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Reinventing Print Media

by Matthew Egol, Harry Hawkes, and Greg Springs

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Four new strategies offer a path to future profits for today's troubled newspaper and magazine companies.

REINVENTING Print MEDIA

by Matthew Egol, Harry Hawkes, and Greg Springs

Among its other effects, the global recession of 2008–09 is catalyzing a permanent change in the media landscape. After years of gradual audience erosion, the pressure on newspapers and magazines has accelerated. Severe cutbacks in conventional advertising — even when subscriptions or newsstand sales are robust — are slicing deeply into publishers' revenues and shredding profitability. And it has affected print more than any other medium: Although overall advertising revenues fell by mid-single digits in 2008, newspapers, consumer magazines, and business-to-business trade publications saw print advertising declines of two to three times that. Performance has worsened so far in 2009.

Print players have faced other cyclical downturns in which their businesses declined faster than other ad-supported media. But few print media companies can afford this time to simply batten down the hatches and ride out the current storm. The two major forces that are washing away the profitability of print media were at work long before the current recession and are now being exacerbated by the downturn.

The first force is the ongoing shift in where marketers focus their spending. Marketers have accelerated shifts in spending away from paid advertising to other priorities — including their own Web sites, in-store marketing, loyalty programs, and word-of-mouth campaigns — and they aren't likely to switch back. Spending on this type of "below the line" marketing (the industry term for categories other than paid media advertising) already represents three-quarters of most marketing budgets, having grown faster than paid media since well before the current recession. Below-the-line programs

Illustration by Philippe Weisbecker

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will continue to capture the bulk of marketing spending as the economy recovers, placing a limit on the ad recovery that print media are counting on to restore their profits or even to ensure their survival.

The second long-term trend devastating print profitability is the rise of digital media. Print has been hardest hit by this shift, since print ad pages are priced at a significant premium over other kinds of advertising, and marketers have been slower to cut broadcast and cable TV ad spending because of the value they place on sight, sound, and motion for brand campaigns. Even in the most optimistic scenario, print advertising would take many years to return to pre-recession levels. More likely, print media will follow the path seen in technology publishing, where more than half of ad pages disappeared after the tech bubble burst almost a decade ago, followed by declines in print ad revenues ever since. And although print media companies have taken a slice of the digital ad revenue pie, they must compete with a much broader, and expanding, set of rivals. These range from Google, Yahoo, Facebook, and Hulu to television networks' online properties to ad networks that aggregate "eyeballs" from many sites to blogs and social media.

The steps that print media companies have taken to expand their share of marketing budgets and to succeed in the new digital environment have been largely unsuccessful. One obvious approach — which many media commentators have called for — is for publications to charge for their content online the same way they do in print. But journalism and information have become commodities on the Web. Only a few print publications, such as the *Wall Street Journal,* the *Financial Times,* and the *Economist,* are successfully charging for their content online. They are all specialized and oriented toward business professionals. Conversely, most general-interest publications that have experimented with paid content models have failed, including the august *New York Times.* A second approach — moving entirely online without charging for content (shedding the costs of paper and distribution and counting on online advertising to make up for the loss of print revenues) — has also had little success. The status quo approach, of making content available free on the Web while continuing to charge for it in print, may well be the best path currently available for most print publishers, but it does nothing to change the underlying trend toward lower revenues and profits. And although many new pricing models for online content have been suggested and are being experimented with — including multi-title subscriptions, day passes, and micropayments — the evidence so far suggests they are unlikely to succeed on a scale that would replace any significant fraction of the revenues from traditional but fast-disappearing print advertising.

Hope on the Horizon

To anyone who cares about newspapers and magazines — their publishers, their readers, their employees, the marketers who advertise in them, and those who recognize the value of journalism to a vibrant society — the situation seems dire and unsolvable.

But there is a way forward for print media companies that can help them adapt their business models to succeed in the new digital marketing environment. It is already visible in the efforts of some innovative players. A growing body of research — tracking media companies that are succeeding in the new marketing environment and leading marketers who have successfully

There is a way forward for print media companies to adapt their business models to the new digital environment. It is already visible among some innovative players.

pursued innovative new digital strategies — suggests that at least four strategies are available for the media company of the future.

