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Membership as a business model: exploring reader revenue stream for media organizations in Kenya

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MEMBERSHIP AS A BUSINESS MODEL: EXPLORING READER REVENUE STREAM FOR MEDIA ORGANISATIONS IN KENYA

By

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A capstone project submitted in partial fulfilment of the requirements for the degree of Executive Master's in Media Leadership and Innovation

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APPROVAL PAGE

The Aga Khan University
Graduate School of Media and Communications

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Members of the Capstone Project Evaluation Committee appointed to examine the project of JOSEPH KARIUKI MWANGI-559169, find it satisfactory and recommended that it be accepted.

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DECLARATION

MEMBERSHIP AS A BUSINESS MODEL: EXPLORING READER REVENUE STREAM FOR MEDIA ORGANISATIONS IN KENYA

I, **JOSEPH KARIUKI MWANGI-559169**, declare that this capstone project does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university and that, to the best of my knowledge, it does not contain any material previously published or written by another person except where due reference has been made in the text. The editorial assistance provided to me has in no way added to the substance of my capstone project, which is the product of my research endeavours.

Signature

Date

DEDICATION

I dedicate this thesis to my daughters Tiffany and Stephanie who kept checking on me as I worked late nights to ensure I met the set deadlines.

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ABSTRACT

The media landscape is facing an unprecedented crisis characterised by dwindling revenue, technological disruption, audience retention challenge, and competition from other forms of media and technology firms, with growth in digital media unable to cover the shortfall. In Kenya, the revenue crisis has morphed into the shrinking of newsrooms through massive sacking and loss of jobs, profit warnings by leading media houses and delayed payment of staff salaries. One of the main drivers of shrinking newsrooms is because of audience fragmentation and segmentation that has led to the rise of niche platforms fighting for the same revenue with mainstream media. The challenging media landscape calls for a rethink of the media business, especially on new revenue models. Media houses are now looking more to reader revenue as opposed to over-reliance on advertising revenue. The main of objective of this study was to explore membership as a revenue model for digital media in Kenya. The other specific objectives were to find out the revenue models existing in digital media in Kenya and to draw guidelines and membership incentive list for digital media in Kenya. This was an exploratory study that used qualitative method where 11 media leaders from eight media houses in Kenya were interviewed to give their views on the existing revenue model and their understanding of the viability of membership as a revenue model in digital newsrooms. From their views the study came up with a list of seven incentives media houses can use to attract and retain members. Membership being a new topic in Kenya this study relied on a document analysis of membership programs globally. Document analysis of the Membership Puzzle Project helped to illustrate the steps a media house should take while setting up a membership program using their Membership Guide.

TABLE OF CONTENTS

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

AKU-GSMC:	Aga Khan University Graduate School of Media and Communications
KBC:	Kenya Broadcasting Corporation
MPP:	Membership Puzzle Project
NYT:	New York Times
NMG:	Nation Media Group
SVT:	Sveriges Television AB (Sweden's Television Stock Company)

OPERATIONAL DEFINITION OF TERMS

Membership: Refers to a social contract between a news organization and the community it serves. It can be informed of financial support or time

Niche product: This is a product or section of a media offering targeting a specific audience

Paywalls: A form of subscription where readers pay a fee to access media products

Reader Revenue: This is revenue generated directly from media audience

Digital-born media: This are media houses that started as digital and have no roots in the legacy media space.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Legacy media is currently facing an unprecedented crisis characterised by dwindling revenue, technological disruption, and competition from other forms of media, with growth in digital media unable to cover the shortfall. In Kenya, the revenue crisis has morphed into the shrinking of newsrooms through massive sacking and loss of jobs, profit warnings by leading media houses and delayed payment of staff salaries.

The migration of readers to digital platforms and the rise of peripheral media or what scholars Holton & Belair-Gagnon (2018) call strangers in the newsroom, about new digital media houses that do not follow legacy media structures, has posed a new challenge to audience retention, misinformation, and the rise of fake news. The competitive nature of online publishing where breaking news first guarantees numbers that are then sold to advertisers has meant that the quality of journalism and content produced is dropping. These factors have led to another challenge of trust by the audience (Mont'Alverne et al., 2022).

The rise in online journalism has had its challenges and as Nyabuga, Booker, Dragomir, and Thompson (2013) argue media ethics like accuracy, fairness, and respect for readers became the first causality of the digital migration. The disregard for reader autonomy in news has led to many digital platforms looking at readers as numbers to be sold to advertisers inform of pageviews and not supporters that can add value to the editorial content and generate reader revenue.

Media researcher Oh (2016) suggests the internet and digital technologies have changed the media business model, leading to audience fragmentation and segmentation as well as declining advertising revenue.

New labour patterns and forms have emerged as a result of advancements in technology. In the media sector, digital technology like artificial intelligence is changing how media content is produced and consumed, as well as how media organisations are financed. As an illustration, the introduction of streaming services like Netflix, which provides movies on demand across all digital platforms, has altered how consumers access and watch movies. According to Wlömert and Papies (2016) on-demand music services like Spotify, which sells music for a fee, have upset the music business and killed music on CDs and downloads. It holds for journalism as well.

Emerging trends show that advertising revenue which is the core source of finances for media are shifting to technology firms (Simon & Graves, 2019). A Reuters Institute factsheet by Simon and Graves (2019) covering 200 leading news outlets in Europe shows that 94 per cent of news in the digital media was free with 3 per cent of news websites running a hard paywall. In most cases, traditional media, such as print newspapers, perceive internet material as an addition to their original news form rather than a separate source of revenue (Myllylahti, 2016).

To safeguard pluralism and editorial competition Schweizer, Puppis, Künzler, and Studer. (2014) suggests that alternative funding sources should be considered.

A survey of media executives by Newman (2019) found that subscription and membership is the key priority for the news industry going forward. Newman (2019) found that over half (52 per cent) of the interviewed media executives expect this to be the main revenue focus in 2019, compared with just 27 per cent for display advertising, 8 per cent for native advertising and 7 per cent for donations.

The challenging media landscape calls for a rethink of the media business, especially on new revenue models. Media houses are now looking more to reader revenue as opposed to over-reliance on advertising revenue. My research seeks to establish more traction between audiences and content producers and monetise content better through a membership revenue model.

1.2 Background of the Study

Journalism is experiencing both a trust crisis and a sustainability crisis in the context of digital technologies (Zirulnick, Rosen, & Emily, 2020). With many media outlets losing audiences the reality is that charging for news that was previously free is challenging for many digital media platforms. According to Oh (2016), many digital media companies are finding it difficult to transition from offering free content to charging for it. The media may be making money through subscriptions, paywalls, and display adverts, but the majority of newsrooms cannot be supported by these sources alone (Oh 2016).

Newspapers like the New York Times noticed they were losing readers after implementing the paywall, and traffic from social media platforms substantially decreased, as found in a study by Silva (2020). The decline in readers pushed the media outlet to offer free content to readers with a limit of 10 articles. The study's findings indicated that paywalls had an impact on marketing and product strategies. Early in 2022, Nation Media Group, the largest media house in Kenya and the publisher of Daily Nation, stopped its hard paywall project. In an interview with Kimuyu (2022) the Group's former editor-in-chief Mutuma Mathiu explained that this had been done so that readers could obtain election-related news. The newspaper stated in an article that the registration option had attracted more than 240,000 people in five months compared to the paywall's 50,000 paid subscribers in three months (Kimuyu, 2022).

The decision by the New York Times to offer 10 free stories and the decision by Nation Media Group to remove the wall to allow free access to election news illustrates the difficulties that media outlets confront when trying to monetize their content as well as keep audience in their platforms. Some researchers such as Oh (2016), have argued that the choice by media houses to make some news available for free and place others behind a paywall seems to foster the notion that there is important news that should be available for free, but that news readers do not value is put behind a paywall.

