Dow Jones & Company (B): Integrating Circulation Marketing

Liberta Abbondante hung up the phone, elated. She had agreed to return to Dow Jones & Company just one year after being pushed out over differences of opinion about best approaches to marketing subscriptions to *The Wall Street Journal*. Ms. Abbondante had advocated for a bundled print-online subscription offer.

When Ms. Abbondante read in the *Journal* that the company had decided to integrate the print and online circulation marketing teams, she knew that decision would change the environment within the group for the better. She shared this thought with a close associate, who passed it along to CEO Rich Zannino.

Soon after, in April 2006, Chief Marketing Officer Ann Marks hired Ms. Abbondante as one of her direct reports to manage integrated circulation marketing. This was effectively a promotion for Ms. Abbondante. In her prior position, she had directed circulation marketing only for print products. Ms. Abbondante’s return was symbolic of a year of major change at Dow Jones.

**Joint Subscriptions**

The circulation marketing team kicked off 2006 by offering a widely available, substantially discounted joint subscription to the print and online versions of the *Journal*. For $99, anyone could purchase the integrated package for a year.

The online team had fought aggressively such an offer in the past, partly to protect their top line. But after the reorganization, the company emphasized the combined P&L for the Consumer Media Group over product P&Ls. The online team had also feared a combined offer would lead the market to perceive wsj.com as a giveaway product and, thus, a product with little value. Therefore, almost all past offers had posed the online subscription as an additional, optional purchase. Print marketers objected to this approach because they believed adding options or complexity to direct marketing solicitations inevitably reduced response rates. Ms. Marks reflected on the tensions surrounding the joint subscription offer:

> We were very concerned that the joint offer would be misperceived. We could not let anyone, inside or outside, think that we were offering wsj.com for free. For years, the online group had protected its subscription model, despite everyone else...
in the industry thinking that a subscription model could never work online. They were justifiably proud of the fact that it did work. But we had to put that history aside. It makes sense to offer an integrated package. The two products serve different needs, but they are complementary. It's also much more efficient to sell joint subscriptions.

Mr. Zannino elaborated:

Only if you take the print or online perspective in isolation might you see this offer negatively. With a Dow Jones hat on, the joint subscription offer is a no-brainer. In fact, there was no downside. Some were concerned about brand denigration, but companies discount today—even luxury brands like Chanel, Armani, or Saks.

The joint offer was, in fact, a substantial discount. Before the first joint subscription offer, a six-month subscription to the print *Journal* cost $53.75 and a one-year subscription to the online *Journal* cost $79. Afterwards, subscribers who did not want the joint offer could choose either print or online for $79 per year.

The joint offer proved remarkably successful. Circulation economics were complex (see Exhibit 1 for further analysis of the offer), but in the company's view, the offer was an unambiguous win.

In fact, Mr. Zannino noted in early 2007 that since the reorganization, the company’s biggest leaps in performance were in circulation. Individually paid subscriptions to the print journal were up nearly 10 percent, advertising revenues were up nearly 10 percent, circulation revenues were up, and circulation costs were down. Of strategic importance, the percentage of print subscribers who also carried an online subscription jumped from roughly 15 percent before the joint offer to nearly 30 percent by late 2006. Thus, far more subscribers stood to notice quickly the value of an integrated print-online *Journal* presentation than would have been the case without the offer.

The strong results were a pleasant surprise, though certainly not a total surprise. The circulation team enjoyed an advantage in experimenting with new ideas; they could get feedback from tests and trials very quickly. As Ms. Marks put it, “If we do something uneconomical, we figure it out very quickly and make changes.” In fact, the company routinely assessed the effectiveness of online offers within just one week.

Before marketing the joint subscription offer, the company ran tests that compared a $99 offer for print only to a $99 offer for the print and online package, with results suggesting the joint offer was powerful. Testing revealed response rates were higher when the print and online *Journals* were presented as an integrated package rather than separate products. The circulation team did some survey research also but had found in the past that survey responses were often an inaccurate guide to what respondents would actually do when presented with an offer. Thus, the team relied more on actual market pilots, trials, and tests.
The company was so pleased with the joint subscription offer that the offer dominated all marketing channels by early 2007. All communications to readers conveyed the message that the *Journal* was an integrated print-and-online package and, as a reader, you needed both.

The company launched a major new branding campaign, concurrent with the launch of the redesigned *Journal*, that supported the notion of an integrated product. To Ms. Marks, joint branding made imminent sense. Her career had included years of marketing experience in consumer products companies and she had frequently employed the strategy of leveraging an existing brand when launching a new product. The logic seemed so sound that Ms. Marks wondered if the company would have done well to start joint marketing much earlier.

