Colorado Media Project

Preliminary insights & implications

Context

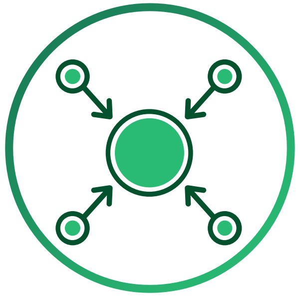
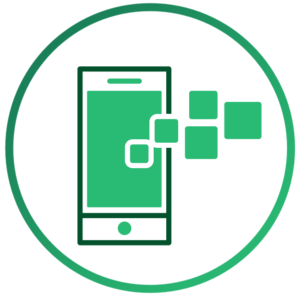
The purpose of this deck is to provide an overview of media market insights and implications for the Colorado Media Project, based on secondary research and expert interviews

The findings have been grouped based on the six key "media dimensions" that the working team has aligned on to help define the opportunity set

The scope of this research is predominantly nationally focused, however, a Denver specific set of insights and implications is in progress and will be distributed to this team during week #2

This deck is the first internal deliverable and output from week #1, and is meant to help refine the opportunity and inform which user types the team will interview in weeks #2-3

Six dimensions define the opportunity set

					
Geographic Focus	**Topic Focus**	**Content Role**	**Digital Format**	**Audience**	**Business Model**
Neighborhood City State Region	Politics Sports Business Lifestyle Activism	Aggregator Curator Editor Creator	Text Audio Video Blend	Age Culture Niche Etc…	Free (Ad) Pay-per-view Freemium Metered Subscription

Preliminary

Geographic Focus

Neighborhood
City
State
Region

Insights

- There has been significant decline in number of local news sources, leaving many communities without any source of local news
- Many local news outlets are aggregating to maintain profitability
- Smaller (local) newspapers are seeing a decrease in circulation in some cases of over 30%, which is at parity with or greater than national and regional newspapers
- There are several examples of national/global investors putting substantial funding into local news
  - Google launched $300M News Initiative, one of the goals is to employ 1k local journalists
  - Civil is leveraging blockchain and investing $5M to launch 20 newsrooms

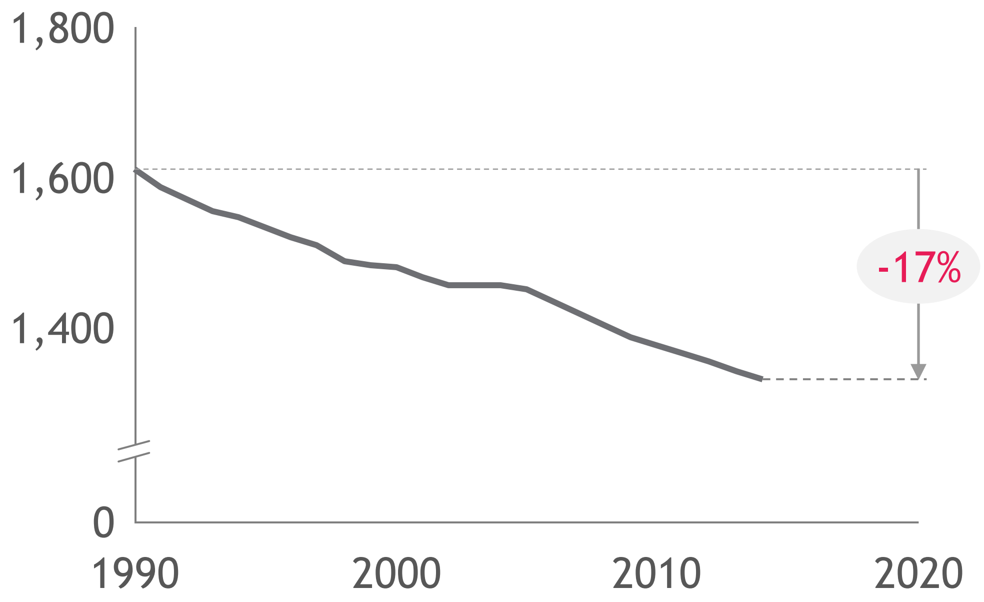
Implications

→ Decline in local news has led to "news deserts" across the US, driving increased investment in local media at the national level

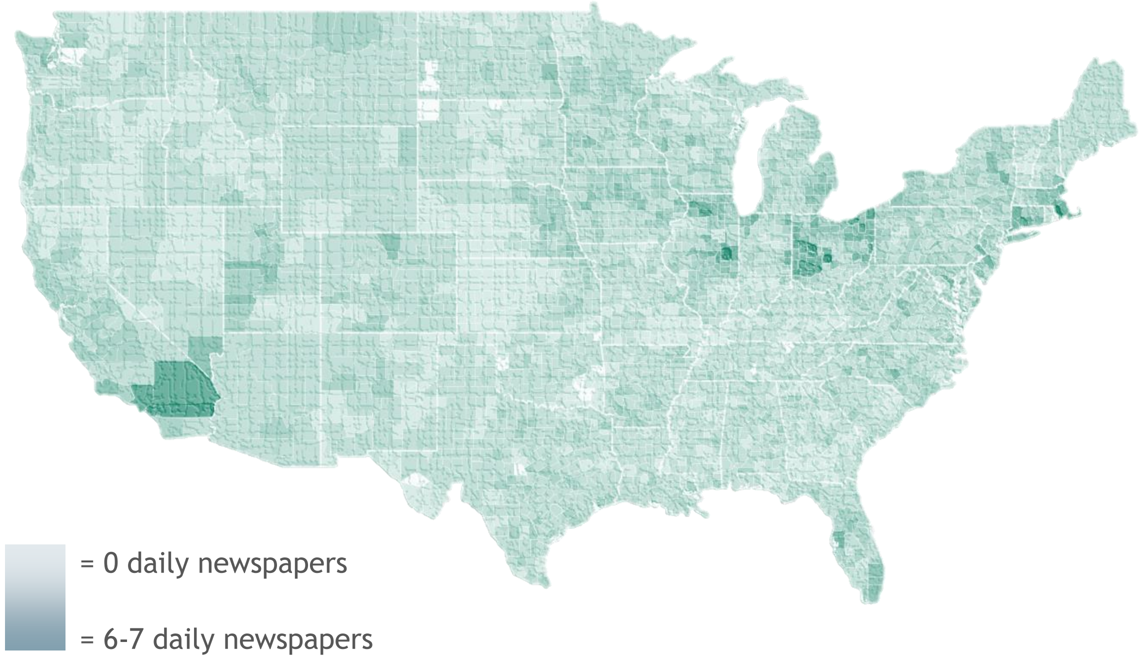
Papers are closing, leaving behind news deserts

Once-integral publications are closing…

Total number of US newspapers[1] (M)



