**Deloitte.**

Executive Summary

# Digital transformation through data: how news and media companies are delivering more value with insights

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# At a glance

**Only 9% of news and media companies are leading in terms of data maturity**. These leaders align their organizations with a clear and compelling ambition for audience data, and they execute use cases that drive audience engagement and revenue. The majority of news and media companies struggle with the execution gap - in which a clear ambition for data has been set, but the organization lacks the capabilities and resources to execute initiatives. **75% of companies have set a clear goal for audience data, yet less than 50% are able to realize the benefits.**

Bridging the execution gap requires dedicated effort to build **four key data foundations: culture and ways of working, technology, skills, and data**. With solid foundations in place, news and media companies can collect, analyze, and activate audience data with improved speed and confidence. This allows organizations to experiment with more sophisticated capabilities to further advance their data maturity.

**There is no one-size-fits-all approach for digital transformation**. Each news and media company has its own set of strategic choices that influence how it activates audience data to support its organizational mission. The best-in-class companies use this strategic direction to guide their transformations and identify the initiatives that will drive audience engagement and revenue. This **Executive summary** and accompanying **Guide** describe these data foundations and use cases in detail and provide actionable steps for news and media companies seeking digital transformation through data.

# Introduction

Digital innovation has reshaped the news and media industry. The transition from print to digital started more than two decades ago, and the changes to news and media companies during this time have been dramatic. Few publications still exist as print-only editions anymore. Almost all major print and broadcast news outlets now maintain digital versions.

To capitalize on this evolution, news and media companies are harnessing the power of their digital platforms to **generate insights on reader behavior in ways that were never before possible**. By applying these insights with increasing sophistication, companies are improving both reader engagement and online revenue performance.

**How much value can news and media companies drive with this data, and how do they do it?** Deloitte conducted a global study to understand how news and media companies are leveraging audience data to **increase engagement** on their digital platforms and **drive value** through the monetization of those platforms.

This executive summary details the study's findings. It is complemented by:

A **Diagnostic Tool** for news companies to assess their data maturity

A **Data Activation Guide** with actionable steps for news and media companies to improve their data maturity

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**About the report**
This report was published by Deloitte with the support of the Google News Initiative (GNI). The findings were discussed with Google executives; however, Deloitte is responsible for the analysis and conclusions from the study.

# Setting the stage

**Audience data is top of mind for news and media companies[1].** Both advertiser and reader expectations put pressure on news and media companies to become more data-informed. Readers want great content and user experiences, and advertisers want a clear understanding of reader interest to reach potential customers.

Many news and media companies have invested in technological capabilities to effectively use their audience data to address these demands. In fact, some leading news and media companies have even repositioned themselves as technology companies with news products — a striking shift from just a decade ago. Local market characteristics all significantly affect how news and media companies approach their digital platforms, but at the center of these efforts is a common goal: **to translate a deep understanding of the reader into a competitive advantage in the digital news world.**

Audience data is used by news and media companies around the world to understand and communicate with readers. This global emphasis on data is leading to increased consumer awareness of data usage and tighter data privacy regulations, such as the European Union's **General Data Protection Regulation (GDPR)**. Although the long-term impact of GDPR and other impending regulations is unknown, the intent of the regulations is to protect consumers. News and media companies that prioritize data governance and compliance with these new regulations and engage in the public conversation are positioning themselves to thrive.

## A note on good data practice

Throughout this executive summary and accompanying guide, there are a number of references to how data can be used to derive reader insights and drive better business outcomes. In all cases, the underlying objective of using audience data is to serve readers with the best content and experiences based on their needs.

The right to use audience data to create value for consumers and news and media companies rests on the ability of the industry to demonstrate responsible and transparent use. All data collection, processing, and use referenced in this executive summary must be carried out in compliance with law and should leverage controls and tools that meet evolving user needs.

[1] In this study, we define audience data as first-, second-, and third-party data collected on user characteristics (such as location and demographic), reader engagement (such as page views and click-through rates) and transaction history (as it pertains to paying for content or other ancillary products and services)

# How news and media companies are creating value with audience data

News and media companies collect, analyze, and activate audience data across three operational objectives:

- **Improve overall reader engagement**
- **Increase direct-paying relationships with readers**
- **Drive revenue from advertisers**

Each of these operational objectives is defined by a set of use cases:

## Content planning

Use audience data to inform, format, and promote content

## Recirculation

Use audience data to surface the most relevant content for readers in the moment

## Reader experience

Optimize the look, feel, and navigation of the digital news platform for on-site and in-app readers

## Subscription pricing and promotion

Optimize the subscription offering (e.g., price, paywall) and promotion strategies using reader behavior

## Design for reader lifetime value (LTV)

Use data to understand reader attention, spend, and retention to drive reader LTV

## Revenue diversification

Develop non-core products and services using reader insights and behavior

## Audience-based advertising

Serve the most appropriate advertisements to readers based on context and reader behavior

## Advertising pricing strategy

Optimize advertising pricing based on the behavior of different audience segments

## Inventory yield management

Optimize the mix across direct sales, private marketplaces, and open auctions

# Improve overall reader engagement

**Quality reader engagement is crucial to acquiring and retaining readers and increasing share of attention.** Without an abundant and engaged readership, a news and media company cannot secure the subscription and advertising opportunities it needs to survive and thrive. Reader engagement requires understanding how and why readers engage with a digital news platform to optimize the reader experience. In fact, news and media companies adept at using audience engagement data drive higher recirculation, time on site, and visit frequency than their low data maturity counterparts.

