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Digital Deep Dive

Inside Scripps' WCPO Paywall Gamble

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Editor's note: In this installment of our series of Digital Deep Dive special reports, NetNewsCheck examines the bold digital experimentation happening within The E.W. Scripps Company. Digital Deep Dive will go in-depth inside the companies defining media's future and how they are tackling the challenges of digital disruption. Today's presentation also includes Does Scripps' WCPO Paywall Content Play Measure Up?

CINCINNATI — Six months after WCPO-TV started asking, it's still hard to know whether viewers are willing to pay for local TV content online.

Subscriber data around The E.W. Scripps Company-owned station's first-ever local TV paywall, dubbed WCPO Insider, is still held closely, with the broadcaster only allowing that it has hit all of its internal targets and that "the number is robust," according to Adam Symson, Scripps' SVP of digital.

That leaves outsiders to gauge the success of WCPO's paywall experiment so far by less concrete measures. Notably, there's WCPO.com's significant content ramp up as the site veers away from the industry's "if it bleeds, it leads" maxim in favor of in-depth stories in niche areas like business, the arts and education.

Behind that, the station's addition of 30 new digital newsroom staffers has had a buoying effect on its broadcast as well as online platforms, station management says, not to mention stirring the competition to respond.

The WCPO experiment, whose boldness derives from an unprecedented ask of its users, ultimately has Scripps re-examining its entire approach to TV news content and cross digital/broadcast news production; reframing its marketing message to consumers; and in the process re-examining how to give value to consumers beyond a content play, using the consumer data it's now more closely collecting and parsing to heighten user affinity and personalization.

This is the first of a series of Digital Deep Dive stories looking at digital innovation across Scripps, which late last month announced it would be merging its broadcast and digital operations with Journal Communications and peeling off its newspapers to merge with Journal's in a separate company.

Along with a closer look at WCPO's content play, we will examine:

• How Scripps' corporate leadership has infused the company with an aggressive entrepreneurial streak

• How its Digital Solutions Group is looking to bolster its core products with more disruptive, forward-looking new offerings in community portals and over-the-top programming, among other areas

• How Scripps' mobile platform is positioning to segment the audience to offer more niche and personalized mobile experiences to users

How the company is making long-term investments in building a digital-only sales force to head off incursions from pureplays and local search, placing heavy bets on digital marketing services and other new business lines

Scripps and WCPO/Cincinnati by the numbers

Scripps won't release any of its digital revenue data from the WCPO experiment so far, nor will it share the size of its investment in the station's digital staffing ramp up.

Ed Atorino, a managing director at The Benchmark Company and a financial analyst who follows Scripps, says none of those numbers are likely to be big. "It has minimal financial impact," he says, adding of the investment: "people are small numbers. The big numbers are buildings and new studios."

The publicly-traded Scripps' big picture on digital dollars is available: overall 2013 digital revenue totaled \$40 million, a number that Carolyn Micheli, VP of investor relations, says Scripps expects to see rise by one-third this year. Digital comprises only 5% of the company's overall revenue, however, and Micheli says that is expected to drop because of digital's low percentage in political spending, which itself will rise in 2014.

Headquartered in Cincinnati, Scripps chose WCPO as the "petri dish" for its paywall experiment because of the station's proximity just a short drive away, and executives, including CEO Rich Boehne, are known to stop by regularly to check on progress.

"Instead of trying to boil the ocean, we're using WCPO as a prototype and we're building a lot of different trials around that engine," Boehne says.

Within the Cincinnati market, WCPO is a strong No. 2 in total day and 6 p.m. news ratings, according to Nielsen live-plus-same day household ratings supplied by the station. The numbers rank it between Sinclair's WKRC, a CBS affiliate, at No. 1 and Hearst Television's NBC outlet, WLWT.

According to Mark Fratrick, SVP of commerce at BIA/Kelsey, total TV over the air revenues for Cincinnati in 2013 were \$141.4 million, of which WCPO received \$37 million, or a 26.2% share. There were also \$5.7 million in online revenues, but BIA/Kelsey doesn't break down that figure to the individual station level.

Online, meanwhile, WCPO.com takes a backseat in traffic to Cincinnati.com, the website for the Gannett-owned daily Cincinnati Enquirer. Before the paywall, from July to December 2013, Cincinnati.com led the market with 1,107,000 average monthly unique visitors, while WCPO.com followed with 823,000 uvs. WLWT.com was behind with 736,000 uvs, rounded out Raycom Media's Fox19.com with 578,000 uvs and WKRC's site, Local12.com, with 198,000 uvs.