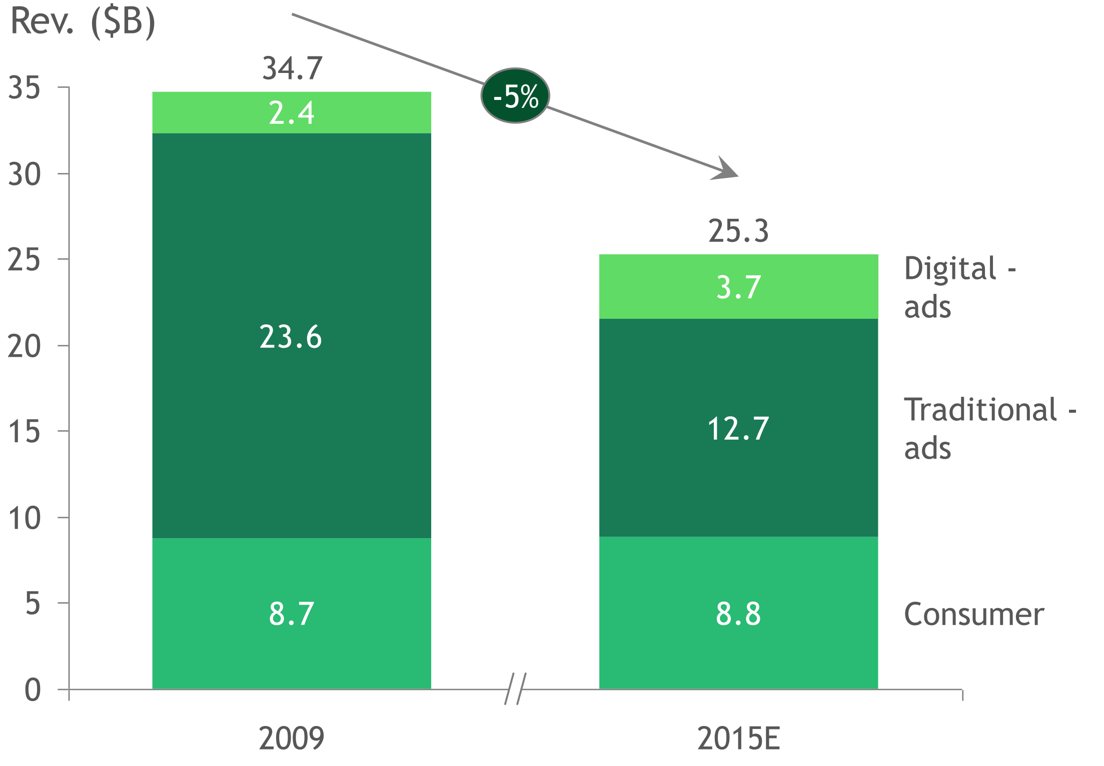
…leaving many communities without any source of local news



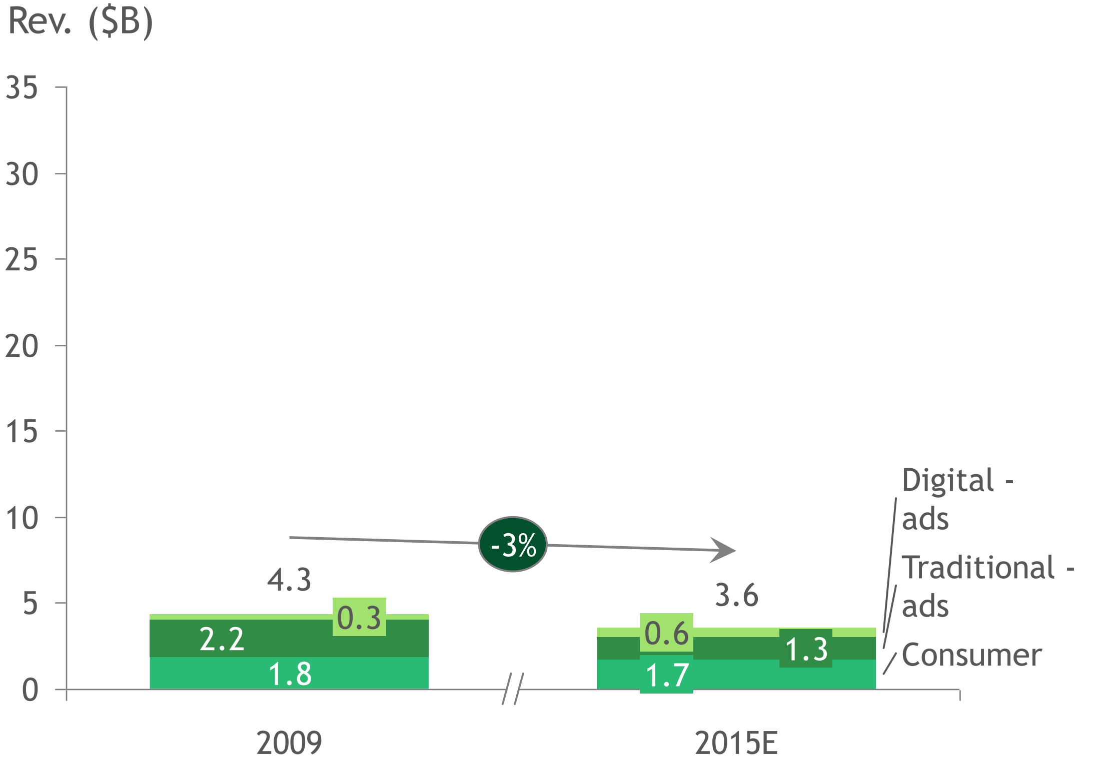
1. Figures for 2006-2008 estimated based on 2005 and 2009 actual count. Figures from 2010-2013 estimated based on 2009 and 2014 actual count.
Source: Pew Research Center March 2007, Editor and Publisher 2006 Yearbook data, Columbia Journalism Review Spring 2017

Local publications still majority of industry revenue

Local Publications account for ~85% of total industry revenue



National Publications[1] account for ~15% of industry revenue



Note: ~80% of WashPo circulation is within Washington DC, Maryland and Virginia, so included WashPo within local publications; 1. Includes USA TODAY, The New York Times, and estimated The Wall Street Journal; For 2009, NY Times revenues include only the New York Times Media Group, not other operating segments of the NY Times Co.
Source: PQ Media (2015), Magna Global (2015); company 10Ks

High levels of consolidation in local news; ~70% of local news circulation owned by 15 companies

Remaining 30% of ~42M average circulation consists of hundreds of smaller holding companies

Rank	Company	Market share[1]
1	GANNETT	~15%
2	tronc / tribune PUBLISHING	~12%
3	The McClatchy Company	~7%
4	digitalfirst MEDIA	~7%
5	Lee Enterprises	~6%
6	ADVANCE	~5%
7	HEARST	~4%
8	COXMEDIA	~4%
9	GateHouse Media	~3%
10	Nash Holdings	~2%
11	21ST CENTURY media	~2%
12	A. H. Belo Corporation	~2%
13	StarTribune	~1%
14	The News&Observer	~1%
15	Philadelphia Media Network	~1%

1. Circulation divided by ~42M Sat / Sun total 2015 circulation (Source: AAM); Source: Alliance for Audited Media, Media Intelligence Center (July 2016); Note: Based on AAM circulation figures which include both print and digital circulation, where applicable, as well as circulation for any affiliated publications of a primary publication