One news company, in particular, implemented content testing tools that drove an estimated **40% increase in click-through rate** (CTR) compared to its previous performance at a lower data maturity level[1].

# Increase direct-paying relationships with readers

The shift to subscription and other non-ad-based revenue models is causing many news and media companies to think of readers as consumers. Much like an online retailer, these news and media companies use data to:

· **Understand** reader behaviors, needs, and lifetime value
· **Identify** when readers are likely to purchase subscriptions
· **Tailor** products and services to better serve readers

News and media companies that successfully build **valuable direct-to-consumer relationships** with their readers not only see the **near-term benefits of increased revenue** but also reduce operating volatility through **long-term, recurring revenue streams**. News and media companies adept at using data in subscription and other consumer revenue models increased reader retention, conversion rates on paid products, and overall revenue per reader.

Mature news and media companies are seeing **conversions increase by up to 30%** on some non-core products and driving up to **20% more subscriptions** than less mature companies, while others are building entirely new revenue streams based on insights into what readers are likely to buy[1].

# Drive revenue from advertisers

**News and media companies gather unique and reliable first-party audience data** to counteract the scrutiny of third-party data and ensure compliance with user privacy regulations. The study showed that advertisers want to collaborate with news and media companies to uncover rich reader insights from that data to craft effective audience-based and contextual campaigns. Leading news and media companies know their readers better than anyone, and they create content to attract and retain those readers. They do not develop digital platforms simply to serve advertisers, but they can drive additional value by acting as advisors in the creative and campaign development process.

In fact, news and media companies adept at using audience engagement data can **optimize cost per thousand impressions** (CPM) across both direct and programmatic channels by **up to 20%** compared to less mature companies, as well as expand the scope of advertising campaigns based on rich reader insight[1].
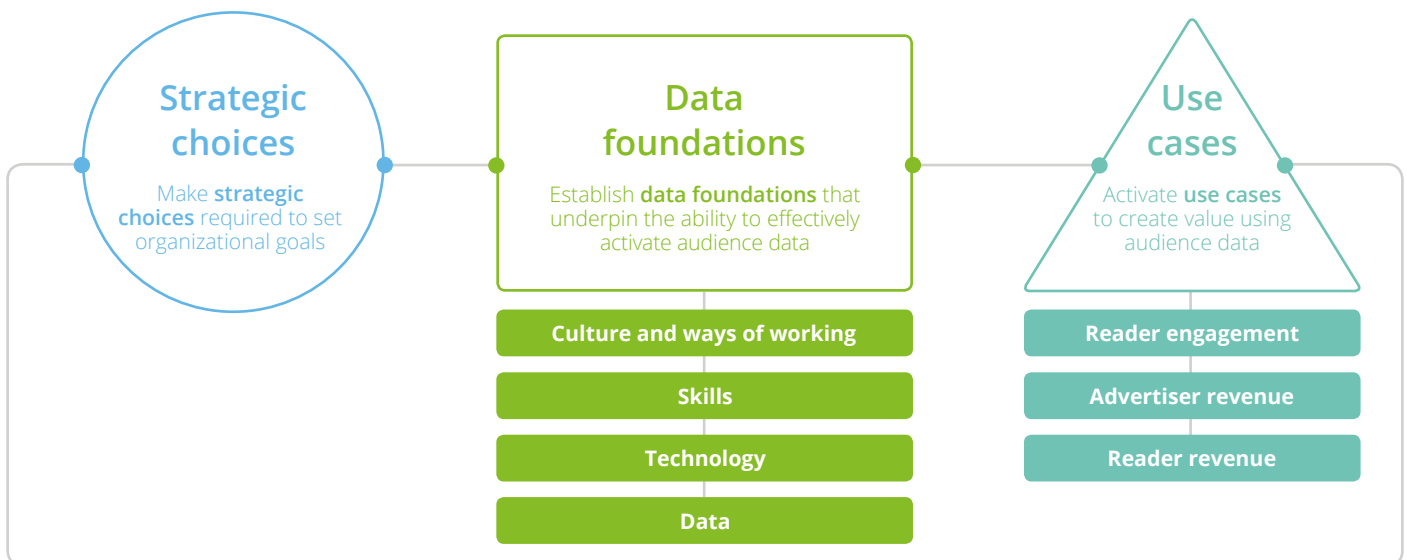
# Thinking about digital transformation...

