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A STUDY ON THE NEW YORK TIMES' SUCCESSFUL DIGITAL ADOPTION & REGAINED MARKET CAPITALIZATION

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ABSTRACT

The New York Times Company is a mass media company headquartered in Manhattan, New York, which publishes its newspaper, The New York Times with global readers and audiences. Aside from the newspaper, the company also owns the New York Times International Edition and their related digital properties including NYTimes.com, along with other brand-associated properties. The company, over the years, adopted a digital strategy with the launch of these digital properties. In the 1960s, the company was publicly traded and listed in the New York Stock Exchange under the symbol NYT. The company provides two categories of the company stock, Class A and Class B. Over the years, the stock price rose and fell, also falling to low levels as company financials got hit. Nonetheless, the successful adoption of digital strategies propelled financial growth and therefore gave way to regained market capitalisation.

KEYWORDS: Family business; The New York Times Company; Subscriptions; Paywall; Top management; Board;

Corrections

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INTRODUCTION

The New York Times was founded as the New-York Daily Times on September 18, 1851 by journalist and politician Henry Jarvis Raymond and former banker George Jones, the Times was initially published by Raymond, Jones & Company. In 1869, Henry Raymond died, and George Jones took over as publisher. In 1891, after George Jones died, Charles Ransom Miller and other New York Times editors raised \$1 million to buy the Times, printing it under the New York Times Publishing Company. In 1896, Adolph Ochs bought The New York Times and formed the New York Times Company. The Ochs-Sulzberger family, one of the United States' newspaper dynasties, has owned The New York Times ever since. The publisher went public on January 14, 1969,

The New York Times started their website. www.nytimes.com from 1996. In 2022 NYT reached 10 million subscriptions with the addition of The Athletic. NYT portfolio includes News, Games, Cooking, Wire cutter (product recommendation) & The Athletic. NYT Market Cap reaches \$6.6 billion in 2022, which is the same as in 2001. Their Market Cap almost doubled in the last 5 years, with the highest ever market cap of \$ 8.6 billion in 2020. NYT digital subscription is 93%, but digital subs Rev is contributing 63%, due to higher Subs Print ARPU (\$66), compared to Digital (\$8). NYT Digital Advt Rev split is 61% with Digital Advt ARPU/MAU of \$0.21 (MAU of 125 million in 2021). Overall NYT Subs Rev is contributing 66%, Advt Rev contributing 24% and Other Rev 10%. Print & Digital both segments have approx 75% revenue coming from Subscription. NYT got highest subscription growth in 2020 (52%), where Subscription increased from 5.25 mn in 2019 to 7.52 mn in 2020 (Trump Bump & Covid effect). Approx 72% MAU is coming from the USA (out of 125 mn total MAU in 2021, which is increasing with 10% CAGR since 2011. Digital subscription is increasing by 35% CAGR compared to 2011, where Print subscription is decreasing by 6% CAGR compared to 2007.

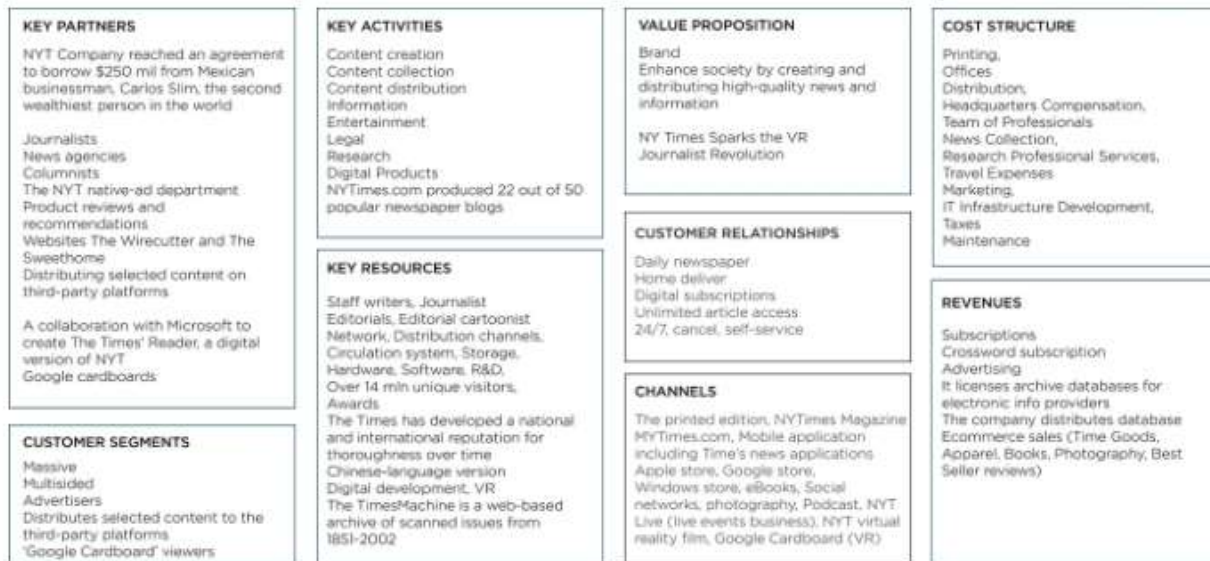
Context

Most of today's media "success stories" are about digitally "native" companies like Google and Facebook. Meanwhile, many of the great brands of the pre-digital era seem to be struggling for mere survival in the face of digital disruption. And it's hard to think of a media segment more threatened by digital than newspapers. As advertisers have shifted more of their budget to web and mobile, almost 70% of all newspaper advertising dollars have evaporated over the last 15 years.