In the largely post-paywall period of January to May 2014, WCPO.com slipped to third in the market according to comScore, though its overall number of uvs increased. Cincinnati.com again led with 1,258,000 uvs; followed by WLWT.com with 1,217,000 uvs; WCPO.com with 1,092,000 uvs; Local12.com with 531,000 uvs and Fox19.com with 476,000 uvs. Interestingly, WCPO.com's traffic saw 1.5 million uvs in January after it had announced its paywall and was at the height of its content ramp up leading up to it.

WCPO's content play

Since Feb. 8, the WCPO Insider program has been in soft launch on the site. The project originated out of Scripps' Digital Solutions Group, an entrepreneurial hub inside the company (and the subject of its own profile later in this series) under the direction of former DSG member Dave Peterson, who now serves as digital GM, a parallel position to the station's GM and one that reports directly to Scripps digital chief Symson.

To outside users, the Insider program is barely noticeable, as small “9” icons denote exclusive content and marketing for the program has been minimal during its six-month life.

Behind the scenes, however, WCPO has been enmeshed in changes for more than a year, starting with a major hiring boom that brought 30 new staffers, plus freelancers, into its newsroom. These include vets from daily papers, business papers and alternative newsweeklies, former Patch staffers, a data specialist and even an online radio site director (WCPO.com itself doesn't have a radio component).

“Our business is full of empty promises,” Symson says. “This is not a marketing play. We made the content investment first.”

Peterson says the ramp-up was about building value in consumers' minds about WCPO's importance in their lives. “A lot of this is about giving before we ask for something,” he says.

In addition to its own niche coverage buildup, later this year WCPO will also be the first TV station to join in the digital content-sharing relationship that The Washington Post has extended to a number of local newspaper companies around the country to deepen their value proposition to users.

Content skepticism

Not everyone agrees that content alone will be enough to convert users to subscribers.

“I take a dim view of local content as something people are willing to pay for in the digital world,” says media analyst Gordon Borrell. “All the data I've seen shows that people don't value local content to a great extent. The vast majority of people do not place a high enough value on local content to pay for it.”

That said, he thinks Scripps is brave to try it, and is a likelier company than any to make it work.

Media analyst Alan Mutter is also skeptical. “Most information is commoditized, so is there some special level of content that's so valuable that I have to have it?” he says. “And even if you have this wonderful premium local content, if it's news and it's important, everybody else is going to find out about it anyway.”

Marketing WCPO Insider

Overcoming that skepticism or indifference falls to WCPO Insider's marketers, who are on the cusp of rolling out a major marketing campaign this summer after months of work (Scripps won't disclose the campaign's exact debut). So far, Peterson says that most subscriber conversions (subs pay \$79.99/year for access) are happening on the story level, but the new campaign, whose details are being held closely, will be more sweeping.

Scripps executives like to use the word “reframing” a lot in anticipating the new marketing, suggesting a major paradigm shift is in order for user/viewers who have no experience with or taste for paying for local TV content, however in-depth or impressive it may be.

“This is really all about activating the consumer and reframing for the consumer what WCPO Insider really is,” Symson says.

In the meantime, Scripps has spent months marketing on a more grassroots level, courting local tastemakers, bloggers and agency people, hosting breakfasts and other meet-ups along with pursuing a sampling strategy on social media, allowing people to share some Insider content for a few days based on links.

“Those who transact with us out of the gate are going to be our biggest supporters, the most valuable to telling the story to other people in the Cincinnati community,” says Courtney Bott, senior director of digital marketing for Scripps. “By experimenting and trying different ways of putting stories

in the hands of influential people around town to share for us or advocate on our behalf, we might get on to something new.”

Equally important, Bott and Peterson say, is creating an environment around WCPO Insider that provides access to newsmakers and input on the kind of content covered, along with members having a feeling that they’re making an impact on the Cincinnati community.

As to those consumers, meanwhile, who chafe at the paywall, complaints are handled by Peterson himself and a community team on a one-on-one basis.

“We have to have swagger,” Peterson says. “We can’t say we’re sorry. We believe our content has value.”