In contrast to other markets in industrialised nations, legacy media in Kenya does continue to have continuous viewership growth. The media industry in Kenya is dominated by six media companies: Nation Media Group, Royal Media Services, Mediamax, Radio Africa Group, The Standard Group, and the government-owned Kenya Broadcasting Corporation (AKU, 2021). The study shows that 95 per cent of the audience and advertising revenue is under the control of the six media outlets (AKU, 2021). According to the Media Council of Kenya's Status of the Media Report (2020), between 2019 and 2020, the percentage of Kenyans who watch television climbed to 74 per cent from 73 per cent, and the percentage of people who read print media increased slightly to 25 per cent. Social media and radio usage fell (from 54 per cent to 50 per cent and per cent to 74 per cent, respectively). The low usage of social media in Kenya may be a sign that the country still has low levels of digital media consumption and penetration, but the growth of digital media and internet penetration in Kenya are rising faster than those of legacy media.

Some studies have strongly linked challenges in Kenya's media space to financing. According to a report by AKU (2021), Kenya's private media saw a considerable decline in profits in 2016. The government's decision to consolidate its advertising purchasing decisions through the Government Advertising Agency and the advertising competition from international digital platforms have impacted negatively on the advertising revenue for the legacy media (AKU, 2021). As things stand, legacy media is having to battle both declining revenue and readers' attention shifting to digital media.

According to AKU (2021), the majority of readers have more choices online. With the rise of mobile phones and the availability of cheap, accessible, and affordable internet, media outlets are struggling with brand loyalty as they lose readers to social media and other digital platforms. As a result, digital platforms and content creators are increasingly competing with legacy media for audiences and advertising dollars (AKU, 2021).

In an interview with Press Gazette, Max Okeyo, the former head of strategy at NMG, described the difficulty facing Kenyan media outlets, indicating that the media must compete with Facebook and Twitter for the attention of online users (Maher, 2022). However, this competition is skewed negatively because the tech behemoths are also the distributors of the media content. In the long run, media companies provide free material to social media platforms, which they then monetize. An example of this is how tech giant Facebook in a bid to keep readers on the platform introduced instant articles for media houses which was aimed at affording users seamless experience without leaving the platform to media houses websites.

The paradoxical situation of acquiring more audiences yet making little money presents a difficulty for digital-only media outlets. Audience retention is a concern in the digital media sector as well. To analyse how media companies would profit while simultaneously increasing audience engagement and loyalty, this study will critically explore the sources of revenue for digital media in Kenya and examine examples of reader revenue models employed in Kenya with a focus on membership business model in the media industry.

1.3 The rationale of the Study

Media houses are facing a sharp decline in advertising revenue due to do audience segmentation and fragmentation as well of migration of readers online where tech giants control a big chunk of revenue. The drop in adverting revenue has meant that media industry experiments with reader revenue to finance the media business. In Kenya media houses have experimented with paywall as a reader revenue model with varying success and in some instances failure. Membership has not been used in the media context in Kenya, this research project will explore membership globally and see how it can be localized with innovation. This research focused on how membership can be applied to digital media in Kenya.

1.4 Current Literature Review

1.4.1 Crisis of the News Industry

The success of media business can be impacted by several factors that include mode of financing, content distribution, technology, and audience retention. Scholars Waterman and Wook (2022) appear to agree that there are four main issues facing the sector: revenue creation, advertising, audience retention, and the news challenge, which is characterized by subpar reporting, misinformation, and fake news. Other studies that have focused on Europe have discovered a substantial correlation between those issues and the shift brought about by the transformation of digital media through social platforms like Facebook, YouTube, and Twitter (Simon & Graves, 2019).

Media companies are still facing the challenges of adapting to digital technologies for financial flows. Kerrigan and Graham (2010) examined regional news and discovered that there is severe competitiveness for readers and advertising dollars from a wide range of other media and advertising outlets, both new and conventional.

The report by Kerrigan and Graham (2010) contends that despite having expanding multimedia portfolios, media organizations' use of the Internet suffers from a strategy gap that stops them from fully using social media's unique capacity to offer engaging user experiences.

Through more targeted user and interest targeting, digital social networks have diverted revenues from mainstream media. According to Skoler (2011), social networks have taken steps to aggressively develop member-led platforms that give their users more control over what they see, who they connect with, and even what adverts they see in their timelines. For instance, Facebook offers groups that form around particular interests. Conversely, WhatsApp offers a wide variety of groups for various interests that continue to flourish with membership at the core of the interactions. According to Skoler (2011), social media platforms' growth is tied to the growth of communities.

In Kenya, these digital communities have thrived with minimal effort made to monetize the fan base. Kenya Broadcasting Corporation (KBC), for instance, successfully ran fan groups all around the nation. In the 1970s, 1980s, and 1990s, the fan club attracted a large membership as well as celebrities (Samora, 2021). The Saalams Clubs, which stands for "greetings" in Swahili, made money by selling greeting cards for Ksh15 each. KBC has 335,000 members of the Sundowner fan club on Facebook (KBC, 2022), and thousands more people listen to the show on radio every day. But Samora (2021) claims that the growth of several radio stations has caused the clubs' status to decline and their membership to reduce.

Media companies can employ a variety of strategies to earn income in the digital environment according to Skoler (2011)) on page 6 says, “News organizations need to think of themselves first as collecting, supporting and empowering people to be active in a community with shared values, and not simply as makers of news that people will consume, to utilize this paradigm.”

Given this context, media organizations need to change the way they think about their audiences - primarily as consumers of news that editors and journalists believe is crucial to helping readers find solutions to their issues.

1.4.2 Advertisement and Revenue Challenge

The biggest headache facing digital media strategists is in drawing in advertisers that in turn generate the much-needed money to sustain the business. Newspapers rely primarily on sales from advertisements and circulation. Most newspapers now suffer lower sales due to the decline in readership and circulation, which has a significant negative impact on their bottom line. The migration of news to the internet, where it is free, has had a significant influence on circulation statistics, making newspapers possibly the hardest hit by digital migration because they must sell copies in a difficult economic climate to make money (Waterman & Wook, 2011).

Television continues to hold the largest share of the advertising market, according to Kenya's media viability assessment by AKU (2021). The paper cites Statista's (2020) research, which shows that predictions for television and radio advertising spending in 2019 were $109 million and $99 million, respectively. The Kenyan market had approximately 34 national and 50 regional television channels as of the beginning of 2020 (AKU, 2021).

Despite their enormous audiences, digital media still struggle to make money from millions of readers visiting websites every month. Digital media in Kenya saw a record number of visitors during the elections in August 2022. After dropping its paywall, Nation.Africa saw 28.9 million views in August, according to Similar web (2022), a global web ranking service. Additionally, standardmedia.co.ke received 9.8 million visitors, and the-star.co.ke got 10 million visitors by the end of August (Similarweb, 2022). However, according to Skoler (2011), media companies, particularly those in the digital sector, struggle to monetize the millions of visitors they receive each month. In an effort to monetise their content as generate reader revenue newsrooms like The Standard and The Star have set up soft paywalls. The digital subscription price for The Standard is Ksh10 for daily access, Ksh70 for a week, Ksh300 a month or Ksh3,600 for an annual subscription (Veseling, 2021).

Going by the Nation. Africa scenario, where the website experienced a sharp drop in readership after installing the paywall but ended up roping in 28.9 million visits in August after dropping the paywall clearly shows the effect of paywalls in accessing the content in a website. The challenge here is how can Nation.Africa convert those millions of visits to a loyal readership that will stick around and generate reader revenue for the media house.

1.4.3 Audience Challenge

Audience fragmentation and segmentation remain a major challenge or an opportunity facing the media business depending on how the news industry looks at it. Readers have more options with the advent of digital media with most spending a huge chunk of their time on social media sites. Media houses should aim at creating a solid community of members and not just focus on publishing news (Skoler, 2011).

As Awiti, Chege, and Owilla (2020) argue consumption patterns have changed and the landscape and media houses should be prepared to serve an audience that is more aware of what they want to consume, where, when and for how long.

With a more fragmented audience, Awiti, Chege, and Owilla (2020 contend that media will have to be more innovative and creative in the way they package content and appeal to an increasingly youthful audience. This argument to a larger extent predicts the media scenario being explained but the question that still needs to be answered is what tools can be effectively deployed to enhance loyalty, especially by the youthful population.

