Building Bridges: Bringing Ads and Subscriptions Together for a Better User Experience

The publisher's path to harmonious revenue

ZUORA

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Introduction

The publishing tug of war

In the fast-paced world of online news and media, publishers face the constant challenge of finding the perfect balance between ads and providing a relevant and seamless content experience for their users. On the one hand, advertising plays a crucial role in generating revenue that is often too significant to be ruled out entirely. But on the other hand, a smooth, uninterrupted experience is essential for engaging an audience, building trust, and forming a robust digital subscription model. Striking the right balance between these two elements is key to achieving overall success in digital publishing. Encouraging audiences to return to the site while also providing a balanced revenue split will help publishers survive any market disruptions that could otherwise "rock the boat."

With that in mind, this e-guide is designed to provide insights and best practices for digital publishers looking to strike the delicate balance between ads and seamless content experiences. We'll be providing tips to help maximize the benefits of both, delve into the importance of each revenue strategy, and discuss the best practices for now and the near future.

Let's dive in…
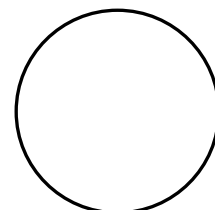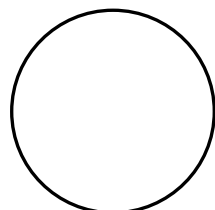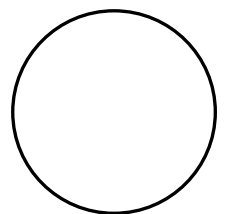
01 Is advertising revenue declining?

The advantages, challenges, and new opportunities

According to the **Reuters Institute for the Study of Journalism**[1], the significance of display advertising as a revenue stream for publishers declined from 81% in 2020 to 73% in 2022 — a notable drop that caused widespread disruption. The decline occurred simultaneously with the swift expansion of the advertising platforms of major technology giants such as Facebook, Google and TikTok.

However, things might not be as negative as they appear. With the loss of third-party data, publishers could now be in a stronger position for advertising, as many have focused on collecting and possessing valuable first-party data from their users — data which is proving highly attractive to advertisers. This means that although we've seen what appeared to be a shift away from advertising, it's still a relevant part of any revenue strategy today.

Let's dive into why on-site advertising offers several advantages for publishers:

1. **Greater agility:** Digital advertising is highly flexible, with publishers able to work alongside chosen partners to optimize ads for their audiences.

2. **"Passive" revenue:** On-site advertising provides an additional source of revenue for publishers, without the need for extensive in-house resources. While it might not be as predictable, this makes it a great way to diversify revenue streams and increase overall profitability.

3. **Better control:** With on-site advertising, publishers have more control over the ad content, placement, and frequency of ads, allowing them to optimize their revenue and the look and feel of a website as they see fit.

4. **Higher relevance:** Advertising with accurate first-party data allows publishers to target specific audiences with relevant ads, improving the user experience and increasing the likelihood of ad engagement.

5. **Better tracking:** On-site advertising allows publishers to track and measure ad performance, which can help to improve future ad campaigns and revenue generation.

[1] https://reutersinstitute.politics.ox.ac.uk/journalism-media-and-technology-trends-and-predictions-2022

It's clear that advertising is an integral part of digital publishing as it plays a vital role in generating revenue and supporting the growth of the publisher. Additionally, as digital advertising continues to evolve and become more advanced and personalized, it presents new opportunities for publishers to connect brands with their target audience and increase their revenue streams.

But for all the benefits advertising offers, it also comes with one big challenge: ad blocking technology.

Ad blockers are not new, with as much as **15.7% of US internet users**[2] employing ad blockers as early as 2014, this technology has been a concern for publishers for a while. And to this day, they still impede the delivery of ads, reducing potential views for advertisers. Despite efforts to diversify revenue streams, publishers are still facing the impact of this disruption, as advertising revenue is only paid when viewed. The widespread adoption of ad blockers, with over **763 million ad block users worldwide**[3] in 2019, poses a threat to the future profitability of advertising.

Keeping that major challenge in mind, where can publishers go from here to combat the friction of advertising and maximize effectiveness?

