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MEDIA/PUBLISHING

Condé Nast banks on audience engagement with paywall move

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Condé Nast is moving to paywalls. Image credit: Condé Nast

By SARAH JONES

Media group Condé Nast is asking readers to invest in its digital content as it plans to expand its paywall strategy to its entire portfolio of U.S. brands.

After seeing success with metered paywalls for three of its titles, Condé Nast anticipates that readers will be willing to pay for the digital extensions of all of its brands, including *Vogue* and *Architectural Digest*. The media landscape has become more challenging in recent years due to the rise of digital consumption and subsequent drop in advertising revenue, making this move a potential solution and subscription driver for Condé Nast.

"Publishers need to find ways to make money from readers without relying only on advertising. Period," said Vincent Krsulich, senior vice president of Martini Media, New York.

"Condé Nast has *The New Yorker*. Readers love it. Readers will pay for it," he said. "Reader should pay for it."

Mr. Krsulich is not affiliated with Condé Nast, but agreed to comment as an industry expert. Condé Nast was reached for comment.

Paywall plan

In 2014, Condé Nast decided to institute a metered paywall for *The New Yorker,* and it has since locked up online content for *Wired* and *Vanity Fair.*

For each of these titles, the paywall was bespoke to the publication and based on consumer demand and engagement.

This approach will continue in this further rollout. For instance, some brands will have metered paywalls, while others will have certain content that is locked.

Beyonce's September 2018 cover for Vogue magazine. Image credit: Vogue

According to a report in the *Wall Street Journal*, *The New Yorker* increased its paid subscription revenues by 69 percent in 2015, a year after the paywall went up.

Condé Nast's executive vice president of consumer marketing Monica Ray also told the outlet that she expects subscription revenues to go up following this move. Pamela Drucker Mann, Condé Nast's chief revenue officer, noted that she does not anticipate digital audiences declining as a result of the switch.

The format of a metered or partial paywall will also allow casual readers to retain access on an occasional basis.

In a letter to Condé Nast employees sent on Jan. 23, CEO and president Bob Sauerberg wrote, "Our brands are the most influential in the world, our audiences are loyal and engaged and our position in the industry enables us to make this statement about the value of our content. Today, we're continuing our company's tradition of being bold and leading the industry so that Condé Nast grows and thrives long into the future."

While there is a risk for Condé Nast that it could lose advertising revenue, the media group is looking to potentially charge a premium for access to engaged, subscribing audiences.

"I am not privy to the financials, but generating revenue from readers along with revenue from advertisers looking to target those readers equals more money," Mr. Krsulich said. "Clearly, creating a magazine and charging readers a subscription and then putting that same content — or similar — online for free does not work."

Media evolution

Condé Nast has continued to announce major changes within its organization as it attempts to navigate the new media world.

The group has announced it will be officially combining its Condé Nast United States and Condé Nast International divisions. Along with the merger, CEOs of both groups will be stepping down (see story).

While high-end brands have been slower than mass players at adopting digital advertising, luxury marketers are allocating more of their budgets towards online media.

According to Zenith's fourth annual "Luxury Advertising Expenditure Forecasts" report, a third of luxury brands' advertising spend in 2018 was put into digital channels. Luxury brands' total ad expenditures were poised to grow slightly, driven primarily by digital spend.

High luxury labels are more apt than broad luxury brands to turn to print. These brands spent 57 percent of their overall ad budgets on magazines and other print media in 2017.

Zenith expected this portion of ad spend to decline to 55 percent in 2018 (see story).

"For some [magazine media], perhaps [this is the answer]," Mr. Krsulich said. "Is your magazine interesting and wanted? Does it have content that you cannot get anywhere else for free?

"If the magazine is unique and wanted, readers will pay for it," he said. "The one thing to keep in mind: this is not a scale game. The content has to be unique and interesting and targeted."