Read Between the Lines: How Publishers Can Thrive in Today's Online Marketplace With Location-Based Targeting Tools

A Publishing Industry Brief from Digital Element

The Layout Has Changed for the Publishing Industry

According to a study released by the Pew Research Center, more people said they got their news from the web in 2010 than from a physical newspaper.[1] It was inevitable—a major first and a wake-up call for the publishing industry. This really shouldn't come as a surprise because the Internet has become one of the most significant communications tools of our lifetime.

There's no doubt the Internet has significantly changed the publishing universe. Traditional print boundaries have all but disappeared as publishers continue to move online or even to digital-only formats. However, it's not all doom and gloom if you read between the lines. Although the steady erosion of boundaries is producing formidable challenges for the publishing industry, it is also creating new opportunities for publishers to enhance their revenue streams.

Consider this comScore data for newspapers taken during the fourth quarter of 2010[2]:

- An average of 105.3 million people per month visited a newspaper website.

- Visitors spent an average of 3.4 billion minutes per month browsing newspaper websites, generating an average 4.1 billion page views per month. That works out to about 32.3 minutes and 38.9 page views per individual per month.

- These online audiences include a high proportion of desirable demographic segments. The sites reach 58 percent of 25- to-35-year-old adults and 73 percent of individuals living in households earning more than $100,000 per year.

- Online advertising revenues from newspaper websites are also growing, including an 11 percent increase between the third quarter of 2009 and the third quarter of 2010, to $690 million.

With access to multiple delivery channels, publishers can now offer more relevant, engaging content to different segments of their audience—when, where and how their readers prefer. And, many times that means providing more high-value news and information that connects within local communities, closer to home.

"Hyperlocal" content addresses both consumers'—and advertisers'—needs. According to media research firm Borrell Associates, local online advertising has grown 45 percent each year for the last five years[3].

Traditional print media simply cannot prosper any longer by pushing broad-brush content out to the masses once a month or even once a week. That explains why 74 percent of the industry says it is now fully engaged in implementing digital versions of publications,[4] where content can easily be updated daily, hourly or even by the minute.

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But, publishing success in today's digital world will depend heavily on technology. In fact, 71 percent of publishers believe that as digital publishing business models evolve, the right technology will make or break a publication.[5] Increasing consumer demands for accessing content across multiple channels and on multiple devices drives home the need for publishers to more closely align with solution providers that offer cross-functional technology that can support a number of strategies, from enhancing the reading experience to increasing revenues.

The dynamics of the online market are still largely changing. The market at the local level, for example, is different than that on a national scale. Both require different strategies in terms of content creation and revenue models. Technology exists to easily address these different strategies for publishers that realize the value in interacting with consumers at a local level. Digital Element's IP Intelligence, with its strong geolocation capabilities, empowers publishers to identify the real-time location of online readers. This information can then be used to localize content, geo-target advertising, or gain insight into the performance of online initiatives.

New Online Intelligence Makes for Good Reading Material

IP Intelligence provides comprehensive information about an online user such as geographic location (country, region, state, city and ZIP code/postcode), as well as connection speed, Internet Service Provider (ISP), language, domain name, demographics, and more—all based on a user's IP address.

Previously, there had not been a way to reliably extract such information about online users unless they provided the information. Not to mention, using third-party databases and other such methods to gain customer insight have proven less than accurate. Some widely used techniques such as cookies, which plant a small file on the user's computer to trace online activity, are considered extremely invasive by a growing number of Internet users who are turning them off to avoid being watched by "Big Brother."

By utilizing IP Intelligence, publishers now have a way to actively reach out to a previously unidentifiable, hard-to-segment online audience—the unregistered user—and begin to build a solid relationship by offering news or useful information that appeal to the reader where it matters most—close to home. With IP Intelligence, publishers can automatically connect with consumers from the very first visit in a way that is relevant, by delivering localized content such as weather, traffic and breaking news; community-based information on events; targeted display ads (the advertising revenue foundation for many print publications); and, if the user is identified as having a high-speed connection, rich media content such as live video feeds of police chases, sports highlights or celebrity interviews.

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Paywall or Free for All, IP Intelligence Is Applicable for Both

As publishers have increasingly moved more of their content to the Internet, they have, in turn, looked for new ways to monetize the online channel. As such, it has presented publishers with an epic dilemma: whether or not to ask consumers to pay for content.

