

The AP logo is located in the top left corner, consisting of the letters 'AP' in a bold, black, sans-serif font. Below the letters is a horizontal red bar. The background of the entire image is a close-up, slightly blurred photograph of a silver MacBook Pro laptop on a light-colored wooden desk. The laptop screen displays a vibrant, colorful image of flowers, including a prominent pink and orange lily-like flower in the foreground. The keyboard and trackpad of the laptop are visible in the lower half of the frame. In the background, another laptop is partially visible, showing a webpage with blue and white elements. The overall lighting is warm and natural, suggesting an indoor setting with good lighting.

DIGITAL MONETIZATION FOR PUBLISHERS

New ways to capture consumer revenue



TABLE OF CONTENTS

Prologue	1
Focus on a better user experience	2
Best practices in paywalls	3
Alternative methods of generating reader revenue	8
Experiences with implementation	13
What the big platforms are doing	16
Conclusion	19

Digital Monetization for Publishers:
New ways to capture consumer revenue

2018

By Ryan Nakashima and Anne Cai

AUTHORS' NOTE:

Converting audiences into paying customers is core to building a sustainable future for journalism. To provide a broad view of how media organizations are capturing digital revenue — from industry standard paywalls to emerging alternative methods — we spoke with experts and practitioners from news outlets, startups, and the big tech platforms.

Prologue

It was Jan. 22, 1996. Buried in the bottom right corner of page D7 in the newspaper was a story that certainly didn't have the feel of heralding a new age in journalism: "The New York Times introduces a Web Site." Today, "website" is so common that it's a single, lower-cased word in the AP Stylebook, a part of everyday speech. With print on a continual slow decline, it might not be long before, buried somewhere in a website, readers will see a story about the Times ending its newspaper altogether.

Two decades ago, the Times was aiming to reach a "larger global audience" beyond the confines of newsprint and its main portal partner, America Online. Today, it would be quaint to think that a website's sole purpose is to add to a newspaper's reach. You would be hard pressed to find any newspaper company that does not view its online presence as core to driving its journalism into the future, editorially and financially.

But how will audiences pay for this future? Until recent years, the dominant currency people spent online was their attention; the few ads they saw added a dollop of revenue to a business based on paying for news printed on dead trees. While digital advertising has grown to become a large part of many publishers' revenue streams — especially in formats such as video where ad rates are healthy — there are challenges on the horizon for journalistic text. This report focuses on publishers because newspapers suffer uniquely from the rise of the internet in a way that's more pronounced than for TV or radio. The rise of cheap programmatic ads fed through content-agnostic networks, the dominance of platforms like Google and Facebook, and the dimming prospects for future digital ad growth have made many news organizations rethink how they execute their primary mission.

For many publishers, the biggest financial imperative is no longer to attract as many eyeballs as possible. (Even Facebook has transformed its news feed to reward "time well spent.") Instead, with so many digital channels vying for their audience's attention, many sites are now focused on getting their most loyal audience members to pay for their content directly. While the so-called "metered paywall" approach has become the industry standard way of asking readers to contribute after they've consumed a set number of articles for free, other models are emerging.

Some sites like De Correspondent, backed by The Membership Puzzle Project out of New York University, rely on open membership models where access isn't restricted. Publishers that use this model need to create a sense of community for members with online discussion forums, take cues from their core audience to shape coverage and host live speaker events that create news.

Some startups want to provide publishers with technology that seamlessly blends focused ad-viewing and micropayments into the online experience. Still other technology companies are examining ways to reward readers for their attention by doling out digital tokens that are tallied on a distributed ledger known as a blockchain.

We look at many of these models in this report, breaking out best practices where available, highlighting bright ideas that are still looking for a foothold in the marketplace and evaluating what experiments haven't borne fruit and why.

Most newspapers view their online presence as driving journalism into the future.

Focus on a better user experience

The common thread between everyone we interviewed for this report is the conviction that it's *all about audience*. That is, the key to designing or redesigning a consumer revenue model is making the consumer's experience better. From every angle — advertising, micropayments, subscriptions or memberships — there is a strong belief that happier, more engaged consumers help the bottom line.

Consumers have long demonstrated their frustration and dissatisfaction with the online experience in a myriad of ways: increasingly adopting ad blockers, frequently closing intrusive pop-up ads, muting browser tabs that have autoplaying audio or video, and saying repeatedly in surveys that they prefer ad-free or ad-lite experiences over experiences chock-full of ads.

For the longest time, those preferences were mostly ignored because the easiest way for publishers to make money online was actually to improve the advertiser's experience, not the user's. A profitable path to growth was to open more of a site's ad inventory to more ad networks, prioritize ad click-through rates with attention-grabbing formats, and make it easier for corporate customers to buy ads and track their performance. But now that the industry has begun to focus more on boosting revenue directly from readers, that attitude has begun to fundamentally change.

While there is a lack of extensive data around the question of whether reducing ads actually raises revenue (see below for the section, "Experiences with Implementation") many publishers have taken it to heart that a better experience for users will eventually translate into a healthier bottom line.

In developing its digital strategy with subscriptions top of mind, The Seattle Times, for example, puts a premium on improving the user's experience. That means putting a focus on "how intrusive ads are, the ease of subscriber self-service, the friction of starting and even stopping a subscription, and how quickly our site loads," said Curtis Huber, The Seattle Times' director of circulation sales and marketing.

An outgrowth of this philosophy is an embrace of testing of what consumers actually do when confronted with a change to an offer or look.

