



Abridged Version

Distributed Content Revenue Benchmark Report

—NEW—



digitalcontentnext.org

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Executive Summary

Distribution platforms present new challenges and opportunities for the premium publisher. On one hand, they give publishers a way to reach new audiences and monetize them. On the other hand, they provide a dependency on third-party partnerships and relinquish the direct consumer relationship.

Publishers, specifically pure play, newspaper and magazine companies, tend to focus on more traditional syndication partners (MSN, Yahoo, AOL, etc.), **Facebook Instant Articles** and **Google Accelerated Mobile Pages (Google AMP)**, while **Over-the-Top (OTT)** and **YouTube** appear to be the important third-party platforms for TV/cable companies. Several publishers also experimented with **Snapchat**, reporting little financial gains.

For the 17 DCN members providing revenue data on distributed content, H1 2016 represented an estimated \$7.7 million or 14 percent of total H1 2016 revenue. Video, which represents 85 percent of the total, \$6.5 million, is driven by TV/cable companies' OTT monetization. The remaining 15 percent slices across social media, Google AMP and syndication.



EXECUTIVE SUMMARY

Unique Challenges

While publishers report they're monetizing their distributed content, each platform provides a unique set of challenges:



Facebook does not offer video ad products that scale for TV/cable companies, with the ability to integrate ad serving and third-party measurement.

Facebook Instant Articles has program restrictions, such as the number and types of ad units, that make it hard for publishers to monetize at rates comparable to their own sites, as well as measurement limitations which hinder comparisons of financial and content consumption performance between the platform and publishers' own sites.

Facebook Live has yet to scale or prove a revenue model beyond the publisher production guarantees.

While **Google AMP** is gaining ground with pure play and print publishers, it is not geared for TV/cable companies.



Twitter Amplify has not scaled.

Snapchat recently announced a new licensing model for Discover channels which may translate into a limited upside for monetization by publishers.



YouTube has proven a fickle partner as demonstrated by recent problems publishers have had with YouTube prioritizing its own skippable video ad inventory (i.e. units that allow the viewer to skip the ad after five seconds) over non-skippable partner inventory.

EXECUTIVE SUMMARY

5 Key Practices

As premium publishers develop new or further establish existing third-party relationships, five key practices should be kept top of mind:

- 1 Concentrate negotiation at the executive level of your company management; do not leave negotiations to lower-level management and/or individual brands or businesses.

- 2 Focus on products that leverage your core business, are replicable, get new money, and have the potential to scale.

- 3 Include key business requirements in partnership agreements that support scaling:
 - ad server integration;
 - third-party measurement integration;
 - management reports (e.g. roll-ups by publisher and/or marketer); and
 - data for advertising and subscription monetization.

- 4 Test and measure content consumption and monetization on third-party platforms and compare to on-site to inform monetization strategies.

- 5 Centralize responsibilities or use active cross-functional teams for managing third-party partnerships.

Regardless of which platform and deal terms, it's essential for publishers to assess which of these offers an additive or complementary audience experience to support the brand versus diminishes or competes with core on-site activity.



Participating DCN Members



DCN thanks all of those who took the time to share their thoughts and opinions for this research. It's greatly appreciated.



Background

Distributed content monetization presents both opportunities and challenges for digital content publishers. The digital publishing and advertising ecosystem is increasingly dominated by third-party platforms which attract large audiences and control what content is seen and how it's monetized. Because of their scale and extensive data collection, Facebook and Google account for more than 75 percent of U.S. digital ad sales¹, siphoning off value previously controlled by publishers. As publishers are increasingly disintermediated, they seek to recapture value as content providers by distributing content with third-parties for promotion and monetization.



¹2016 Internet Trends Report, Kleiner Perkins Caufield Byers, 2016.

Objectives

Digital Content Next (DCN) conducted research to help publishers gain perspective on the challenges they confront with the off-site monetization of their content. Key questions included:

- Why are publishers doing third-party distribution? What do they gain from it? What are the risks?
.....
- Which platforms/partners are publishers using for content distribution and which are they monetizing?
.....
- To what degree are publishers able to monetize third-party distribution?
.....
- Which relationships and monetization strategies are most promising and which appear to offer less opportunity?
.....
- How diverse are their strategies?
.....
- What are the best practices for negotiating and doing business with these platforms?
.....
- How do they prioritize these opportunities and how do they decide to increase or decrease investment?