- **Offer ad-free options:** As discussed previously, many publishers are simply turning towards other revenue streams to avoid the challenge. Offering users the option to view content without ads by providing a premium subscription service.

- **Use non-intrusive advertising formats:** Publishers can use ad formats that are less intrusive and less likely to be blocked by ad blockers, such as native advertising and sponsored content.

- **Leverage tools that improve first-party data collection:** For example, subscription experience platforms can help collect explicit AND implicit first-party data, building a robust knowledge of existing audiences. Once this data is connected to Data Monetization/Resolution Tools, publishers can drive increased CPMs for ads, offering extremely accurate targeting.

- **Improve ad quality and relevance:** There is room for publishers to work on improving the quality and relevance of their ads to reduce the likelihood of users turning on ad blockers. By using data-driven targeting and personalization, they can deliver ads that are relevant to the audience, improving the user experience and reducing irritation.

- **Collaborate with ad-blocker providers:** While it might sound counterintuitive, publishers choosing to work with ad-blocker providers might not be such an out-of-the-box idea. In this way, it can create mutually beneficial solutions, such as allowing relevant ads, limiting the number of ads, or providing adblock users with alternative revenue models.

- **Educate users:** Considered by some as a last resort, publishers also opt to educate users on the importance of ads in supporting free content, and how ad blockers negatively impact the publishing industry. This usually involves explaining the importance of supporting the site and presenting different actions for the reader, such as whitelisting the site, signing up for a subscription, video ad engagement in exchange for free articles, or disabling ad blockers altogether. Pop-up messages could be a great way to get the message across to users.

As we can see there are a number of ways to optimize revenue from advertisement and remove friction for the user experience. Even so, with all this speculation and uncertainty in the market, it would seem sensible to avoid relying solely on an advertising-based revenue model.

Ultimately, the question remains, should publishers put all their eggs in one basket, or can advertising and subscriptions co-exist?

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> Advertising is always going to be an important part of every media business's revenue mix, the difference now is that it's probably not going to be the most important part as it was for the last 70 years.
>
> **James Hewes**
> President and CEO,
> FIPP

[2] https://www.statista.com/statistics/804008/ad-blocking-reach-usage-us/
[3] https://www.statista.com/statistics/435252/adblock-users-worldwide/

# 02 The role of valuable content in a successful digital publishing strategy

For many publishers, advertising has taken second place, and subscriptions have main priority. This means dedicating more resources to delivering the best content possible. In the context of digital publishing, that includes ensuring articles, videos, podcasts and images all encourage users to want to keep reading and engaging.

The importance of a subscriber-based revenue model lies in the fact that it offers several key benefits:

- **Increased engagement:** With ample resources and focus dedicated to content, a website will be more engaging and less likely to be ignored by users. That means users come back to the site on a regular basis, which could increase multiple revenue streams in the long run.

- **Better user experience:** With a focus on subscriptions, publishers can craft strong user journeys that deliver seamless and enjoyable experiences. This helps to boost conversions and retention and keep engagement high.

- **Higher relevance:** Subscription journeys inherently help publishers gain more data on users and understand their preferences through registration forms and paywalls. This means content in a subscription journey can be tailored to a specific audience, making it more relevant to a user's preferences and increasing the likelihood of a satisfactory brand experience.

- **Predictable revenue:** With metrics that are easy to track (such as churn rate, activity and frequency of engagement), subscriptions offer a way to make accurate revenue predictions for the future.

Furthermore, subscription revenue can also benefit ad revenue by providing detailed and valuable user data. This data can be used to create more targeted ad campaigns, resulting in higher engagement and revenue for advertisers. Additionally, the high levels of user engagement that can be achieved through subscriptions can boost time spent on a website, potentially increasing the visibility and effectiveness of ads.

With these benefits in mind, it makes sense that publishers are favoring subscriptions over other models. But while subscriptions might offer an arguably superior revenue stream, they do have a higher barrier to entry. In order to convert a user to a paid subscriber, the content has to present value to a user with an experience that is personalized. This requires a robust strategy versus encouraging ad clicks, but considering the benefits of focusing on high-value content, many publishers believe it's worth it and could pay off in the long run.