"We A/B test everything, every change we make," says Huber. "One of the essentials is understanding that whatever is working this week or didn't work this week might change three weeks from now. It's constantly changing."

After Jeff Bezos bought The Washington Post, the newspaper put a huge emphasis on making its website pages load faster, shaving the average from 8 seconds to **under a tenth of a second**. In theory, that makes more of its ad inventory viewable because people spend more time reading and less time just waiting around; plus there will be fewer people who abandon the effort and go elsewhere when a link doesn't load right away.

The Post is now selling its expertise through its Arc publishing platform, and **says** it has helped more than double the rate at which visitors to The Globe and Mail click on other stories after finishing the first.

Best practices in paywalls

Basic paywall tenets

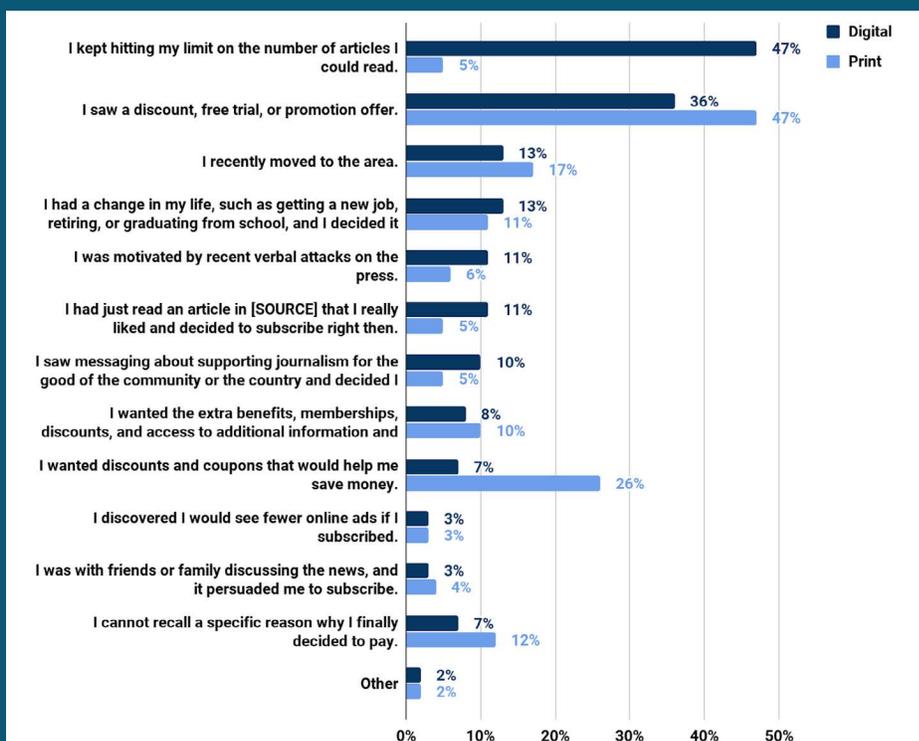
While paywalls have taken on the allure of a surefire set-it and forget-it way to drum up new revenue from a publications' most frequent visitors, the difference in revenue between the best practitioners and the ones in the median is as much as 10 times, according to The Lenfest Institute's Matt Skibinski.

Skibinski worked for nearly six years at one of the largest paywall providers in the industry, Press+, rebranded as Piano after a merger, and has comparative data from more than 500 publishers.

Skibinski says metered paywalls — those that give users access to a set number of stories for free before asking people to pay — have largely won out over their harsher cousins, hard paywalls — which block all content except to paying subscribers. That's mainly because metered paywalls allow sampling and don't generally hurt ad revenue. After all, the vast majority of an audience will never be asked to pay under this system, preserving the traffic needed to sustain an advertising business.

In fact, according to a 2017-2018 Media Insights Project survey of recent news subscribers, 47 percent of digital subscriber respondents said that running out of free articles led them to subscribe.

Hitting free-article limit drives 47% of subscriptions.



Survey sample of people who began subscribing to at least one of 90 newspapers across the country in the three months preceding a study conducted by the Media Insight Project, an initiative of the American Press Institute and the Associated Press NORC Center for Public Affairs Research, from Nov. 9 through Dec. 13, 2017. Detailed methodology and full report [here](#).

While Skibinski's [52-page slide deck](#) has a wealth of data-driven best practices, a few gems stand out:

- Publishers should set their meter to stop about 5 to 10 percent of their readers; for publishers, that typically means about 5 or fewer free stories per month.
- Find a way to track what motivates readers to click subscribe, rather than deciding on your own what you deem “worth paying for.”
- Invest in content readers engage with most; there's a strong positive correlation between how engaged a reader is and how long they stay paying subscribers.

With those best practices as a foundation, publishers can tailor strategies to the audience they are hoping to target. For an American Press Institute [report](#) on consumer archetypes, Tran Ha conducted numerous deep-listening interviews with news consumers using a Human-Centered Design approach, concluding that “just because someone is willing to pay for news doesn't mean they're ready to subscribe.” Digging into why news subscribers pay, Ha identified three archetypes of subscribers: the Civically Committed, the Thrifty Transactors, and the Elusive Engagers.

