can We Do to Grow & Engage Audiences?

## Minimize customer acquisition cost

- Model lifetime value and ROI
- Predict channel response
- Project product preferences
- Execute targeted, personalized, channel-optimized acquisition initiatives
- Engage with timely, relevant, channel-optimized, automated communications
- Create value-exchange: relevance/value for cash/data

# What Can We Do to Drive Revenue Growth?

## Deliver Qualified Customers/Prospects to Merchant Community

- Integrate merchant customer information with our data

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# Monetizing Mary

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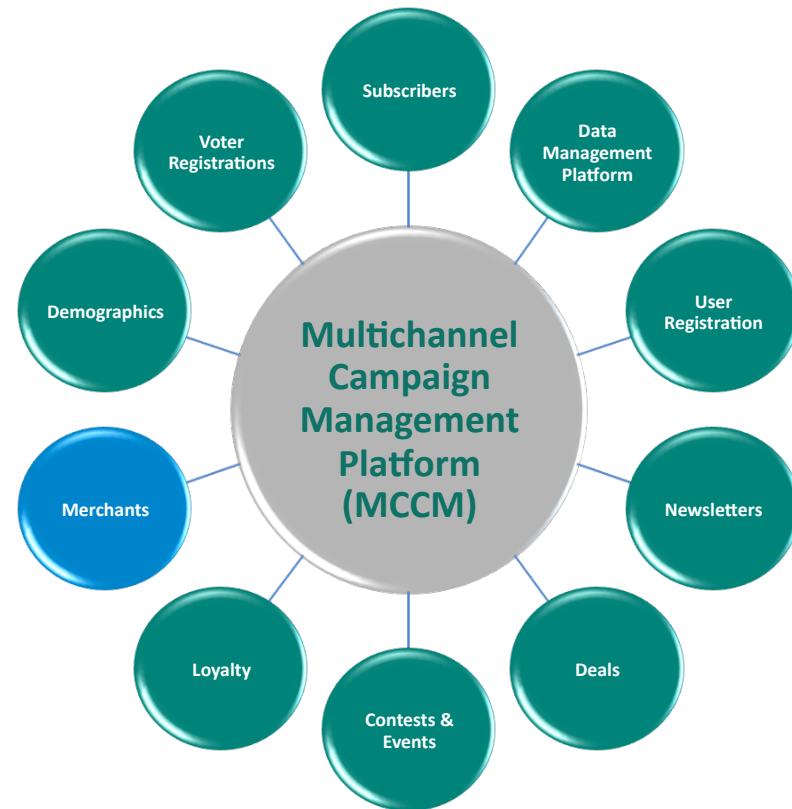
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# What Can We Do to Drive Revenue Growth?

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- Integrate merchant customer information with our data
- Identify the characteristics of best customers

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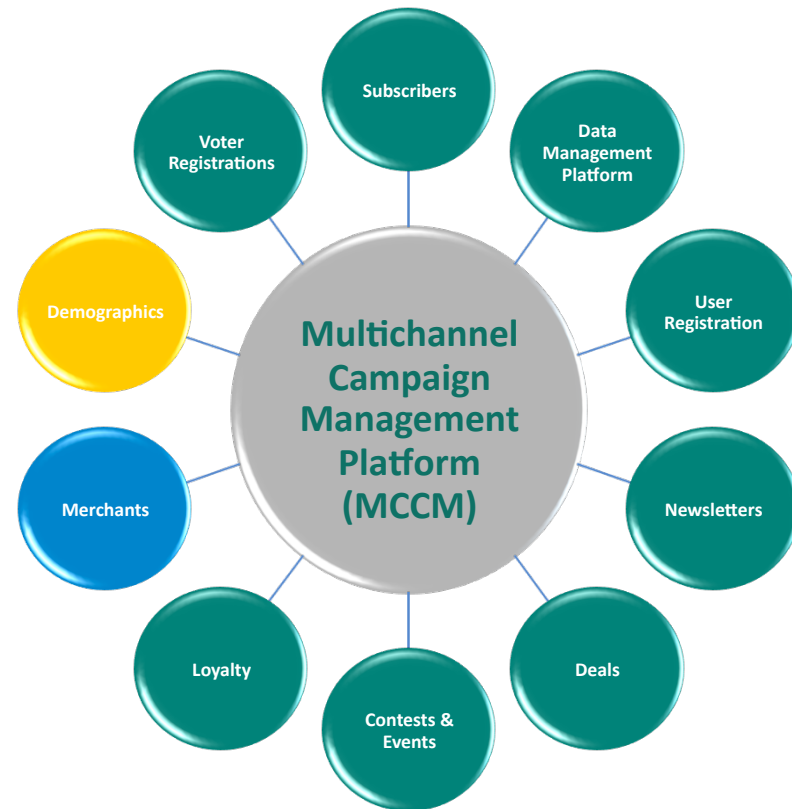
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# What Can We Do to Drive Revenue Growth?

