IMC SRC | SPIEGEL RESEARCH CENTER

What Causes Subscribers To Pay For Local News?

An Examination of What Content and Behaviors Help Local News Organizations Retain Subscribers

Northwestern | MEDILL
Local News Initiative

Understanding What Makes News Readers Retain Their Subscriptions

Approximately 20% of all newspapers in the United States have merged or gone out of business in the past 15 years. More than 1,300 communities have totally lost their news coverage.[1]

In an effort to find sustainability — and ultimately growth — local media companies are shifting from an advertising-supported business model to one based on subscriptions. However, this pivot to subscriptions demands an understanding of what subscribers value most from these companies. To do this, local media executives must know what and when subscribers are reading, viewing, clicking, opening, sharing, and liking across all devices.

This quest for what forms of engagement drive financial outcomes — or in this case, subscriptions — is the type of data analysis done by the Spiegel Research Center does. The Center worked with the Medill Local News Initiative to complete an analysis of local news subscriber behaviors to understand and predict subscriber retention. The Center worked with 16 news organizations that shared 13 terabytes of data. The result was four important, and in some cases, unexpected results. (see right).

These findings challenge fundamental measures that guided newsrooms and enterprises for years and are critical to understand to effectively shift to a subscription-based business model. To help with that transition, the Spiegel Research Center created a six-step process to serve as the roadmap for making this shift.

WHAT WE FOUND

1. Frequency of website visits is the most important predictor of subscriber retention.

2. Page views and time spent on a newspaper's website are not an accurate predictor of subscriber retention, and in some cases, it even has a negative effect.

3. Reading differentiated content is associated with retention.

4. Readers using adblocking software are significantly more likely to stay

About The Research

The data for this research was shared in a non-personally identifiable form by 16 Local News Initiative Learning Lab partners, including the Chicago Tribune, the San Francisco Chronicle, and the Indianapolis Star. Specific data for each paper will be referenced anonymously in this analysis. Additional data was shared by Gannett, a leading media and marketing company that owns more than 100 media organizations. Roughly two years of subscriber and click-stream reading data from both large-city and small-market organizations were evaluated to identify what behaviors were constant across markets and what actions varied depending on market size.

RESEARCH DEFINITIONS

To measure the factors that contribute to subscriber retention, The Center developed models that explain subscriber behaviors leading to retention and churn. Churn means the subscriber cancelled the subscription in a given period. Retention means the subscriber continued to subscribe.

"*What you're talking about here in this research is really a paradigm shift.* … 'My customer is the consumer, and that's where I get my revenue,' as opposed to 'my customer is the advertiser and I'm leveraging my readers to these advertisers.' It's a big shift, a huge kind of shift in mission."

— Tom Rosenstiel, *Executive Director of the American Press Institute*

A Change in Reader Habits

While the number of newspapers across the country have decreased, it is clear that the public still craves news and information. The number of hours adults in the U.S. spend with digital media has risen every year since 2008, to the point that in 2018, adults spent 6.3 hours per day interacting with digital media.

That being said, 99 percent of time spent online by Learning Lab partner subscribers is spent on other websites.

One truism that's become apparent is that reading differentiated, local content is what subscribers value from their local media provider. This is a far cry from the role local newspapers used to play as the source for all news. Today, readers have a seemingly limitless number of outlets to turn to for commoditized content. For example, more than 40% of the readers of the "Large Market" Learning Lab partners spend time on CNN.com and the Yahoo-Huffington Post News Network.

The Pew Center research also found that although advertising revenue plunged, circulation revenue has remained steady, rising from $10.4 billion in 2012 to $10.9 billion in 2015 and 2016. News organizations can — and are starting to — build their business models to be focused on subscribers rather than advertisers. The New York Times, for example, reported that online subscription revenue increased nearly 18 percent in 2018 while digital advertising rose just 8.6 percent.

READERSHIP AND LOCAL NEWS: THEN AND NOW

Competition for the reader's time and attention used to be between one newspaper and the "other paper". *Now, it's not.*

News cycles used to be twice a day. *Now, most news is "breaking".*

The local newspaper used to be the trusted source for national and local news. *Now, it's not.*

What We Learned About
Local News Subscribers

Frequency is the Biggest Predictor of Subscriber Retention

The Speigel Research Center found that frequency, which is measured by the number of days in the month that consumers read content, is the most powerful driver of subscriber retention. This was a constant for each of the large-city news organizations as well as across the 12 small-market outlets.