News Consumer Archetypes

<p>ELUSIVE ENGAGERS</p> <ul style="list-style-type: none"> – View news as a “nice to have” commodity. Low willingness to pay. Wary of recurring subscriptions. More likely to use free trials and promotions but churn quickly. <p>Strategies</p> <ul style="list-style-type: none"> – Offer no-commitment options, such as one-time payment. – Emphasize easy cancellation. – Focus on other calls to action, such as turning off ad blockers or registering for a free account. 	<p>THRIFTY TRANSACTORS</p> <ul style="list-style-type: none"> – Driven by practicality and usefulness of the content. Moderate willingness to pay. Subscribes to a small number of publications. <p>Strategies</p> <ul style="list-style-type: none"> – Provide high-value, unique coverage in particular areas. – Consider offering subscriptions to niche verticals. 	<p>CIVICALLY COMMITTED</p> <ul style="list-style-type: none"> – Support journalism out of a sense of moral duty. Mission-driven. Subscribes to an above-average number of publications. Highly loyal, low price sensitivity. <p>Strategies</p> <ul style="list-style-type: none"> – Send strong message about your mission and value to a community. – Create opportunities for more personal engagement and membership. – Allow for donations to the “cause” beyond normal subscription price.
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Source: Tran Ha, “News subscriber archetypes,” American Press Institute.

“Regardless of the archetype, there's a lot of wariness of subscriptions,” said Ha. “There's subscription fatigue because there are so many subscription and membership models out there, not just for news but for everything else, like Netflix and Hulu and loyalty programs for retailers and groceries.”

Test and experiment

Beyond the Lenfest Institute’s paywall tenets and bearing in mind consumer attitudes towards subscriptions, there are more sophisticated strategies that can be employed, says Tim Griggs, an industry consultant who helped The New York Times launch its paywall in 2011. Griggs led a boot camp for more than a dozen publishers through the Facebook Journalism Project: Local News Subscriptions Accelerator, a \$3 million three-month pilot program hosting executives from publishers such as The Boston Globe, The Dallas Morning News, The Denver Post, The San Francisco Chronicle and The Seattle Times.

Despite its high-profile backer, the project isn’t entirely devoted to helping publishers drive subscriptions through Facebook’s fast-loading Instant Articles format. Instead, it’s a soup-to-nuts crash course covering everything from A/B testing to developing models that measure visitors’ propensity to subscribe against their on-site behaviors. Not every participant is at the same level, and that’s reflective of the industry in general, Griggs says. While The New York Times now has 2.6 million digital-only subscriptions, a behemoth business that took in \$340 million last year, many other publishers are just wrapping their arms around what it means to be reader-revenue-focused.

“Get the right message to the right person at the right time.”

TIM GRIGGS
INDEPENDENT MEDIA CONSULTANT

“Publishers are all over the map in terms of how long they’ve been doing this,” Griggs says. “I don’t think anybody, including The Times, has got it all figured out.”

Griggs cautions against complacency — setting a paywall and then doing nothing to tweak it, because in the final analysis, it is only one tool that can be used to segment an audience. In the case of metering, it’s a means of finding the most frequent visitors.

Doing nothing to adjust it means a publisher will eventually only reach the same pool of visitors. The goal is really to “get the right message to the right person at the right time.” That could mean never asking a visitor to pay if they’ve exhibited behaviors suggesting they never will. Or upping the frequency of asks to visitors who are subscription-prone. Or asking others for newsletter signups or event attendance, and asking for a subscription sign-up after they attend a certain number of events, for example, three.

Homework in the 12-week course consists of having publishers come up with a hypothesis and then devising a real-world test to see if the theory holds up. It’s one way of fostering a “test and learn” discipline that focuses on repeated iteration and improvement.

“What we’re really doing is getting everybody up to the level of testing as a daily function,” he says.

Align strategies

When Skibinski advises publishers on paywalls, he always opens with a question: “Have you committed fully to digital subscriptions as a major part of your business?” This reflects how implementing a successful paywall and driving digital subscriptions involves aligning all the parts of an organization toward that goal.

It makes sense to involve the journalists themselves in the process — while newsrooms tracking audience analytics is not new, The Seattle Times has linked the analytics more directly to subscriptions for the last year. Emerging from a summer hack week project, their new [analytics hub](#) generates an “influence report” that measures what users clicked on before becoming digital subscribers in three different time periods: one visit; one week and five pageviews; and thirty days and 25 pageviews. Beyond measuring typical metrics like pageviews and time spent, journalists can instead see what type of stories convert readers into subscribers.

Strategic alignment could also mean coordinating different paths for readers to engage with the content and increase the chances of them hitting the paywall. Email newsletters, for example, are one of the channels that have worked best in Skibinski’s experience.

“An email newsletter subscriber is a known reader instead of an anonymous person, and it nudges people to discover and read more stories they find interesting,” says Huber about The Seattle Times’ success with email newsletters. “The most engaged readers from the newsletters will hit the paywall meter more quickly.” In 2013, 98.5 percent of The Seattle Times’ new digital subscriptions were from people going to the website itself. Now, email marketing off of a “quality registration list” largely driven by email newsletters contributes about 25 percent of new digital subscriptions.

Monetize ad-blocking

Unaddressed, ad-blocking visitors often contribute no revenue to publishers, and that’s why many are taking steps to address them.

Many publishers have already taken measures, such as throwing up a wall asking readers to whitelist their site, in other words, to turn off their ad blocker for that site’s content. Some make this an ultimatum, preventing ad-blocking readers from seeing any content at all, while other publishers make the ask but let readers get around it. Others, such as The Atlantic, offer an ad-free subscription experience to those who visit the site with ad blockers on.

