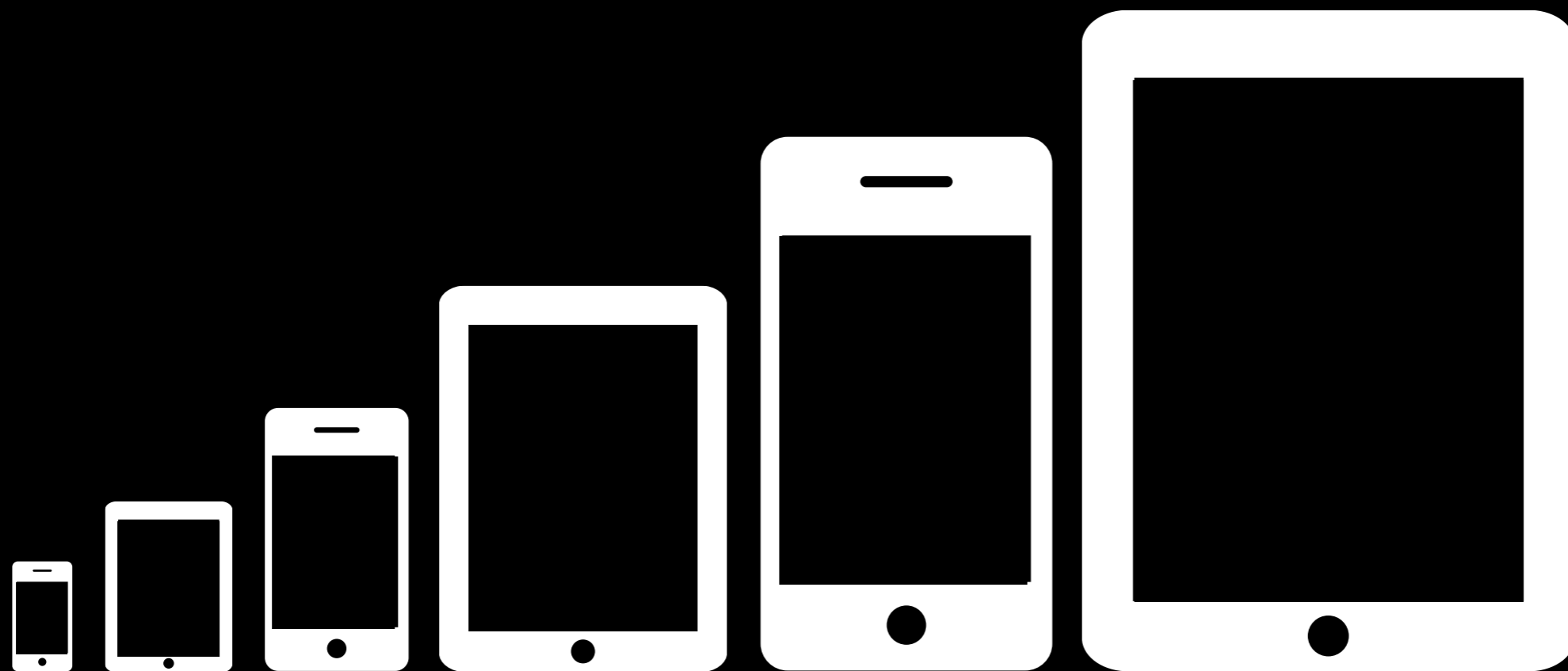


CNN NEWSOURCE[®]

News in a Mobile World



About This Series

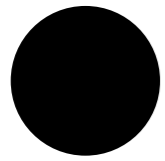
The business of news continues to change at an astonishingly rapid pace. Like our local news partners, CNN must stay ahead of evolving consumer preferences, new delivery channels and shifts in business models and technology.

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.

Pt.4

**Monetizing
Mobile**



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**

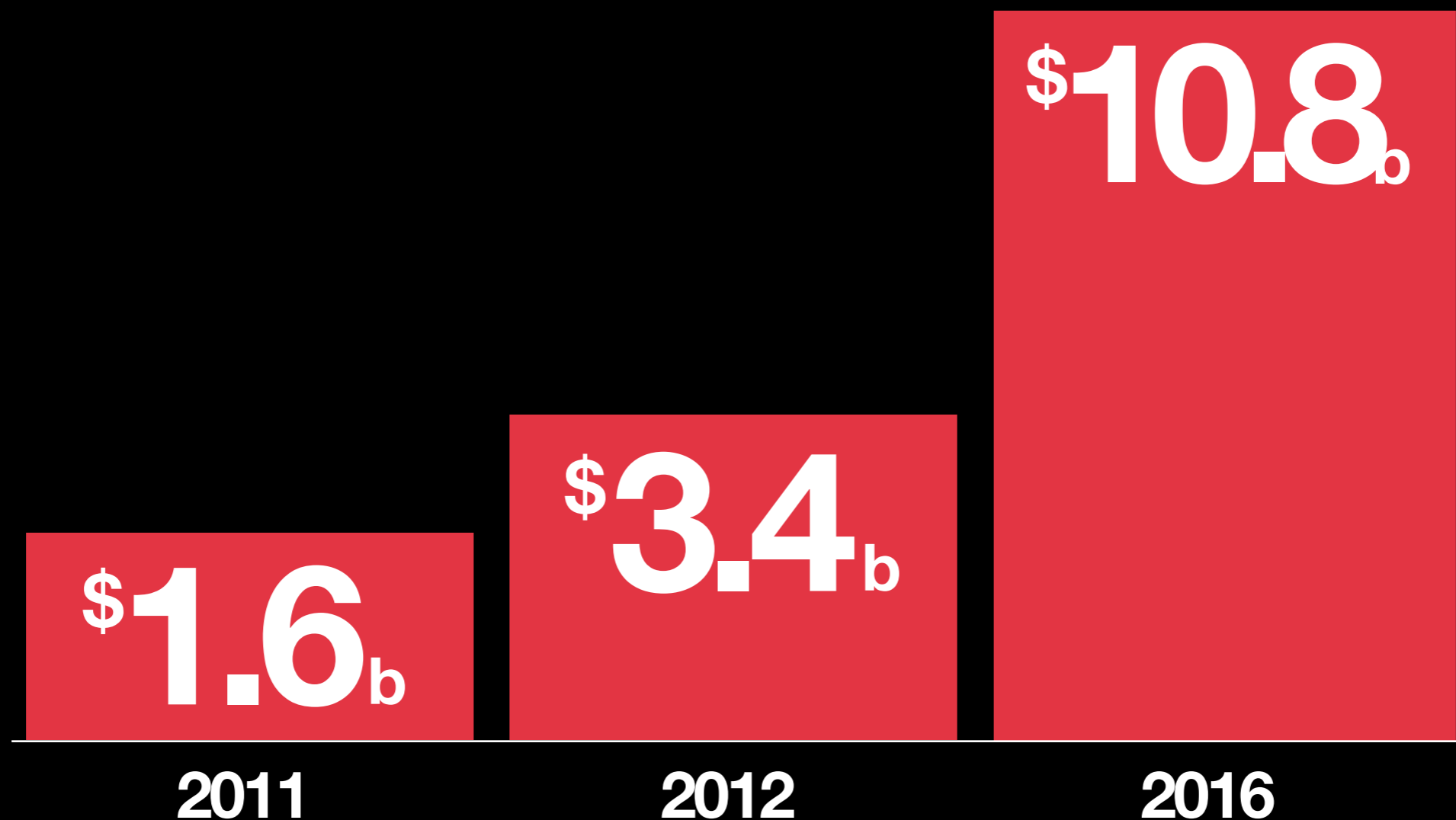
Advertising

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.”

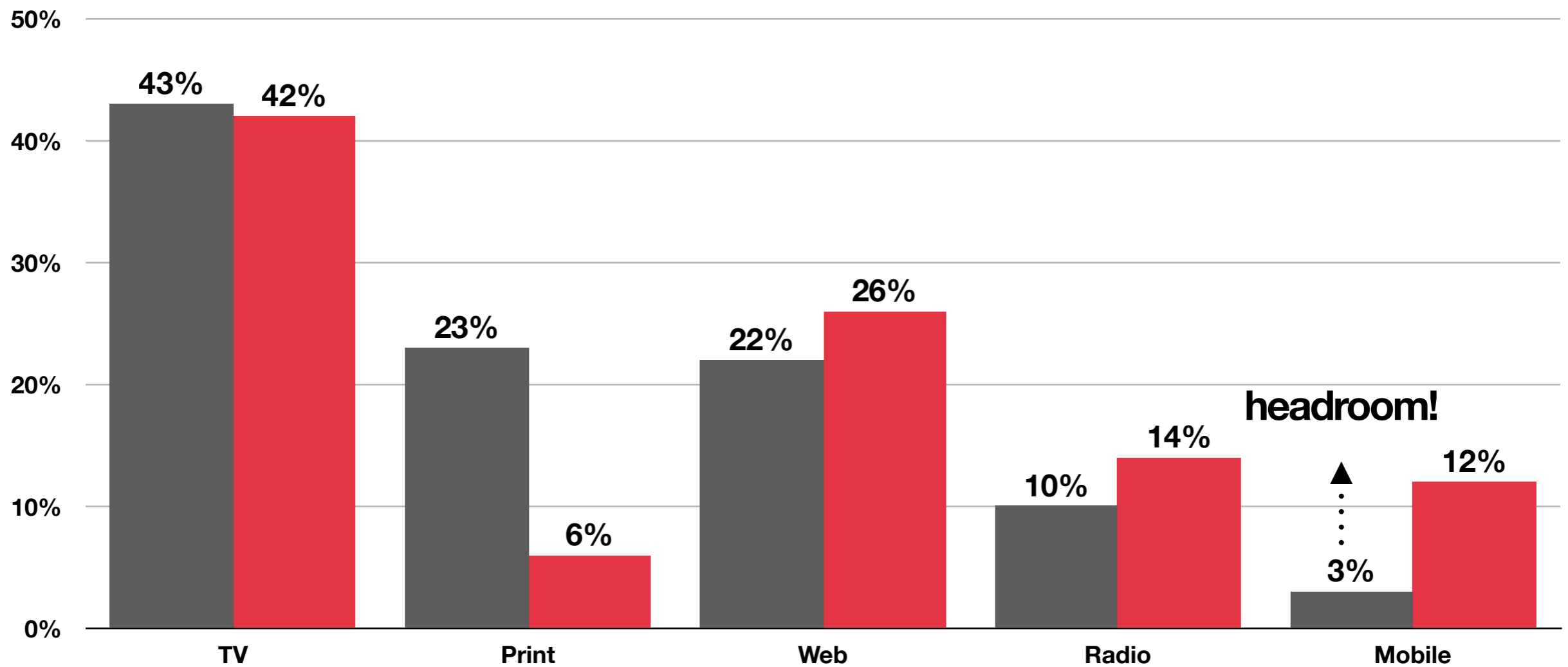
Market is Quickly Growing

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.