## Deliver Qualified Customers/Prospects to Merchant Community

- Integrate merchant customer information with our data
- Identify the characteristics of best customers
- Locate high-opportunity prospects both geographically & digitally
- Optimize media mix across portfolio

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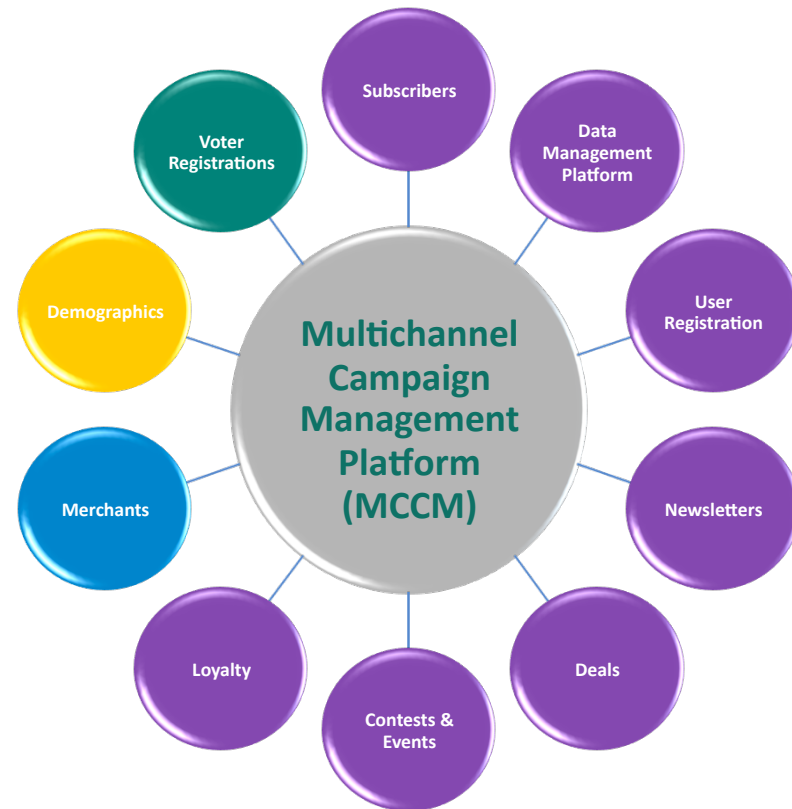
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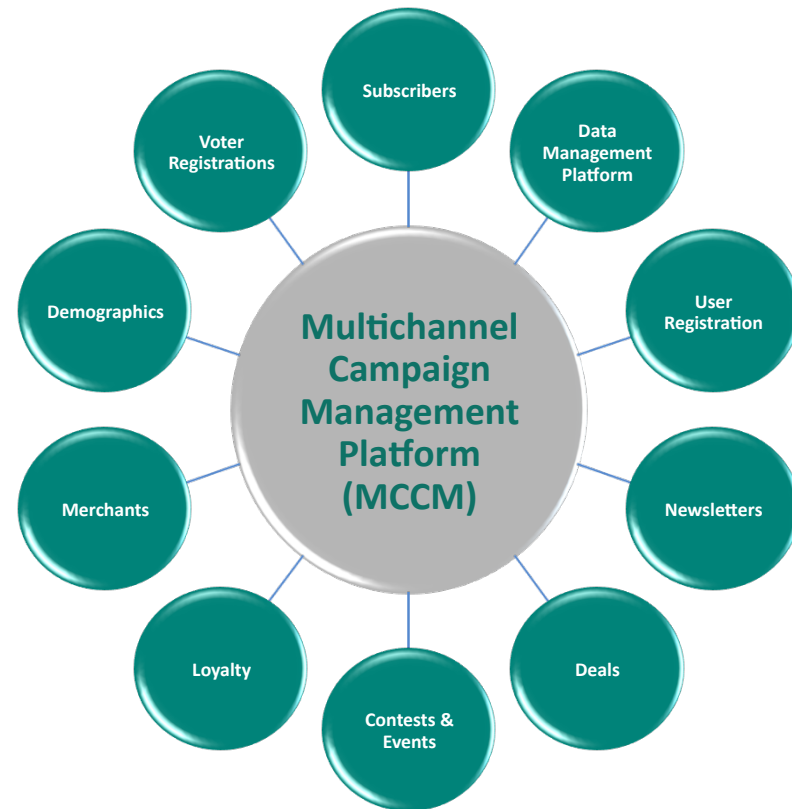
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## Multiplying Mary

***Question:** How many times can we be paid to deliver timely, relevant, personalized and channel-optimized communications to “Mary” by our merchant community?*

***Answer:** It is entirely dependent on how much we know about Mary...i.e. how many audiences she belongs to.*

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# It's Not Just About Programmatic

Data drives all elements of revenue diversification

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**THANK YOU**

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