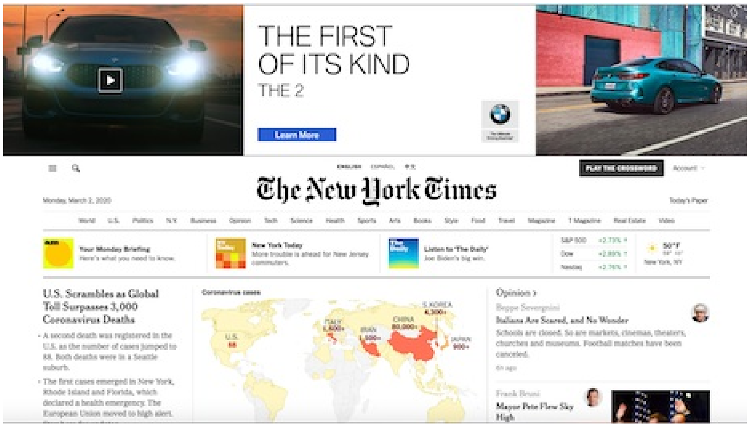
Luxury Daily®
The News and Intelligence You Need on Luxury

MEDIA/PUBLISHING

Publishers shift focus from advertiser to customer

March 3, 2020



The New York Times has become the largest news publication by paid subscription in the United States, almost taking on a monopoly status in the market. Image credit: The New York Times

By Collin Colburn

At Forrester, we talk a lot about the age of the customer a 20-year business cycle where empowered customers are shaping industries.

Within the media industry, publishers usually have two main types of customers:

1. Advertisers that want to buy ad space to reach a publisher's audience
2. Consumers who read/watch/view the publisher's content

Publishers have been burned in the age of the customer

Historically, publishers have made most of their profit and revenue from selling ads.

Some publishers also rake in money from subscriptions or newsstands.

But in the age of the customer, technology has completely changed the way that we consume news, TV shows, movies, music, et cetera. And it has also changed the way that advertisers buy ad space from publishers.

The result for publishers? Their bottom lines have been squeezed on both the advertiser side and the consumer side.

As publishing has gone digital, advertisers can buy ads for a fraction of the price compared to print ads. And consumers have largely grown accustomed to accessing content for free.

So publishers have been forced to rethink their business models to find cost savings and make decisions on how best to win, serve and retain customers in this new age.

Now, publishers are prioritizing consumers over advertisers

There is evidence in the earnings statements from premium publishers that they are choosing consumers over advertisers as the path forward. They realize that vying for consumer attention is harder than ever, and if they lose these consumers, then they lose advertisers, too a smaller audience size means fewer impressions for advertisers.

Rather than try to appease advertisers, publishers are investing in producing quality content and luring in new subscribers.

A few points of evidence from recent earnings calls:

- *The New York Times* in its Q4 2019 earnings saw both print and digital ad revenue decrease 10 percent year over year. The publisher said that it "expected to continue generating revenue more from readers than from the advertisers." *The New York Times* also recently said it will remove programmatic ads from its mobile app due to ads slowing down its loading time.
- In Meredith's Q2 2020 earnings, its CEO, Tom Harty, explained, "We are growing consumer-related revenues that is reducing our reliance on traditional advertising." This quote builds on Meredith's Q1 2020 earnings, where Mr. Harty stated, "As we see decreased advertising demand or volume over time, we plan to change the portfolio and look at opportunities to increase our consumer revenue."
- In Tribune Publishing's Q3 2019 earnings, CEO Timothy Knight remarked, "We continue to make progress on our stated goals of margin improvement and growing our digital-only subscriber base."


Collin Colburn is senior analyst at Forrester

Collin Colburn is senior analyst at Forrester Research, Cambridge, MA. Published with permission.