Google News Initiative   Deloitte.   LocalMedia association

GNI Data Lab:
Benchmarks and foundations

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About the GNI Data Lab partners

The **Google News Initiative** is a global $300 million initiative to work with the news industry to help journalism thrive in the digital age.

Deloitte Consulting is a leading global management consulting firm with deep expertise in strategic data and digital ad practices around the world.

Local Media Association is a non-profit trade association representing more than 2,800 newspaper, broadcasting and R&D companies, intensely focused on new and sustainable business models.

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Background

GNI Data Lab: Driving digital transformation with data

According to a recent [Deloitte Consulting study](), only 9% of news and media companies lead in terms of their data maturity – the extent to which companies run and grow their business successfully with data. Yet, the most successful companies in any industry are those that embrace a data-driven culture and operate their business through data-informed decisions. In May 2019, the Google News Initiative partnered with Deloitte Consulting and Local Media Association to launch the GNI Data Lab, to enable news organizations to transform their businesses through responsible data use. The Lab creates a news organization community that learns from leading experts and each other to build sustainable, thriving digital businesses through effective application of audience and go-to-market data insights.

Six publishers were selected to participate in the Lab, and undergo a 12-week program to understand their underlying data capabilities and how to improve them. In addition, particular attention was focused on digital ad revenue: building and testing new digital advertising strategies, including:

- Serving the most relevant advertisements to readers based on context and reader behavior
- Optimizing advertising pricing based on the behavior of different audience segments
- Optimizing the mix across direct sales, private marketplace and open auction channels

The six local media companies selected to participate in the Lab include four newspapers and two TV broadcasters. They represent a cross-section of the local news industry in North America, with a mix of corporate and independently owned companies. Participating companies have varied levels of digital maturity, including in different aspects of their respective businesses. However, all have a solid maturity baseline and a passionate commitment to shifting their organization to a data-driven culture. The participants are:

- The Philadelphia Inquirer (The Philadelphia Foundation)
- The St. Louis Post-Dispatch (Lee Enterprises)
- The Seattle Times (Blethen Corp.)

- Tampa Bay Times (Poynter Institute)
- WNBC-TV, New York (NBC Universal)
- WFSB-TV, Hartford, Conn. (Meredith Corp)

Over the subsequent six months, participating publishers are taking their new data maturity insight, defining short-and long-term strategic roadmaps, and designing and launching intensely data-bound initiatives.

This is the first of several reports from LMA and GNI detailing the work of the Data Lab, and the specific insights and actions that it is generating. The recently-completed initial phase of the Lab conducted extensive benchmarking across various aspects of each publisher's digital ad revenue. This provided important context to participants to understand revenue and profit-benefit potential for digital advertising, and then identify the appropriate short-term improvement opportunities and long-term data-driven transformation ideas to accelerate that growth.

Highlights from the report include:

- **Data foundations:** Culture, skills and abilities, technology and data are the pillars of a rock-solid data foundation. Every company needs strength in each to attain the highest level of strategic data use success. New tools are now available to assess those maturities. Media companies tend to have good data strategies, but struggle to operationalize data.
- **Benchmark - Digital ad revenue:** While digital display revenue represents just a portion of overall digital revenue potential, it provides a useful view into how well a media company utilizes data to drive performance. Executed well, data-driven display advertising strategy and operations have the potential to improve revenue by 10-20% or more, representing substantial incremental revenue opportunity for each company.
- **Benchmark - Sales force effectiveness:** Technology developments have provided tools to better manage sales rep performance. In addition to tracking important post-sale results with KPIs like direct sell-thru rate, high-functioning sales organizations thrive with visibility into pre-sales activities for effective sales pipeline management.
- **Benchmark - Ad pricing:** Both gross ad rate and margin yield offer significant revenue upside for more local media companies. According to Deloitte's Digital Transformation Through Data study, news and media companies adept at using audience engagement data can

optimize cost per thousand impressions (CPM) across both direct and programmatic channels by up to 20% compared to less mature companies, as well as expand the scope of advertising campaigns based on rich reader insight.

Data foundations

The first step for a media company to improve its data capabilities is to understand where it is compared to other companies in the field. In March, in collaboration with Deloitte, GNI introduced a [Data Maturity Benchmarking Tool](#) that helps any publisher assess its data maturity, compare itself to other news organizations and take steps to improve. The tool accompanies a Deloitte [report](#) that examines how news and media companies can use data to increase user engagement on digital platforms and drive value through the monetization of those platforms.

Building foundations

Deloitte and LMA performed a full on-site diagnostic evaluation of each participating Data Lab publisher following guidelines of the Data Maturity Benchmarking Tool, with over 75 interviews conducted with key business leaders, across the key data dimensions: culture and ways of working, skills and abilities, technology and data. They benchmarked current performance, identified improvement opportunities, and recommended longer-term organization and technical infrastructure building blocks. Partners received an assessment of their data maturity along with specific recommendations for how to upgrade and optimize, as well as practical applications for improving digital ad revenue performance with yield management, audience segmentation, and sales channel optimization.