Preliminary

Topic Focus

Politics
Sports
Business
Lifestyle
Activism

Insights

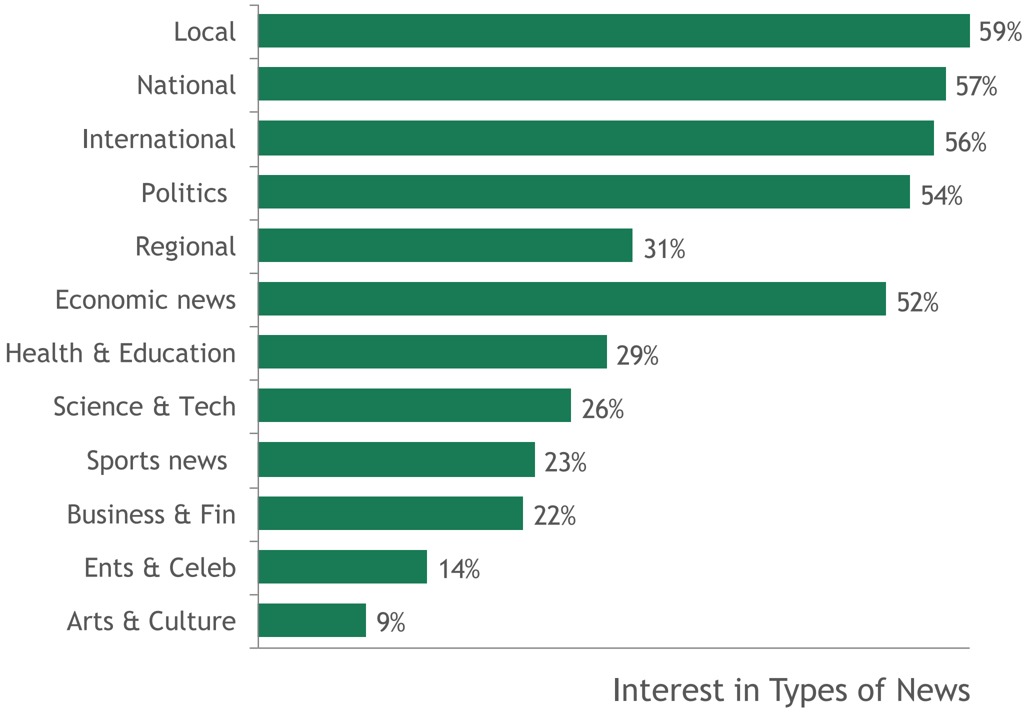
- Local news interest ranked as the most important news to Americans, ahead of national, regional, economic, and political
- Interest in local news increases with age—only 36% of 18-24 aged users cite local news as most important, while 51% of 45+ aged users cite it as the most important
- Denver comprised of ~70% non-Hispanic white population, ~20% Hispanic population
  - Denver-area Hispanics follow news about Denver and their neighborhood 1.4x more closely than the non-Hispanic white population
  - Primary topics of focus differ by ethnicity

Implications

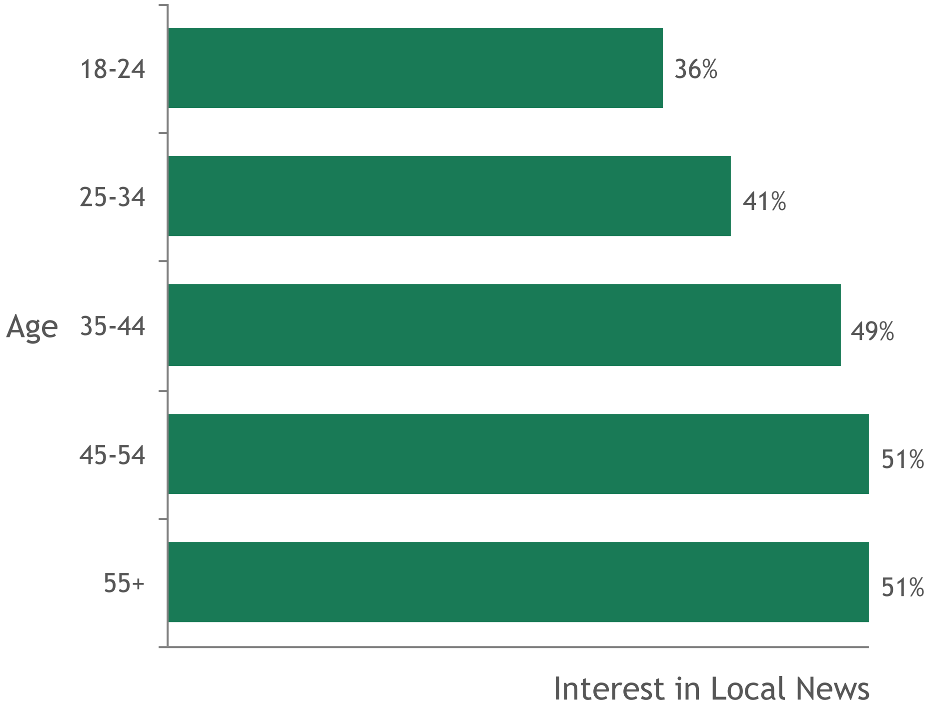
→ Preferred local news topics differ by age and ethnicity, will need to align topic strategy with target segment(s)

Local news interest increases with age

A majority of consumers say that local news is the most important news topic…



…but younger audiences are less interested in local news than older audiences are



Source: Reuters Digital News Report: Interest in Different Types of News

Preliminary

Content Role

Aggregator
Curator
Editor
Creator

Insights

- Social platforms are the most common source users check for news on a mobile device with the highest percent of users (37%) citing Facebook as their first stop
- Social media is the primary digital news source for younger audiences (18-49) but for older audiences (50+) news org. websites/apps are the primary digital news source
- More consumers (81%) trust content posted on publisher websites vs. content on social media (55%)
- Demand is increasing for "snackable," bite-sized content
- Digital news outlets are moving away from content aggregation and towards content curation to improve brand visibility and increase SEO

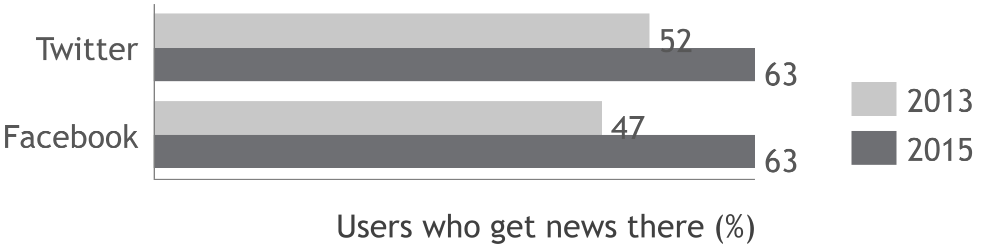
Hypothesis

→ For local news content, consumers place higher trust when they are familiar with source

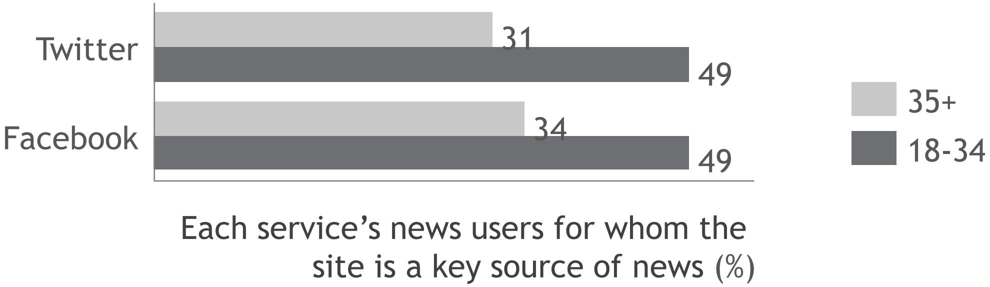
Social media becoming a news juggernaut …