The first strategy is to develop deeper relationships with readers around targeted interest areas. This builds on a strength that has always been at the heart of publishing: Strong print brands enjoy a trusted relationship with their audience; readers are loyal to print publications because they provide high-quality content about specific interest areas. Digital media afford opportunities to deepen and extend those relationships.

The second strategy is to tap into revenue streams beyond advertising and circulation. New publishing models will include marketing services such as custom content, consumer insights, and lead generation, and new offerings for customers such as premium content and data-based applications.

The third strategy is to reinvent the content delivery model (with a particular focus on lowering costs) and to emphasize a "profitable core" of unique and brand-defining material. Print media companies need to avoid the formula-driven approaches to cost cutting that have been prevalent so far, and instead adopt approaches that better align their cost of content with the revenues generated.

The fourth success strategy for the media company of the future is to innovate with new products and pricing models. As the pace of change continues to quicken in the digital world, as new devices for accessing printed content continue to emerge, and as new applications are developed to exploit online content, this will lead to as-yet-untapped opportunities for media companies.

We believe that companies that pursue these four strategies can have an attractive future if they make the most of these new opportunities while building on their traditional strengths. But to do this, says Aaron Shapiro, a partner in the digital advertising agency Huge, publishers will have to act as both startups and incumbents simultaneously. "It will take aggressively fresh thinking," says Shapiro.

The print media companies of the future will need new capabilities, but none are beyond their reach. After all, publishers have often reinvented themselves. From tabloid journalism to photojournalism to slick magazines to the earliest online forums, magazines and newspapers have found successful ways to respond to new technologies and shifting audiences. Some will do so again. This time, however, nothing less than a fundamental transformation is needed in the way media companies see themselves and the capabilities they invest in for the future.

In the following sections, we examine the four success strategies in greater detail.

1. Build Deeper Relationships

Leading marketers recognize the power digital media has to start conversations with consumers. These marketers are pushing the boundaries of digital innovation, investing in their own Web sites, mobile applications, and interactive kiosks in stores to deliver more targeted content for consumers. (See "The Promise of Private-label Media," by Matthew Egol, Leslie H. Moeller, and Christopher Vollmer, *s+b*, Summer 2009.) Procter & Gamble has built its own digital media assets in the home and beauty category, Nike targets runners and other athletes, and Diageo helps young adults find bars and nightlife. Companies with such private-label media offerings typically spend more money on them than on

Digital Innovation Is the Solution

by Aaron Shapiro

In the old days, most of the value of a given media outlet came from controlling limited distribution and serving up great content. Media properties generally competed within a single distribution channel. So, while HGTV and a do-it-yourself magazine like *This Old House* provided similar content, they didn't directly compete with each other.

Today, every media entity is putting its content online to join a limitless world of free content from bloggers, startups, and advertisers looking to build direct relationships with consumers. *This Old House* and other do-it-yourself magazines now have to worry about HGTV.com, Internet pure plays like About.com, Home Depot's own content offerings, hundreds of hobbyist blogs, and one another.

In this new environment, with virtually no barriers to entry and limitless shelf space, supply for advertising is rapidly outpacing demand, and CPMs (cost per thousand viewers) are plummeting. The fungible nature of aggregation makes the situation even more difficult: Ad networks can charge CPMs of less than a dollar to reach the same audience that leading media sites charge 10 to 20 times as much to reach. And while publishers could easily charge consumers for their wares on paper, vastly expanded shelf space has made it extremely difficult to charge for content online.

So media companies — and publishers in particular — are in a bind: It's harder than ever to attract users online, with far more competition than they're accustomed to; consumers as a rule will not pay for the content these companies produce; and advertisers place less value on the audience that digital properties attract. What's the solution?

At Huge, we track successful media sites carefully — indeed, we're fortunate enough to have designed many of them — and we have found three key ingredients that are crucial to success.

