

CONNECTING THE DOTS

**DIGITAL
SUBSCRIPTIONS**

Media Subscribers'
Motivations and Preferences:
A Research Report



NEWS MEDIA
ALLIANCE



MICHAEL MALOON

Vice President, Innovation & Communications
News Media Alliance



In the previous installment in this series, *What's Next: Digital Subscriptions: Progress and Potential on the Path to Consumer-Generated Revenue* (April 2019), we provided actionable tips and examples of successful strategies our member publishers have employed to grow subscriptions. In this edition, we are taking a different approach, sharing insights that provide a glimpse into consumer budgets and motivations across all media subscriptions, to understand where news media subscriptions fit in. We hope that, through providing insights and perspectives from a variety of sources, your organizations will be even more equipped to take on the challenges and opportunities of driving digital subscriptions, leading to a more engaged and loyal audience.

Michael

REBECCA FRANK

Vice President, Research & Insights
News Media Alliance



As news publishers consider transitioning their business models from ad- to subscription-focused, the News Media Alliance continues to offer insights into consumer preferences and motivations to subscribe, to help publishers hone their product offerings and tweak their marketing strategies to grow their subscriber bases.

In this installment of the *Driving Digital Subscriptions* series, we provide an in-depth look at the findings from a new and enlightening research study of media subscribers, including print and digital news media, cable TV and video and audio streaming. We were delighted to commission this research with the *Star Tribune*, and to work with researchers from the University of Minnesota Hubbard School of Journalism and Mass Communication to field and compile the results.

The primary goals of this research were to understand consumers' willingness to pay for news and entertainment media (aka their "media diet"), as well as their motivations (aka their "media appetite") for subscribing. It is unique in that the research focuses on a single geographic market, providing in-depth insights into the behavior and motivations of subscribers to the local newspaper, a group whose attitudes and preferences prove valuable to retention efforts.

While this study was intentionally designed to help one specific geographic market understand its audience, our broader goal is to repeat this study in other markets across the country, to gain a greater understanding of the similarities and differences between markets nationwide, and aid news publishers in crafting their long-term strategies to attract and retain subscribers.

We are looking for partners to replicate the study in other local markets. If you are interested in conducting a study in your area, please contact me at rebecca@newsmediaalliance.org.



introductions

MATTHEW WEBER, PHD

Associate Professor and Cowles Endowed Fellow of Media Management
University of Minnesota Hubbard School of Journalism & Mass Communication



As researchers working in a university setting, we spend much of our time analyzing data, talking to reporters and managers, and trying to make sense of the evolving media landscape. This research was a unique partnership between industry and academia, and we are excited to share the results.

This work was driven by trends that we see in the industry and a desire to better understand how consumers are responding. The subscription economy grew more than 300 percent from 2012 to 2019.¹ Entertainment companies such as Amazon, Netflix and Spotify dominated much of that growth.² Small and medium sized news publishers, however, have struggled to gain a foothold in the increasingly competitive online subscription marketplace, and uncertainty remains constant as news business models continue to face ongoing disruption. Consequently, many news publishers are seeking to bolster online subscriptions to increase revenue.³ Meanwhile, subscription fatigue has emerged as a substantial concern within the industry.⁴

The subscription economy grew more than 300 percent from 2012 to 2019.

Unanswered questions abound whenever an industry experiences rapid growth. In this case, there are a multitude of questions regarding the news media industry's role within the subscription economy. This report examines consumers' willingness to pay and motivations for subscribing to news, entertainment media and sports content at the local level.



STEVE YAEGER

Chief Marketing Officer

Star Tribune



We are pleased to share with members of the News Media Alliance this research, conducted in partnership with the University of Minnesota Hubbard School of Journalism and Mass Communication and the News Media Alliance. The study used survey research to analyze three questions on every publisher's mind: *How many digital subscriptions are consumers willing to buy? How much of their monthly budget will they spend on them? And, What motivates them to subscribe?*

The following white paper provides details of the study and places this work in the context of broader news industry trends. Specifically, this research focuses on residents of the state of Minnesota and subscribers to the digital edition of the *Star Tribune*.

The specific behaviors and motivations to subscribe of readers in your local area may differ from those in the Minneapolis–St. Paul area, so while these findings offer valuable insight into what might be happening broadly in terms of subscription trends, we encourage you to reach out to the Alliance about replicating this research in your market to better understand what motivates readers.

Only through knowing our audiences in this way will we be able to offer products they value enough to subscribe.

A handwritten signature in black ink, appearing to read 'S. Yaeger', with a long horizontal line extending to the right.

study objectives



Primary goals of this research were to understand consumers':

WILLINGNESS
to pay for news and entertainment media

MOTIVATIONS
for subscribing to news and entertainment media

KEY FINDINGS

Consumer Digital Subscription Behaviors

- 1 Consumers are willing to spend approximately \$600/yr. on average for media subscriptions. However, in reality, they often spend more — closer to \$700/yr.
- 2 Subscription spending is largely driven by entertainment content, but an increase in spending on entertainment is correlated with an increase in spending on news media.
- 3 News and sports subscribers are motivated by a desire to get the latest updates; however, entertainment subscribers want a variety of choices.
- 4 Local news subscription can be a driver for national news subscription, as well as help increase subscription rates for other local news outlets.

the evolving state of media subscriptions

Amid continued declines in sales of print advertisements, there has been a shifting focus in the news media industry to an emphasis on digital subscriptions.⁵ Industry leaders see digital subscriptions as a path toward generating a sustainable and growing revenue stream.⁶ Meanwhile, Deloitte estimates that by 2020, the average consumer will spend \$100 per month and \$1,200 per household per year on digital media subscriptions. Although the long-term potential is not known, the overall media subscription industry is currently valued in the billions of dollars.⁷

The overall media subscription industry is currently valued in the billions of dollars.

While news publishers have worked to grow their digital subscription base, research from the Reuters Institute for the Study of Journalism shows that, after a significant digital subscription increase in 2017 (attributed to the 'Trump Bump,' following the 2016 Presidential election), the growth of online subscriptions in the U.S. has started to slow.⁸ Approximately 16 percent of Americans are currently paying for online news in one form or another. While more consumers are paying for online news, that does not always translate to subscriptions. The Alliance for Audited Media reports that although digital circulation continues to grow, as of 2018, only six percent of consumers have digital subscriptions to weekday newspapers and eight percent subscribe to Sunday newspapers.⁹

Despite indicators that digital subscription rates are increasing for news media, these trends continue to favor larger publishers, as opposed to small- and medium-sized publishers.

As highlighted by a March 2019 *Business Insider* survey, *The New York Times* and *The Washington Post* accounted for more than half of all U.S. online news subscriptions.¹⁰

At the same time, the entertainment industry has seen skyrocketing growth in online subscriptions. Entertainment providers such as Netflix, Apple, YouTube TV, Spotify and Amazon Prime have excelled at growing digital subscriptions. Estimates from July 2019 show that Netflix, Apple and Amazon Prime each has in excess of 100 million subscribers.¹¹ There are one billion paying streaming subscribers globally, and Amazon, Hulu, and Netflix account for half of those subscriptions.¹²

ISSUE TO WATCH: SUBSCRIPTION FATIGUE

This multiplication of entertainment subscriptions has given rise to concerns about "subscription fatigue" — the idea that consumers will eventually become frustrated with having to pay separately for a myriad of services. Some worry subscription fatigue will adversely affect news organizations, especially if consumers view news and entertainment together when paying for subscription media. There has been limited research about subscription fatigue; recent news reports show that Netflix subscription growth has slowed, and industry reports suggest that newspapers continue to struggle.¹³ A 2019 Reuters study suggests that subscription fatigue may become a bigger issue in future years. That study found that only 12 percent of respondents would choose a news subscription if they could have just one online media subscription per year, compared with 28 percent who would choose a video streaming service such as Netflix.¹⁴

Both entertainment and news media companies are looking to subscriptions as a space for growth. Yet, little is known about how consumers are budgeting and making spending decisions about their subscription purchases. Even less is known about news subscription purchases, particularly local news, in relation to other types of content.