Why We're Bullish on Mobile

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



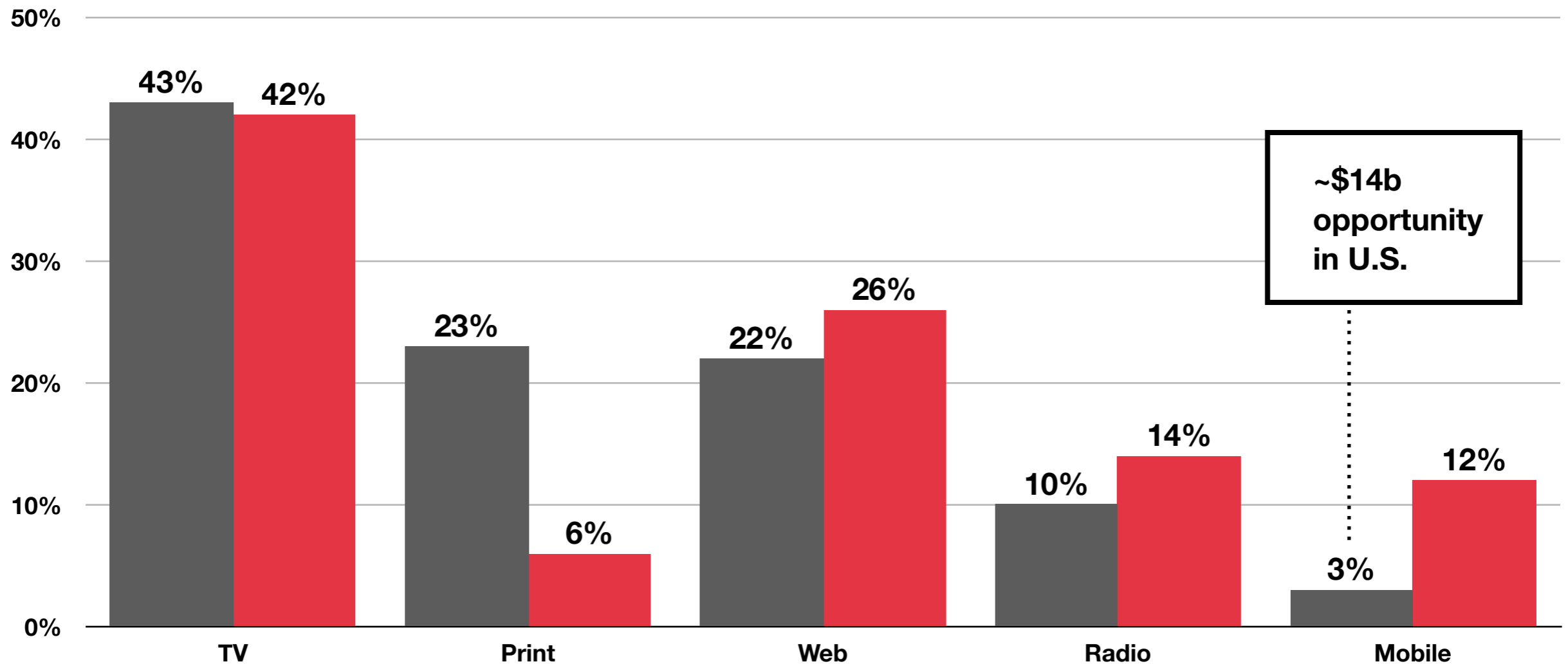
Source: KPCB, December 2012

■ Ad-Spend/Media ■ Time Spent/Media

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



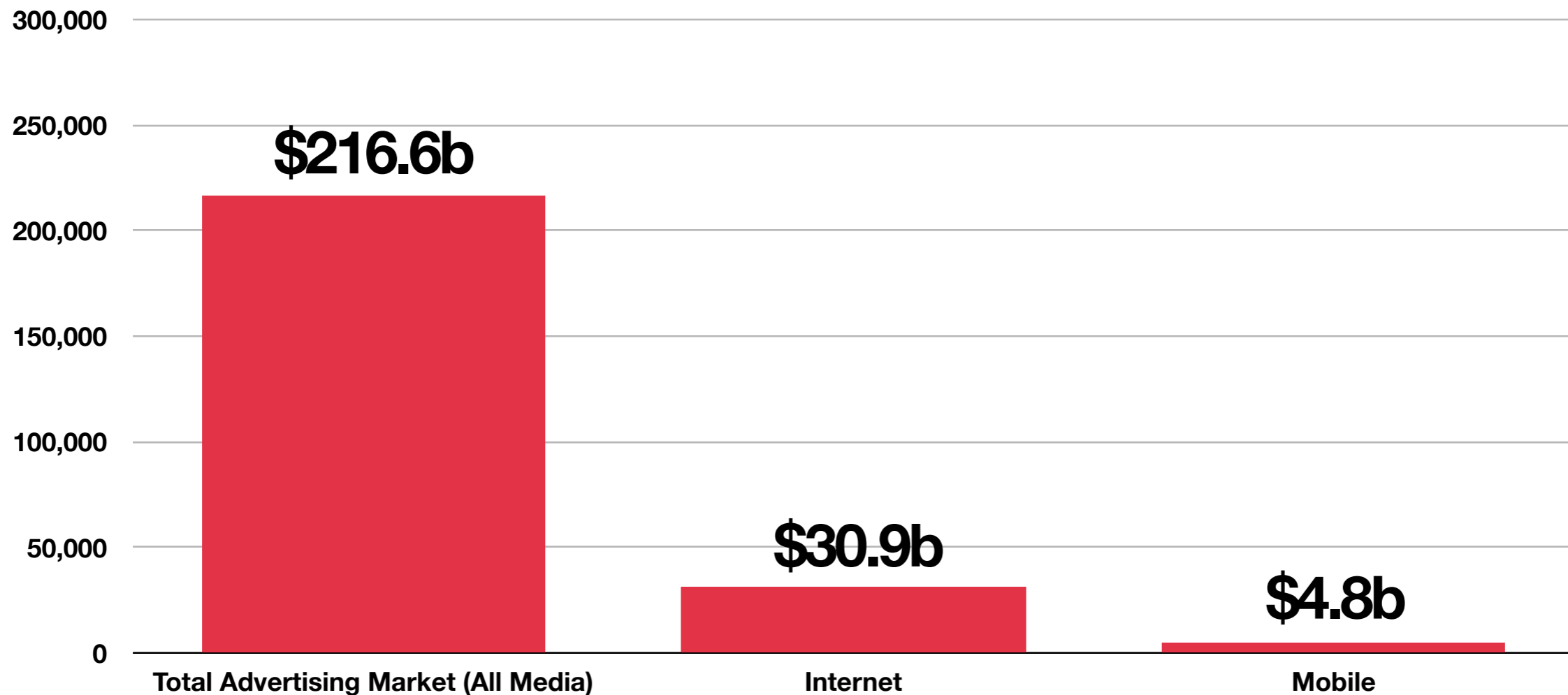
Source: KPCB, December 2012

■ Ad-Spend/Media ■ Time Spent/Media

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.

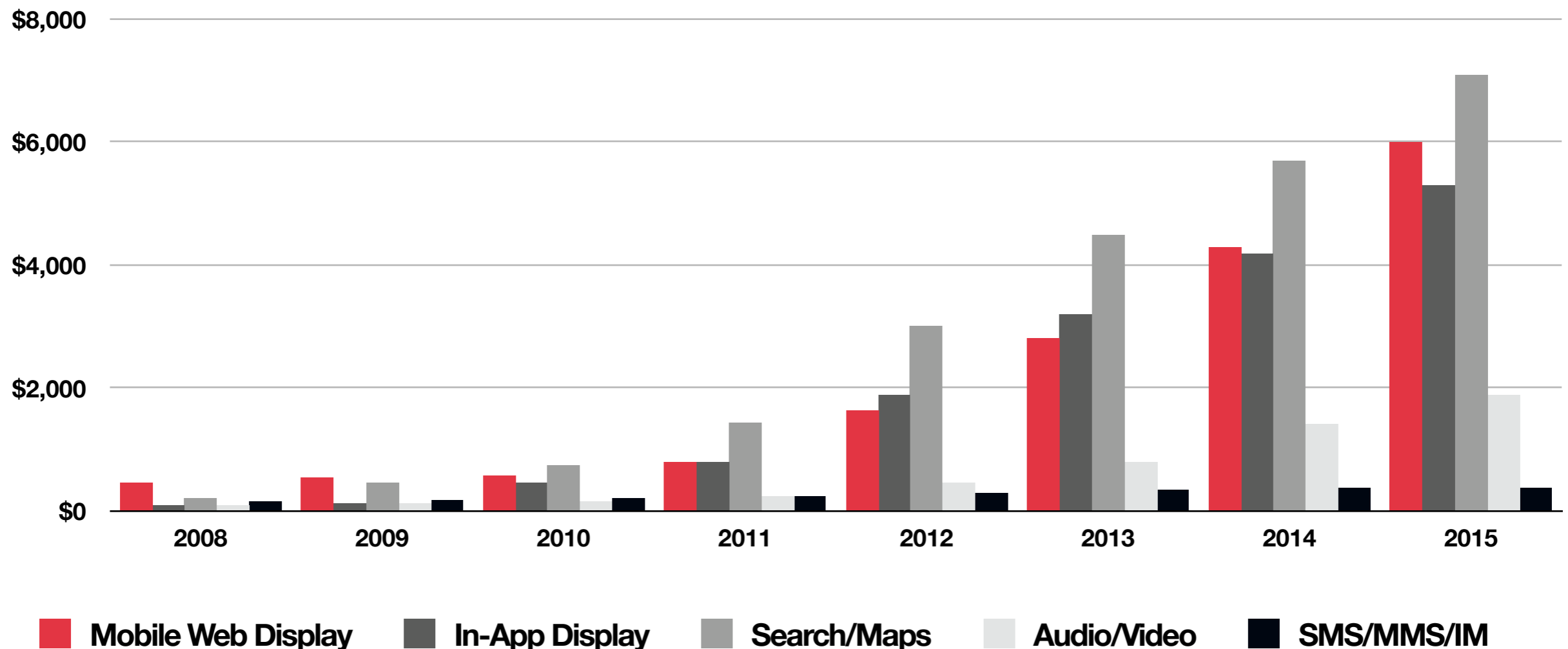
Digital Advertising vs. All Advertising, 2012 (\$ mil.)



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.