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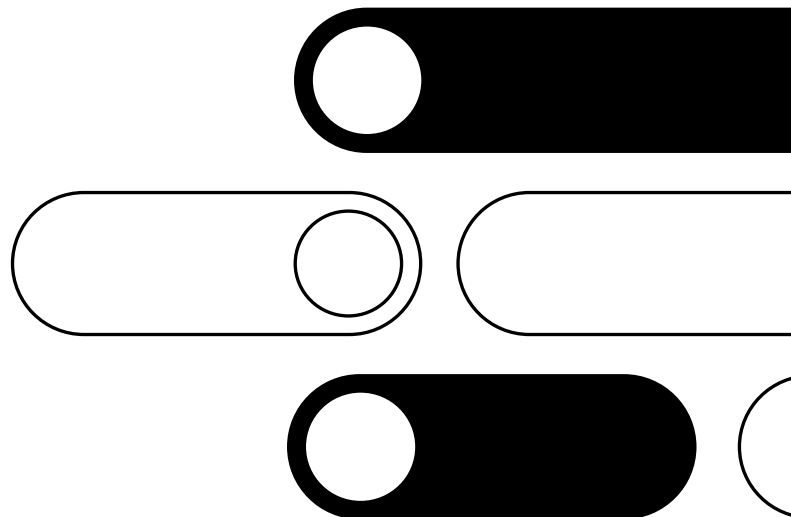
Today, valuable content is the currency that wins the trust and loyalty of subscribers. With the ever-increasing demand for trustworthy news and relevant information, publishers are looking to invest in creating content that not only informs but also educates, entertains and inspires the individual needs of their audience. Providing value to digital subscribers is no longer optional but has become a necessity for publishers who seek to build a sustainable and profitable business in the long run.

Chris Petitt
Content Marketing Manager,
Zephr, a Zuora Company

03 A peaceful co-existence

With many publishers struggling to determine how to best allocate resources for the optimal revenue outcome, it poses the question: Can the two co-exist, or even benefit each other? And if so, how do publishers determine the right balance of ads to valuable content?

Before we answer that, here are some key considerations publishers may want to take note of to ensure the best possible outcome for both revenue streams:

- **Ad format:** There are display or box ads, interstitials, overlays, takeovers, video, advertorials and even pop-up ads that news sites can use to promote their products or subscriptions. Regardless of the intent of the ad, the format requires significant consideration as it can impact the user experience. Intrusive ad formats, such as pop-up ads or auto-play video ads, should be used sparingly and wisely. These might be more appropriate in certain situations, such as when users are spending less time on the site or consuming shorter content, but if overused, can negatively impact the audience's perception and experience. Placing ads in appropriate locations, such as in-between articles or at the end of articles, rather than right in the middle of content, can help to ensure that the user experience is not as disrupted. Ultimately, creating harmony between ads and content.

- **Target audience:** Understanding the target audience, including their interests and demographics, is critical to determining the right proportion and strategy for revenue models. With a good understanding of new and existing audiences, publishers can determine how users might react to ads or subscriptions respectively. For example, **studies show**[4] that while Gen-Z notes that they dislike ads in the traditional sense, more than a third (35%) said they are OK with native ads like sponsored content. This means that if a publisher determines from their subscription registration forms that their main readers are primarily Gen-Z, they can adapt their advertising strategy to suit these preferences, tailoring the frequency of ads and personalizing them to be more relevant to their audiences.

- **Native advertising:** Following on from the point above, native advertising, also known as sponsored content or advertorial, is an advertising format that appears like a publication's editorial content but is actually paid for by an advertising business. It is also a great workaround for ad blockers. In local and regional magazines, native advertising often resembles a regular article with the addition of a "Sponsored Content" header. It can be produced either by the advertiser or by the publisher themselves. In some cases, engaging an audience with these types of advertisements can be easier than banner ads because native content provides a better and more seamless user experience.

- **Trust:** Building trust with audiences is a critical aspect of digital publishing, and it is essential for maintaining a loyal and engaged following. One of the most effective ways to build trust with an audience is by providing high-quality, relevant, and valuable content that aligns with the audience's interests and values. This includes not only editorial content but also any advertising that is included on the site too. Publishers can demonstrate their commitment to trust by being transparent about the nature of advertisements and employing proper quality control to avoid deceptive practices such as misleading ad copy or hidden tracking technologies. By doing so, publishers can help to build trust with their audience, which can translate into increased engagement and revenue in the long run.