According to the report, NYT digital subscription revenue increased 40% year-over-year. Furthermore, The Times' paying digital subscribers, representing almost 70% of their total subscriber base. Although print advertising in The Times declined around 18% year-over-year, those losses were more than offset by increases in digital subscriptions and digital advertising, resulting in year-over-year increases in both revenue and profitability. As CEO Mark Thompson said in the Q1 2017 earnings report, "These results show the current strength and future potential of our digital strategy to deliver substantial revenue."

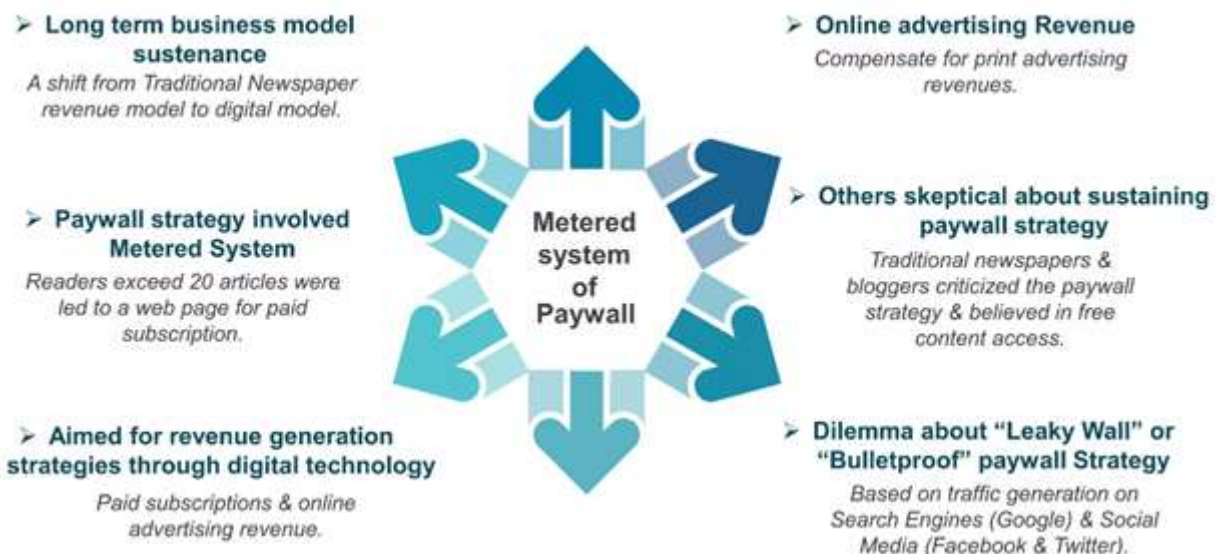
So how did they do it in an era where so many great pre-digital brands, both media and otherwise, are failing to compete effectively with digital disruptors? Five key themes emerged that form the basis of the approach The Times has pursued, and which, has thus far, exceeded their forecasts and expectations. (We will discuss these later in this case study at steps taken)

Business Model canvas



(Source- New York Times Business Adaptation to the Digital Age)