Mobile Advertising Revenue by Type, Worldwide 2008 to 2015, in millions



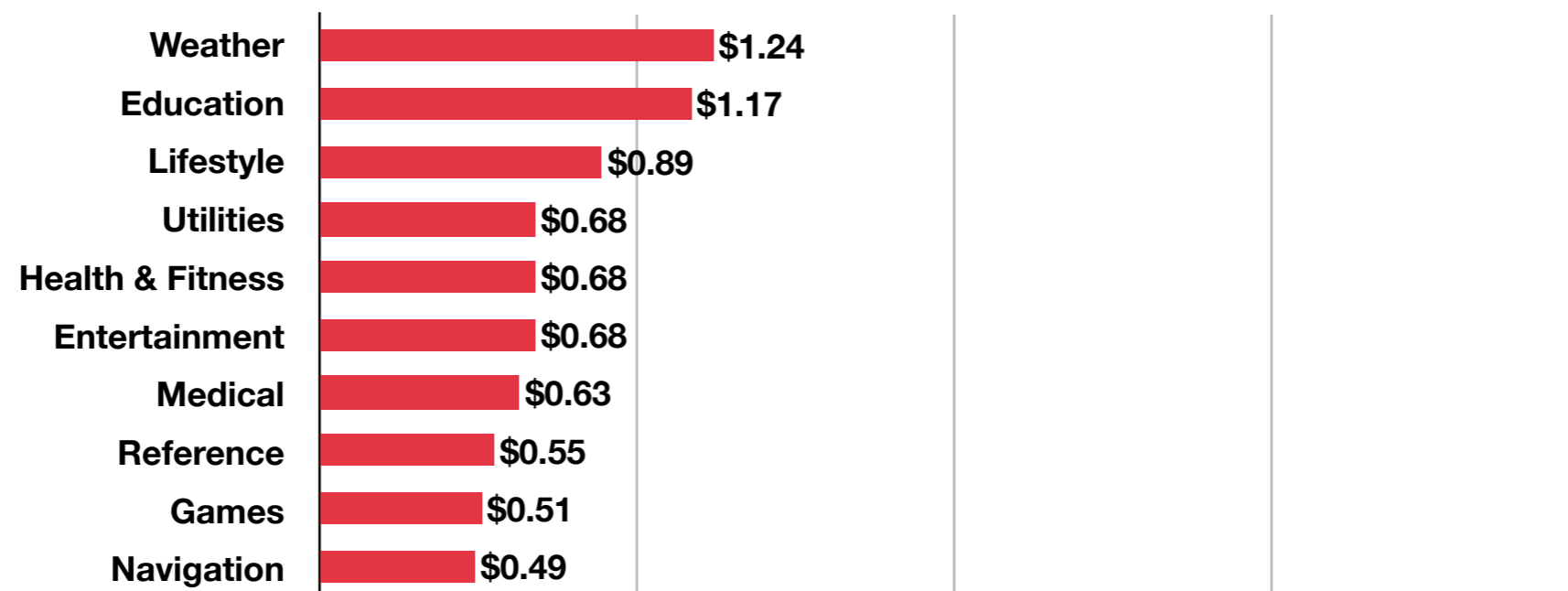
CPM Challenges

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

Effective CPM, Desktop Internet vs. Mobile Internet

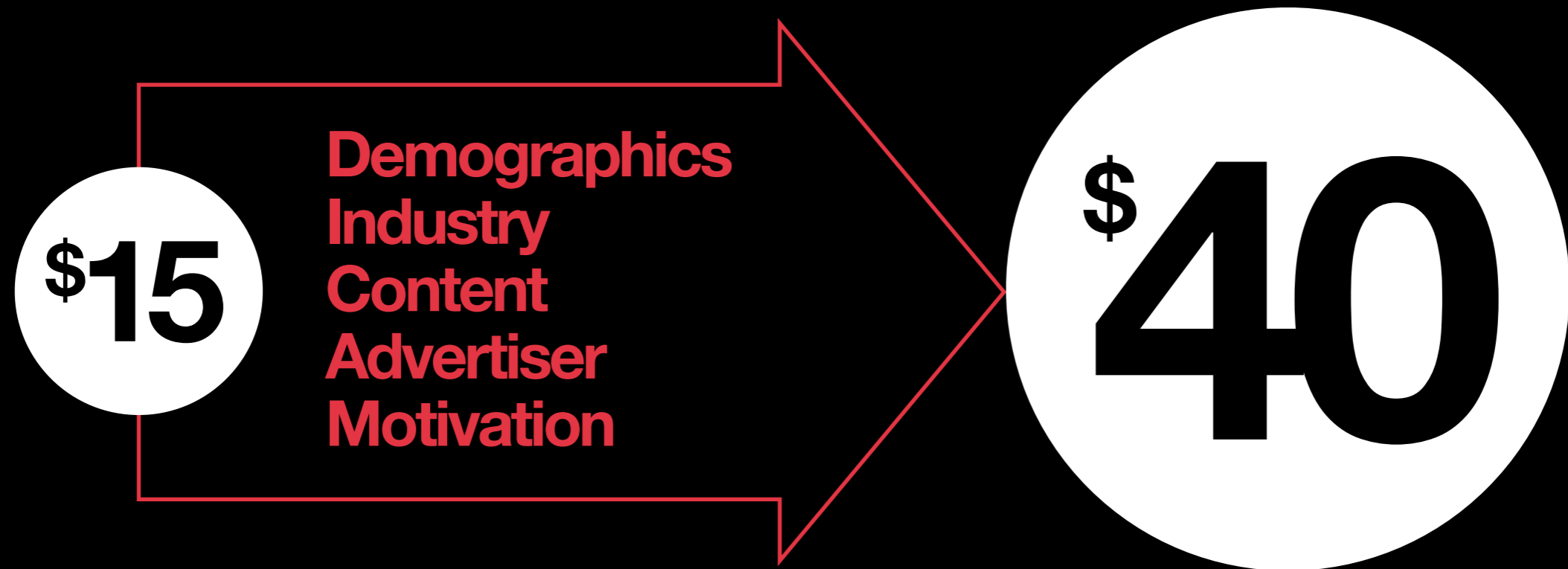


Mobile eCPM by Category

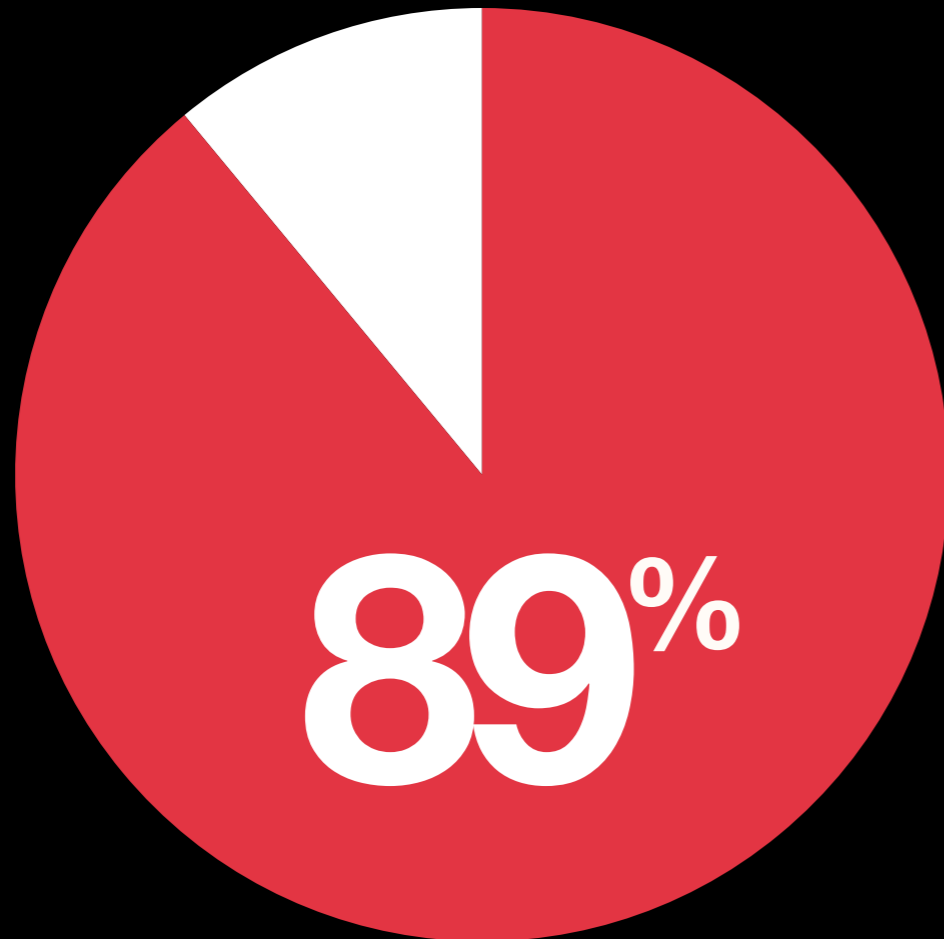


Video CPMs

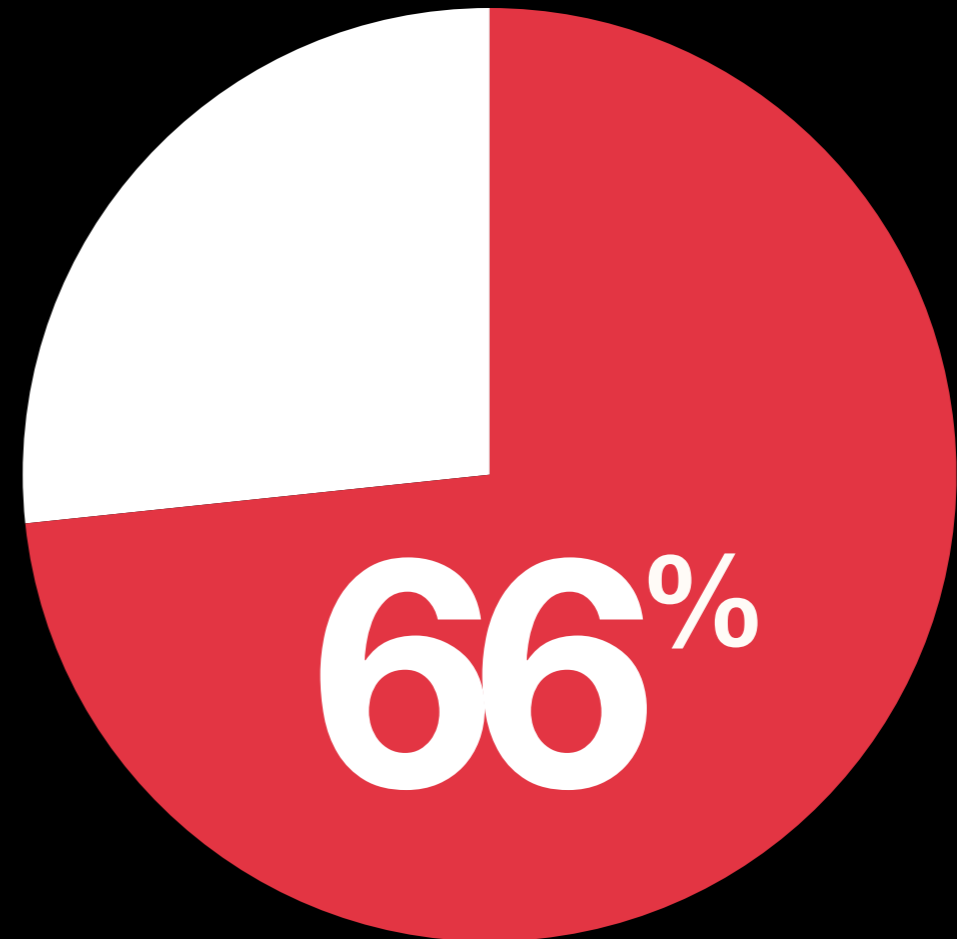
However, mobile video CPMs are on par with desktop video ad spots and can range widely from \$15 to \$40, based on the demographic reached, the content and the advertiser.



