

PART ONE

Media community

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Content is King: Strategies for shaping media organizations

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Understanding why some companies succeed and others fail is an interesting challenge. Many techniques, including the use of Charles Darwin's theory of evolution, have been used to explain how organizations evolve. This book explores the deep social and commercial structure of the strategic response of newspapers to the current turbulence being created by the "digital age." Newspapers face many strategic challenges if they are to identify and build appropriate digital business models and strategies in order to sustain themselves. Digital-age turbulence opens up market conditions and opportunities for the news industry when adjusting to these Internet, Web 2.0, and civic media technologies.

Turbulence delivers opportunities as well as chaos, risk, and uncertainty. It is important for the news industry to consider how it strategically aligns its production structure, markets, and competitors to this environment. Digital turbulence is leading to two major effects that managers need to consider: One is that the news firm needs to be able to defend itself from rapid market erosion; and the other is opportunity, which it needs to exploit. While many of the news companies around the world were ill prepared to succeed in an environment of continuous, unpredictable turbulence, they are now more aware of the need to absorb and deal with volatile change.

The mission for newspapers in this "hybrid" physical/digital marketplace seems a simple one: To create content that will satisfy the full range of consumers' news needs and then build the links that will connect people to

the relevant news they seek. However, this is much easier to say than it is to accomplish in a news environment characterized by fragmented interests and mostly passive consumption patterns across online and off-line news venues. There is a convincing case that the old models for packaging and delivering news no longer connect effectively with the audience now coming of age around the world. The habits of young consumers are radically different from those that have characterized news consumption for generations. Newspapers, scheduled broadcasts, and even websites have given way to a chaotic system of “self-aggregation”; this is producing disappointing results not only for news producers but—as this book shows—for consumers as well.

Our approach is not designed to focus purely on the strategic achievements of the news media, such as the development of a successful publication, or to report how they have successfully exploited a new market opportunity. Instead, it pushes and reinforces the idea that, for the local news media to survive, it needs to sustain itself as the primary “information artery” flowing into communities (Laswell, 1948). With the planned development of information-rich and data-driven cities (e.g., the era of big data and smart and intelligent cities), the crucial need for (and value of) “authentic” and “reliable” news sources have never been greater. Due to the proliferation of smart devices and interconnected services, cities are gushing with data, much of which relates to human behavior.

City life generates data streams around online social media, telecommunication, geolocation, crime, health, transport, air quality, energy, utilities, weather, CCTV, Wi-Fi usage, retail footfall, and satellite imaging. In modeling terms, the historical surgical extraction of the newspaper from its city surroundings may not be appropriate, and an open news model, subject to a range of external influences, may be more realistic. The news firm could make the volumes of data scalable for the community.

Local newspapers have a vital role to play in connecting communities together in these rapidly emerging future city landscapes. Although work on the future of the news industry tends to take a technological or economic standpoint, here we try and include a human and community dimension that focuses on the social factors involved in shaping strategy, something that is often overlooked. We critically portray the future media roles of community and consumers to be integrated and participative in the local news space.

The newspaper business has never been simple, but its dual business model has typically been straightforward. On the one hand, newspapers compile news and information for which readers pay money. On the other hand, newspapers gather revenues by selling awareness, attention, and interest through advertising. For the past 200 years, that approach proved robust. Profits flowed like ink. For the second half of the twentieth century,

UK regional newspaper groups such as Trinity Mirror and Johnston Press averaged between 20 and 30 percent profit margins.

It is no secret that this model has been disrupted. The news industry's health started declining in 2005 with the rise of new media. Interestingly, however, the most profitable year recorded for Johnston Press was 2008 (due to a program of dramatic cost cutting and reductions in the number of full-time journalists the group employed). This was in the face of a negative change in their regional newspaper circulation in the United Kingdom (2001–2012), a decline on average of nearly 30 percent (Newspaper Society, 2013). Thereafter, the challenges for national and local media likewise have accelerated.

