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Where?
NEWS!
The media future research initiative

Business Models of Newspaper Publishing Companies

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Where? NEWS!

The media future research initiative

On 28 March 2006 Ifra started the new multi-faceted research project “Where NEWS?”, the media futures research initiative, which will run for at least three years.

“There is a void of understanding about how people will use media and where they will get their news 10 to 15 years from now, where and how people will be receiving it, where it will come from, where the companies that provide it and that provide the technologies behind it will be,” said Ifra CEO Reiner Mittelbach. “In order to fill this gap authentic and credible research into trends and scenarios together with the involvement of many participants is required. Ifra is one of only a few such organisations in the world with the membership and resources to undertake such a task.”

The kick-off meeting at the end of March 2006 gathered industry experts from all over the world representing publishers as well as suppliers to the industry. During this first meeting the working group agreed on the scope of the project, the research methods and the first steps to be taken to accomplish the project.

Since the future of media usage is strongly dependent on the development of society, technology and markets, the project will analyse those conditional and environmental questions before researching the changing media consumption behaviour. The identification of long-term social, technical and market trends will be based on solid research of facts and developments in the saturated newspaper markets of Europe and America.

Scenario planning will complete the methodology of Ifra’s “Where NEWS?” project. With a better understanding of the range of possible futures, publishers can make better decisions on how to position themselves,

and maybe even how to influence the more likely futures they will face.

The results of the project will provide the basis for workshops around the world to train newspaper managers to understand the options they face and how to adapt to them in terms of organisation, technology and market development in their specific regions.

Ifra has decided to start publishing first research reports that provide an insight in the process of publishers’ orientation development in a changing world of multiple media. The first reports will present new knowledge in following areas:

- > Existing and Potential Business Models of Newspaper Publishing Companies
- > The Development and Application of Business Strategies in Newspaper Publishing Companies

With this new report we are pleased to publish the first document of a series to come within the framework of the “Where NEWS?” project. The actual report has been prepared and written for Ifra by Prof. Dr. Robert G. Picard and Dr. Cinzia Dal Zotto from the International Business School in Jönköping, Sweden. Prof. Picard is Director of the Media Management and Transformation Centre (MMTC) at the Jönköping International Business School, while Cinzia Dal Zotto is the Research Manager at MMTC. Ifra commissioned this research project to Prof. Picard and his team. The project ran from spring 2005 until March 2006.

For further information on Ifra’s “Where NEWS?” project, contact:

Manfred Werfel
Ifra Research Director and Deputy CEO
E-Mail: werfel@ifra.com

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Tel. +49.6151. 733-6; Fax +49.6151.733-800. Chief Executive Officer: Reiner Mittelbach.

Research Director and Deputy CEO: Manfred Werfel. Research Manager: Harald Löffler.

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Executive Summary

The long successful newspaper business model is under pressure. Advertising and reader markets are mature or are declining in large parts of the world. The ongoing digitisation of media channels will lead to an even wider range of consumer and advertiser choice. Because their budgets for time and money are finite, one can expect tough competition between the different media channels as well as within individual media.

Newspaper publishers have started to react to these changes. The Internet has already become nearly standard publishing channel, despite the fact that no large-scale commercial breakthrough has yet happened. Many new product launches, product makeovers, and provisions of value-added services for readers have been instituted and predictions indicate that the changes have just begun. The developments provide reasons to examine how newspaper publishers foresee their revenue streams changing in the future, how they want to develop their business models, and how this will be reflected in their organisation structures and activities.

In order to introduce the reader to the subject of investigation, this report first explores in depth the nature of business models, the meaning and the importance of innovation, and the characteristics of newspaper and electronic businesses. Then, the results of a study of Ifra member publishers and top newspaper company executives from the most important newspapers in countries around the world are presented.

Publishers perceive their market as highly competitive compared to 15 years ago and identify predictability of market developments, decreasing return on investments, and increasing cost of technology as the most important challenges for their companies. The main revenue stream today still comes from the traditional printed newspaper business. However, the respondents expect contributions to the revenue stream from Internet activities to increase.

Most of the respondents agree that the editorial and advertising portions of their organisations are the most strategically important units for their business. When looking at the future,

they see a clear trend towards more cooperation. The majority of respondents believe content generation, distribution, and advertising activities will be the areas in which most cooperation develops. Targeted advertising is expected to become the main area of cooperation, although advertising is ranked as second most strategically important organisational unit. The editorial department is ranked number one as a strategic organisational unit, but cooperation involving content generation is ranked second. This reveals an unclear operational topic of the companies' strategies and way of thinking.

Publishers indicate that home and mobile broadband, editorial management, and customer relationship management systems are the most important technologies for developing their businesses. Publishers thus seem to recognise the importance of innovation and customer focus for value generation. Contradictions exist, however, because these publishers rank mobile devices and services low as revenue source even though they are considered among the most important technologies for the development of publishing companies. Furthermore, innovation could be enhanced although collaboration in product development. However, publishers are not targeting product development as a cooperation activity.

The results of this study reveal that, in general, newspaper publishing companies are still focused on the traditional printing business. Cost saving is in their focus. In order to create value, it will be useful for them to develop parallel business models based on business opportunities offered by new technologies and to find ways to exploit network relations and speed up their capability to react to and anticipate changes. Newspaper publishing companies, however, are often too anchored to their traditional business and late in recognising and exploiting new opportunities. This is seen in the fact that experimentation is considered to be the least important force playing a role in investment decision making at a time when the dynamism of the media industry requires an entrepreneurial spirit.



Introduction

Business models are the bases upon which firms conduct commerce. They are created and understood by stepping back from the business activity itself to look at its bases and the underlying characteristics that make conducting commerce with the product or service possible. A business model involves the conception of how the business operates, its underlying foundations, and the exchange activities and financial flows upon which it can be successful.

Business models can also be described as the architecture for product, service, and information flows, including a description of various business activities and their roles. They include a description of the potential benefits for the various business actors and the sources of revenues. In terms of modern communications, business models need to account for the vital resources of production and distribution technologies, content creation or acquisition, as well as recovery of costs for creating, assembling, and presenting the content.

Understanding the business model under which a firm operates or will operate is especially important when new products or services are developed or the industry is in a state of significant change. In these situations the factors that support a business model change simultaneously. As a result, business models that may once have been successful may become less successful and be abandoned. Business models that seem appropriate for new products or services may not produce the support and structures necessary as the business milieu changes and may then be altered or abandoned in favour of other models.

The long time successful newspaper business model is coming under pressure. Advertising and reader markets are mature or are even declining for newspaper publishers in large parts of the world. The still ongoing digitisation of media channels will lead to an even wider range of possibilities for consumers and advertisers to choose from. As their budgets for time and money are finite, we can expect tough competition between the different media channels as well as within individual media.

Some individuals make the mistake of assuming that failed or abandoned business models can never again be successful. This is not always the case if the conditions under which they failed are no longer present or if resistance

to some elements disappears. A situation may then arise in which such models may be reintroduced successfully for the same or a different product or service.

The contemporary newspaper business model developed in the mid- to late-nineteenth century, replacing a very different model that was based on a specialised audience rather than a mass audience. During their first 100 to 150 years of publication, U.S. newspapers served a relatively small audience – about 15 to 25 percent of the population depending upon location, literacy, degree of economic development, and other social factors. The audience represented the politically, socially, and economically active members of the community. Papers were highly dependent upon circulation sales for their income and the price of papers and subscriptions was very high. The business model was therefore based upon circulation sales to this group and the little advertising that existed was primarily for raw materials and imports available to merchants and manufacturers rather than retail advertising.

In the last half of the nineteenth century the market began to change as urbanisation, the industrial revolution, wage earning, and literacy created social changes that resulted in discretionary income and leisure time among an increasing amount of the population. Newspapers began changing to serve this larger – and soon – mass audience. New sections to serve diversionary interests and attract more readers were added to newspapers (entertainment, sports, comics, etc.). Papers were sold at a very low price. This altered the business model to put more emphasis on advertising revenue and to produce a large mass audience of interest to retail advertisers.

The magnitude of this change in the business model can be seen in the fact that advertising provided one-half of the revenue of newspapers in the United States by 1880. That amount rose to two-thirds by 1910 and to about 80 percent in the year 2000.

The growth of readership and advertising support continued rather steadily until the years after World War II. When television appeared, it began to provide diversion and other information in forms increasingly attractive to those parts of the mass audience who were not part of the politically, socially, and economically ac-

“The long time successful newspaper business model is coming under pressure.”

“During their first years of publication, newspapers served a relatively small audience.”

Introduction

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“Changing audience and use patterns will continue.”

“Predictions indicate that the changes have just begun.”

tive members of their communities. As a result, a portion of the reading audience began leaving newspapers behind and many readers began spending less time with newspapers. That problem has been exacerbated with the rise of multiple networks and stations, cable, and other electronic information and diversion opportunities that have developed in recent years.