To design the campaign, she convened a team of marketers from both print and online. She hired an advertising agency that the company had never worked with before and which, therefore, had no bias towards either print or online. Ms. Marks commented on the results from the campaign:

> We are very analytical about our brand marketing. We do lots of testing and measuring. That said, it takes a long time to change a brand image. We do know already that we are getting noticed. We’ve received some terrific publicity, including an article in *The New York Times*. We are also very analytical in PR now, counting positive mentions.

If there was a disappointment in the early returns from the joint subscription offer, it was that many of the new joint subscribers did not immediately start using wsj.com. Through an email campaign, the circulation team raised online registrations to nearly half of joint subscribers by the end of 2006 but maintained an ambition to drive it higher still, anticipating that the *Journal’s* redesign would help. Although research clearly showed that news consumers were utilizing both print and online channels to get their news, selling a joint subscription was only the first step in converting readers into heavy users of the *Journal* in both its print and online forms. By analyzing online behavior, the company began studying the actual value readers derived from utilizing both channels early in 2007.

**Building an Integrated Circulation Marketing Team**

Following the company’s reorganization in early 2006, Ms. Marks moved quickly to integrate the print and online teams within the marketing group. Within just a few months, she had redesigned jobs for her direct reports. Post-reorganization, Ms. Marks had five direct reports. Ms. Abbondante led marketing to individual subscribers. There was also a leader of circulation marketing to “strategic” segments, which included bulk sales to newsstands and corporations, and leaders for analytics, corporate marketing, and PR. (Marketing teams that focused on positioning Dow Jones in the advertising market reported through the heads of advertising sales.) Each of these departments, in turn, was reorganized by brand (*e.g.*, *Journal*, *Barron’s*, *MarketWatch*), not by channel. It felt like a tremendous and sudden change to many who were affected.
While strongly believing in the power of integrating print and online, Ms. Abbondante did not want to lose focus entirely on the individual channels and their distinct characteristics. In the new organization, her direct reports were responsible for brands. However, she also named “product managers” to focus on specific offerings, such as the print *Journal* and wsj.com. These product managers did not have direct reports but were responsible for assessing the P&Ls for individual products and influencing the marketing leads.

The circulation group reinvented many of its core processes for creating and executing subscription offers. Before the reorganization, for example, all marketing for online subscriptions was done online. After the reorganization, the group began testing online offers by direct mail and started offering print subscriptions through online channels much more frequently. The redesigned marketing processes ensured that every offer was consistent and coordinated for print and online; this called for new analytics. Providing the analytics was the responsibility of Imtiaz Patel, a career consultant who came to Dow Jones a few weeks before the reorganization; he reported directly to Ms. Marks. The reorganization expanded Mr. Patel’s responsibilities from just print to both print and online. He described the change:

Today, before any offer goes out, we analyze how the offer will affect all other print and online offers and estimate the impact on print and online circulation. That’s now a routine step in the process.

Building the capability to provide the analytics was difficult. Just piecing together the necessary data required integrating disparate print and online databases. Harder still was changing behavior. Mr. Patel was frustrated by his direct reports’ resistance to change. Many of them had been on the job for more than 15 years and, in his view, were more oriented to meeting the minimum contractual employer-employee requirements than delivering results. Mr. Patel replaced them all. In hiring, he sought greater expertise in online analytics and hired several experts from the competition. He also rewrote job descriptions for everyone in his group, going through several tweaks before settling on a satisfying solution.

Mr. Patel reflected on his first year with Dow Jones:

Coming from consulting—the fast pace, the travel, the frequent new assignments—I was actually concerned before I started that my new position might be dull. It turned out to be anything but that. This has been quite a year, one of the most stressful of my life and also one of the most fulfilling.

Ms. Abbondante also made several new hires in 2006, without changing overall headcount. She added new experts in direct marketing to stimulate online subscriptions, replacing some of the existing online marketers who were familiar only with online marketing, and added new experts in subscriber retention from other publications. She also wrote new job descriptions for most every employee, with new performance objectives that combined print and online goals.
There were still details to be worked out in 2007 and beyond, however. In particular, it took longer to create new processes in cooperation with groups outside of circulation. For example, Ms. Marks wanted to create processes for routinely analyzing usage patterns on wsj.com in order to generate insights that could help shape the way the company communicated a joint subscription’s benefits. But doing the analysis required collaboration with an analytical group within the online news team that tracked website usage.

In addition, the circulation marketing team was still building a new business performance scorecard for the integrated circulation entity, one that would emphasize joint measures, but the team had not yet made routine the processes for gathering the needed data. The company had begun the process of changing individual performance measures to reflect joint goals. One goal for Ms. Abbondante, for example, was to increase the number of joint subscribers by 10 percent. Performance against such metrics was not worked into bonus formulas, but it did affect performance evaluations and career trajectories.

Reflection

While pleased with the success of the joint circulation offer, the circulation team had many more questions to address. Through what other channels could they sell the joint subscription? When should they do this? Could they differentiate customers who responded to the joint offer versus those they could “up-sell” from just print to print plus online at a higher price? Could there be more cross selling between the Journal and Barron’s? Should the team disrupt the automatic renewal process that was in place for wsj.com to encourage joint subscriptions?