Mobile Consumers



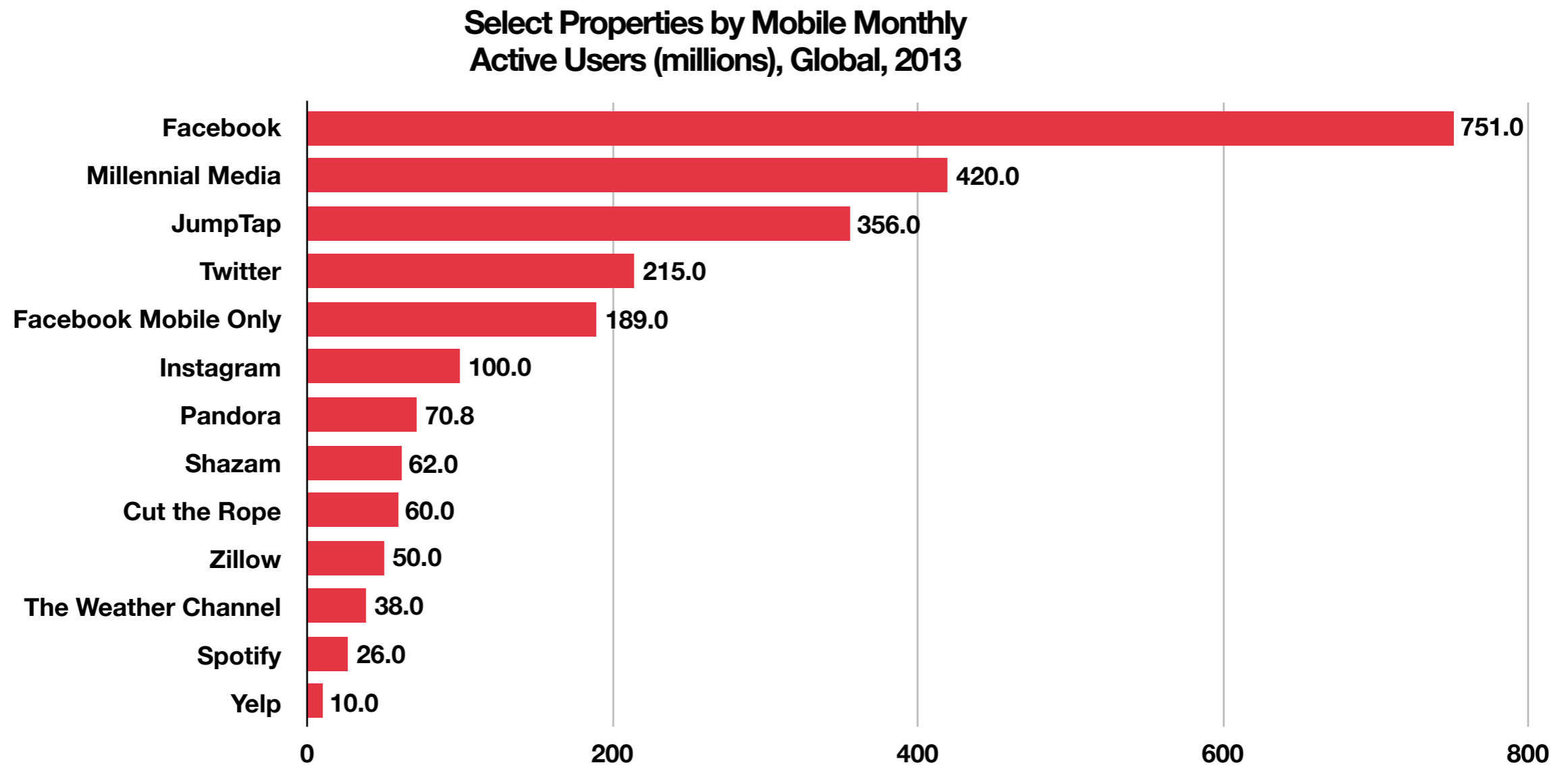
notice mobile ads



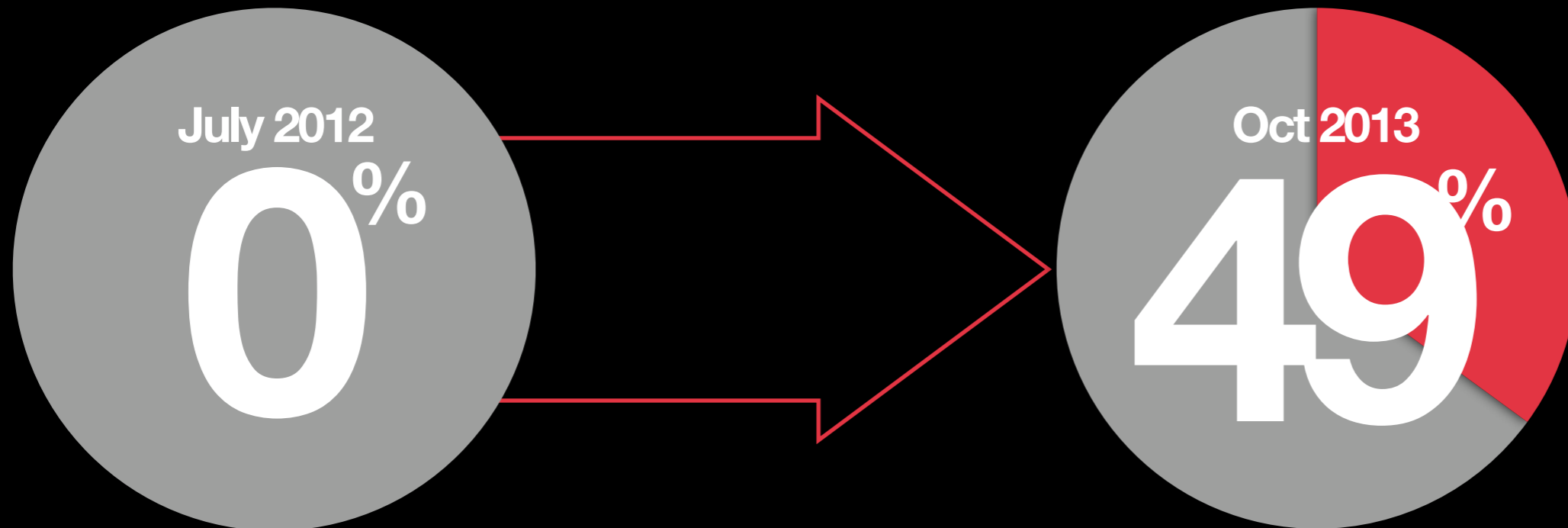
**search as a result of
seeing an offline ad
(TV, magazine, etc.)**

Mobile Reach

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



Facebook Lesson: Mobile Ad Revenue

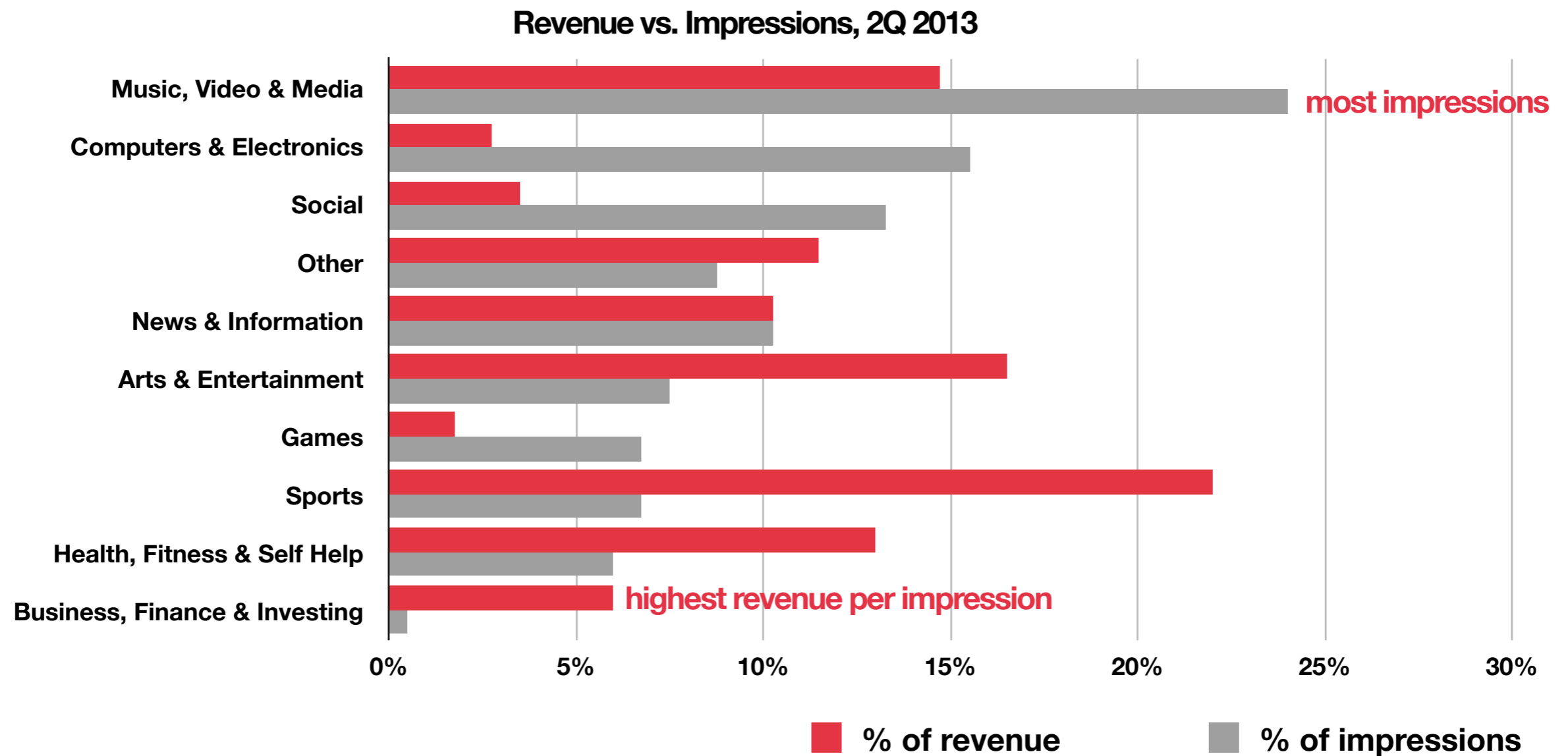


What happened?