Most traditional media still communicate in a primarily “one-way” manner. Strategies for newspapers, as with strategies in other media, must be developed within the context of community, regional, and national levels. Of course, you may be aiming to serve one of these levels, but awareness is required at all levels. Strategies for broadcast media and magazines need to reflect their particular ability to reach audience within a defined, social context.

In a new “age of turbulence,” it is imperative for managers, employees, and customers to be involved across all levels of the news production and consumption. Company communication networks must be vibrant and inquisitive of their audiences. Other companies not based on news production such as REI, Kiva, and Starbucks seem to get it and are therefore thriving. They use the news media to build brand awareness and loyalty. They embrace the audience as a community and embrace innovation anywhere and everywhere. Still, few news companies seem to be able to adapt this “brand”-sharing ethos with consumers in their operations and therefore are suffering the social and economic consequences.

This book is designed for those who manage, or hope to manage, newspapers or other news media. You might be planning your business right now, or you might be a student who plans to enter media management within the next five years. This book distills the experience of others from the management and business world into a series of manageable chapters. The chapters are designed to build strategic foresight, stretch your imagination, and encourage future envisioning in order to find and survey perspective customers and to develop products, services, and an identity that better meets customer requirements. Sometimes this means finding new audiences; other times it means expanding present audiences and better meeting their news and informational needs. We encourage you to use what you have learned from each chapter as a conceptual foundation and/or initial framework and to apply this in order to build the future of the news industry. The key themes covered in the book include the following:

Dealing with disruptive innovation

Experiences from newspapers in the United Kingdom, Germany, and the United States suggest that “disruptive” technological upheaval is unavoidable. Contemporary forms of capitalism seem to be creatively destroying business models. This is not unique to the news industry or journalism. Both industries are constantly susceptible to innovation; however, in order to cope with contemporary changes, the news industry’s business models in particular will need to be more flexible and malleable so as to be able to adapt to the development of new products and services. Products and services drive business models, not vice versa.

Those in the media business, however, argue that news is a special case. You may, for instance, argue that the news industry plays an important and special democratic role. CNN competing with BuzzFeed is not the same as IBM competing with Dropbox. Newspapers and television put the government in check by giving voters the information they need to make choices. News production keeps a society informed. These media also make markets more efficient. This book counterargues that news production, whether by newspapers or other media, is a business. As such, it can be interrupted and augmented. News media must accept change and adapt business models. Disruptive innovation shows us that even if a business model is not initially viable, media managers must take more risks (break down a history of risk aversion to innovation), scan future technological horizons, explore new markets, and experiment with new concepts. Given time, demand can grow, and there could be opportunities to build a base of consumers. Advertising on a service such as Twitter a decade ago seemed frivolous at best. Now it generates around \$235 million dollars a quarter. It is unlikely that popular Twitter accounts such as the *New York Times* see that profit. But we do believe that if media managers can establish their leadership of and authority in new media early and provide substantial innovation to that medium, they can demand a share. The more embedded they are with the technology, the more they become identified as essential agenda setters in the area and the more they are first to exploit the commercial market opportunities. This leadership they have currently ceded to the technological companies such as Google, Apple, and Microsoft.

Even better, we challenge the industry to embrace innovation, to use new media and its burgeoning audience to regain control of the strategic game. A reliable base of consumers can create a viable target audience for advertisers, and advertisers can fund new journalistic ventures. While the advertising model is nothing new to print, television, and radio media, it is to social media

journalism. If the disruptive innovation hypothesis holds true, sustainable profitable models will emerge in the long run.

The value of journalism

According to Porter (2012), the value chain identifies how value can be created and added in a supply chain. Porter suggests that going through the chain of organizational activities adds more value to the products and services than simply summing the costs of these activities. Therefore, the company gains marginal value for products and services by its organization and approach to markets. If a company runs efficiently, the company gains a competitive advantage. Customers notice—or should, if you operate efficiently—and are willing to provide returns on the products or services. This adds value to the company. The news company cannot be separated from the products and services it offers the market.

