# WHY A PAYWALL ISN'T ENOUGH

# 1

## DRIVING READER REVENUE IN A POST-COOKIE WORLD

**Roughly 76% of publishers have a paywall in place, however, only 10% of news publishers report a thriving digital revenue model. While the rapid transition in the industry today can be very exciting, it does come with its own growing pains.**

Part of the reason so many publishers put up paywalls is because the amount of advertising revenue they make from their digital properties continues to drop year over year. The traditional ad-driven media business model is under pressure and publishers are being pressed to come up with new ways to drive revenue. Together, Facebook and Google dominate nearly 70% of all ad spending.

That monolithic chunk of revenue gets lost to other platforms that control where and how often your content appears. Yet you rely on these platforms to attract new visitors.

So, what can be done to monetize user visits more effectively?

The answer, it seemed, was to simply put up a paywall, sit back and watch as the reader revenue started to pour in. Right? Wrong. While publishers have adopted paywalls for more control over their audiences and revenue, not all have been successful. 80% of publishers have trouble converting anonymous traffic to known subscribers, meaning a thriving and sustainable digital community is just out of arms' reach for many. However, time and time again research (and real-world examples) have shown that a powerful way to convert visitors into paying customers
is to engage them organically.

Take The Athletic, for instance. The publisher has seen so much success generating engagement organically through top-quality content and live Q&A's, that it reached 100,000 subscribers in 2018 — all without a single dollar of ad revenue.

This means that when user engagement is increased, paywalls can become more effective.

**80%**

of publishers have trouble converting anonymous traffic to known subscribers, meaning a thriving and sustainable digital community is just out of arms' reach for many.

# WHEN USER ENGAGEMENT IS INCREASED PAYWALLS BECOME MORE EFFECTIVE BECAUSE:

**1** You collect rich user data. Publishers can leverage user-related data points to derive meaningful insights, which allows them to develop targeted and customized content experiences for readers.
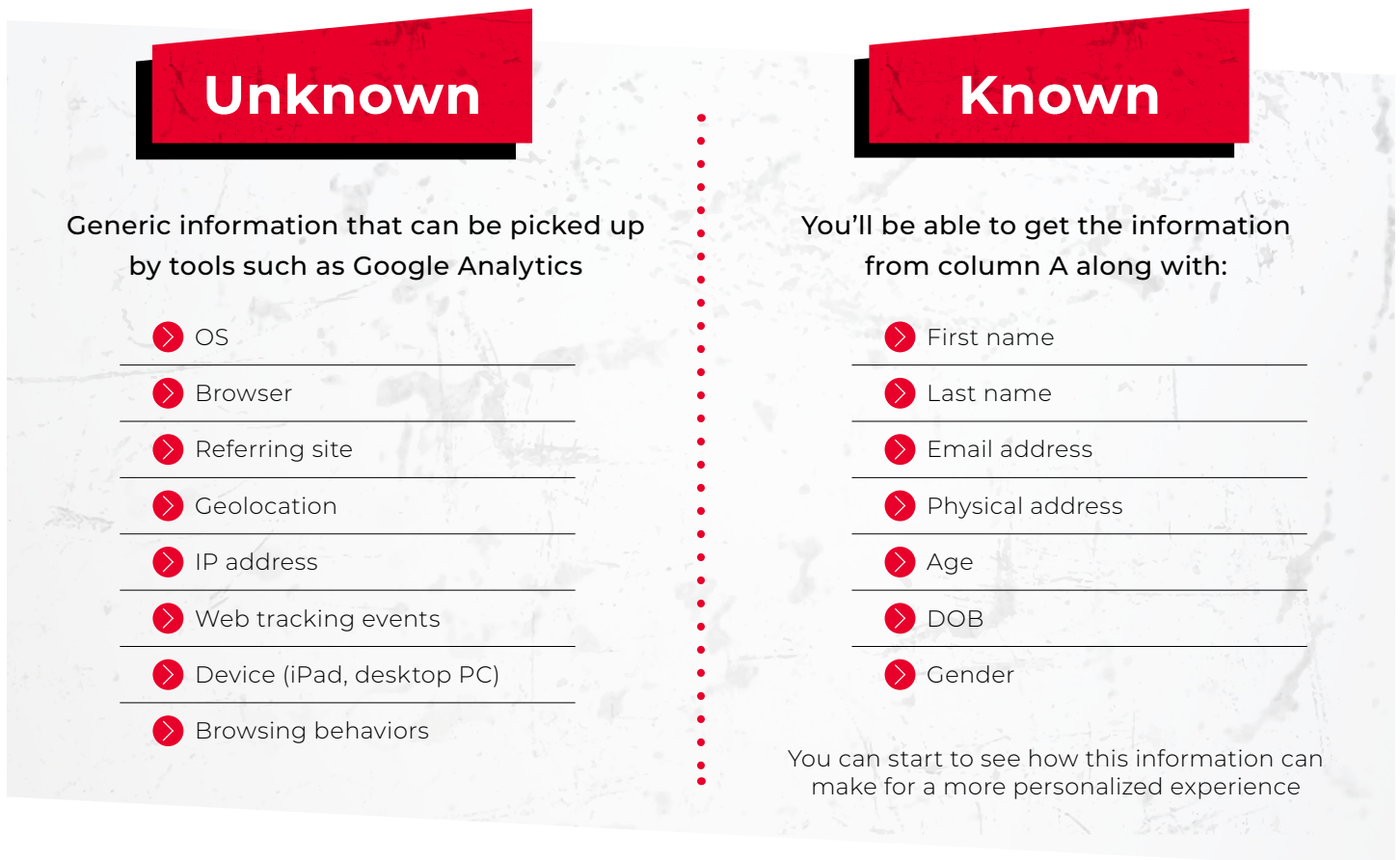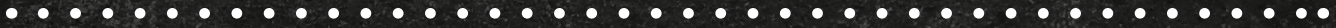
**2** Your users get a value exchange. In exchange for providing personal information or their valuable dollars, they get to engage with a community of like-minded individuals and access thoughtful content.