- 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.

Mobile Revenue by Category

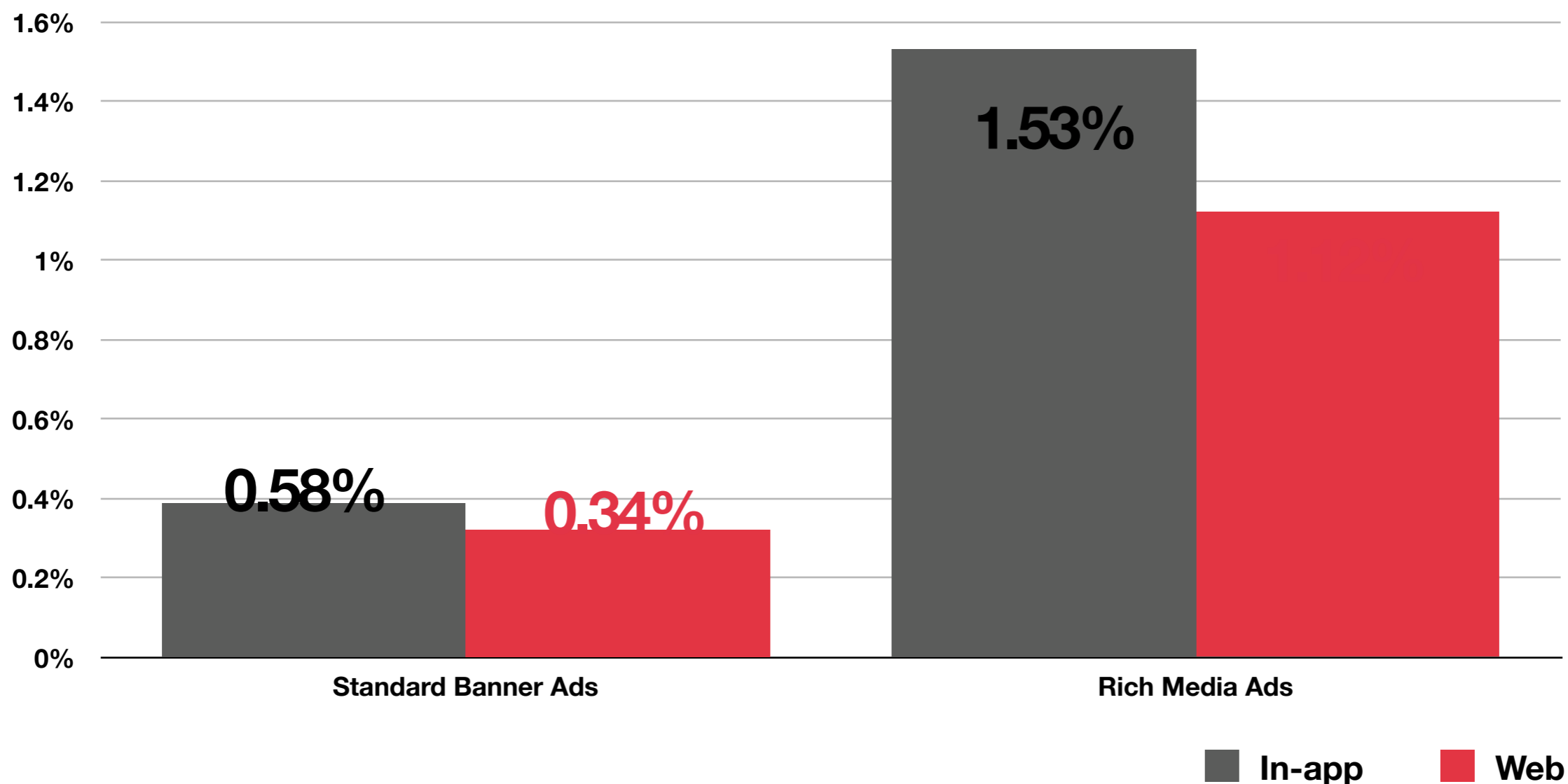
Mobile sites and apps in the Music, Video & Media category consistently receive the most ad impressions, while Business, Finance & Investing produces the highest revenue per impression.