An Innovative Business Model

Many Web properties think of the business model as an afterthought — if you get the traffic, money will follow. But in today's environment, that's not the case; witness, for example, the recent layoffs at MySpace. This means that companies must first develop an advertising model that works online and then look to alternative revenue streams such as mobile, digital readers, marketing services, and paid content.

The primary driver for advertising effectiveness is relevance: placing ads next to related content. Google's search engine is famous for this, but other media companies are learning to do the same. For example, if you are an appliance manufacturer like Electrolux, it's a very compelling proposition to be located next to an online article that showcases new kitchen designs. You know that everyone reading the article is close to making a purchase decision, and it's a reasonable bet that your ad can influence a specific purchase at that moment.

The second strategy for effective digital advertising is the use of formats that provide an immersive brand experience that will also be embraced by fickle Web audiences. For example, consider Hulu, which is a big success in large part because of the way it handles ads: They appear as 15-second interstitials in the middle of a 30-minute TV show, with a countdown clock that lets viewers see how many seconds are left before the ad is over. In other words, Hulu is telling viewers that it knows the ads are annoying, but

conventional digital advertising. In many cases, private-label media are designed to attract registered users, growing marketers' own databases and enabling them to better target marketing messages and offers. These marketers recognize that — as important as advertising is to growing and sustaining a brand — the impact of that brand is based on much more than impressions delivered via advertising.

Media companies continue to play a vital role in influencing consumers along the path to purchase. But print media have a privileged relationship with their readers, who trust the publication's content and value its credibility. The decision to shop is often triggered by that relationship, whether it is with a print publication or with other targeted media such as cable networks and Web sites. In many categories, such as bridal magazines, fashion magazines, and shelter titles, the ads are valuable consumer content in their own right, trusted because of the context in which they appear. Newspapers are also bundles of interest areas, such as politics, entertainment, technology, auto, food, wine, and travel. Indeed, it is the quality of media companies' branded environments around targeted interest areas that makes print media valuable for advertisers. Beyond the value of the environment for branding, print media also drive significant traffic to marketers' own Web sites.

they will soon be over. It takes a very innovative media executive to agree to embrace that kind of ad model.

A Focus on Users

Too often, we see publishers approach Web content the same way they would a magazine — with a focus on content they think readers would enjoy in the context of the captive environment of flipping through pages. But on the Web, users care about only one thing: getting content that meets their specific need.

This requires an entirely new editorial and design approach that is user-centric, analytics-driven, optimized for search, and accepting of the reality that users are not captive and have many sources for similar information. This presents a challenge, because many content sites are all covering the same things, with minor variations. For example, a surprising number of online news articles are simply rewrites of the Reuters and AP feed content. That business model is dead. Some sites embrace user-centricity by making editorial content more personal, forging an emotional connection between reader and writer. Others innovate purely through design. Take Wonderwall, a gossip site launched by Microsoft's MSN. There's nothing more commoditized than celebrity-oriented content, but Wonderwall found a way to make it interesting and fun. Overnight, the site gained millions of unique visitors, far more than many mainstream publishing sites have.

A Startup Mentality

Many publishers say they want to be digital, but they are still print companies that dabble in the Web. You can't merely put a magazine or newspaper online and think you're going to automatically develop a profitable online business, just as you can't put a magazine on television by creating an hourlong TV show in which every 30 seconds the page turns. No one would watch that show, yet most publishers are doing the equivalent on the Web.

Innovation starts with daring to think of your company as a startup. In the case of Hulu and other "corporate" Internet success stories, management gave a group of talented, creative people the license to take a risk, innovate, and do something great online. The team must have an entrepreneurial Web mentality; it can't be encumbered by a day job of putting out a magazine or the need to preserve a legacy business. Management then needs to give the digital team the support it needs to succeed — and develop its own willingness to evolve more and more of the organization to the Web.

The Internet is an amazingly powerful platform for innovation. With mobile devices coming online, the proliferation of broadband, the emergence of alternative platforms, and the growth of the international audience, the majority of digital opportunities are still ahead of us. Publishers that dare to take risks can win big and be successful.

