Short-Term Versus Long-Term Profitability

A guide to managing publishers' revenue goals without sacrificing user experience

January 2020

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Acknowledgments

Project Overview

" The leadership challenge of balancing short- and long-term business pressures, and doing so in an ethical way in which both a company and its stakeholders can thrive, is a challenge that is well-known to all business leaders. "

−*The Modern Dilemma: Balancing Short- and Long-Term Business Pressures*,
 Harvard Law School Forum on Corporate Governance and Financial Regulation, June 2019

To explore how reaching short-term and long-term business goals affect revenue strategies of online media publishers and their advertising goals, the IAB Automation Committee recruited a Working Group to develop a best practice guide that addresses how overall consumer experience suffers at the hands of short-term decision-making at the expense of long-term lifetime customer value. This document explores the strategies, metrics, and tactics that matter most when it comes to driving both short-term value and long-term success.

Introduction

Deriving value from both short-term and long-term visitors to a website is equally important. Short-term visitors are often misunderstood to be people who visit a site just once (e.g., a "one-hit quitter" or a "hit-and-run" user). In this document, we will explore tactics to reach these susceptible visitors and possibly turn them into long-term loyalists.

Short-term visitor measurement revolves around first-time visitor metrics such as ad-supported revenue CPMs and revenue per visit (RPV). Some measurement metrics that help identify short-term visitors:

- High traffic volume
- Low time on site
- High bounce rates
- User actions such as browsing, clicking, and sharing

Note these aren't the objectives, but rather resulting performance metrics.

Long-term visitor measurement metrics typically revolve around heightened measures of engagement; how involved the consumer is with the content, the brand, and the quality of the experience. Some measurement criteria that help identify long-term readers and drive long-term strategy include:

- Repeat visitors
- High time on site
- Low bounce rates
- User actions such as commenting, subscribing, sharing, and logging in

A more ***quality-oriented experience*** fosters long-term value from consumers. This can be defined as websites producing high-quality editorial content and that provides an experience that is not overloaded with ads, has fast load times, and intuitive navigation.

Evaluating Short-Term Value Versus Long-Term Vision: Both Strategies Are Important

Immediate revenue pressure can lead to an overemphasis on prioritizing short-term value over long-term vision, but at what cost? It's important to recognize and balance strategies to capitalize on short-term wins while maintaining focus on long-term value for consumers.

As publishers can quantify and segment audience types, strategies and experiences can be customized to serve each type of consumer and capitalize on short-term vs. long-term potential. For example, an audience of repeat visitors can be offered a discount on a membership subscription, whereas a publisher may not make that same offer to a first-time user.

Certain content topics can also align better with specific audience segments (e.g., news content may drive better short-term value compared to more niche topics such as electronic dance music, fly-fishing, and paleo dieting) that encourage long-term value based on more affinity-minded audience interest.

Strategies to Drive Profitability

Below are three strategies to drive revenue and promote engagement while protecting the user experience. We review how the strategies are defined, the audiences they serve, and the most common post-campaign metrics received. In addition to short-term and long-term value, "Bridging the Gap" sits between short-term and long-term strategies to provide a fuller picture of business practices.

The metrics publishers use and the value they derive are determined by the select strategy and its intended outcome.

STRATEGY	DEFINITION	AUDIENCE	METRICS
Short-Term	Light engagement, rarely return organically, top of the purchase funnel *(awareness/ consideration)*	Casual engagers: infrequent visitors, voyeurs	• Cost to acquire • Revenue of session • Depth of session • Time of session

Pros: Site exposure, increased revenue, increased traffic, short feedback loop
Cons: Lack of deep engagement, low lifetime ad exposure, high bounce rate, undetectable brand loyalty

STRATEGY	DEFINITION	AUDIENCE	METRICS
Long-Term	Deep engagement, above-average sessions per user, bottom of the purchase funnel *(purchase, loyalty)*	Sticky engagers: loyal fans, subscribers, brand advocates	• Velocity of session • Depth of session • Time of session

Pros: Recurring users, increase in overall revenue per page and per user, increased engagement, opportunities via expanding revenue streams (OTT, podcasts, etc.), editorial insights, social media shares, and engagement
Cons: Long ROI loop, cashflow, costs of premium content

STRATEGY	DEFINITION	AUDIENCE	METRICS
Bridging the Gap	Casual visitors with the propensity to engage deeper if there is value, easily scared off by ad density/overload, mid-funnel stallers	Shifting engagers: attracted but not yet converted, non-committal returners	• Cost to acquire • Time of session • Velocity of session

Pros: Continue to come back/revisit website, ability to build deeper relationships, prime subscriber opportunity, blended strategies used here
Cons: Lack of user insights, unable to detect non-commitment reasoning, costly to re-engage, difficult to convert users from casual to sticky

A Closer Look at Time Spent Per Page
Velocity is a key factor to long-term value.