Getting the most out of these use cases requires an advanced level of data maturity that many news and media companies are still working toward. Improving data maturity was a strategic priority for all of the news and media companies that participated in the study, but **the road to transformation requires a clear direction and deliberate choices about where to focus**.

The **Data Activation Framework** sets out three critical stages to digital transformation, and the accompanying **Data Activation Guide** details actionable steps news and media companies can take across these stages to increase their data maturity:

## Data Activation Framework

**Strategic choices**

Make **strategic choices** required to set organizational goals

**Data foundations**

Establish **data foundations** that underpin the ability to effectively activate audience data

Culture and ways of working

Skills

Technology

Data

**Use cases**

Activate **use cases** to create value using audience data

Reader engagement

Advertiser revenue

Reader revenue

# Charting the path forward

Based on study survey results, only 9% of the news and media companies that took part in this study were defined as leading, the highest maturity level. **These best-in-class companies successfully use audience data to drive revenue, and they record market-leading financial performance.**

While leading companies capture additional revenue-generating opportunities related to audience data, many news and media companies invest in audience data simply to sustain their current readership. In such a challenged industry, news and media companies are understandably focused on pursuing the best path to improve their data maturity — **now is the time to act**.

# Appendix

## About the study

As part of this study, Deloitte held interviews with **more than 80 individuals across more than 50 news and media companies from 16 countries across the globe**. Study participants spanned:

| Formats 👁 | Sizes ⤢ | Genres ✎ | Revenue Models ⇄ |
|---|---|---|---|
| Digital, print / digital hybrid, and broadcast media outlets | From $60 million in annual revenue to over $2 billion in annual revenue | News and entertainment | Advertising-based revenue and subscription-based revenue |

In order to compare news and media companies' data capabilities across regions and highlight how organizations can become more advanced, Deloitte created a **Data Maturity Scale** with four distinct levels of maturity - Level 1 (Nascent), Level 2 (Developing), Level 3 (Mature), and Level 4 (Leading).

In addition to representing the news and media company perspective, interviews were conducted with more than **20 technology providers, advertisers, and advertising agencies** to understand the data trends affecting the overall news and media ecosystem.

## Market nuances

While there are some broad regional themes, more meaningful distinctions in trends can be drawn from looking at different market archetypes.

### Leading markets

Digitally mature news markets (i.e., the United States, the UK, Northern Europe, and Australia) are also, historically, mature print news markets. Print subscriptions remain a viable source of revenue in these markets, and they often serve as testing grounds for industry innovations, including the emergence of digitally native players, subscription models, diversified revenue models, and advances in technology. The news and media companies in these regions are focused on translating that success to digital subscriptions. Proven demand and a willingness to pay for premium content motivates these companies to develop products that attract and retain digital subscribers.

### Markets on a course toward leading

Other markets such as, Spain, Italy, and Israel may have high or increasing penetration of digital news, but audiences show less willingness to pay for premium news content. Success with the ad-based revenue model remains a primary focus of investment, but many news and media companies are also experimenting with innovative revenue models that show early success, giving them confidence that while advertising may continue to be a core part of their business, they will be able to create more sustainable, diversified revenue models. The advertising market, in these regions, is also evolving as more brands look to target consumers based on their interests rather than demographics, often requiring significant investments in technology by the news and media companies.

### Evolving markets

Markets undergoing macroeconomic changes (i.e., increases in Internet connectivity, smartphone adoption, literacy rates, or aging populations) have another set of dynamics that affect news and media companies. India and Japan are notable examples of markets where demand for print news remains strong. In India, this demand is likely due to rapidly increasing literacy, while in Japan, this demand is likely due to an increasingly older population with a propensity for print over digital media. In regions dominated by smartphone-first digital audiences who primarily access news via social apps, or aggregators, news and media companies find it challenging to create direct-paying relationships with readers. Typically, these markets also have rapidly evolving advertising ecosystems that require news and media companies to invest in first-party data capabilities and technology infrastructure.

# Contributors

## US

**Rob Aitken**
*Managing Director,*
*Media & Entertainment*
*Monitor Deloitte,*
New York
raitken@deloitte.com

**Tyler Heidebrecht**
*Monitor Deloitte,*
New York
theidebrecht@deloitte.com

**Kyle Hebenstreit**
*Monitor Deloitte,*
Chicago
khebenstreit@deloitte.com

## EMEA

**Ed Shedd**
*North West Europe*
*TMT Industry Leader*
*Monitor Deloitte,*
London
eshedd@deloitte.co.uk

**Amanda Bott**
*Monitor Deloitte,*
London
amabott@deloitte.co.uk

**Felix Lepetit**
*Director, Media*
*& Entertainment*
*Deloitte,*
London
*felixlepetit@deloitte.co.uk*

**Hannah Simmonds**
*Monitor Deloitte,*
London
hsimmonds@deloitte.co.uk

## APAC

**Sachin Shirwalkar**
*Monitor Deloitte,*
Hyderabad
sacshirwalkar@deloitte.com

# Deloitte.

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In collaboration with the

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