Case Synopsis

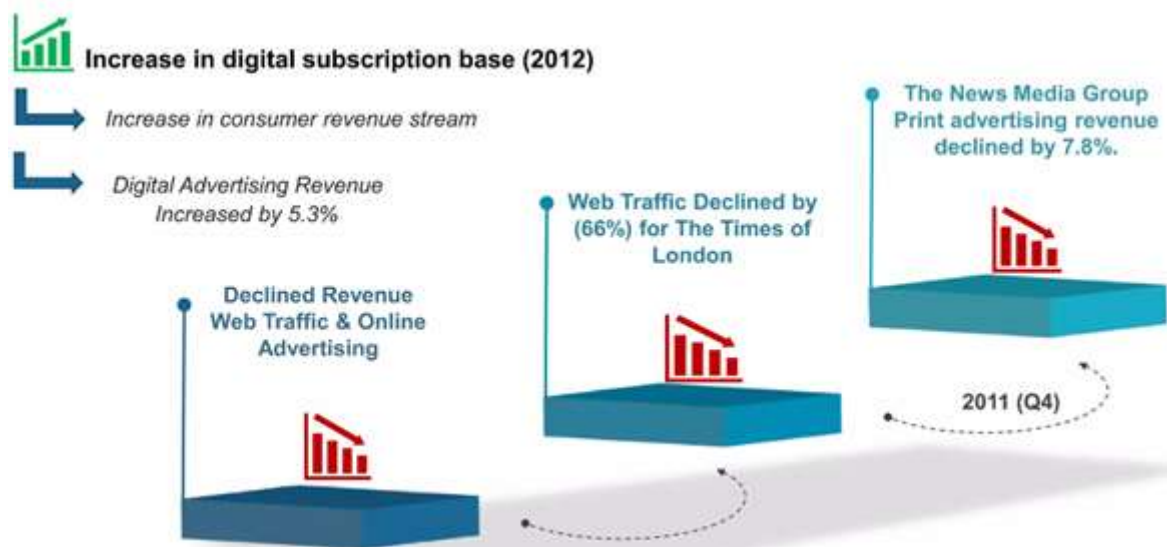


Problem

By the 2010s, the Internet had become a driving force for sharing information. These changes created a drastic shift in how people consume information. By 2011, revenue for the New York Times was at an all-time low — the company was directly affected by the digital shift market. By 2012, deterioration of the business was touching multiple layers of the organization:

- A decline in print and advertising revenues
- The introduction of online sales did not substitute declining print sales
- Pension costs were rising annually with significant expenses in employer matching contributions, management fees, and more
- A decline in cash flow

Case Problem



Pressurized Newspaper Industry



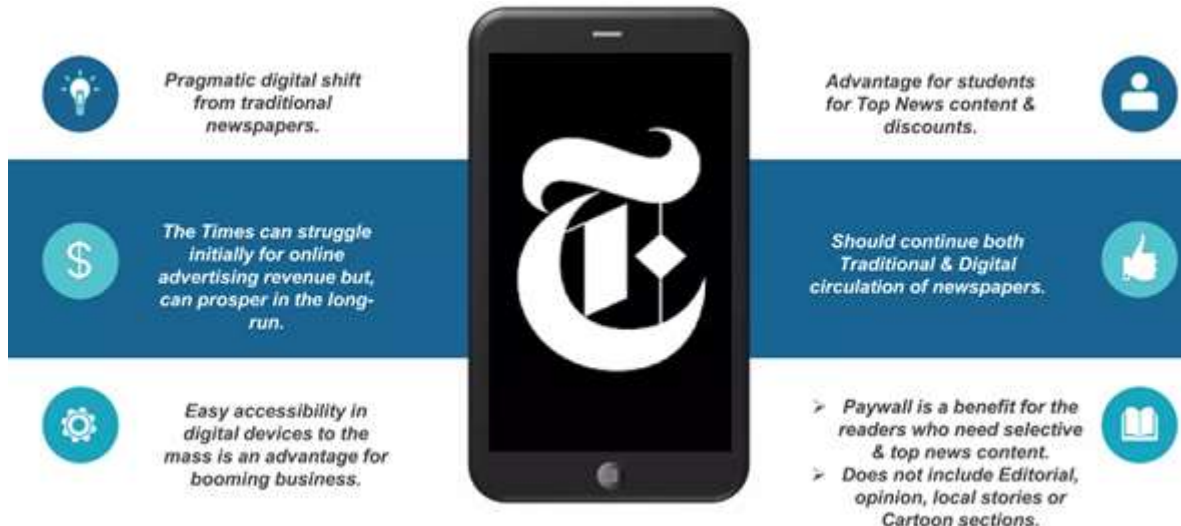
Solution

New York Times' digital transformation was initiated back in 2011 when the newspaper launched its first paywall on nytimes.com and, thus, began selling digital subscriptions.

Right from the beginning, New York Times chose to have an 'intelligent' paywall meaning that visitors could read up to 20 articles a month free of charge before they were met with a paywall. The company still uses this method. However, free news got scarcer as the paywall has been tightened up through the years. Today, readers can read five articles a month and free access through social media has been removed altogether. All this happened in order to ensure that multiple users are met by the paywall each month.

The 'intelligent' paywall is often regarded as the actual reason behind the great success of the New York Times. Nevertheless, we believe that this picture is too simplified. Most importantly, the success might be due to the company's dedication to digital subscriptions and on key areas such as price, packaging, customer engagement, and onboarding of new subscribers.

Case Conclusion & Recommendation



Subscription precedes anything else

The New York Times recognised a long time ago that the competition over the digital advertising market was lost. As such, most newspapers’ biggest income source – adverts – could not be relied on for earning revenue, in the digital world. In the US, Google and Facebook currently control 89% of the digital advertising market. Therefore, back in 2011, many realized that if newspaper providers mastered digital transformation, they could succeed in getting the users to pay for content. Therefore, New York Times ran (and still runs) a consistent subscription-first strategy when it comes to the digital area.

At the same time, many newspaper providers realized that readers must be won by providing a consistent focus on quality and credibility. Thus, New York Times hired around 1.300 editorial employees for its newsroom. A number which hasn’t changed over the years. Not even when the company struggled financially.