For example, in "Large Market A", frequency was 10 times more of an influence on retention than any other indicators, such as page views or time on page. In "Large Market B", frequency was eight times more of a driver of retention, and it was five times more influential on retention in "Large Market C".

There are multiple implications of this finding, but most imporant is that local news organizations need to first understand what drives a daily reading habit. Once that is known, the next step is to test more ways to improve it. There are a variety of ways to accomplish this — some of which will be discussed later in the paper — but examples include distibuting newsletters or daily bulletin updates to subscribers that constantly refers them back to the news organization's content.

FAST FACT

In each of the 16 markets that were analyzed, frequency (regularity of reading) was the most influential factor that predicted retention.

There is an Inverse Correlation Between Page Views and Subscriber Retention

The fact that the frequency of visits is the most significant predictor to retaining subscribers is especially significant when it is juxtaposed with the fact that time spent on an article or website is not an accurate predictor of retention. In fact, our analysis found that a subscribers "extent" (page views per day) and "depth" (time spent per page view) actually had a negative association with subscription retention and was associated with churn across all markets.

In other words, the more pages on the site a subscriber viewed, the less likely they were to continue their subscription. Understanding that more time spent also means more exposure to advertising partially explains this unexpected correlation. We explore this further on page 10.

For years, media enterprises and their analytics partners have focused on engagement metrics like page views and time on page to understand reader behavior. That data was relevant for increasing advertising revenue, but as newspapers shift to a subscriber-based model, it no longer carries the same relevance.

FAST FACT

For "Large Markets A and B", the more webpages subscribers viewed on the paper's website, the less likely they were to continue their subscription.

Unique Local Content is What Readers Want From Their Local News Outlets

In every market examined, differentiated local content was linked to retention and building a regular habit across the board. In "Large Market A", for example, differentiated content has ten times more impact on subscriber retention. In "Large Market B", it was eight times more influential. In "Large Market C", it was five times more powerful.

However, the importance of specific types of differentiated content to subscribers varies market by market. For example, in "Large Market A", local news showed the biggest correlation between differentiated content and retention, followed by content about local food and local entertainment.

In "Large Market B", we found that local sports was twice as important as local news. In "Large Market C", hyper-local news was the largest driver of retention, followed by a section about things to do around the city.

Overall, all three markets reinforced the importance of differentiated local content having a strong impact on retention. Conversely, national news or commoditized content had little to no impact on retention in "Large Markets A and B". In "Large Market C", national news actually showed a significant correlation with churn. Yes, reading commoditized national news on this site contributed to subscribers canceling their subscription.

**DIFFERENTIATED LOCAL CONTENT WAS LINKED TO SUBSCRIBER RETENTION ACROSS ALL MARKETS**

Users With Adblocking Software Are More Likely to Retain Their Subscription

The analysis by the Spiegel Research Center shows a 4x improvement in retention among subscribers who choose to block advertising. The belief by researchers is this discovery points to evidence of the influence of a positive reader experience.

It is premature to claim that an advertising-free solution is categorically better for local media enterprises. Yet the audience size, which was 20% of subscribers who opt for this experience, signals that the value they want does not include advertising, inviting further study and experimentation.

The Athletic is one such example where subscribers are able to enjoy differentiated local sports content without advertising interrupting the reading experience. Other local news media outlets are experimenting with similar "advertising lite" options, as well.
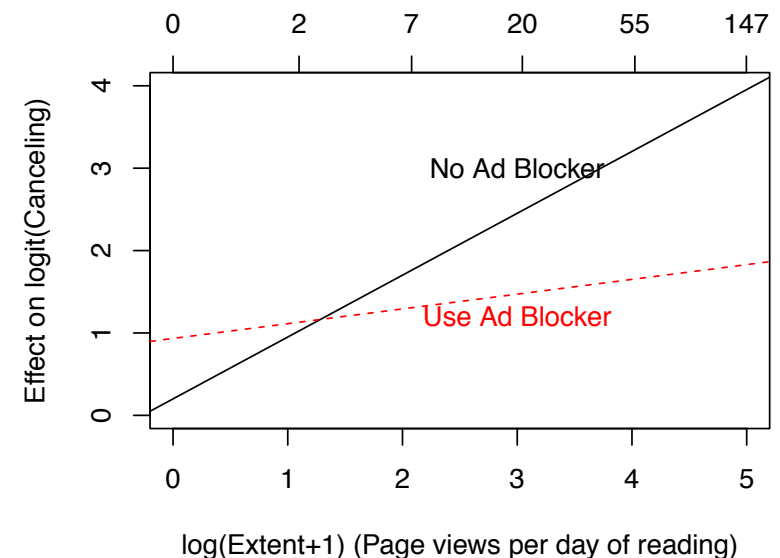
How To Grow Reader Retention

HOW TO GROW READER RETENTION

IN SIX SIMPLE STEPS

FOCUSING ON SUBSCRIBERS

The Spiegel Research Center worked with the Medill Local News Initiative to complete an analysis of local news subscriber behaviors to understand and predict subscriber retention.