For another strategy, The Seattle Times doesn’t offer an ad-free subscription, but once a non-subscribing visitor encounters the ad-blocking wall, they have a third option besides whitelisting or subscribing: creating a free account, which they can use to continue reading ad-free articles and comment on stories until their limit of free access is tapped out.

In the third path, the value comes from transforming an anonymous visitor to a known one, especially one that is already engaged enough to create an account, says Huber. In this manner, The Seattle Times has tied together its ad-blocker strategy — which affects 7-9 percent of about 32 million pageviews per month — to its subscription strategy. In March 2018, their low-effort ad-blocking wall generated 45 subscriptions and 270 new registrations.

At Bay Area News Group, The Mercury News and East Bay Times followed their sister publication The Denver Post in launching an ad-blocker modal earlier this year with a twist: knowing that the de facto policy was to allow users who subscribe to use ad blockers, it decided to make that part of the pitch.

The Seattle Times

We noticed you're blocking ads.

Great journalism depends on ad revenue. To keep reading, please turn off your ad blocker, create an account or support us by becoming a subscriber.

[Log in](#) to continue reading

[Unblock ads](#)

[Subscribe](#)

or [create an account](#)

If you feel you've received this message in error, please [contact us online](#).

The Seattle Times' ad-blocking modal.

[See page 15 for a deeper dive into Ryan Nakashima’s work with BANG during a six-month project.]

When asked in a survey afterward whether users took advantage of that policy, 100 percent of the 20 respondents said they did by leaving their ad blockers on. Forty percent of those surveyed said the ability to continue blocking ads contributed to their decision to subscribe.

However, there are still a lot of problems with confronting ad-blocking visitors with such messages.

Kimberly Lau, The Atlantic’s senior vice president of digital and head of business development, says the problem is that ad-blocking software is “super aggressive about circumventing” these blockades.

“Most ad blockers have written code to completely circumvent it, so the vast majority of people who are using ad blockers don’t actually see the ad-wall message.”

As such, The Atlantic doesn’t actively advertise or promote the ad-free subscription that it sells in its appeal to ad-blocking visitors. Instead, it philosophizes that the message is less a revenue driver and more a way to remind ad-blocking visitors that the organization depends on advertising to support its business.

Alternative methods of generating reader revenue

There are other bolder ideas that seek to monetize audience members who are, in industry parlance, further up the funnel. In other words, these initiatives target audiences who are less inclined to take out their credit cards, but are nonetheless engaged on a regular basis.

Invisibly's ad-viewing, micropayment platform

Jim McKelvey, the co-founder of payment processor Square, is trying to seamlessly nudge a user along that funnel journey toward behaviors that will cause the least friction to the user but the most benefit to a publisher.

His startup, Invisibly, is meant to work like a digital wallet that follows visitors across multiple sites, giving them credits for every ad they interact with and subtracts credits when they consume stories produced by journalists, doing so “invisibly” without showing a running tally.

When a visitor's balance runs out on a participating publisher's site, the publisher can ask for payment for an article or for access over a certain length of time. Or, it can serve up an ad that the visitor engages with to refill their invisible wallet. Users who want to be more actively engaged can provide input on the timing of ads or the type of ad engagement, which could improve the user experience for everyone.

McKelvey says the platform his team is developing makes the experience of seeing advertisements smoother and less intrusive online than it is today. The offshoot is that advertisers get a better shot at converting a user that has chosen to see their ad.

“You have to start with the user experience,” says McKelvey. “You have to give them something that's clearly superior to what they've already seen, otherwise they reject it.”

Invisibly set incentives to bring on as many publishers as possible before the platform's planned launch in the fourth quarter of 2018. It's all part of McKelvey's strategy to overcome what he sees as one of the main reasons previous micropayments attempts have failed — not being able to “launch at scale.” As of February, Invisibly said it had 73 percent of U.S. publishers tracked by comScore on board with a verbal agreement to test its platform at launch. Launch publishers are promised 100 percent of the ad and consumer revenue they receive from the platform in perpetuity, while Invisibly's FAQ page states that “non-launch partners will be charged over 20 percent to use the system in the future.”

LaterPay's IOUs

The premise of German company LaterPay is just that — to get users to pledge to pay for content, and have them pay later. Once making the pledge, a visitor's content consumption is tallied up according to a certain formula for how much each story was worth. Once the reader reaches \$5 worth of content consumed, they are asked to settle their tab before reading further.

The system has been in testing with the German investigative magazine, Der Spiegel. Der Spiegel has its own digital and print subscription offerings, but it also uses LaterPay to fill in the gap, allowing readers to purchase individual articles that are designated as “Spiegel Plus” content or buy a pass that allows them unlimited access for one week. (LaterPay also supports subscriptions, but partner publishers can use their own system.) A key aspect of LaterPay's approach is that readers can preview the content before deciding whether to purchase — Der Spiegel [sets](#) this as the first 1000 characters of each Spiegel Plus article. To give a sense of its overall value, the rest of the content is blurred out such that the reader can still see approximately how much and what type of content remains on the page before deciding.

The psychology of the concept is that it's an IOU, says Eric Ulken, a former Philly.com product manager who is now a digital media consultant working with the company.

“I see that this article has value, but I don't have to worry about all the details about putting my credit card info in,” he says.

Some surprising stats emerge when consumers are notified of their debt to the media outlet.