Growing use of social media for news …

Share of Americans for whom Twitter and Facebook serve as a source of news is continuing to rise



Use esp. prevalent for younger generations



… means it now plays a role in content creation

Being a platform for commentary on news

- Mass version of the way an OpEd or Letters to the Editor functions

Influencing the format content creators use

- E.g., captioning news videos for Facebook because people often watched on mute

Impacts type of news shared

- Social media users' preferences are over-indexed towards soft news (vs. hard news)

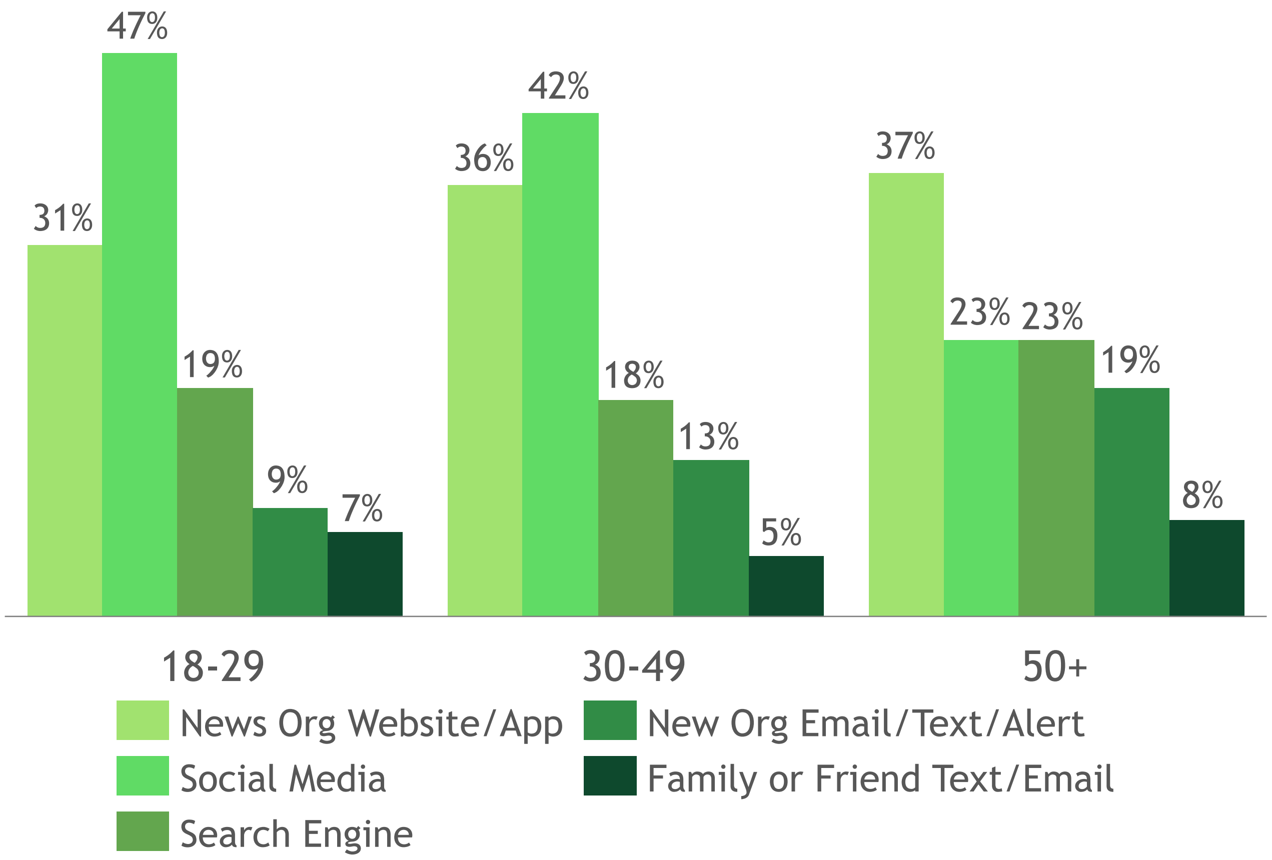
Allowing social media users to be creators of mass-viewed content

- 12% of social media users have posted own videos of a news event (14% for photos)
- Mobile messaging allowing spread of news

Source: Pew Research Center, "State of the News Media" (2016); Pew Research Center

Social media is the dominant platform for news consumption

How US Consumers Get Digital News



- Two-thirds of adults consumes news via social media
- Under-30 aged users prefer social media over news organizations' websites or apps

Source: eMarketer, The Value of Digital Media

Preliminary

Digital Format

Text
Audio
Video
Blend

Insights

- Denver has a high rate of digital adoption—85% of Denver residents have a desktop/laptop and 76% have a smartphone
- Mobile news-seekers dedicate ~5% of their monthly mobile time to news, however there is a shift in getting news from a news app to getting it from social media
- Younger audience prefer social media over news organizations' websites or apps whereas older audiences (41+) are still primarily using TV for their daily news (80%)
- Several new formats available (podcasts, smart tech, bots, etc.) but none are financially sustainable as a standalone platform

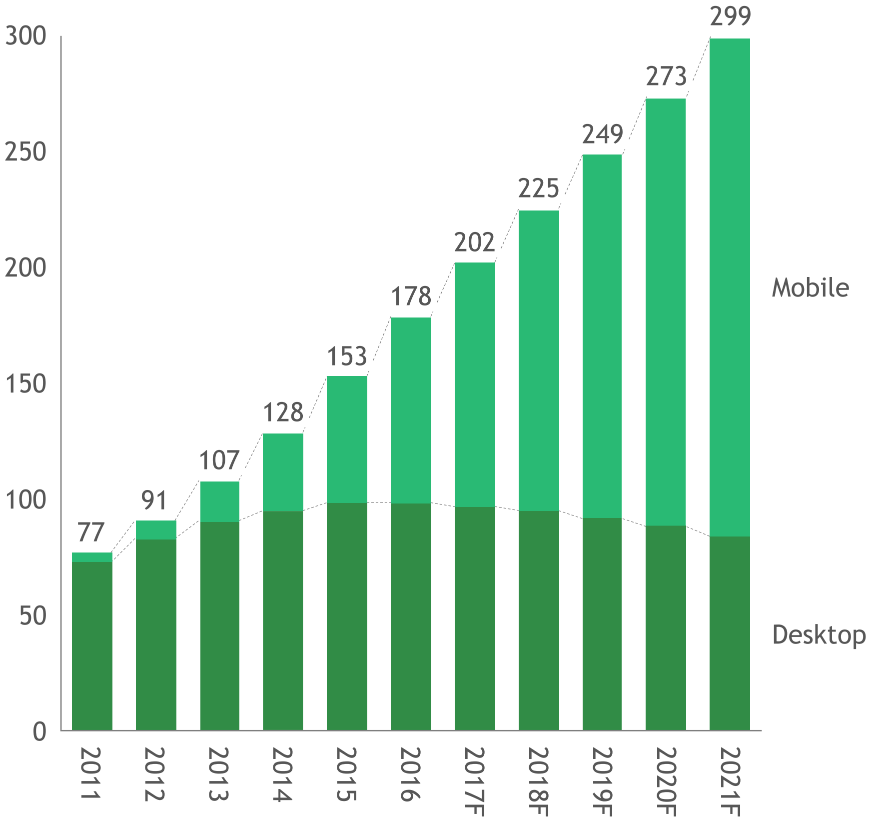
Implications

→ There is already wide digital adoption for local news consumption, however, there are many available formats, each with higher traction among certain segments