FINDINGS: Willingness to Pay

\$636

Consumers were asked to estimate how much money they were willing to spend on digital subscriptions and then to indicate what media they currently subscribe to.

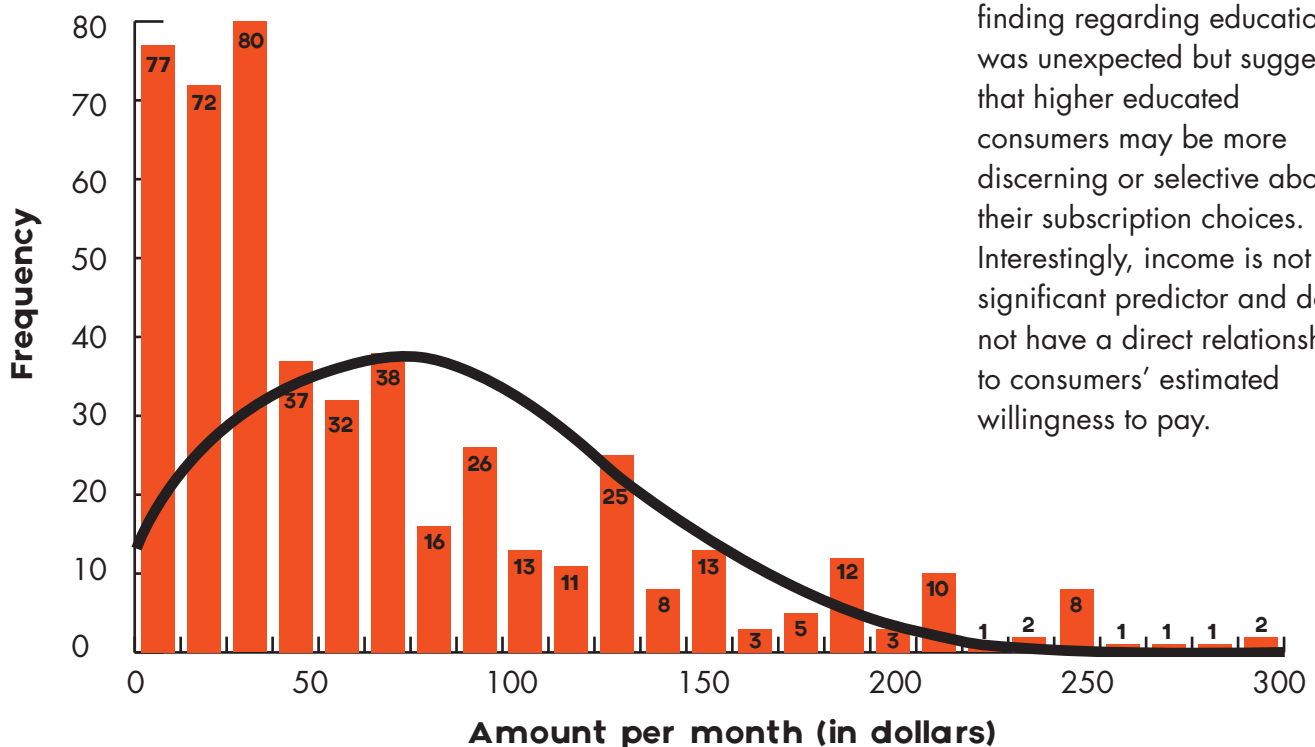
Amount consumers are willing to spend each year, on average, on media subscriptions. That's \$53 per month.

Analysis shows that consumers were willing to spend, on average, \$636 per year, or \$53 per month. See Figure 1 below. As the curve shows, the majority of consumers are willing to spend on the lower end of the distribution, but with some willing to spend far more on media subscriptions. This behavior is common, especially when examining online media consumption.

Certain demographic factors impact consumers' willingness to spend. More educated consumers tend to be less willing to pay for subscriptions, but older consumers tend to be more willing to pay. The finding regarding education was unexpected but suggests that higher educated consumers may be more discerning or selective about their subscription choices. Interestingly, income is not a significant predictor and does not have a direct relationship to consumers' estimated willingness to pay.

Consumers' willingness to spend on subscription media

Figure 1: Subscription Spending Curve



The Local Media Context

Respondents were asked about which local media – print and digital – they subscribed to. Emphasis was placed on subscriptions to the *Star Tribune* as the leading major newspaper within Minnesota.

Star Tribune subscribers indicated a willingness to pay \$70 per month, compared to subscribers overall, who were only willing to pay \$53 per month. Moreover, the effects of education level and sports as drivers held true for *Star Tribune* subscribers: more educated consumers tended to have a lower willingness to pay for news media, and sports-motivated consumers continued to be a relatively small niche, but one that was highly motivated to subscribe.

Subscribers to the *Star Tribune* indicated a greater willingness to pay for subscriptions when compared to people with digital subscriptions overall.

These findings echo previous research suggesting a connection between level of news consumption, and income and education levels.

In general, there is an established connection between level of news

consumption and ability of a community to support media in that market.¹⁵

Results from the survey show that *Star Tribune* subscribers are driven by print media consumption, and by a desire to engage with local news. Consumers who subscribe to local news are less likely to subscribe to entertainment subscription content. Additionally, social media usage is not a significant driver of *Star Tribune* subscriptions, and there is a negative relationship between social media engagement and subscriptions to the *Star Tribune*. More broadly, there was a negative relationship between local media consumption and social media consumption. Consumers who read multiple local media platforms tended to be more selective about the social media platforms they consume, and also tended to use social media less frequently. On the other hand, this suggests that younger consumers who are frequent users of social media are less likely to regularly read other local media outlets.

Star Tribune subscribers are driven by print media consumption, and by a desire to engage with local news.



CONSUMER BEHAVIORS

Consumers who use mobile phones more frequently are also willing to spend a greater amount on media subscriptions. Similarly, other behaviors such as listening to streaming music and streaming television also have a positive impact on consumers' willingness to spend on subscriptions. Consumers who are highly motivated to read sports content are willing to pay more for subscriptions; in general, a desire for sports content was found to be a strong driver of subscription behavior. Further, there is a relationship between consumers' social media usage patterns and their willingness to pay for subscriptions. For instance, consumers who use Twitter and YouTube more frequently are likely to pay less annually for subscriptions. There are many reasons why this pattern might exist. For one, consumers have limited time in a given day, and social media use detracts from time spent with media subscriptions. Second, social media use provides consumers with access to a variety of media content, which may reduce their willingness to pay for subscription media.

spending based on media subscriptions

This analysis was based on consumers' estimated annual spending on media subscriptions. In addition to the initial questions about estimated annual budgets, consumers were asked about their actual choices for media subscriptions. The questions were tailored to the local context; consumers were asked about national entertainment media (e.g., Amazon Prime, Hulu, Netflix), national news media (e.g., *The New York Times*, *The Washington Post*), sports media (e.g., NHL Network, the *Athletic*, ESPN+) and local news media (e.g., *Star Tribune*, *Duluth News Tribune*, *St. Cloud Times*).

WILLINGNESS VS. ACTUAL SPEND

Not surprisingly, consumers' estimated willingness to spend on media subscriptions differs from what they actually spend. Despite the indicated willingness to spend on media subscriptions, consumers spend \$696 per month, or an average of \$58 per month. This finding is consistent with a 2018 study of consumer subscription behavior by the consulting firm Waterstone Management Group, which surveyed 2,500 Americans and found that 84 percent of respondents underestimated how much money they spend each month on subscriptions.¹⁶

Entertainment subscription behavior has a significant impact on consumers' spending behavior.

This study shows that entertainment media are a primary driver of subscription spending.

Of those responding to the survey:

- 90% subscribe to entertainment media
- 41% subscribe to local newspapers (somewhat over-inflated by the focus on *Star Tribune* subscribers)
- 14% subscribe to national newspapers

Entertainment subscription behavior has a significant impact on consumers' spending behavior. Respondents who subscribed to entertainment spent, on average, 80 percent of their overall subscription budget on entertainment content. On the other hand, respondents who subscribed to local news dedicated 45 percent of their overall budget to local news. In other words, entertainment subscriptions are more expensive and also, entertainment media tend to capture the lions' share of consumers' budgets.