Data plays a critical role in your paywall strategy!

Cookie tracking is becoming more and more challenging. New privacy regulations and browser technology changes have decreased the accuracy of such tracking methodologies. Additionally, data collected on a publisher's own platform, called first-party data, can differ substantially between known and unknown users.

Known user data is more valuable than that of unknown users and can be tracked and linked across browsers and devices, which is impossible with cookie tracking. First-party data reflects users' interactions and reading behaviors, and helps to create a more well-rounded view of the user.

## Unknown

Generic information that can be picked up by tools such as Google Analytics

- OS
- Browser
- Referring site
- Geolocation
- IP address
- Web tracking events
- Device (iPad, desktop PC)
- Browsing behaviors

## Known

You'll be able to get the information from column A along with:

- First name
- Last name
- Email address
- Physical address
- Age
- DOB
- Gender

You can start to see how this information can make for a more personalized experience

In the end, one of the main goals for publishers is to increase reader revenue. A well-conceived paywall strategy, backed by data, a paywall and engagement tools, is at the foundation of achieving this goal.

# 2

# THE MOST COMMON TYPES OF PAYWALLS

**Paywall strategies have evolved over time to suit the needs of different industries and business models. While they come in many variants, there are four major types. Each paywall method approaches content offers differently, but the overall intent is to convince readers to convert.**

## Hard Paywalls

Hard paywalls require users to pay for a subscription before content can be viewed. Although some may consider this the most risky type of paywall, this approach can be successful for publishers who:

- Provide unique added value to their content

- Target a niche audience

- Already dominate their own market and have a well-established brand

Many media streaming services like Netflix and Amazon Prime Video, also use hard paywalls as a gateway to extremely valuable, relevant content.

## Freemium Paywalls

Freemium paywalls offer a combination of free and locked 'premium' content. These types of paywalls allow visitors to read some articles for free, but the content often contains advertisements. Premium content can be accessed once a user registers, subscribes or pays to view it. The publisher can choose to make content free or locked behind a paywall on a case-by-case basis.

One of the benefits to using a freemium paywall is that consumers have a chance to sample content. If they like what they see, paying or registering for more becomes easier.

