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## Software Review

# Improving newspaper subscription services

### Shaun Doyle

is CEO of Cognitive Box, an Analytical CRM consulting provider. He has been involved in over 200 projects around the world that have been involved with improving marketing performance through the use of technology. He is currently involved in three projects – social network analysis projects in the United Kingdom, United States and Israel. Before setting up Cognitive Box he was Founder and Chairman of Intrinsic, a campaign management vendor acquired by SAS in March 2001. While at SAS, he was involved in the development of the SAS Marketing solutions: Marketing Automation, Marketing Optimization and Interaction Management.

**ABSTRACT** In the last few years, revenue from advertising in the newspaper industry has been in decline. In some cases, we have seen falls in excess of 60 per cent. This means that the core business of selling papers has to move into the red. In many cases, advertising revenue has been subsidizing non-profitable subscription and home delivery services. There is real focus in the industry to make the core business profitable. I have been working with a number of publishers, and found that many of the challenges and potential solutions are common. This paper explores the approach taken and some of the solutions proposed to improve the business.

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### BACKGROUND

I have been working for a number of years with a variety of companies in the United States and Europe. Last year, I did a number of CRM projects with newspaper subscription services.

I found that many of the business challenges were common to the publishers in the United States and Europe. This paper outlines an approach and the results of a series of business discovery workshops aimed at identifying opportunities for business improvement. Some of the details have been modified to ensure client confidentiality.

A series of facilitated workshops was implemented to collect the underlying information used to drive the recommendations. Key business functions were represented in the workshops. These included

- Marketing
- Single copy sales
- Subscription services
- Finance
- Channel management (mainly the web)
- Content
- Ad sales

**Correspondence:**  
Shaun Doyle  
Cognitive Box  
(Consulting),  
11 Middle Way, Oxford,  
OX2 7LH, UK.

### Objectives of the workshop

The objectives of the workshop were as follows:

- to develop a better understanding of the business,
- to share experience of customer management across various industries,
- to identify potential areas for business improvement.

### Outline agenda

The agenda of the meetings was as follows:

- Introductions
- Meetings' objectives
- High-level business description and challenges
- Customer management processes
  - Acquisition
  - Cross- or up-sell
  - Retention
  - Win-back
- Customer Communication Management
- Supporting structures
- Online Customer Experience Management

### Preparation

A set of background materials was provided by the client team before the workshop began in order to provide some business content and allow the workshop to focus on understanding the key business challenges and possible solutions.

## BUSINESS OBJECTIVES AND CHALLENGES

The following section describes the business objectives and challenges identified in the meetings.

### Business objectives

The following key business objectives were identified during the meetings.

- Increase number of active core high value subscribers.
- Increase profitability of individual subscribers.

Core customers are those in the local catchment area for the newspaper.

These objectives were to be achieved by deploying the following strategies.

- Increasing the number of active subscribers
  - Improving acquisition activities
    - New customers
    - Former customers (win-back)
  - Improving retention activities
- Increasing the profitability of individual subscribers
  - Reducing acquisition costs
  - Reducing level of non-payment rate
  - Increasing average subscription value
  - Upgrading the customer subscription
  - Cross-selling non-subscription products and services
  - Reducing the cost of managing the customer
  - Reducing the cost of win-back

These activities were to be achieved within the framework of the brand and its associated brand values.

### Business challenges

The following key business challenges were identified during the meetings.

- The attrition rate is generally increasing across all segments.
- The attrition rate is fastest in customers who were acquired in recent years.
- The attrition rate is increasing at the end of the promotional period (use as an acquisition tool).
- The non-payment rate is rising for some segments of subscribers.
- The quality of the delivery services is causing retention problems; this is being exacerbated by the increasing gas costs,

- which are making it non-viable for agents in some areas.
- Approximately 20 per cent of ‘core subscribers’ are on a perpetual discount.
- Drive customers to use the self-service environment and reduce load on call center

Non-payment is where a customer orders a subscription on a bill-me-later option, and then fails to make any payment. The current process allows this non-payment to continue for 83 days. This is because the subscriber recognition policies for ad revenue purposes allow these non-paying subscribers to be counted as circulation for ad sales purposes.

In addition, changes in business direction from senior management meant that

- the subscription services business cannot use advertising revenue to fund non-profitable subscribers.

## POTENTIAL OPPORTUNITIES

The following section documents potential opportunities for business improvement that were identified in the workshop.

## ACQUISITION

The following is a list of potential activities that could be used to improve the performance of the acquisition activities:

### Improve measurement systems

There appears to be no daily automated reporting of key marketing and campaign metrics. This is a major flaw in the current environment.

You cannot manage what you cannot measure.

It was recommended that the team build out a series of standard reports that can be used to monitor the following factors:

- Subscriber metrics, including subscriber distribution by tenure (core)

- Marketing dashboard
- Customer satisfaction – (for example Net Promoter Score)
- Subscriber profiles
- Campaign performance
- Channel performance
- Targeting model performance
- Home delivery financial performance reporting

## Moving away from a price-based proposition for acquisition

It was generally agreed in the meetings that the key reason that people subscribe to the newspaper is its content. Yet, the focus of most of the promotional activity is price.