The Impact of Cable Subscriptions

Spending on media subscriptions is strongly influenced by cable subscription behavior. Subscribers who pay for cable spend an average of \$1,092 per year on subscriptions, whereas those who do not subscribe to cable spend \$420 per year. Being a cable subscriber is also strongly correlated with the likelihood that a consumer will have multiple subscriptions, and that a consumer will subscribe to both news and entertainment (although stronger for entertainment). Thus, increased spending based on cable subscriptions drives spending on news and entertainment subscriptions. While cable subscription spending and entertainment subscription spending go hand-in-hand, the relationship is not as strong with regard to cable subscription spending and subscribing to Netflix or Amazon Prime. In other words, cable subscribers are less likely to subscribe to Netflix or Amazon Prime.

The Impact of Entertainment Subscriptions

Spending on entertainment content is a key driver of subscription spending in general and has an important relationship with spending on other types of content. The more money that respondents spent on entertainment, the more likely they were to spend on national and local news.

Entertainment spending was a key driver of subscription spending overall.

The ability to access and view television and films, primarily through services such as Netflix and Hulu — whenever, wherever and via whatever device — is a primary driver

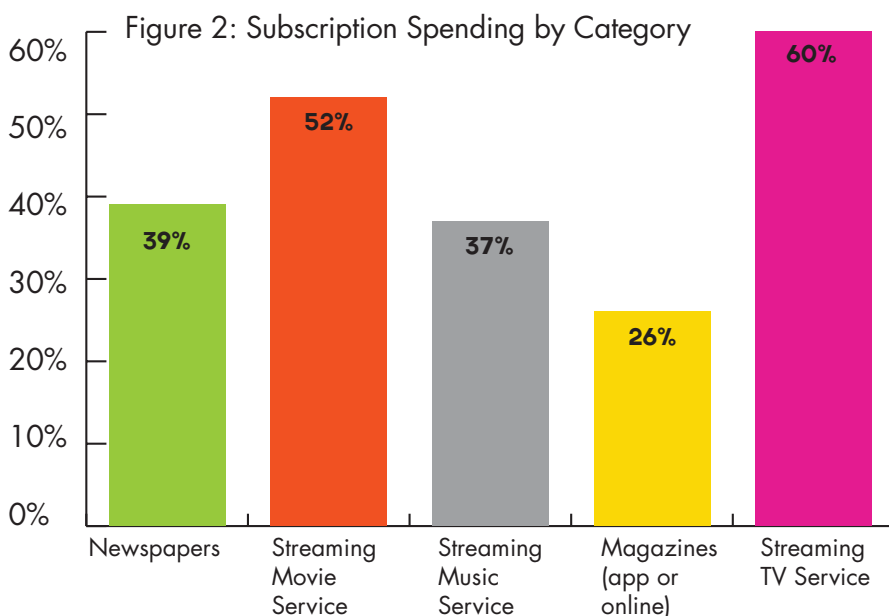
of consumers' entertainment subscription behavior. Moreover, it is not altogether surprising that entertainment content was a primary driver of subscription behavior, as entertainment providers have long been innovators in this space. Netflix, for instance, first launched as a home movie delivery service in 1999 and expanded to streaming content in 2010. Amazon launched its streaming service in 2006. This legacy of innovation has given entertainment subscription services an advantage in this marketplace.¹⁷

Thus, when asked about paid subscription behavior, consumers indicated that they clearly prioritize streaming entertainment services. Figure 2 (see below) shows that while consumers spend money on news, they tend to spend more on television and movie streaming.



This legacy of innovation [among entertainment providers] has given entertainment subscription services an advantage in this marketplace.

Percentage of consumers subscribing to types of media



Diving deeper, more than 65 percent of respondents reported paying to subscribe to Netflix. A recent CNBC study reported that as of March 2019, 51 percent of respondents subscribed to Netflix and 65 percent subscribed to some form of streaming service.¹⁸ Thus, these numbers are in line with national trends. Additionally, 40 percent of respondents reported paying to subscribe to Amazon Prime, also exceeding the national average, followed by cable and Hulu subscriptions.

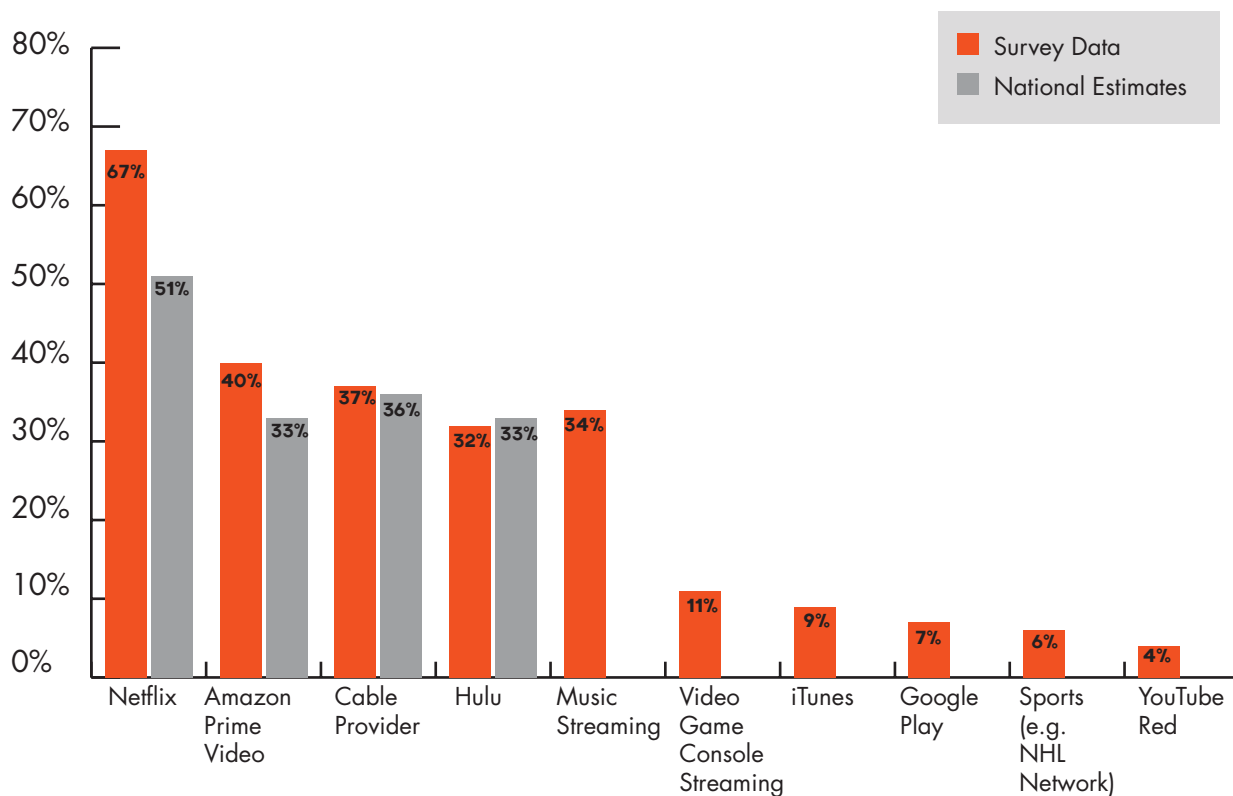
Looking at music streaming subscriptions, MusicWatch conducted research that estimated

more than 51 million Americans paid to stream music as of Q4 2018, roughly 16 percent of the U.S. population.¹⁹ This only represents individual streaming accounts and not the total number of users who may be sharing an account, an important metric for consideration when examining all paid subscription services. Our findings show that 35 percent of respondents subscribe to paid music streaming.

Figure 3 (see below) shows a summary of entertainment subscription choices, and further shows the comparison to available national survey data.