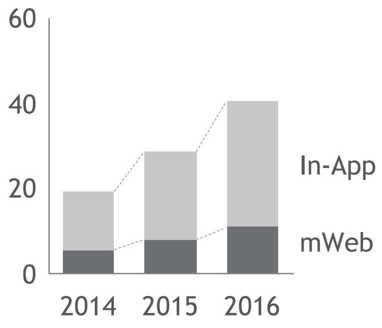
Mobile has grown rapidly to capture significant share of digital spend

Mobile rapidly becoming the dominant platform

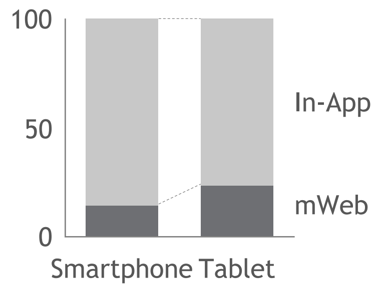
Total Digital Ad spend, $B



US Mobile Ad Spend, $B



Time spent per day on mobile, % of total



Observations

Mobile accounted for 45% of digital ad spend in 2016 and is expected to grow to 72% by 2021

~75% of mobile ad spend went into in-app ads in 2016

Average daily mobile time spent in the US was also 75% in-app vs. 25% on mWeb

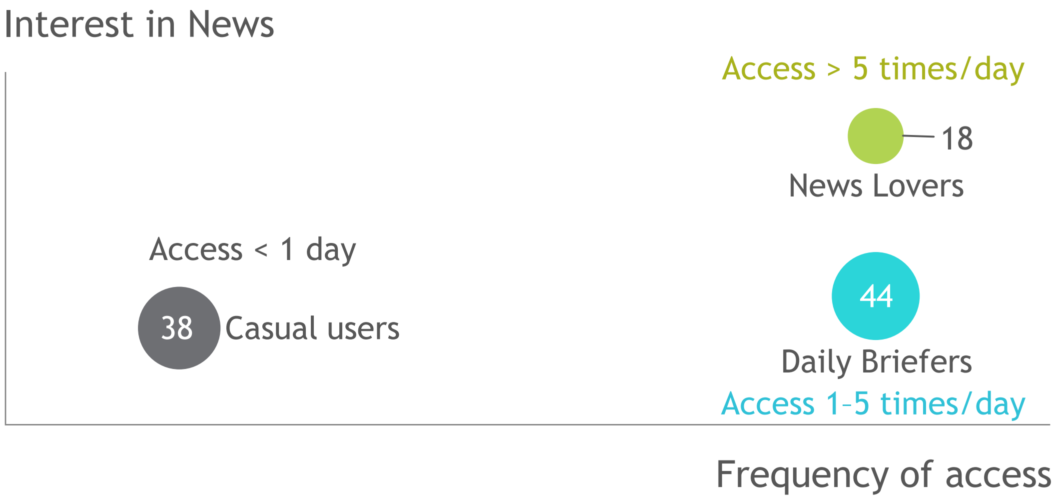
Total in-app ad spend was at 30 $B, up from 21 $B in 2015

mWeb came in at 11 $B, up from 8 $B in 2015

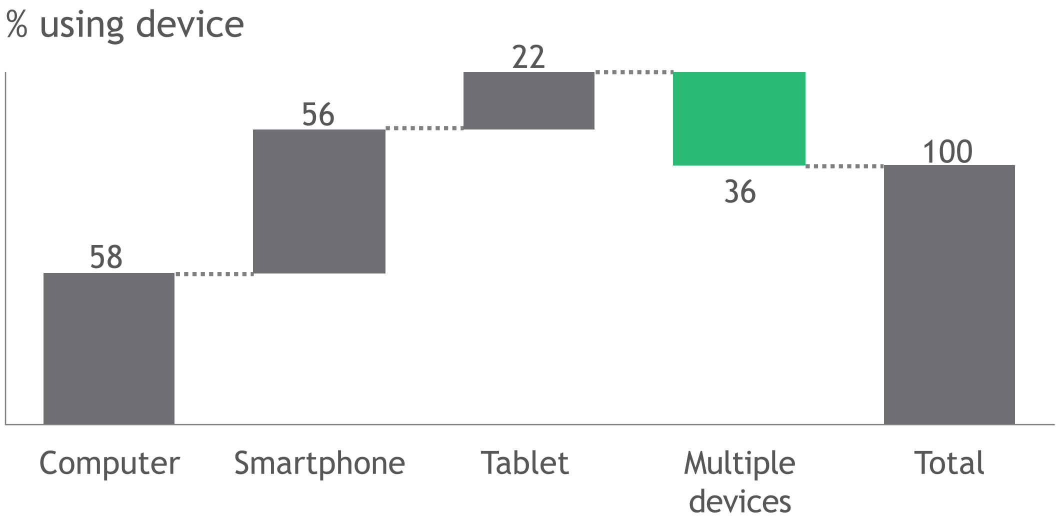
Source: Magna Global Dec 2016 global forecast, eMarketer

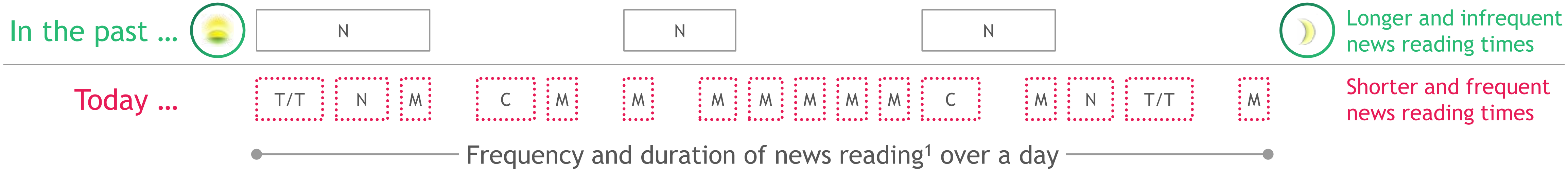
Consumers are accessing news several times a day across multiple devices and destinations…

62% of readers access news 1–5 times daily



36% readers use > 1 devices to access news





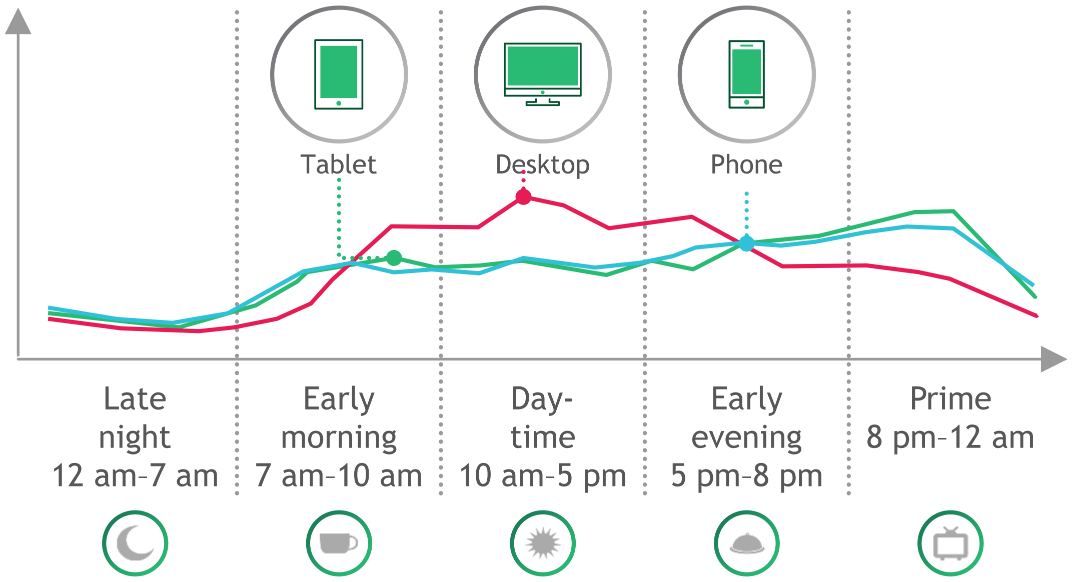
1. N - Newsletter T/T- TV & Tablets; M—Mobile; C-Computer