Nearly 80 percent of people who are told their bill is due actually do pay instead of choosing not to read (and therefore not pay), says chief revenue officer Hal Bailey. He says the system can work better than paywalls by asking those who've already consumed content to settle up, as opposed to offering consumers unlimited access based on what they think they'll consume in the future.

“The paywall works for some, but you need massive scale for that to work,” Bailey says. “And if you don't have massive scale, you're not going to be able to get as many subscribers. So people are looking at different models for monetizing their content.”

“Subscriptions are generally less than 1 percent in the industry, but for us converting people into paying, it's in the double digits,” he says.

Mirror Plus

<input checked="" type="radio"/> Read this article now, pay later "North Korea Conflict Why South Korea's President Invades Kim Jong Un"	0.39 EUR
<input type="radio"/> weekly pass This will allow you to read all SPIEGEL Plus articles for seven days.	3.90 EUR

Buy now, pay later

Already bought article or week pass?

- You only pay for individual items when you reach a sum of five euros. No registration is required before.
- For weekly passes, payment is due upon purchase. You do not subscribe to it.

You are a subscriber to the digital SPIEGEL or have bought the digital edition?

Sign in [here with your MIRROR ID](#) and [read the text without paying for it at LaterPay.](#)

How it works: LaterPay | SPIEGEL ID

Powered by LATERPAY

Readers of Der Spiegel can preview the first 1000 characters of a Spiegel Plus article before deciding whether and how to purchase the content. The LaterPay modal (English translation seen above) only asks readers to pay when they reach \$5 of content consumed: “Buy now, pay later.”

Brave's ad-blocking browser and attention tokens

Brave, a startup led by CEO Brendan Eich, the creator of the ubiquitous JavaScript programming language, combines two key concepts: a browser that is an ad blocker at its core, and a new form of currency called a BAT, or basic attention token.

While the browser can surf the entire web, the economy of BATs is closed except to Brave browser users, advertisers and publishers who decide to participate, and cryptocurrency fans who buy BATs on various online exchanges. Advertisers can buy ad space on publisher websites with BATs, and users who want to be paid for their attention can be awarded BATs when they see ads bought this way. Users can then use those BATs to pay publishers automatically depending on the amount of time they spend on each site, or spend them like loyalty points or airmiles to access special content, play games or receive gift cards.

The screenshot shows the Brave Payments interface. At the top, there's a toggle for 'Brave Payments beta' which is turned 'on'. To the right, there's an 'auto-include' toggle which is also turned 'on'. Below this, the 'monthly budget' is set to '25 BAT (4.50 USD)'. The 'account balance' is '38.22 BAT (6.88 USD)'. There's an 'Add funds...' button. Below the account balance, it says 'Your wallet is ready!'. A table below shows a list of sites with columns for 'Site', 'Include', 'Views', 'Time Spent', '%', and 'Actions'. The table is sorted by percentage of budget.

Site	Include	Views	Time Spent	%	Actions
boardgamegeek.com	<input checked="" type="checkbox"/>	4	7m 33s	30	
eff.org	<input checked="" type="checkbox"/>	3	3m 32s	18	
archive.org	<input checked="" type="checkbox"/>	3	46s	13	
nytimes.com	<input checked="" type="checkbox"/>	1	2m 35s	10	
medium.com	<input checked="" type="checkbox"/>	3	37s	10	
brianbondy.com	<input checked="" type="checkbox"/>	2	50s	9	
cnn.com	<input checked="" type="checkbox"/>	1	46s	7	
wsj.com	<input checked="" type="checkbox"/>	1	18s	3	

Brave Payments' user view.

IMAGE COURTESY OF BRAVE.COM

Publishers who accept BATs from advertisers or users can then convert them to cash. BATs currently have a value of around 50 cents each, a value gained since an “initial coin offering” last June raised \$35 million for the Brave team to further build out the ecosystem.

In April, Brave entered into a [partnership](#) with Dow Jones Media Group, under which Barron's and MarketWatch became verified publishers on the BAT platform and will test out the Brave advertising and content delivery platform. Brave also announced in May that it was initiating a 30-day trial in which ad-blocking visitors to one of four pop culture websites owned by Townsquare Media Inc. would be given the choice to download the Brave browser and participate.

Scroll's ad-free experience across multiple publishers

This startup founded by former Chartbeat CEO Tony Haile aims to make money from people who might pay money to avoid ads, but it uses a simpler currency than Brave: U.S. dollars. Scroll technology establishes itself as an overlay on sites around the web, including from mobile devices, and asks users to pay \$5 for ad-free experiences on those sites. User funds are channeled towards publishers based on how much time users spend on each. The idea is to convert demand for ad-free into dollars for publishers, even from casual fans of sites who have not signed up for all-access subscriptions.

“What we do is we just affect the experience on the page for whatever content you are qualified to see,” Haile says. “If you’re only qualified to see five stories on The New York Times, you get five ad-free pages. We don’t try and handle the access economics at the same time.”

So far, Scroll has signed up a number of publishers including The Atlantic, Fusion Media Group, Business Insider, Slate, MSNBC, The Philadelphia Inquirer, and Talking Points Memo and aims to launch later this year.

Medium's alternative take on paywalls and journalism

Twitter co-founder Ev Williams told us in an interview that he wasn't on a mission to save journalism — despite some recent [press](#). That doesn't mean publishers can't learn from his very interesting experiment in giving writers a way to earn a living from paying subscribers — Medium.