Percentage of consumers subscribing to various entertainment media (compared to available national survey data)

Figure 3: Entertainment Subscriptions by Outlet



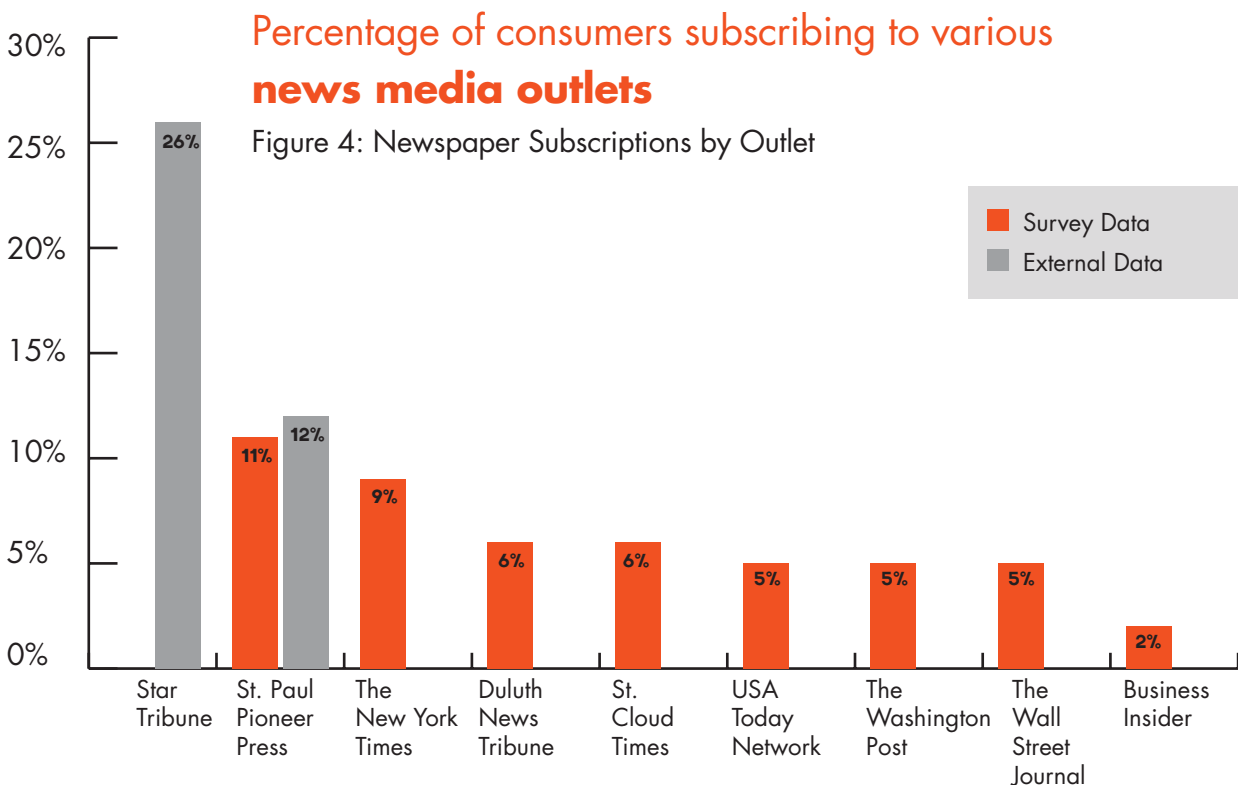
local news and subscription spending

Local news subscription behavior and national news subscription behavior are strongly correlated to one another.

As Figure 2 (on page 11) illustrates, approximately 39 percent of respondents indicated subscribing to news content of one form or another. Looking at local news subscription behavior, questions focused on major local newspapers across the state of Minnesota.²⁰ Questions about national newspapers focused on major national news outlets, including *The New York Times*, *The Washington Post* and other major newspapers. Thus, Figure 4 (see below) shows a more realistic snapshot of newspaper subscription behavior by blending national and local subscriptions based on consumer responses. While 39 percent indicated that they subscribe to news content, less than 10 percent of respondents reported subscribing to a national newspaper. Note that the values for

the *Star Tribune* are oversampled in this sample to capture a larger population of local news subscribers.

Subscription spending is largely driven by entertainment content, but an increase in spending on entertainment is correlated with an increase in spending on news media. Local news subscription behavior and national news subscription behavior are strongly correlated to one another. Directionally, subscribing to local news appears more strongly related to subscribing to national news than vice versa. In addition, local news and entertainment spending are strongly correlated. Specifically, entertainment subscription behavior drives an increase in local news subscription spending. In sum, this suggests that as consumers become more accustomed to paying for entertainment content, they are also more likely to pay for local news content. Second, as consumers pay more for local news, they are also more likely to pay for national news.



subscription patterns: platforms and multiple subscriptions

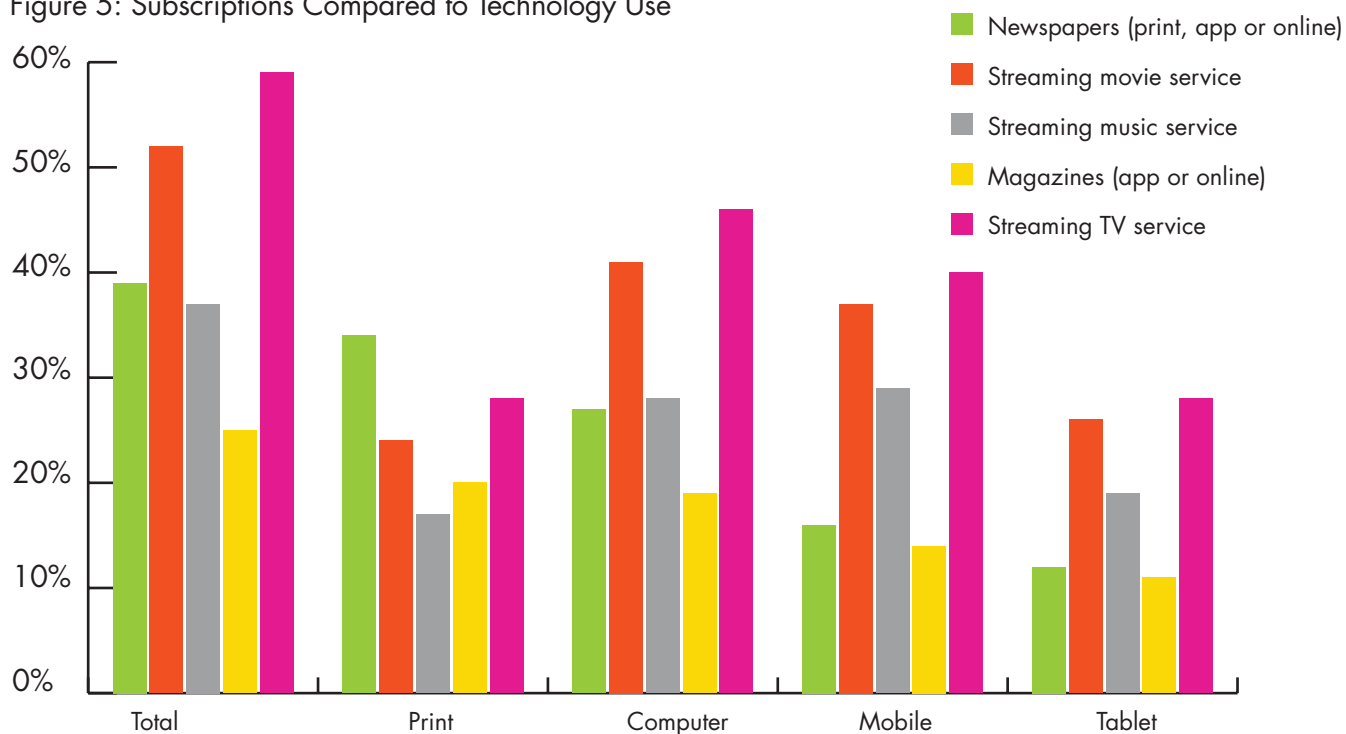
Focusing on subscription patterns, the next section considers the impact of platforms on subscription behavior, as well as consumers' broader attitudes toward multiple subscriptions. The results of this survey echo national survey trends in showing a clear preference for consumption of media via computers and mobile devices. Print newspaper subscribers are the only category of media consumer who continue to favor a printed product. On the other hand, digital devices are increasingly the device of choice for news and entertainment consumption. For instance, streaming television subscribers tend to primarily use their computers (46%) or mobile devices (40%). Comparatively, newspaper subscribers tend to prioritize print (34%) and then computers (27%), followed by mobile (16%). Also, as expected, subscribers of streaming movies, television and music prefer to use their mobile phones.