BACKGROUND

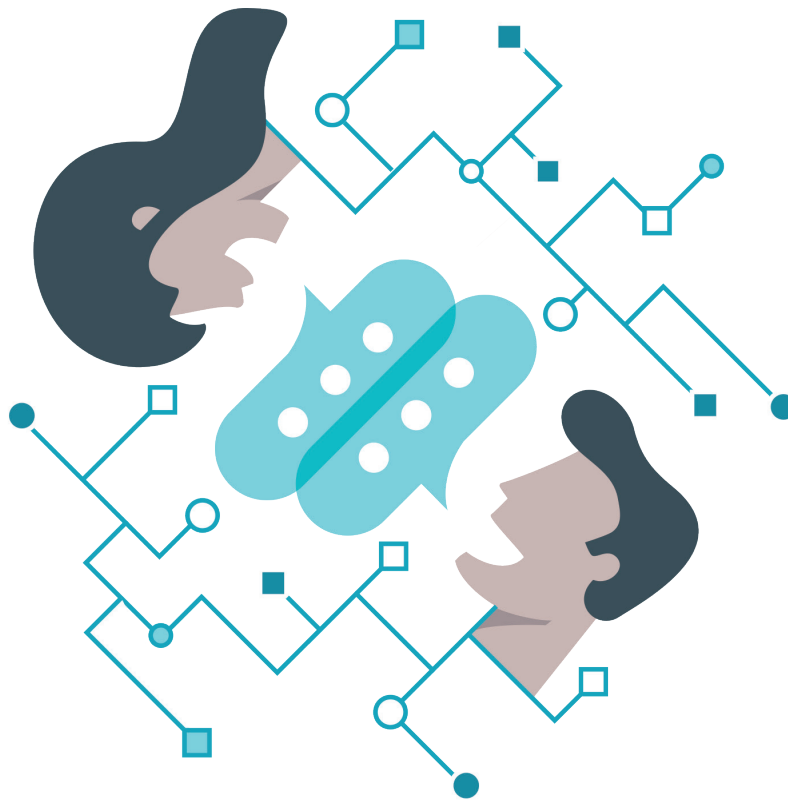
Methodology

Eleanor Powers, Powers Media & Entertainment Consulting, was hired by DCN to conduct proprietary research with its members on distributed content monetization. Nineteen DCN members provided data and answered survey questions: 10 TV/cable companies and nine newspaper, magazine and pure play companies. Interviews were conducted with eight companies to gather more in-depth insights. Data and information from interviews has been aggregated and anonymized to protect confidentiality.

Data collection and interviews focused on four channels of distributed content publishing and monetization: social media (Facebook, Snapchat, Twitter and other partners in aggregate), Google AMP², traditional syndication (YouTube³ and other partners in aggregate including MSN, Yahoo, AOL and Apple News), and OTT.⁴ Revenue data collection was for H1 2016, while the majority of survey questions responses were for Q4 2016. Please note a total of 19 member companies (21 member entities) contributed to this report by participating in at least one of these three sections: questionnaire, financials and interview.



The DCN Quarterly Revenue Report and annual Financial and Operational Benchmarking Study provided supplemental data.



² Google AMP was included in this study because it fit the criteria of offering digital publishers the opportunity to monetize against their content distributed off their sites, as Google AMP articles are hosted on Google servers.

³ While some publishers consider YouTube a social media platform, for the purposes of this report it is categorized as a syndication partner.

⁴ For the purposes of this report, OTT focuses on the ad sales monetization on ad-supported subscription services and device apps, the parts of the OTT revenue stream that digital organizations are most likely to impact.