One way to think about short-term versus long-term value can be seen by the velocity of user sessions.

- Velocity is the term used to describe how many sessions occur per individual user. A high-velocity user is creating multiple sessions over a short duration; a low-velocity user rarely revisits the website.

- The more frequently a user visits a website, the more likely they are contributing to the long-term value of your publication and vice versa.

- Low-frequency visitors are typically acquired and lost, whereas a long-term visitor may have been acquired at a certain point in time, but is not actively coming back to the site on their own. Publishers should use their first-party data to understand what brought these visitors initially, determining how they can reengage them again.

Using KPIs to Create User Profiles

When acquiring a new consumer or user, what are the different KPIs you are targeting to drive short-term (or real-time) profitability versus long-term value? What is the value you are attributing to these audiences?

- **Short-term value KPIs:** When you have real-time revenue tracking, short-term KPIs become easier: ROI or revenue per user (RPU) are your main indicators. You can look at other metrics to paint a bigger picture like audience engagement (session/page depth, time on site, etc.), their value to advertisers, or their value to the referrer website.

- **Long-term value KPIs:** Keeping track of users or user types that engage well with content is a big part of long-term profitability. The data acquired shouldn't be wasted. Use first-party data to drive new users, with similar attributes as your identified audience, or even to drive your audience back to your site. These KPIs are more often CPMs, shopping/ browsing trends, subscribers, and engagement metrics (e.g., price per user or PPU).

It is valuable to provide depth to the user experience onsite because it will create a richer and more valuable experience for the visitor and the publisher.

Examples of providing deeper experiences for consumers can include:

Registration funnels	Polls	Quizzes	Reactions	Social media shares

Each of these tactics above will lead to reactions, and deeper session times, more content read, greater brand loyalty, and ultimately, a user who feels inherently closer to the brand and publisher which increases the long-term value of the user.

Understanding How Your Strategies Affect a User's Experience
Publisher considerations for the user experience.

- **Ad load latency**
  - Latency is the speed with which a webpage loads including all articles and ads upon launch.
  - Ad page latency affects performance. With an effective ad load speed on initial page-load, site visitors have better user experiences with all components on the page. This means a quicker time to explore content and continue the onsite journey after the initial page load.

- **Ad density**
    - Density is the number of ad units on a single page.
    - The industry-standard is no more than 30% of the content per page should be advertising. Exceeding this turns away users.
    - With fewer ads per page, the page speed increases, which leads to more time spent on site and more revenue per visit.
    - **Google reports that 53% of users will abandon a website that takes longer than 3 seconds to load.**
    - More ads on a page doesn't always mean more revenue. With more ads on the page, yield per page declines dramatically. Along with the minimal return, users will have more difficulty accessing and viewing content that they value.

- **Ad relevance**
    - Contextually relevant ads drive positive results; quality over quantity improves ad revenue.
    - *The value of a user lies in first-party data:* To provide a cohesive user experience, publishers and advertisers have relied on cookies to place contextually relevant ads. To take this a step further and prepare for 'cookie-less browsing,' content creators and publishers can leverage **zero-party data** (data that is willingly, explicitly volunteered by consumers) to create a better ad experience and serve contextual ads to a user.

- **Premium ad units**
    - Premium ads capture visitor attention, providing a noteworthy opportunity to connect and more memorable experiences.
    - Premium ad units exceed <u>standard ad unit sizes</u> and aim for high-impact attention. They often use video, non-standard ad sizes, and animation to create a more engaging experience.

Strategies for Success

- **Volume of ads**
    - Too many ads slow load times and offer a bad user experience, which leads to poor engagement. Fewer, more premium ads typically means better monetization.
    - Consider a higher ratio of native ads designed with these visitors or audience segments in mind. Optimize those placements based on referral sources or audience profiles to improve relevancy and monetization.

- **Size of ads**
    - Leveraging standard ad unit sizes maximizes the amount of available ad inventory, but these units will have less impact and be less valuable. Test larger high-impact units that may be attractive to brand advertisers at a premium to improve monetization.
    - Consider a blend of standard and premium ad units to create an interesting experience for the user.

- **Tactics to improve experiences**
    - Focus on removing slow load ad partners that cause poor page latency. Slow load times degrade the user experience and lead to lower overall engagement and monetization opportunities.
    - Keep interruptive ad experiences at a minimum to remove obstacles to engagement.

- **Push notifications on affinity-based subjects**
    - Capitalize on specific areas of niche interest (e.g., sports, celebrity news) as an opportunity to re-engage readers with relevant content or ads.
    - Push notifications cater to a hyper-interested audiences presenting an opportunity to serve additional content to opted-in readers at various moments of discovery.

