FIXING MEDIA BUSINESS MODELS

WHY A NEW APPROACH IS NEEDED
AFTER
HOW DID WE END UP HERE?

• change in the news consumption patterns
• new definition of news
• failure of digital advertising
• legacy media lost the tech battle

Can good information survive the digital tsunami?

Yes (some restrictions apply)
the BIG change: how people read and watch information

A NEW RELATIONSHIP TO NEWS
THE GOOD OLD DAYS...

- one product
- two reading times: morning and evening
- straightforward readership
- top-down production
- cosy competition
TODAY: MULTIPLE PLATFORMS...

- PC (desktop & laptop)
- smartphones
- tablets
- eReaders
...WITH THEIR DEDICATED PRODUCTS

- websites
- mobile sites
- applications (closed/open)
- encapsulated editions
- newsletters
- alerts, push notifications
- Twitter feeds
- rss feeds
- Facebook pages
- LinkedIn feeds/pages
- ebooks (long, short forms)
... AND DIFFERENT BUSINESS MODELS

- websites
- mobile sites
- applications
- encapsulated editions
- newsletters
- emails/sms alerts
- twitter feeds
- rss feeds
- facebook pages
- LinkedIn feeds
- ebooks (long, short forms)

✓ free (ad supported)
✓ paid for:
  ✓ per day
  ✓ per copy
  ✓ per article
✓ subscription (weekly, monthly...)
✓ pass, flat fees
✓ metered system
✓ payment “in kind”
✓ sponsored posts or tweets
NEW PRIME TIME(S)

12pm

mobile

8-9am

12am

web

6pm

8pm
8-9am

12am

6pm

8pm

newsletters

apps

websites

ebooks

encapsulated editions

websites

ebooks

apps

ebooks

websites

videos

smartphones
[e-readers]

pc

smartphones

smartphones [ereaders]

tablets (pc)

facebook / twitter / alerts
A COMPLETELY NEW ENVIRONMENT...

- multiple audience
- using different devices
- with specific expectations
- for different moments of the day
"Information is meant to be free"

NO, IT'S NOT
REALITY CHECK:

the New York Times spends €200 million per year for its newsroom

...including ~$70 million to cover international news

news is an intrinsically costly business

it depends on what you mean by "news"
in the meantime, news has changed -- drastically
THE BIG SPLIT OF "NEWS"

1. Commodity news
   immediate, ubiquitous, and free;
   breaking news is dead

2. Social news
   reverberation and echo chamber
   first, accuracy second

3. Quality niche
   for the elderly/rich/educated
   who value original reporting
AUDIENCE: LARGE or QUALIFIED?

AUDIENCE-DRIVEN
• built for clicks
• large audience
...but:
• little or no loyalty
• low CPM
• low revenue (Ø subscribers)
• high vulnerability to economy

QUALIFICATION DRIVEN
• less dependent on traffic
• smaller audience
...but:
• loyalty
• higher CPM
• better monetization through ads & subscriptions
• lower sensitivity
german and nordic sites
THE FAILURE OF DIGITAL ADVERTISING

good idea, poor execution
FOUR REASONS

• poor creativity
• endless supply
• unreliable analytics
• crude buying practices

first rogue wave
mediocrity is king
CRITIC ON THE ROAD

Before Rewards, Demands
Restaurant Review: Saison in San Francisco

At Saison, a tasting menu starts at $298, before drinks, tax or mandatory service charge. More Photos »

By PETE WELLS
Published: April 30, 2013 | 12 Comments

SAN FRANCISCO — One of the most compelling meals I’ve had on the job was served to me early this spring by a restaurant here called Saison. The chef, Richard Blais, is an up-and-comer who has quickly earned the respect of critics and diners alike for his imaginative approach to cooking pastas and vegetables, among other things. More Photos »
Before Rewards, Demands
Restaurant Review: Saison in San Francisco

By PETE WELLS  APRIL 30, 2013

SAN FRANCISCO — One of the most compelling meals I’ve had on the job was served to me early this spring by a restaurant here called Saison. About a year ago, I had one of the most maddening meals in my career, also at Saison.

Both times, I found myself asking a question that comes up increasingly often at the high end of American dining: How much are we willing to pay for an extraordinary dinner?

We are not talking solely about money here, although the tab for a tasting menu at Saison, which starts at $298 before drinks, tax or tip, is not pocket change.