Digital devices are increasingly the device of choice for news and entertainment consumption.

When looking at specific subscription purchases across media platforms, some clear patterns emerge that are consistent with prior Pew research.²¹ Print readers lead the paid newspaper subscriptions. However, mobile phone users are allocating the majority of their spend to entertainment content such as music, television and movies, rather than newspapers. Tablet users share similar patterns as mobile phone users, but with fewer subscription purchases.

Percentage of consumers who subscribe to media in various formats

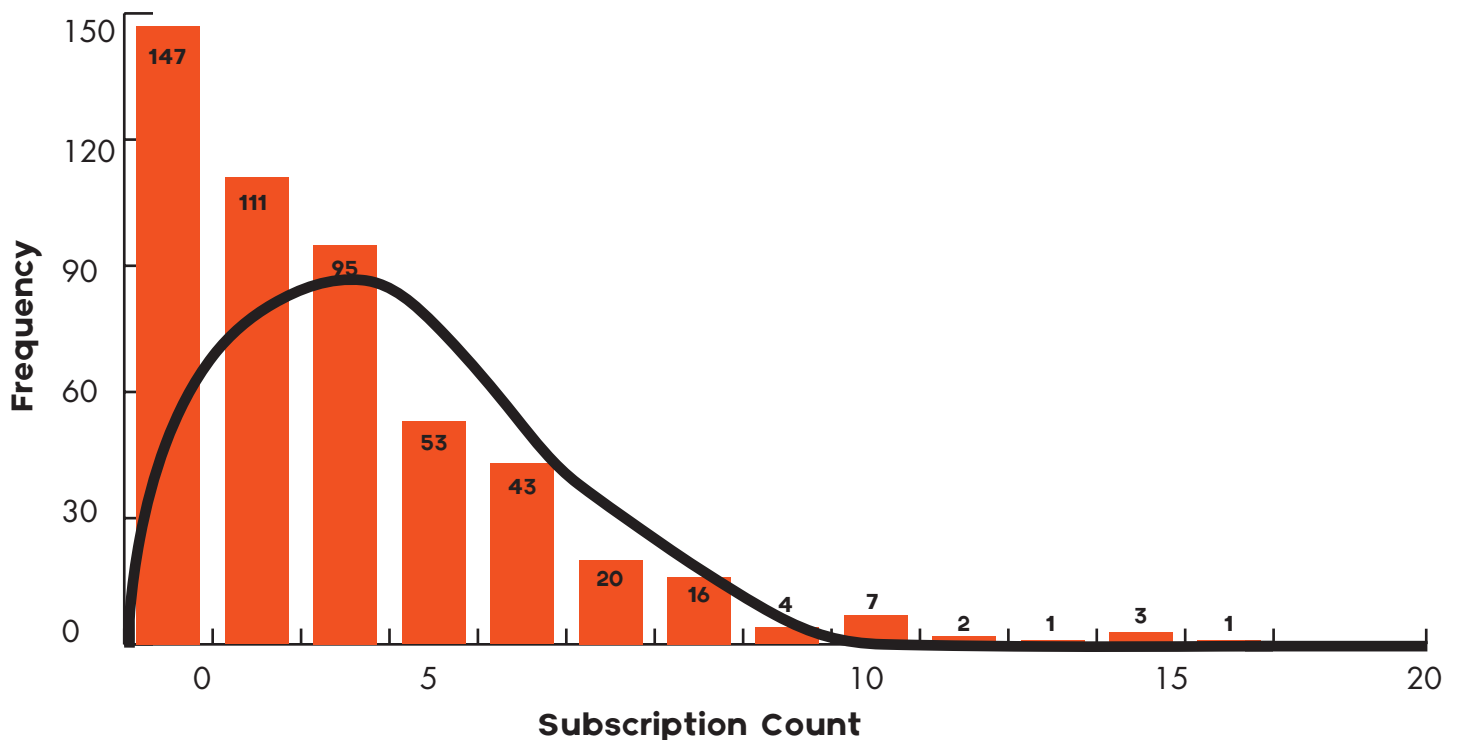
Figure 5: Subscriptions Compared to Technology Use



Delving deeper into the survey responses, a second area of focus was on the issue of consumers' willingness to subscribe to multiple forms of media. By looking at the specific platforms that consumers subscribe to, it was possible to consider how many platforms consumers pay for at any given time. Based on an analysis of the survey data, the average household has almost four paid subscriptions. Notably, based on the breakdown of subscriptions, the average household that subscribes to some form of media has about 1.3 news subscriptions and about 2.5 entertainment subscriptions.

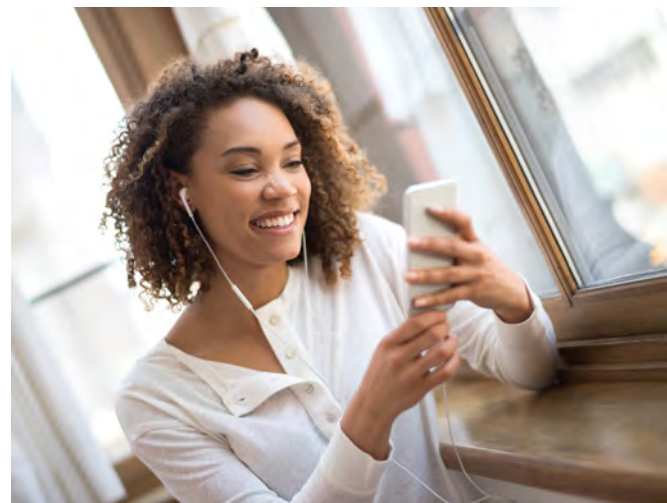
Average number of media subscriptions

Figure 6: Media Subscriptions by Count



The average household that subscribes to some form of media has about 1.3 news subscriptions and about 2.5 entertainment subscriptions.

There is a high degree of variance in the relationship between education, income and quantity of subscriptions. That said, there is not a significant relationship between these three variables. The number of news subscriptions and entertainment subscriptions in a household are positively correlated. Consumers who subscribe more do so for both entertainment and news content.



The Minnesota Context

Within Minnesota, newspaper subscriptions and readership continue to be dominated by the *Star Tribune*, but the *St. Paul Pioneer Press* has a presence in the market.²² Figure 4 (see p. 13) shows the subscription rates for some of the other local newspapers, including the *St. Cloud Times* and the *Duluth News Tribune*.

Additionally, there is evidence that local news subscriptions can lead to national news subscriptions. *Star Tribune* subscribers are exemplars of this trend as 33 percent of *Star Tribune* subscribers are also

national news subscribers, while only 7 percent of non-subscribers of the *Star Tribune* are national news subscribers. This pattern is shown in Figure 7 (see below).