The average reader of newspapers is relatively old and newspapers are experiencing difficulties reaching younger audiences. Furthermore, demographic and socio-demographic factors in the industrial world indicate shrinking societies, individualisation, and less inclination to read. Buying a newspaper is no longer a matter of course. This means that it will become more difficult to attract advertisers, especially those who have their target groups in the age group of 14-49. The classifieds markets will to a substantial extent move to the internet.

As the changes continue in the twenty-first century, changing audience and use patterns for newspapers will continue. One can expect that there will come a time when newspaper readership will look much more like its initial position rather than the position at its mid-twentieth-century height. Given the facts of greater income, literacy, and world outlook, it will prob-

ably not decline to the 15 percent level of the early nineteenth century. However, somewhere in the range of one-quarter to one-third of the population seems realistic.

As this change takes place a new business model will evolve. It may look less like the current model and more like the model of the early history of the industry. Or it may take on a whole new rationale with additional factors involving new communications technologies.

Today, most newspaper publishers do more than just that. Internet publishing has become almost a standard publishing channel, despite the fact that the large-scale commercial breakthrough has not yet happened. In the past years we experienced many new product launches, product makeovers as well as an orientation towards value-added services for readers, such as selling tickets etc.

The newspaper market is very dynamic and predictions indicate that the changes have just begun. This is reason enough to examine in which areas newspaper publishers see their main revenue streams in the future, how they want to develop their business models and how this will be reflected in their organisation. In order to do that we need to explore in depth the nature of business models first.



The Nature of Business Models

Business models are formulae through which costs and revenues are defined. These constitute the criteria that managers use to set priorities or to decide what possible innovations are attractive or unattractive. Models are vital tools representing the essential characteristics of reality as well as imaginary ideals, thereby playing an important role in decision making. They are the way we conceptualise the world by focusing on the most important parts and reduce less significant information so we can establish meaningful patterns. While this function of models is true generally, what is often ignored is the relationship between the starting point and development of specific models and the underlying assumptions and context that guide their creation. It is this relationship that determines the legitimacy and impact of models.

In the development and application of business models particular attention should be paid to the context. In fact the environment within which businesses operate shapes the assumptions that underpin their business model. Furthermore, it is the context that determines validity and usefulness of business models. As they are only relevant within the context in which they are considered, a change in context requires a simultaneous change in business models. The context of an event includes the circumstances and conditions which “surround” it. In the case of newspapers, the traditional business model is based on circulation and advertising activities because providing information to the readers is realised by printing the information on paper. With the support of digital technologies, information can be provided to readers in a new condition, i.e., through the Internet. This new condition is reducing newspaper circulation, the foundation of revenue in the traditional newspaper business model. Consequently, the business model needs to be adapted to the changed conditions, i.e., to the changed context.

In fast-moving environments such as the media industry survival and speed of adaptation become dominant issues. Furthermore, the temporal focus tends to be different in different environments. In stable environments developments are predictable, and therefore a focus on the distant future is possible. In dynamic environments the focus tends to be more on the near future, as continuous changes make long-term developments difficult if not impossible to fore-

see. Similarly, decision-making in environments with higher levels of change usually involves successive approximations and a continuing search for alternatives, as the prediction of the consequences of a certain choice is much more unreliable.

Driven by rapid developments in the fields of knowledge and technology, consumers’ preferences and the ways they adapt to change are shifting. Media businesses have to constantly adapt to remain aligned with their mutating social environment. This in turn requires a change of the underlying business models at a faster rate. Put simply, as mentioned above, the models that worked in the past may not necessarily work today and today’s models, in all likelihood, will not work in the near future. This implies that behind changes in business models should lay a meta-model, which explains nature, exploitation, and duration of business models. The identification and application of this meta-model will enable businesses to change their focus from a fixed state of being to a process of becoming, and to adapt themselves naturally to their changing environment.

The meta-model is context-independent and therefore universal. It provides a constant foundation on which to build contextually relevant, specific but dynamic business models. This meta-model is based on a concept of business explained by three interrelated strands which are the (1) way of thinking, (2) operational system, and (3) capacity for value generation (see figure 1). These strands are interdependent. However, the distinction between the way of thinking, operational system and capacity for value generation is of critical importance in exploring and understanding the concept of business.

Basically, businesses are the product of a certain way of thinking, which guides their decisions and development. Goal of the operation-

“Models are tools representing the essential characteristics of reality.”

“With digital technologies, information can be provided to readers in a new condition.”

“Remain aligned with the mutating social environment.”

The Nature of Business Models

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Meta Business Model

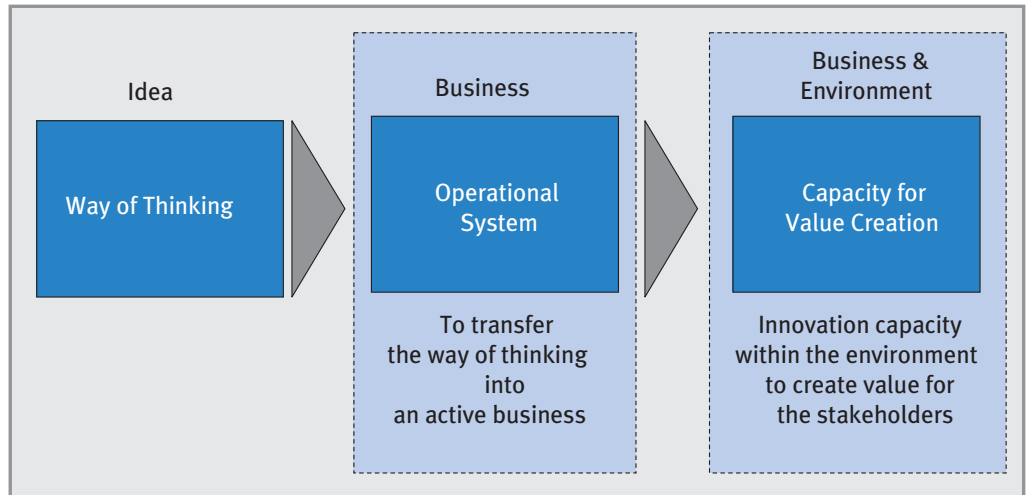


Figure 1. The Meta-Business Model

al system is to translate the way of thinking into an active business. The third component – capacity for value generation – arises from the relationship of the business with its environment. Every business must ultimately create value for its key stakeholders and this capacity for value

generation must be represented. Innovation is the critical factor to represent value creation within a business.

Additional reading about Business Models:

Robert G. Picard: Changing Business Models of Online Content Producers. In: International Journal of Media Management, Vol. 2, No. 2, 2000, pp. 60-68.

Robert G. Picard: The Economics and Financing of Media Companies, New York 2002.

Kazem Chaharbaghi, Christian Fendt, Robert Willis: Meaning, Legitimacy and Impact of Business Models in fast-moving Environments. In: Management Decision, Vol. 41, No. 4, 2003, pp. 372-382.



Business Models and Innovations

In order to create value for the stakeholders companies usually focus investments on improving products which fulfil customers' needs and whose profit margins are most attractive. However, companies end up paying exclusive attention to their best customers and ignoring disruptive forces emerging in their market. A key reason why managers' attempts to create growth through innovation fail is that they do not apply theories when making decisions. This results in random, unpredictable and often risky outcomes. According to theory organisations should segment their markets by "customer jobs to be done" in order to identify new growth opportunities. This contrasts with the traditional practice of market segmentation based on customer characteristics or product type, which can mislead innovation towards dimensions of product performance that are irrelevant to the reasons why customers use the product.

Too often theory is associated with the word theoretical, which connotes impracticality. In fact, a theory states cause-effect relationships and explains the reasons behind them. When managers take a certain action, they expect to achieve certain results. A manager's world will never be perfectly predictable, but the conscious use of good theory, the result of identifying cause-effect relationships, makes outcomes more foreseeable.

Most innovations occur in the resources category such as developing new products and technologies. Some innovations occur in the process category and lead to better ways to getting things done. Very few innovations occur in the business model category. These are innovations that enable a business to profitably sell products or services to customers who never before could afford them. However, many of the highest-impact innovations can be classified as new business models. New business models increase chances for an organization to disrupt and defeat other players. In general, most companies have only one business model and all products, services and processes must conform to it. This constraint limits an organisation's potential to capture and build new markets, i.e. to innovate.

Company leaders often fail to adapt to the different situations in which they find themselves. For example, in sustaining situations, being analytical and problem focused represents the best way to innovate. On the contrary, for situations requiring disruption, being experimental – and therefore flexible and entrepreneurial – is determinant. Supporting sustaining innovations and fostering disruptive innovations at the same time represent the essence of long term growth. Those companies that succeed do so by adopting in parallel a business model that eventually disrupts their core business model.

A distinction should be made between "disruptive innovation" and "breakthrough innovation". Practitioners sometimes use these two words as synonyms. However, they mean very different things. A breakthrough innovation knocks down barriers and equates to dramatic improvements in the performance of a product or service. For example, the transition from analogue to digital and digital to optical telecommunications represent breakthroughs. These innovations can cost billions of dollars. The incumbent leaders in their industries usually stay on top when breakthrough innovations occur. On the other hand, a disruptive innovation brings a simpler, affordable, more convenient product to market. The disrupter usually beats the market leader and her/his innovations often involve new business models.