The blogging platform surprised some observers in late 2016 when it declared itself against an advertising-led business model, and proceeded to launch a so-called “leaky paywall” where hand-picked articles written by its cadre of bloggers were reserved for paying subscribers. It has since launched a metered paywall, but not for every piece of content.

The only thing Medium counts against its three-articles-a-month limit are stories the writers themselves choose to put there as part of its Partner Program, and anyone who writes can participate. After hitting their limit, readers are asked to pay \$5 a month.

The interesting part is that the compensation system completely flips the notion of pageviews as a valuable metric driving advertising revenue, and therefore editorial resources, on its head.

The system is tailored not to reward exploding pumpkins or other clickbait. Only paying members have their engagement metrics used in directing where their funds go. So, if a paying reader reads 10 stories, that member's \$5 will go only to those stories' authors.



Medium CEO Ev Williams in San Francisco.
AP PHOTO/ERIC RISBERG

Within that, the money is divvied up according to a secret sauce algorithm measuring the readers' claps (between 0 and 50 per story), reading time and views.

By focusing only on what paying readers are engaging with, Williams says Medium is providing a new flywheel that should lead to better content and happier readers.

"The best media is almost always paid for by the person who is consuming it," Williams says. "It's very simple. If that's the person you're serving, then if you make that better and better, then they will pay you more."

Although it directly commissions and pays for up to two to three stories a day from publishers including The New York Times and Bloomberg, Medium intends to open up the Partner Program to other publishers of all sizes this summer, though its site runs completely independently from any publisher's existing paywall.

Experiences with implementation

One huge challenge for publishers of all sizes is using limited developer resources and the best third-party tools to create a comprehensive business model across all consumer touch points. It's not easy, and as these companies describe it, there are ups and downs along the way.

Philly.com's vendor-palooza and the Super Bowl

To hear Philly.com's Ben Turk Tolub tell it, launching Philadelphia's paywall in September 2017 was a case of herding digital cats. For 10 years, the site that combines the online content of The Philadelphia Inquirer and Philadelphia Daily News was hosted by content platform Clickability. Its paywall launch was managed by Marketing G2 LLC, and authenticating repeat visitors was handled by Autho.

But to improve its authoring tool, the publication recently switched to a custom WordPress installation it calls Dixon. It swapped out its commenting platform from third-party commenting giant Disqus — which had a separate log-in system than its paywall — to one run by Toronto-based Viafoura. It's upgrading its contract with economics advisory firm Mather Economics to understand its different audience segments. It is testing the effectiveness of headlines with Chartbeat. It is providing subscription metrics to its reporters with Google Analytics, Parse.ly and Chartbeat.

Soon, Philly.com will switch to The Washington Post's Arc Publishing platform, whose many modules could unify management of both its authoring tool, website analytics, site layout, A/B testing and perhaps one day, even its paywall.

While each of these technology add-ons helps in some way, "if there's any mistake we made, it was trying to do too many things at once," Turk Tolub says.

Amidst all that infrastructural change, it launched its paywall with a subtle offer for subscribers: they get treated to an ad-lite version of the website that strips out the most intrusive ad formats like full-page pop-ups. However, there's no way to tell whether the soft promotional language that touted "an improved browsing experience" drove subscriptions.

"We never did an A/B test on it. We just made the decision that this is what we're going to do for our paid subscribers," Turk Tolub says.

One of the biggest spikes in subscribers it got was around the Philadelphia Eagles' winning the Super Bowl. But it didn't just take the windfall and rest on its laurels. After the win, the publication put out a special book as part of a subscription package and has worked to put on special events that wrap in ticket deals. It even now has launched a digital store for Inquirer and Daily News branded swag, framed sports coverage reprints and apparel, all aimed at building audience loyalty for its brands and its city.

"We absolutely are seeing a bump and spike for all of the different deals we rolled out," Turk Tolub says.

"If there's any mistake we made, it was trying to do too many things at once."

BEN TURK TOLUB
DIRECTOR OF PRODUCT MANAGEMENT
PHILLY.COM

The Seattle Times' credit card-related stoppers

To focus on digital subscriptions in 2015, The Seattle Times “rebuilt our digital foundation from a solutions standpoint instead of just bolting on what we needed piece-by-piece, like registration and authentication,” said Huber. Even so, an unexpected addition to the churn rate surprised them: dealing with credit card decline failures for digital subscriptions.

For print subscriptions, if a credit card failed, the company would just send a print invoice and deliver the paper with no interruption. But with digital subscriptions and recurring autopay charges, a credit card failure means a stop in service. In fact, when digital subscriptions were launched, 62 percent of all their stops occurred because they couldn't process a credit card transaction. Though that rate is lower now, they are still working on this problem, addressing it with a range of solutions including reminding customers with impending card expiration dates, using credit card updater services, and setting payment retry rules.

“You need all the technology in place to operate as an e-commerce company.”

CURTIS HUBER
DIRECTOR OF CIRCULATION SALES AND MARKETING
THE SEATTLE TIMES

“You need all the technology in place to operate as an e-commerce company,” said Huber. And that encompasses less glamorous, less immediately obvious aspects — such as establishing business practices for managing credit card failures.

The Austin Monitor's experiment with micropayments

When the Austin Monitor embarked on a test of micropayments offered by startup PennyPass in March 2017, the company gave visitors who ran out of free article views points in a wallet they could use to buy access to stories one at a time. The wallet was intended to drain as the reader consumed more content. Readers would have to pay to top up their points once that free allotment ran out.