More and more publishers are now opting for freemium or hard paywalls to prevent users from using incognito mode on their browser to bypass paywalls. As explained by Slate, both of these approaches don't rely on browser cookies, rendering Incognito's paywall loophole useless.
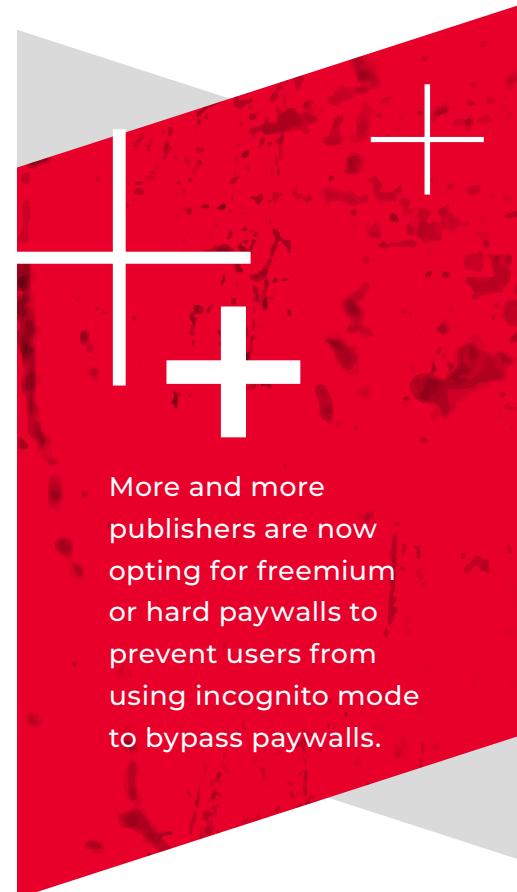
> More and more publishers are now opting for freemium or hard paywalls to prevent users from using incognito mode to bypass paywalls.

## Metered Paywalls

A metered paywall allows users to view a set number of articles on a publisher's site before requiring paid subscription for further content consumption. Users can access any article as long as they have not surpassed the set limit. Content can be locked based on a variety of restrictions, including: number of page views, time spent on site, consumer location or device.

After the consumer has viewed the set amount of free content, publishers can decide whether to lock content behind a registration wall, a subscription wall or a survey. Alternatively, users can access content using a pay-as-you-go plan. The choice will depend on each publisher's goals and vision.

According to paywall provider MPP Global, The Telegraph and The New Yorker have both earned several million subscribers using this paywall type. In general, metered paywalls can be highly personalized, drawing in targeted groups of users.
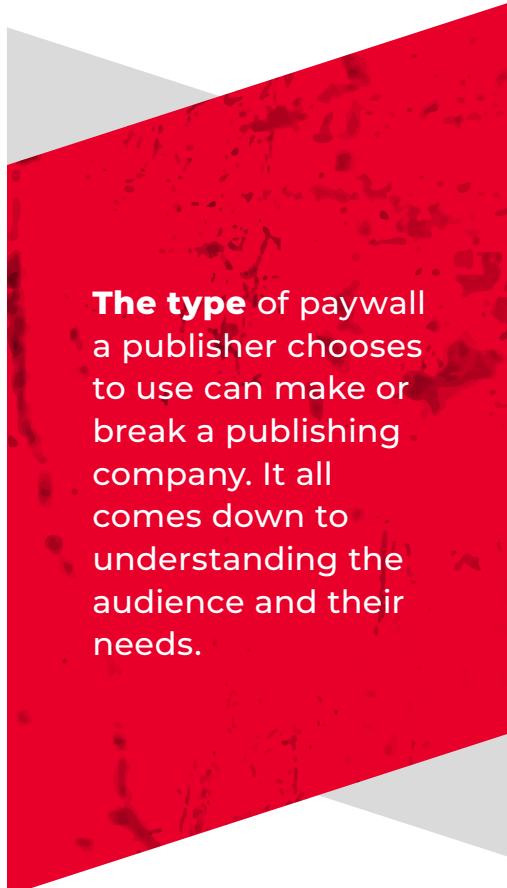
## Dynamic Paywalls

Dynamic paywalls, a variant of the metered paywall, are data-driven and allow content publishers to tailor digital subscription offers to different groups of their audience, depending on their interests, online behavior and price sensitivity.

A dynamic paywall gives publishers a more in-depth understanding about a user. They can also be customized to a specific individual or group, and can maximize paid conversions based on user activity.