Source: Reuters Digital News Report 2016; Reuters Digital News Report 2017

… leading to different peak times by content type

62% of readers access news 1-5 times daily

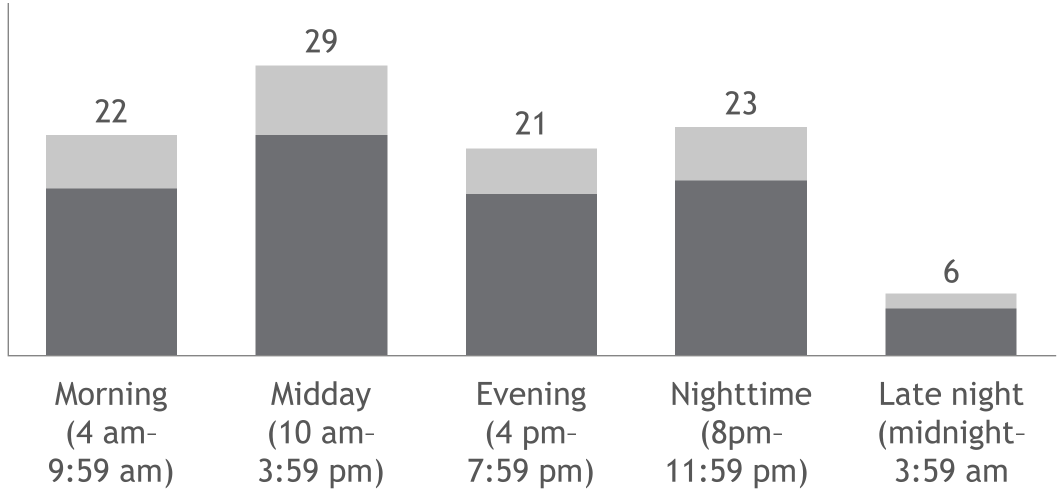
% of each platform's average daily impressions by hour (UK)



- Desktop usage peaks in the day time (10 am–5 pm), coincides with usage in office
- Tablet usage peeks at Prime time (8 pm-12 am), coincides with free time at home

36% readers use > 1 devices to access news

% visitors at daytime to mobile articles (USA)



- Mobile is always on, > 20% of total visitors for any slot from 4 am to midnight
- Short form content is more preferred on mobile
- Consumption of long form peaks at midday and night time

1. N—Newsletter T/T—TV and Tablets; M—Mobile; C-Computer
Source: comScore custom data Oct 2016; Pew Research September 2015

Audience

Age
Culture
Niche
Etc…

Preliminary

Insights

- The more civically involved a person is in Denver the more likely they are to engage with local news
  - Those who self-identify as "very engaged follow news at a rate of 1.3x that of those who are "unengaged"
- 18-34 aged users represent the largest part of the market that have fully adopted digital products into their lives
  - This segment has the largest proportion of online news consumers currently paying for digital news at a rate of 1.5-2x that of our segments of the population
- Digital news subscription motivations differ by age
  - Older audiences (41+) subscribe to local news as way to get digital access on top of their existing print access; younger audiences (18-40) subscribe in order to support local news

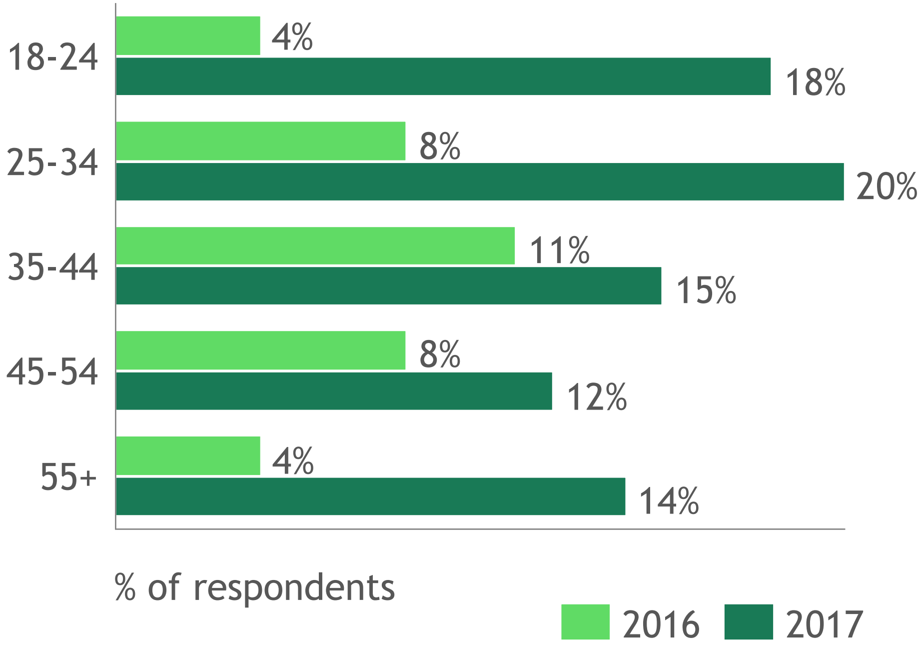
Implications

→ Users aged ~18-40 most likely to pay for digital news, and have lowest barriers to adopting digital format

Younger users more likely to pay for digital news; motivations driven by support for their local community

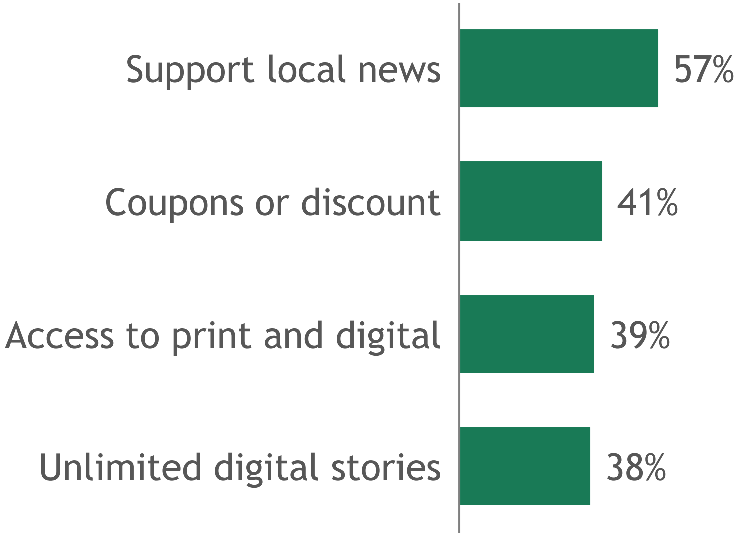
18-34 aged users are the largest and fastest growing digital news subscribers