“Our hypothesis was that the atomic unit of content is no longer the publication bundle, it was individual articles,” said Jason Bade, co-founder of PennyPass.

An undisclosed number of people did end up paying to obtain more points, but the pilot found some benefit in getting anonymous visitors to register for the free points. In the first month, 28 percent of users who hit the paywall registered for the free wallet, a rate that dropped to about 23 percent in subsequent months.

But when the trial concluded in August, and the Monitor looked to collect a new trove of data on its customers, it found the Monitor didn't have a way to actually store the database easily and securely.

From that experience, PennyPass has since pivoted to solve that pain point for publishers, rebranding itself as Pico and pivoting to become a customer relationship management (CRM) platform.

BANG's accidental paywall reset

At Bay Area News Group, which launched its paywall on The Mercury News and East Bay Times in December, executives discovered that trying out new approaches using third-party technology can have unexpected consequences, just when things appear to be going well.

In an effort to get more bang for its buck related to a unique and successful promotional deal with NBA star Klay Thompson and capitalize on the Golden State Warriors' run toward their third NBA championship in four years, managers swapped out MG2's plain-vanilla, blue-background subscription appeals to ones featuring an image of Thompson reading a newspaper, which he does before every game.

Though the company had been racking up nearly a thousand subscribers a month with its metered paywall, the move had the unintended effect of resetting the meter, meaning its millions of visitors got a new allotment of monthly free page views before being asked to subscribe.

The result was a more than two-week lull in which the daily average number of new subscription starts fell by 45 percent from the period immediately prior to the change.

But a series of successful maneuvers helped pull BANG back from that down period — in particular, a dramatic move to expand the \$1 trial period offer from one month to three months, which effectively slashed the three-month subscription price from \$21 to \$1.

Monthly sign-ups in July 2018 were on pace to double what they were in May.

Testing the value of ad-free

Thanks to an agreement between The AP and Bay Area News Group, and with a grant from the Jim Bettinger News Innovation Fund for former John S. Knight fellows, AP Technology Writer Ryan Nakashima (JSK '16–17) embarked on a project with BANG in November 2017 to explore the question: Will people pay for ad-free news experiences?

Through surveys, online tracking and a test-and-learn outlook, the team was able to learn several things.

1. Over about six months through mid-July, nearly 500 ad-blocking visitors subscribed. All 20 of those surveyed said they left their ad blockers on after subscribing.
2. Half of ad-blocking subscribers surveyed said they'd be willing to pay \$1 a month or more for ad-free if required.
3. In the three months through May, about 19.5 percent of ad-blocking subscribers canceled their subscriptions, compared to 12.2 percent of those who subscribed through the metered paywall.
4. The detectable ad-blocking rate stayed steady at around 3.25 percent of visitors.

At the conclusion of the project, Nakashima recommended publishers raise subscription prices on this group by \$1 to \$2 a month. To learn more, read Nakashima's Medium posts about it [here](#).

What the big platforms are doing

Google and Facebook aren't standing still when it comes to funneling readers towards a direct, paying relationship with publishers. While Google and Facebook continue to suck in most of the available digital ad dollars and all of the growth — Facebook and Google got 87% of digital advertising dollars in 2017, according to [Bloomberg](#) — they are cognizant of the impact their massive influence is having on news outlets.

Facebook's local news angle

Facebook has tweaked its algorithm to [deprioritize news](#) in its “news feed,” but it has also launched an initiative to boost news media subscriptions, including through a 3-month pilot program called the [Facebook Journalism Project: Local News Subscriptions Accelerator](#) in cooperation with The Lenfest Institute for Journalism, Local Media Consortium and News Media Alliance. It is working with 13 newspaper publishers including The Atlanta Journal-Constitution, The Denver Post, The Seattle Times and Newsday.

While the program is designed as a crash course that tries to level-up publishers in all aspects of running a subscription business similar to the Knight-Lenfest News Initiative, the company also emphasizes two other broad efforts at having news organizations get more from its platform.

One feature available to any publisher is the ability to add so-called “call to action” buttons to Instant Article pages, fast-loading pages that are optimized for mobile devices. Such buttons can ask readers to sign up for email newsletters or like a publisher's page on Facebook, steps that help move readers further down the conversion funnel. Last year, Facebook also released a software development kit that made it easier for publishers to create pages in both Instant Articles and Google's similarly fast-loading format, Accelerated Mobile Pages, at the same time.

Facebook is also testing hosting a metered paywall in Instant Article pages, a test involving publications such as The Boston Globe, Houston Chronicle, San Francisco Chronicle, The Baltimore Sun, Los Angeles Times and The San Diego Union-Tribune. While the initial free story limit was 10, it recently gave pilot publishers the ability to choose.

The closer it has worked with publishers, the more Facebook realized most media organizations lack the developer resources to which tech companies like Facebook are accustomed.

“That was a huge learning on our end,” says Facebook spokeswoman Maria Melguizo. “Some newsrooms barely have a social media director and they don't have a team of engineers.”

The company is looking at possibly making it easier for readers to adjust their “news feed preferences” to give content from publishers they follow more priority, Melguizo says.

Facebook will have more to share about the results of these efforts later this summer, including whether subscription tools will be available more broadly.

