News in a Mobile World
About This Series

The business of news continues to change at an astonishingly rapid pace. Like our local news partners, CNN must stay ahead of evolving consumer preferences, new delivery channels and shifts in business models and technology.

The following series, *News in a Mobile World*, is designed to provide our local news partners with thought-starters, ideas and perspectives on the mobile news landscape. Some news organizations are mobile ninjas; others have just begun to dip their toes in the water. Regardless, our hope is that this series proves useful in providing thought-provoking questions and best practices to help raise all of our games in the mobile news world.

This document, *Monetizing Mobile*, is the last in the four part series, discussing issues around monetizing your mobile programming, including advertising trends, CPMs, reach, categories and consumer preferences.
Is There Money in Mobile?

Arguably, the greatest challenge in mobile today is making money. Even leaders like Facebook and Yahoo have struggled with this issue - though that’s changing, as nearly half of Facebook’s recent advertising revenue is from mobile.

As advertisers continue to shift portions of their spending towards mobile, how can local news providers capitalize on this opportunity? Can a pure play advertising strategy make sense, especially if you focus on video ads and mobile coupons? And, is there additional revenue for the taking through in-app purchases and paywalls?

In this presentation, we’ll cover:

• Mobile advertising, including trends, CPMs, reach, categories and consumer preferences

• Monetization opportunities specific to coupons, video, in-app purchases and paywalls

• CNN’s strategy for making money in mobile
Advertising
Yahoo CEO Marissa Mayer draws a parallel to her early days at Google when people often said they loved search but saw little in the way of ad potential.

Mobile ads will follow a similar path over time. She insists ad success will happen pending “the right format, the right model, targeting, and the right quality of advertising content.”

Source: Ad Week, September 2013
Market is Quickly Growing

In 2012, mobile ad revenues in the US totaled $3.4 billion, up 111% from $1.6 billion in 2011. It is predicted to hit $10.8 billion by 2016.

Source: IAB, April 2013; eMarketer, 2013
Why We’re Bullish on Mobile

% of Time Spent in Media vs % of Advertising Spending, USA 2012

TV: 43% (Media), 42% (Advertising)
Print: 23% (Media), 6% (Advertising)
Web: 22% (Media), 26% (Advertising)
Radio: 10% (Media), 14% (Advertising)
Mobile: 12% (Media), 3% (Advertising)

Source: KPCB, December 2012
Monetization Challenges

The material upside for Ad$ catching up to time spent could represent a $14 billion opportunity in the U.S. alone.

% of Time Spent in Media vs % of Advertising Spending, USA 2012

Source: KPCB, December 2012
Mobile vs. All Advertising

We’re still early in the bell curve in mobile advertising. StrikeAd expects mobile advertising revenue to grow 70-80% this year.

Source: SNL Kagan, StrikeAd, August 2013
Growth will Continue

While mobile advertising is a fraction of total digital ad spend, it is growing quickly, driven primarily by search, mobile web display, and in-app display.

Source: Gartner, March 2011
CPM Challenges

Mobile CPMs are currently only about 1/5 of those for desktop.

Effective CPM, Desktop Internet vs. Mobile Internet

<table>
<thead>
<tr>
<th>Category</th>
<th>Desktop Internet</th>
<th>Mobile Internet</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3.50</td>
<td>$0.75</td>
</tr>
</tbody>
</table>

Mobile eCPM by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>eCPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weather</td>
<td>$1.24</td>
</tr>
<tr>
<td>Education</td>
<td>$1.17</td>
</tr>
<tr>
<td>Lifestyle</td>
<td>$0.89</td>
</tr>
<tr>
<td>Utilities</td>
<td>$0.68</td>
</tr>
<tr>
<td>Health &amp; Fitness</td>
<td>$0.68</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$0.68</td>
</tr>
<tr>
<td>Medical</td>
<td>$0.63</td>
</tr>
<tr>
<td>Reference</td>
<td>$0.55</td>
</tr>
<tr>
<td>Games</td>
<td>$0.51</td>
</tr>
<tr>
<td>Navigation</td>
<td>$0.49</td>
</tr>
</tbody>
</table>

Source: KPCB "Internet Trends" Report, May 2012
Video CPMs

However, mobile video CPMs are on par with desktop video ad spots and can range widely from $15 to $40, based on the demographic reached, the content and the advertiser.

Source: SNL Kagan - Economics of Mobile Programming, 2013
Mobile Consumers

89% notice mobile ads

66% search as a result of seeing an offline ad (TV, magazine, etc.)

