

News Media Outlook 2014: Navigating the Minefield

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The International News Media Association (INMA) is the leading provider of global best practices to grow revenue, audience, and brand for news media companies. With nearly 6,200 members in 80+ countries, INMA provides media executives with unparalleled access to ideas and peers to help grow their business in transformational times. For complete information on INMA membership, go to www.inma.org/membership. The 83-year-old INMA has offices in Dallas, Antwerp, New Delhi, San Salvador, and São Paulo.



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Executive Summary

The sale of The Washington Post to Jeff Bezos was a microcosm of the broader transformation of print-centric companies to multi-media companies. Success in transformation requires a long landing field that only capital-intensive companies can provide. The new news brand navigating the cultural minefield between the print and multi-media worlds must:

- ▶ Have room for constant experimentation.
- ▶ Restructure to manage many revenue streams.

INMA's outlook for 2014 is that the value proposition for media companies lies in the storyline each chooses to tell of their transformations. As the print business model further tightens, the pressure to diversify beyond “print + digital” will intensify. Success will be about:

- ▶ Building new management capabilities to oversee more and more complex operations.
- ▶ Populating media companies with platform-agile employees.

Building digital capabilities will continue to grow in importance. Big Data, cultural and transformation programmes, and building out the multi-dimensional news brand will be foundations for future success.

We believe all news brands will pass through a funnel from which all will emerge as digitally focused. Half of the world's news brands are digitally disrupted now, while half the world remains dominated by print. Success is about navigating the transition from print to digital — an intense cultural, best-practice, and carefully timed minefield.

As “newspapers” and “magazines” evolve into hybrid news brands — print + Web

+ tablet + smartphone + many line extensions — media companies must embrace platform-agnostic, unique value propositions, and carefully manage stakeholder expectations. This attention to brand is new for most media companies. The new news brand must be infused with loyalty, confidence, authority, and likeability. Brands must constantly communicate the compelling reasons why they exist in a crowded marketplace.

While media companies should continue to mine the lucrative worlds of advertising and circulation, they should also fish out of bigger ponds. The U.S. advertising story for newspaper publishers was calamitous the past seven years, and the more lucrative pond of local digital advertising and promotions offers more upside than aiming to resuscitate dried-up print ponds.

Tablets and smartphones offer new revenue opportunities for publishers, as the simple banner advertisement gets smarter through rich media, geo-location, and other emerging innovations that will open up inventory. Online video opens up new doors to monetisation for those publishers willing to create scale in inventory and segment that scale for maximum value for advertisers. Meanwhile, media companies are meeting advertiser demand for content marketing through sponsored content in editorial environments, selling long-tail content, custom publishing, and more. And events smartly linked to news brand attributes are generating big new monies for the entrepreneurial publisher.

All of these new revenue streams clog the management pipelines of most media companies. How can they keep extending themselves without beefing up their management teams and changing their cultural ethos to one that embraces constant innovation and experimentation?

The linchpin may lie in a new book called *The End of Competitive Advantage*, which describes an emerging world in which digital creates more volatile environments and fewer sustainable competitive advantages for companies. Instead, companies are finding more success with strategies based on the concept of transient competitive advantage: surfing products with shorter life cycles with speed and agility. This is especially important given the need for media companies to create environments conducive to continuous product development and as publishers unbundle their print products and re-create features in digital environments. Separating product development close to the core and away from the core is another key to success in continuous product development.

As paid digital content settles into metered and freemium models, depending on the news brand's market position and audience, global brands are already pushing toward the second generation of paid models. Most publishers are still working

hard to make the first generation of paid content work for them, tripping up over the sign-up experience and not putting their full weight behind digital subscription efforts. Many publishers need a single print + digital CRM system, yet most are settling for “good enough” experiences. While success in digital subscriptions is a long-term play, we believe protecting print circulation is a reasonable first-generation objective.

The INMA Board of Directors has identified three next-generation topics for 2014 that the association will explore in more detail: making Big Data “smarter data,” programmatic trading/real-time bidding (RTB), and e-commerce.

Big Data, in particular, represents an opportunity to make media companies smarter, more efficient, better able to respond to customers, and better positioned to commercialise. The challenge is the complexity and the scale necessary to implement Big Data solutions. Some media companies are tackling the scale with gusto, and some are tackling pieces of the mountain. We believe vendors can fast-track the initial efforts for media companies.

For all the talk of digital and multi-media, print remains invaluable to media companies. Yet print is a complicated story to tell as news brands worldwide pass through the print-to-digital funnel. We see inherent values in print that exist for even the most digitally disrupted markets. To this day, there are fantastic examples in Latin America and South Asia of media companies using print to profitably carve out new markets of aspirational readers — especially in the “discovery” of new young readers and lower middle-class readers.

Throughout this report, we see the natural tensions of media companies trying to stretch and extend their brands and constantly push their workforces to find new products and new innovations and new revenue streams. These tensions are coming together in new packages to tease out mostly digital innovations in structured ways that make the workplace a magnet for the young and entrepreneurial. These concepts range from hackathons to reward programmes to physically restructuring offices. We see the rise of human resources as a strategic offshoot of the CEO’s office. Yet we also sense a culture change fatigue that may require a longer landing field and more structure for what is a marathon and not a sprint.

Finally, we are inspired by the big news media groups that have diversified their portfolios and transitioned to digital, in the process making their companies more valuable. These groups are turning some of this energy back to their legacy news brands and are aiming to ramp up digital capabilities and encourage a more digital culture.

Executive Summary

INMA's outlook for 2014 involves four key points:

1. Develop a storyline of transformation.
2. Diversify beyond “print + digital.”
3. Build foundations for growth.
4. Nurture the new news brand. ▲