More specifically, dynamic paywalls allow publishers to use their most valuable content to fuel subscriptions. When there's increased activity around a certain article, the dynamic paywall can either limit the amount of free page views on the article, or immediately lock it behind a paywall.

This means there's room for paywall flexibility based on content performance.

**The type** of paywall a publisher chooses to use can make or break a publishing company. It all comes down to understanding the audience and their needs.

## DECIDING ON THE BEST PAYWALL STRATEGY

The type of paywall a publisher chooses to use can make or break a publishing company. It all comes down to understanding the audience and their needs.

For example, a publisher with a large amount of casual users knows that most of their visitors are less likely to convert for their content compared to their small handful of regular readers. In this situation, a publisher that wants to pull in casual users likely wouldn't experience much subscriber conversion with a hard paywall. Using the freemium paywall approach might be a more successful way to increase user engagement and build trust.

On the other hand, niche audiences such as industry professionals would more likely have interest in consuming content that's specific to their job or field. In this case, hard paywalls may prove successful — especially when a publisher is already established in a niche market as a provider of quality content.

## THE TRUTH ABOUT PAYWALLS

Paywalls are getting tighter. More than half of newspaper brands are only allowing up to five free articles per month, and yet, the majority of publishers still have unstable business models.

Your stop rate can be a key indicator of the level of engagement on your site. The stop rate is the percentage of all digital users who are "stopped" by a subscription prompt, a paywall or a meter limit.

Publishers with a successful digital subscription business report stop rates of over 6%. A major hurdle publishers currently face is getting users to engage with their site long enough to trigger a paywall. The majority of publishers have stop rates of less than 1.8%.

Translation: most publishers are failing to engage their communities to reach their paywall threshold

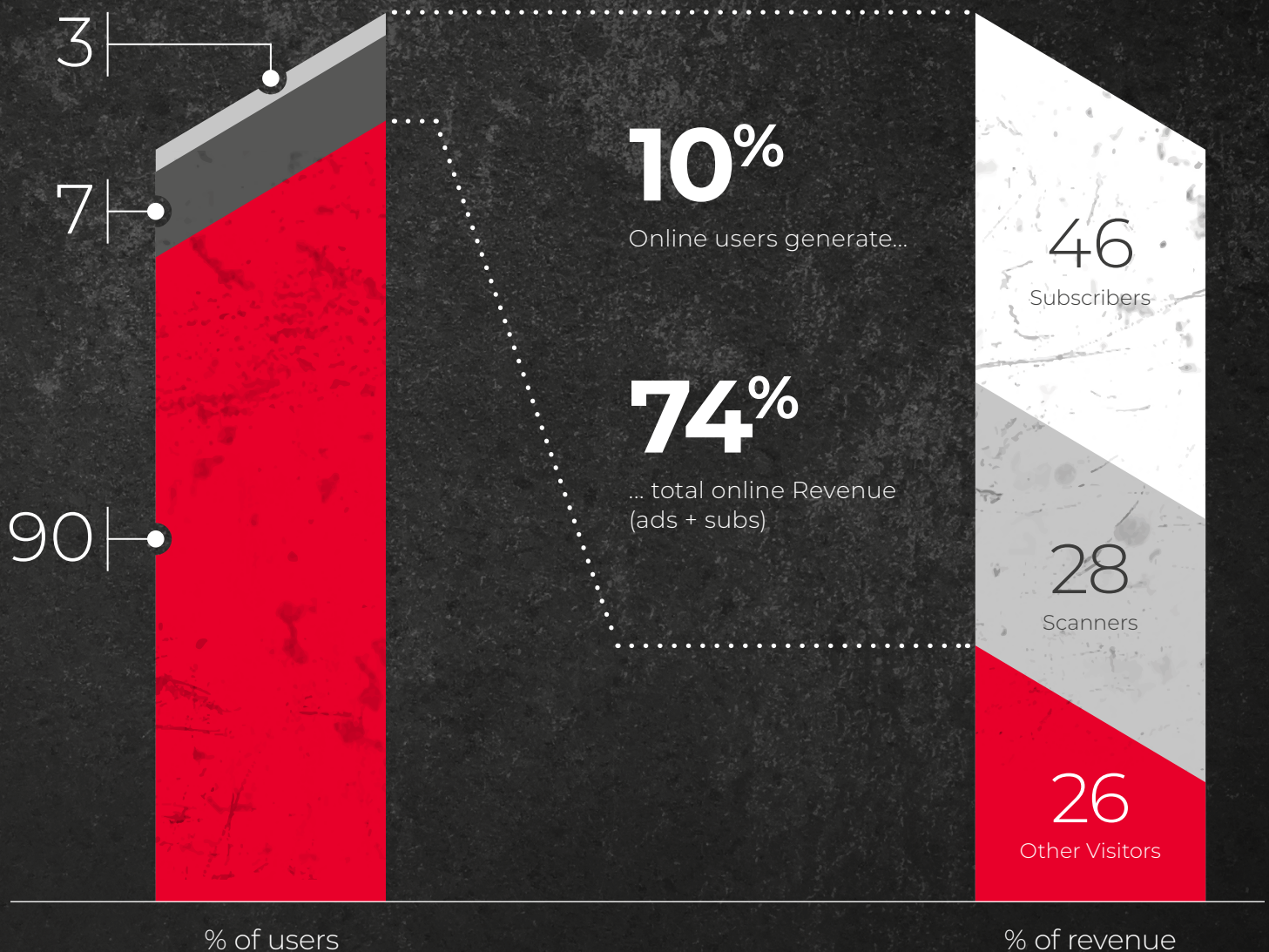## What is a Community Engagement Solution?