Generally, participants have an execution gap. Publishers may have well-defined data strategies but struggle to implement consistent data collection practices across the organization. This makes it much more difficult

Culture & ways of working

| Broadcast a thoughtful data strategy
| Strive for inspired data leadership
| Foster collaboration and cross-functional working
| Create a safe place for experimentation

Skills

| Identify the skills you need
| Integrate the team with the rest of the business
| Attract the right talent and fill gaps with third parties

Technology

| Democratize your data using tools and applications
| Build vs. buy, take a strategic view
| Open the technology toolbox
| Take your technology to the next level

Data

| Understand the different types of data
| Categorize the audience data
| Activate and differentiate the value of data

to execute data-informed decisions, and ultimately deliver the best consumer experience and business customer results.

As consumers continue to migrate to digital platforms, many news and media companies struggle with prioritizing digital capabilities when legacy products (e.g., print, linear TV) still constitute a major percentage of total revenue. The Tampa Bay Times faced those very challenges but has made significant strides in instituting a more data-driven culture. When Conan Gallaty joined the company in 2018 as chief digital officer, digital strategy was isolated across departments, often with conflicting goals. Gallaty and the senior management team adopted a centralized strategy to focus on quality UI/UX, deepening engagement and creating long-term value for advertisers. They established an ambitious, company-wide goal of 50,000 digital subscribers by the end of 2021.

In an important early initiative, Tampa Bay Times redesigned tampabay.com with improved site speed, increased pages per visit and limited ad saturation. As a result, they have grown digital subscribers from 6,000 to 10,000 since starting in February 2019. While programmatic revenues and pageviews are down, the central goal is focusing on improvements primarily for the reader.

Gallaty outlined several key elements in that overall transformation:

Instituting a data-driven culture

- Set an aggressive digital strategy that unifies both advertising and reader revenue
- Created transparent, unified dashboards accessible to all
- Instituted progress updates weekly among cross-departmental working teams
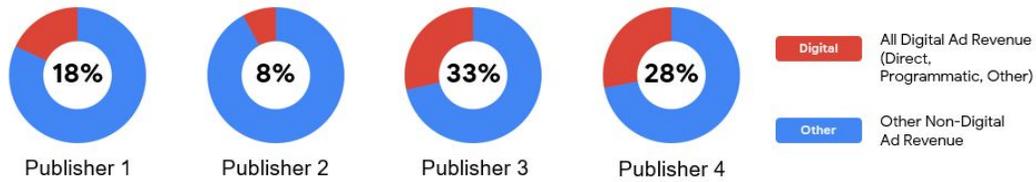- Created derivative goals from primary goal

Benchmark - Digital ad revenue

Growing digital ad revenue is a major goal of most local media companies. Tracking digital ad revenue as a percentage of total ad revenue helps companies gauge the degree and speed with which they are shifting their product mix to digital. Per Borrell Associates, more than half of 2018 total U.S. ad spend was digital. Digital's share will continue to grow in 2019 and future years. It is imperative that media companies remain mindful of that trend and adapt.

Data Lab participants reporting digital revenue results have a wide range of digital revenue attainment. Not surprisingly, those reporting year-over-year digital growth in 2018 also have a higher share of digital revenue.

Digital Revenue

2018 Digital Ad Revenue
(as a percentage of Total Ad Revenue)

18% Publisher 1	**Digital** — All Digital Ad Revenue (Direct, Programmatic, Other)
8% Publisher 2	
33% Publisher 3	**Other** — Other Non-Digital Ad Revenue
28% Publisher 4	

YoY Digital Ad Revenue % Change

▼ -20%   ▼ -7%   ▲ +7%   ▲ +12%

The Seattle Times offers an interesting case study in data-informed advertising, with a notable shift in strategy as a result of the Data Lab. President Alan Fisco outlined earlier this year at the Key Executives Mega-Conference how the Times total revenue mix has evolved to 65% consumer and 35% advertising, almost the inverse of the consumer-advertising ratio at which newspapers have historically operated. This high consumer share is due, in large part, to the successful data-driven strategies and resources the Seattle Times has applied to audience development and monetization. Innovations, such as the influencer score, measure what articles visitors viewed before subscribing — by section, topic and author. The Seattle Times also uses extensive A/B testing for consumer experience (though not as much for ads).