Serial disruption can be the recipe for continuous growth. This means that on a regular and rhythmic basis new disruptive innovations are launched even if new growth is not really needed. As the market needs time to understand and accept disruptive innovations, it is critical that managers launch them perhaps five years before the revenue growth is needed, so that they will be substantial enough to keep revenue growing when the core business starts to level off. To succeed in this, managers must constantly monitor the market and act proactively according to theories.

“Very few innovations occur in the business model category.”

“Being experimental, flexible and entrepreneurial is important.”

“A disruptive innovation brings a simpler, affordable, more convenient product to market.”

Additional reading about Innovation:

Clayton M. Christensen: *The Innovator's Dilemma*, New York 2003.

Robert A. Burgelman, Clayton M. Christensen, Steven C. Wheelwright: *Strategic Management of Technology and Innovation*, 4. ed., Boston 2004.

The Characteristics of the Newspaper Business

“The printed and online newspaper genres are interwoven.”

“Develop a way of thinking which allows to quickly recognize new opportunities.”

Though an online newspaper can now be regarded as an institutionalised genre, its association with the printed news genre is still important. Research has demonstrated how the printed and online newspaper genres are interwoven in such a way that they cannot easily be dissolved. In today’s media landscape modern newspapers cannot cope without an online presence, which allows them to provide news updates, cross-references, and additional services. Even though research shows negative pay-offs associated with seven years of online investments, the financially constrained newspapers have no plans to withdraw their online presence. This confirms the importance for firms of relying on a meta business model as base to develop specific business models relevant to the changing environment.

A Scandinavian study¹ suggests a number of institutional factors, which are involved in the shaping online news into a distinct genre. The emergence of new communicative practices in response to the mutual shaping of the news genre and the new media has been outlined. The emergence of sequential dependencies between online and printed news, suggesting a type of genre interdependency, has also been demonstrated. The adoption of new media is therefore transforming the nature of newspaper organisations’ business. The ongoing diffusion of personal computers, and mobile telephones, as well as the advent of new technologies such as the e-paper, induce genre changes that are reflected in the way news is produced and consumed. Newspaper organisations need to pay attention to the way new information technologies change the conditions and open opportunities for news production. The most competitive newspapers will probably be those that can successfully identify a business model to manage the genre repertoire of interdependent digital genres emerging with changes in technology and the audience’s everyday life.

Research has reported that audiences view the printed and online genres as complementary

and interdependent. Thus, we can say that use patterns and preferences of audiences are clearly changing. The increasing number of news genres and their interdependency will most likely accelerate this change, making news consumption a natural ingredient throughout the day of news consumers. Beyond the personal computer, mobile news genres are already making news always more ubiquitous. Developing audience expectations associated with ubiquitous media might enhance the transformation of newspaper companies into media organisations that provide a range of services not traditionally linked to the news genre. All this has, of course, a direct impact on the type and number of business models adopted by newspaper publishing companies.

In order to cope with the decreasing circulation figures we therefore expect newspaper publishing companies to identify a “theory” on which to base their future actions. Considering the impact of new technologies on their markets, newspaper publishing companies should develop a *way of thinking* which allows them to quickly recognise new opportunities. Given the interdependency and complementarity of their offline and online businesses, newspaper publishing companies should create an operational system which exploits every possible synergy between the two businesses and considers the sharing of non-specific content with other companies to decrease costs. In order to maximise their capacity to generate value, newspaper publishing companies are expected to follow a total customer focus strategy. This means to consider not only the best customers – the ones who provide the highest returns – but also all the other customers. Therefore, in order to satisfy both old and young readers, newspaper publishing companies need to operate offline as well as online. Furthermore, to keep and expand the customer base, innovation is required (see Figure 2 as a summary).

¹ Carina Ihlström and Ola Henfridsson: “Online Newspapers in Scandinavia. A longitudinal study of genre change and interdependency.” In: *Information Technology and People*, Vol. 18, No. 2, 2005, pp. 172 – 192.



The Characteristics of Electronic Business

The Web enabled electronic business, and its commercialisation has brought profound changes and opportunities for businesses. As a result of these developments, new rules of how businesses should operate, a generic business model, have emerged. Key aspects of the business model underlying electronic business are a focus on new technologies and new market opportunities, an explicit focus on speed, a total customer focus, a principle of exploiting the advantages of networks, and a way to organise businesses.

Being enabled by dramatic advances in information and communications technologies, the first aspect of electronic business is obvious. In order to exploit the opportunities related to new technologies, businesses should constantly scan the changing business environment and competitive landscape, and act accordingly. The explicit focus on speed is related to the first aspect and it implies that companies move fast, experiment, and sustain growth in order to maximise capitalisation on business opportunities. Once an opportunity is identified, usually as a result of constant scanning, businesses should move fast and secure the “first-mover advantage”.

The third aspect of the generic business model underlying electronic business is total focus on customer requirements. This is the result of increased transparency and competition, which have shifted power towards the customer. The fourth aspect of the electronic business model concerns the exploitation of network advantages. Information and communication technologies enabled businesses to harness the power of networks, and thus to quickly access new markets by facilitating the use of co-operation and alliances. The fifth and last aspect of the generic model underlying electronic business points out that businesses should have flat hierarchies and encourage an entrepreneurial working style and commitment.

In terms of the three strands of the meta-model presented in the previous section, the focus on new technologies and market opportunities as well as the explicit focus on speed are related to the way of thinking. The mindset of constantly scanning the environment and looking for new opportunities provided one of the essential visions for electronic business. However, speed - together with the network

“With increases in transparency and competition, power shifted towards the customer.”

“The assumption of extreme and sustained growth underlying the electronic business model proved invalid.”

Meta Business Model	Newspaper Business	Electronic Business
Way of thinking	Pay attention to opportunities offered by new technologies, use theory	Focus on new technologies market opportunities, and speed
Operational system	Content sharing, exploitation of synergies between offline and online business	Focus on speed, exploitation of networks and organization
Capacity for Value Generation	Consider all types of customers (offline and online/mobile customers), Innovations to expand customer base	Total customer focus: customer service to unprecedented levels thanks to technological advances

Figure 2. The characteristics of the newspaper and electronic business

Additional reading about Electronic Business:

Pablo J. Boczkowski: *Digitizing the News, Innovation in Online Newspapers*, Cambridge 2004.

Paul Timmers: *Business Models for Electronic Markets*. In: *Electronic Markets*, Vol. 8, No. 2, 1998, pp. 3-8.

H.I. Chyi, Geogre Sylvie: *Competing with whom? Where? And how? A structural Analysis of the Electronic Newspaper Market*. In: *Journal of Media Economics*, Vol. 11, No. 2, 1998, pp. 1-18.

and organizational aspects - is also related to the operational system. Speed, the exploitation of networks, and flat hierarchies have represented in fact the principles guiding operations within the electronic business industry. Finally, the total customer focus is related to value generation. In the context of the late 1990s, with completely new business opportunities arising through technological advances, customer service could be enhanced to unprecedented levels, thus creating greater value (see figure 2).

Electronic business led to mixed results during the past decade. Even if enormous changes took place in areas related to digital products, services and distribution channels, changes in business basics, such as management, operations and finance, were more gradual or even minimal. Businesses started to realise that the traditional economic principles still held. The assumption of extreme and sustained growth underlying the electronic business model proved invalid. Many aspects of electronic business and its underlying model continue to affect business life. However, after the initial craze, the

subsequent treatment of electronic business has brought a much more rational and realistic view of technology, and businesses started to focus on traditional business fundamentals again. One lesson that can be drawn from this is that, while developments in technology may allow a business to do new and different things, i.e. to be innovative, the theoretical fundamentals still need to be in place to ensure at least a chance of success.

The Project

The goal of the project is to investigate the current and planned business models of newspaper publishers in order to understand publishers' expectations regarding the development of their businesses. In the study 42 publishers and top newspaper company executives worldwide answered e-mail questions as well as face-to-

face and telephone interviews through which a more detailed view of business models and plans were gained. Publishers from Asia, Africa, Europe, Latin America, Middle East and North America were included. All were members of Ifra and most were from the most important newspapers in their countries.



Results

Company Information

Company Identity and Perception

Newspaper companies have evolved as they have added new types of media activities and expanded their ownership. The question of how they perceive themselves today becomes significant in strategic decisions about business models and their future activities.

When questioned if they perceive their company to be predominantly a newspaper publisher, 69 % of the respondents answered yes. The remaining 31 % of the respondents answered negatively, partly because their companies were also involved in the TV industry – such as the Standard Group in Kenya – or because they consider themselves to be a media company providing not only news but also entertainment – such as News Limited in Australia.