The challenge media houses are facing is how they can come up with offerings that will not only attract the young audience but at the same time generate revenue. The answer to this question may lie in developing a community of readers based on a membership model (Zirulnick, Rosen, & Emily, 2020).

The distribution and income of well-established media have generally decreased as a result of the growth of the internet. According to Waterman & Wook (2011) when looking at the economic impact of the internet, audiences migrated from offline media channels to material that was disseminated online. The study demonstrates a trend away from advertising revenue toward the more direct financial support of media organizations through reader revenue. The study finds that whereas traditional media are declining, internet-based media are growing (Waterman & Wook, 2011).

Media heavily depends on audience numbers to attract advertisers. The higher the circulation or the number of pageviews the more likely such a business will attract advertisers who will in turn spend their cash on that website. For digital media, a deliberate strategy is needed to grow loyal readers who can not only generate revenue through advertisement but can be careful enough to support the cause of a media house through reader revenue.

1.4.4 Revenue Model in Digital Media

Several revenue strategies are used by digital media firms to commercialise their content and services. Advertising, subscriptions, sponsorships, donations, grants, crowdsourcing, and membership are examples of traditional revenue sources. In an analysis, Newman (2020) found that most digital media are trying to rely on reader revenue rather than advertising revenue after looking at 32 nations. According to his research, 14 per cent of media executives will depend on advertising as their primary source of income in 2020. Another typical media income model is the subscription. Through a paywall, audiences in this model pay to access a good or service (Zirulnick, Rosen, & Emily, 2020).

However, Myllylahti (2016) contends that paywalls cannot be a viable financial model for many media firms despite the increased pressure from media organisations to erect them. He argues that many media outlets with paywalls are making significantly less money than necessary to sustain a paywall business model. Myllylathti (2016) argues that most media outlets are not transparent about the amount of money they make via paywalls wrongly giving the impression that paywalls are the solution to digital revenue.

A Reuters Institute factsheet by Simon and Graves (2019) covering 200 leading news outlets in Europe shows that 94 per cent of news in the digital media was free with 3 per cent of news websites running a hard paywall. In most cases, traditional media, such as print newspapers, perceive internet material as an addition to their original news form rather than a separate source of revenue (Myllylahti 2016).

Other studies have also found that increased leveraging of donations and crowdfunding are among reader-generated revenues that media houses are experimenting with. In a donation model, Zirulnick, Rosen, and Emily (2020) say that audience members give their time or money in support of a common cause or common values where donations can also be viewed as charity. On the other hand, crowdfunding slightly differs because donors give a once-off gift to an organization for a particular cause (Zirulnick, Rosen, & Emily, 2020).

1.4.5 Membership as a Revenue Model

Two researchers Ariel Zirulnick and Jay Rosen spearheaded a membership research project, The Membership Puzzle Project (MPP), initially hosted by New York University and embarked on a three-year journey that came up with a membership guide for newsrooms.

The Membership Guide that was created by The Membership Puzzle Project and The Lenfest Institute with funding from Google News Initiative, it is a resource portal with tools, practical advice, and various case studies around membership models to help address challenges many news organizations now face with trust and sustainability (Zirulnick, Rosen, & Emily, 2020).

Zirulnick, Rosen, and Emily (2020) define Membership as a social contract between a news organization and the community it serves. MPP further says members give their time, money, and ideas to support a cause they believe in.

MPP guidelines summarize membership as a social contract between a media house and the community it serves where members give their time, money, and ideas to support a cause they believe in. In their project Zirulnick, Rosen, and Emily (2020) view membership as a strategy to identify a media's strongest supporters and enlist readers in the media quest to be sustainable and deliver great journalism. Membership diversifies media revenue and reporting. Zirulnick, Rosen, and Emily (2020) argue that is an editorial mindset that treats readers as equals, not just eyeballs.

The act of joining a media platform or organization is referred to as "membership in media" by Zirulnick, Rosen, and Emily (2020) as a process rather than an actual event. Meeting standards and getting accepted into the organization is necessary for membership. As a member, you might have access to particular chances and resources, such as training, networking opportunities, and job postings (Zirulnick, Rosen and Emily, 2020), A sense of support and belonging within the industry can also be obtained through membership in a media group. The news organization gives openness and chances for members to meaningfully contribute to the organization's sustainability and impact because this is a two-way interaction (Zirulnick, Rosen, & Emily, 2020).

A good example of how membership works in a newsroom is shared by Juanita León, Director at La Silla Vacía where membership represents 8 per cent of their revenue. Juanita says their ‘Super Friends’ referring to the most loyal readers are their main measure of success because each new member tells them that they are on the right track, such feedback helps them to recruit and retain more members.

Newsrooms in the United States, Britain, Europe, Latin America, and South Africa have adopted membership as a source of income for news media that are struggling and searching for new revenue streams. However, membership as a revenue model has not taken hold in Kenya. According to Granger (2022), for such newsrooms measuring membership success by how much revenue members bring in is incorrect. Granger (2022) contends that membership extends far beyond collecting dollars and cents and involves cultivating a devoted readership.

One of the media outlets that has had the most success in increasing reader-generated revenue is The Guardian. A solid membership portfolio of 821,000 readers helped the media group accomplish its objective of financial sustainability for the second year in a row in 2020 (Waterson, 2020). The Guardian's success is based on its membership model, which attempts to keep news available and free to as many readers as possible (Waterson, 2020). Katharine Viner, the Guardian News and Media editor-in-chief, in explaining the media house's success is quoted saying that the Guardian provided independent, fact-based journalism to unprecedented numbers of readers (Waterson, 2020). Viner says while the future is tough for news organisations, the

Guardian readers around the world are helping the organisation to ensure that high-quality news is accessible to everyone, not just those who can afford it.

Researchers such as Edwards (2022) describe how coffee breaks with consumers helped Sweden's public broadcaster, SVT, improve its culture and bring reality checks to its staff. The broadcasters noted that there were young audience who had never heard or watched the news on the national broadcaster and this fact presented a challenge for SVT at that time which necessitated the media house to try out an audience engagement campaign (Edwards et al., 2022). The STV audience engagement project, according to Edwards (2022) nearly failed because reporters were initially unsure about the suggestion of going for coffee dates with their communities. The tide changed when they embraced the strategy, it served as the cornerstone for SVT's digital transformation. The public was able to build strong bonds with the national broadcaster, and many of them joined and supported SVT's digital revolution (Edwards, 2022).

Niche media outlets that specialise in a particular cause have used membership to increase profits for the businesses, in addition to engaging audiences and building communities. One such media is the Black Ballard, a publication targeting black Americans. By interacting with this group, Black Ballard was able to attract £335,000 in equity, primarily from 1,300 black women investors after running campaigns around black women's rights and empowerment (Oredein, 2022). This example shows how membership for a cause can help a media house raise revenue to support the business.

A good example of a successful membership project in Africa is the Maverick Insider run by Daily Maverick of South Africa. The digital born media, which runs Maverick Insider, took up the best reader revenue prize at the 2022 Digital Media Awards by WAN-IFRA (2022) in Africa. This is a membership project that, in the judges' opinion, really got to the heart of understanding audiences and developing membership options that not only helped members develop a stronger emotional bond with the media organization but also encouraged them to help manage the news industry. Maverick Insider is an inventive response to the issue of how to encourage consumers to pay for news in a less developed country, according to one judge (WAN-IFRA, 2022)

In its homage, the Maverick Inside has its main call to readers urging them to support Maverick Insider with a breakdown of membership fees and benefits each category of membership accrues (Daily Maverick, 2022), For example, members paying a fee of 200 Rands get 100 Rands back in Uber rides or Uber Eats. Furthermore, Maverick Insider has broken down other member benefits which include opportunities to engage with their journalists, bi-weekly behind-the-scenes members newsletter, advertisement free browsing experience, and 200 Rands Uber vouchers among other benefits.