Paywalls, or features of a website that only allow access to certain pages or content for paid subscribers, have turned into a bone of contention from both inside and outside the publishing industry. Never mind that a number of media outlets have demonstrated a successful move from free content distribution to some form of pay model. Both the *Wall Street Journal* and *The Economist* have charged for their online articles, and *The New York Times* is following suit. HBO

and Showtime have tens of millions of cable subscribers willing to pay for original television content on a monthly basis. Sirius XM Radio recently surpassed the one-million-subscriber mark mid-last year.[6]

The British newspaper market, in particular, is emerging as an important proving ground in the content debate of free versus paid. On one end of the spectrum, *Mail Online*, the website of The Daily Mail, is leveraging its free content to reach huge new audiences as print circulation and advertising decline. The paper sees a number of opportunities that come with a large web audience, among them the ability to market other paid services, such as the paper's iPad and iPhone applications.[7]

On the other side, media magnate Rupert Murdoch has experimented with a paywall for *The Times*, the United Kingdom's leading business newspaper, and has generated some positive data that indicates consumers are willing to pay for digital content. During the course of three months, it was revealed that the paper had 105,000 digital-only subscribers, as well as an additional 100,000 joint print/digital subscribers. Approximately 50,000 of the digital-only subscribers were monthly and included subscribers to the website, iPad app and Kindle edition. The rest were either single copy or pay-as-you-go customers.[8]

Although the publishing industry is furiously looking for the optimal model to make money from online content, many are still split when it comes to free content versus content behind a paywall. On average, publishers believe 54 percent of their content will be free to consumers—behind no paywall—while 46 percent of content will be charged for.[9]

The public has repeatedly demonstrated its willingness to spend for content as long as there is some degree of perceived value. The important point to remember, of course, is that the *type* of content has a lot to do with whether people will pay.

Regardless of whether publishers go with a paywall or free-for-all approach, IP Intelligence can help ensure that relevant content is automatically delivered to readers and that publications are maximizing their online marketing initiatives.

Location-Based Targeting Is Necessary to Compete Today

The competition is rapidly intensifying in the local and hyperlocal space. AOL's recent announcement about its new digital network of local online news sites, Patch.com, being rolled out in hundreds of towns across the United States signifies how serious the hyperlocal online news business has become. Other big publishers, including *ESPN* and *New York Times*, are also ratcheting up their efforts by expanding coverage of local communities in the hope of tapping into new ad revenues associated with consumers' thirst for more local information.

Big and small publishers alike will need geolocation capabilities to compete and thrive at a local level. The ability to geotarget delivers value in several key areas:

- **Targeted online advertising -** Location-based targeting allows publishers to create and deliver ads, coupons and discounts within geo-specific areas. In fact, a large Asian newspaper used geolocation targeting and saw a significant increase in both unit price and click-through rates (CTR) as a result of adopting geo-targeted advertising. The newspaper experienced as much as a 160-percent increase in unit price and 400-percent increase in CTR.

- **Content localization -** Because publishers have an estimated eight seconds to make a good impression online, they need the ability to present visitors with customized content on the fly to help simplify and enhance the reading and information-gathering experience. IP Intelligence can automatically supply website visitors with local weather, traffic, sports, jobs and entertainment news, based on a user's ZIP or postal code. For publishers that operate globally, visitors can immediately be routed to sites with local language and currencies.

- **Online community building -** As publishers continue the trend of building social networks within their websites, they will need a mechanism to deliver customized content (i.e. information, events, classifieds, coupons, promotions, etc.) that resonates within local versions of these socialized communities.

- **Enhanced analytics -** IP Intelligence is the perfect complement to online analytics applications. By leveraging geographical and other IP Intelligence data within analytics packages, publishers can further segment and gain deeper insight into consumers' behaviors—the true benchmark for critical assessment of online marketing and services.

Publishers See Success with Localized Content: Case Studies

Digital Element has been building success for—and bringing value to—the publishing space since 1999. Two real-world examples of successful IP Intelligence applications are described below.

Scenario

Headquartered in San Francisco with offices in New York, London, Paris, Barcelona and Taipei, Zinio, the global leader in digital and interactive publishing products and services, provides consumers with the ability to shop for, search inside, read, share and save digital content in 26 local newsstands in any country in the world. Offering thousands of the most-recognizable publishing brands, Zinio partners with leading international publishers that include Hearst, IDG, Meredith, Bonnier, Bloomberg, Wenner Media, The Economist Group, G+J Bertelsmann and Mondadori, to name a few.

Because Zinio serves digital content to millions of people globally, it is imperative for the company to help its publishers understand the nuances and elements of each unique consumer, using technology that delivers robust insights about global usage.

Solution

Zinio's award-winning technology platform securely delivers premium digital content—in more than 29 different languages—to millions of desktops, laptops, tablets, smartbooks and mobile devices. The company focuses on offering a range of services to help publishers reach and acquire new

customers worldwide and extend their brands in new ways. The company wanted a technology that would accurately handle localization direction for international audiences on its global commerce site, improve geolocation tracking for reporting metrics for various marketing touchpoints, and provide a more relevant experience for end consumers.

After evaluating Digital Element's IP Intelligence solutions, Zinio selected the company's NetAcuity® product, based on the technology's strong geolocation capabilities, ease of implementation, and accuracy of data.

Success

Zinio has successfully leveraged Digital Element's IP Intelligence solution to:

- Improve its understanding of the way in which consumers interact with its publishing site;

- Better segment its online audiences; and

- Seamlessly deliver targeted content to its diverse and global online base of readers.