The team continued testing, analyzing, and improving. Meanwhile, Ms. Marks was pleased with the reorganization within her group:

    We’ve done the work, we’ve been very analytical, and we’ve also taken a tremendous amount of cost out.

In fact, by the end of the 2006, the circulation marketing team had sliced $10 million from their budget, roughly equal to the circulation revenue impact of 100,000 new joint subscriptions. Ms. Marks continued,

    We still have some details to work out, but things are working well. Other functions may lag a bit in the integration, for good reasons. In news, for example, they will always be brilliant journalists first, and that takes precedence. In circulation, we are more hard-nosed about focusing on business first.

Mr. Patel added,

    The biggest lesson I’ve learned is just how hard it is to create change. You really have to shake things up. You have to say that the old way is not acceptable, and challenge everything. At the same time, you have to address for employees what’s in it for them. While achieving our business objectives, we’re trying to make each
job more enriching and more engaging and to show each employee how what they do has an impact on the business.
Exhibit 1: Circulation Economics

Circulation economics was analytically complex. A complete analysis of the impact of the $99 joint subscription offer included assessment of subscription revenues, advertising revenues, and circulation marketing costs.

Subscription Revenues

Subscription revenues equal paid circulation multiplied by average price paid.

Circulation

By September 2006, individually paid subscriptions to the print journal were up 9.2 percent, from $1.31 million in September 2005 to $1.43 million in September 2006. It was the biggest jump in individually paid subscriptions that the company had seen in 25 years. Meanwhile, the offer had no effect on online-only subscriptions, which some feared would decline as a result of the joint offer.

Price

Pricing analysis was not straightforward because not all customers paid the same subscription price. The company constantly tested different offers through different channels and analyzed the impact of different offers on various customer segments. Furthermore, the circulation team had seen in the past that once customers subscribed to an introductory offer, they would generally accept a higher price upon renewal. (There was, of course, no guarantee that this historical pattern would hold true for customers who subscribed through the $99 joint offer.)

The price cut implicit in the joint subscription offer carried the risk that some subscribers would take the initiative to replace their existing, higher-cost subscriptions with the new, lower-cost joint subscription. However, through testing, the circulation team knew how frequently subscribers did this and always factored this effect into their calculations. In the worst-case scenario, if all the print Journal subscribers who also paid for online subscriptions prior to 2006 shifted to the new joint offer, and all had paid full price, the revenue impact for Dow Jones would have been less than $15 million.

From Dow Jones’s 2006 annual report, actual circulation revenues for the Consumer Media Group (which includes both the Journal and the much smaller Barron’s) were up $16 million in 2006—from $345 million to $361 million.

Advertising Revenues

Changes in circulation affected advertising revenues as well. In general, the greater the circulation, the more advertisers would pay. Thus, even a cut in subscription prices that diminished circulation revenues could, theoretically, have an overall positive impact because of the increase in advertising revenues.
Circulation tallies, in theory, had a direct and linear impact on the price that advertisers would pay since the value of an advertisement rose with the number of impressions it made on readers. For the Journal, circulation revenues were only about one-third of advertising revenues, which were roughly $650 million. Thus, assuming a direct and linear impact, a 9 percent increase in paid subscriptions had the potential to increase advertising revenues over a period of several months by roughly $60 million, subject to two major caveats below.

First, while paid subscriptions for the Journal rose 9 percent in 2006, total circulation changed hardly at all. Because advertisers purchased ad space in advance, newspaper companies faced the operational necessity of promising circulation numbers in advance. Through 2006, the Journal’s sales teams promised roughly 1.7 million copies. To maintain that level, the company gave away copies through outlets, such as airports and hotels. At times, the company gave away as many as 300,000 copies of the Journal, but the success of the joint subscription offer brought that number down dramatically. Advertisers placed the highest value on copies paid for by individuals, followed by copies paid for by institutions. They placed the lowest value on giveaway copies. (Circulation numbers were audited by an external agency that distinguished between paid and “bulk” copies.) Thus, the $60 million estimate above assumes that the value advertisers placed on giveaway copies was zero.

Second, the actual prices advertisers paid were an outcome of negotiations that were affected by a multiplicity of factors. The Journal did not set prices based directly on paid circulation.

Circulation Marketing Costs

The joint subscription offer proved a remarkably efficient way to sell subscriptions; it elevated response rates by an astounding 40 percent. Overall in 2006, cost per order dropped 30 percent.

Furthermore, the joint subscription offer figured to reduce future circulation marketing costs. The offer attracted young subscribers, giving Dow Jones an early start to developing lifelong loyalty among them to the Journal brand. And the offer extended the subscription period from six months to one year, which promised to reduce the cost of renewing subscriptions by half.