- **Brand awareness and reputation:** Another aspect to consider before allocating investment in the different strategies is brand awareness and reputation. Is the brand perceived as high value? Is the brand well-established and recognized? If so, suddenly switching to an advertising-heavy strategy or a hard paywall subscription could disrupt that perception and be damaging. When creating any revenue strategy, careful, gradual implementation with clarity and transparency will prove the best way to incorporate new revenue models without raising red flags for users.

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[4] https://www.sailthru.com/marketing-blog/how-publishers-can-appeal-to-gen-z/#:~:text=More%20than%20a%20third%2C%2035,fre-quent%20purchases%20based%20on%20ads.

With those considerations in mind, we can now look at how ads and subscription revenues can complement each other. While this balance will vary from publisher to publisher, a good starting point is to consider business objectives and understand how metrics align. For example, if a specific revenue objective isn't being hit, a publisher could look at the average time that users spend on the site, as well as the type of content being consumed. If users are spending a significant amount of time reading in-depth articles, it might be possible to push for subscription sign-up or include more ads to maximize revenue from that time on site. However, if users are spending less time on the site or consuming more shallow content, fewer ads might be appropriate to focus on nurturing the user and providing a satisfactory experience.

In general, increased ads equals increased dissatisfaction with the experience, which leads to less time on site. If publishers aren't careful, they can end up in a downward spiral. Essentially, the balance comes down to ensuring that ads don't interfere with content and user experiences in order to maintain a positive interaction. This can be achieved, as discussed previously, by placing ads in appropriate locations, using non-intrusive ad formats, such as advertorials, and ensuring ads are relevant either to reader interests or to the content topic itself.

When ads and subscription revenue work in harmony, publishers can maximize the benefits of both strategies. For example, an ideal ad-content balance might look something like this:

1. A user clicks on a specific sports-related article (e.g., golf news).

2. As they're reading, the article offers an ad-free experience, but the sidebar shows the publisher's sports media subscription, a service which might interest them. Not only is this non-intrusive to their experience, but it also offers potential increased value.

3. Add natural breaks in their reading (e.g., at the end of the current article they're scrolling through, or as they click to the next suggested article, they see a pop-up advert related to third-party golf products). This ad speaks to the user's interests and relates to the article they've just been reading, so it feels natural.

4. After reading the next article, the user sees another recommended article section, and this time it shows a sponsored content post from a well-known golf brand, outlining the benefits of using a certain product.

5. The user eventually decides to register as a subscriber to the publisher's sports media subscription and shares some information on their personal preferences and interests in the process. This information is then used to tailor future content journeys and ads, so they're relevant and personalized.

As you can see, with the right balance and framing, ads and subscriptions can actually enhance a user's experience and benefit both publisher and reader. If a user signs up and becomes a subscriber, their first-party data can then be used to serve more accurate ads and sponsored content, making the experience valuable and relevant to the user.

The answer is yes, both advertising and subscriptions can co-exist, and can do so brilliantly to bring more value to users. But as with most things in the world of publishing, the correct balance can vary from publisher to publisher. The best way to know for sure what works is to adopt a "test and iterate" approach. Building an infrastructure that allows for rapid customization of user journeys, ad placement, paywall and registration forms will allow publishers to run rapid tests on user segments. With real feedback from audiences, it becomes possible to determine things like optimal ad placement, content-to-ad ratio, and advert types.

At every step of implementation, real feedback and rapid testing can be employed to de-mystify these aspects and avoid the guesswork.

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Organizations that have a very clear focus on driving value, measuring the value that is received by their customers, and being very hyper-focused on that are going to stand themselves in better stead [to survive the economic pressure on people's wallets].

Aled John
Deputy Managing Director,
FT Strategies

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It looks like we're heading towards a situation where successful media companies are going to have 4 or 5 different revenue streams [that co-exist], rather than the one or two that they had in the past.

James Hewes
President and CEO,
FIPP

Many publishers say a balance of the two revenue streams is actually best since markets can change. We've seen this happen in the past with the death of third-party cookies, and the move towards a more content-focused approach. But while some have been panicking about declining ad revenue, the good news is, many still believe subscription and ad revenue models have a way to evolve. In a recent media conference[5], Financial Times CEO John Ridding said, "There is still 'strong growth' to be had in both revenue streams."