48 % of the respondents perceived their company to be bigger than other newspaper publishers in their market, 21 percent indicated they were about the same size as other publishers, and 31 % indicated they were smaller.

Newspaper Titles and Circulation

2000–2004

According to the World Press Trends 2005, the total number of daily newspapers published in the world increased by 4.6 % while their combined circulation grew 4.8 %. Almost all of this growth, partly because of improved development and partly because of better statistics, came from the developing countries. The number of published titles increased by 26.9 % in Africa, 21.8 % in South America and 5.5 % in Asia, while elsewhere this number grew only slightly or declined. Circulation rose 11.1 % in Asia and fell in every other region, though circulation recovered in Africa and South America in 2004, after suffering from the economic downturn of 2001–2003 (Table 1).

Newspaper circulation is growing in the developing countries not only because population is expanding quickly but also because more people can read newspapers and can afford to buy them, especially in India and China. Over the last five years circulation growth in Asia has been more than enough to offset the slow decline in circulation which is taking place in the developed countries.

	Change (%)						
	2000	2001	2002	2003	2004	2000,04	2003,04
Number of Dailies							
Africa	67	68	68	77	85	26,9	10,4
America, North	1610	1606	1601	1600	1599	-0,7	-0,1
America, South	680	707	747	819	828	21,8	1,1
Asia	2182	2048	2095	2212	2303	5,5	4,1
Australia, Oceania	76	76	74	73	74	-2,6	1,4
Europe	1674	1661	1659	1669	1691	1,0	1,3
Total	6289	6166	6244	6450	6580	4,6	2,0
Circulation of Dailies							
Africa	2579	2445	2231	2208	2341	-9,2	6,0
America, North	62303	62153	61569	61487	61343	-1,5	-0,2
America, South	11655	11444	10749	10249	10897	-6,5	6,3
Asia	197746	202640	206877	211062	219655	11,1	4,1
Australia, Oceania	3868	3804	3736	3717	3680	-4,8	-1,0
Europe	98741	101199	100024	98479	97144	-1,6	-1,4
Total	376891	383685	385186	387202	395059	4,8	2,0

Table 1. Newspaper titles and circulation 2000–2004

Results

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Growth and Development in South and South East Asia

Based on an interview with Thomas Jacob, International Development Director, Associated Newspaper Ltd of UK

Newspaper markets in the developing countries of Asia are undergoing significant changes. Thomas Jacob, an industry veteran, who has been involved with Asian newspapers for more than 20 years, explains that the newspaper markets in Asia can be segmented into 4 main geographical areas: (1) *North Asia* with Korea, Japan, Hong Kong, China and Taiwan, (2) *South East Asia* with Philippines, Indonesia, Thailand, Singapore, Malaysia, (3) *South Asia* with India and Sri Lanka and (4) the *Middle East*. A brief description of the market trends in these regions follows.

India

The English newspaper situation was in some ways similar to the US, with each major city having one predominant newspaper, *The Hindu* in Chennai, *Deccan Herald* in Bangalore, *Times of India* in Mumbai, *Hindustan Times* in Delhi similar to *New York Times* from NY or the *Chicago Tribune* serving the Chicago area. However, the competitive landscape has now changed with major publishers trying to expand to other geographic regions initiating price wars and marketing campaigns to win readers. *Times of India* started the trend when it launched editions in Delhi and Bangalore more than a decade ago and soon became the largest newspaper publisher in the country. India, which did not have any significant new newspaper launches for decades, has suddenly witnessed a flurry of activity. The competitive intensity, which can be termed as quite mild until few years ago, also reached a higher level with the launch of new dailies *DNA* and *Hindustan Times* from Mumbai. Deccan Chronicle, fresh from its IPO success soon followed with expansion into Chennai, the traditional stronghold of *the Hindu*. A booming economy and the opportunity to raise funds from a well-developed financial market have also contributed to the growth of the newspaper industry in India. *Circulation has grown 17 % within the last 5 years. It will grow even faster in the future as GDP is growing by 8 % now.*

Internet does not have a high penetration yet and radio is not part of the media mix like in the Western countries. The situation is expected to change with the issue of a number of FM radio licenses this year. Though the number of TV channels has ex-

ploded, the revenues have not followed suit due to a fragmented audience.

Indonesia

The market was deregulated in Indonesia following the overthrow of Suharto regime. Many entrepreneurs and business houses launched new newspapers, magazines and TV stations. None of these new newspapers and TV channels is making profits apart from a few big well known titles.

Singapore

Singapore Press Holding (SPH), one of the most profitable newspaper publishing companies in the world, is the dominant player, publishing all but one newspaper title in the country. The flagship paper is *The Straits Times*. In addition, the group brings out a business daily, an afternoon tabloid, three Chinese and two Malay papers. Few years ago Metro Sweden tried to enter the market with a free sheet but did not succeed as foreign companies are not allowed to own more than 3 % of a media company. The Government then allowed the TV broadcaster Mediacorp to publish a newspaper and allowed SPH to start two TV stations. However, after a short period of experimentation, Today, the free sheet from Mediacorp was brought under the joint ownership of SPH and Mediacorp. *Circulation is rather stable in this market.*

Malaysia

There are three major English newspapers. NSTP, the oldest publisher, publishes *New Street Times*, a broadsheet, which converted to tabloid size to stem decreasing circulation. Star, a quality tabloid, leads the circulation battle among English papers while *The Sun* converted from a paid to free sheet.

There is also a vibrant market for Malay and Chinese language dailies. Utusan, belonging to UMNO, is a leading Bahasa publisher. NSTP also publishes three Bahasa papers, *Berita Harian*, *Harian Metro* and *The Malay Mail*. *Sin Chew Jit Poh*, *Nayang Siang Pau* and *China Daily* are the largest Chinese papers. English dailies tend to get the largest share of the advertising pie, while language papers tend to have political influence. *Circulation is stable or decreasing.*

Thailand

Here the market is freer. There are two English language newspapers which are very competitive, the *Bangkok Post* and the *Nation*. There are also a number of Thai language newspapers with high circulation such as *Thai Rath*, *The Daily News and Marchion*. The Nation group launched a Thai paper called *Kom Chad Luek* in this highly competitive and still enjoyed a rapid rise in circulation. Most of the Thai language papers are not audited by the Audit Bureau of Circulation.

Hong Kong

Is one of the most open and competitive newspaper markets in all of Asia. There are both Chinese and English language newspapers. The two main English papers are South China Morning Post (SCMP) and the Hong Kong Standard.

The launch of Apple Daily, by Jimmy Lai, an entrepreneur who started the Giordano clothing chain, changed the newspaper situation in HK. Prior to the Apple Daily launch the Chinese papers used to be pretty dull and staid. Apple Daily with its racy content, liberal use of colour and graphics, celebrity news and support for the pro democracy movement quickly grabbed a major chunk of the circulation pie. Apple Daily's rapid growth forced other newspapers to take notice and many of them became more colourful and modern. Circulation is decreasing in general.

Taiwan

There are two English language newspapers, which do not have a big impact compared to the Chinese-language papers. The two large groups - the China Times and the United Daily News (UDN), dominate the market. The Apple Daily from HK has started publishing from Taiwan and is in the process of shaking up the entire market.

Korea

It is a large newspaper market with ten to twelve big newspaper companies with many of them owned by the Chaibols, who used the newspapers as a political weapon before the crisis. *Circulation has traditionally been very high.* However, the situation has changed now as a free sheet, Metro, entered the Korean as well as the Hong Kong markets.

Results

In most Asian countries, advertising accounts for 50 % (in India up to 80 %) of the total revenues among English newspapers. With regards to the future advertising expenditure, it is expected to rise as much as the GDP grows (GDP is expected to be four times the actual GDP in twenty years' time when more than 250 million people will belong to the middle class). The NP publishing industry will therefore grow for the next five to ten years, TV will start to lose a bit as satellite and digital TV are fragmenting the market. The targets for strategic investments will concern the production of quality content and quality image (improvement of presentation design, of colors for classified audience). This is already happening in India where Mario Garcia has been re-styling two newspapers. Another target is the training of staff, as they are not prepared for the changes that are needed.

Financial Challenges

Respondents were asked to rank the challenges they believe they will face in the future and 73 % indicated that predictability of market developments would be the most important challenge (Table 2). 60 % said a decrease in their return on investment would be the second most important challenge. The increasing cost of technology was ranked third while the restrictions on credit possibilities fourth, by 53 % and 70 % of the respondents respectively. This ranking of financial challenges can be clearly seen in the scores for the mean (average) answers by publishers. These figures indicate an urgent need for developing a portfolio of products in which not only the existing newspaper – currently a cash cow – but also a few innovative products for the future – the rising stars – are included.