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Premium online environments, built on rich, exclusive content and applications, can enable print players to develop a still more intimate relationship with their readers. Consumers become more engaged and thus more willing to register and share personal data in exchange for offerings that are highly targeted to their interests and make it easier for them to connect with experts and others who share their interests. To date, however, most print media companies have fallen short in converting their readers into online registered users. They fear losing their audiences if they shield content behind a registration wall. But a clear set of best practices is emerging for how to build a large database while still attracting a large audience.

Media companies can use a broad set of touch points to drive registration and grow the volume of names in their database, including e-newsletters, contests and sweepstakes, or downloadable premium content. For example, Meredith — a leading woman-focused publisher with titles such as *Better Homes and Gardens, Parents, More,* and *Ladies' Home Journal* — has more than 20 million subscribers receiving its e-newsletters in categories such as parenting, fitness, home improvement, fashion, health, and beauty. The e-newsletters drive traffic to the Meredith Web properties, while also delivering incremental advertising revenues themselves. Just as important, they help grow Meredith's core database of more than 60 million women. Contests and sweepstakes provide another scalable way to drive up the volume of names and create unique opportunities for targeted advertising. For example, Hearst — another leading magazine player serving a broad set of women's interests with titles such as *Cosmopolitan, Good Housekeeping, Marie Claire,* and *Redbook* — produces Real Age, a Web site that provides health information and offers a test that evaluates more than 125 factors to determine a person's "real age." To date, Hearst has grown its database of women by more than 8 million registered users who have taken the Real Age test.

Registration-based offerings also provide opportunities to deepen engagement with paid subscribers. Media companies can allow paid customers (and only paid customers) to share an article with a friend, take part in a dialogue about it, compile a set of favorite articles, contribute to existing stories or articles, or perhaps post their own "expertise." For example, the *New York Times* and *Business Week* have forged partnerships with the networking site LinkedIn.com to port user profiles onto their sites and enhance their audience targeting and social networking capabilities. IDG Communications — the leader in the technology category with titles such as *PC World, Macworld, CIO,* and *Computerworld* — has launched IDG Amplify, a new social advertising solution that allows the audience to engage in conversations about marketers' products, leveraging the expertise within IDG's existing communities while incorporating social platforms such as Facebook and Twitter.

Registered relationships and revenue per name should be the key metrics of a Web site's performance — rather than the number of unique visitors, who may come and go virtually anonymously. Media companies should funnel consumers from general content on a topic to more task-oriented content for evaluating purchase decisions, to product reviews, and to targeted promotional offers that create a win-win-win opportunity for media companies, their audiences, and marketers. Progressive registration can be used to gather some upfront information (such as names, e-mail addresses, and permission to send additional content or offers), with a broader consumer profile built over time through observed behavior (without having to rely on detailed questions that could put people off). Some observed indicators might include the types of content people visit, the ads or e-newsletters they open, and the types of offers on which they act. And as media companies learn more about consumers, they can serve them better by proactively pushing relevant content to them.

The challenge for media companies is how to scale up new, targeted content offerings without having the added costs of content creation and executional complexity exceed the incremental revenues they can capture. Some media companies have tried to enhance the value of brand advertising online by aiming it at more targeted audiences. After all, targeted content that is tagged and contextually relevant can capture a 20 to 30 percent premium over run-of-site advertising for a media company's Web site, based on Booz & Company's experience with digital advertising sales effectiveness efforts. But few media companies can deliver enough targeted impressions and therefore must resort to more expensive and complex-to-execute "value added" programs to better compete with Google, portals, social media sites, or ad networks that deliver much larger audiences at a lower cost.

The key to overcoming these challenges lies in pursuing the other three success strategies.

2. Tap New Revenue Streams

The bulk of digital revenues for media companies will continue to come from advertising and sponsorship during the next few years. But maximizing revenue per name will play an increasingly vital role in building revenue streams and faster total income growth. Just as today in print, where media companies strike a balance between readers paying for content directly and marketers subsidizing access to it, media companies can continue to pursue both sources of revenue in the digital arena, recognizing that there are limits to the size of the audience they can generate if they charge consumers for content. They do not face all-or-nothing choices between ad-supported and paid content models, provided they slice up their content in ways that entice consumers to pay for some of it.