Source: Google/Ipsos, 2012
Mobile Reach

The reach of some mobile publishers, like Facebook, Twitter and Instagram, rivals that of leading ad networks like Millennial Media.

![Select Properties by Mobile Monthly Active Users (millions), Global, 2013]

Facebook: 751.0
Millennial Media: 420.0
JumpTap: 356.0
Twitter: 215.0
Facebook Mobile Only: 189.0
Instagram: 100.0
Pandora: 70.8
Shazam: 62.0
Cut the Rope: 60.0
Zillow: 50.0
The Weather Channel: 38.0
Spotify: 26.0
Yelp: 10.0

Source: SNL Kagan, August 2013
Facebook Lesson: Mobile Ad Revenue

What happened?
• Mark Zuckerberg decided Facebook is a mobile company.
• He reorganized, embedding a mobile engineer in every product team.
• Facebook’s apps were rebuilt from scratch and advertising was core.
• Wall Street rewarded them.

Source: Cory Berman, GM of Breaking News, August 2013
Mobile Revenue by Category

Mobile sites and apps in the Music, Video & Media category consistently receive the most ad impressions, while Business, Finance & Investing produces the highest revenue per impression.

Source: Opera Media Works, 2Q13
Mobile Click Thru Rates

Rich Media click through rates are much higher than standard banner ads on mobile.

Source: Opera Media Works, 2Q 2013
Types of Mobile Ads

While standard banners are still the majority, tap-to-expand and video interstitial units (VAST) are on the rise.

Mobile Ad Types, 2Q 2013

Source: Opera Media Works, 2Q13
Best Performers

Travel and Entertainment advertisers are seeing the highest click thru rates.

Mobile Click Thru Rates by Category, 2Q 2013

- Travel: 2.61%
- Entertainment: 1.97%
- Mobile Content: 1.59%
- Automotive: 1.07%
- Games: 0.88%
- Beauty & Health: 0.81%
- Mobile Phone Services: 0.70%
- Food: 0.49%
- Mobile Phone Device: 0.35%
- Apparel & Accessories: 0.22%
- Sports: 0.21%
- Personal Finance: 0.19%
- Sales (eBay, Amazon): 0.18%

Source: Opera Media Works, 2Q13
What Consumers Say

Consumers want ads to provide value, coupons or context for shopping.

"Which, if any, of the following would make you willing to see advertisements on your phone?"

<table>
<thead>
<tr>
<th>Condition</th>
<th>18-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willing to receive any ads</td>
<td>76%</td>
<td>70%</td>
<td>70%</td>
<td>60%</td>
<td>67%</td>
</tr>
<tr>
<td>If I were to receive something of value in exchange</td>
<td>46%</td>
<td>38%</td>
<td>37%</td>
<td>32%</td>
<td>37%</td>
</tr>
<tr>
<td>If they come with a coupon</td>
<td>39%</td>
<td>38%</td>
<td>37%</td>
<td>23%</td>
<td>33%</td>
</tr>
<tr>
<td>If they are for products that I am shopping for</td>
<td>38%</td>
<td>34%</td>
<td>29%</td>
<td>24%</td>
<td>30%</td>
</tr>
<tr>
<td>If they are part of an app that I use for free</td>
<td>34%</td>
<td>30%</td>
<td>27%</td>
<td>26%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: Mintel, May 2013
Mobile Coupons

Mobile coupons, particularly for local activities, have a high level of interest from younger adults.

<table>
<thead>
<tr>
<th>Percentage who...</th>
<th>18-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redeemed coupons that were received on my cell/wireless phone</td>
<td>19</td>
<td>24</td>
<td>16</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Currently receive, or would like to receive, coupons, promotions, or deals on my phone from stores or restaurants near me when I am out and about</td>
<td>27</td>
<td>28</td>
<td>31</td>
<td>22</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: Mintel, May 2013; Experian Summer 2012
Open to Alerts

Interest in receiving mobile alerts from marketers has grown dramatically.

Assuming You Gave Permission, How Interested Would You Be in Receiving Mobile Alerts About New Products, Sales and/or Promotions from Your Favorite Merchants, Restaurants, or Stores on Your Cell Phone/Smartphone?

(Respondents at least somewhat interested)

Source: Placecast-Harris Interactive, May 2013
At CNN Digital

• We **monetize mobile** primarily through advertising and sponsorships.

• **Rich media ads and video pre-rolls** perform the best and command the highest CPMs.