This value chain framework can be used as a powerful analysis tool for your strategic planning. You can build an organizational model for ensuring efficient leadership. It requires more than management; it rewards leadership. The value chain concept can be applied in the individual business unit and then it can be extended to the entire supply chain and distribution network.

To form a successful organization, it is important to both create and value in each activity that your business performs. This can be achieved through product differentiation or a low-cost “generic” approach. Value adding must be considered during all production-chain stages, from creation through to distribution and, importantly, even at the consumption stage. Maximum value is achieved by consciously adding value at each stage of the development process. All value chain activities must be properly synchronized, aligned with strategy, and integrated together. A sound organization contains all the required functional departments needed to perform these activities. It needs an internal communication approach that synchronizes production, distribution, and knowledge about consumption activities efficiently.

Inevitably things change

If a business wants to succeed but it does not work out, it is important to remember that things change. The media business is changing constantly. It has been that way for more than a century. Change is accelerating. Success is possible through the developing strategies, valuing products properly,

and targeting “niches” in the target audience. This includes developing a marketing approach that is continuously updated and responds to changing consumer tastes, habits, and buying patterns; one that reaches established audiences while pulling in those at the far marginal edges of the reader community. This includes fitting news production to the goals that are set. Journalists must deliver products that people want and in a format that they desire. Newspapers no longer monopolize the news consumption agenda or the distribution of content. They must take more of a stake in the future technology agenda and its economic and social implications.

“Media” is an imprecise word. Nowadays, it includes cell phones in pockets as well as the newspapers that are skim read on the commute home from work. It is a source of not only information but it is also a service (entertainment) delivery system. It now can address a global, national, or regional audience. Messages therefore must be tailored for specific audiences. Often media are classified in binary terms, either as traditional media or new media. But because audiences are composed of individuals, strategic power is gained when the news message is constructed in terms of communities. Everyone lives in different types of communities: virtual, psychical, public, private, work, and entertainment. Civic communities are composed of the institutions that nourish society: schools, hospitals, governments, factories, retail stores, the police, healthcare providers, traffic control, the military, and hundreds of others. The communities that make up these institutions create laws and rules and administer them. Traditional media such as newspapers, local radio, and television cover the activities of these organizations and institutions and therefore their communities.

But everyone also lives within the context of his or her own personal life. Some community members like to play or watch basketball, while others hit golf balls or volunteer for church work. Some join clubs and meet with people who share interests and commitments. No urban community today in the United States or Europe is totally homogenous. Everyone lives across a range of heterogeneous experiences, and these are all drawn into the overall community makeup. Magazines, cable channels, blogs, and many other media communication channels therefore need to be considered to cross a breadth of your audience’s interests. Public media often strives for large audiences. Magazines and specialized cable channels (such as ESPN or Fox News) reach audiences that gather around special interests. Content is still king in all media delivery systems.

Providing information, entertainment, and advertising is core to the news manager’s mission. But contemporary demands mean that more needs to be done than less. It is also important to represent the full range of a chosen audience, including the identified communities of interest, as well as a range

of public and personal interests. Individuals meld information from a variety of types of media with personal experiences to form a coherent picture of the world around them. Research shows that they do so in a way that is compatible with their interests and views. Therefore, it reflects their personal experience. They also absorb community knowledge from media.

Successful media managers must appeal to the collected individuals in the audience. Audiences will meld messages differently over time, and how they draw on media to do this will evolve differently over time. Finding the successful mix will attract an audience. Finding the advertisers whose own interests are matched to the target audience community will bring profits. Media managers who manage media communities must therefore find the right place and the right balance in the marketplace.

Media continues to be more microscopic

Where media once brought people together, it now equally disperses people. The Internet has now accelerated the separation of peoples into microcommunities with a simultaneous broadening of choice and compression of communication. Media continues to evolve from large to small, from mass to personalized. Audiences distribute their attention across a variety of personal media communities (e.g., Facebook, Twitter, Instagram, and Tumblr).