The Times business intelligence (BI) team, along with the product group, and combined with intense senior-management focus, have contributed heavily to fueling Seattle's consumer successes. Gary Smith, vice president of advertising, is now championing the effort to align the Seattle Times' product and BI resources for advertising similar to what has been done for the consumer side. Key steps include:

- IT, product (including BI) and advertising jointly meet with a "reset" on advertising
- Investment in Snowflake, a rapidly emerging cloud-based data warehouse solution
- Data-driven approach to improve:
  - Site performance
  - Ad viewability

Meredith O&O TV stations are focusing first on strengthening their consumer experience, and then will shift efforts to monetization. Single sign-on across all platforms is being developed for a seamless user experience. Bill Gaffney, vice president of digital operations, and his team are building infrastructure and processes to collect consumer data via their data management platform (DMP), Lotame, integrated with their content management system (CMS), TownNews, the same tech setup as Lee Enterprises. In doing so, they will work to:

- Understand content consumption by user and segment
- Build a recommendation engine for users, based on monetization
- Implement experimentation discipline

Benchmark - Sales force effectiveness

The Philadelphia Inquirer has set an ambitious goal of more than doubling its direct sell-through rate by December, while also increasing direct Effective Cost Per Thousand ad impressions (eCPM), as dual engines to accelerate digital growth. Employing better, smarter contextual targeting will be a key factor, along with empowering sales reps with O&O audience segment knowledge and ad performance results. The Inquirer will also weave more diligence into existing digital transformation workstreams: learn, course-correct, iterate.

The Tampa Bay Times has already unified its direct and programmatic ops management as a result of the Data Lab review, a big step to improve yield in both channels. They have seen positive early results in August. They recently began creating valuable audience segments for direct sales to target (with significant early success in winning a large new customer deal). Google is helping with a full audit of the Tampa Bay Times' Google Analytics, in part based on what the Times had learned from the Philadelphia Inquirer at a Data Lab cohort meeting, a further contributor to developing audience segments. (The Philadelphia Inquirer analytics team had previously implemented a new tech stack centered around Google Analytics 360 and Google Cloud Platform, and partnered with its editorial team to create a content index data product.) Lastly, but importantly, the Times will aim to greatly increase total inventory

via more than doubling pageviews, while still delivering ad quality with improved median viewability to >50% by the end of 2019.

Sales Force Effectiveness

	Publisher 1	Publisher 2	Publisher 3	Publisher 4	Publisher 5	Cohort Average
Direct Sell-Thru Rate	21%	44%	36%	27%	37%	33%
$$ per Seller	130k	70k	150k	105k	N/A	115K

Data maturity assessment takeaways

- Low direct sell-thru rate may indicate limited effectiveness of existing sales force
- Sales force effectiveness was identified as an opportunity area for most publishers

Local media companies have more options today in how they provide digital marketing solutions to business customers. Programmatic buying, and recently emerging, direct self-serve, are strong channel alternatives and supplements to the traditional direct sales channel. At the same time, leveraging technologies like Customer Relationship Management (CRM), marketing automation and a business data warehouse are enabling sales leaders to increase direct-sales effectiveness.

Full utilization of a CRM (especially for sales pipeline management), better reporting tools, and consistent use of needs-based analysis by sales reps were all areas of improvement voiced by Data Lab participants. The ability to articulate a clear digital value proposition, particularly with first party data, and demonstrate customer results post-sale, is a gap for many organizations.

Transitioning teams from legacy advertising products (e.g., print, broadcast) to digital is challenging. The shift requires changes in culture (e.g., revenue strategy, KPIs) and skills (e.g., hiring, training) that many publishers find difficult to overcome.

The Seattle Times has had good success in making that transition. Gary Smith, vice president of advertising, outlined some of the key factors in that transformation:

- All leaders given responsibility to lead digital sales.
- Redefined incentives, 50% of commision based on digital.
- Removed 'crutch' of digital specialists. Added "sales coach" first year.
- Establish weekly digital training program for all sales reps. Consistently held for past 2+ years.
- Brought agency services fulfillment in-house, expanded product offerings and elevated the skill level of the Times' digital support infrastructure.

Both WFSB/Meredith and St. Louis Post-Dispatch/Lee are making important changes to programmatic reporting. One of the targeted outcomes is providing actionable transparency to local markets on programmatic yield and demand. Such insight helps sales leaders better aim direct sales resources at the highest demand segments, even down to the advertiser level. Lee is exploring a new tool to bring data into Google's Data Studio and/or Domo, for example. Both are data visualization tools that help provide easy-to-interpret graphic depictions using huge amounts of data from a variety of sources. In Lee's case, this new application would enable things like a heat map by site and section, and moving updates on programmatic advertisers, spend levels and yield from twice a month to daily.

WNBC/NBC Universal, Philadelphia Inquirer, WFSB/Meredith and St. Louis Post-Dispatch will all invest more in digital sales training for multimedia sales reps.