Styli Charalambous the Publisher and CEO of Daily Maverick says they see membership as more than just a revenue model but as a mind and a way of operating that brings media houses closer to what will sustain the media (Zirulnick, Rosen, & Emily, 2020).

However, South Africa has a more developed economy than Kenya, and because reader preferences and loyalty to news organizations differ, some ideas may be unworkable for a Kenyan digital media outlet. Maverick Insider, however, provides a glimpse into what a successful membership model and offerings for a Kenyan digital-only media can look like.

Although membership is just beginning to gain currency in the media, civil society organisations have for a long time raised millions of dollars through members. International non-governmental organisations like Amnesty International has a robust membership mainly focused on causes. International Justice Mission (IJM) for example mainly focuses on fundraising by telling stories of rescue and protecting people who are poor from violence. IJM has a Freedom Partners program where signed-up members contribute monthly to support the fight against violence. Media houses can focus on issues like climate change to rally members to a cause and generate much-needed revenue to support good storytelling.

1.5 Problem Statement

The diversification of clientele access and client retention prospects provided by digital technologies have allowed for growth and transformation in the media business. Kenya's media organizations are facing challenges in how to come up with a workable business plan that provides digital products that can attract a steady customer base for reader revenue growth.

Kenyan media outlets have experimented with different business methods such as subscriptions through paywalls, grants and donations and display adverts but with little success. Although there is available literature and suggested solutions on how media companies are or should deal with digital disruptions and revenue models in Kenya, but it is not exhaustive.

This study aimed at examining what other new revenue models are emerging in the Kenyan media business, explore how media leaders perceive membership as a source of reader revenue and collect their views of the types of incentives or value proposition media houses can give to their members if they choose to go the membership way.

The main question is how media outlets can draw in and keep audiences, as well as how to harness that audience's continued support through reader revenue to produce long-term profitability. There is a need to explore how the media industry is operated considering the twin issues of diminishing readership and stagnating, and in some cases, shrinking revenue.

1.6 Objectives

1.6.1 Main Objective

The main objective of this study is to explore membership as a business model in digital newsrooms in Kenya.

1.6.2 Specific Objectives

1. To explore the variety of revenue models within digital newsrooms in Kenya
2. To examine how media managers perceive membership as a potential business model for digital newsrooms in Kenya
3. To draw guidelines or package for the implementation of a membership model in a digital newsroom in Kenya

1.6.3 Research Questions

1. What revenue models are being used by digital newsrooms in Kenya?
2. How do media house managers perceive membership as a potential reader revenue model for digital newsrooms in Kenya?
3. What incentives, packages or value propositions can be developed to attract membership in digital media in Kenya?

1.7 Methodology

The primary objective of this study is to explore the revenue models in Kenyan digital media and specifically focus on membership as a reader revenue model in Kenya. This is because although membership has been implemented by newsrooms in more developed countries it has not been implemented in Kenya. This exploratory research aims at looking at new grounds in how digital media is funded and the possibility of introducing a membership revenue model and the types of incentives media houses can give to their members in Kenyan newsrooms.

To gather data for the study, a qualitative approach was used. According to Dawson (2009), qualitative research examines attitudes, behaviour, and experiences. This study's specific objectives, which included interviewing media managers in media organizations to learn about their business models in use, their understanding and perception of membership as a potential business model, and what potential incentives can be used to persuade readers to become members of their media organizations, guided the use of this methodology. The findings were then be published in a narrative form.

Membership being a new field of study in Kenya, this study relied on document analysis of a successful Membership Puzzle Project (MPP) by Zirulnick, Rosen, and Emily (2020) that researched and studied membership in different media houses and developed a membership guide for use by media houses. MPP was a three-year project that studied the challenges and potential of membership models in news. MPP guide offers best practices for a newsroom intending to set up a membership program, has over 30 case studies, and step-by-step advice from newsrooms around the world that will help media organisations at any stage of their membership journey (Zirulnick, Rosen, & Emily, 2020).

The document analysis of the Membership Puzzle Project and analysis of The Guardian reader revenue model helped to determine what existing documents on the business model say.

The main method for this research was semi-structured interviews with media managers from both legacy media companies that have digital platforms and digital born media outlets or what scholars have called peripheral media (Holton & Belair-Gagnon, 2018), Semi-structured interviews are frequently employed in social research, where the study gathers particular data from participants and compares it to data from other interviews, (Dawson, 2009). The purpose of interviewing media managers is to learn more about the business model that is being used and how they see membership as a potential business strategy for generating income and building devoted audiences.

1.7.1 Sampling

This study used a purposeful sampling method that focuses on subject matter experts to give their views on audience and revenue models available in the selected Kenyan newsrooms.

Kenya has 155 Commercial FM broadcasters and 37 Community FM broadcasters and 40 television stations according to Communication Authority. The print industry has seven national newspapers and a host of digital platforms. For this study, I focused on digital media run by legacy media and digital born media. The study covered eight media houses representing digital-only and legacy media houses running successful digital platforms. The choice of the media houses to sample was guided by Reuters Digital News Report (2022) which ranked Citizen Digital, Nation, KTN News, Kenyans.co.ke, The Standard online, NTV Online and The Star online respectively as the most popular website. To broaden the study to bring in other digital media with unique revenue models I interviewed media managers from Tuko Media, Africa Uncensored, and KBC.

In the subject matter expert samples, I focused on three founders of media houses, CEOs, Managing Editors, two heads of strategy and digital editors. The CEOs helped shade light on the direction of media, editors helped to give an overview of revenue models deployed and audience behaviour as well as suggest possible incentives for members.

The crucial role that media managers play in expanding audiences, which eventually results in increased income, motivated my decision to use them as my interview sample. Media managers are well knowledgeable about their target audiences and what may or may not be effective for them. The media managers were chosen as a sample also because they were easier for me to reach for this study.

The managers were sampled in the manner described below: Interview two senior leaders at the highest level of management at a major media outlet and one in a minor outlet. The leaders interviewed at this level included Radio Africa co-founder and currently Convergence Director, Africa Uncensored Co-founder and CEO as well as Boxraft Managing Director, Boxraft owns Kenyans.co.ke. This study investigated the business orientation of Nairobi-based media organizations and their long-term revenue strategies thanks to these directors at the top of the organization. To represent the traditional media, I spoke with Managing Editors at Nation Media Group and Royal Media Services. Digital editors from Kenya Broadcasting Corporation, Nation Media Group, The Standard Group, and The Star were interviewed. For perspectives from media outlets that exclusively publish online, I spoke with editors from Kenyans.co.ke and Tuko News.

The sample size covered the geographical area of Nairobi because the sampled media houses have their offices in Nairobi.

1.8 Scope and Limitation of the Study

1.8.1 Scope

Kenya has many digital outlets publishing news. According to AKU (2021) report there are now over 10,000 bloggers registered as members of the Bloggers Association of Kenya (BAKE) and each legacy media house runs a website. This study will narrow its focus to digital platforms run by legacy media and three digital-only publishing platforms. This is because this platform offers a more focused point of study and has well-structured newsrooms.

1.8.2 Limitation

This study was greatly hampered by time with a tight deadline for submission. To overcome this challenge, I interviewed 10 carefully selected media leaders including two at the level of CEO, Managing Editor and Digital Editors from leading legacy media and the founder of Kenyans.co.ke, a digital-only media and the managing editor of Tuko News. For this study to be conclusive it was desirable to interview readers of digital websites where such membership could be applied, this however was challenging in this study because it was industry wide focused as opposed to a case study of one media house. Digital media houses have varied audiences for this study to have deployed questionnaires. A follow up study focused on a media house will help bridge this gap.

1.9 Structure of the Document

Chapter 1 of this document looks at the revenue problem that media houses are facing and what revenue streams are employed in media houses. The Chapter covers available literature on reader revenue. Chapter 2 focuses on the findings and discussion while Chapter 3 has findings and recommendations

1.10 Summary

Digital media houses in Kenya are grappling with ineffective revenue-generating models and the loyalty of readers. Most digital media houses that are mostly offshoots of legacy media have ended up deploying the same revenue model as display advertisements, subscriptions through paywalls to generate revenue. These models have not generated enough revenue to sustain the business, coupled with declining revenue in legacy media especially newspapers have meant that most media houses are grappling with the challenge of how to sustain their business in a competitive market.