In addition, New York Times is committed to constantly developing different subscription products and packaging for its subscribers. However, in addition to this basic subscription (which gives subscribers access to the news section on nytimes.com), the company offers a number of additional subscription options and extended subscription packages with multiple options. For instance, subscribers can pay extra to receive the company’s food recipes or the digital crosswords.

Engage your subscribers – and get them onboard

Another important element in the New York Times' subscription strategy is about developing customer engagement. New York Times believes that loyal subscribers are the result of dedicated subscribers. Therefore, the company focuses on arranging events and providing unique experiences for the subscribers, which are held somewhat separately from the actual core journalism. A good example of customer engagement is; "You ask. Experts answer", in which subscribers can ask questions directly to a panel of experts within different categories.

In addition, onboarding new subscribers is also a particularly prioritized discipline to New York Times, which currently has ten employees in a dedicated onboarding department. These ten employees are responsible for the subscribers' engagement in the first three months of their subscription lifetime. During these first three months, customer engagement requirements are particularly high, as the company focuses on creating strong habits in order to create long-lasting subscriber loyalty.

All of this portrays a picture of a company that works hard to create value for the subscribers from day one. Moreover, it is a company that is highly focused on the subscription-based business model across all departments.

What effect has the republican president's constant attack, on the more democratic New York Times, had on the newspaper's credibility? When Trump became president in 2016, New York Times had around 1.5 million subscribers. That number has more than doubled in less than two years. Therefore, it has had a huge – and positive – effect. In conclusion, it can be argued that the newspaper's position (as the leading opposition to Trump) has certainly paid off commercially.

Steps Taken

We can understand the key principles behind their recent digital turnaround from Two senior executives who were helping lead The Times' digital transformation. (Kinsey Wilson, EVP, Product and Technology, and Editor for Innovation & Strategy; and Tristan Boutros, SVP & COO for Digital Product, Strategy, and Design). Five key themes emerged that form the basis of the approach, The Times has pursued, and which, has thus far, exceeded their forecasts and expectations.

1. Leveraging Customer Data to Increase Subscriptions

While many newspapers have declining print subscriptions and are challenged to get customers to pay for digital content. Boutros and Wilson attribute the recent boom in subscriptions to efforts to better leverage customer data across marketing. Wilson explained, "They've...professionalized the way in which they manage the funnel, essentially how we get people to the point where they subscribe.

According to Wilson, "It's been a combination of two things. It's been really modernizing our data environment, and just our sophistication around analytics, and understanding how the audience arrives at a point where it's willing to subscribe." He added, "Where we were a year ago was essentially a fairly crude mechanical mechanism where you see ten pages; you hit the wall; you subscribe, or you

don't. It was fairly binary. Now, we understand, depending on how often you come, how engaged you are with The Times, what your particular profile is, what's the next action we can take to make it a more meaningful experience to get you back more often, to drive you closer to subscribing."

"We have become a very data-driven company," Boutros described. "We've built what I think is a very productive partnership between data, technology and our partners in consumer revenue to actually put more control in their hands as well. We're trying to integrate tools, so at various points in the customer journey [marketing] can feed the messaging required to engage customers in a way that resonates, and so it actually gives a lot more autonomy and control to our marketing partners."

This type of personalized data-driven sales funnel is par for the course for digital leaders such as Google and Amazon but is typically far less sophisticated at pre-digital media companies. The benefits The Times have delivered via this approach are instructive to those hesitating to make the investment to become world class in this area.

2. A New Mindset of Agile Product Experimentation

But more effective marketing processes are only part of the formula. Wilson and Boutros described the mindset shift that has led to far more experimentation around product development, including their new Cooking and Crossword apps that have significantly contributed to new subscriptions. These fresh products emerged from an internal incubator group, named Beta, which has been charged with bringing to market a variety of new products.

Wilson described how that cultural shift was aided by the leadership of Dean Baquet, Pulitzer Prize-winning journalist and executive editor of The Times since 2014. "Dean has been quite clear in saying we need to understand how to take prudent risks. He approved an arrangement with Facebook to do Facebook Live in a matter of weeks, and clearly, we were ramping up as we were doing it, finding our way. We can look at what was produced and find tremendous bright spots, and other places where we stumbled a bit."

Wilson described the new willingness at The Times to experiment with different formats, "You can be seen as experimenting with the medium, and finding your voice, and finding new forms of expression without perfecting right out of the gate. We've done that with 360 video. We've done that with VR. We just launched on SnapChat Discover. We launched an audio product called The Daily, a news podcast, a brand-new format for The Times [that's] been enormously successful--more than 40 million downloads and streams in its first three months, which is just off the charts in podcasting terms. It has received both in the audience that is listening to it as well as from professionals from across the industry, all kinds of accolades."

However, some experiments have failed, which Wilson readily acknowledged is part of a healthy process:

One of The Times' bigger new product launches has been their standalone subscription-based Cooking app, which gives access to decades of recipes from their database. Wilson clarified the distinction: "Cooking is different. Cooking addresses a different kind of use case and has the potential to attract a much wider audience, a portion of which may never have any interest in The Times' entire report, but Opinion was so tightly coupled with our core news identity that we discovered that it really didn't work as a standalone."