The solution has enabled Zinio to provide a strong data set to its publishers with a higher quality of accuracy while allowing the company to track and redirect consumers to appropriate localized newsstands based on geolocation. As Zinio discovers new ways to deliver online content that addresses cultural and geographic differences as well as information and entertainment needs for its growing digital audience, the company plans to continue to leverage IP Intelligence to offer even more personalized, geolocation services.

Scenario

Guardian Unlimited, the United Kingdom's most popular online news site, has a solid reputation for trust, transparency and best practice. In order to build on that reputation, this unique site—which is in fact a network of sites dedicated to particular interests such as news, politics, books, film, sports, media, finance, education, travel and money—began searching for a better way to

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understand its online audience and to utilize this knowledge to drive new revenue streams.

As Guardian Unlimited advertisers began moving their focus from page impressions to unique users, it was clear the company could benefit from knowing where online users were located in order to increase ROI for its customers' advertising campaigns by delivering content that was more relevant to their audience. Although Guardian had long audited the number of unique users and pages served per month, and had backed that up with surveys to establish the type of users it had, the company had no clear statistics on how many of its users were based in the United Kingdom. And, while the company suspected that it had a large international audience, it had no way to verify that information and capitalize on the international advertising opportunities that knowledge would bring.

Solution

After some initial research, Guardian began the search for an IP Intelligence technology provider. The company's primary concerns were accuracy, the partner's responsiveness, the technology's resiliency, ease of implementation and cost. Guardian wanted a company it felt would not only strive to ensure accuracy, but also would be responsive if it had inquiries about the data.

Guardian selected Digital Element's NetAcuity IP Intelligence technology because the company— and its technology—met Guardian's requirements more extensively than any other supplier. Guardian also noted that the other competitors' technologies, while adequate on U.S. data, did not have reliable data for Europe and the rest of the world, which the company realized was vital to its success.

With this solution, Guardian now had the capability to gather new, previously unavailable information about its online audiences without invading their right to privacy. This new insight would allow Guardian to increase revenues by segmenting traffic globally and serving those audiences with advertising that is relevant to them where they live.

Success

The company has verified that its suspicions were correct—it had a large international online following. Guardian has been able to

more effectively use its inventory to develop its international advertising markets, providing a much clearer idea of the breakdown of its online audience, which adds to the bottom line. Also, the company's ability to target online advertising has driven up yields and helped Guardian to protect its stellar industry reputation.

Guardian has also been pleased by benefits it had not anticipated when initially implementing Digital Element's solution: the insight that the data provides about online users allows the company to apply the technology in innovative ways such as for support strategy planning, caching and collocation strategy and website functionality improvements

Connect With and Engage Digital Readers Closer to Home

Forward-thinking distributors and publishers such as Zinio and *The Guardian* believe in the convenience and revenue potential of digital publishing. Some of the latest research suggests that local online ad revenues will reach $42.5 billion by 2015.[10] However, publishers still need to leverage original, high-quality content to build a powerful and engaged audience in the digital space. And, by making online reader engagement a priority, digital revenue streams are sure to follow. In fact, digital media is predicted to represent 23.6 percent of all local ad spending by 2015.[11]

For the most part, publishers offer a commodity product with a fairly short shelf life which is becoming increasingly difficult to sell as unique or different, taking into consideration the viral nature of the Internet. And, the build-it-and-they-will-come mentality no longer works in the online world. Publishers are struggling to survive in an already crowded and competitive marketplace and will need to act quickly to distinguish themselves (and their content). With the right business model, a consumer-first approach, and a website rich in relevant content personalized for individual readers, publishers will have a good chance of thriving into today's marketplace.

IP Intelligence is an extremely powerful location-based targeting technology that can make a tremendous difference in any publisher's ability to connect with its readers. For adopting publishers,

it can help deliver dramatic differentiation in the online experience, especially in terms of leveling the playing field with others already competing in the local and hyperlocal space. Additionally, IP Intelligence can help publishers distance themselves from those media "dinosaurs" that continue to deliver general content to the masses with no sense of urgency in today's 24/7 news cycle.

> With the right business model, a consumer-first approach, and a website rich in relevant content personalized for individual readers, publishers will have a good chance of thriving into today's marketplace.

By using geolocation to more effectively reach consumers in new and meaningful ways, publishers can gain a "first-touch" advantage and begin building a solid relationship based on delivering relevant content a little closer to home.

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About Digital Element

Digital Element delivers the de facto standard in IP Intelligence, providing coverage for 99.9999 percent of the Internet and collecting more than one million points-of-view daily from different online vantage points. Taking advantage of its patented technology and a team of dedicated data analysts, most of the world's largest networks, websites, video portals and social networks, access the most comprehensive set of IP data available to deliver targeting advertising, content localization, geographic rights management, video streaming localization and analytics. Through Digital Element's industry vision and leadership, this non-invasive technology has evolved into much more than geographic information and now includes other intelligence factors such as connection speed, domain name, ISP and language.

For more information on how to uncover new levels of insight about online users, please visit www.digitalelement.com. Digital Element is a business unit of Digital Envoy

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