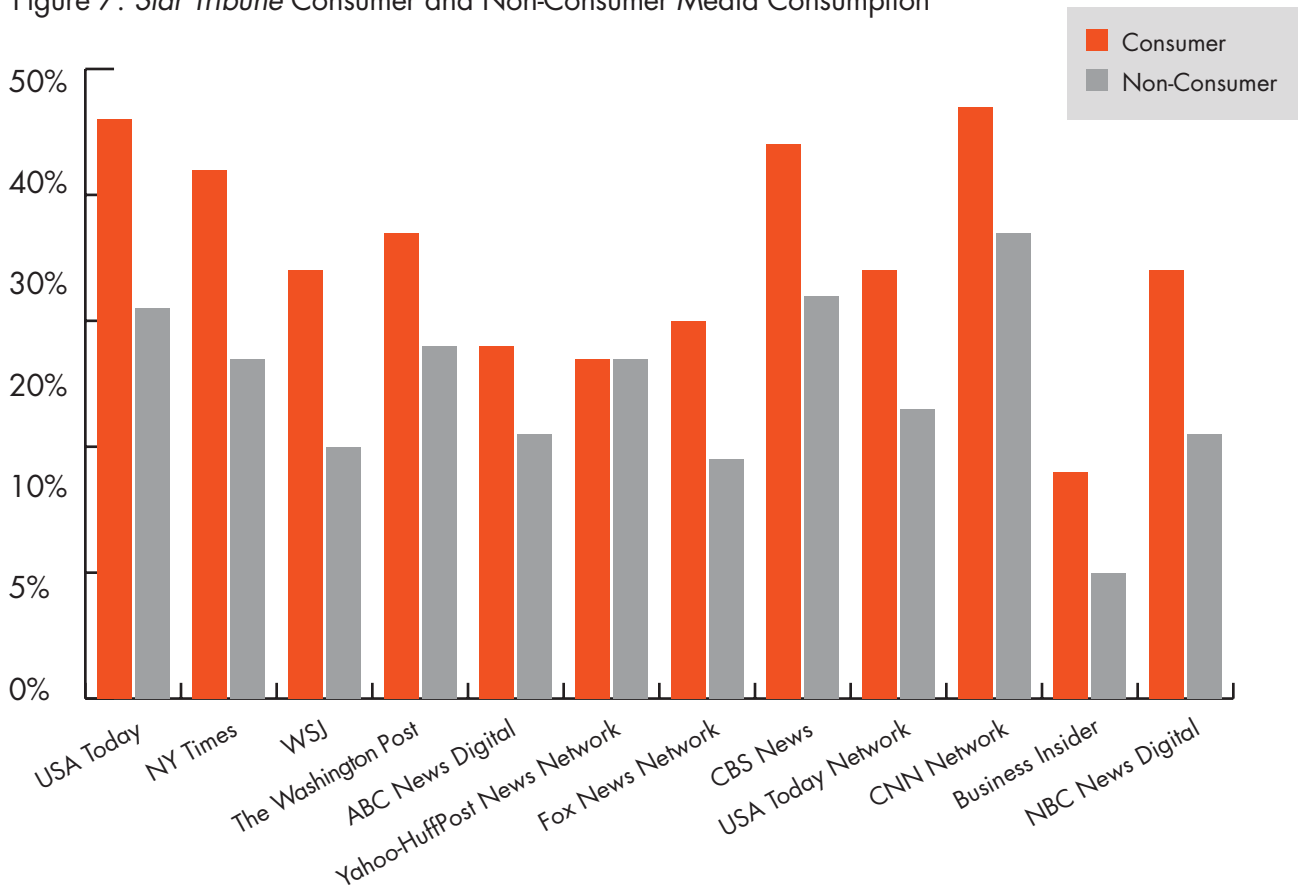
Moreover, according to survey results, if someone subscribes to the *Star Tribune*, they are likely to also subscribe to the *St. Paul Pioneer Press*. Subscription rates to the two are significantly correlated and *Star Tribune* subscriptions help to “pull” in *St. Paul Pioneer Press* subscriptions as well. With regard to national media, less than 10 percent of respondents indicated that they subscribe to any single national newspaper.

Demographically, the general profile of *Star Tribune* subscribers does not differ from the overall pool of survey respondents and was comparable to general Minnesota population demographics according to U.S. Census data. Differences in gender, age, education, race and income were non-significant. On the whole, subscribers to national news are younger and more racially diverse compared to non-subscribers. Subscribers to local news are not statistically different from non-subscribers.



Percentage of consumers subscribing to national news media outlets

Figure 7: *Star Tribune* Consumer and Non-Consumer Media Consumption





Local news consumers in this survey tend to be avid consumers of news. *Star Tribune* consumers are likely to read more media overall when compared to other consumers. This trend holds when looking at consumers of other media outlets. *Star Tribune* consumers also tend to be more selective about social media use and use social media less than other consumers.

With regard to spending habits, *Star Tribune* subscribers are significantly less likely to subscribe to television and movie services than other media consumers.

The value of sports subscriptions

Ten percent of *Star Tribune* subscribers also subscribe to non-*Star Tribune* sports content, while only 5 percent of the non-subscribers do. Sports is an important topic niche for the *Star Tribune* but continues to be relatively small compared to other topics.

Still, the value of sports subscriptions is reinforced by the success of other niche digital offerings.

sports subscriptions BY THE NUMBERS

›500,000

The number of subscriptions the website the *Athletic* had garnered as of July 2019.²³ The site covers about 270 teams across 48 localized markets in the U.S. and Canada.

›483,000

Total digital subscribers (digital-only and digital-print) to McClatchy publications as of August 2019.

McClatchy also placed an emphasis on specialized sports news through a branded website called SportsPass, which allows subscribers to pay solely for sports content at a rate substantially less than a full newspaper subscription.

SportsPass, which launched in August 2018 at the *Miami Herald*, has expanded to 10 of McClatchy's 30 local markets.²⁴ McClatchy's total digital-only subscriber base has grown consistently over the past several years, and the pace of that growth increased markedly during the roll-out of SportsPass.²⁵ McClatchy more than doubled its digital-only subscribers between 2017 and 2019.²⁶ Clearly, there is a potential subscription market for sports-focused content.

consumer motivations



News subscribers and sports subscribers are motivated by a desire to get the latest updates... these motivations can be used as key drivers to encourage subscription behavior.

A final component of this survey examined the motivations that drive consumers' subscription behaviors. Motivations were measured using a series of scales, based on prior research, on what drives consumers' media consumption behavior. Respondents were asked a series of questions about what drove their motivations to subscribe to media, entertainment and sports content.²⁷

Findings from this portion of the survey show that news subscribers and sports subscribers are motivated by a desire to get the latest updates, but entertainment subscribers want a variety of choices with regard to what they watch or read.

Notably, news and entertainment subscribers were likely to have stronger motives behind their media subscription compared to sports. In terms of motive, obtaining content when and how respondents wanted was important in deciding to subscribe to news, entertainment and sports. However, news and sports subscribers cared more about getting the latest updates, while entertainment subscribers were motivated by having a variety of choices.²⁸ This analysis suggests that these motivations can be used as key drivers to encourage subscription behavior.



Even though sports subscribers are less motivated overall, subscribers to sports content are most willing to pay for subscriptions. In other words, sports subscribers are the most likely to pay for content when motivated to seek out sports content. Sports is a key driver of consumers' willingness to subscribe to media content, a finding consistent with the rise of digital sports-only content offerings.

Star Tribune subscribers were more motivated to subscribe to news, entertainment and sports than non-subscribers to the *Star Tribune*.

Looking specifically at the local context, *Star Tribune* subscribers were more motivated to subscribe to news, entertainment and sports than non-subscribers to the *Star Tribune*. This suggests that local news subscribers tend to be driven to obtain local content. Echoing the previous finding, the most significant gap existed with sports, which drove *Star Tribune* subscribers more compared to non-subscribers.

implications and summary



In summary, subscription behavior does not appear to be driven by basic demographics. It is a more complicated process driven by a variety of factors.

Subscription behavior is generally more impacted by media and technology usage behaviors, as well as some specific motivations to subscribe. In addition, sports is a niche, but important, category given the motivations of that category to subscribe.

With the rise in streaming services and the focus on subscription spending on entertainment, partnerships may be a natural avenue for increasing subscription rates. For example, T-Mobile subscriptions include an MLB.TV (Major League Baseball game streaming) partnership. Our data show a potentially positive crossover effect between national and local news subscription, so partnerships could combat “subscription fatigue,” which some estimate will affect news subscription behavior disproportionately.

Consumers indicate a capacity to spend more for media subscriptions than they do at present, but that willingness to spend is driven more by entertainment than by news. According to Deloitte’s annual Digital Media Trends survey²⁹, 69 percent of American households subscribe to one or more streaming video subscription service; 65 percent of U.S. households subscribe to cable, satellite or telco TV; and 41 percent subscribe to streaming music services.

When thinking about reaching target consumers, timeliness is an important driver for news and sports, whereas variety of content is a bigger driver for entertainment. Sports is a small but important niche; a continued focus on exclusive sports news content has the potential to drive a loyal subscriber base.

Finally, there is evidence in this research that local news subscriptions can benefit other types of media. Local news subscriptions can help increase subscription rates for other local outlets as well as national news organizations.