These trade-offs were highlighted in a study Booz & Company conducted in the fall of 2008 with American Business Media (ABM), the trade association for business-to-business (B2B) media and information companies. The study, titled "A Roadmap for Profitable Revenue Growth," discovered that ABM members are pursuing two equally viable transformation paths. The first path goes beyond expanding advertising, to reinvent the publishing model around a broader set of marketing solutions and services. These include custom

Building a broader set of solutions for marketers provides an opportunity for media companies to compete more on their own terms with search and ad networks.

content development, database marketing (building a set of names for marketers and developing targeted communications programs on their behalf), customer insights, and lead generation. These new revenue streams become separate, fee-based businesses in their own right.

The second transformation path focuses on delivering premium B2B content and applications that tap more deeply into professionals' workflow needs, and providing highly specialized news and information. This includes offering premium newsletters that deliver deeper insights and must-have analysis, and assembling data, such as pricing information or supply chain details, that can serve as the "glue" in businesses' workflow.

The ABM study demonstrated that companies that are further along either of these two transformation paths are outperforming their industry peers in revenue growth. In 2007, the last full year of data incorporated in the study, leaders along these two paths grew at double the average rate for B2B media. And they enjoyed higher growth in their core print advertising revenues as well. This is consistent with the experience of our media clients; providing marketing solutions enables them to tap into the broader marketing budget, while also gaining a larger share of the paid media budget.

Lead generation is a critical building block of the new model. Google has created new expectations for marketers, who are looking to focus spending on marketing activities that move consumers closer to the point at which they make purchase decisions. At the same time, paid search and ad networks provide a cost-effective way for marketers to drive traffic to their own private-label media. Building a broader set of solutions for marketers provides an opportunity for media companies to compete more on their own terms with search and ad networks. They can leverage a more engaged and premium relationship with their audiences, obtain deeper insights into consumer behavior, and enhance their strength in developing content that reaches consumers and serves their interests. Publishers also have an opportunity to capture marketer spending both from paid media advertising to help marketers build their brands and from marketing solutions that help marketers build their own private-label media.

Among print media companies, two players that have innovated new models very successfully are Meredith and IDG. Meredith has built a marketing solutions business that is estimated at more than US$200 million in revenues, fueled in part by multiple acquisitions of targeted digital agencies for custom content creation, database marketing, and word-of-mouth campaigns. IDG has also reinvented itself as a marketing solutions business, migrating its business to digital and lead generation at a rapid clip and reinvigorating growth and profitability. Both companies capture revenues from a mix of their own premium environments and the private-label media that they build on behalf of clients.

Like the B2B media companies represented in the ABM study, consumer media companies can follow transformation paths that both move beyond traditional advertising and tap into new revenue streams that come from readers rather than marketers. For example, the *Harvard Business Review,* the *Wall Street Journal,* and the *Economist* all generate meaningful revenue from selling reprints and repackaged content. This is a greater challenge with consumer media; readers will typically pay only for content that is hard to find elsewhere and difficult to replicate or copy. Some consumer publications such as *Consumer Reports* and the *Zagat* guides

A New Model for Generating Leads

by Bob Carrigan

IDG Communications faced the print media crisis almost a decade before it hit other publishers. Because we are a technology media company, our print advertising peaked in 1999, at the end of the Internet bubble, when the shakeout among tech companies took many of our advertisers with it. At that point, we became a Web-centric media company, organizing our business around sales driven by online content. Our full embrace of the Web involved both our business-to-business (B2B) titles such as *CIO* and consumer properties such as *GamePro* and *PC World.* Print publication became part of our overall strategy. We now publish in 92 countries, with 450 Web sites and 300 print magazines linked to those Web sites, and produce about 750 events per year.