• We **utilize a cross-platform strategy** that ties to all-platform journalism. Just as our content crosses platforms, we offer advertisers the same opportunity to sponsor a segment, special or vertical bundled across TV, desktop and mobile.
Recommendations

1. Take advantage of your local audience

Mobile ads that succeed will relate to the location of the viewer and/or provide an immediate solution to an existing problem. Local publishers are uniquely positioned to take advantage of this.

Example: Lunch hour is typically high traffic for news. Partner with Subway to run mobile coupons from 11am-2pm. Use the phone’s geo location to pinpoint the nearest Subway.
Recommendations

2. Focus on coupons

Mobile coupons present a clear opportunity for driving sales. About one in six adults have redeemed a mobile coupon, including more than 20% of users with a HHI of $100K+. One in four would like to receive offers for local activities on their phone.

And with the future potential of consumers using a mobile phone as a digital wallet, mobile coupons could quickly become the gateway to a mobile payment system.

Source: Mintel, May 2013
Recommendations

3. Go after leisure brands

The discounted price for placement of mobile ads (compared to PC ads) makes them attractive to leisure activity brands (local restaurants, theaters, live entertainment, exhibits, etc.) seeking a young, affluent target audience.

Providing a discount and running the ad alongside content attractive and relevant to such an audience should combine to result in effective conversions.

Source: Mintel, May 2013
4. Program video with intent

Video commands the highest CPMs and the audience, particularly on tablets, is increasingly watching more and more of it.

Be aware of how you program video. For example, increase the amount of video you offer on the weekends and go after advertisers focused on weekend activities like golf.
Recommendations

5. Bundle and sell cross platform

Identify content, segments, events and verticals that you can offer on TV, desktop and mobile. Develop advertising packages that offer them bundled platform sponsorship.

And with responsive design, advertisers do not have to choose between platforms. Their ads will automatically carry to mobile. CNN has seen tremendous success with this approach.
6. Grab the Land Now

Mobile is more about growing your reach right now than making money. Advertising will catch up and you want to have the audience when it does.

News is highly competitive. If you aren’t there, someone else will step in and grab your audience.
Apps
Strategy Analytics predicts global app revenue will rise past $35 billion by 2017.

Source: Strategy Analytics
Free vs. Paid Apps

Marketers often face the question of whether or not to charge for their apps.

What apps do people buy?

- **Games**: 93%
- **Maps, Navigation, Search**: 84%
- **Entertainment**: 87%
- **Food**: 77%
- **Productivity**: 84%
- **News**: 76%

Source: The Nielsen Company, 2Q12
What Will Users Pay?

While iPhone app prices have bottomed out, iPad app prices are still in decline.

Source: SNL Kagan - Economics of Mobile Programming, April 2013
## Paid Downloads Declining

Most publishers saw a decline in paid video app popularity between 2011-2012. However, Scripps has remained successful with its Food Network shows.

### iPad Paid Video App Leaders

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th></th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scripps Networks</td>
<td>18</td>
<td>38</td>
<td>↑</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Interactive</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CBS/CBS Mobile</td>
<td>20</td>
<td>8</td>
<td>↓</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Sling Media</td>
<td>3</td>
<td>3</td>
<td></td>
<td>34</td>
<td>0</td>
</tr>
<tr>
<td>Walt Disney</td>
<td>2</td>
<td>2</td>
<td></td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>NBC Universal</td>
<td>0</td>
<td>1</td>
<td></td>
<td>32</td>
<td>0</td>
</tr>
<tr>
<td>A&amp;E Television</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Networks</td>
<td>3</td>
<td>0</td>
<td>↓</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Discovery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MLB Advanced Media</td>
<td>34</td>
<td>0</td>
<td>↓</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>National Geographic</td>
<td>32</td>
<td>0</td>
<td>↓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>News Corp.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SNL Kagan - Economics of Mobile Programming, April 2013
In-App (IAP) Revenue Grows

In a year’s time, in-app revenue grew roughly 20%.

Total IAP Revenue Share

iPhone, United States

Source: Distimo, March 2013
In-App Model Popular

The majority of iPhone apps are free but other features (virtual goods, extra levels, etc.) are sold inside the app.

Revenue Breakdown Per Source
iPhone, February, US

- 71% In-App Revenue from Free Apps
- 24% Paid App Revenue
- 5% In-App Revenue from Paid Apps

Source: Distimo, March 2013
News App Users
Some app users do pay for news.

Percent of Tablet News Users Who...

