

News Media Outlook 2015: Re-Imagining the Transformation

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About the International News Media Association (INMA)

INMA (www.inma.org) is a global community of market-leading news media companies reinventing how they engage audiences and grow revenue in a multi-media environment. The INMA community consists of 6,800+ executives at 600+ news media companies 80+ countries. Headquartered in Dallas, INMA has offices in San Salvador, São Paulo, Antwerp, and New Delhi.

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Executive Summary

The metaphor for this report is a rope with two ends burning toward each other. On one end are legacy news publishers, and on the other end are the new digital news publishers. The contrasts between the two ends of the rope are stark: print vs. digital business models, access to capital, profitability, market capitalisation, age of workforces, the positioning of classic journalism, serendipity vs. analytics, and more. Both ends of the rope aim to adopt the best qualities of each other. It is an open question as to where in the middle they meet or who consumes whom. Yet one thing is clear: legacy publishers are spending a lot of time creating synergies between print and digital, while digital publishers spend all of their finite time trying to grow digital audience and revenue.

The new digital publishers include today's fast-rising "rock star" Vice Media, along with now-stalwarts Huffington Post and BuzzFeed. Vox Media looks like a digital version of many news publishers with their collection of content verticals. Most see journalism as a starting point for audience engagement and are aiming for premium content attracting premium audiences and premium advertising. They relentlessly burrow into content verticals, their target audiences are young adult urban dwellers, and their journalism is served up with an attitude. Analytics are crucial to their success, both for content and advertising. They are mobile-focused and are looking to go international.

Crucial to understand is that at both ends of the burning rope are different views of "quality." Legacy publishers believe in classic journalism for classic audiences. Digital publishers are less wedded to those rules and focus on the intensity of the reader relationship.

In the coming years, the value pillars for news media companies will be growing audiences driven by smartphones, stable profit margins, shaky profit volume, and increasingly metrics-based cultures. Publishers must adopt clear value propositions and aim to succeed in the exponential times surrounding them. This will require new investments in sustained innovation that will lead to better business outcomes. Publishers need storylines of transformation that are easily communicated to

stakeholders. Much like digital publishers where profits are often non-existent, legacy publishers must build value based on soft perceptions.

The speed of digital change intersects with different publisher genres in different ways. For global and national quality news brands, they have been less impacted by the fragmentation of the print newspaper bundle than counterparts at the regional and hyper-local level where the intensity of the reader relationship was tied up in non-news aspects. Today, those marginal regional and local news readers have scattered across devices and have severely impacted print circulations. Yet the readers who remain are loyal and engaged. In part, this difference in reader intensity explains why news-focused global and national news brands are able to succeed at digital paid content at a much higher level than regional and local counterparts. What publishers are left with are clear markets for readers: Print Natives, Digital Natives, and Digital Immigrants.

Six years after the beginning of the Great Recession, publishers have a clear road map for transformation: They are audience solution providers that support great journalism across media platforms. Workforces are re-training to adapt to digital. The new multi-platform news brand requires constant updates of its three brand faces: its print from page, its digital home page, and its physical building. Part of the road map involves publishers seeing differentiation as a value driver over being better than its many new competitors for attention. Another part of the road map is adopting modern mission statements that are aspirational. We believe the “each” (digital) business model and the “reach” (analogue) business model will reside side-by-side for at least a decade, as publishers find creative synergies. While every publisher is going through a print-to-digital funnel, several publishers are forcefully migrating readers to mobile platforms. “Digital-first” is not about direct transference from print to digital or revenue overnight; it first starts with culture, followed by audience, followed by revenue.

Internationally, the news industry is evolving at different speeds and in different ways. In North America, the storyline is about rapid digital transformation of the market and the varying degrees to which publishers are adapting. In Latin America, a print-centric marketplace is seeing intrusion of U.S. agency digital mindsets. In Brazil, the implosion of the magazine sector is encouraging newspaper publishers to band together. In East Asia, there is a shift to in-app messaging for social media and a Korean obsession with their version of Google. European publishers are focused on culture change, innovation, Big Data, and a clever approach to mixing Digital Natives with Digital Immigrants in the workforce. South Asia is seeing the rise of digital and a shift from “circulation at all costs” to “readership at all costs.” In the South Pacific, the issues among the big publishers are how much to hold onto

print vs. diversifying away from print vs. diversifying into other media fields.

