Daniel Konstantinovic, and Jeremy Goldman

The Daily: Publishers future, part 2—What's next for publishing, AI disclosure and Spotify's video learning

Audio

On today's podcast episode (part 2), we discuss what the end of cookies means for publishers, what new media business models look like, and who's done the best job of pivoting to digital. "In Other News," we talk about when brands should disclose that they have used AI and whether Spotify's new video learning courses can move the needle. Tune in to the discussion with our director of Briefings Jeremy Goldman and analyst Daniel Konstantinovic.

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Episode Transcript:

Marcus Johnson:

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Jeremy Goldman:

Amongst the publishers that I've spoken to, there are a number that are kind of, they've been ready for this for a year already. And there are a number where they're just waking up and realizing that this is going to be a major challenge for them that they're going to be doing triage on in the second half of the year.

Marcus Johnson:

Hey gang, it's Tuesday, April 2nd. Danny, Jeremy and listeners, welcome back to the Behind the Numbers Daily, a new marketing podcast made possible by Walmart Connect. I'm Marcus. Today, I'm joined by the same folks as yesterday. We have with us our senior director of briefings based in New York City, it's Jeremy Goldman.

Jeremy Goldman:

Great to be with you again, Marcus.

Marcus Johnson:

Hello hello. And we also have one of our writers for our marketing and advertising briefing based in New York as well, it's analyst Daniel Konstantinovic.

Daniel Konstantinovic:

It's good to be back.

Marcus Johnson:

Hello hello. Today's fact: dolphins, didn't see that coming, don't need to drink. They get their liquid from their food.

Jeremy Goldman:

Oh, I thought you meant alcohol for a second, and I'm like, nobody...

Marcus Johnson:

That too. They don't need it.

Jeremy Goldman:

... needs to drink.

Marcus Johnson:

They have enough confidence. They're like, I don't need it to take the edge off. I'm fine talking to a stranger without it.

Daniel Konstantinovic:

It slurs their echolocation. They can't-

Marcus Johnson:

Oh, I see what you do. Well played. They get liquid from their food, mainly fish and squid and by burning their body fat, which releases water. Currently 42 species of dolphins, in case you're wondering. The orca or killer whale is the largest dolphin. Did you know that?

Daniel Konstantinovic:

It's a dolphin?

Marcus Johnson:

Apparently, yeah. They can live between 20 to 80 years depending on what flavor of dolphin, what type of dolphin.

Daniel Konstantinovic:

It's like when people are like, oh, a koala bear is not actually a bear. It's like a monkey or whatever.

Marcus Johnson:

What?

Daniel Konstantinovic:

Isn't that true? I don't know. I might be wrong. You know what? Someone fact check me, but write in to the show.

Marcus Johnson:

Can't just say anything on fact of the day, Danny. Yeah, you can.

Daniel Konstantinovic:

If you can prove me wrong.

Marcus Johnson:

They're all made up.

Victoria:

It's a marsupial, isn't it?

Marcus Johnson:

What's that, V? Really?

Victoria:

The marsupials? They have a pouch?

Marcus Johnson:

Does it count?

Daniel Konstantinovic:

Yeah, but could you tell me what a marsupial is?

Marcus Johnson:

Kawana Marsupial?

Victoria:

They have a pouch.

Daniel Konstantinovic:

Well, I guess you could tell me, then. Now I'd-

Jeremy Goldman:

See, if it has a pouch, it's a marsupial.

Marcus Johnson:

I mean they're just practical really. If you have a pouch, it's practical.

Daniel Konstantinovic:

I'm inclined to believe you.

Marcus Johnson:

Keys, wallet.

Jeremy Goldman:

I had also wanted to say that the lifespan of the dolphin also depends on how much alcohol it's drinking.

Marcus Johnson:

They don't drink, Jeremy, we've been through this. We're off to a terrible start. Anyway, today's real topic, the future of publishers part two, what's next for publishers?

In today's episode, first in The Lede, we'll cover what's coming down the road for publishers. Then In Other News, we'll discuss when brands should disclose AI use and whether Spotify video learning courses are a good fit. But we start, of course, with The Lede and we continue our two part series on the future of publishers. Yesterday in part one, we talked about the current state of publishing, what's going on there. Today we're looking further down the road in terms of what's next for publishing. We'll talk a bit about the end of cookies, new business models, paywall strategies, who's done the best job pivoting to digital, and then we'll have In Other News, of course. But let's start with the end of cookies. Google getting ready to remove third-party cookies from Chrome this coming Q3, which you may have heard of, but Jeremy, what should publishers be preparing for expecting when Q3 comes around?