<table>
<thead>
<tr>
<th>Have a digital subscription</th>
<th>Mostly Use Apps</th>
<th>Use Apps/Browser Equally</th>
<th>Mostly Use Browser</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>9</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Paid for news on a tablet</td>
<td></td>
<td>17</td>
<td></td>
</tr>
</tbody>
</table>

At CNN Digital

• We started with a paid app and moved away from it in exchange for a broader audience.

• It’s difficult to successfully charge for an app or in-app upgrades given how commoditized news is.

• It takes serious investment in a narrow topic to drive purchase. For example, The Washington Post created a premium election experience for political junkies.
You’re likely to be more successful going for reach and monetizing with advertisers than creating a paid app for news.

It’s difficult to differentiate a paid offering from free competitors and costly to sustain it.

Recommendation

Stick with advertising
Paywalls
Paywall Debate
Can a paywall or subscription service succeed?

For
- Can bring in additional revenue.
- The audience is used to paying for apps.

Against
- Limits the size of an audience that can be monetized through ads.
- Raises the barrier to entry.
Newspapers

There appears to be some success.

- Digital subscriptions now make up nearly 20% of all daily circulation.

- More than 400 U.S. newspapers out of 1,300 now use a paywall.

- Papers typically charge for unlimited access to desktop and mobile content.


- Digital subscribers to The New York Times Company (The NY Times and IHT) reached 676,000 in March 2013.

Source: Alliance for Audited Media, April 2013; The Street, August 2013; The New York Times Company, March 2013
“The present digital subscription model hasn’t impacted our traffic in any significant way and its created a second stream of revenue which we didn’t have two years ago.”

Eileen Murphy
Times, Spokeswoman
Market Trends

In June 2013, The New York Times introduced a metered pay wall across its suite of mobile news applications limiting the number of articles accessible to non-subscribers.

Market Trends

In August 2013, the United Kingdom’s The Sun locked all of its mobile sports content behind its app paywall.

The hope is to boost paywall subscriptions by offering “exclusive” content like highlights, statistics and video.
In July 2013, Google relaunched Zagat’s website and mobile apps – and removed the paywall that prevented open access to all. The aim is to expand the audience to compete better with Yelp and Foursquare.

Source: Google, July 2013
Experimenting

The Orange County Register is attempting to redefine the paywall model four ways:

1. **One price regardless of platform.** Most newspapers charge a discounted price for digital-only access.

2. **Time-based digital access.** If you buy the Sunday print edition you also get access to digital only on Sunday.

3. **Day passes.** For any 24-hour period you can pay a nominal fee to sample two days worth of content.

4. **Open archives.** The last 90 days of content is covered by the paywall. The rest is open to the public.

Source: Nieman Journalism Lab, April 2013
Recommendation

It depends on what you are

If you’re a newspaper and you have a subscription model in place that users are accustomed to, it may not be as big of a stretch to have a mobile subscription offering. But proceed with caution. As of mid-2013, Gannett, owner of 81 daily papers, has converted about 2% of its readers to subscribe to digital access.

If you’re a TV or radio station it’s a tougher sell. It’s difficult enough attempting to get users to pay for an app once. A subscription is an even higher hurdle.

Data Source: Alan Mutter, September 2013
A Few Takeaways

• While mobile advertising is still a fraction of overall ad spend, it’s growing fast. There’s plenty of headroom between time spent on mobile and advertising spending.

• The type of mobile ad matters. Banner CPMs are 1/5 of desktop, but video CPMs are on par with desktop. Rich media ads get higher click through rates than banners. Travel and entertainment lead performance by category.

• Younger adults are interested in mobile coupons, and overall openness to alerts is growing. Local publishers are uniquely positioned to take advantage of this.
A Few Takeaways

- At CNN Digital, we monetize primarily through advertising and sponsorships, with rich media and video pre-rolls performing the best. We sell across platforms in bundled packages across TV, desktop and mobile.

- While paid apps are declining, in-app revenue is climbing. At CNN, we ultimately moved away from in-app purchasing given the nature of the news marketplace. It might work if you had command of a very narrow topic (such as Washington Post election series).

- Many are experimenting with different paywall models, mostly in the newspaper industry. The subscription hurdle may be too high for broadcast companies.
A Few Takeaways

• Our recommendation? Until the mobile landscape shifts yet again in a way we can’t foresee (and it will!), we say focus on ad sales.

• Develop cross-platform packages that are appealing to advertisers.

• Go after local offers that tap into the phone’s native features, such as mobile coupons based on the user’s location.

• Increase your video inventory. Video has one of the highest CPMs for mobile.
Thank You
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