The Times is somewhat cautious about making changes to the user interface or editorial presentation of their main app. As he explained, "the core app itself, in a way, had become a legacy product that had a very substantial paying audience that was wedded to the way it was, and so to experiment quickly with changing the layout, changing the format, changing the composition of that felt risky, and so it was easier to create something off to the side as a standalone."

One of the challenges of any transformation is engrained thinking. Wilson believes one of the challenges in pushing forward into new terrain is being ready to see what aspects of past behavior can be abandoned because technology has moved on. Wilson theorizes that "human beings don't easily recognize the impact that a particular technology has had on the way we work and the way we think. Newspaper stories, the traditional newspaper story has the shape and form that it does in part because at one point in time, the composing room needed to be able to take a razor blade to the bottom of the story, and sort of paste it up in the right column, and it would fit, and these are habits that become ingrained."

"So, we're all conditioned in one way or another by the technology that has defined the profession we're in, and as it begins to change as rapidly as it's changing, it's difficult to separate pure technological change from the habits, and habits of mind that we've formed around that, and so I think that's part of the reason the cultural change is so difficult."

3. Intense Leadership Focus on Digital

Today, many companies find themselves in a situation similar to The Times in that, while digital appears to be the future, the vast majority of revenue is still coming from legacy products and distribution channels. This leads to the question of how much focus an organization should put on the declining but still sizable legacy business and how much focus to put on digital businesses which, while future-oriented, might not yet be near the scale of the traditional business. Further complicating the decision is the fact that new digital channels might deliver less revenue per transaction, as Jeff Zucker, head of NBC Universal, bemoaned almost a decade ago when he feared NBC was trading "analog dollars for digital pennies." In fact, this is clearly playing out at The Times where although almost 70% of their subscribers are digital, almost 70% of their revenue comes from print.

4. Cross-Silo Collaboration Built on Trust

While The Times level of leadership focus on digital is impressive, the digital aspiration of many companies is foiled despite leadership's desires. This is due to the failure of different teams, departments or other silos to effectively work together to create effective digital businesses. Boutros and Wilson credit a big part of The Times' success over the last two years to the effectiveness of collaboration across units within the organization. Wilson explains, "There's virtually nothing that you can build, or touch, or launch that doesn't require involvement from the editorial side of the house -- a combination of technologists, and designers, and revenue folks, and in our case because it's a subscription business, both consumer revenue and advertising revenue, as well as brand marketing folks. I mean, virtually everybody gets involved."

This need for cross-organization collaboration was quite a sizable cultural shift. As Wilson described, "the newsroom has historically operated with an extraordinary degree of independence and had very, very little, if any, contact with the business side, and by 'business side,' I don't just mean a firewall between advertising and editorial, but really all of the business functions. For all intents and purposes, it ran its own tech support and HR functions.

"Dean [Baquet], as executive editor, has brought an enormous cultural change in that regard, and just opened up the newsroom to the business side, and allowed easy conversation between the two, and he has sort of uniquely, I think, reassured the organization that he attaches the utmost importance to the values and the editorial quality that has always been foremost at The Times, but at the same time, has said that people have got to figure out a way to work together. 'This is a new era. Don't be afraid to engage', he says, and that's been an enormous cultural shift."

This type of Kumbaya moment may sound like a fairy tale to many enterprises digital executives who may also create cross-divisional working groups and yet who still spend so much of their time in turf wars and budget battles with their colleagues.

Wilson explained, "I think it's a combination of things. I think it's being able to articulate a clear strategy and direction of travel to give people confidence that you're bringing real experience to difficult problems, and giving them visibility into how the work is being done, and what the rationale is for various things that you're advocating. I think it's demonstrating, and this is crucial - particularly for people who are new to an organization that has historically been a destination, a career destination for folks - that you understand profoundly the mission of the organization, and are prepared to take the time to get to know it properly, and to understand fully how it operates, and what its values are, and what it holds dear, and that's just a certain amount of empathy and humility about how you go about the task, and that takes time."

5. A Complete Rebuild of the Technical Stack

But even with great process and leadership, rapidly building and testing a stream of digital products requires a modern technical stack. Boutros described the difficulties, "Our technology landscape is quite vast, and so our CTO, Nick Rockwell has had a big challenge in that regard. Hundreds of systems, from multiple different advertising pipeline tools to several different marketing vehicles and systems, to different billing systems."

Over the past two years, The Times has been undergoing a major rebuild of many of its core tools and systems. Explained Boutros, "We've had to undertake a big systems transformation in order to truly drive a cross-platform experience for our customers those delights. That's something we're in the midst of completing now and are very close to not having so many disparate technologies."