It was recommended that the team test the use of non-price-based offers that focus on the quality of the product and the convenience of home delivery service.

In this market, home delivery was cheaper than newspaper stands.

## Implementation of a segment-based approach

It was recommended that the team should develop and test a segmentation-based approach to acquire cross-sell and retention activities.

Geography was the only segmentation approach that was consistently used.

## Extension of the range of acquisition models

There are a number of acquisition models that have been used in the past. These need to be extended and enhanced.

These models should include the following types of data:

- Marketing contact history
- Operational contact history
- Web visit activities
- Segment involvement

These data types are not currently being used in any modeling processes.

The following additional models should be developed:

- Best time of day to call
- Best day of week to call
- Price sensitivity model
- Channel preference models
- Product acquisition models by segment and product proposition
- Customer lifetime value (CLV) model
- Service-related risk model
- Core subscriber look-alike model
- Media mix models (optimal marketing \$ investment)
- Non-payment

The non-payment was developed and deployed as part of a follow-on project and proved very successful.

### **Enhancement of the modeling environment**

In order for the data-mining team to meet the demands to build, deploy and re-calibrate the proposed models, the current modeling environment will need to be enhanced, and the current ETL process used to create the data required for the model should be automated.

### **Increase in the use of email as an acquisition channel**

The email channel represents a potential low-cost acquisition channel. Some email campaigns have been carried out in the past, but this is not a core part of the acquisition process.

It was recommended that the team enhance the acquisition and maintenance processes for email addresses, and test the use of email as a core part of the acquisition process.

There are some excellent examples of the use of email for acquisition activities in Europe.

The delivery environment should support the measurement of revenue generated, and not just open and click through rates.

### **Use of HTML email**

Currently, a mix of TXT and HTML email formats is used across email communications.

It was recommended that where possible, HTML is used as it provides a powerful media and response rates are much higher.

### **Increase the use of the web as an acquisition channel**

In the past, the web was an important acquisition channel for subscription services, but pressures on advertising revenue has meant that the home delivery service has had a reduced presence on the group site. A number of US publishers, for example *New York Times*, have shown that the web is now one of the most cost-effective channels for subscription services.

It was recommended that the team secure more effective presence on the corporate website.

### **Friend-get-friend/share us with friends**

Currently, the team does not use friend-get-friend activities to support acquisition. The core value of this paper and the nature of the readership would indicate that these types of marketing activities would be very effective.

It was recommended that the team develop and test a range of friend-get-friend marketing activities.

### **CROSS-SELL**

The following is a list of potential activities that could be used to improve the performance of the cross-activities.

### **Enhancement of cross-sell of non-subscription services**

It is fair to say that the current up-sell activities of subscription services is quite mature. But there is a significant opportunity to increase the level and sophistication of cross-sell activities for non-core products. This will help to increase

overall subscriber profitability and reduce attrition.

It was recommended that the team develop a coherent contact strategy for the cross-sell of the Newspaper Store. In addition, the team should look to develop other products and services that would appeal to the subscriber base and complement the brand.

In this case, the publisher had an online store that sold a variety of branded items.

### **Implementation of models to target cross-sell and up-sell activities**

There is no use in cross-sell or up-sell models supporting cross-sell and up-sell of subscription and non-subscription products and services.

It was recommended that the team develop and deploy targeting models as an integral part of all cross-sell and up-sell activities.

These models should include

- Product or service propensity models
- Channel preference models

As the level of cross-sell activities increases, it will be necessary to develop more sophisticated

- offer optimization processes and
- offer prioritization processes

This will need to be supported by offer management technology.

### **Implementation of personalized offers on the web**

Currently, the offers on the website are generic.

It was recommended that the team integrate the campaign management environment with the web, and facilitate the delivery of personalized offers through the web. The response rates for these types

of offers are typically 3–4 times higher than generic untargeted offers.

### **Extension of the concept of personalized offers to the inbound call center**

A number of attempts have been made in the past to provide personalized offers in the customer service centers. These have proved quite effective.

It was recommended that the team expand these activities and more tightly integrate the campaign management environment with the call centers.

### **Exploitation of operational communications**

As part of the management of the relationship with a subscriber, a range of operational communications is sent to the customer. These communications represent a good opportunity to re-enforce the brand and cross-sell products and services.

### **Exploitation of operational communications for marketing**

It was recommended that the team review the current operational communication process and identify opportunities to use or improve the implementation of these communications for cross-sell and up-sell.

This included the execution of the transactional email strategy.

## **RETENTION**

The following is a list of potential activities that could be used to improve the performance of the retention activities.

### **Extension of the range of attrition models**

There are a number of attrition models that have been used in the past. These need to be extended and enhanced.

These models should include the following types of data:

- Marketing contact history
- Operational contact history

- Web visit activities
- Segment involvement
- Historical purchase behavior

The following additional models should be developed:

- CLV model
- Core subscriber churn model
- Channel preference models
- Segmentation models

The following have been delivered to date:

- Price sensitivity model
- Channel preference model – further work required

### **Enhancement of retention communications**

At the moment, retention communications are not heavily differentiated.