	Predictability of Market Development	Decreasing ROI	Increasing Cost of Technology	Restricted Credit Possibilities
Mean	1,33	2,03	2,83	3,43
% ranking 1	73.3 %	20.0 %	5.0 %	3.6 %
% ranking 2	20.0 %	60.0 %	20.7 %	0.0 %
% ranking 3	6.6 %	16.6 %	55.2 %	21.4 %
% ranking 4	0.0 %	3.3 %	20.7 %	75.0 %

Table 2. Primary financial challenges in the future

	Other NPs	TV	Internet	Advertising Fresheets	Radio	Free NPs	Magazines	Other	Mobile
Ranking General	1	2	3	4	5	6	7	8	9
Mean	2,89	3,19	3,79	4,19	4,81	4,85	5,37	5,46	6,95
Ranking Developed Countries	1	2	3	4	5	7	8	6	9
Mean	2,32	2,82	4,10	5,25	4,67	5,10	5,71	5,96	7,53
Ranking Developing Countries	1	2	4	9	5	3	6	7	8
Mean	1,64	2,40	3,58	5,29	4,90	5,19	6,42	6,48	8,10

Table 3. Ranking of importance of competitive threats today

	Internet	TV	Other NPs	Free NPs	Advertising Fresheets	Radio	Other	Mobile	Magazines
Ranking General	1	2	3	4	5	6	7	8	9
Mean	2,62	3,56	4	4,15	4,23	5,19	5,5	5,71	5,85
Ranking Developed Countries	1	3	4	5	2	7	6	8	9
Mean	2,45	3,70	4,00	4,16	3,65	5,20	5,16	5,80	5,89
Ranking Developing Countries	1	1	3	4	9	5	8	6	7
Mean	3,14	3,14	4,00	4,14	6,16	5,16	5,83	5,40	5,71

Table 4. Ranking of importance of competitive threats in the future

Competitive Environment

Perceptions of the competitive environment influence choices involving business models and one-third of publishers considered the market structure in which they were operating to be highly competitive, 31 % reported it to be competitive, another 31 % reported their market to be moderately competitive, and 4 % considered it to be a monopoly. 80 % of the respondents agreed that, compared to 15 years ago, the market structure has become more competitive.

Competitive Threats

Other newspapers, television, the Internet, and advertising free sheets were ranked as the most important competitive threats currently faced by publishers (Table 3).

When publishers ranked the importance of threats in the future, a different picture emerged with the Internet, television, other newspapers and free newspapers being viewed as the most important competitive threats (Table 4).

Comparing the rankings of current and future threats, one sees that the Internet, free newspapers, mobile, and other threats all move up in the rankings (Chart 1). However, the low position of mobile in the ranking shows that publishers do not recognise mobile devices as a real threat. The rise of mobile technology is generally evident, but interestingly, mobile is ranked higher by respondents in the developing rather than developed countries (Charts 2 and 3).

Competitive Threats – Now and in the Future

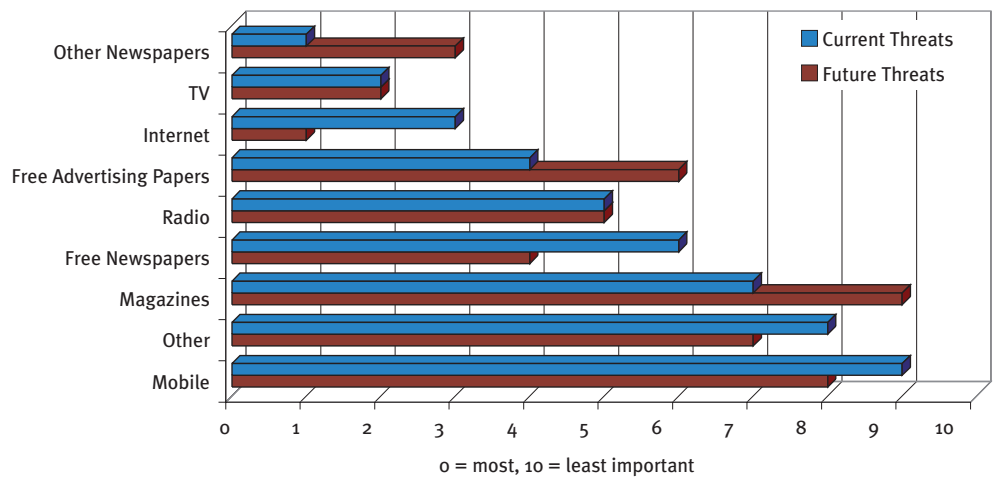


Chart 1. Change in rankings of current and future competitive threats

Competitive Threats – Developed Countries

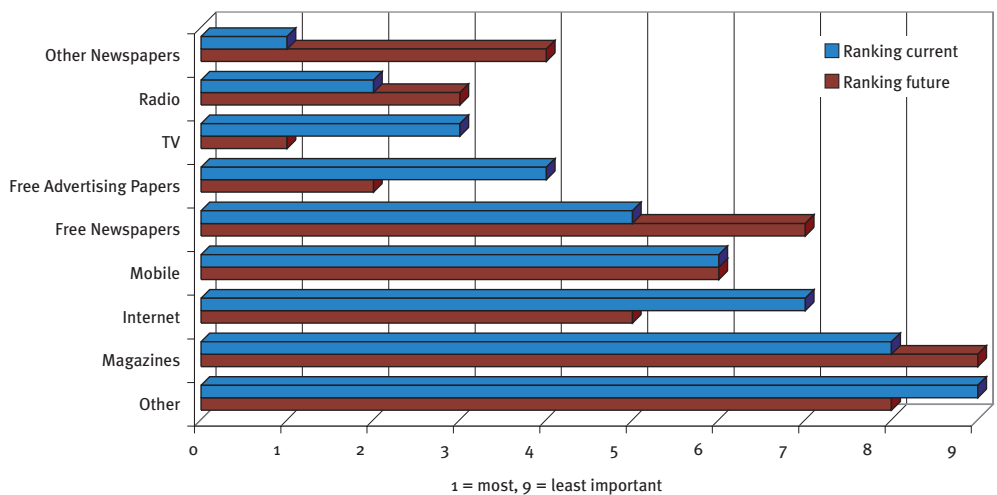


Chart 2. Change in rankings of current and future competitive threats, developed countries



Competitive Threats – Developing Countries

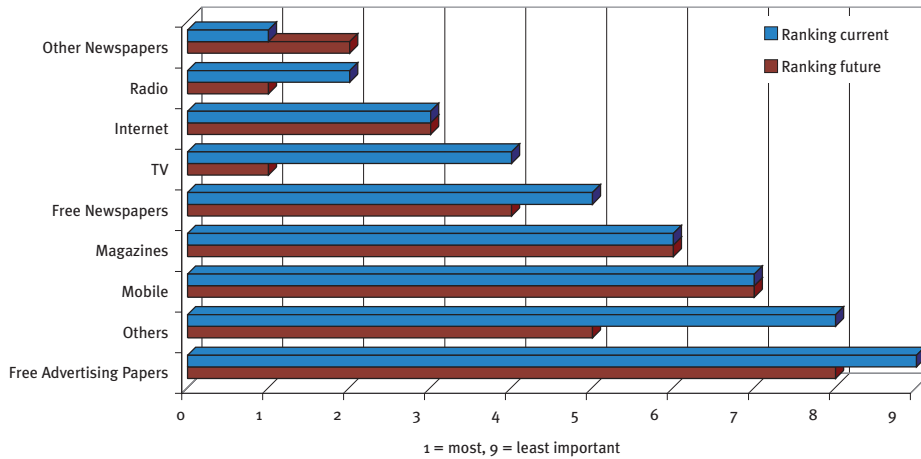


Chart 3. Change in rankings of current and future competitive threats, developing countries

Competition and Business Model at The Stampen Group

Based on an interview with Gunnar Springfeldt, Development Director, Stampen

The Stampen Group (SG) is the second largest Swedish newspaper group focused on daily morning newspapers and Internet-publishing. According to Gunnar Springfeldt, development director at Stampen (the holding company of the Stampen Group), the market structure, in which the newspaper is operating, is very competitive for three major reasons: (1) the advent of Internet, (2) the emergence of free newspapers and (3) non-traditional companies moving into the industry. Especially the classified market is facing high competition from the Internet. However, classified advertising can be found also on TV (i.e. TV4) and on the yellow pages. 15 years ago SG was the market leader: competition came only from the printing side while on the advertising market SG enjoyed a monopoly.

Today's threats are represented by (1) television, which will grow in the Swedish market as the cost of entering the market is decreasing and a lot of niche channels are emerging, (2) Internet, where advertising is increasing, and (3) mobile phones, which are starting to deal with news and advertising (in this segment the US is behind Europe). However, the emergence of new information channels is viewed by SG not only as a threat but also as an opportunity. If on one hand new life styles affect newspaper reading, on the other hand they open up new promising ad-

vertising channels such as outdoor, product placement and events.

The company is facing these threats by keeping the organizational structure flexible and alert first of all in order to keep an eye on Metro. Metro issued a Housing supplement in Stockholm which is delivered once a week to every household. The product did not succeed in Göteborg but destroyed the market, so that prices have decreased now. To enhance its flexibility, the company has introduced a new organisational structure (matrix organisation) in the advertising department: customers are divided according to the services they need.