To help local media organizations transition to a subscription-based business model, the Spiegel Research Center created a six-step process to serve as the roadmap for making this shift.

The next six pages will highlight different examples of local news organizations implementing each of these six steps. Some of the examples are Learning Lab partners, while others are not.

1

DECIDE YOUR DESIRED FINANCIAL OUTCOME

In order to create a major change within your organization, you first have to decide what you are trying to change. For this study, financial outcome can be thought of as digital memberships or subscriptions.

2

### IDENTIFY ENGAGEMENT/READING BEHAVIORS

When it comes to engagement behaviors a subscriber can have with a local news organization, the list can be complex. This is critical in order to make sure you take into account all potential engagement opportunities.

3

FIND WHAT BEHAVIORS DRIVE YOUR DESIRED OUTCOME

Once your list of engagement behaviors is complete, the next step is to analyze which of those behaviors are most responsible for contributing to your desired outcome — in this case, subscriber retention.
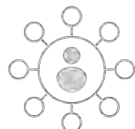
4

UNDERSTAND WHAT STORIES INFLUENCE THE BEHAVIORS

Now that you know what behaviors drive your desired outcome, the next step in the process is to look at what types of stories, story forms and platforms are responsible for influencing those behaviors.

5

STIMULATE A HIGHER LEVEL OF THOSE STORIES

With an understanding of the types of stories that lead to the reader behaviors you covet, it is now time to create more content that falls into those same types of stories.

6

MONITOR READING BEHAVIORS AND OUTCOMES

Once stories are added, you must review analytics related to those stories and analyze reader behaviors and outcomes to assess how they are influencing readers and your desired financial outcome.

1. Decide Your Desired Financial Outcome

This first step should come as no surprise, but in order to create a major change within your organization, you first have to decide what you are trying to change.

As it relates to this study, financial outcome can be thought of as digital memberships or subscriptions. Some local news organizations could decide to break down this outcome even more, such as digital memberships attained via Facebook advertising, but the overarching task is relatively simple: What goal do you want to achieve?

Once you have an answer to that question, you can begin the process of analyzing the types of content and behaviors that can influene that goal.

2. Identify Engagement/Reading Behaviors

In The Center's data analysis of more than 13 terabytes of data provided by 16 news organizations, researchers identified five key reading behavior metrics: page views, time on page, mobile views, regularity, and reading breadth. Researchers analyzed each of these metrics and saw a definitive correlation between regularity and subscriber retention.

When it comes to understanding engagement behaviors a subscriber can have with a local news organization, the list can be complex. Just consider, for example, the number of actions a reader can take with an article shared on Facebook. A reader can click that post to read it. They can like the post. They can make a comment on the post. They can share the post with someone else on Facebook or with their wider network of friends. In addition to Facebook, The Indy Star, for example, shares content on Twitter, LinkedIn, Instagram, and Pinterest. That is a lot of engagement opportunities, and that is just on social media.