It was recommended that the team enhance the current retention communications so that they are more highly targeted. The following should provide input into the retention communication stream:

- Subscriber value
- Probability to churn
- Customer segment
- Response to prior communications

Where possible, all communications should be personalized and should reflect our current understanding of the subscriber's involvement.

### **Implementation of trigger-based communications**

In addition to using attrition models to identify at-risk subscribers, it was recommended that the team develop a set of trigger-based campaigns that augment the standard retention communications.

There are a number of operational triggers that clearly identify at-risk customers.

The communication process should then be fully automated using the campaign management technology.

### **Use of loyalty scheme to enhance personal data**

The loyalty scheme provides a valuable reason for the customer to provide supplementary data.

It was recommended that the team explore the use of the loyalty scheme as a basis for collecting valuable personal data on a subscriber.

### **Creation of targeted benefits package in Loyalty Program**

The loyalty scheme is a valuable tool for retention, but the benefits package needs to be enhanced and aligned to customer expectations.

It was recommended that the team review the role of the Loyalty Program and develop an enhanced benefits package using partners. It is also recommended that the team look at significantly extending the penetration of the program into the subscriber base.

### **WIN-BACK**

The following is a list of potential activities that could be used to improve the performance of the win-back activities. This is in addition to the items described under the section on acquisition.

### **Enhancement of models**

There are key times and/or events that represent good opportunities to attempt win-back activities. These events can be modeled.

The following additional models should be developed:

- Win-back propensity
- Price sensitivity model
- Channel preference models

It was recommended that the team develop additional models to support win-back activities.

## WEB EXPERIENCE

The following is a list of potential activities that could be used to improve web experience and revenue.

### Implementation of personal web offers

As discussed in the previous sections, there is significant revenue potential that can be derived from implementing personalized web offers that are based on targeting models.

It was recommended that the team implement personalized offers on the site.

### Implementation of segment-based site

There have been a number of attempts by other websites to personalize the customer experience through the deployment of a segment-based view on the site (for example Red Sox version of the MLB site). This approach, while not fully personalizing the site, has improved the customer web experience.

It was recommended that the team explore this option.

### Implementation of personal portals

There have been a number of examples of sites that have moved to personalized portals. But the infrastructure costs and impact on advertising revenue are a concern.

It was recommended that the team only monitor developments in this area.

## COMMUNICATION STRATEGY

At the moment, there does not appear to be an overall communication strategy.

It was recommended that the team develop an overall communication framework that can be used to manage the experience of the customer.

The communication strategy should take into account the following factors (Figure 1).

## SUPPORTING ENVIRONMENT

The following section describes the required supporting environment.

### Functional capabilities

In order for the business to deliver the aforementioned activities, the following



Figure 1: Overall framework for customer communications management.

capabilities should be available in the supporting environment:

- Customer data repository
- Campaign management capabilities
- Data-mining capabilities
- Report development and delivery capabilities
- Email delivery capabilities

### Integration

The customer data repository needs to be integrated with

- Email delivery environment:

to facilitate the delivery of email either in batch or realtime and measurement of marketing effectiveness

- Web:

to facilitate the delivery of personalized web offers and measurement of marketing effectiveness

to provide data on subscriber visit behavior

- Call center:

to facilitate the delivery of personalized offers in the call centers and measurement of marketing effectiveness

The email delivery capability needs to be integrated with the

- Web:

to facilitate measurement of revenue generated from email activities.

### Data requirements

The customer data repository should hold the following types of data as a minimum

- Customers (subscriber, prospect, ex-customers)
- Households
- Subscriptions
  - Current and historical price plans

- Payment history
- Marketing contact history
- Marketing response data
- Operational contact history
- Web visit behavior
- Model scores
- Segment involvement
- Customer events

## BUSINESS CHANGE

The delivery of business change in any organization is not easy. But there are a few recommendations that I would make.

### Develop a business improvement program

As can be seen from the recommendations above, there are a number of areas where business improvement could potentially be achieved. In order for these to be effectively managed, an analytical CRM program should be established. This would consist of a number of sub-projects that are managed within an overall program framework.

### Create an overall road map

In order for all the various activities to be planned and coordinated, a common vision needs to be created in the form of an overall program road map. This does not need to be a detailed document, but should have just enough detail that all parties understand how their activities or sub-projects fit. It also allows the various business priorities to be agreed upon.

### Business case

A solid business case that all parties buy into is essential if the required resource is to be applied and business focus maintained.

### Quick wins

For a long-term program to maintain the support it needs, it is essential that a series of quick wins are mapped out through the early stages of the program.



**Senior executive support**

The program needs senior executive support if the required resource is to be obtained. It is essential for any project team to secure an executive sponsor who will secure and sustain senior management support.

**SUMMARY**

The next year or so will see some major titles either changing hands or going out

of business. The rapid decline in advertising revenue has forced a major change in the business models used in the industry. It has also forced organizations to make changes in the core business of selling newspapers.

The adoption of solid proven analytical CRM approaches is gaining momentum as organizations realize the valuable asset that they have in customer data.