It’s not yet clear, however, that the community WCPO badly wants to covert has even fully noticed the experiment.

“I’m very active on social media, and I get lots of emails from my readers, and I don’t hear anything from the average consumer,” says Carolyn Washburn, VP and editor of the Enquirer, of the paywall. Those among the media’s core source group in the city, she says, are only somewhat more aware. “I think they don’t 100% understand it yet,” she says.

“The source group is kind of watching with some interest.”

Member benefits

Peterson, Symson and others acknowledge that the content play won’t be enough, so they’re now developing member benefits to augment it. The first foray was a Father’s Day offer in June that bundled a one-year Insider subscription with a \$50 gift card for a popular local ribs restaurant and two rounds of golf at a local course.

Peterson says those benefits will evolve continuously as WCPO studies Insider user data and behavior to heighten relevance, tools that are only in the early stages of internal development.

“As we get to know people and what they’re interested in better, we’re going to be nimble and we’re going to tweak the experience,” he says.

Two newsrooms in one

Another significant development from the Insider experience has been its effects on the broadcast newsroom. WCPO Digital is essentially a parallel unit inside the station with a parallel management structure, operating with a certain degree of independence from the station.

That said, Jeff Brogan, WCPO’s VP and GM, says the infusion of new journalists has elevated the overall operation.

“You add roughly 30 journalists to your newsroom, you’re only going to benefit,” he says.

Translating that new stream of digital content on air, however, has been a slower process to hack through. “It has been tougher than we imagined,” Brogan says. “It’s a challenge in that each platform is different and the audiences are different and the expectations are different.”

The process of collaboration has smoothed out over the last several months, and Brogan says most of the content gathered for Insider “is getting on television in some way, shape or form” each day.

In part, that’s stemming from more front-end collaboration — getting on-air and digital journalists to collaborate on certain stories, Peterson says. And it’s also coming from better training the digital staff, especially those coming from a print background, to understand the most important part of their stories for a TV audience.

This has also been helped by Brogan and Peterson’s long working relationship; they worked together previously at Scripps’ West Palm Beach station where Brogan was news director and Peterson director of new media. Peterson now attends all of the broadcast station’s daily department head meetings, and a daily morning meeting encompasses both broadcast and digital staffers.

Additionally, WCPO Digital staffers work on more of an enterprise calendar than their counterparts, allowing for more lead time in on-air story planning for their content.

Whether and how the infusion of new content moves the Nielsen needle has yet to be clear. “It’s too early to tell,” Brogan says. “If we have strong content on broadcast, our Nielsen ratings are going to go up. This is doing nothing but helping us.”

WCPO and the Scripps/Journal merger

With Scripps anticipating a broadcast footprint of 34 markets, up from 13, (pending merger approval), the implications of its WCPO experiment only widen.

Symson and his digital team are staying with the broadcast business when the companies split, and he and Boehne have signaled every indication that they’ll be staying the experimental course.

The Journal merger, Symson says, only amplifies the impact of WCPO’s nascent efforts around building up business-to-consumer relationships, bundles and use of consumer data.

“It gives us lots of options and more scale,” he says. “That’s an overarching theme of the transaction in general. We’re going to add a number of really desirable markets — some of America’s most digitally-connected markets — and that just spells opportunity.”

Additional Information and Where to Find It

The proposed transactions involving Scripps and Journal will be submitted to the holders of Common Voting shares of Scripps and to the holders of Class A and Class B common stock of Journal for their consideration. In connection with the proposed transactions, Scripps will prepare a registration statement on Form S-4 that will include a joint proxy statement/prospectus to be filed with the Securities and Exchange Commission (the “SEC”), and each of Scripps and Journal will mail the joint proxy statement/prospectus to their respective shareholders and file other documents regarding the proposed transactions with the SEC. Scripps urges investors and shareholders to read the joint proxy statement/prospectus when it becomes available, as well as other documents filed with the SEC, because they will contain important information. Investors and shareholders will be able to obtain the registration statement containing the joint proxy statement/prospectus and other documents free of charge at the SEC’s web site, <http://www.sec.gov>, from Scripps Investor Relations, Carolyn Micheli, at Carolyn.micheli@scripps.com or 513-977-3732, or from Journal at Jason Graham, Senior Vice President of Finance and Chief Financial Officer, at 414-224-2884 or jgraham@jrn.com.

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