Mobile Click Thru Rates

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

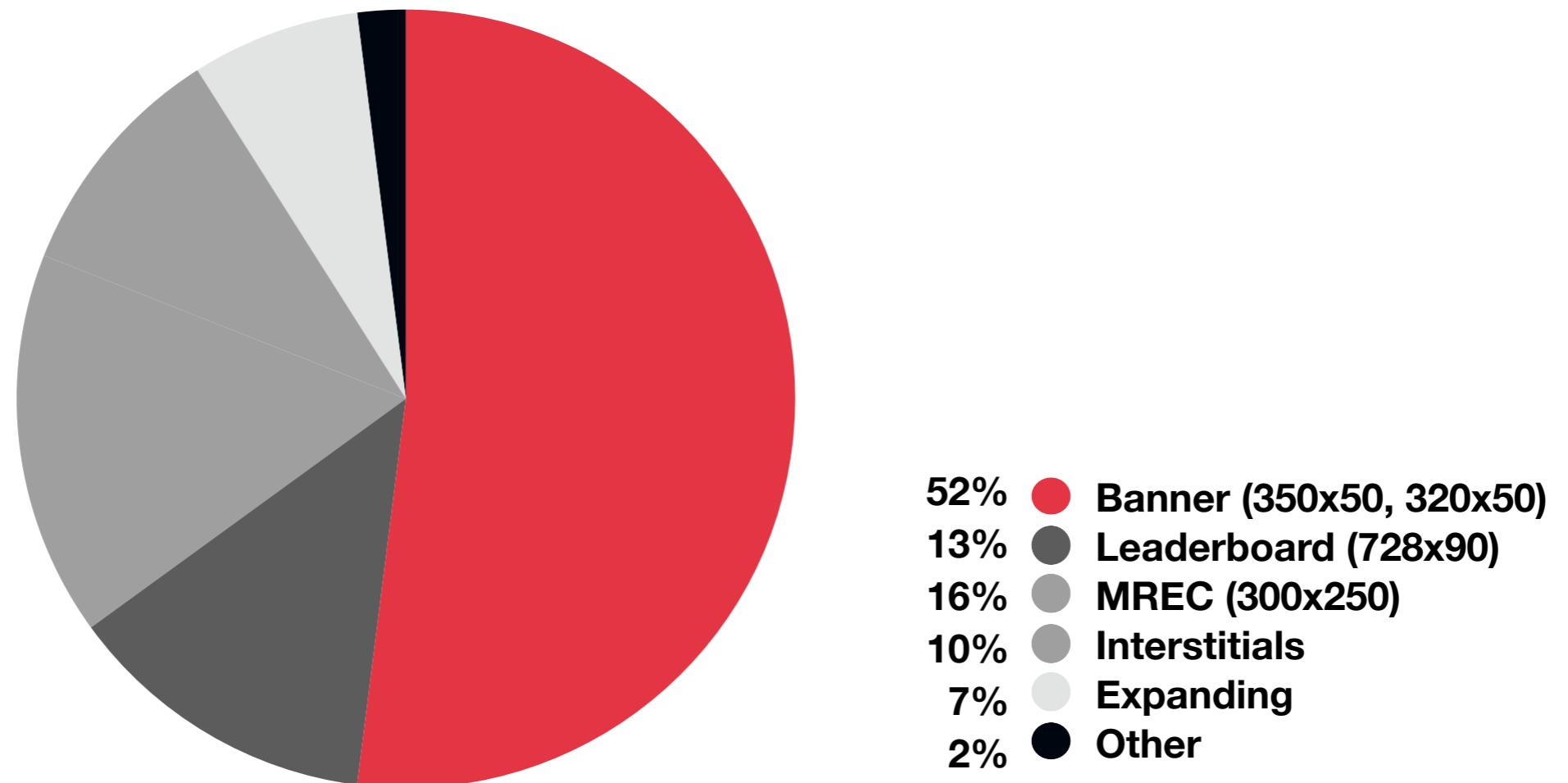
Mobile Click Thru Rates, 2Q 2013



Types of Mobile Ads

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

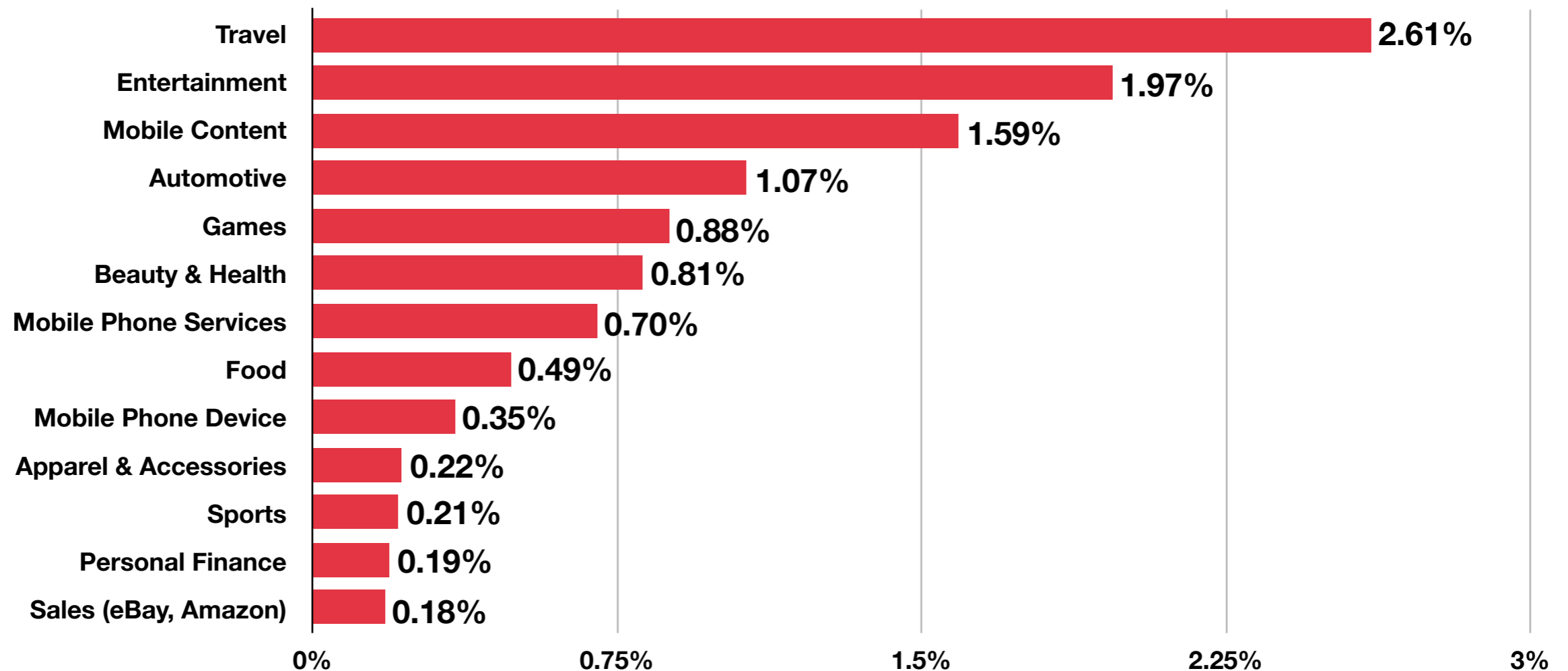
Mobile Ad Types, 2Q 2013



Best Performers

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

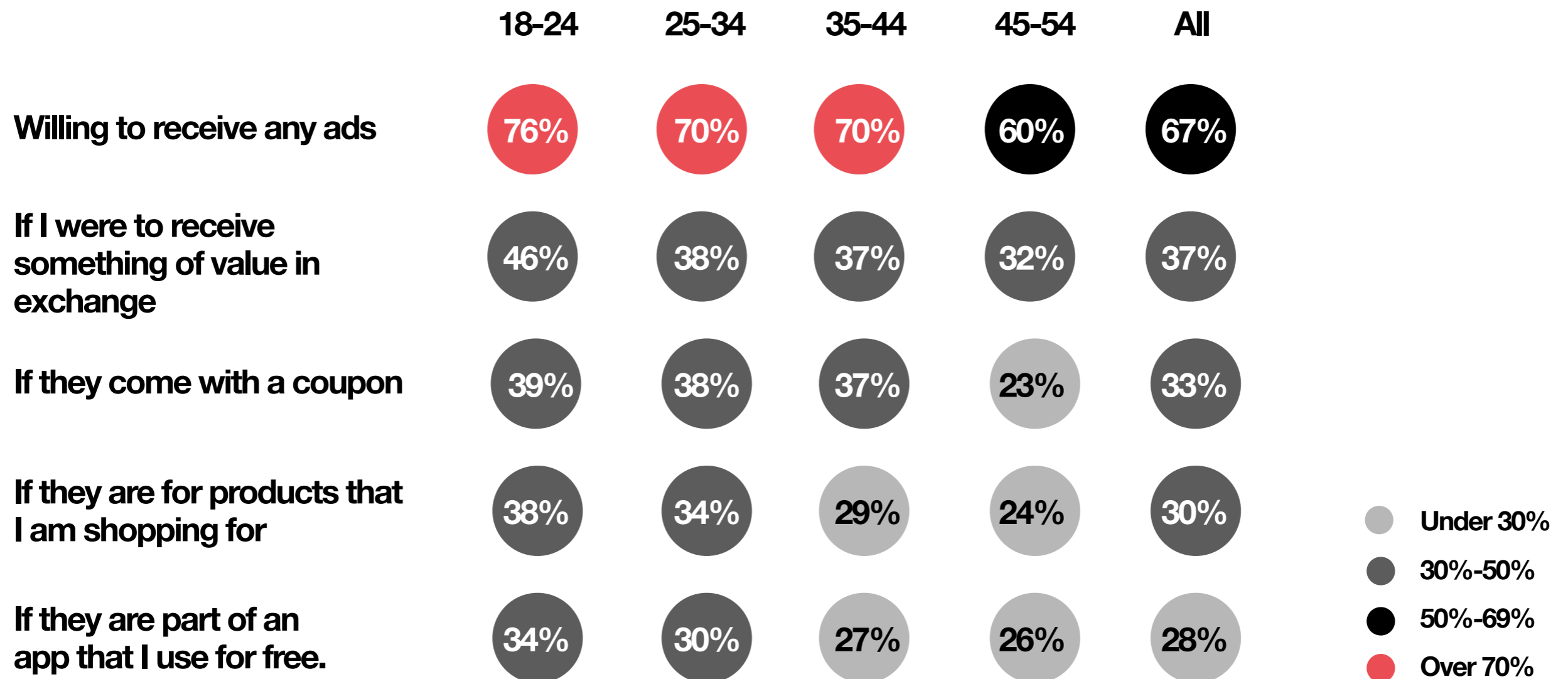
Mobile Click Thru Rates by Category, 2Q 2013



What Consumers Say

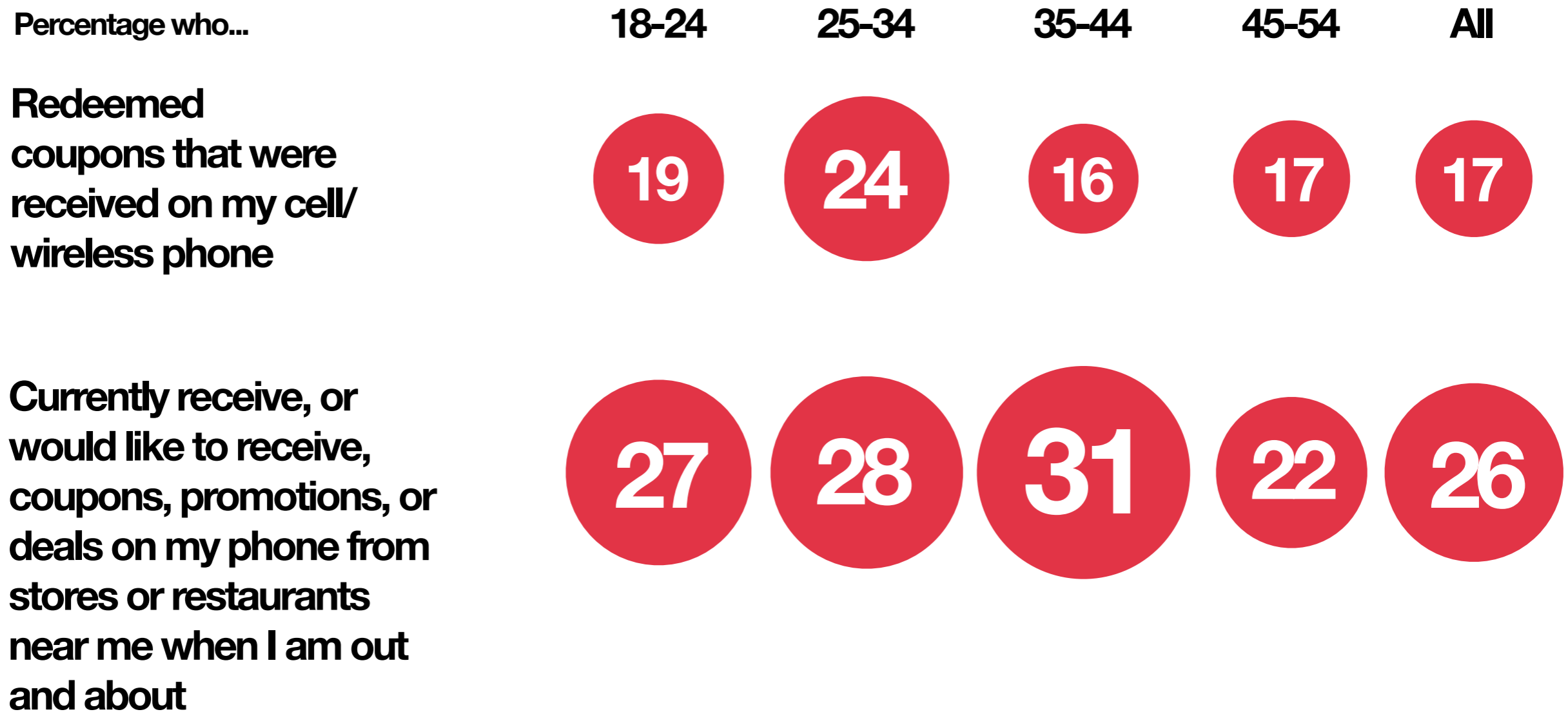
Consumers want ads to provide value, coupons or context for shopping.

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



Mobile Coupons

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

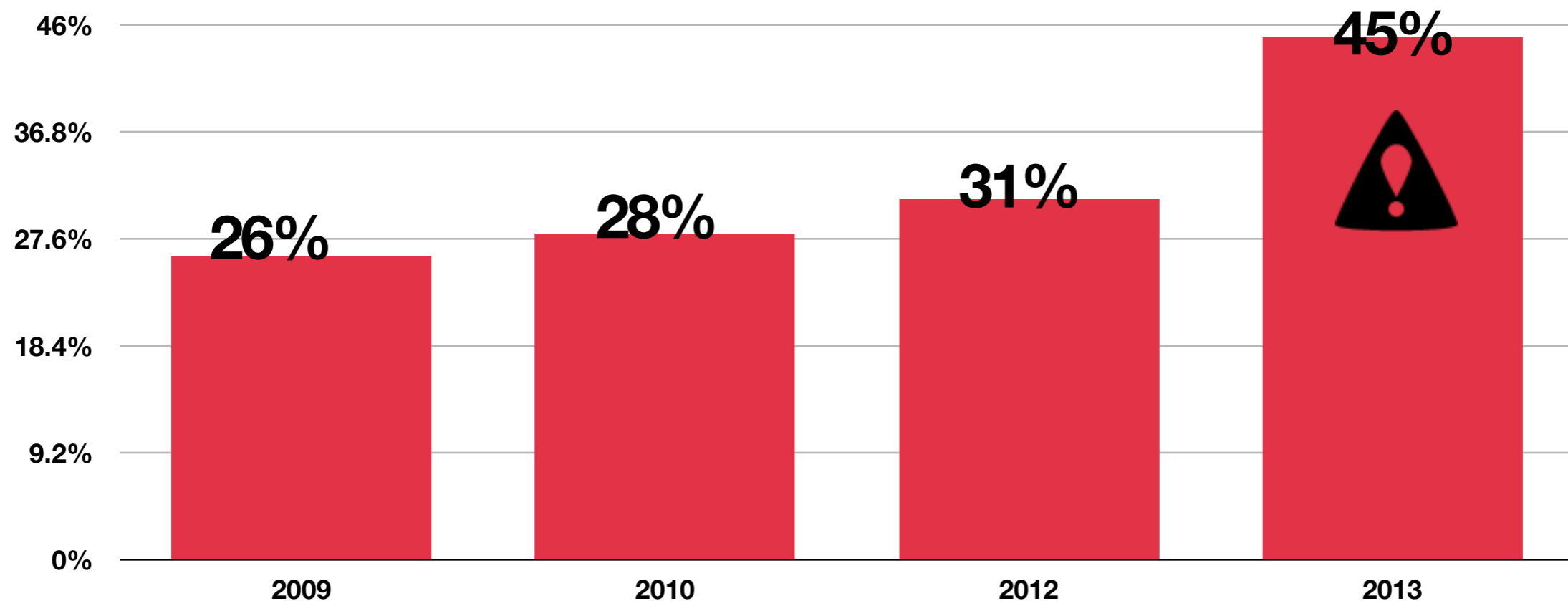


Open to Alerts

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)



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.

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.

Recommendations

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.

Recommendations

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.