This is a mentality reflected in recent results. The Digital Publishers' Revenue Index (DPRI) by the **Association of Online Publishers (AOP)**[6] and **Deloitte**[7] indicates that display advertising had a consistent growth of 13.9%, increasing from £59.8 million in Q3 of 2021 to £68.1 million in Q3 of 2022. Additionally, subscriptions also exhibited positive growth in the same quarter, rising by 12.1% in 2023 when compared to the same period the previous year. According to the AOP, this increase in revenues highlights a very positive online audience readiness to pay for high-quality content, even in the midst of a cost-of-living crisis.

And although ad block remains a concern for publishers, the situation in 2023 may not be as gloomy as anticipated. **Damien Radcliffe**[8], the Carolyn S. Chambers Professor of Journalism at the University of Oregon, notes that while some short-term projections show a downward trend, long-term trends indicate a steady increase in advertising. According to Group M, the three-year compound annual growth rate for total advertising spending from 2019 to 2022 is expected to be 8.8%, which is nearly identical to the 8.7% growth rate seen during the advertising boom of 2016 to 2019.

In addition to this positive news about advertising, during the pandemic news consumption increased due to lockdowns and reduced access to print newspapers, which surfaced the opportunity for publishers to start incorporating digital subscriptions as a revenue strategy. The New York Times Company, for example, added about **180,000 net digital-only subscribers in the second quarter of 2022**[9]. It now has 9.17 million paid subscribers, with a goal of 15 million by the end of 2027.

5 https://www.deloitte.co.uk/mediatelecomsbeyond/
6 https://www.ukaop.org/research
7 https://www2.deloitte.com/uk/en/explore/home.html
8 https://whatsnewinpublishing.com/author/damianradcliffe/
9 https://www.nytimes.com/2022/08/03/business/media/new-york-times-quarterly-earnings.html

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News remains core to our value proposition, but the bundle helps ensure that The Times is indispensable to an ever-widening group of people, even as news engagement ebbs and flows.

Meredith Kopit Levien[10]
President and Chief Executive,
The New York Times Company

The New York Times is going "all-in" on their subscriptions for the future, incorporating a crucial element into its approach by differentiating between subscribers and subscriptions. It's now possible for a single subscriber to hold subscriptions to multiple products offered by the company, such as The Athletic, Cooking, and Wirecutter. By combining digital offerings with its news coverage, the company hopes to attract fresh audiences who possess diverse interests. This bundling strategy could be something we see more widely adopted as subscriptions progress.

This surge in digital subscriptions seen by The New York Times and other publishers could suggest that increasing subscription revenue is critical in what many consider to be the "new normal."

With all those insights in mind, it appears that both revenue streams are growing and equally have lots of unique benefits to offer.

[10] https://www.nytimes.com/2022/08/03/business/media/new-york-times-quarterly-earnings.html

05 It's a win-win future

In conclusion, striking the balance between ads and native content is essential for digital publishers looking to engage their audience, generate revenue, and build brand awareness. The two revenue models can not only co-exist peacefully, but they can also benefit each other, providing a robust means to understand an audience better, keep them engaged and demonstrate value at every stage.

Whichever strategy publishers choose to employ, one thing is for certain: by understanding their users better and building trust with audiences, publishers can create a harmonious experience that benefits both the user and the publisher. This will enable publishers to weather any storm in the future.

Additionally, it's important to keep in mind that the digital landscape is constantly evolving, and what works today may not work tomorrow. Therefore, publishers must remain agile and adapt quickly to changes in consumer behavior, technological advancements and industry trends. One way to do this is by adopting a test, learn and iterate approach. Not only does this provide quantitative reasoning and data-driven changes, but it also ensures publishers gain valuable insight about their audiences that competitors simply won't have.

For more help planning a successful digital publishing strategy for the years ahead, take a look at our guide:

Starter Kit :Succeed With Digital Subscriptions

For more help planning a successful digital publishing strategy for the years ahead, take a look at our guide "Starter Kit: Succeed With Digital Subscriptions".

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