The IDEO approach to creating processes of “innovating routinely” are manifesting in different ways among publishers: reinvention of physical workforces like Google, change management programmes accelerating digital mindsets, innovation as a seedling for innovation, and connecting news brands with innovation cultures.

How publishers approach transformation varies widely. Yet one thing is clear: an incremental approach to change is out of touch with the exponential changes in consumer and advertiser behaviour. Lessons to change management can be borrowed from the broadsheet-to-tabloid revolution more than a decade ago. Breakthrough cultures are mostly found in Scandinavia where approaches to innovation, mobile, and storytelling are on open display. “No risk” these days appears to be the biggest risk, with the fastest-changing companies staking out bold positions and working backward.

Hiring young digital talent throughout the publisher enterprise is tough, but especially so in newsrooms. Publishers are having big challenges attracting digitally minded editorial leadership and need differentiating answers for succeeding: missions, value propositions, and culture. The workplace must become encouraging for the data analytics, app developers, interface designers, and social media specialists who are crucial to an accelerated burn of the legacy end of the rope.

The recent International Consumer Electronics Show (CES) provided hints at key themes driving technological change: connectivity, personal data centers, access vs. ownership, and the proliferation of screens. Key for news publishers is understanding how consumers are unhinging from desktop computers, TV screens, and the home for a new mobility that will produce new contexts for news consumption. Consumers are already drowning in information, and technology is tilting toward simplification and clarification – a space in which publishers can excel.

The technological acceleration is producing enough Big Data to choke many publishers, yet new ways of sifting through and leveraging actionable data is beginning to transform media companies. While the subject can be complex, we believe Big Data for news publishers today is about ad-serving software and CRM. CEOs should worry about why data matters, what is vital and actionable, and what you are doing with the data. There are many practical examples emerging of how leveraging Big Data is paying off, ranging from editorial to advertising to product development to audience and subscription applications.

There has been a titanic shift in eyeballs toward mobile devices in the past four years, and lagging mobile advertising is likely to catch up. Mobile is impacting different genres of publisher in different ways – some good, some bad. Across many case studies, we find responsive design is now a minimum requirement with native apps reserved for passion subjects or projecting a modern image. For big publishers, mobile is about “experiment and learn.” For small publishers, mobile is about picking unique local subjects.

Programmatic advertising will continue to rise in importance over the next two years. Publishers are playing catch-up to the advertising community on programmatic. They are trying to get their arms around definitions and the direction of real-time bidding vs. direct buying. Programmatic buying is expected to double in revenue over the next two years, with programmatic direct, private exchanges, and mobile programmatic rising in importance.

If there is an example of a media company operating in the middle of the two ends of the proverbial burning rope, it would be Norway-based Schibsted. They are adapting the best of legacy publishers and digital publishers. Schibsted’s strategy centers on advanced data analytics, customer insights, payment services, technology platforms, organisation, and competence. As the Web tilts more quality and social, Schibsted aims to create global and local scales. Schibsted also is re-imagining its newspapers as digital media houses and thinking through what print brands will look like in mobile and video formats. Schibsted is betting on a faster-accelerating digital transformation, the Web shifting from anonymous to identified, traffic and data as the new currencies, data as the great enabler, and a global landscape.

We believe the changes at both ends of the burning rope – legacy publishers and digital publishers – is breathtaking. Yet for legacy publishers, the challenge is that the changes aren’t coming fast enough to preserve the size of today’s newsrooms. While legacy publishers worry about preservation and history, digital publishers continue to move, undaunted, toward premium audience and revenue goals with high-productivity news operations. Keys for legacy news publishers in 2015 will be how to leverage data, how to compete in the programmatic space, diversifying revenue streams beyond print and digital, and how to keep up with rapidly changing consumer news consumption habits. The Washington Post is an example of a media company burning fast toward the middle of the rope. The question remains how news media companies can accelerate their transformations in exponential times. ■