US internet Users Who Pay for Digital News



...and are motivated to subscribe in order to support their local news

Motivating Factors



Source: eMarketer, The Value of Digital Media; Media Insight Project: Paths to Subscription: Why Recent Subscribers Chose to Pay for News February 2018

Consumers are increasingly seeking “snackable content”

Shrinking attention spans

According to a study by Microsoft, average attention spans have fallen 30% – from 12 seconds to 8 seconds—from 2000-2015 due to modern technology

Proliferation of social media

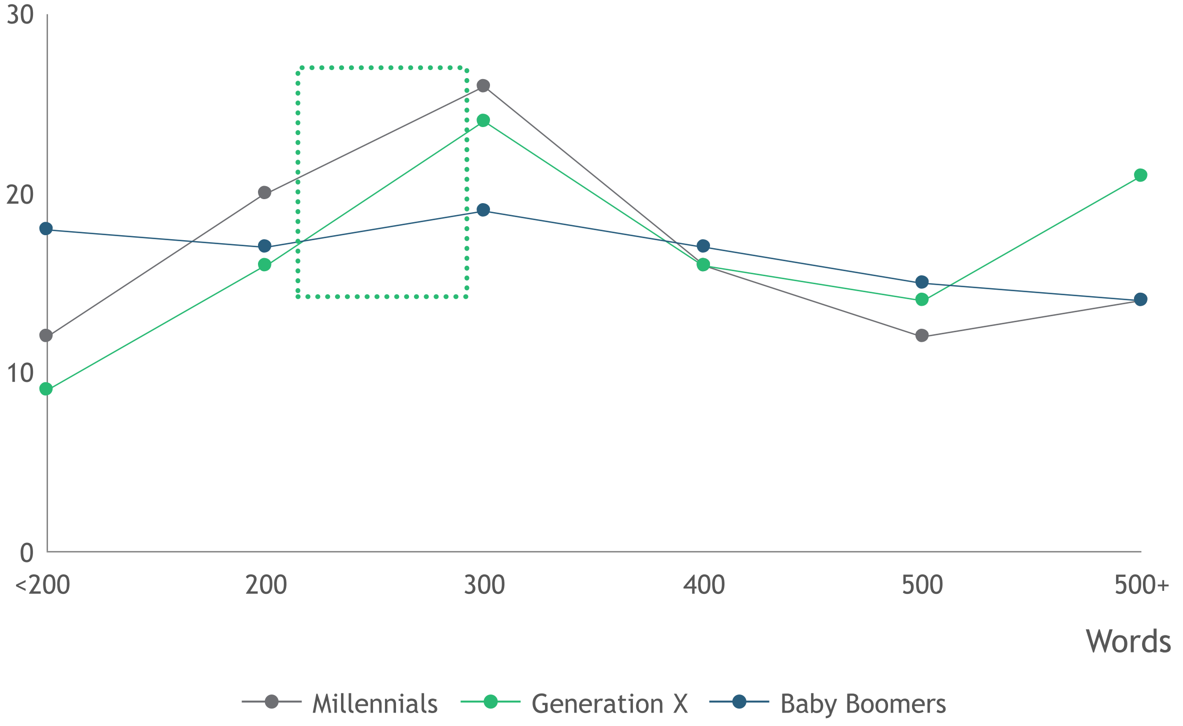
60% of Facebook and Twitter users—
50%+ of US adults—get news on social networks

Proliferation of mobile consumption

68% of US adults had a Smartphone as of 2015

Shorter length articles popular across generations—especially Millennials

Preferred article length by generation (% resp.)



Source: Pew Research Center, “State of the News Media” (2016); The New York Times (2016); Pew Research Center, “State of the News Media” (2016); Mary Meeker/KPCB’s “Internet Trends 2016”; Social Media Today “The Generational Content Gap” (2015)

Preliminary

Business Model

Free (Ad)
Pay-per-view
Freemium
Metered
Subscription

Insights

- Branded content is a major focus and revenue driver for many publishers
- Subscription, video, sponsored content, and display ads are cited by publishers as their most important revenue streams for 2018
- Advertising/subscriptions are challenging to scale at the local level, so a philanthropic model is becoming an increasingly popular business model for local news
- An emerging trend in digital business models includes bundling news packages
  - Example 1: Gannett has tried bundling apps and subscriptions with events and tickets "access" with some success
  - Example 2: NYT bundled cooking/crossword app: most new subscribers started with crossword/cooking app and they converted to broader subscriptions

Implications

→ Philanthropic or local funded model will likely be necessary for sustainable local media model

Multi-pronged revenue strategy is necessary to sustain a digital media platform

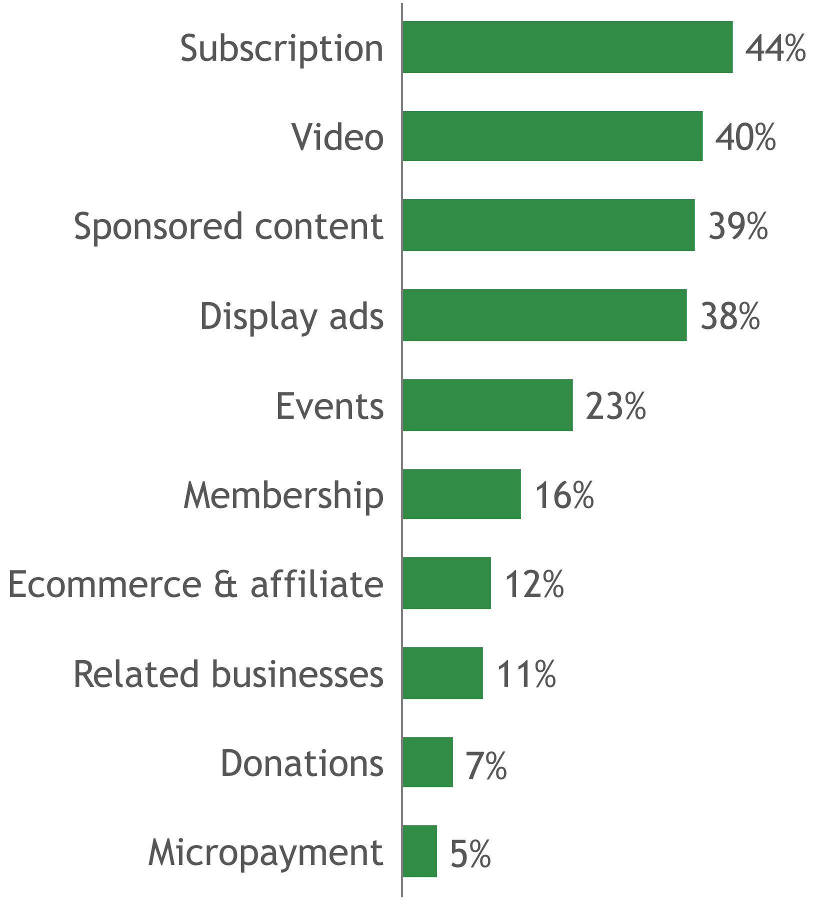
Subscription

Video

Sponsored Content

Display ads

Important digital revenue streams according to news publishers



Source: eMarketer, The Value of Digital Media

Publishers use different pricing mechanisms, with many pricing based on traffic drivers