There is the price of being late: the meal will start without you, and, as the Web site puts it, “any missed courses cannot be made up.” The price of changing your plans: Saison charges the

At Saison, a tasting menu starts at $298, before drinks, tax or mandatory service charge.
Jim Wilson/The New York Times
REASON #2: ENDLESS SUPPLY

• each day, 000's new URLs compete for the same advertising market

• ever-growing inventory ➞ massive deflation

• CPM fell 30% in four years

• marketers now demand proof of performance, pushing prices further down
REASON #3: BAD MEASUREMENT TECHNIQUES

the digital paradox: the web was naturally endowed with traffic logs, but the market still mostly relies on (terrible) panels
#4 : BUYING PRACTICES: THE KEN & BARBIE SYNDROME

- worst buying practices ever
- no training for sales people
- ignoring demographics or audience profiles
- nothing but volume & discounts
For 1 dollar gained in digital advertising, newspapers and magazines lost 16 dollars of print ads.
Newspaper Advertising Revenue Adjusted for Inflation, 1950 to 2012

Millions of 2012 Dollars

Source: Newspaper Association of America

Carpe Diem Blog
wait, there is more!
brace for two more rogue waves!
the good news, though...

...they will soon be replaced by machines
Programmatic buying (real-time bidding, etc) started with good intentions: selling low value inventories, by the bulk

now its out of control

in 2012, RTB = 13% of display sales
in 2016 = ≈ 30%

CPM down to a fraction of a $
”Ad networks have led a shift in ad dollars away from classic display ads toward real-time purchases that are driving down rates and disintermediating news publishers”

Marc Frons / NYT.com
SPEAKING OF INTERMEDIATION...
LIKE THIS WASN'T ENOUGH.

another wave is looming ➔

facts:
• on most news sites, **30-50% of traffic** comes from mobile ➔ but it generates only **5% of the ad revenue**
• CPM even worse on mobile:
  web: $3 to $6
  mobile: >$1
• even Apple failed with their mobile ad platform
AND IT'S NOT GETTING BETTER

but the audience is growing X2 faster than revenue in visits and x3 in page views

ads revenue on mobile are growing x6 faster than on the web

more audience = less revenue per user
TO SUM UP....

media are dealing with:
• a disrupted notion of "news"
• segmented audiences
• multiple vectors to access the news

...in a difficult business environment:
• with durable deflation mechanisms at work
• and a huge value destruction
turning around the dinosaur

WHERE DO WE GO FROM HERE?
but it could still bring serious cash if four conditions are met:  
1. re-creating scarcity on vectors  
2. better analytics  
3. vaporizing most of the intermediaries  
4. media moving up in the value chain
FIVE MORE LEADS

1. focus
2. data
3. platform
4. technology
5. corporate reinvention
#1 KEEP FOCUSING ON CORE ASSETS

Google or Yahoo won't enter the news business
...but they won't stop investing in technology

media should keep raising the barrier to entry
by focusing on original reporting & analysis;
exclusivity & uniqueness are key
...BEST FRANCHISES WILL FIND THEIR WAY

almost 700,000 digital subscribers
+49% Q12 to Q13

316,000 digital subs vs. a print circulation of 269,000
#2 DATA: PROFILING THE READER

A 10,000 PAGES PASSEPORT (no first page, ID# instead)

1. 1st visit: we drop a cookie (we issue the passport)
2. each visit on the site feeds the user's profile (stamps)
3. over time, we gain a detailed user profile based on usage patterns
4. profile is matched against 000s in the database
...AFTER A FEW MONTHS WE SERVE THE USER WITH:

- targeted ads
- recommendations
- upselling products
- optimized paywall performance at some point...
- connection to CRM & subs base and/or Facebook Connect data, etc.

⇒ RAISING THE ARPU
#3 NEWS PLATFORM INSTEAD OF PUBLICATIONS

WEB SITES

MOBILES SITES

WEB APPS

NATIVES APPS

AGGREGATORS

API

SOCIAL
#4 UNDERSTANDING TECHNOLOGY

data
search (seo/sem)
web optimization
content generation
apps
web apps
...

MEDIA IS NOW TECHNOLOGY DRIVEN
...BUT WE LEAVE THAT FIELD TO OTHERS

most successful media applications were not invented by publishers
"WE PUT THE COMPANY IN A STARTUP MODE"

"...OUR COMPETITORS ARE NOW TWITTER AND FACEBOOK"

Lewis DVorkin, chief product officer Forbes

digital revenue = 50% of the total 2012 growth: +19%
REQUIRED OVERHAUL

- leaner
- less centralized
- more agile
- more tolerance for failed experiments
- test and learn approach
- more techies
- less memo more proto
A MATTER OF DEMOCRACY
THANK YOU

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