There is, therefore need, to look at other radical revenue-generating models that can help newsrooms to create loyalty and employ reader-generated revenue models. Membership is one such model that this project aims to explore to find out how it can be implemented within the context of Kenya and the perception of membership by media managers in Kenya.

This projected further looked at the digital revenue models available in more developed markets and how such revenues models can be deployed locally.

To find out the revenue models being used in media houses this research interviewed media managers from eight media houses.

CHAPTER TWO

FINDINGS AND DISCUSSIONS

2.1 Introduction

This research had the main objective of exploring membership as a business model in digital newsrooms in Kenya. To achieve this main objective three specific objectives were set out that included exploring revenue models within digital newsrooms in Kenya, examining how media managers perceive membership as a potential business model for digital newsrooms in Kenya and to draw guidelines or packages for the implementation of a membership model in a digital newsroom in Kenya.

Research globally has shown that media houses are moving away from advertising revenue models to reader revenue where media houses are going directly to their audience to generate revenue. According to a Reuters Institute research, 212 newsrooms examined in the developed markets in Europe and USA were looking at cutting overreliance on advertising to 14 per cent and increasing reader revenue to 50 per cent. A large percentage of newspapers in the U.S. are generating revenue from readers and over 69 per cent of the media houses examined in the report run a paywall.

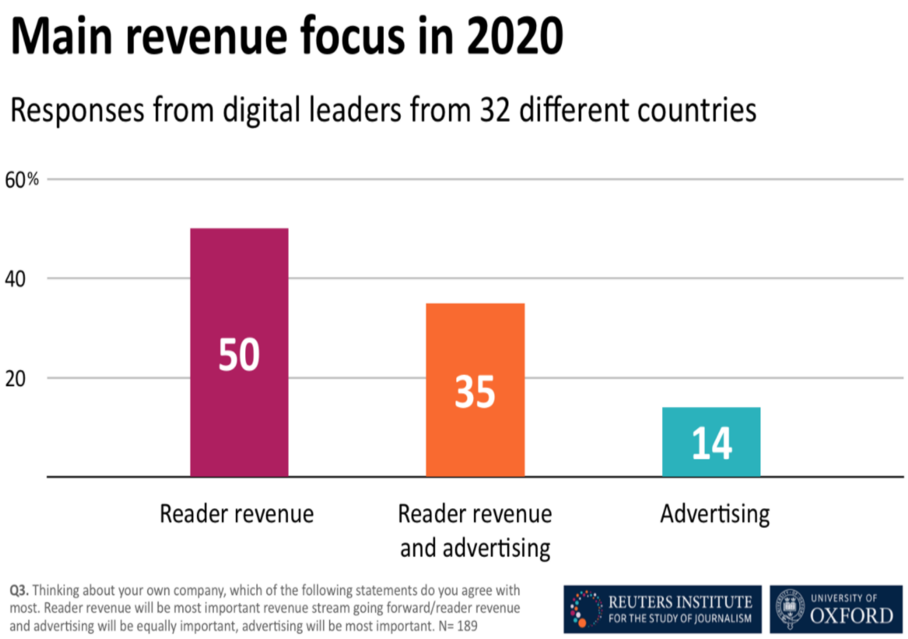

Figure 1: Main Revenue focus in 2020

The move by media houses to focus on reader revenue is informed by the changing consumption patterns and audience segmentation and fragmentation which has led to more targeted advertising and a reduction of revenues generated from companies. This study aimed to explore whether digital media in Kenya is moving in the same direction as well as explore the viability of membership, a form of reader revenue, in digital media in Kenya

To meet the set objectives the research interviewed 11 media leaders from eight media houses. The media houses were picked based on their audience size using available reports on reach. Out of the 11 interviewed, three were media owners, three Managing Editors, two digital media strategists and three digital editors from the sampled media houses. The eight media houses that participated in this study include Nation Media Group, Radio Africa Group, Royal Media Services, Kenya Broadcasting Corporation, Tuko News, Kenyans.co.ke, Africa Uncensored and The Standard Group.

2.2 Findings

2.2.1 Revenue Challenge In Newsrooms

The study found that legacy media houses are facing an unprecedented revenue shortfall with an average revenue split between legacy media products and digital products at 90 per cent to 10 per cent. The study found out that only digital born media houses like Tuko News and Kenyans.co.ke was generating enough revenue to run their digital newsrooms.

Tuko News Managing Editor Julia Majale and Kenyans.co.ke Managing Director Robert Ndungu noted that the revenue generated through programmatic, native and display advertising was enough to sustain their operations. Tuko News has 60 permanent staff while Kenyans.co.ke has 40 staff members spread in the newsroom and the video department.

On the other hand, legacy newsrooms like The Star and The Standard were struggling to pay salaries while Nation Media Group experienced a drop in their advertising revenue. The Star Convergence Director William Pike in the interview explained how newspaper revenue has continued to drop and the radios are not making as much money as they used to so that they can support the newspaper. Pike says for the digital operation alone to break even the group must make Sh14 million per month, but the best performance so far was Sh8 million, on other months the digital section averages around Sh4 to 5 million which is a shortfall of about Sh10 million to break even for the digital operation.

On the other hand, The Standard according to its unaudited results of six months period ending June 2022 showed an after-tax loss of Sh300 million a jump from a loss of Sh60 million in the same period in 2021. The group in its results said digital revenue grew by 9 per cent showing a positive outlook for the organisation. Contrary to other media houses Nation Media Group's 2021 results show a growth of 14 per cent in print advertising while digital revenue grew by 20 per cent. Even as there seems to be growth in digital and advertisement revenue, the results show newspaper circulation dropped by 9 per cent which is a point of concern for the media group.

From the results above digital media consumption and revenue are growing by a decent margin while legacy media reach and revenue are dropping. This drop has not gone unnoticed by media leaders who have doubled up their digital strategy to raise enough revenue to match the decline in legacy media revenue. Radio Africa Group for example is looking at increasing its digital revenue to Sh14 million in the short-term while Nation Media Group is aiming at increasing digital revenue to about half of its total revenue in the long run to bridge the gap of projected dwindling advertising revenue. The two media houses are being supported by the Financial Times digital strategists through a Google News Initiative project.

2.2.2 Revenue Models Deployed by Digital Media

On the question of what revenue models are being used by digital newsrooms in Kenya, all the 11 participants interviewed ranked advertising especially direct sales of display and programmatic advertising as the leading source of revenue of their media house. Programmatic refers to where advertising is bought automatically from technology companies for example Google AdSense paid CPM (clicks per mille which refers to the amount an advertiser pays a website per one thousand visitors who see its advertisements).

Native advertising (sponsored) is a huge revenue driver for most digital-born newsrooms like Tuko News and Kenyans.co.ke. Legacy media run native advertising but some like Nation Media Group are keen on the type of sponsored content they run on their website.

Robert Ndungu, The Managing Director at Boxraft Limited the mother company that owns digital born Kenyans.co.ke, Kenyamoja.com and TeamKenya.co.ke says display advertising is the biggest source of revenue, and the media house is seeing a big upswing when it comes to sponsored articles and gravitating to creative articles.

Explaining why display advertising is popular in Kenya despite global trends showing a decline in their popularity in developed markets, Royal Media Services Digital Managing Editor Waihiga Mwaura says the demand is from clients as opposed to media pushing for display advertisement. Waihiga says at the moment display advertising has been the most profitable because it is the easiest stream to explain to their clients. Waihiga says with the other models and offering sometimes clients take some time to understand them which takes longer to sell. Waihiga further noted that:

> We just tell a client that when people are reading a news article on our app or Twitter account your ad will be there and for a lot of them that is Gospel truth and that is what they are looking for. They want to be there where the news is happening. So yes, we do a lot of posters a lot of banners a lot of tweets messaging, and we of course declare that it is an ad.