A community engagement solution is when you focus on growing and maintaining your group of 'super-users', the highly engaged readers who return to your platform to read and interact with your content time and time again with the possibility of monetizing them. For healthy conversion and monetization, 6% of your most engaged readers should receive paywall messages to ensure your digital community continues to thrive.

After all, a small percentage of your most engaged readers are the ones that will drive the majority of your revenue.

**Your stop rate** is a key indicator of whether you would be considered a high versus low-performing publisher. The stop rate is the percentage of all digital users who are "stopped" by a subscription prompt, a paywall or a meter limit.

# THE VALUE OF ENGAGEMENT

In an academic study of a newspaper publisher in Europe, it was found that a relative minority of users, in this particular case only **10%** of the online readers, were driving over **74%** of all online revenues taking into account subscription and AD revenues combined.

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90

**10%**
Online users generate...

**74%**
... total online Revenue
(ads + subs)

46
Subscribers

28
Scanners

26
Other Visitors

% of users

% of revenue

Breakdown of online revenues of Gazeta Wyborcza by customers segement.    Source: Grzegorz Piechota for the International News Media Association, 2019

## MAKE USER ENGAGEMENT YOUR CORE FOCUS

Recent research finds that publishers can more readily convert site visitors into paying customers by prompting users to gradually increase their engagement with the site. According to industry experts, an increase in social activity on a website can also increase users' commitment and willingness to pay for its services. What they found, is the segment that is the most ready to pay for a subscription are those who:

- Consumes more than 5 pages per month

- Spends on average 40 seconds or longer per page, per month

Which means, publishers must take an active approach to engage and interact with its digital users, helping to build loyal reader habits. To do this you must:

- Understand the user community

- Determine how you want the community to evolve

- Select the interactive features most applicable to your audience

When looking at audience development in the greater context of your paywall strategy, there are four key steps to encourage:

**6%**

of your most engaged readers should receive paywall messages to ensure your digital community continues to thrive.

## 1. Identify how users are able to participate

User participation can be grouped into three categories:

- Content organization refers to engagement features that require little effort from the user. They help users share and receive useful information about content. These features include "like" buttons, rating systems (e.g. star ratings or a numerical scale) and tagging content with user-suggested keywords.

- Community participation includes engagement features that have the potential to create interactions among users. These include chats, forums, internal blogs, comment options, sharing options and social or interest groups.

- Community leadership refers to engagement features that put users in the moderator's seat. These include options to create new social groups on the website, moderate the website's discussions and create content channels.

## **2.** Understand your users' journey

Most site visitors start off as "lurkers" who passively consume content. These users may engage with your platform in minor ways, such as tagging or liking content. Once they've become hooked on your content, they'll begin to make more substantial contributions, such as posting comments to discussion forums. Some of the most valuable members take on leadership roles in the community, for example, by initiating or moderating discussions by flagging toxic comments.