A review of the San Francisco Chronicle website shows a host of additional engagement opportunities, from listening to one of its 11 podcasts to viewing photo galleries to taking one of the Chronicle's self-created quizzes that allows readers to test their knowledge against newsroom reporters. Identifying each of these opportunities for readers to interact with your content is pivotal in understanding which content and/or behaviors are more likely to lead to subscriber retention.
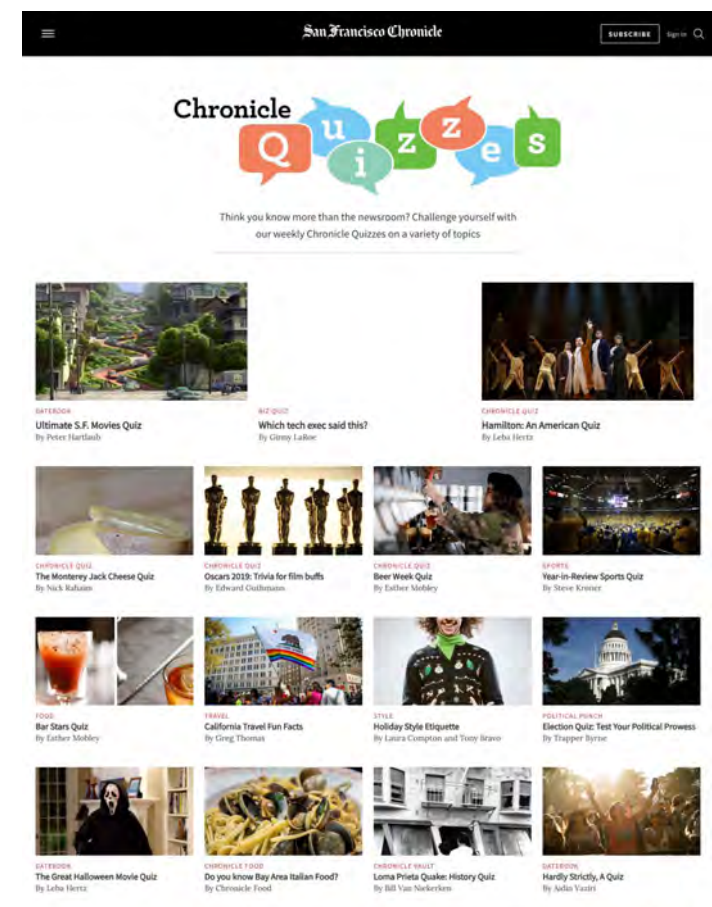
3. Determine What Reading Behaviors Drive Your Desired Outcome

In an article published on Nieman Lab[2] , three representatives for The Wall Street Journal (WSJ) predicted that in order to continue growing its digital membership, WSJ needed to focus on engagement behaviors as a way to increase member retention. To do that, WSJ launched "Project Habit" to identify and then further promote retention-driving habits.

The team behing "Project Habit" listed every action a subscriber could make with WSJ, from downloading the app or emailing an article to commenting on a post or playing a puzzle. From there, they identified three trends that reduced churn:

LOYALTY: Readers who were loyal to a particular writer or section (what they were loyal to did not matter as long as loyalty existed)

CADENCE: Readers of content published on a routine basis were more likely to retain their subscription status

PLAY: While the WSJ is known for its in-depth journalism, relaxed activities like puzzles or games helped reduce churn

The "Project Habit" team also discovered subscriber habits are routinely formed early in the membership life cycle. These insights allowed WSJ to change its engagement strategy to give subscribers content to help increase retention.
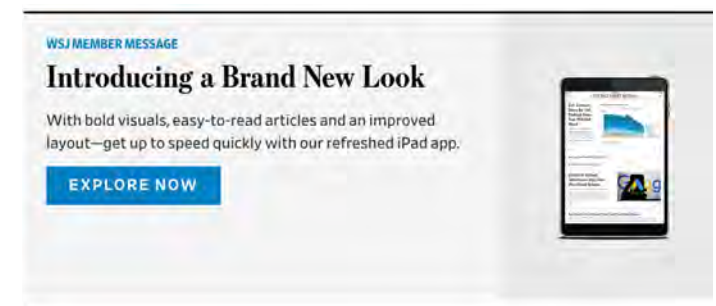
4. Understand What Types of Stories Drive The Important Reading Behaviors

Page 8 of this report demonstrated how differentiated local content can play a large role in subscriber retention. Beyond knowing the types of content subscribers are interested in reading, it is important to allow these readers to customize their news-gathering methods and format.

A variety of local media outlets allow readers to subscribe to daily or weekly newsletters that can be modified based on the reader's interests. The New York Times (shown at right in the orange circles) is one example of local media organizations pursuing this method.

In December 2018, the BBC presented readers with options of how to learn about the latest developments related to Brexit. The BBC provided a 100-word version of its story to readers who were looking for a quick summary, followed by a 500-word version for those readers who wanted to understand more of the finite details related to the situation.

The New York Times also is experimenting with this idea of "snackable" content. On the paper's homepage, many of the day's major stories are accompanied by two bullet points with summaries of the stories for readers who are looking for a quick snapshot of the article (see blue circle at right for an example of this).