Participants from legacy media running digital platforms agree that they are facing unprecedented revenue shortfalls leading to the trimming of newsrooms and refocusing their strategies to digital. Nation Media Group Managing Editor in charge of value addition Bernard Mwinzi agrees that despite the drop in revenue from flagship products like the Daily Nation, digital media has not been able to bridge the gap due to challenges in figuring out new models to raise money. Mwinzi says Nation Media Group is facing a huge revenue challenge because for a very long time its profits came from a section that is heavily disrupted. Newspaper circulation has dropped which means advertising revenue is shrinking. Television revenue on the other hand is stagnating with data projections showing that in the next five years it will shrink.

Mwinzi says that television entirely depends on advertising as opposed to copy sales as the case is in print and has no subscription models. This has meant that the NMG legacy side of the business is heavily disrupted. Mwinzi says such disruptions are forcing the media giant to relook at other ways of generating revenue in the digital space.

Max Okeyo, the former head of Strategy and Innovation at Nation Media Group whose job was the digital transformation that focused on transitioning both audience and revenue opportunities from legacy media into digital media, named the other revenue streams that are being implemented in Kenya as data monetization, reader revenue (mostly subscription through paywall), marketplace, events, gaming, grants and donations.

The other model that is gaining currency in the country is the reader revenue model. According to Okeyo reader revenue in Kenya is mostly limited to subscription options like a paywall. In Kenya only three legacy media houses have experimented with paywalls as a reader revenue model. The Standard and The Star are still running a paywall while Nation.Africa experimented with the paywall for a year and then dropped it.

Asked why the media house dropped the paywall, Okeyo says the initial thinking was not to drop but scale down because the country was going into an election, and they were playing their public interest role of allowing all their readers to access to news free of charge. Okeyo says Nation's paywall had a metered system that allowed readers who accessed five articles to register. If the reader read another five articles to make them 10 articles the system would prompt the reader to pick a plan which was either a daily plan, a monthly plan, a quarterly or an annual. This approach meant that during an election where ‘news was all over’ the system would not work as effectively.

This meant that once a reader hit 10 stories, they had to pay for that story even when the story was out in the public domain.

Okeyo says the media group hired a consultant to help them see what other opportunities are out there in improving the paywall. The questions NMG was asking after the trial period was mainly on what else they could which led to a number of action points that came up that needed to be addressed, which ultimately influenced the business decision to put the paywall on hold. “This explains why the paywall was dropped,” says Okeyo.

The Standard Media Group faced the same challenges during the election period but soldiered on with their freemium paywall where they offered some news for free and other news was put under the paywall. The Group’s Digital Editor Carole Kimutai says in 2022 due to the election the media group did a lot of freemium content, which meant only 20 to 30 per cent of the content was put behind a paywall. The argument is the newsroom at that time was that “a lot of the news then was event-driven, and a media house cannot charge people to read events,” says Kimutai.

Kimutai who strongly believes in readers’ generated revenue is positive that their soft paywall will bear fruit in the long run especially when the payment for subscription renewal is fixed. The Standard currently has over 5 million registered contacts which the media house will be looking to convert to paying customers.

The Star that runs a soft paywall is happy with the result so far and is not looking at stopping their metered paywall anytime soon. Francis Mureithi, the Radio Africa Group Digital Editor, says the numbers are impressive in the last seven months they have run a paywall. He says they have around 20,000 paying subscribers with 14,000 of them being active subscribers, with another 250,000 registered members in their data bank.

The discussion to settle on a soft paywall as opposed to a hard paywall where all content is locked was heavily influenced by the fear of losing the audience. Mureithi explained that paywall being a new concept in Kenya what the media was experimenting with was bound to lock out some readers and advertising revenue. Mureithi in explaining why they chose a soft or metered pay argues that:

> If you lose audiences, you lose in terms of programmatic and in terms of placed adverts, so you can be earning by introducing a new channel of money, but it eats into what has already been working.

The Star only locks about 5 per cent under the paywall and another 5 per cent to recruit members. According to Mureithi, this is working perfectly well, and he is seeing a growth in subscribers in 2023 to a level of making the business sustainable.

William Pike says the paywall has been moderately successful. He says on average The Star has been getting about Sh1.5 million a month from paywall revenue which he says is a good start for a project that started seven months ago. William argues that:

> We have been doing a trial to increase the number of premium stories to 10 per cent and the number of registered stories to another 10 per cent, so that would leave only 80 per cent free.

The paywall, which seems to be the preferred reader revenue model in the Kenyan market, has its challenges. Okeyo says the biggest challenge media houses have in running a successful paywall is the customer mindset who are not used to paying for content. The second challenge according to the media strategist is piracy, he says the subscribers who pay for the content can copy-paste the content and post it on public platforms where everyone can read it. Okeyo says it is a cultural thing. He notes that the third reason paywalls are not as successful in Kenya compared to other countries especially in the U.S.A is the fact that there are many alternatives in Kenya, free alternatives to the news behind a paywall. He noted that:

> For all content behind a paywall there are free alternatives, but what strengthened our cause was the fact that our content is considered trusted. So, you will still get your real customer who wants to be part of your cause by paying for that content, that is why you see companies like the Guardian still have people paying for the content despite there being free alternatives.

Kimutai on the other hand says the biggest challenge facing the subscription model is the auto-renewal of subscriptions. She notes that in countries like the U.S.A, it is easy for media houses to run paywalls because of the widespread use of credit cards. She argues that using mobile payment in Kenya has its challenges, some of the challenges she notes are that Kenyans spent per item as opposed to paying for services annually. This means it becomes difficult to pin down a once off subscriber who uses mobile money to pay for a day access for the long run. Kimutai says efforts to resolve this challenge through discussions with mobile money companies has been unsuccessful

Apart from advertising and paywalls there are other revenue models being experimented in Kenya. One such model is data monetization that Nation Media Group is testing. Okeyo says within the digital space media houses aggregate millions of eyeballs, but there is a need to get to understand them and monetise the numbers. Okeyo further reports that:

> Get to know what your audience like, or do not like, who is within the network they are sharing your content, what content formats they like, what length of content they like how they would like to consume it, what time of the day or the night or what time of the month they consume.

The analysis and the insights can then be sold to advertisers who can easily run targeted advertising. Okey further explains:

> In the digital space what is happening is you have a buyer and seller, and the media is building a platform that links the buyer to the seller. There is a huge opportunity around building commissions or revenue streams from the marketplaces.

Media houses are already experimenting with marketplaces with Star Classifieds by Radio Africa Group and Digger classifieds by The Standard media being good examples.

Events as revenue earners are taking shape but are mostly driven by the legacy media with the support of digital media. Nation Media Group for example is running KUSI, Nation Digital Summit and Nation Leadership forums that Mwinzi believes will be a big revenue stream for the media. Radio Africa Group is running events around different products they have with Isaiah Langat, the head of social media and Digital Solutions saying the group is already earning a tidy sum from events. Langat says digital media is critical in pushing these events and selling tickets.

Grants and donations are becoming a huge part of revenue earners for media houses in Kenya. Africa Uncensored for example had 67 per cent of its revenue in 2021 from grants and 13 per cent from commercial sources that included producing content for their customers. John Allan Namu the co-founder and CEO of Africa Uncensored projects grant funding to have increased to 69 per cent in 2022. Mwinzi of the Nation Media Group agrees that grants contribute a big chunk of their revenue, he puts the figure to about 500 million so far coming from grants, NMG is looking at raising a billion shilling in grants to support its newsroom operations.

The two leaders agree that although grants have helped sustain newsrooms but have strict conditions on how they are implemented and reported. For media houses to become more independent they must increase the percentage of their reader revenue.

Mwinzi opines that although revenue from digital is growing, it is not growing at the expected pace. He says currently the NMG revenue rations are about 10 per cent digital, with 90 per cent of the revenue still coming from legacy media. He asserted that:

> Now when you are talking about a billion-shilling kind of establishment 10 per cent of that tells you it is very little and then it will of course have people worried because if it (digital revenue) is not growing as fast as it should, then it means it will get to a point where it is no longer sustainable to have the business.