Like most newspapers in Sweden, Göteborgs-Posten (GP) switched to tabloid format in 2004 in order to target younger audiences. For this purpose the newspaper launched an SMS subscription campaign to which it received 4700 replies. GP invested a lot of effort in the website, too. GP believes that general content needs to remain free. Only specific content could be charged for (such as that available in online communities) since it has higher relevance for the subscriber. Mobile services carried out by GP are free so far with only one exception, GP Sports, which costs 40 Swedish Krona per month.

At group level the company is looking for new sources of revenues as it thinks

that its value should double within the next five years. The company expects to restructure the printing and distribution activities. At the moment SG owns 60 % of VTAB, a printing company in western Sweden and 40 % of VTD, a distribution company. As to the editorial content the trend goes in the direction of content sharing.

Strategic investments need to be made in new technology, especially that concerning CRM systems. Further investment areas can be multiplatform systems, mobile publishing systems, new forms of advertising, and new printing presses if production is kept in-house.

Along with journalism the *core strategic activities* of the newspaper are marketing and advertising. In line with that, the customer database together with the creative skills of news selection would never be outsourced by SG. However, in order to increase the flexibility of the organisation the number of fixed employees has been decreased, while more and more freelancers are hired. In this way costs problems and strict labour regulations are being avoided while the quality of the newspaper is not directly affected. Staff reporters remain especially for local news. As possible outsourcing targets the company would consider printing activities, IT, distribution, administration, customer service, and advertising sales.

Existing and Future Business Models

Sources of Revenue Streams

The conventional newspaper business still is the primary contributor to the income of newspaper publishing companies, providing approximately 78 % of the total revenues on average (Table 5). Significant incomes are received from distribution services and free advertising papers in the average company and important contributions come from magazines, production services, free newspapers, and other print products. When asked to rank what they believe will be the most important sources of revenue in 5 years, two-thirds of the respondents indicated

that the traditional newspaper will remain the primary source of revenue, followed by Internet, free newspapers, and radio (Table 5).

These results show that newspaper publishers do not believe in physical distribution any longer, but rather in digital distribution. In fact, they rank the Internet as the tenth source of revenue streams today and as the second source in the future. However, even if publishers rank Internet solutions higher in the future, they still see the printed newspaper as the first source of revenues now and in the future. Publishers recognise the importance of digital technology

	Ranking current	Mean %	Ranking future	Mean %
Newspapers	1	78,62	1	40,25
Internet	6	1,52	2	8,25
Free Newspapers	5	1,95	3	6,75
Free Advertising papers	2	4,43	5	4,25
TV	11	0,14	6	2,83
Radio	9	0,90	4	5,92
Magazines	7	1,43	8	1,83
Mobile	12	0,05	10	0,42
Other print products	8	1,00	11	0,33
Branded books	10	0,67	12	0,08
Production services	4	2,76	7	2,50
Distribution services	3	4,38	9	1,17

Table 5. Sources of current and future revenue streams as % of company turnover

Revenue Streams – Now and in the Future

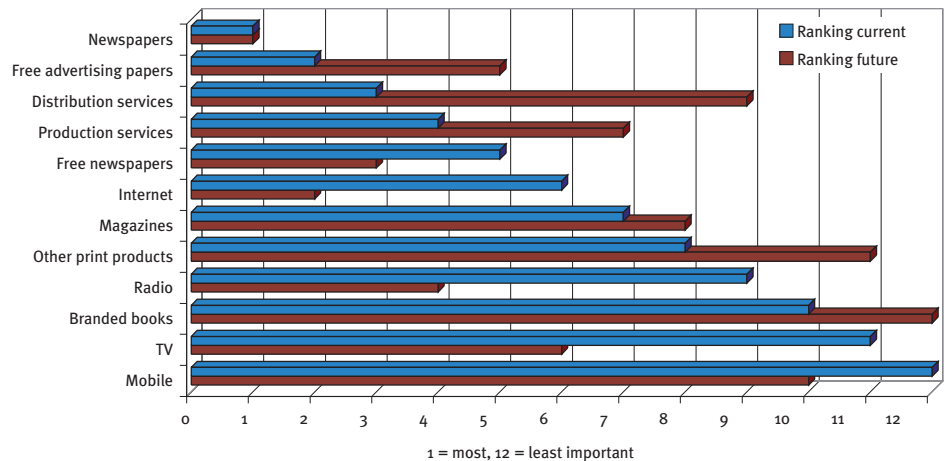


Chart 4. Comparison between current and future sources of revenue streams



In %	Ranking current	Developed Countries	Developing Countries	Ranking future	Developed Countries	Developing Countries
Newspapers	1	1	1	1	1	1
Advertising Free Sheets	2	2		5	4	6
Distribution services	3	5	2	9	7	
Production services	4	3	5	7	5	6
Free Newspapers	5	4		3	3	5
Internet	6	6		2	2	4
Magazines	7	8	3	8	6	
Other print products	8	7		11	11	7
Radio	9	10	4	4	8	2
Branded books	10	9		12	11	
TV	11	11		6	9	3
Mobile	12	12		10	10	

Table 6. Sources of revenue streams in developed and developing countries

and of business diversification. However, they do not show the willingness to act accordingly as other products such as branded books, TV, radio, mobile or other printed products are not ranked high. The increased ranking of radio and TV (Chart 4) is due to a higher importance given to these two mediums for the revenue streams in the developing countries (Table 6).

Contribution of Advertising and Circulation to Revenue Streams

Among the companies that have also online operations the contribution of Internet to the company turnover comes nearly entirely from advertising. These companies expect the situation to remain the same also in the future. Further, the number of respondents expecting a contribution to the revenue stream from Internet activities increases. However, the main source expected to contribute remains advertising. In particular, the Indian companies in the sample reveal to expect revenue streams coming from Internet operations in which advertising plays the major role.

As for the print newspaper activities a general trend towards an increasing importance of advertising for generating revenue streams can be identified up to now. In the future the respondents expect this trend to slow down as the Internet activities will contribute to the revenue streams, too. In India the trend towards the increase of advertising as the main source of revenue in the newspaper business is very clear and continues also in the future.

Company Organisation and Activities

Three quarters of the respondents reported their company uses a functional structure with units divided into activities such as production, marketing, and sales. One quarter reported a divisional structure based on media or projects, regions, etc. Thus, referring back to the meta-

business model (see Figure 1), the majority of newspaper publishers seems to have a traditional operational system which does not give evidence of a change in the way of thinking.

68 % of the publishers reported that their online and offline businesses in their companies are integrated and 32 % indicated that the two business activities are separated, although half of those reported that they plan to integrate the operations in the future.

Strategically Important Units and Core Competences

Publishers ranked the traditional core of newspaper content and business activities (editorial, advertising, circulation, and distribution) as the most strategically important units in their organisations (Table 7).

The following table shows the core competencies of the newspaper publishing companies as perceived by the respondents (Table 8). The respondents have identified editorial as well as content generation and content management as the prevailing core competencies of their companies in the field. The Scandinavian publishers, together with the editorial skills, stress the importance of a reliable journalism.

	Ranking	Mean
Editorial	1	1,48
Advertising	2	2,26
Circulation	3	2,61
Distribution	4	4,48
Production	5	4,78
Pre-Press	6	5,44
Information Technology	7	5,57

Table 7. Evaluation of strategic importance of internal functions

Existing and Future Business Models

Perceived Core Competence	Percentage of Respondents
Editorial	30 %
Content Generation	20 %
Advertising	15 %
Content Management	15 %
Distribution	10 %
Journalism	10 %

Table 8. Core competencies of newspaper publishing companies

Outsourcing

Publishers reported a significant amount of current outsourcing but that they are non-strategic activities such as telephone marketing, pre-press, printing, transport, information technology, catering, and security.

Asked what functions they would never outsource, publishers universally indicated editorial activities and a number of them indicated that they would prefer to keep sale of advertising inside the company.

Content Sharing

70 % of the publishers reported sharing editorial content with other companies. The practice was more common in European countries than in Asian countries. Most share content at local or national level. Among the publishers not sharing content today the majority plans to share content with other companies in the future. Content sharing might indicate a newspaper publishing companies' attempt to reduce costs. However, it appears contradictory that publishers share editorial content when they consider it as their main core competence. It would therefore be interesting to analyse what kind of content newspaper publishers are sharing or prepared to share. Furthermore, this result reveals that newspaper publishers are predominantly a medium to transmit information and not content companies as they claim to be.

Ranking	Cooperation Activity	Percent Engaged In
1	Advertising	68 %
2	Content Generation	64 %
3	Distribution	64 %
4	Content Syndication	36 %
5	Printing	32 %
6	Product Development	23 %
7	Marketing	18 %
8	Consumer Sales	14 %
9	Technical Investments	14 %

Table 9. Ranking of types of cooperation currently found in companies

Cooperation Activities

The majority of publishers indicated that they were engaged in more than one type of cooperation with partners (Table 9). Cooperation in advertising, content generation, and distribution are the most common types.