- **Specify strategies per device or content vehicle**
    - Page monetization, user engagement, and site experience will differ, sometimes significantly, depending on the format through which the consumer is engaging with your content.
    - Consider tailoring the strategies and experience for users across different devices like desktop, mobile, in-app, and even connected TVs and voice-activated devices to maximize engagement and revenue return. One size does not fit all.

- **Analyze content analytics data to understand revenue trends**
  - It's important to understand how users are discovering and engaging with your content through a more focused lens. Which topics are driving more engagement or revenue? Which articles, authors, categories, traffic referral sources, and what time of day drive the best results?
  - By measuring engagement and revenue data in this way, publishers can see a more complete view of performance and areas that are driving a better ROI.

- **Test the effectiveness of a variety of audience acquisition outlets**
  - There are several ways (e.g., social sharing, hashtag discovery) to improve content discovery or drive audience acquisition through social or native channels such as Facebook, Twitter, Reddit, Snap, and native channels such as Outbrain and Taboola.
  - Each traffic source will perform differently in terms of audience quality and user lifetime value and may fit more squarely in a short-term or long-term strategy. As a publisher, it's important to track and understand the relative performance so that they can focus on leveraging channels that work best for your publication.

Conclusion

Short-term tactics can drive a quality experience based on the ability to deliver enjoyable content. These tactics are necessary as they deliver revenue in the short-term while providing publishers time and money to work on long-term tactics. Some publishers use an "always-on" short-term strategy to build long-term success.

- Benefits: Ability to attract one-hit-quitters; these are users that come to the site once, explore, generate short-term revenue, but are not loyal and will likely not come back organically.

- Challenges: Excessive ad delivery (predatory behavior) is often a concern for publishers when considering short-term strategies. It's important to avoid this behavior to generate success with short-term tactics.

Long-term tactics create sticky visitors and loyal fans. These tactics allow publishers to focus on the quality of their content and user base and foster loyal fans who will come back over time, organically.

- Benefits: Ability to generate multiple sessions per user and drastically improve the overall revenue generated from those users.

- Challenges: Providing a venue for site fans to engage with one another and create engaging activities for loyal fans to generate reactions such as comments, notifications, polls, quizzes, and social sharing.

Bridging the Gap (a blended effort) lets you find the balance between long-term and short-term strategies as the key to success. Our Working Group recommends a blended strategy.

- Employ short-term tactics to boost revenue to plan and execute long-term strategies.

- Continually attempt to nurture and foster casual engagers, turning them into loyal fans. (i.e., convert users, such as one-hit-quitters, into loyal fans and avoid predatory behavior such as excessive ad delivery).

- Create engaging content that will cause **actions** and **reactions** to foster loyal fans.

Success is measured in many ways. Understanding the impact of revenue goals on the user experience creates an environment where loyal visitors engage in affinity-minded content. Publishers should strive to achieve a balanced approach for their various audiences creating an engaging consumer environment.

Appendix and Additional Resources

Harvard Law School Forum on Corporate Governance and Financial Regulation

The Modern Dilemma: Balancing Short- and Long-Term Business Pressures
https://corpgov.law.harvard.edu/2019/06/20/the-modern-dilemma-balancing-short-and-long-term-business-pressures/

Publishing Executive

Less Is More: How Fewer Ads Can Make You More Money
https://www.pubexec.com/post/fewer-ads-means-more-money/

MarketingDive

Google: 53% of mobile users abandon sites that take over 3 seconds to load
https://www.marketingdive.com/news/google-53-of-mobile-users-abandon-sites-that-take-over-3-seconds-to-load/426070/

IAB

Data-Driven Best Practices
https://www.iab.com/insights/data-driven-video-best-practices/

About IAB and the IAB Data Center

IAB empowers the media and marketing industries to thrive in the digital economy. Its membership is comprised of more than 650 leading media and technology companies that are responsible for selling, delivering, and optimizing digital advertising or marketing campaigns. The trade group fields critical research on interactive advertising, while also educating brands, agencies, and the wider business community on the importance of digital marketing. In affiliation with the IAB Tech Lab, it develops technical standards and best practices. IAB and the IAB Education Foundation are committed to professional development and elevating the knowledge, skills, expertise, and diversity of the workforce across the industry. Through the work of its public policy office in Washington, D.C., IAB advocates for its members and promotes the value of the interactive advertising industry to legislators and policymakers. There are 43 IABs licensed to operate in nations around the world and one regional IAB, in Europe. Founded in 1996, IAB is headquartered in New York.

The **IAB Data Center of Excellence** is an independently funded and staffed unit within IAB, founded to enhance existing IAB resources and to drive the "data agenda" for the digital media, marketing, and advertising industry. IAB Data's mission is to define boundaries, reduce friction, and increase value along the data chain, for consumers, marketers, and the ecosystem that supports them. For more information or to get involved, please contact data@iab.com.