The best example of IDG's transformation is our lead generation program, which on many of our B2B Web sites in the U.S. brings in nearly half of our digital revenue. As we began to move content to the Web, we saw that our audiences of professionals considering purchases of highly sophisticated technologies appreciated targeted content. They wanted to talk to vendors and learn what other users had done, and they were willing to give us a great deal of information about themselves in exchange. So we put together editorial compilations — material that either had appeared in our magazines or was freshly created — that fit into specific subject areas, such as mobile technology, and created a storefront to try to sell these to readers. At first, we charged as much as US$195 for each compilation, but it wasn't long before a sponsor approached us with the idea of giving away these packages in exchange for qualified leads.

This gave us a fantastic opportunity to introduce sponsors to readers via content. And it has become a very substantial business for us. Because the readers are highly motivated and have told us they want to receive information about particular product categories, they are ideal as leads for sales generation programs — field marketing, promotions, and loyalty campaigns. This in turn allows us to tap additional sales and marketing budgets instead of just relying on mainstream advertising budgets. We now have a database of about 5 million registered users that either control purchasing decisions directly or influence the buy available for this kind of highly targeted marketing. Over time, we have expanded the ways we attract these readers: from editorial compilations to robust white-paper libraries to Webcast programs and virtual events — anything with a registration component. We've also developed custom content for marketers building out their own digital media, developing lead generation campaigns that combine the best of our respective content and media assets to inspire action from their target audience.

We incorporate database tools that help us watch the behavior of registered members of our communities over time, to ensure that the leads we provide are highly qualified. We sell them on a cost-per-lead basis to the sponsor, which then hands them to salespeople who try to turn that lead into a sale. The reason this lead generation program has worked so well is that it's an excellent exchange: By filtering that kind of information to professionals and consumers, we offer them a very valuable service. And sponsors love it because they gain a one-to-one relationship with a highly valued lead.

More recently, we have developed a social media business called IDG Amplify, which is essentially a way for sponsors to create hosted conversations — for example, a poll on their site that says, "Do you wish you could run more than two apps on your phone at the same time?" The answers to these questions get posted on Facebook or on Twitter or on one of IDG's magazine sites, such as Macworld.com. Such polls open up conversations among registered users, who can then share information on the topic with one another — all the while promoting the sponsor. We have also launched a vertical advertising network through which we place ads on third-party sites that we have vetted. This enables marketers who work with us to target about 150 sites with 40 million unique visitors, and we can extend our lead generation programs to these sites as well.

The quality of the content we produce is, of course, critical to making sure that readers are motivated to link up with sponsors. But we also gain an increasingly sophisticated handle on the key topics and trends that drive audience engagement, because the analytics on our sites constantly tell us what users are reading the most. That's the wonderful thing about the Web. Unlike print, you don't have to guess what works. You can see where readers are spending time, and what they are looking for. Then you can fill that need.

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have overcome consumer reluctance to pay for content online by establishing their credibility through unique research that can't be found elsewhere on the Web.

But some new solutions are emerging. For example, many new sites take advantage of consumer-oriented "data mining": As people track the calories they eat, trips they take, miles they run, or money they spend, magazine and newspaper Web sites have an opportunity to help their readers make sense of this data. Media companies will also find new ways to brand themselves as community- or data-driven hubs. If they can't charge directly for membership, they can charge for ancillary benefits that save people time or build their status or connection. As Chris Anderson points out in his book *Free: The Future of a Radical Price* (Hyperion, 2009), online role-playing games like Club Penguin allow people to join for free, but charge for perks that make it easier or more fun to play. Media sites can do the same if they provide utility to consumers along the path to purchase. To date, however, media companies have lost the lead to marketers who have built private-label media.

3. Reinvent the Content Model

Growing revenues beyond traditional advertising and circulation models is only part of the profit equation for print media companies. They also need to dramatically lower their costs. Many newspapers and magazines have already begun to do so, but much more aggressive action is required. One or two rounds of 10 or 20 percent annual cost reduction is not sufficient to offset the advertising declines of the past few years, especially because print advertising is likely to continue to erode even after the recession. More targeted action is necessary that changes the way they approach content development.