Summary of Findings

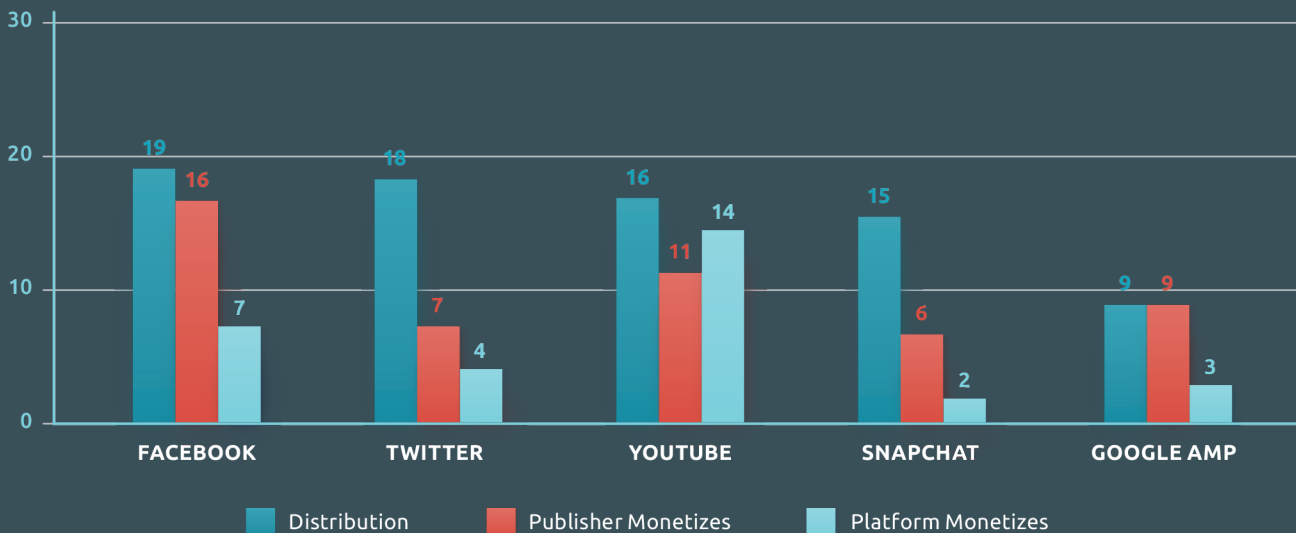
Content Distribution & Monetization Participation

Publishers are actively promoting, distributing and monetizing content across a range of third-party platforms. All of them are active in social media and syndication channels, while 11 distribute through OTT and nine through Google AMP. Out of the specific platforms tracked, publishers are most active on Facebook and Twitter, a reflection of the importance of those platforms in driving site traffic. However, publishers are more active on Facebook and

YouTube for monetization purposes, with the latter representing an opportunity for publishers from all industry segments to increase their video inventory. While publishers monetize their content at higher levels on YouTube compared to Facebook, Twitter, Snapchat and Google AMP, minimum volume requirements prevent many pure play and print-based companies from selling, leaving the publishers dependent on YouTube for revenue.

Publisher Content Distribution & Monetization by Platform

Q4 2016, N=19 PUBLISHERS



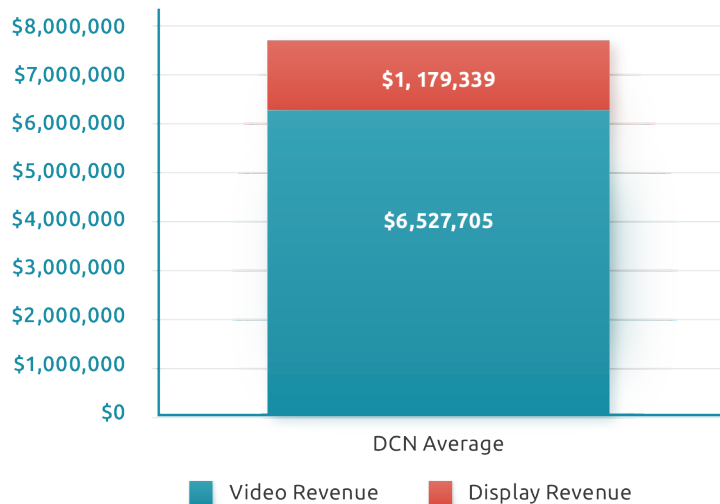
SUMMARY OF FINDINGS

Average Revenue

Monetization of distributed content on third-party platforms in H1 2016 represented an estimated average revenue of **\$7.7 million per company for the 17 participating members** providing revenue data.⁵ This is an estimated 14 percent of H1 2016 revenue. Monetization is highly bifurcated between companies based on industry segment, with TV/cable companies' averages a significant multiple higher than companies from all other segments combined.

⁵ Revenue was reported net of third-party platform revenue share.