2.2.2 Is membership a Viable Option for Generating Reader Revenue in Kenya?

Eight of the 11 media leaders interviewed believe membership is a viable source of reader revenue and increases audience loyalty to their brand. The leaders agree that it is a challenging revenue model to implement due to the mindset of Kenyans and the mode of payment for a member but one they must test.

Radio Africa Group Digital Editor Francis Mureithi says he does not see any media house that fail to build on reader revenue surviving the disruptions in the industry. Mureithi argues that:

> Even looking at digital advertisement currently legacy media houses are not getting many adverts like they used to get in the past, but influencers are taking all the money.

He further explains:

> Reader revenue is the way to go. Even in Programmatic ads, you cannot compete with FB (Facebook) and YouTube, they have their channel, and Google controls everything, it is like you are working blind. You do not even know how much you made, you just believe what they tell you made, and they give you a small percentage of that.

The media leaders interviewed agree that it will need sustained reader sensitisation and education on what membership entails for them to support this revenue stream.

John Allan Namu sees Membership as a much deeper commitment from the platform to the person who chooses to be a member. Namu sees membership as community engagement and community management more than it is the subscription. He posits that:

> Subscription is very linear; you are subscribing to receive a specific service. That is, it. That is the deal, but membership models often

> imply that members have more influence in the operations of the newsroom, perhaps more access or earlier access to content, have more input in terms of the kinds of stories that are produced but also better benefit from the journalism that is produced. If there was merchandising for instance as one of our revenue streams, then our members get discounts for any merchandise that we have.

Namu believes membership can work at Africa Uncensored because their journalism is public interest and therefore it is cause adjacent or cause led. According to Namu, some people care about certain causes that might be interested in becoming members simply because they care about these causes. Namu indicated that:

> Because I think that is the only way that our journalism especially if it was just purely public interest can be profitable. That is one of the only ways that it can be viable that you have causes that people care about and they are interested in supporting you and supporting you consistently.

The Africa Uncensored CEO warns that for membership to work it requires dedicated staff for instance. This will mean that media houses must invest in manpower with jobs like community management taken as a full-time job. Namu advises peers to look at community engagement differently from social media management. He narrate that:

> Right community management means very deliberate engagement with members of that community. Maybe the creation of our WhatsApp group running conversations with them, focused group discussions among others requires a completely different skill set compared to the skill sets that we have at present. It is something that I would love to have.

Nation Media Group did consider a membership business model during discussions to set up the paywall. Max Okeyo says there are different models of membership that a media house can choose from. One of the models is based on your content offerings. It could be in form of your content offerings to other third parties or it could be in form of customising a member to feel part of the community.

Asked whether membership can be implemented in Kenya the interviewed leaders agreed that it was a promising revenue model but may be difficult to implement.

Mureithi feels the model may not work well in Kenya but can work where people have strong communities, where many people pay a member entry fee like in a golf club which is not the case with a Kenyan reader. Although The Star audience survey carried out by Google News Initiative and Financial Times in 2022 showed positive feedback from its readers, Mureithi insists that the only way people could pay up to be members is if they focused on causes and not The Star as a brand. According to the survey, readers said they love The Star brand, and customer satisfaction with their content was very high. In the survey, readers value spending on The Star.

On the other hand, Allan Namu feels that the market is not ready because it has not been tested with a membership model. Namu believes testing of membership especially in terms of the journalism membership model that is very focused on the kinds of causes, people, projects, and programs a media house is carrying out is critical. Namu believes some of the offerings at Africa Uncensored like human rights, governance and accountability and more recently special interest areas, like climate change and corruption can rope in members who strongly believe in such causes.

Kenya Broadcasting Corporation digital manager Jared Ombui says membership as a model is not feasible unless it is for a show, Ombui says anything outside that is hard. He cites popular programs like Sundowner which hosts events but does not charge a fee. Ombui says currently KBC is not making money from the event. Ombui says such events and membership around it are good to push the brand and grow the brand. As a public broadcaster he says there are limits you cannot pass. “I think for me growing the audience would work. The moment we monetize people fall off. It will not work.”

The Star's William Pike is doubtful whether membership can be effectively implemented in Kenya because you are unlikely to get contributions from Kenyans.

Pike sees membership as a very commercial culture and people feel their money is important for them to pay for other things. He notes:

> It is transactional and the culture here to a large extent does not support such a model and so the feeling among the Editors and ultimately with FT (Financial Times) strategies was that the market was not ready for membership.

Pike who is a paying member of The Guardian where he contributes £50 (about Sh.7,700) says he reads the Guardian every day and he feels compelled to pay something for the privilege of reading great content. Pike says the Editors at the Star felt strongly that Kenyans would not make a discretionary payment to be a member of a newspaper. For that reason, he does not see membership working in Kenya.

Audience loyalty

For membership to work media houses must start by building strong communities that support the causes they champion or the journalism they practice. It is these strong communities that will be converted to loyal members.

All media leaders interviewed agree that audience engagement should be enhanced by media houses for membership to thrive. Some of the media houses like the Nation and The Star have already carried out audience surveys to gauge the loyalty level of their audience.

The Star is already working on how to reach out to its audience following a survey carried out late last year. In the survey by Google News Initiative and Financial Times, respondents interviewed said that The Star makes them feel more engaged in their community and they receive quality and truthful information from stories. In the same survey, 86 per cent said The Star makes them more engaged community members. The survey found that NPS (Net Promoter Score) or the number of readers who are willing to promote the brand was 58 per cent way above the market average of 30 per cent in the market for the publishers. The survey found that 82 per cent of the respondents would be willing to subscribe to the paywall and 51 per cent are willing to donate.

Such a survey shows that a well-thought-out membership plan can work in a digital newsroom in Kenya because of the willingness by the audience to support the media house. But for this to work media houses must be willing to experiment with different membership incentives and strategies.

Incentives or membership packages for Kenyan digital media

In coming up with packages or incentives MPP found in their research that it is critical for any membership models to address their audience members' needs for affiliation, connection, and sense of belonging to a cause bigger than themselves (Zirulnick, Rosen, & Emily, 2020). MPP further notes that the cornerstone of any membership program should be a value proposition that articulates how the experience of membership provides value to members. MPP defines a value proposition as a statement of the value a product or service creates to address a particular user need (Zirulnick, Rosen, & Emily, 2020).

Media leaders interviewed shared several incentives or value propositions that can be developed to draw and retain members to a digital product. The consensus by all interviewees is that membership can only work for causes or in niche products or what is called verticals which refer to segments like Education, Health or Human Rights.

Some media houses reached said membership may be difficult to implement in newsrooms that do not have products to use as incentives during the recruitment process. It is therefore difficult to come up with a uniform package that can be employed in all newsrooms to recruit and retain members. From the analysis of packages or incentives shared by media leaders, legacy media have a better shot at rolling out successful membership products due to the abundance of products and wider networks.

One of the value propositions especially for a website linked to a legacy media with prominent journalists and news anchor is to give members time with your top journalists. Allan Namu says when a media house creates for members a platform where they come to interact with your journalists one-on-one will make them feel closer to your brand. MPP in the research found out that ability to meet media house reporters can be a good incentive for members supporting a newsroom.

Exclusive access to places or services is a great incentive that Max Okeyo says can draw in members to support a media house. Okeyo says access to the business lounge at an airport for your members can be a feel-good value proposition for those members who love a good experience. Other exclusive access can be travel insurance at half price, and access to content behind a paywall free of charge are incentives that can be given to a member.

Events came up as a possible incentive for members from all the interviewed managers. A media house can bring together members for a meet and greet hence helping them to connect more closely. Allan Namu says exclusive behind-the-scenes content, special or discounted invites to events and private screenings can draw in members.

Another value proposition for membership can be around content. Okeyo says content membership where a media house looks at the kind of content they produce and asks members who care about such content to support the media house.