Benchmark - Ad pricing
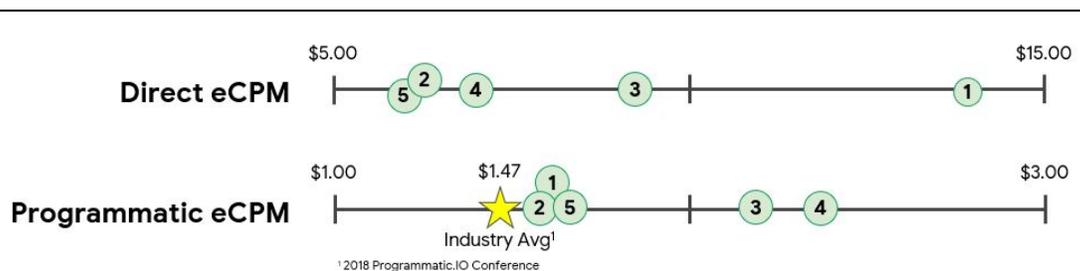
Data maturity assessment takeaways

- eCPM decisions combine inventory management and sales force effectiveness capabilities
- Margin analysis for eCPM floors was identified as an opportunity for almost all publishers

- Industry average number of programmatic partners: 14.5

Yield optimization improvements are a beautiful thing, dropping dollars right to the bottom line. Opportunities abound with both direct and programmatic channels. Some keys to generating higher direct and programmatic yields include:

- **Price floors and header bidding:** Maintain and/or increase CPMs via price floors and header bidding. (Header bidding is an advanced programmatic advertising technique that serves as an alternative to the traditional "waterfall" method. Header bidding is also sometimes referred to as advance bidding or pre-bidding, and offers publishers a way to simultaneously offer ad space out to numerous ad changes at once).
- **Latency:** Monitor and minimize ad latency to enhance user experience and deliver better customer results.
- **Viewability:** Improve viewability, an increasingly important yield metric. Google research shows that revenue could grow 80%+ with substantial viewability upgrades, minimally to over 50% viewability, ideally to 80%+.
- **First-party data:** Local media companies have valued consumers. Data-based knowledge — and with related targeting — of those consumers at an individual level generates significantly higher yields, better customer results and a more rewarding consumer experience (i.e. presented with more relevant ads).

Programmatic display and video done well offer further benefits:

- Reduce selling costs through automation
- Decrease effort for campaign setup and refocus salesperson energy on highest value activities

Some managers within local media companies view programmatic simply as an opportunity to monetize remnant inventory at bargain CPMs. That is too narrow of a view. Developing internal programmatic capabilities requires investment in talent and tools, but opportunity exists to realize significant revenue as programmatic demand continues to grow.

Importantly, digital publishers also need to consider margin while optimizing their direct and programmatic mix yield. Direct sales, for example, incur significant selling cost as well as creative cost. In some cases, programmatic ads at a lower yield may actually be more profitable than direct sales after these additional, variable direct sales costs are taken into account.

This is especially true for smaller campaigns, where the creative cost is a relatively higher percentage of the total ad revenue.

Data Lab participants are deploying multiple strategies to grow yield. Meredith and Lee are both investing heavily in their DMP to capture and utilize first-party data. The Seattle Times will look to upgrade its first-party data applications as it builds a single customer view in its Snowflake data warehouse. The Philadelphia Inquirer is strengthening its programmatic operations to increase yield, including the use of day-parting (ie, having ad campaigns display at only certain times of the time, when targeted viewership is higher) and other tactics to increase margin.

At least two participants are now working as well on building a dynamic pricing capability either by season or within reporting periods, with one planning an initial Q4 implementation, a sign of enhanced data maturity.

Conclusion

In the GNI Data Lab, we have assessed the data maturity for every participating local media company, comparing their data foundations and digital advertising performance against their peers within the Lab cohort and the broader industry. Participants have tended to have solid data strategies, but are looking to more deeply ingrain strategic data into all aspects of how they do business, particularly in audience development and monetization. In a highly encouraging development, each is setting a clear path on how to grow their business with data.

The findings, improvement initiatives and related future progress of Data Lab participants will help guide other local media organizations on how to more strategically apply data. We will more deeply share both the initiatives and results across the participant cohort as we progress to accelerate the learning and development pace.

Upcoming presentation from GNI Data Lab

Google News Initiative and Local Media Association will host reports from participating companies on their roadmap strategies at the invite-only Google Local conference in Chicago December 11-12, 2019. The strategies will include key actions and results in driving programmatic and direct ad yield optimization, improving sales force effectiveness for digital and structural organization, and technology and process changes in shifting to a data-informed culture. Excerpts from the reports will be made publicly available after the conference.

In addition, the Data Lab updates and learnings will be covered in a comprehensive workshop at the 2020 Mega Conference in Fort Worth, TX, February 17-19. See http://www.mega-conference.com/ for more details.