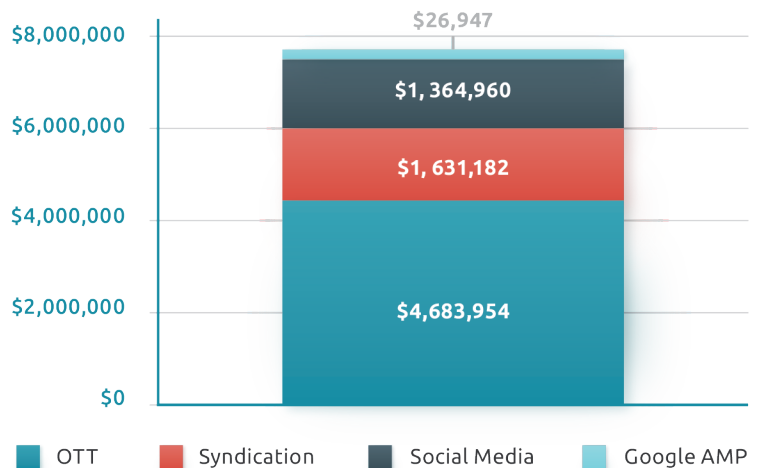
Total Average Revenue by Advertising Format
H1 2016, \$, N=17 PUBLISHERS



Average Revenue by Platform

Monetization of video assets represented the lion's share of distributed content revenues with a company average of \$6.5 million or 85 percent of the total, driven by OTT ad sales. Social media and more traditional syndication relationships accounted for a relatively similar proportion of the average total, at \$1.4 (18 percent) and \$1.6 million (21 percent) respectively, while Google AMP, launched in Q1 2016, accounted for just an average \$27,000 for 17 respondents (although for the small number of members using it, it represented over six figures).

Total Average Revenue by Platform
H1 2016, \$, N=17 PUBLISHERS

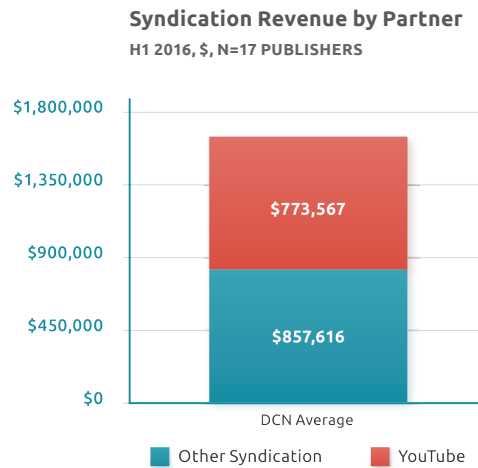
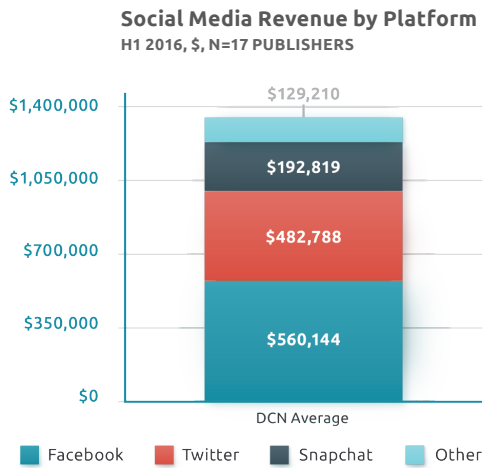


YouTube was reported as representing the largest individual source of revenue for companies at \$.8 million.

SUMMARY OF FINDINGS

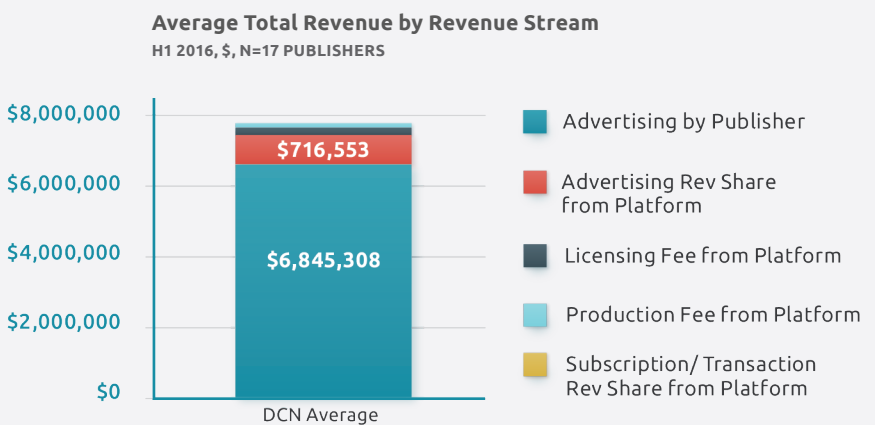
Third-Party Platforms

Out of the third-party platforms for which individual data was gathered (Facebook, Snapchat, Twitter, Google AMP and YouTube), YouTube was reported as representing the largest individual source of revenue for companies at \$.8 million. Were complete data for all partners gathered, this honor would most likely have fallen to one of the OTT publishers. For pure play and print publishers, other syndication partners are by far the largest source of revenue.