As users increase the amount of effort they put into engaging with the online community, they start to attribute greater value to the publisher's website.

Publishers can use questions or controversial article headlines to provoke the lurker to comment. For instance, an op-ed on a political figure or a scandalous topic may just do the trick.

## **3.** Nurture loyal behaviors

Research shows that loyalty in terms of social participation leads to more spending on added features and services on a website.

The Uses and Gratification Theory — the idea that people actively seek out media to fulfill their needs for information, human connection and socialization — suggests that humans need to socialize with one another online. By providing users with valuable social experiences, they will develop meaningful connections with and around your brand.

Active community members are most likely to contribute economically only after interacting with the website's features, consuming and organizing content, and becoming familiar with the website's community. In fact, 80% of all user registrations are triggered on pages that feature on-site engagement tools and user-generated content.

The optimal website structure enables users to gradually fulfill their growing need to engage.

## **4.** Encourage users to actively participate

User engagement is definitely not an "if you build it, they will come" situation. Take an active role in encouraging users to interact and work to shorten the amount of time between on-site user actions.

# 80%

of all user registrations are triggered on pages that feature on-site engagement tools and user-generated content.

When presenting multiple opportunities to engage, start by issuing small requests and build towards larger ones that require more effort on the part of the user.

For example, after a user has consumed content, they can be asked to give it a like. After liking a content item, the user might be prompted to post a comment about it, and so on. Such prompts can help increase the percentage of users who reach high levels of participation.

At the end of the day, the secret to keeping your audiences on your platform for longer is to engage them with interactive, social experiences.

## HOW TO MEASURE ENGAGEMENT (THE FIVE MOST IMPORTANT METRICS)

There are a number of audience engagement tools available for you to take advantage of as you build your digital communities. A critical part of the strategy is to be able to monitor the right metrics that measure its health and growth. That means moving away from monthly uniques and unique visitors, and focusing on other engagement-specific metrics. Data related to how your users are interacting with one another around your content can then be used to fine-tune your paywall, editorial and subscription strategies.

Here are the five most important metrics to measure when evaluating the success of your reader engagement programs.

### 1. Daily, weekly and monthly active users

While the number of new users is important to measure when evaluating the success of user acquisition strategies, it doesn't take into account churn and loyalty. A growing, active user base highlights your website's ability to attract and retain through content considered valuable by the online community. A good rule of thumb is to aim for 20-40% of your monthly unique visitors to be in the active user category.

### 2. Engagement velocity

Engagement velocity is the aggregate number of engagement actions per minute. It indicates how well content is resonating with users. This metric helps predict how popular content will become based on the speed of user engagement with your website.

### 3. Daily, weekly and monthly active engagement

Monitoring the number of daily, weekly and monthly active engagements on the platform over time and across pages helps you measure the impact of your paywall strategy. Use this number to identify highly engaging pages early on and improve their visibility in order to maximize conversions.

### 4. Percent of user attention time in comment sections

Most users are passive consumers of content, meaning that they are more likely to read than contribute to a conversation. For this reason, focusing your attention to the percent of time users spend reading comments can be a good indicator of community engagement.