Print media companies need to employ a range of efforts, but first and foremost, they must focus resources on their "profitable core" and rebuild from that base. The profitable core is the set of print and digital content that most drives audience engagement around well-defined interest areas. It is only on those distinctive content assets that a media company can build a "right to win," competing for attention against marketers, user-generated content, and other media companies. Identifying the profitable core requires thinking freshly about the zones or editions of a newspaper or magazine and eliminating sections that do not drive significant readership or advertising revenue. The *New York Times,* for example, cut the number of physical sections of the newspaper, combining the sports and business sections to better manage page count. The *Detroit News* cut the number of days for which home delivery is available, betting that the falloff in advertising from the eliminated days will be more than offset by the costs saved. Other papers have, of course, gone to online only. Rationalization efforts also include focusing on a more targeted set of Web pages, continually tracking and evaluating areas of focus to profitably serve selected interest areas.

At the same time, print players should explore new ways to align the cost of content with the revenues they generate from that content. For example, they should not rewrite "wire copy," which is widely available online, but should use their resources better by delving deeper into its meaning or implications — thereby cutting costs and increasing the output of "brand-defining" content. Editorial executives should also take a page from online players like About.com, which go much further than print players in using paid external contributors, turning fixed costs into variable costs. They can also get others to contribute content for free, much as the Huffington Post builds a large volume of free online content from outside contributors looking to drive traffic back to their blogs or Web sites. Above all, these print players should focus their editorial spending on topics that drive consumer engagement.

Some sacred cows need to be confronted, such as better sharing of content across "sister" publications, integrating newsrooms and editorial staffs across publications, and developing more centralized, outsourced, or offshored editorial capabilities (for example, production for magazines and analytic tasks for newspapers). Some print media companies may need to consider moving out of high-cost metropolitan locations, such as New York City, or allowing for more work-at-home options to tap into lower-cost labor pools and provide more global access to distinctive information. Cutting out top-heavy management structures that are expensive and that often result in "too many touches" will require making difficult people decisions and cultural changes.

Of course, some less-disruptive options, such as negotiating lower costs with outside vendors, using more stock photos and video footage, or fully leveraging technology to more efficiently produce the magazine or newspaper, will also continue to produce sizable savings.

With print media companies in the unenviable position of having to cut costs or risk their very survival, new metrics for determining how to compensate journalists are critical. Print media should seek to move, where possible, to compensation models that link incentives to metrics based on the audience size and level of engagement that the content attracts. The Internet offers a way to better align the compensation that journalists receive with the value they create for their readers. For many publications, the right metric may simply be how many readers an article attracts and how engaged they are in terms of total page views or time spent. For others, however, such as leading publications that are defined by the quality and depth of their journalism and their thought leadership, new metrics may have to be devised to measure the influence or impact of an article. Of course, overall lower levels of compensation may be necessary.

Finally, editors should embrace, not shun, user-generated content. The most compelling sources of information about the June 2009 election protests in Iran were sites that combined professional reporting with Twitter feeds, eyewitness accounts and videos, and commentary taken from blogs, edited so that a reader could, within a few minutes, get a rich mix of insights. Gannett publications, such as the *Tallahassee Democrat,* have begun to acquire highly trafficked local sites, such as Tally Moms, and "reverse publish" their bloggers in the daily newspaper. This model can be highly effective at reducing the cost of content, even as it enhances audience engagement.

4. Innovate with New Products and Pricing

The emergence of the iPhone and Kindle has triggered a new round of discussion about how print players should reinvigorate their business models. Although it is not clear what impact these new platforms will ultimately have on the print industry, they are clearly aimed at two key unmet needs online: convenience and more flexible pricing.

It is clear that when a significant share of consumers carry smart phones or other Web-enabled devices, they will expect new and more convenient delivery and formatting of content. Print players have long recognized this, with newspapers being among the early adopters of wireless application protocol (WAP) sites, which encode content for mobile phone distribution. Today, print players continue to experiment with new digital editions as well as premium offerings delivered as e-newsletters, alert services, and downloadable content. They are also exploring new ways to leverage digital distribution — for example, by providing new print-on-demand options that provide alternative formatting and customization options, as well as easy-to-use software to install in the home or office.