Example: Branded video

Pricing structure	Pros/cons for publisher	Pros/cons for buyer	Sample publishers
Price per campaign with guaranteed content views	✓ Content can be dropped once views are achieved × Risk of under-delivery of views × Value of traffic drivers is hidden, and no upside for extra traffic drivers	✓ No downside risk on views × Hard to compare to display × Less flexibility to choose distribution channels or "supercharge" views	VOX MEDIA
Separate production and traffic driver costs, typically with min spend (Guarantee impressions for traffic drivers, benchmarks for views given but no guarantee)	✓ No risk of under-delivery ✓ Shows "value" of production/editorial × Downside cost risk when cost-per-click used	✓ Easiest to tailor depending on needs ✓ Somewhat comparable to display × Risk of low views/no guarantee of performance × Agencies may have lower margin (may not get margin on production costs)	BuzzFeed [1] The New York Times [2] THE HUFFINGTON POST [2]
Combined production and traffic driver costs, typically with min spend (Guarantee impressions for traffic drivers, benchmarks for views given but no guarantee)	✓ No risk of under-delivery ✓ Easiest to provide blended CPM comparable to display ✓ Easier to adjust min spend depending on branded format versus separate traffic drivers	✓ Comparable to display ✓ Agencies may get better margins (all priced like display) × "Black box": lack of control and of pricing × Risk of low views/no guarantee of performance	REFINERY29 Time Inc.

1. Charging production for premium content; 2. Offering guaranteed traffic driver impressions, but not content views

Source: Expert interviews

BuzzFeed

Example: BuzzFeed's monetisation strategy is built around branded content and content customization exclusively

Branded content

- Provide tiered content in response to advertiser's request for proposal (RFP)
  - Standard: listicles and quizzes
  - Premium: Long-form, pseudo-investigative, video, "big ideas"
- Proposal includes several pieces of content with distribution plan/strategy
- Display/media only used as supplement to branded to drive traffic (NB this isn't standard display, but posts/article links)

Pricing structure

- No production costs for standard content; premium content priced at $25K–$1M
  - Minimum media buy priced at $100K for standard and $250K for premium, with a target of c.50 cents per view
  - On-site priced on CPM model Facebook/social priced at CPC model—charged at 50¢ CPC, costs them c.25¢. Typically no more than 20–25% of budget allowed on this

Sales approach

- Generally focused on client direct/prefer that where possible
- Agencies more challenging, especially for bigger deals due to bespoke nature and required speed—though do work with them out of necessity
  - Media agencies don't have budgets and/or appetite for custom
  - Creative agencies protective of turf

Team setup

- Account managers oversee the content production and distribution
- Creative team develops the pre-deal ideas, and then the agreed content
- Ad operations and social team work to optimise ads and drive views
  - Developers, photographers or other specialists are involved as needed
  - Separate team produces video

Distribution strategy

- Highly focused on social and particularly Facebook: one of the first publishers to bring the entirety of its content on social media, with significant efforts to customise based on platform specificities
- Have moved away from using Outbrain, Taboola: seen as lower quality, but also they gather data on users
- Have social specialists dedicated to optimising offsite distribution

Video details

- Strong at producing quality viral videos at lower price due to efficient process
  - Large dedicated team working in a separate production facility
  - Strict process to get content signed off before shooting to control costs
  - Sales-to-distribution takes ~8 weeks trying to bring this down to ~4 weeks
- But still struggle to get bespoke video to scale, so pushing sponsored video

Source: Expert interviews

Example: New York Times focuses on low frequency but high quality branded content, distributed predominately on own website

Branded content

- Generally, branded content is in line with the type of editorial content that is produced i.e., for NYTimes
  - Long-form articles, Video/other multimedia, Branded infographics
- For others branded content includes
  - Slate—podcasts/audio formats
  - Economist—case studies, research, white papers, infographics
  - Time—various, but content is put onto one of the 35 media properties

Pricing structure

- NYTimes is focused on creating high quality/premium content with pricing separated into (total min spend c.$200K)
  - Content production (low margin)
  - On-site distribution (high margin)
  - Off-site/social distribution
- Different content formats are reflected in the pricing, with standard articles costing c.$5–10K, and premium c.$30–60K
- Distribution is usually c.75% of budget, with social <5% (NYTimes relies on site)

Sales approach

- Majority of branded content is sold as a direct response to a request-for-proposal (c.90% versus through agency)
- Some sales based on C-level conversations between publishers and advertisers with long history

Team setup

- No separate sales team for branded content, but re-trained to be able to accommodate brand needs
- Marketing/content strategists are responsible for pre-sale idea generation and post-sale execution
- Branded editorial team is clearly separate for branded, and helps develop content
- Social team sits across the functions, with one person specialising in branded

Distribution strategy

- In line with other "premium" publishers, NYTimes relies on on-site distribution due to higher margin and control
- Facebook and Twitter allow broad reach and can be used to target specific audiences (in line with brand needs)
- Other platforms are used by smaller and/or niche publishers (e.g., Instagram for fashion, LinkedIn for business)
- Advertisers can "supercharge" content views by spending more on traffic drivers

Video details

- Branded video is handled by a separate team due to production time required (if not separate, can create bottle neck for the standard editorial/strategist teams)
- Monthly production is in the lower single digits due to higher quality versus most volume competitors (e.g., BuzzFeed)
- Very difficult to iterate and align to advertisers needs; too expensive to edit post-production
- Both sponsored and bespoke video offered

Source: Expert interviews

Preliminary

Research Sources

Studies

Geographic Focus

- The Fight for the Future of Local News, The Ringer
- Report for America, Poynter
- News Environment in Denver, Pew
- Small market newspaper in the digital age, CJR
- Six corporations control 90% of media in the US, Business Insider
- Newspaper layoffs, CJR

Topic Focus

- News topic interests in Denver, Pew
- Changing function of digital media, Reuters
- Interest in types of news, Pew

Content Role

- Trust in media by outlet type, Nieman Labs
- The value of digital media, Emarketer
- How Americans interact with digital news, Pew
- Brand sites are more trustworthy than news sites, Digital Context Next

Digital Format

- News consumption habits in Denver, Pew
- Mobile time spent 2018, Emarketer
- The podcast consumer, Edison
- NPR podcast engagement
- Digital video trends, Emarketer
- How people use smartphones to access information, Knight Foundation
- Video news preferences, Emarketer

Audience

- Local news consumer profiles in Denver, Pew
- The value of digital media, Emarketer
- U.S. Consumer Digital Transformation, IDC

Business Model

- Nonprofit news sustainability models, Knight Foundation
- New business model approaches, Reuters
- Three ways news outlets are making money, CJR
- Why subscribers pay for news, Media Insight Project
- Revenue sources for digital news, News Entrepreneur
- Going non-profit, CJR
- Eight strategies to save local newspaper, CJR
- Print media transformation, BCG

Expert Int.

- Alannah Sheerin, BCG Partner, Technology, Media & Telecommunications (TMT), Strategy
- John Rose, BCG Partner, Technology, Media & Telecommunications (TMT), Strategy