Enlarged awareness, the social era

For the news manager, it is important not to underestimate the pervasiveness of the “social era.” We are living in an era of connectivity and mass personalized communication. Social media should be broadly embraced, particularly in relation to marketing and service strategies. There is more to the use of social media than just “Like us on Facebook!” or “We’re so sorry you’re having a problem.” The better performing news companies are those using social tools to listen to the market. It is therefore vital to listen to the communities being served—the target audience.

Social media has altered all aspects of production, and not just content production; for example market-research opportunities have also changed.

In the social era, social media and business leadership are merging in a variety of ways. This affects the way an organization creates, delivers, and captures value. Value leads to profit. This also shifts the ethos according to which many media managers lead and work. It is therefore vital to “stop, look,

and listen” and then act. This business technique needs to happen regularly and needs to be intricately built into the news manager’s business approach.

The changes emerging in the social era also challenge the idea that competition can only be maintained in isolation. Organizations from the industrial era became more powerful by getting bigger and buying up their competition. In the social era, connectivity and communication between managers, workers, and customers can now make a business successful. While the industrial era was about the mass production of tangible goods and convincing consumers to buy them, the social era is about the power of collaboration and cocreation when resources are limited. This book indicates that the social era could be the news manager’s focus. We must draw value from connecting humans and what they can do for a business. Connected humans are empowered. Connected humans spread the word, good or bad. Connected humans read more content than ever. In the socially aware model, powerful organizations are fast and fluid, and they utilize the potential of flexible networks and connected human beings. This requires a change in thinking from top to bottom.

Disruptive technologies in history

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The traditional media business model that dominated previous news epochs of the large socially and political connected entity in some form still remains. However, individual consumption and variety have now diminished that power by broadening consumer choice. Media technologies are disruptive because they challenge traditional business money-making models and because they enable leverage to attract new customers who were not traditionally conceived of as such. Once, it was assumed that everyone highly valued all forms of national, regional, and local community news. We now know that the most popular articles on BuzzFeed are lists of cats and 1990’s pop culture references. Communication technologies have broadened choice, and therefore people can broaden the types of content they want to digest as news.

It is therefore important not to start with the question “What is the product I want to produce or improve?” but to ask “what is the community and what type of content do they want to read?” Communities can be understood as having different levels; their content therefore can be local, regional, national, and global. Moreover, communities can form around political affiliations, special interest groups, values, morals, alma maters, and more. As people gather, so do communities. What is the community of interest to your audience? What would happen if your present or future newsroom was organized around

communities? What if the newsroom recognized the differences in audience interests among communities?

The book is divided into four parts. Part 1 covers issues related to the media community and includes the following chapters:

Chapter 2, “News Media and Understanding Their Communities,” evaluates the impact of the Internet on the production and consumption of news. A key feature of this chapter is the notion of community. In communities, members share feelings, thoughts, political opinions, and vocational information. Traditional media are important historically. A community without a newspaper is like a church without a pulpit, and the sense of community refers to the individuals’ subjective feeling. If news is no longer defined by a geographic location and if people living side by side do not have a sense of community, then newspapers will have an uphill struggle.

To be successful, news media have to build on, or create, a sense of community.

Chapter 3, “Disruptive Technologies and Community Engagement,” suggests there is a long history of different types of media rising to dominance and then falling into decline. This has happened to daily newspapers, to mass circulation magazines, to network radio and television, and lately to some newer media. These life cycles are part of business. Some media have attempted to be innovative. Most companies develop new products, but even those companies that innovate can become obsolete, particularly when disruptive technologies interrupt revenue streams. Your job as a media manager is to report on the entire social context in which your audience lives. This chapter argues that news managers must adopt and not be afraid of disruptive technologies, while carefully monitoring the market for possibilities in content and delivery.