Jeremy Goldman:

There's going to be really clear evidence that some people took readiness for the post-cookie future a little bit more seriously than others. Even some of the data that we've seen acknowledges top media challenges among US publishers. We have this from Integral Ad Science in our database of charts. So decreased access to consumer data and cookies, that was cited, that was number three with 27% of US publishers citing it. And that to me seems actually pretty low. It just means that there might be a lot of organizations that don't really realize how much, I wouldn't say trouble they're in, but something that they should probably have a higher level of readiness for. And amongst the publishers that I've spoken to, there are a number that they've been ready for this for a year already, and there are a number where they're just waking up and realizing that this is going to be a major challenge for them that they're going to be doing triage on in the second half of the year.

Marcus Johnson:

What was one and two on that list?

Jeremy Goldman:

Ads delivering alongside risky content or fake news, and maximizing yield. Those were basically tied for number one.

Marcus Johnson:

Okay. I mean, in a political year, the first one definitely makes sense. Danny, what are you paying most attention to as we approach Q3 and the end of third-party cookies on Chrome?

Daniel Konstantinovic:

I mean, like Jeremy said, I'm looking at some companies that have had a solution in place for a little while, and the main one that I think of is Bloomberg. So at the start of 2023, Bloomberg got rid of third party programmatic ads on its website and started its own first party ad platforms called Audience Accelerator. And we wrote a story about this in July, six months after it was launched. And they had really strong early results, not just with click-through rates, which were much higher, I think up 20%, but also with user experience. Ad load time was much faster. It didn't slow down the page as much. So this is a company that responded to the phasing out of third party cookies, I guess, ahead of competitors and even ahead of a lot of digital advertisers. And if those early results hold strong, they will be in a pretty good position once cookies go away.

Marcus Johnson:

Next on the list of things publishers are paying attention to or trying to figure out for the future is new media business models. We talked about The Messenger in yesterday's episode, which is a digital news outlet which closed down after just eight months. They were hoping to rival the Times. Danny, when you think of new media business models and what publishers are thinking for the future, which ones stand out to you?

Daniel Konstantinovic:

I mean, The Messenger definitely was not one. I think part of why they failed, a huge part of why they failed, is because they launched dependent on a business model that had been failing the industry for years, and ended kind of in an unsurprising fashion. But I will say that the health and strength of the New York Times, which is performing very well, is not necessarily reflective of the entire industry. As news shrinks as an industry, the New York Times kind of benefits from that shrinkage because the audience funnels in towards them.

So they are not really representative of the health of everyone overall, but they are doing things that I think could be replicated or learned from by other companies. And those are, what they've done with subscriptions I think is really interesting. They don't just have a subscription to access the New York Times, but there is a game subscription, there's a cooking subscription, there's the Athletic. This has really helped them diversify their revenues to not just be reliant on advertising and develop a close relationship with readers, people who are coming every day to read specific content or access specific content. I think that's really interesting.

Marcus Johnson:

Yeah, a few other folks as well who have the kind of spin off product specific subscriptions. You've got the Verge's newsletter subscriptions, the Economist podcast subscription, so you go to them for one thing and then there's all these ancillary things you can kind of tack on and that just brings you further into the ecosystem.

Daniel Konstantinovic:

I think Semaphore is another interesting company. They certainly are doing new things. They have a big focus on newsletters. That has done really well for them, but they are also, to my understanding, a venture backed media business, kind of like the founders' previous businesses in Buzzfeed, which have not withstood the test of time. So I'm curious how that will play out long term, but I'm sure that they are wary of past mistakes and are doing things to avoid that.

Jeremy Goldman:

It is worthwhile to think about how important is it to actually have money in the bank if you want to execute a meaningful strategy? I think that that's something that is actually noteworthy here. I would also, by the way, in terms of publishers to talk about, it's probably worth noting that Conde Nast just made approaching $2 billion off of Reddit. So all you need to do is go back in time and buy a social media platform.

Daniel Konstantinovic:

That's true.

Jeremy Goldman:

Wait 15 years or so for it to go public and then it's a winning strategy.

Daniel Konstantinovic:

There you go.

Jeremy Goldman:

In all seriousness though, the Reddit thing does make me think a little bit about the companies that rethink what they're doing and think of it a little bit more in terms of monetizable data rather than purely ad spending. So Danny's completely right. If you're able to monetize by having a few more specific subscriptions, you can get your advertising revenue up. You're basically segmenting the market and treating it in a different way than people did before because why not slice things off and find different markets for different things?