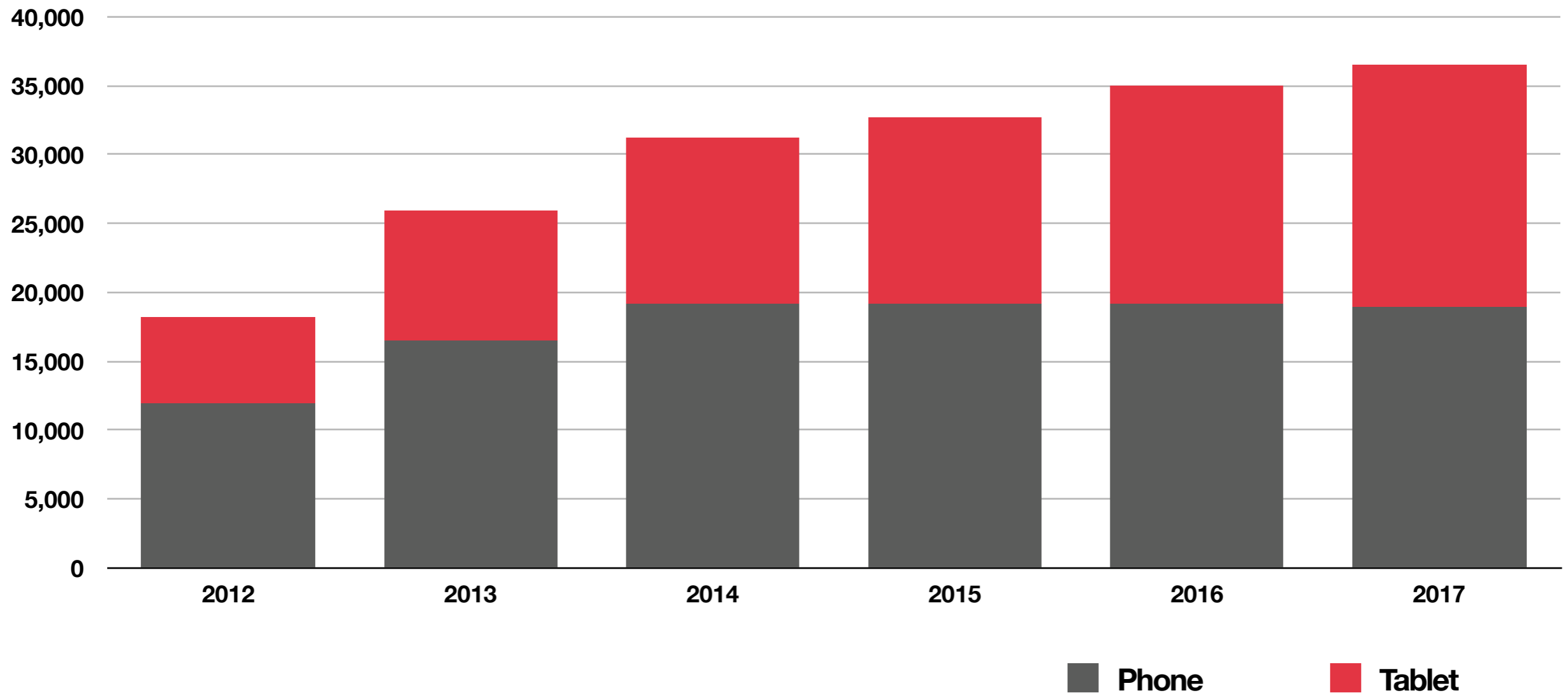
News is highly competitive. If you aren't there, someone else will step in and grab your audience.

Apps

App Revenue to Grow

Strategy Analytics predicts global app revenue will rise past \$35 billion by 2017.

Global App Revenue Forecast 2012-2017 (\$M)



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%



Entertainment

87%



Productivity

84%



Maps, Navigation,
Search

84%



Food

77%

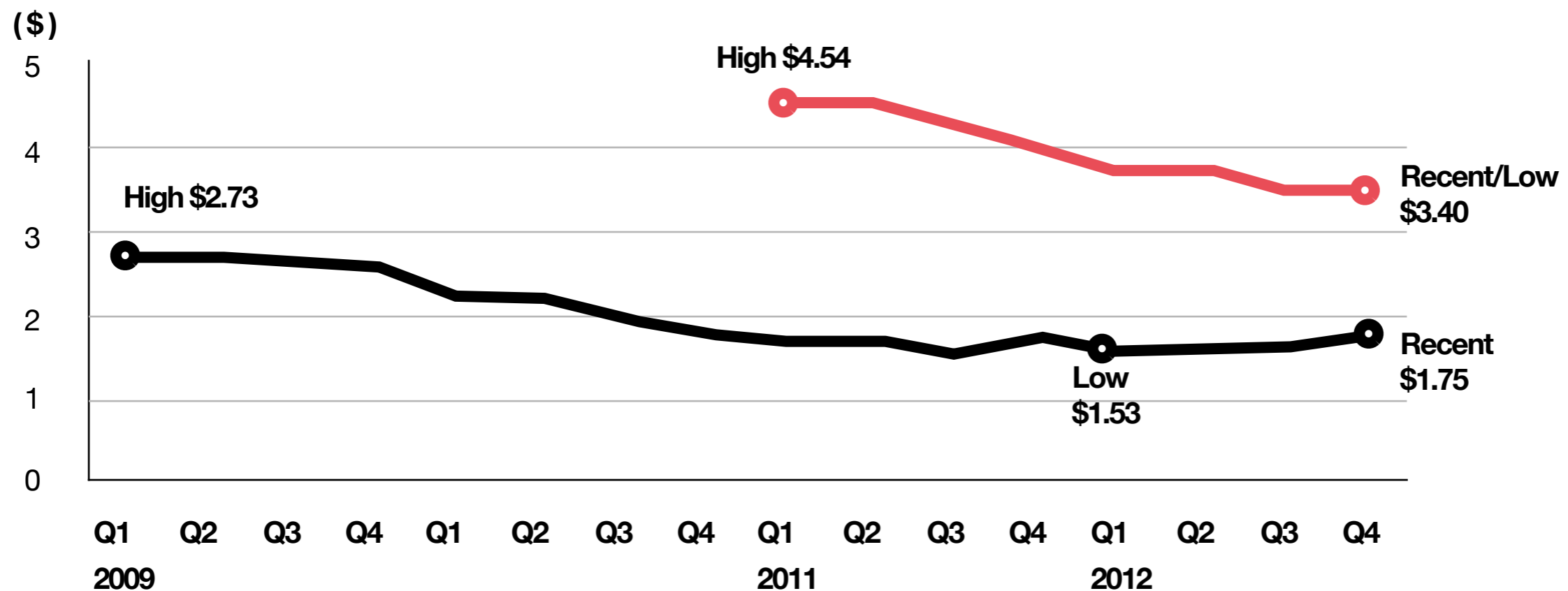


News

76%

What Will Users Pay?

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



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

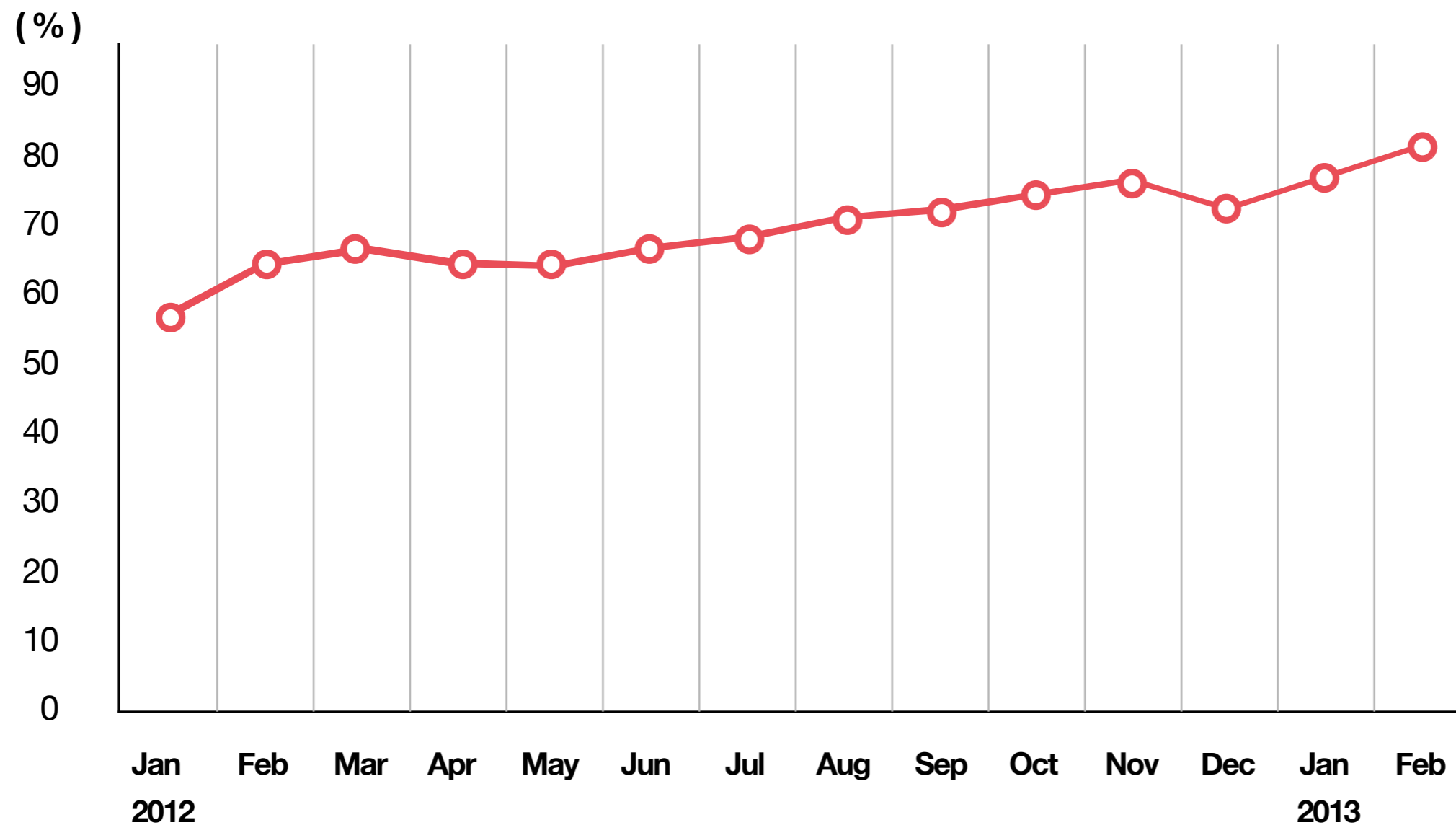
	2011	2012			2011	2012	
Scripps Networks Interactive	18	38	↑	A&E Television Networks	3	0	↓
CBS/CBS Mobile	20	8	↓	Discovery	2	0	↓
Sling Media	3	3		MLB Advanced Media	34	0	↓
Walt Disney	2	2		National Geographic	6	0	↓
NBC Universal	0	1		News Corp.	32	0	↓