Here again, innovation will be reinforced by unbundling the content offering and super-serving targeted interest areas. Building out these interest areas means not just providing the same content in new formats, but also using applications that work with online, mobile, and other new devices to increase consumers' willingness to pay for content or to register for it. The marriage of content and applications is at the heart of digital innovation, seen in applications such as search, social media, video players, recommendation engines, personalization, comparison shopping, photo sharing, and personal finance tools.

Among these areas of innovation, digital video is increasingly important — in large part because of advertiser preference for video as part of brand-building investments. Video also drives significant user engagement online, as seen by the rapid growth of CNNMoney.com and Forbes.com, both of which have heavily embraced it. Consumer willingness to pay for online video content, however, has yet to be proven. CNN, for example, was not able to implement a pay model for its video online, and current experiments by players like Time Warner and Comcast that provide online access to video content from cable networks are still limited to existing, paying cable subscribers. But it is clear that digital video is highly effective at increasing audience engagement. And marketers are looking to video as a key part of their private-label media efforts. Players like Walgreens in health, Nike in sports, and BMW in automotive use digital video to build branded experiences and communities of interest. Holding on to important marketers like these will require print players to either build or partner for video capabilities.

These kinds of innovations will, in turn, open the door to innovative pricing models. Experimenting with unbundling and packaging content is crucial to driving incremental revenues beyond online advertising and new marketing solutions. Kindle and iPhone users' willingness to pay suggests that the right mix of content and applications will drive revenue opportunities for print players as well. New content and applications, built around interest areas, can coexist with free offerings if the new features bring additional convenience and value. Functionality that allows, for example, an interactive dialogue about an article with friends, hyperlinking to related articles, or downloading additional exclusive content or tools might be provided only to paid customers. In this way, print players can both unbundle their content offerings to capture some willingness to pay in connection with specific interest areas and "up-sell" consumers to additional content and applications.

At the same time, print players need to balance the risk of cannibalization (in which the audience migrates down to lower price points) with the upside of signing up new customers or up-selling existing customers. One could imagine, for example, that a subscriber to ESPN's print magazine might cancel his or her subscription in favor of a less expensive, basketball-only digital offering. B2B players have experience with this kind of price versioning: Legal publishers already slice up content to differentiate the prices for content bundles for small and large law firms; health publishers differentiate between offerings targeted to hospitals and content aimed at larger academic research institutions. Deeper insights into audience interests and willingness to pay, combined with other rigorous cost-benefit analysis, are required to guide future innovation efforts and optimize these pricing trade-offs.

Taking the Necessary Steps

The goal in all four success strategies is to build stronger relationships with audiences around their most passionate interest areas. Through bolder innovation, media companies can build communities around these interests, serving up the right combination of content and applications to provide real utility to consumers. Just as B2B publishers need to move more closely into their customers' workflows through a combination of insights, applications, and more valuable data that builds on their existing offerings, consumer publishers need to get deeper into their audiences' paths to purchase. This will maintain their relevance as consumers spend more time online and embrace the power of the Internet and mobile applications.

In many ways, media executives face the same challenges as ad agencies: The evolving marketing and media ecosystem is placing Darwinian pressure on them to innovate and evolve, or risk becoming extinct. (See "Digital Darwinism," by Christopher Vollmer, *s+b*, Spring 2009.) Some will surely rise to this challenge. If it isn't clear exactly how, that's because much of the experimentation is still in its earliest stages. However, the four strategies we have analyzed show that much is already coming into focus.

The strategies that make media companies successful will require new capabilities: tracking and research to gain deeper insights into audience interests, informatics to manage and direct Web traffic, database management, custom content and applications development, and the ability to manage a network of partnerships. To acquire and scale up these capabilities, many media companies will need to partner with others.

The survival of print media in some form is no small matter. At their best, newspapers and magazines enlighten, educate, and enable the smooth running both of the global economy and of civil societies. Today the pain is real, but their opportunities have rarely been so great. With aggressive action today to foster innovation and more aggressive cost management based on these new success strategies, media companies can position themselves for a bright future. +

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