But the other key thing is to think of yourself as a data business where the more data you have on your customers, the more you're able to do partnerships and essentially monetize that in a number of different ways. The last thing I would actually say about this is we're kind of treating every single publisher is in the same amount of trouble. It's worth noting that if you look at this market in terms of like B2B publishers, if you are a B2B company that has a product that you're selling for let's say $120,000, you want a very vetted customer coming to you. And it's the same reason why LinkedIn is able to charge a lot more for a CPM, but if you're in the B2B space, you probably have a little bit more room to grow than the average B2C that we're generally talking about here.

Marcus Johnson:

Speaking of smaller and niche, there's a New York Times piece from Casey Robertson and Benjamin Mullin, and they were talking about this new class of new startups, Punchbowl News, the Ankler, Semaphore, who Danny mentioned, Puck, and they said they're all centered on newsletters covering specific niches with broad appeal. There was a wave of, it seemed like, news was exclusively going to be delivered by newsletters just a couple of years ago with how many were flooding the scene. Where are we at with newsletters becoming a prominent channel?

Daniel Konstantinovic:

Well, I think they are a prominent channel, and maybe I'm biased here because we write every day for a newsletter.

Marcus Johnson:

I shouldn't have asked.

Daniel Konstantinovic:

But yeah, I mean, I think that newsletters have made their way into the regular media diet of a lot of consumers. Because I mean, it's a easy way to get news where you are going every day for work. You can curate it to your liking, sign up for the newsletters that you want, and it's something that like every major publication is kind of investing in to varying degrees. I mean, the New York Times has a number of prominent newsletters. Bloomberg has a number of prominent newsletters, tons of independent journalists are spinning up newsletters. So I think it's definitely in there and established already. That's not to say that there aren't new things that could be done there. I don't know what that would be off the top of my head. There's certainly room to explore with newsletters.

Jeremy Goldman:

And also I would just add that the challenge is you have to, if you're one of these publishers, sure you've got to offer a newsletter, but you also of course have to run your site. You've got free content, you've got some content that's probably gated behind a paywall. Then you also have to podcast some of that content. But guess what? Your budget is not going up in order to support all these initiatives. So you have to find a way to do more with less. Nobody ever likes hearing do more with less, but that is really the name of the game for most publishers these days.

Marcus Johnson:

Yeah.

Daniel Konstantinovic:

I know we've been on this note for a while, but one final thing I want to draw attention to that I think is a really important shift in the way digital publishing is working or developing is the rise of a number of worker owned, subscription backed news platforms or news publications. So the main one here that comes to mind is Defector. This is a sports and culture news website that spun off of Deadspin, which is a site that was formerly owned by G/O Media and Gawker before that. The staff at Deadspin basically quit in a mass protest and have founded Defector about three years ago, and it's done extremely well for them. They post every year a yearly update of their finances. They are growing. They are purely subscription backed. They have podcasts as well, and I believe that they're also trying to do some live events.

But what I think is really interesting to note about this and a number of other sites that have sprung up in the aftermath of their success is that they're really based around a rejection of ads. They make a big point that they do not scrape user data for advertising, that they are not relying on advertising. And I think that's because a lot of the founders of these sites came from publications that stuck to that model to their detriment. So yeah, I think it's a noteworthy trend and there will definitely be one or two, I would guess, big winners from it. I don't know if the market can support a hundred small new startups that don't use advertising, but there are definitely ones like Defector that are carving out a very, very strong niche for themselves.

Marcus Johnson:

So let's end The Lede here, gents. Jeremy, I'll start with you. A quick take from you and then Danny. In which direction do you see publishers paywall strategies developing?

Jeremy Goldman:

Really depends on the publisher, but we have seen that, and I think we actually have some data on this via Reuters from early in the year, the change in paid subscribers in the past year, according to publishers worldwide, 43% say that it's up a bit, 30% say it's up a lot. So what that tells me is that you actually, if you are a publisher and you essentially say, "My content has value, I would like you to pay for this," and if you essentially, yes, put a little bit in front of the paywall, but then ask for the sale, make sure that you're collecting data all the time, but then let people know, actually our business model is largely subscription driven, people will pay for it. So I think that that is a kind of uplifting... We've been a little negative on these last two episodes, but I think that that is one thing that we could point to from a positive standpoint.

Marcus Johnson:

Danny?