Revenue Streams

Distributed content monetization is driven by publishers' own ad sale efforts, representing an average \$6.8 million per company (89 percent). The clear majority of publisher ad revenue, just under 90 percent, was reported sold on an impressions-basis.



To date, most publishers have not invested in incremental staff or in specialization of current staff for distributed content monetization. The heaviest incremental expenses have been for platform-specific Snapchat and Facebook Live content creation, audience extension (with payments to the platform), and for guarantees from Snapchat Discover partners. Several publishers have consolidated responsibilities related to distributed content monetization through either a matrixed, cross-functional team and/or centralization of responsibilities under shared staff.

SUMMARY OF FINDINGS

Key Partners and Programs

Key partners for third-party distributed content monetization differ by industry segment. Overall, OTT and YouTube were reported as being the most important third-party platforms for TV/cable companies due to their revenue-generating capabilities. While they may not consider it their primary focus, TV/cable players are the most successful at monetizing Facebook, Twitter and Instagram, through various tactics including branded content, sponsorship, and audience extension⁶ (as part of larger, cross-platform deals). Overall, however, TV/cable players are more likely to consider their primary objectives of social media platforms as marketing and driving site traffic.

⁶Targeting similar audiences on third-party platforms with paid placement to extend advertising, sponsorship and/or branded content reach.

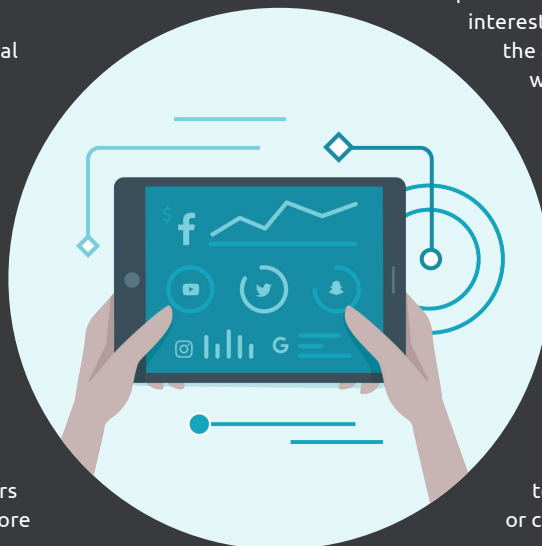
From a revenue perspective, traditional syndication partners (e.g. MSN, AOL and Yahoo) are the largest source of revenue for pure play, newspaper and magazine companies. Facebook Instant Articles and Google AMP are also a focus, although many consider their engagement with these platforms at the test phase. With Facebook, these publishers are wrestling with whether to shift monetization from on-site to off-platform, and weighing the potential for financial gain against the loss of control and top-of-funnel site audience acquisition.

Outside of these broad trends, individual publishers have found degrees of success with other platforms and/or programs. Individual pure play, newspaper and magazine companies report finding pockets of value in Instagram, Facebook Suggested Video and Facebook Branded Content. Some TV/cable publishers have been very successful with more traditional syndication partners.

While there are exceptions, third-party platforms and programs noted as “deprioritized” by publishers relative to other off-platform monetization opportunities included Facebook Live (not scaling and no revenue model beyond content guarantees paid to launch partners for meeting

content production targets), Twitter Amplify (not scaling), YouTube Red (not scaling), Yahoo (often leveraged for driving site traffic), AOL (cited for limited and/or decreasing revenues) and Apple News (lacking scale and siloed ad platform). More than a few publishers mentioned scaling back on Facebook’s Instant Articles and for most publishers, Snapchat holds little to no short-term financial interest. For publishers with Discover channels, the attraction is to build a relationship with the platform and its younger demographic and for early learnings. Revenue has been slow to develop and the platform has recently precipitously shifted its revenue model.

Factors that influence the potential of a third-party platform and/or program include: content assets as defined primarily by industry segment (i.e. video with TV/cable companies versus text and articles with print companies); the degree to which the opportunity is additive or complementary versus cannibalizing or competing with on-site activities, and the potential for additional risk/dependency; and the potential for scale relative to other revenue opportunities. Other factors include the importance of third-party channels (e.g. social media) in the media mix for advertisers and the role and importance of sponsorship and branded content in the sales mix.