Apple News as a traffic driver to local publishers

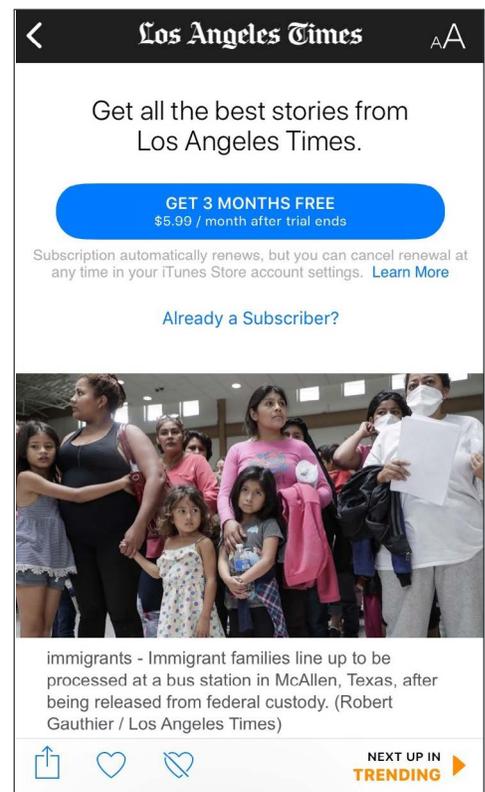
Since Apple launched support for subscriptions in Apple News in September 2016, it has been one big destination where publishers can convert Apple fans into paying customers.

To take advantage of the functionality, publishers need to be fairly strategic. First, a lot of the traffic is driven through the stories its human editors curate for Top Stories, the articles immediately visible when one swipes right from the home screen on an iOS device.

But when Apple News features stories there, it requires them be made available for free (publishers have granular control of which stories require a subscription in Apple News and which don't). So the stories that get the most attention may not be the best vehicles for driving subscriptions, though publishers are allowed to put non-paywall subscription buttons in stories and hope that users sign up.

Apple didn't say how many subscriptions it generated this way.

And despite the fact that its audience is potentially hundreds of millions of device users in the U.S., U.K. and Australia, local outlets still have the chance to shine. When a local story rises to the level of national interest, Apple curators make a point of going to a local source -- like the South Florida Sun Sentinel for the Parkland shooting, or The Mercury News (San Jose) about an initiative to divvy California into three states. In the few months through June, according to Apple, Apple News drove more than 100 million article views to local publishers.



Los Angeles Times' subscription button in Apple News.

Google's search algorithms and News Initiative

Google launched its [Google News Initiative](#) in March to help drive subscriptions, and elevate quality news in its search algorithms. It is also giving all publishers a way to have prospective subscribers complete check-out using its Google Play Store.

Among the fruits of the initiative is [an effort with McClatchy Co.'s 30 local news sites](#) announced in April that gives readers the option of subscribing through a wallet or credit card they have attached to the store. The method not only cuts the number of clicks required to two, readers who subscribe this way will see more of that publication's content in search results when they're relevant.

That gives subscribers another touch point to interact with the content and keep them more engaged.

Google vice president of news, Richard Gingras, says the effort to smooth the checkout process is an effort to help smaller publishers without large engineering staffs.

"The New York Times has a very significant engineering team that knows how to do it well. Not that what we're doing can't be beneficial to them," Gingras says.

“But from my perspective, it was, ‘What about the torso and the tail of medium and small publishers who are moving to paywalls?’ ”

Google passes onto publishers the name, email address and physical address of the subscriber and takes a fee that covers its costs, Gingras says. The goal isn’t to own the relationship with the consumer, he says.

“We don’t look at this as a business. We’re looking at it from the point of, ‘how do we maintain a healthy ecosystem?’” Gingras says. “Our display ad network, which generates a lot of money for two million publishers around the globe, is dependent on their success in the open environment of the web.”

Google also continues to offer its Contributor platform, which allows users to pay \$5 into a wallet to remove ads from participating websites. The cost of the ads is deducted from the wallet until the user needs to top it up again, with the majority of revenue going to the publisher.

Conclusion

Newspapers have come a long way since youngsters hawked the latest edition on street corners or metal boxes collected coins from anonymous visitors sucked in by a juicy headline. Today's publishers need to be much more savvy about distribution, getting their arms around who their customers are, what makes them pay, and how to drive the right behaviors across a varied and complex online landscape. That means applying new technologies, adopting a "test and learn" way of thinking and going where the data leads them. Gone are the days when success could be measured by how many million unique visitors a website has in a month, especially when the vast majority of those come once, never to be seen again.

In a few years time, the playbook may have changed. But keeping up with the fast-moving technology world is no longer an option, it's an imperative for survival in the digital age.

About the authors

Ryan Nakashima is an Associated Press technology and media business writer and a 2016–17 John S. Knight Journalism Fellow at Stanford University. Follow him on Twitter at [@rnakashi](https://twitter.com/rnakashi).

Anne Cai is a 2018 MBA graduate of MIT Sloan School of Management and an economic consultant at Analysis Group. Follow her on LinkedIn at [linkedin.com/in/annecai](https://www.linkedin.com/in/annecai).

THE FOLLOWING ASSOCIATED PRESS STAFF CONTRIBUTED TO THIS REPORT:

Jim Kennedy

Lisa Gibbs

Francesco Marconi

Jenna Cooper

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Laura Newell (Apple)

Dan Rua (Admiral)

Dan Schaub (McClatchy)

Matt Skibinski (Lenfest Institute)

Ben Turk Tolub (Philly.com)

Eric Ulken (Independent consultant)

Ev Williams (Medium)

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