Boutros added that once the strategy was articulated to the executive team, "everyone understood that there was a certain amount of technical debt and that we needed to re-platform. Re-architecting didn't have a lot of resistance, although we have had to remind certain stakeholders just what sort of effort that requires along the way", he joked. "There were points of fatigue throughout, that is natural with such a massive undertaking, but that's where Our Path Forward and product vision, along with clearly defined benefits and goals, and constantly reiterating them, has really been critical. We do this in every quarterly business review that we have; we do it in every roadmap review and in our annual corporate planning cycle. We make sure that the roadmaps are thorough, transparent, and that people really understand what our teams are working on, what percentage of time or investment is going into our products, and how that conflicts or doesn't conflict with any other initiatives that we may want to undertake."

Paywall Strategies



CONCLUSION

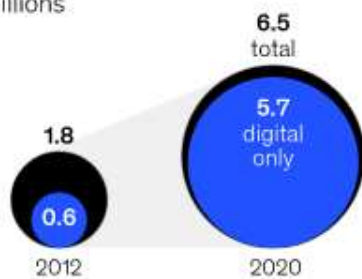
What other companies can learn from New York Times

The great question is – what can other newspapers, media houses as well as subscription-based businesses learn and how can these be inspired by New York Times’ great subscription success? Or is this specific case perhaps unique due to the newspaper’s position and global reach? Personally, I believe that there is a lot that companies can learn from.

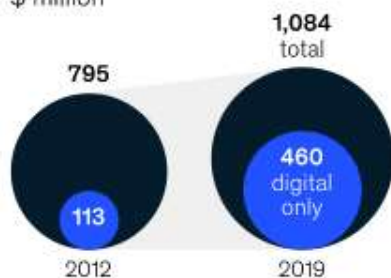
Firstly, if you plan to build a successful subscription company, make sure that you focus on the quality of your product and on your customers in everything you do. Secondly, work continuously on developing your subscription product. Thirdly, keep in mind that dedicated subscribers are loyal subscribers. The more often they use your product, the more loyal they become. Fourthly, remember that thorough onboarding of new subscribers might be the best and most effective investment you can make in terms of optimizing the subscriber’s lifetime and, thus, your subscription company.

Digital-only subscribers to the *New York Times* have soared and now account for the majority of paying readers, generating nearly half of subscription revenue.

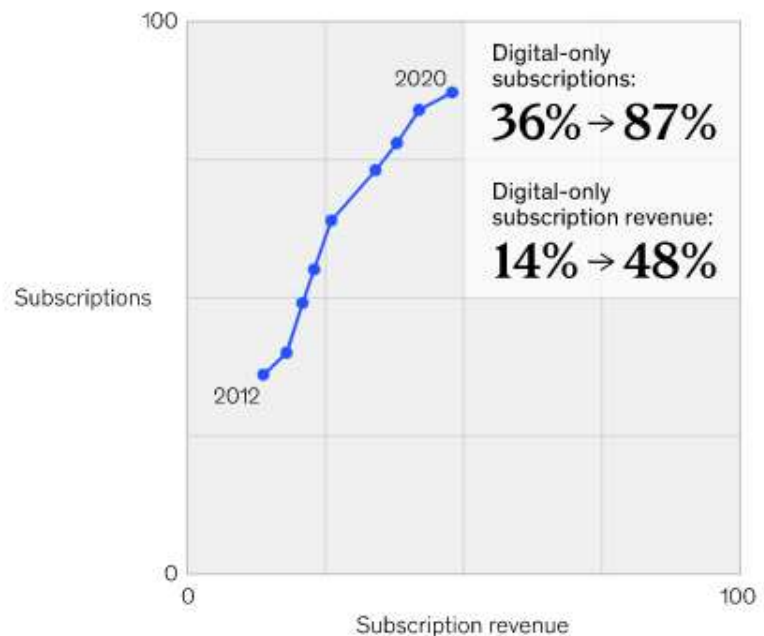
Subscriptions, millions



Annual subscription revenue, \$ million



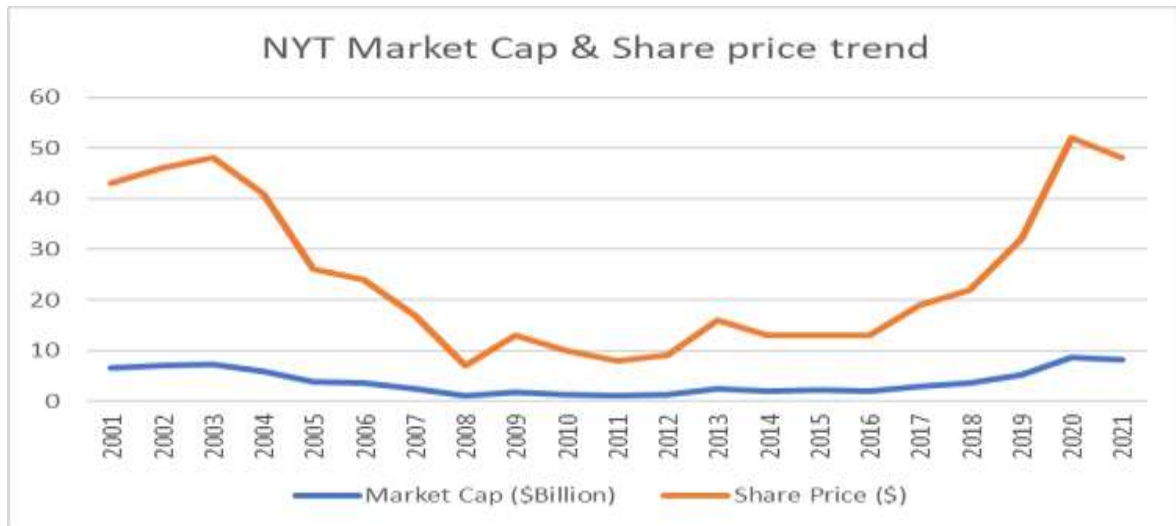
Digital-only subscriptions and revenue as a share of total, %