RESEARCH METHODOLOGY

This research was commissioned jointly by the News Media Alliance, the *Star Tribune* and the University of Minnesota Hubbard School of Journalism and Mass Communication in order to better understand consumers' willingness to pay and motivations for subscribing to news, entertainment and sports content. Data collection for this research occurred between April and June 2019. Respondents were contacted via email recruitment and invited to participate in the research study. All responses were made anonymous in order to protect individual respondents. To ensure that responses to the survey were valid, multiple choice answers were randomized and reverse coded to assess validity. In total, 497 valid responses were collected.

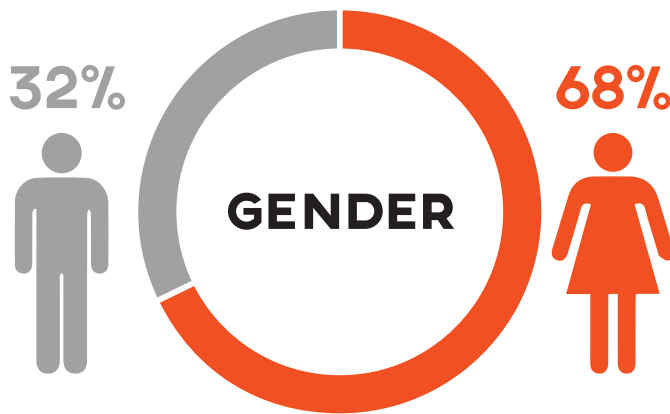
This study focused on residents of Minnesota, which allowed for a deep dive into the media subscription behaviors of a local media market. The methods used in this research and the survey questions provide a template that can be used to replicate this study in other markets. Subscription purchase behavior is a product of national competition for subscription dollars as well as local media consumption options; as a result, there are likely some moderate differences from market to market.

During data collection, quotas were set for gender, age, education, race and household income to be in line with U.S. Census data for the State of Minnesota (see p. 22 for a summary of respondent profiles). Keeping respondent demographics in line with U.S. Census data provides an important check to make sure that the data collected through the survey are generalizable to a broader population. Given the focus on subscription behavior, an additional question was included to make sure that all respondents subscribed to some form of digital media (entertainment, sports or news). Further, given the focus on the newspaper industry and the setting within Minnesota, subscribers to the *Star Tribune* were oversampled in data collection.

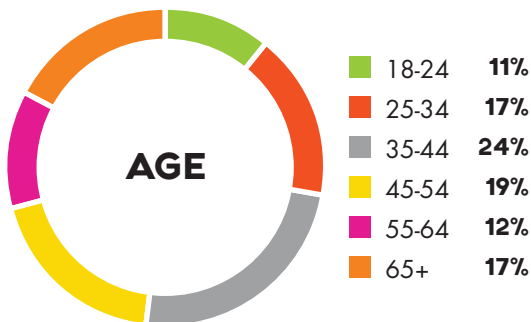
Descriptive data show that the overall respondent profile was generally in line with U.S. Census data for Minnesota. Similarly, education was evenly distributed across age groups, as was race. Income was in line with census expectations, with 43 percent reporting annual household income of between \$25k and \$75k. With regard to subscriptions, 65 percent of respondents subscribe to more than one medium and 30 percent subscribe to the *Star Tribune*. Finally, the gender of respondents skewed toward females, but was within an acceptable range of error. To account for the oversampling of females, statistical weighting was used to overweight male responses and underweight female responses to correct for the imbalance.

Respondent DEMOGRAPHICS

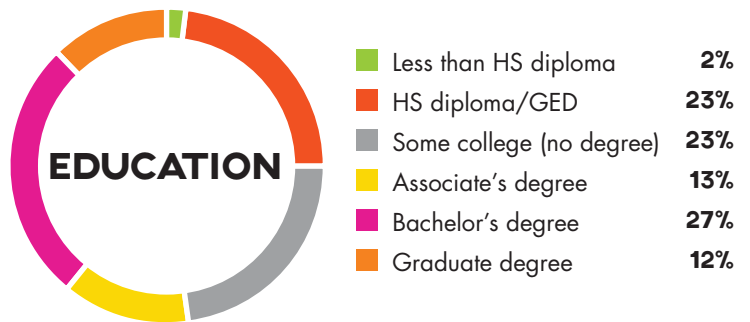
Below is a detailed summary of the demographic breakdown for survey respondents. Each of the following charts summarizes the categorization for the 497 respondents who participated in the survey.



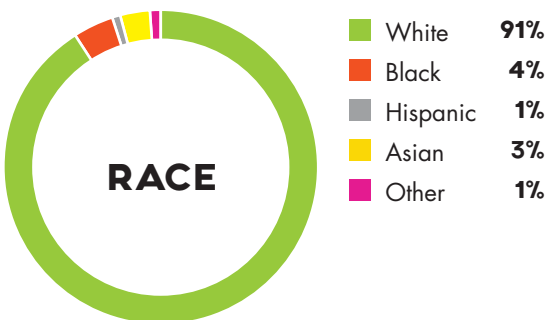
Due to challenges with data collection of subscribers, the gender of respondents skewed female, but was within acceptable ranges of error. The skew in distribution was corrected through weighting in the analysis.



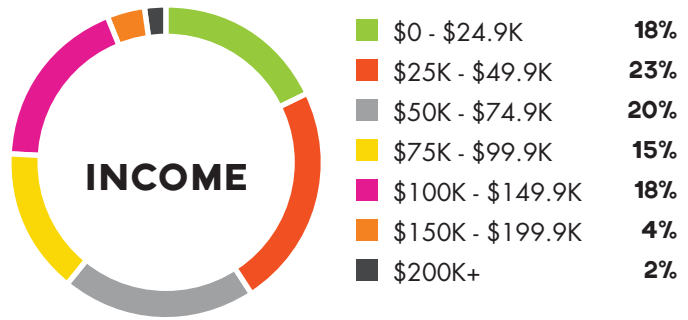
Respondents were evenly distributed across age groups, as expected.



Respondents were evenly distributed across education groups, as expected.



The race of respondents skewed white – 90 percent – but this is in line with Census data for the state of Minnesota.



Annual household income of respondents was in line with the U.S. Census expectations (i.e. 43 percent between \$25K and \$75K).

about the researchers

MATTHEW S. WEBER (Ph.D., University of Southern California) is an Associate Professor in the Hubbard School of Journalism and Mass Communication at the University of Minnesota. Matthew is an expert on media industries, organizational change and large-scale Web data. His recent work includes a large-scale longitudinal study examining how media organizations evolve with technology. Additional research includes an examination of technology in local news organizations, and the use of social media within organizations.

JONATHAN ANDERSON is a Ph.D. student in the Hubbard School of Journalism and Mass Communication at the University of Minnesota. A former newspaper reporter, his research focuses on local news and media law. He is currently investigating news deserts in the United States and government transparency.

EUGENE LEE is a Master's student in the Hubbard School of Journalism and Mass Communication at the University of Minnesota. Her recent work looks into knowledge sharing behavior of organization workers in online communities. Additionally, her research focuses on the role of online distributed media content and the motives behind using emerging media.

RENEE MITSON is a Master's student in the Hubbard School of Journalism and Mass Communication at the University of Minnesota. Her recent work examines the intersection of technology and work, with a focus on understanding emerging job roles within organizations.



ALLISON J. STEINKE is a Ph.D. student in the Hubbard School of Journalism and Mass Communication at the University of Minnesota. Her research interests include journalism, social and mobile media, and social justice with an emphasis on the anti-human trafficking movement. She is also a Research Assistant and Student Fellow at the Minnesota Journalism Center.

SARAH KAY WILEY is a Ph.D. student at the University of Minnesota, where she is a research assistant at the Silha Center for the Study of Media Ethics & Law. Her research focuses on the legal implications of computational journalism and news industry algorithms. She holds a J.D. from the University of Minnesota Law School and is a member of the California and Minnesota Bar.

HAO XU is a Ph.D. Student in the Hubbard School of Journalism and Mass Communication at the University of Minnesota. His research mainly focuses on consumer behaviors in the social media and public relations contexts. Specific areas of current research include social advocacy, crisis communication, and computational communication research.