A well-defined Corporate Social Responsibility (CSR) and how members can participate in it can be a good value proposition for members. Okeyo advises that a media house can make it premium enough to be able to drive an audience to follow you and your CSR and make them want to be part of your charitable causes.

Giving company Merchandise to a loyal audience can in the long run create an attachment to your brand. Merchandise like caps, t-shirts, diaries, and cups among others can be given to members according to their level of giving to a cause or membership fees.

Accelerated audience engagement and personalized feedback where a media house responds to your members create a community that feels that it is part of you, says Mureithi. This, he says, can be transitioned to fund a cause or fund your journalism.

2.3 Summary

Research globally has shown that media houses are moving away from advertising revenue models to reader revenue where media houses are going directly to their audience to generate revenue. Mostly common reader revenue streams are subscriptions through paywall and membership

All the eight media houses interviewed said Advertising is the leading revenue model in their digital newsroom. The most popular advertisement includes programmatic and direct sales. Other sources of revenues include native advertisement especially sponsored content. Subscription through paywalls is picking up especially in legacy newsrooms where the media houses are running a soft pay wall as opposed to a hard paywall. Other revenue models include marketplaces, events, grants and donations.

Media managers interview agree that membership is a viable revenue option for niche product and causes based journalism. The leaders agree that for membership to work media houses must start by building strong communities that support the causes they champion or the journalism they practice. It is these strong communities that will be converted to loyal members. All media leaders interviewed agree that audience engagement should be enhanced by media houses for membership to thrive.

By and large, Membership is a huge opportunity for media, but there is a knowledge gap on what membership is and how to set up a successful membership program in a newsroom.

CHAPTER THREE

CONCLUSIONS

3.1 Introduction

Legacy media continues to lose revenue because of reduced newspaper circulation and a shrinking advertising market. Digital-born media houses that do not have supporting revenue from legacy media platforms seem to be weathering the diminishing revenue better than legacy media.

3.2 Conclusions

Digital media houses in Kenya heavily rely on advertising for their revenue with some media houses having up to 80 per cent dependence on advertising. Research in the developed market has shown that over-reliance on advertising is already disrupted by technology and social media platforms have continued to negatively affect media houses' financial freedom. For media houses to survive there is a need to shift to reader revenue like subscription and membership revenue models. As a result of reduced advertising revenue media in Kenya is turning to reader revenue.

The most preferred reader revenue model in Kenya is subscription through a paywall that has been implemented by the three-leading newspaper in the country. Both The Star and The Standard are running a soft paywall with less than 10 per cent of their content behind a paywall. Nation.Africa's hard paywall where all content was locked was dropped after a year of the experiment. The media houses running paywalls are looking at increasing their revenue to the break-even point by locking more content under a paywall.

Nation Media Group believes its revenue will not come from advertising in the next 10 years, but it will come from readers which is why they are looking at subscription models. Both Nation Media Group and Radio Africa Group are being supported by consultants from Financial Times through Google News Initiative to understand their audience and increase their share of reader revenue.

The media leaders interviewed have heard or come across membership as a business model. Those who agree that membership can be implemented in Kenya say for membership to work media houses must start by building strong communities that support the causes they champion or the journalism they practice. It is these strong communities that will be converted to loyal members.

Legacy media has more products on offer to generate reader revenue compared to digital-born media. As a result, digital born website offers free news and make most of their money from advertising both displays, native and programmatic.

3.3 Recommendations

There exists a knowledge gap in the market on the concept of membership as a revenue model with some media leaders confusing the same with subscriptions and donations. There is a need for more sensitization of the media leaders of what membership is and how membership can solve some of its revenue challenges.

Media leaders interviewed believe it would be challenging to implement a membership model in digital media in Kenya, but they all agree that membership can be applied to their niche product. Only three of the 11 media leaders interviewed said that membership cannot work or be implemented in a Kenyan newsroom.

There is a need to educate readers on the importance of membership and subscriptions in the sustainability of media business and maintenance of media independence, especially from government influence.

There is a need for a membership guide to be developed spelling out the steps a media house should take in setting up a membership program as well as a list of incentives or checklist for media houses to rely on while implementing membership.

PROJECT DOCUMENT

MEMBERSHIP GUIDE AND INCENTIVES LIST FOR DIGITAL MEDIA IN KENYA

Introduction

This research has found out that Kenyan media houses are relying on advertising as the main source of revenue with sampled media houses accounting up to 80 to 90 per cent of digital revenue coming from advertising. This trend of relying on advertising both display and programmatic is against world trends where digital media is focusing on expanding reader revenue. The common reader revenue earners for digital media is subscriptions through paywall and membership.

From the eight media houses covered by this research only two are running a reader revenue model in form of a paywall. Interviews with media managers running paywalls show that a hard paywall is difficult to implement in the country due to availability of other alternative sources of news and is some instances piracy of the content behind a hard paywall. The most successful paywalls in the country are metered paywalls where only between 5 and 10 per cent of content if put behind a paywall. Some media leaders said that mode of payment in Kenya where most readers depend on mobile money has made it difficult for once off readers to be converted to long term subscribers.

Although membership as a revenue model has not been practised in Kenya, majority of media managers agree it is a stream worth implementing in their newsrooms. The media managers agree that membership can work for niche products and for newsrooms that run projects around causes. The research found out that despite the positive feedback given on membership most of the leaders had no immediate plan of implementing it in the new future. This is because of the knowledge gap that exists in understanding the steps to take in implementing membership in a newsroom and the kind of incentives to give readers.

Objective three of this research focused on the steps a media house can follow in setting up a membership and well as some of the value proposition for readers who join a membership program.

Membership Guide for Newsrooms

The Membership Puzzle Project (MPP) has come up with a membership guideline that media houses in Kenya can follow to establish their membership project. MPP has laid down five steps that a media house should follow when deploying a membership program in the newsroom. These steps include;

1. Defining membership
2. Planning a membership move
3. Developing and launching a membership
4. Growing a membership program
5. Making membership stick

Figure 2: Five steps to follow in setting up membership in a newsroom

Under defining membership, a media house needs to follow the below processes

- How to know if a media house is ready for Membership
- Discovering a value proposition
- Conducting audience research
- Developing Member routines
- Adopting a product mindset

In planning a membership move a media house is advised to

- Embarking on staffing of a membership strategy
- Making the business case for Membership
- Building a Membership tech stack

Developing and launching a membership

- Designing a Membership program
- Launching Membership

Growing membership program

- Developing Membership Metrics
- Growing Membership

Making membership stick

- Retaining Members
- Developing a member-focused culture

The details of each step and case studies from over 30 media houses running membership programs can be found on MPP's website. The project is available to help media houses planning to start a membership program with all the necessary materials free of charge.

Seven membership incentives for Kenyan digital media

1. Journalists meeting members is one of the incentives a media house can give its members.
2. Exclusive access to places or services like airport VIP lounges for members is a good and tested value proposition to members.
3. Events like meet and greet may help members to connect more closely. Other events may include exclusive behind-the-scenes content, special or discounted invites to events and private screenings.
4. Content especially content around causes can rally members to a media house.

5. A well-defined Corporate Social Responsibility (CSR) and how members can participate in it can be a good value proposition for members.
6. Giving company Merchandise to a loyal audience can in the long run create an attachment to your brand.
7. Accelerated audience engagement and personalized feedback where a media house responds to your members create a community that feels that it is part of you.

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APPENDICES

Appendix A: Interview Guide

1. What revenue models are you employing as a media house?
2. Of the listed revenue streams which model is most successful? Why?
3. Which is model is unsuccessful? Why?
4. Would you say your newsroom is generating enough revenue to run your business?
5. How much on average would you say your digital platform generates in a month?
6. How and to what extent are your audiences respond to your engagement strategies?
7. How do you track your most loyal audience?
8. Have you ever raised funds from your audience to support a cause you care about?
9. Have you come across membership as a business model for newsrooms?
10. Do you think membership can be employed in your media house?
11. If not, why?
12. If yes, what incentives or packages can be developed to attract membership to your media house