Note: All data are for Q4 of each year except for 2020, which uses Q2 data. Source: New York Times Company



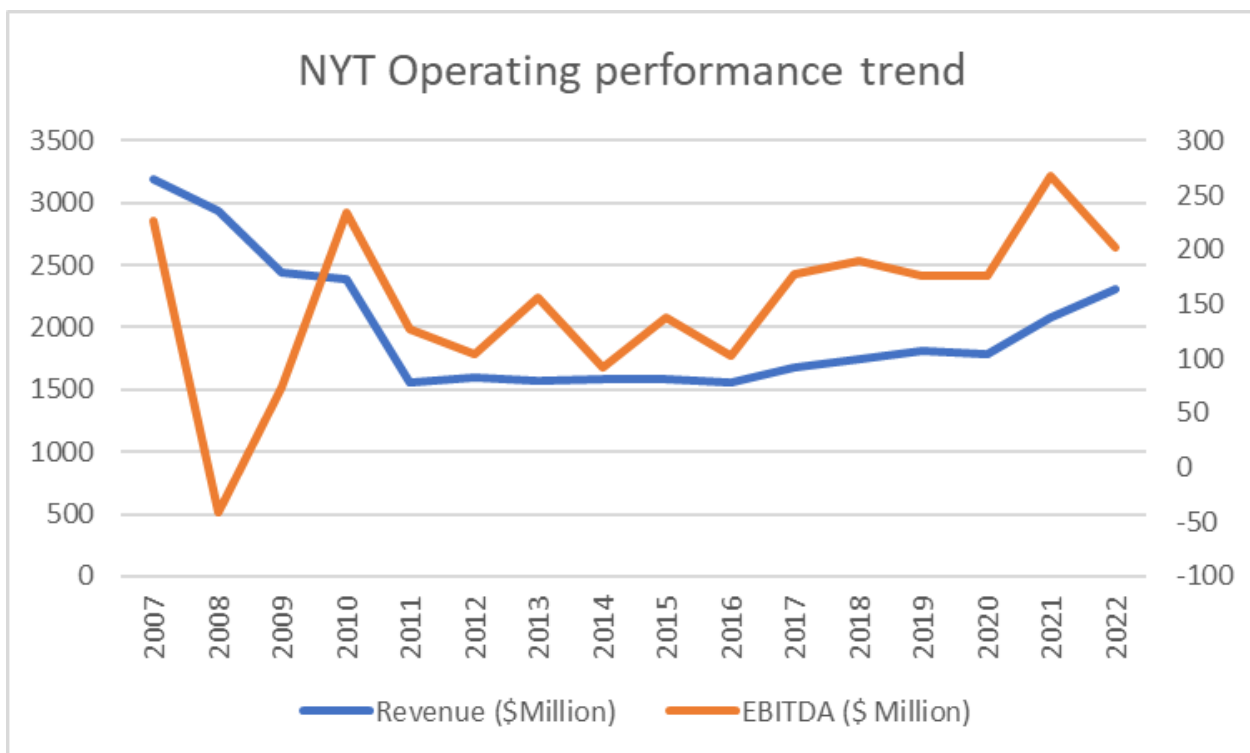
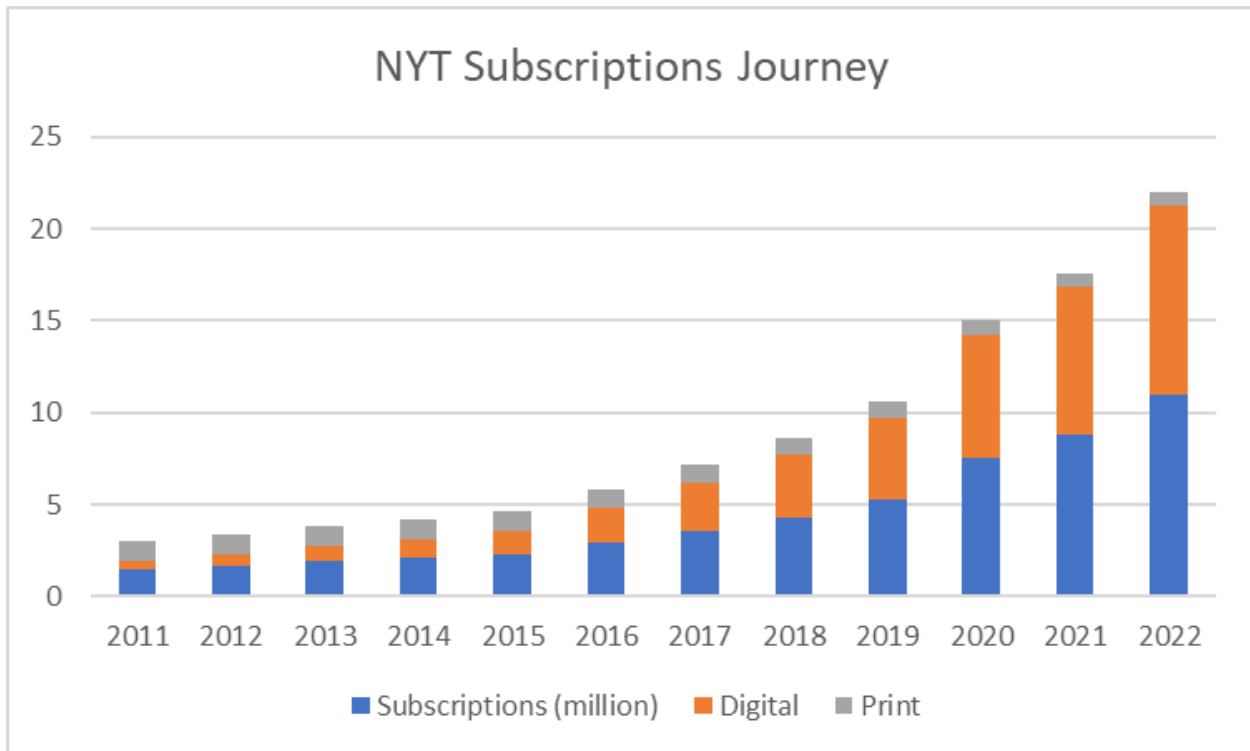
The Times regained lost market cap recently at the same level of 2001 after many years with this successful subscription journey.