5. Stimulate a Higher Level of Those Important Stories To Drive Reading Behavior and Overall Financial Outcome

Chicago faced a historic election in early 2019 as Toni Preckwinckle and Lori Lightfoot went head-to-head to be elected the first female mayor in the city's history. Editors at the Chicago Tribune knew content about the mayoral election was popular among its readers, so they took portions of that content and created an interactive quiz for readers to take in order to see which candidate most aligned with their views on topics such as "Do you support a graduated income tax in Illinois?" or "Do you support term limits for aldermen and the mayor?"

The quiz was 14 questions, and each included a scale of importance and a link with more information about that specific question.

Not only was this feature insightful and educational for readers, but it created an enormous uptick in reader engagement and interactions with the content.

ELECTION 2019

Which Chicago mayoral candidate do you align most closely with? Take this quiz to find out.

Chicagoans will head back to the polls on April 2 to decide whether Lori Lightfoot or Toni Preckwinkle will be the city's next mayor. We asked both candidates whether they support or oppose 14 proposals, and to rank their importance on a scale of 1 to 10, with 1 being least important and 10 being most important. By answering the same questions, our algorithm will identify how closely your positions align with each candidate. The Tribune is not collecting the results and you may take the survey as many times as you like. For more information about the candidates and the issues, visit our Chicago Voter's Guide.

QUESTION 1

Do you support freezing Chicago property taxes?

| YES | NO | NO OPINION |

Importance

MORE INFORMATION

6. Monitor Reading Behaviors and Their Outcome to Determine What Works

On Page 14, we detailed The Wall Street Journal and its creation of "Project Habit." That work resulted in a number of key findings, including the realization that there were a variety of actions besides subscribing to a newsletter or downloading an app that led to increased subscriber retention. Based on their analysis, "Project Habit" team members decided to make active days visiting the site be the key engagement metric for their project, and in the past year, the WSJ has seen that number steadily rise.

Monitoring reader behaviors can also lead to new opportunities for content, and potentially even sponsorships. Take, for example, Twitch, the online platform popular for live-streaming video games. In 2015, less than 0.3% of "Large Market B" subscribers visited Twitch. By 2018, that percentage ballooned to 8.8%. Similarly, "Large Market C" saw an increase from 2.2% to 11.7% over the same three-year span. Clearly, Twitch is relevant to these readers. If the "Large Market B" and "Large Market C" organizations create content about Twitch, it would stand to reason that it will appeal to those same subscribers. And by creating content that resonates with them, these local media organizations will see those readers be more likely to retain their subscriptions.

Future Research

The Spiegel Research Center's analysis of subscriber data provided a number of key insights, but it also led to a number of fascinating follow-up questions, including, but not limited to:

• Among print subscribers, what drives conversion to digital-only packages?

• What is the influence of sponsored content on retention?

• How do likes and shares affect retention?

• How do different subscription offers affect retention?

• How do the headlines influence whether the article is read?

• How does viewing video affect retention?

• Do email briefings increase retention?

• Are there customer segmentation strategies to drive Wretention?

• Are there onboarding strategies to get to "first five days" of frequency?

In Review

What Content and Behaviors Drive Consumers to Pay for Local News

The Spiegel Research Center identified four key findings that challenge the fundamental measures that guided newsrooms and enterprises for years. As news organizations shift away from a business model based on advertising revenue, these findings are critical to understand in order to effectively shift to a subscription-based model.

FREQUENCY IS THE BIGGEST PREDICTOR OF SUBSCRIBER RETENTION	**INVERSE CORRELATION BETWEEN PAGE VIEWS AND RETENTION**
UNIQUE LOCAL CONTENT IS WHAT READERS LOOK FOR FROM LOCAL NEWS OUTLETS	**ADBLOCKING USERS ARE MORE LIKELY TO RETAIN THEIR SUBSCRIPTIONS**

WHAT LOCAL NEWS MANAGERS CAN — AND SHOULD — DO NOW

1) Commit to *test-and-learn practices*

2) Identify the *priorities for testing*

3) Include strategies that address and test:

- The role of *advertising*
- The focus around *local content*
- Improvement to the *customer/ reader experience*
- Approaches that strategically *grow daily habit*
- New subscriber *onboarding strategies* that grow habit
- *Data access/insight* that explains subscriber behaviors in real time
- *Benchmark* subscriber, churn, engagement, content and story forms

How Local News Outlets Can Retain Subscribers

LEARN MORE about Spiegel Research Center research-driven insights on marketing communications by visiting: spiegel.medill.northwestern.edu