Publishers reported that they expect to cooperate increasingly with partners and the majority of them expect to cooperate mainly in content generation, distribution, advertising, printing, and content syndication in the future (Table 10).

When current and future cooperation activities are compared, cooperation in the areas of content generation, printing, and technical investments are seen as becoming more important in the coming years (Table 11 and Chart 5). Results are similar for both developed and developing countries. This reveals the willingness of newspaper publishers to save costs but not to generate revenues through collaboration. In fact, product development is not considered as an important area for collaboration with partners and is even ranked lower than today as target of cooperation activities in the future.

The Core Competence of Associated Newspapers

Based on an interview with Thomas Jacob, International Development Director of ANL

Associated Newspapers Limited (ANL), owned by Daily Mail and Genrel Trust, is the publisher of *the Daily Mail*, the largest mid market English daily in the world. Other titles include *The Mail on Sunday*, *Evening Standard*, *London Metro*, *Ireland on Sunday* and the advertising publication *Loot*. Associated New Media (ANM) is the new media publishing division of Associated Newspapers.

One of the main core competencies of Associated Newspapers is the ability to quickly react to changes, and to be focused on set goals (the company preempted Metro Sweden's entry into the London newspaper by launching its own free sheet). Monitoring the external environment and training the staff are the necessary conditions to maintain those core competences.



Rank	Cooperation Activity	Percent Who Will Engage in the Future
1	Content Generation	81 %
2	Distribution	76 %
3	Advertising	67 %
4	Printing	67 %
5	Content Syndication	62 %
6	Technical Investment	52 %
7	Marketing	43 %
8	Product Development	33 %
9	Consumer Sales	19 %

Table 10. Ranking of types of cooperation intended in the future

Cooperation Activity	Current Ranking	Future Ranking
Advertising	1	3
Content Generation	2	1
Distribution	2	2
Content Syndication	4	5
Printing	5	4
Product Development	6	8
Marketing	7	7
Consumer Sales	8	9
Technical Investments	8	6

Table 11. Comparison of current and future cooperation

Co-operation Activities

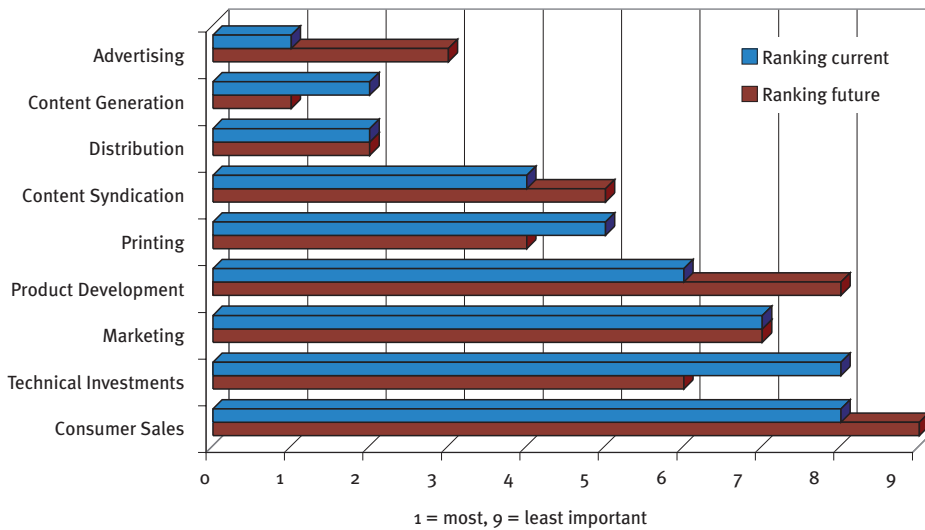


Chart 5. Comparison of current and future cooperation

Mergers and Acquisitions

Half of the publishers reported they believed that their company would be involved in merger and acquisition activities in the future, with a quarter considering them a possibility. Most reported they believed that their newspaper publishing company would acquire another com-

pany. These results support the observation that consolidation is still taking place and probably growing in this industry sector. Furthermore, the concentration trend is in line with the search for economies of scale which emerged in the analysis of cooperation activities.

Investments in Future Technologies and Products

Important Factors in Meeting Future Demands

Respondents were asked to choose one among factors they would consider as most important in order to meet future demands. Two-thirds of the publishers reported internal reorganisation, research, and new technology are the most important factors. One quarter reported that human resources issues were their most important factor in meeting future demands.

Technical Innovation and Most Important Technologies

95 % of publishers indicated that technical innovation is very important or important for the newspaper industry but only 82 % believed it was important for their company. Half of the publishers reported that their company is addressing innovation by cooperating with other companies in research and development and one third indicated they were addressing innovation through strategic alliances.

Challenges drive De Telegraaf strategies

Based on an interview with Harry Bouwman, Manager New Media, De Telegraaf, NL

De Telegraaf has been in existence since 1893 and is at the moment the largest newspaper publisher in the Netherlands. The newspaper can grow organically but cannot acquire new titles as there is a regulation that does not allow Dutch newspapers publishers to own more than a certain market share in paid circulation. Other legislation puts up hurdles for big publishers to expand into television and radio. Until recently the publishing industry in the Netherlands was doing well but decreasing readership and advertising income have made changes necessary.

Current threats for De Telegraaf are considered the non-traditional publishers such as companies which do not own printing presses but (internet) services like Yahoo, Google, MSN and communities.

The strategy for De Telegraaf is to turn from a news publisher to a news and entertainment firm, that is to change from a one-moment publisher to a 24/7 operator. Breaking news will still be leading but services and special products, like classified sites and communities will be part of the new offering. The news editor will choose timing and publication channel (print, online, mobile) to deal with the interest and emotions of the readers. Readership depends more and more on how news is presented, in which format, in which package it is included. However, as breaking news can be found everywhere (from the Internet, radio and TV to outdoor media like digital billboards), the publisher must concentrate on providing background and creating "communities" where people interested in

certain issues can virtually meet and add their views to the stories. Omni-presence is the recipe to use; anytime, anyplace, any device, it is up to the reader how and when he gets informed by De Telegraaf. Investments have to be made in technology, especially customer relationship management and intelligent tracking software. Involving readers in the news cycle is of eminent importance.

The challenge for the future is to be able to market the news and the brand De Telegraaf. Also for the advertisers De Telegraaf will play a new role: not just sell millimetres in the paper but to sell communication solutions via our broad as well as targeted audiences. In order to do that the company needs to (re)train its people accordingly. Technical tasks can be outsourced but creativity cannot, especially not in the 24/7 news cycle. Training can enhance creativity, which in turn builds the core competence of the company: the ability to bring the news, the unexpected, to the reader in a form she/he likes to have it. Content will have to be addictive for the readers and this is only possible when content is really relevant to the readers. Innovations are now expected to come not only from technology, and therefore for instance from the possibilities that broadband has opened up, but also from the users themselves who want to be involved in the creation and follow up of the news. The importance of interactivity will, for advertisers as well, play a major roll in the future of publishing news.



	Ranking	Mean
Broadband Home	1	2,87
Broadband Mobile	2	4,00
CRM Systems	3	4,43
Editorial	4	4,50
Flexible Mobile Displays	5	4,55
Printing	6	4,69
Compressed Format	7	5,09
Advertising Systems	8	5,18
New Media	9	5,31
Micro Payments	10	6,08

Table 12. Most influential technologies in the next 5 years

Publishers ranked broadband home and mobile services, CRM systems, editorial management systems, and flexible mobile displays as the technologies they believe will play the most important role in the development of their businesses in the next 5 years (Table 12). It is interesting here to recall that publishers ranked mobile devices and services as the least important revenue source not only currently but also for the future (Table 5 and Chart 4). These two contradictory results might reveal the publishers' uncertainty about the future role of mobile devices as information channel. Further, the fact that both broadband home and broadband mobile are ranked high might mean that publishers expect them to merge.

New Products and Branding

When launching new products or new services in the market, three-quarters of the publishers expect their companies to react as early movers, while only one-quarter think that their company would wait until the market is carefully identified, explored and tested by other actors. In this issue culture most probably plays an important role. Because the publishers interviewed are primarily from leading companies, they would be expected to take leading roles in technology adoption.

When asked if the future of the newspaper brand will be the one of an umbrella brand for new products and services or if on the contrary business expansion will create new brands, about half of the respondents think that business expansion will create new brands for new products or new media. The other half believes that the newspaper will be used to endorse new products through its logotype, its name, brand identity or other features.