Daniel Konstantinovic:

One that I think tends to strike a pretty good balance is paywalls that let you know how many free articles you have left so that you can get a sampling of content or still access important news at no cost and make the decision if you want to support it after reading a certain amount. But I don't know, I feel like the strategies or models that will save publishers or I guess improve their situation, to be a little less bleak, will not be one that solely relies on paywalls. I think finding a good paywall strategy is a really important thing, but I think finding ways to increase the value of your user data to drive readership that is not dependent on platforms are going to be probably more important than making sure you have the appropriate amount of gates in front of your content.

Marcus Johnson:

Yeah. All right, gents, that's it for The Lede. Folks can listen to episode one when we talk about the current state of publishing if they want to. That was yesterday's episode, but we move to the fourth quarter of today's show, In Other News. Should brands disclose when they use AI and will Spotify's new video learning courses work?

Story one. "Should Brands Disclose When They Use AI" was the title of one of your pieces recently, Danny. Yes. Consumers want brands to disclose when their ads use GenAI according to Yahoo and Publicist Media. Folks reporting 43% higher appeal, 73% higher ad trust and 96% rise in brand trust towards ads that disclosed AI usage in creation. The problem is, just one in four people notice the AI disclosures. Danny, you were pointing out that identifying when a brand uses genAI might not always have a positive effect since consumer about AI overall is negative with people reporting low trust in its output, fear of its job-eliminating potential, not wanting their data used for training and finding the tech confusing, saying that in lieu of strict rules, the onus will be on brands decide when and how to disclose to consumers how they use AI. But Jeremy, what's your opinion? What's your take on AI disclosure?

Jeremy Goldman:

People don't like essentially getting hoodwinked and tricked, and that's ultimately what it's all about. What is AI and what isn't AI? If you use an AI enhanced editing tool to tweak a human being, but they basically look pretty much the same, are you tricking somebody? And I think that that's ultimately what this study gets to. I think another key thing about it is just not even necessarily noticing the disclosures. So do you want a giant disclosure that gets in the way of enjoying the content or the ad? I don't think people really want that ever. And we're really in the wild west right now where I think one thing is clear: consumers really want a little bit more guidance and regulation in this area. And brands and advertisers want it because they want to know what they have to do and what they don't have to do.

Marcus Johnson:

Yeah. YouTube recently has implemented a new policy requiring creators to disclose AI generated content in their videos. It does feel a bit like the genie is out of the bottle already. 60% of people already feel AI is widely used in ads and even more, 72%, find it difficult to tell when something is AI generated.

Story two. Spotify adds video learning courses in its latest experiment, writes John Porter of the Verge. He explains that the audio giant is offering four categories of courses in the UK: make music, get creative, learn business and healthy living. Product Director Mohit Jitani says users are already coming to Spotify for education via podcasts. So educational content makes sense. Courses are available in the UK in Spotify's app by clicking on a new pill-shaped icon on the top of the home screen. Free and premium Spotify subscribers can access at least two video lessons per course for free. Then they have to fork out for access to the full course. But Danny, what do you make of this new initiative from Spotify?

Daniel Konstantinovic:

I think it's an interesting one. I would assume that these four categories that courses are available in are some of the more popular podcasting categories and making music certainly seems like it would be of interest to Spotify listeners. They've definitely been pushing into video a little bit more over the last year. Podcasts are still performing well for them and they're trying to stick with growth there. They added audiobooks recently. I mean, music remains the main thing, but I think that they are swinging for that next format that will increase time spent, and that can also offer them a lot of valuable ad space, because they're under a lot of investor pressure quarter after quarter to increase ad revenues, since right now they primarily rely on subscriptions.

Marcus Johnson:

Spotify research says this is what folks are coming for. The company says around half of its premium subscribers have engaged with education or self-help themed podcasts. We'll see. That's what we've got time for this episode. Thank you so much to both of my guests for hanging out with me yesterday and today. Thank you to Jeremy.

Jeremy Goldman:

This was great. Thank you for having me.

Marcus Johnson:

Of course, sir. Thank you to Danny.

Daniel Konstantinovic:

Yeah, of course. I always love to do some media navel-gazing.

Marcus Johnson:

Thank you, fella. Thank you to Victoria who edits the show, James, Stuart and Sophie, the rest of the podcast crew. Thanks to everyone for listening in to the Behind the Numbers Daily, an eMarketer podcast made possible by Walmart Connect. Tune in tomorrow to listen to our re-imagining retail show where host Sarah Lieber will be speaking about in-store retail media developments with our Arielle Feger and Sarah Marzano.