RESEARCH TEAM

TOM COLLINGER
Executive Director
Spiegel Research Center
t-collinger@
northwestern.edu

EDWARD MALTHOUSE
Research Director
Spiegel Research Center
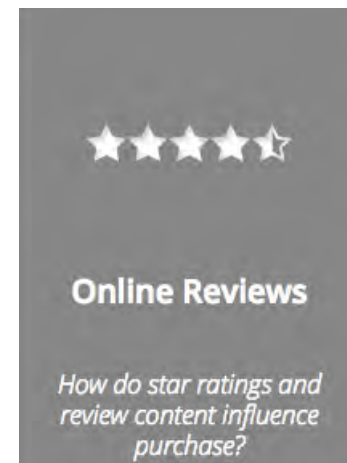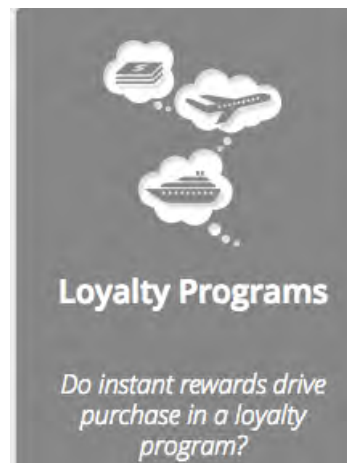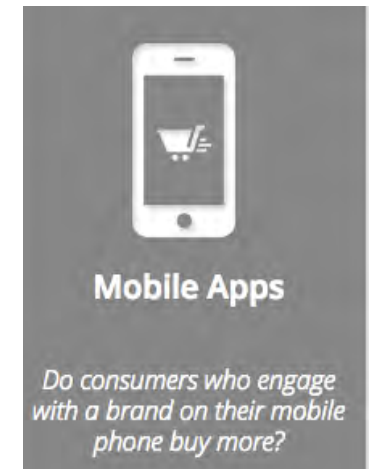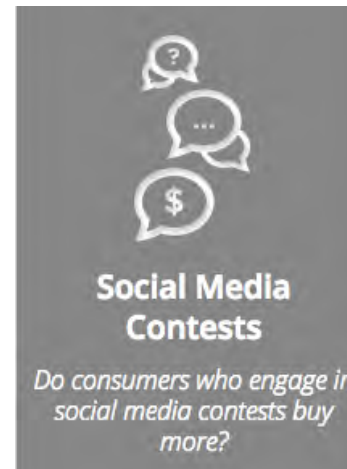ecm@northwestern.edu

YASAMAN KAMYAB HESSARY
Post-Doctoral Fellow
Spiegel Research Center

YAYU ZHOU
PhD Candidate
McCormick School of Engineering at Northwestern University

ENDNOTES

[1] University of North Carolina School of Media and Journalism: "The Expanding News Desert"; accessible at https://www.usnewsdeserts.com/reports/expanding-news-desert (2018)

[2] Anne Powell, John Wiley and Peter Gray, "Habit formation: How The Wall Street Journal turned user-level data into a strategy to keep subscribers coming back"; accessible at https://www.niemanlab.org/2019/06/habit-formation-how-the-wall-street-journal-turned-user-level-data-into-a-strategy-to-keep-subscribers-coming-back (June 27, 2019)

Social Media Contests
Do consumers who engage in social media contests buy more?

Online Negative Word-of-Mouth
Do negative posts in a social media environment impact purchase behavior?

Mobile Apps
Do consumers who engage with a brand on their mobile phone buy more?

Loyalty Programs
Do instant rewards drive purchase in a loyalty program?

Online Reviews
How do star ratings and review content influence purchase?

Multi-Platform Engagement
How does multi-channel engagement affect purchase behavior?

About The Spiegel Research Center

Understanding Customer Engagement
That Drives Business Performance

The Medill IMC Spiegel Digital & Database Research Center is the first research center at the Medill School of Journalism, Media, Integrated Marketing Communications. It was founded in 2011 by a generous gift from the late Professor Emeritus Edward J. "Ted" Spiegel and his wife Audrey and fortified by the support of corporations, alumni, and friends. The center is part of Northwestern's long tradition of applied research about advertising and marketing. The focus of the Spiegel Research Center is evidence-based, data-driven analysis that proves the relationship between customer engagement and purchase behavior. The center's research focuses on consumer behavior with digital platforms, social media and mobile devices.

Northwestern

IMC SRC — SPIEGEL RESEARCH CENTER