Reflecting on the areas, which they would consider the most likely targets for strategic investments during the next 5 years, the respondents ranked investments in computer systems for collection, storage and processing of detailed

	Ranking	Mean
Computer/CRM	1	3,71
Competence Development/Recruitment	2	4,25
Advertising Systems	3	4,30
Print Equipment	4	4,33
Editorial and CMS	5	4,75
Digital Internet	5	4,75
Marketing/Distribution	7	5,27
Digital Mobile	8	5,44
Mail-room Equipment	9	5,60
Pre-Press	10	5,82
ICT	11	6,20
Production Management	12	7,20

Table 13. Strategic investments targeted in the next 5 years.

customer data (data warehouse) and investments in specific customer relations management systems (CRM) as the most important (Table 13). Investments in competence development and strategic recruitment, advertising systems, printing equipment and editing and content management systems (CMS) were also seen as important. Again, in contradiction to the results in Table 12—in which publishers ranked mobile technologies as one of the most important for the development of their business in the future – publishers do not rank mobile devices and services as important strategic targets of investments in the next five years (Table 13). Apparently, publishers have a clear investment strategy for the first 4 but not for the rest of the targets (Table 13). This unveils the publishers' lack of knowledge in the related fields, i.e., digital and mobile technologies, and a dangerous misalignment between strategy and competence.

	Ranking	Mean
Fit with Business Model/ Core Competence	1	2,29
Return On Investments	2	2,56
Shareholder Value	3	3,38
Risk of Missing Future Opportunities	4	3,50
Branding Opportunities	5	3,57
Pro-Activeness	6	3,64
Follow Competitors' moves	7	5,45
Experimental Interest	8	7,12

Table 14. Factors driving strategic investment decisions

**Future Investment Decisions:
No Experiments**

Respondents indicated that future investment decision will be driven by their fit with the business model and the core competencies of the newspaper publishing company (Table 14). The second factor influencing those decisions is considered to be financial criteria such as the return on investment, while the third is the shareholder value. Branding opportunities and the minimisation of the risk of missing future business opportunities are the next most important factors when taking investment decisions. Experimental interest is considered to be the less important force playing a role in investment decision-making. A low ranking is given

also to pro-activeness and imitation of competitors. These results contrast with those reported in Table 2, where newspaper publishers stated that the primary financial challenges they saw for the future were the predictability of market development, a decreasing return on investment, and the increasing cost of technology. If it is not possible to predict the developments of the market, it seems reasonable for a firm either to be interested in experimentation and to act proactively or to follow competitors' moves when taking investment decisions.

Two-thirds of the respondents reported believing that investment needs will increase in the future.



Discussion and Conclusions

Challenges and Competitive Threats: Mobile Technologies are not among them

The volatility of demand and the short life cycle of products and services in the media industry are shown in the respondents' statements. They identify the predictability of market developments as the most important challenge for their companies. As second and third most important challenges the respondents have listed the decreasing return on investments and the increasing cost of technology. Considering the current decreasing revenue trend of the newspaper industry in the saturated markets, it appears clear that newspaper publishers urgently need to develop a portfolio of alternative products which could represent their rising stars for the future. With regard to competition 80 % of the respondents consider the environment to be more competitive compared to 15 years ago, while other newspapers are still considered the most important threat by 41 % of the respondents. 17 % and 20 % respectively see Television and Internet as second and third most important threat today, while 28 % consider the mobile media as the least important threat. As to the future, it seems that newspaper publishers will pay particular attention to the Internet and television in the first place, and to other newspapers, free newspapers, and free advertising newspapers in the second place. However, considering the increasing importance of mobile technologies, it appears dangerous for newspaper publishers not to give those technologies importance as competitive threat.

New Media expected to grow Future Revenues

The main revenue stream today still comes from the traditional printed newspaper business. However, the number of respondents expecting a contribution to the revenue stream from *Internet activities increases*, even if the main source expected to contribute remains advertising. In particular, the Indian companies in the sample reveal to expect revenue streams coming from Internet operations in which advertising plays the major role. As to the newspaper activities a general trend towards an increasing importance of advertising for generating revenue streams can be identified up to now. Free newspapers and free advertising papers follow

closely as main sources of revenues. The majority of the respondents think their company will achieve 10 % to 20 % of revenue share through these media. In India also radio and TV appear as major sources of revenue streams. Altogether, newspaper publishing companies do not seem to be much diversified.

We can therefore say that there is a shift in the way newspaper publishing companies think: they start to adapt their business model to the market changes, trying to *source more revenues from advertising than from circulation*. Furthermore, companies are trying to add to the traditional printed newspapers model a new model for the online business. However, looking at the figures, this business model development can be identified only in the northern countries such as Finland, Sweden and the Netherlands or in the USA. The focus on speed does not seem to be present in the "way of thinking" yet.

Core Competencies and Cooperation Activities: No clear Strategy

With regard to the organization 82 % of the respondents agree that the editorial part of the organisation is the most strategically important for their business. When considering the statistical mean value, editorial, advertising and circulation are ranked as the first, second and third strategically most important units respectively. Information technology emerges as the less important unit from a strategic point of view. In line with these results the respondents identified editorial skills as well as content generation and content management as the prevailing core competencies in the field. As a consequence, these activities would never be outsourced, as pre-press, printing, transport or information technology would be. 70 % of the respondents reveal to be sharing content with other partners. This trend is not confirmed by respondents in the developing countries. When asked in which activities the newspaper publishing companies are cooperating at the moment, 68 % of the respondents indicated advertising, 64 % distribution and 64 % content generation. When looking at the future a *clear trend towards more cooperation can be seen*. Content generation and distribution remain the activities where the majority of respondents think they will be mostly cooperating. Cooperation in content syndication, printing, technology investments and

"70 % of the respondents reveal to be sharing content with other partners."

"Increasing importance of advertising for generating revenue streams"

marketing are expected to increase substantially. This indicates a clear need to cut or at least share fix costs.

These survey results point out an increasing trend towards cooperation with other partners which can lead to the exploitation of network relations and synergy effects. The fact that newspaper publishing companies are targeting advertising as the main cooperation activity is in contrast with their ranking of advertising as second most strategically important organizational unit. The same holds true for editorial content. This reveals a *non-clear operationalisation of the companies' strategy and way of thinking*. The increasing cooperation in distribution and content generation could allow newspaper publishing companies to decrease costs and therefore have more resources available to foster innovations. On the other hand, innovation could also be enhanced through collaboration in product development. However, publishers are not targeting product development as a cooperation activity.

Importance of Technology and Innovation is recognized

As to the requirements to meet future demands, 66 % of the respondents consider - in equal shares - internal reorganisation, research and new technology as the most important factors. Technical innovation is considered to be important by the vast majority of respondents. 52 % of the respondents report that their company is addressing innovation by cooperating with other companies in research and development, while 35 % address it with strategic alliances. When looking at the most important technologies for developing the newspaper publishing companies' business in the coming five years, publishers *indicate home and mobile broadband and editorial management as well as customer relationship management systems*. From these results newspaper publishing companies seem to *recognise the importance of innovation and customer focus for value generation*. This is confirmed also by the importance given by the respondents to computer systems for collection, storage and processing of detailed customer data (data warehouse) as well as specific customer relations management systems (CRM) as targets of future strategic investments. Investments in competence development and strategic recruitment appear to be considered as critical, too. Contradictions remain, however, due to the low ranking given by publishers to mobile devices and services as revenue source, while they simultaneously consider these among the most important technologies for developing of publishing companies.

Opportunity recognition and exploitation are lacking

According to most of the respondents (64 %), future investment decision will be driven by their fit with the business model and the core competencies of the newspaper publishing company. The second factor influencing those decisions is considered to be financial criteria such as the return on investment, while the third is the shareholder value. This is not in line with the need of developing and implementing different business models simultaneously, according to the new opportunities offered by the new technologies. Even if branding opportunities and the minimisation of the risk of missing future business opportunities are ranked as the next most important factors when taking investment decisions, newspaper publishing companies seem to be too anchored to their traditional business and therefore *late in recognizing and/or exploiting new opportunities*. Furthermore, experimental interest is considered to be the less important force playing a role in investment decision making. This is in contrast with the entrepreneurial spirit required by the dynamism of the media industry.

Conclusion

Summing up, the results of this survey reveal that, in general, newspaper publishing companies are still focusing on the traditional business. In order to create value, it would instead be useful for them to develop parallel business models according to the business opportunities offered by new technologies and find ways not only to exploit network relations but also to speed up their capability to react to and anticipate changes. To meet this purpose it would be necessary for newspaper publishers to develop theories, which describe the cause-effect relationship of their actions, so that the future becomes more predictable and actions more appropriate. For this purpose the meta-business model presented at the beginning of this report might be very useful. First of all, newspaper publishers need to change their way of thinking. Secondly, the new way of thinking has to be translated in active business through an appropriate operational system. Thus, the organisational structure of publishing companies must be developed accordingly. Thirdly, in order to create value, newspaper publishers must keep track of environmental developments and answer to new market demands with proactiveness and innovations. Within this context, staff training appears to be all the most important: in particular, the development of entrepreneurial spirit among managers would enhance flexibility, opportunity recognition and exploitation as well as risk acceptance, which are the typical characteristics of dynamic and changing environments.

“Publishing companies seem to recognize the importance of innovation and customer focus for value generation.”

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Washingtonplatz · 64287 Darmstadt · Germany
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