SUMMARY OF FINDINGS

Pain Points

There are many pain points in executing on third-party platform monetization, the most pressing and commonly discussed include the following:



- Financial pressure to evolve new revenue streams while protecting existing ones.
- Publisher disintermediation in content consumption and accompanying ad and subscription sales operations including:
 - The loss of control over product user experience, functionality, content and ad products
 - The loss of data for monetization (e.g. retargeting and reach extension) as well as for understanding audience demographics (e.g. ad exposure), for audience behavior (e.g. repeat visits) and measuring content consumption (e.g. clickstream).
- Exposure to shifts in third-party platform priorities and strategies that make planning and investment difficult.
- Multi-faceted relationships with major digital players (e.g. Facebook, Google, Apple) requiring balancing dependency, cooperation and competition as well as specific opportunities against overall relationships.
- Fragmentation of audience and associated monetization opportunities with multiple partners.
- Different platform business models and requirements, including siloed ad monetization operations (e.g. Snapchat, Facebook video offerings, Apple News) and the resulting complexity of ad sales, fulfillment and measurement.
- Varying degrees of opportunity to integrate activities into business operations and systems cross-platform including ad sales, ad creative, ad serving, subscription sales, measurement and analytics.
- Difficulty of measuring the impact of off-platform activities on publisher site audience, engagement and content consumption, as well as overall brand health (e.g. brand dilution) to inform overall strategy and investment decisions.
- Difficulty in measuring off-platform content consumption and monetization to make program-specific decisions (e.g. monetizing on third-party platform versus driving traffic to the site).
- The dedication of content production resources to platforms and/or programs that might not prove out (e.g. Facebook Live and Snapchat).
- Varying degrees of (often untested) opportunity to scale monetization activities with third-party platforms.
- Lack of resources and legacy management structures that make staying on top of multiple partners and evolving requirements difficult.

SUMMARY OF FINDINGS

Key Best Practices

Some of the best practices publishers have developed for managing distributed content publishing include:



- Concentrate negotiation at the highest executive level of your company management possible; do not leave negotiations to lower level management and/or individual brands or businesses.

- During negotiation and in on-going relationships, address key business requirements, including, to the degree possible: ad server integration; third-party measurement integration; management reports (e.g. roll-ups by publisher and/or marketer); availability of publisher data for advertising and subscription monetization, understanding audience behavior and relationship-building with audience; and increased monetization options (e.g. numbers and types of ad units, third-party monetization partners, etc.).

- Manage fragmentation by focusing on products that leverage your core business, are replicable, get new money, and have the potential to scale.

- If you are a larger player, leverage opportunities to test and learn; if you are a smaller player, manage your bets carefully to conserve resources.

- To the degree possible, carefully test and measure the outcomes for both content consumption and monetization on third-party platforms relative to your own site, as well as the impact on your site, to inform decision-making on on-site versus off-platform distribution and monetization strategies.

- Consider opportunities to centralize responsibilities for managing partnerships and core third-party products or use standing cross-functional teams.

If you are a larger player, leverage opportunities to test and learn; if you are a smaller player, manage your bets carefully to conserve resources.

For members who did not participate in last year's DCN Annual Benchmark Report but are interested in joining this year, and/or if you are interested in the next Distributed Content Revenue Benchmark Report, please contact Rande Price, rande@digitalcontentnext.org

ABOUT DIGITAL CONTENT NEXT

Digital Content Next (DCN) is the only trade organization dedicated to serving the unique and diverse needs of high-quality digital content companies that manage trusted, direct relationships with consumers and marketers. The organization was founded in June 2001 as the Online Publishers Association (OPA). Comprised of some of the most trusted and well-respected media brands, DCN produces proprietary research for its members and the public, creates public and private Forums to explore and advance key issues that impact digital content brands, offers an influential voice that speaks for digital content companies in the press, with advertisers and policy makers, and works to educate the public at large on the importance of quality content brands. Digital Content Next's membership has an unduplicated audience of 223,098 million unique visitors or 100% reach of the U.S. online population.*



1350 Broadway | Suite 606
New York, NY 10018
P 646-473-1000

DCN RESEARCH CONTACT

Rande Price
646-473-1000, Ext. 102
rande@digitalcontentnext.org

PRESS CONTACT

Kaitlyn Kurosky
212-918-2040
kaitlyn@high10media.com

* Source: comScore Media Metrix Multiplatform Custom Audience Duplication, June 2016, U.S.