### 5. Civility trends

The online health of a community is dependent on civility. It's easy for online engagement to become toxic, and that has a negative impact on ad revenue and brand image.
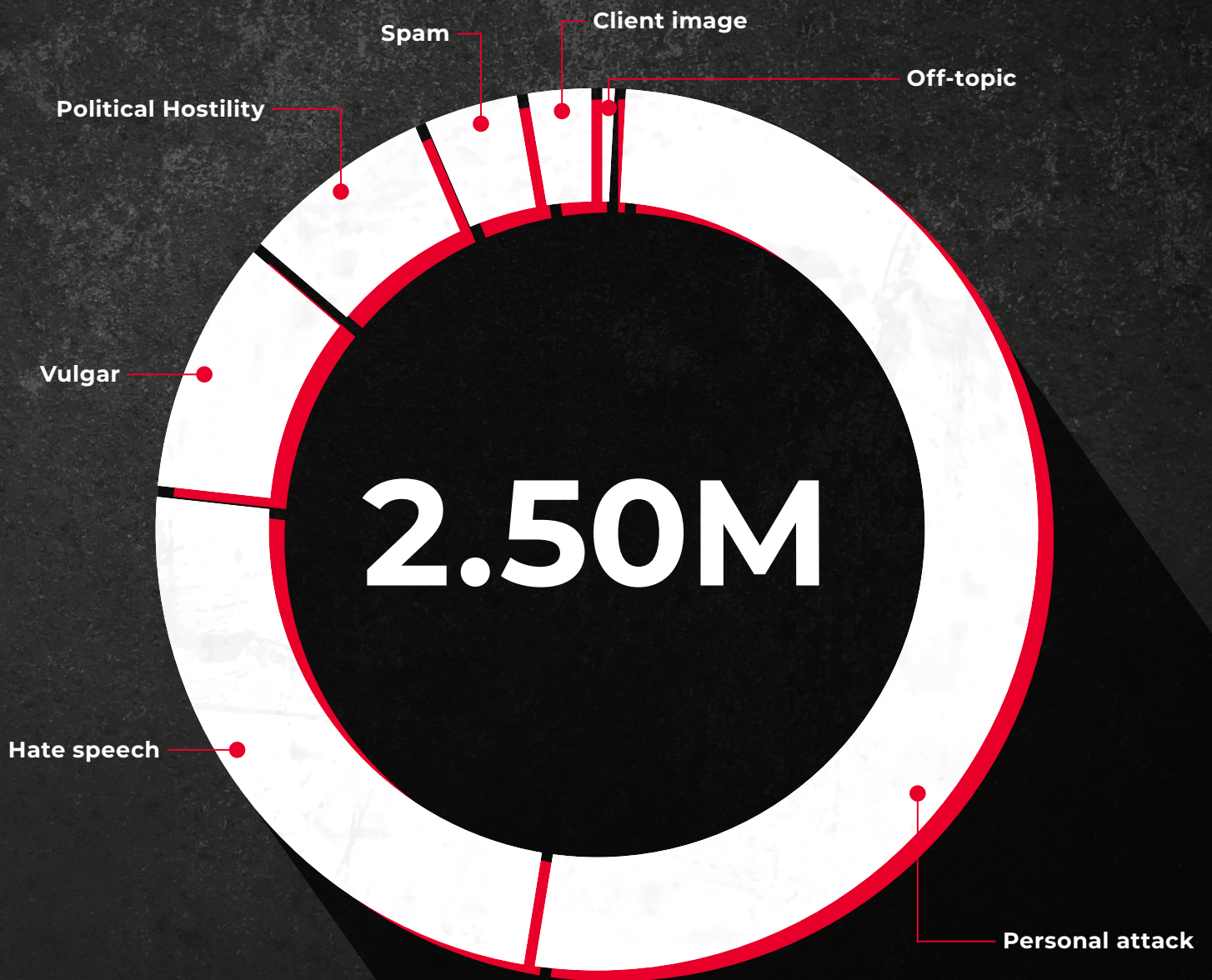
To keep track of a community's online health, monitor civility trends across your platform. For example, by keeping track of the rate of disabled posts, you'll be able to assess if users are complying with the community guidelines. You can then identify the reason why posts were disabled so that community guidelines can be updated.

**A critical part** of the strategy is to be able to monitor the right metrics that measure its health and growth. That means moving away from monthly uniques and unique visitors, and focusing on other engagement-specific metrics.

# COMMUNITY GUIDELINE VIOLATION REASONS

This graphic is based on the civility trends of **250 million** posts that Viafoura moderators came across in 2019.

**Spam**

**Client image**

**Political Hostility**

**Off-topic**

**Vulgar**

# 2.50M

**Hate speech**

**Personal attack**

# 3

## WHAT MAKES AN OPTIMIZED PAYWALL STRATEGY?

## Have a Clear Vision

The pivot to a paywall strategy, underpinned by effective reader engagement, demands a specific mindset and data-driven tools. An optimized paywall strategy starts with a long-term vision of how you want to position yourself in the eyes of your audience. The type of paywall implemented needs to match the experience expected by audiences.

User retention and acquisition should also be part of your vision, which means you need to know your users thoroughly. Ask yourself whether or not your users understand the benefits they can have by subscribing to your services.

It's up to you to delight and surprise your audience with valuable experiences. So get into their shoes to really envision what their journey looks like on your platform and where you want them to go.