The Times Market cap grew by 342% in the last 10 years and revenue & profits started increasing post 2011, when Times started focusing on Subscription.



Price return decomposition is a method of analyzing the factors that contribute to the changes in the market capitalization of a company.



STATISTICS

Existing Products Subscriptions Analysis

Netflix	Users cannot stream any of the content until they start the free trial period with credit card information. Unlike other streaming services, their website won't promote or show any previews without holding an account.	Free trial: 30 days – Credit card is required. If you use the same payment method (i.e. credit card) for another account, you are not eligible for the free trial.	Select a plan Fill out email and password Fill out credit card information Confirm for the payment Add phone number for password recovery Choose devices to watch with Choose favorite 3 movies or more from the list.
HBO	Users cannot stream most of the content until they start the free trial period with credit card information. Their unique strategy is to provide free content, which does not require any credit card information, similar to pirate episode strategies with TV shows.	Free trial: 7 days – Credit card is required.	When users try to sign up for a free trial Fill out email, password, name, and zip code Fill out credit card information When users try to watch a free episode Fill out email, and date of birth
YouTube Premium	Subscribers can view YouTube content without ads. They're also granted viewing of some original content and access to YouTube music.	Free trial: 1 month – Credit card is required.	Sign up with Google account Fill out credit card information
Spotify	There is a free version with ads and limited features. The premium offering is provided at a discounted cost for 3 months instead of a free period- the long discount period is targeted at users who already know about the service, to incentivize them to join.	Discount: 3 months for \$0.99/month – Credit card is required	Flow to start a free trial: Fill out email, password, name, date of birth, and gender Fill out credit card information
Apple Music	Users cannot stream most of the content until they start the free trial period with credit card information. Their unique strategy is to provide free content, which does not require any credit card information, similar to pirate episode strategies with TV shows.	Free trial: 3 months – Credit card is required.	Sign in with an iTunes account Fill out credit card information
Google Play Music	Subscribers can access the entire music library and the premium features without ads. Free account holders can still access music but it comes with ads.	Discount: 30 day – Credit card is required	Sign up with Google account Fill out credit card information

Medium	Subscribers have unlimited access to Medium's premium and curated content. Without signing up for the premium membership, each reader has up to 2 free premium articles per month.	Get a preview of premium content a maximum of 2 times per month	Fill out email and password (Sign in with Google, Facebook, or Twitter accounts) Choose a plan and fill out credit card information
Apple News	Apple News subscription plan provides unlimited access to hundreds of magazines and leading newspapers. The access can be given to up to 6 of the subscriber's family members.	\$9.99/month	Pay with iTunes account(Open a Mac App)
Amazon Prime	Amazon Prime has its own movie and drama series, just like video streaming services. Prime users can also opt-in for Amazon Music Unlimited to access 2 million songs ad-free.	30-day free trial 6-month free trial for students \$6.49/month for students \$5.99/month for qualifying customers with EBT or Medicaid Card	Fill out name, email, and password Enter a confirmation code sent to the email address Add a credit card information

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