In-App (IAP) Revenue Grows

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

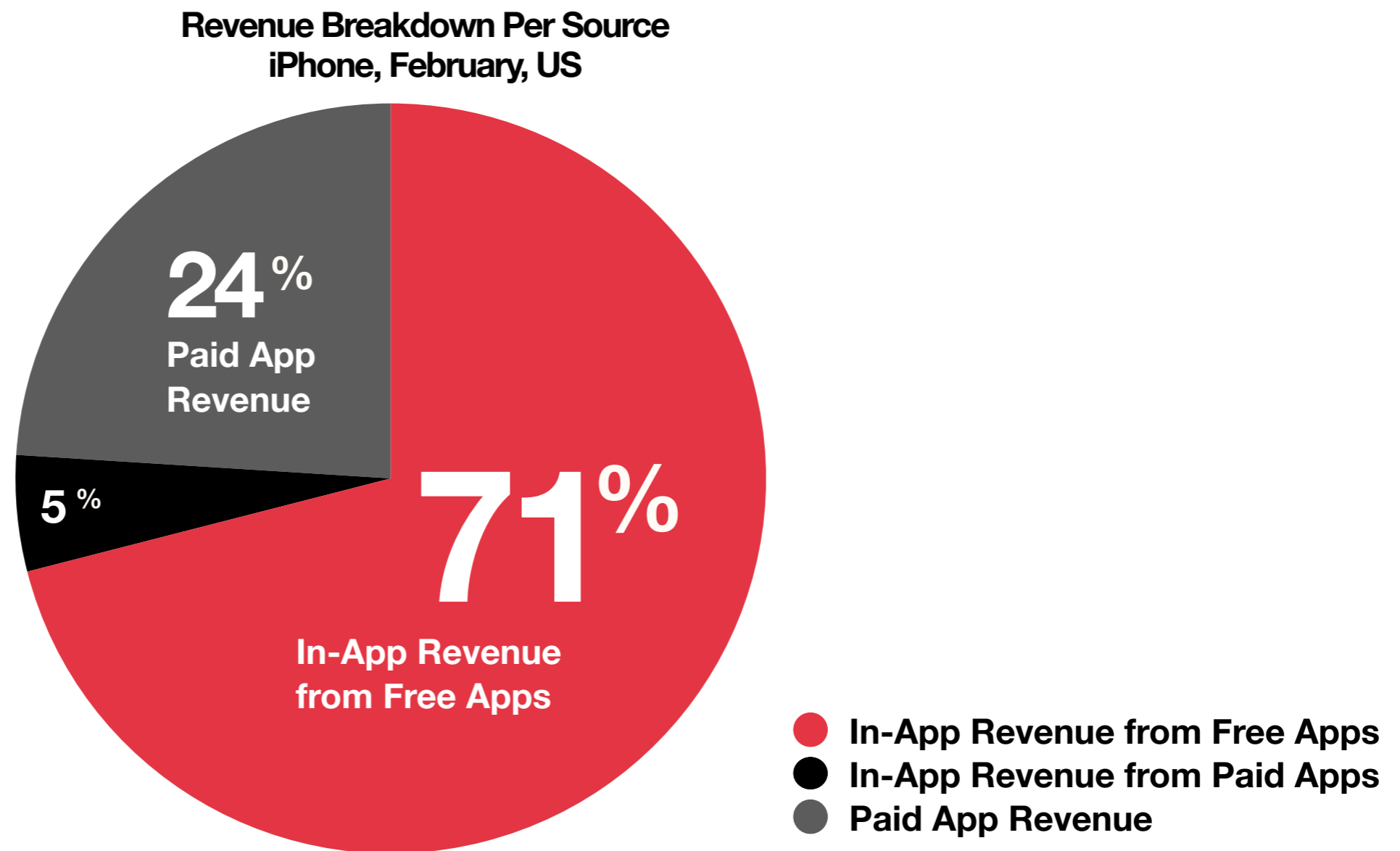
Total IAP Revenue Share

iPhone, United States



In-App Model Popular

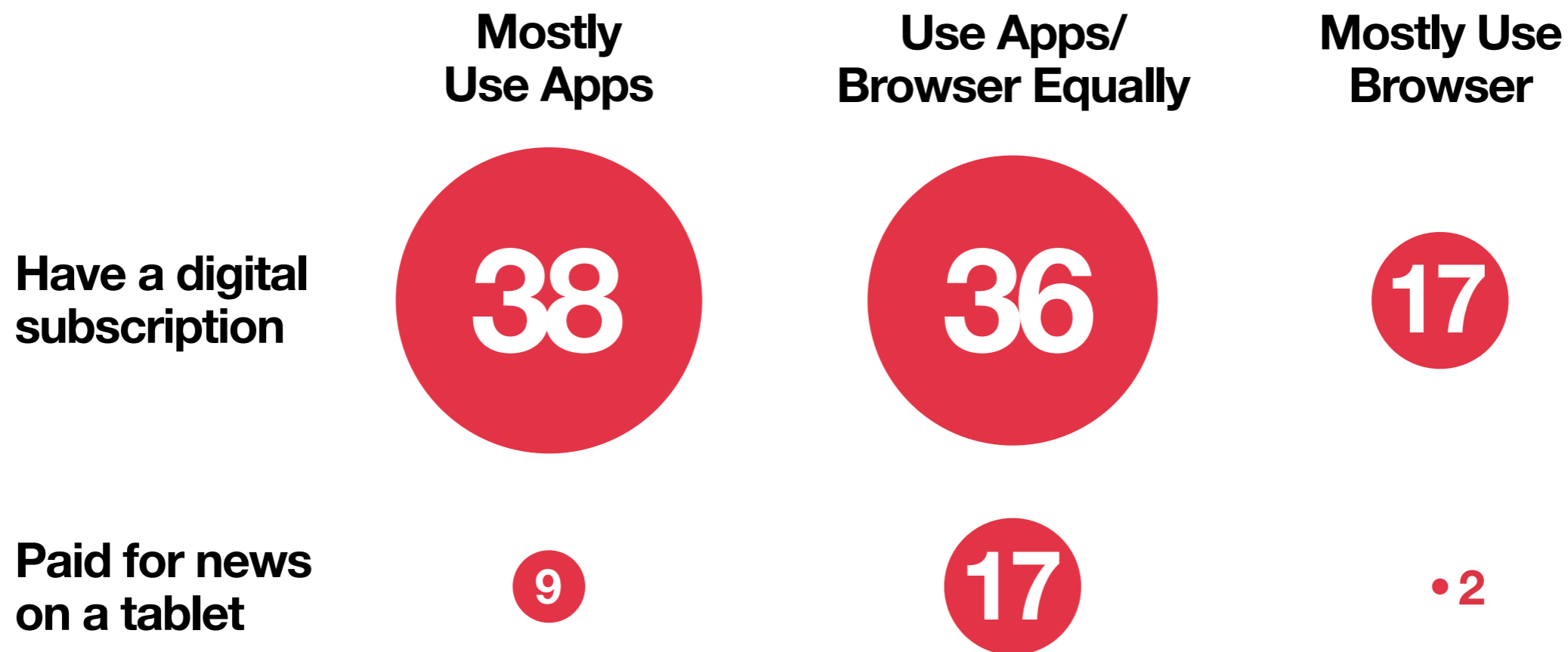
The majority of iPhone apps are free but other features (virtual goods, extra levels, etc.) are sold inside the app.



News App Users

Some app users do pay for news.

Percent of Tablet News Users Who...



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.

Recommendation

Stick with advertising

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.

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.
- *The Wall Street Journal's* **digital circulation grew by 62.6% YOY** to 898,012 in March 2013.
- Digital subscribers to The New York Times Company (The NY Times and IHT) **reached 676,000** in 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.

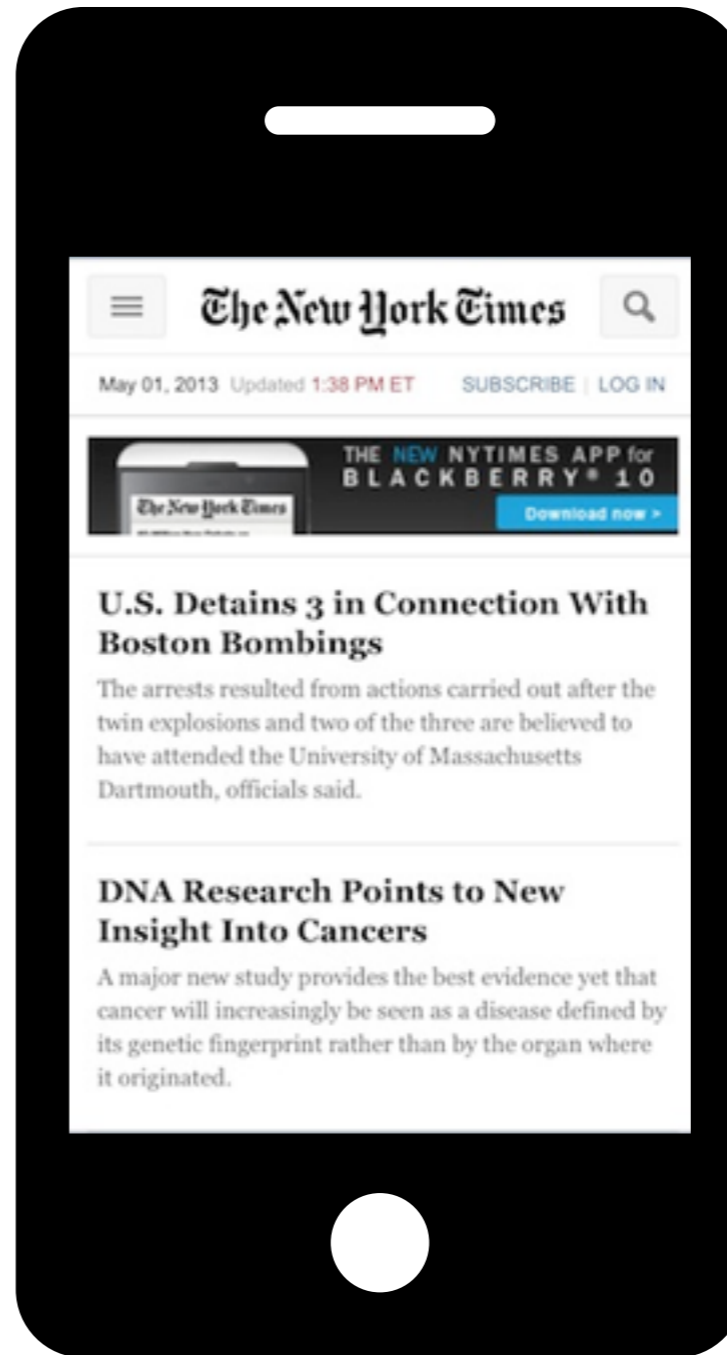
”

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.

Market Trends

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.



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.

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.

3/

Summary

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

CNN Newsource