## Understand the Content Experience

Every user has their own unique tastes and preferences for what and how they want to consume. It's important to understand what these user behaviors look like in order to deliver the most engaging experience.

The more you know about your audience's appetite, the better you'll understand what types of content converts users, and what types of content churns users.

If you're experiencing churn all across the board, look to the amount of ads on your platform. Large, frequent-appearing ads can be intrusive and annoying to many users. If this is the case on your platform, you may want to consider limiting the amount, size and type of ads.

Many publishers also choose to focus on niche subject matter that gets a very specific segment of users excited. For some, it can be more challenging to target a wider net of users in order to appeal to the masses.

## Identify the Right Metrics and Technology

Before implementing a paywall strategy, identifying which metrics will help you best evaluate success is critical in achieving your revenue goals. Consider taking advantage of technologies that gather your first-party data related to audience engagement. These insights will help you make informed decisions on how to best convert visitors into paid subscribers.

Known user data will also help publishers identify new ways to generate revenue. For example, community engagement data can be compared against subscriber data. Then, behaviors that identify groups of people who are likely to register and subscribe can be extracted.

**Consider** taking advantage of technologies that gather your first-party data related to audience engagement. These insights will help you make informed decisions on how to best convert visitors into paid subscribers.

Get the full picture of user behavior by ensuring that your engagement tools can speak to one another. Integrating front-end, interactive tools from different technology vendors won't give you the complete dataset that you need to succeed.

## Build a Community of Engaged Users

Something to keep in mind about paywalls is that they can be used for multiple purposes, not just to prompt subscriptions. Paywalls can contribute to community-building by informing readers of like-minded individuals in their network and encourage them to become members of it.

Developing a sense of community can help drive casual users to become paying customers.

If readers fully understand the benefit and value of the investment, they will be more receptive to registering, subscribing or paying for content. Not to mention they'll be less likely to churn.

The Wall Street Journal has been able to reduce churn simply by informing its riskiest subscribers of actions or offers that have had the best effect on member retention in the past.

Ultimately, user engagement tied to strong data can inform your paywall to help in increasing subscriber conversion.

# 4

## IMPLEMENTING A PAYWALL STRATEGY: USE CASE EXAMPLES

Here are a few different types of use cases for implementing a paywall strategy. You're the expert to understanding your audience and what resonates with them. The following examples are meant to help you generate your own ideas for experimentation.

Interest-based subscription packages have the ability to be quite impactful in increasing subscriptions. Advertisements on the paywall all relate to a topic of interest identified by first-party data. When positioned as a package, users feel like they are getting a good deal for content that they would most likely consume.

This type of paywall strategy is common among sports media organizations, where sports fans can unlock a premium experience by subscribing.

Dynamic paywalls based on content engagement are easier to execute nowadays because of the significant advancements in technologies that capture first-party data. Paywalls can be customized and targeted to the users who are most likely to be receptive and convert based on their content consumption behaviors.

In fact, Swedish newspaper Dagens Nyheter credits its dynamic paywall for 60% of its conversion rate.

Ad-free packages can be enticing to users who want an uninterrupted content experience. People who see too many ads on-site are actually more likely to churn. That said, you can send a personalized paywall to users who demonstrate signals that they are frustrated with ads, which can offer up an ad-free experience. Additionally, conversion is more likely to happen if premium or exclusive content is offered with the paid experience.

In a webinar, MPP Global explains that one of their clients, a French publisher, has achieved 20,000 subscribers using this strategy in just a two-week period.

# IN CLOSING

**In order to create** a sustainable business, it's necessary to break free from the traditional publishing approach and look for new ways to diversify. A paywall strategy provides ample opportunities for you to increase revenue while creating an enjoyable user experience. Coupled with a well-thought-out user engagement strategy, paywalls help extend the overall lifetime value of readers while strengthening brand loyalty. Figuring out how to effectively execute this approach to readership revenue will have the biggest impact in differentiating yourself from the rest of the market.

## Your Partner in Audience Engagement.

Viafoura helps over 600 media, broadcast and entertainment brands better build, manage and monetize their content, audience and data in real time, powering more than 1.5 billion interactions across 350 million active users.

Connect with our team to find out how we can help you reach your audience engagement goals today.

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