ENDNOTES

1. Afshar, V. (2019, July 22). 5 trends driving end of ownership and growth of subscription economy. Retrieved from <https://www.zdnet.com/article/5-trends-driving-the-end-of-ownership-and-the-growth-of-the-subscription-economy/>
2. Kelly, S., & Robinson, R. (2018, June 14). The Fast and Furious Rise of the Subscription Economy. Retrieved from <https://www.ceros.com/originals/netflix-spotify-and-the-rise-of-the-subscription-economy/>
3. Senz, K. (2019, July 8). Are Paywalls Saving Newspapers? Retrieved from Harvard Business School, Working Knowledge website: <https://hbswk.hbs.edu/item/are-paywalls-saving-newspapers>
4. Edmonds, R. (2019). The drive for digital subscriptions hits a bump in the road: subscription fatigue. Retrieved from <https://www.poynter.org/business-work/2019/the-drive-for-digital-subscriptions-hits-a-bump-in-the-road-subscription-fatigue/>
5. Pew Research Center, State of the News Media. (2019). *Newspapers Fact Sheet*. Retrieved from <https://www.journalism.org/fact-sheet/newspapers/>
6. News Media Alliance. (2018). *Driving Digital Subscriptions*. Arlington, VA.
7. Deloitte Consulting. (2017). *Digital media: the subscription prescription*. Retrieved from <https://www2.deloitte.com/content/dam/Deloitte/global/Images/infographics/technologymediatelecommunications/gx-deloitte-tmt-2018-digital-media-report.pdf>
8. Newman, N., Fletcher, R., Kalogeropoulos, A., & Nielsen, R. K. (2019). *Reuters Institute Digital News Report 2019*. Retrieved from <http://www.digitalnewsreport.org>
9. Pew Research Center, State of the News Media. (2019). *Newspapers Fact Sheet*. Retrieved from <https://www.journalism.org/fact-sheet/newspapers/>
10. Moses, L., & Yuan, Y. (2019, March 18). New research shows how *The New York Times*, *Economist*, *New Yorker* and other top online subscription publishers stack up. *Business Insider*. Retrieved from <https://www.businessinsider.com/only-a-few-publishers-will-be-able-to-sell-subscriptions-at-scale-2019-3>
11. McIntyre, D. A. (2019, July 26). Should Apple buy Netflix? *USA Today*. Retrieved from <https://www.usatoday.com/story/money/2019/07/26/amazon-netflix-hulu-apples-growth-may-rely-streaming-services/1826700001/>
12. Rani Molla (2019, April 16). Netflix makes up nearly 30 percent of global streaming video subscriptions. *Recode*. Retrieved from <https://www.vox.com/2019/4/16/18410556/netflix-30-percent-global-streaming-video-subscriptions-q1-2019>
13. Pew Research Center, State of the News Media. (2019). *Newspapers Fact Sheet*. Retrieved from <https://www.journalism.org/fact-sheet/newspapers/>
14. Newman, N., Fletcher, R., Kalogeropoulos, A., & Nielsen, R. K. (2019). *Reuters Institute Digital News Report 2019*. Retrieved from <http://www.digitalnewsreport.org>
15. Ferrier, M., Sinha, G., & Outrich, M. (2016). Media deserts: Monitoring the changing media ecosystem. In M. Lloyd & L. A. Friedland (Eds.), *The communication crisis in America, and how to fix it* (pp. 215-232). New York: Palgrave Macmillan.
16. Moogimane, D. (2018). *America's Relationship with Subscription Services*. Retrieved from West Monroe Partners website: <https://www.westmonroepartners.com/Insights/White-Papers/Relationship-with-Subscription-Services> (West Monroe Partners acquired Waterstone Management Group in April 2019.)
17. This does not overlook the fact that newspapers also have been innovative in the digital subscription market. A handful of newspapers experimented with Videotex terminals in the 1980s to provide subscribers remote access to news content using modems. The *Raleigh News & Observer* has had a website since the mid-1990s and *The Wall Street Journal's* online paywall dates back to 1996.

18. Liesman, S. (2018, March 29). Nearly 60% of Americans are streaming and most with Netflix: CNBC survey. *CNBC*. Retrieved from <https://www.cnbc.com/2018/03/29/nearly-60-percent-of-americans-are-streaming-and-most-with-netflix-cnbc-survey.html>
19. Hu, C. (2018, September 11). Paid Music Streaming Subscribers Surpass 50 Million in US, But There's a Twist: Exclusive. *Billboard*. Retrieved from <https://www.billboard.com/articles/business/8474560/paid-music-streaming-subscribers-surpass-50-million-us-exclusive>
20. Outlets included in the survey came from The Alliance for Audited Media's Media Intelligence Center, which provides consumer information for news media outlets in the United States and lists the *Star Tribune*, *St. Paul Pioneer Press*, *Minneapolis-St. Paul Business Journal* as the three active print news media outlets in the Twin Cities. Agility PR (2019) lists the *Post-Bulletin*, *Duluth News Tribune*, *St. Cloud Times*, *The Free Press*, *The Willmar West Central Tribune*, *Faribault Daily News*, and *Owatanna People's Press* as the remaining most popular print outlets in Minnesota by circulation. We listed all of these in our survey, along with nonprofit news outlets MinnPost and Minnesota Public Radio (MPR).
21. Pew Research Center (2019, March 26). For Local News, Americans Embrace Digital but Still Want Strong Community Connection. Retrieved from <https://www.journalism.org/2019/03/26/for-local-news-americans-embrace-digital-but-still-want-strong-community-connection/>
22. According to March 2019 data from the Alliance for Audited Media, News Media Alliance and Nielsen Audience Summary Report, the *Star Tribune*/e-edition's daily cumulative projected readership was 884,103, while the *St. Paul Pioneer Press*/e-edition daily cumulative projected readership was 400,148.
23. Boudway, I. (2019, July 29). The *Athletic* sports news site hits 500,000 subscribers. *Bloomberg*. Retrieved from <https://www.bloomberg.com/news/articles/2019-07-29/the-athletic-sports-news-site-hits-500-000-subscribers>
24. News Media Alliance. (2019). *What's Next: Digital Subscriptions. Progress and Potential on the Path to Consumer-Generated Revenue*. Retrieved from https://www.newsmediaalliance.org/wp-content/uploads/2019/03/FINAL-WEB_Digital-Subscriptions-Report_3-2019.pdf
25. Analysis of McClatchy Company quarterly earnings reports from Q1 2016 to Q2 2019.
26. McClatchy Company. (2019, August 8). McClatchy Reports Second Quarter 2019 Results. Retrieved from <https://investors.mcclatchy.com/news-releases/news-release-details/mcclatchy-reports-second-quarter-2019-results>
27. The motivation was measured using gratification-opportunities items exploring nine motives: fitting into a busy schedule, getting latest updates, obtaining content at the times I want, getting a variety of topics, getting information quickly, using time wisely, getting a variety of choices, accessing conveniently, supporting industry. The motives were measured using a five-point Likert-type scale (1 = strongly disagree, 5 = strongly agree).
28. A 2017 survey of subscribers to 90 newspapers in the United States found that people were motivated to subscribe for multiple reasons: respondents desired local news, found stories interesting and useful, and wanted to help support locally produced journalism. The survey further found that nearly half of respondents were eventually persuaded to subscribe because they were offered a free trial or some sort of promotion. See The Media Insight Project. (2018, Feb. 27). *Paths to Subscription: Why recent subscribers chose to pay for news*. Retrieved from the American Press Institute website: <https://www.americanpressinstitute.org/publications/reports/survey-research/paths-to-subscription/>
29. Westcott, K., Loucks, J., Downs, K., & Watson, J. (2019, March 19). *Deloitte Digital media trends survey, 13th edition*. Retrieved from Deloitte's Center for Technology, Media & Telecommunications website: <https://www2.deloitte.com/insights/us/en/industry/technology/digital-media-trends-consumption-habits-survey/summary.html>





News Media Alliance
4401 N. Fairfax Drive
Suite 300
Arlington, VA 22203
www.newsmediaalliance.org

For more information contact:
Rebecca Frank
Vice President, Research & Insights
rebecca@newsmediaalliance.org

© 2019 News Media Alliance. All rights reserved.