Viewing politics as a self-actualization process for the individual, Chapter 4, “The Convergence of Politics and Entertainment: The Politics of Personal Concern,” argues that the convergence of politics and entertainment might help citizens find personal relevance in politics and better connect themselves politically by addressing a wide range of personal interests, values, and identities and by guiding everyday lifestyle issues in self-actualizing political engagement processes. Coupled with political elites and advocacy groups’ strategic adaptation to the post-broadcast age, the convergence of politics and entertainment indeed provides an opportunity for those who consider particular issues personally important (especially those marginalized from conventional politics) to become politically activated and organized for collective action. The implications for the functioning of democracy are discussed.

Part 2 of the book is focused on finding value in a world of disruption. Chapter 5, “Establishing Leadership and Strategic Management,” suggests that media managers need to work out what they are currently supplying to any particular community. Certainly, some problems have surfaced with Internet news distribution. Internet news lacks depth. It is a headline service. Is that what your audience wants? It may be. As for advertising, there are also issues, because advertising can be targeted but lacks the same width of reach of display advertising and therefore reduces the revenue stream of traditional media. Therefore, the challenge for news media is different from online entertainment services.

Chapter 6, “Value Activities and Newspapers,” points out that many managers try to evaluate company activities from the point of view of the organization rather than from the point of view of the consumer. They may not be aware they are doing this. In fact, however, newspaper managers focus on the strengths of their organizations that are already in place. This may not be the direction in which their business will inevitably go in the future.

Chapter 7, “Self-Organizing Digital News,” reflects the rise of Web 2.0 sources. This chapter explores the idea of self-organizing news. Compared to traditional structures of beat reporting, self-organizing news emphasizes community journalism within the context of audience interest. This chapter focuses on the value that can be created when news organizations value audience interest. Here, this book encourages you to ask “what kind of value can you bring to your audience that is not readily available from other sources?” For example, you will see how some media have used crowdsourcing and other types of news content to challenge traditional media business models.

Chapter 8, “News Consumption and Cross Media Synergies,” highlights the positive effects that cross media “synergy” can have on print and online distribution outlets. Both of these media have inherent strengths. Joining forces can enhance strength and reduce weakness. The chapter also theorizes that print operations need to be integrated with digital services. The result may reduce the circulation decline of the printed product. Classic theories of competitive strategy emphasize the importance of exploiting synergy. This chapter examines 100 regional newspapers across Britain in a test. It shows there could be synergy between print copy issues per week and online digital editions. This synergy could positively influence business performance. The chapter concludes that such print-product characteristics as price, the number of issues per week, and the classified advertising rates have power to interact as key online variables.

Part 3 includes chapters linked to experimenting with the audience. Chapter 9, “Changing Media Policy Environments and the Production of News,” aims to create a context for prescribing a set of coherent policy responses that can be aimed at protecting and promoting the long-held public interest value of news in the media environment. News is not just a business like any other in an increasingly marketized and complex media environment. Policy inaction risks obscuring, to the point of ineffectiveness, one of the key staples of public value in media. This is ironic, since much of the new technologies now available present significant opportunities for enrichment and revitalization rather than dilution and decline.

The underlying message of Chapter 10, “Active Online Community Building: Opinion Leaders and Virality,” is to not underestimate the power of the average consumer. Each consumer comes with an additional network of connected users. While any one network may not be particularly powerful, many small networks combined make things go viral. Again, remember that the most viral stories on the Internet come from mass cascades of easily influenced individuals. Your media organization must have enough “seeds” (i.e., followers or friends) across the entire network you want to reach. Only then can you be assured that your message is reaching that entire network. To reach an entire population, many average consumers must be listening to you across that entire population. When developing a social media marketing strategy, make sure you are reaching not only for people that are interested in your stories but also individuals that cover the complete spectrum of your target audience. Reach across all relevant geographics and demographics.

Chapter 11, “News Media Strategic Visions and Speculative Futures,” suggests that prototypes could provide the news media manager with strategic insight into the social and commercial implications of future technological advances. Journalists themselves have experimented dramatically from time to time. Who could have imagined such a journalist as Hunter S. Thompson? Thompson became news through free-ranging style and imagination of journalists and other writers. Through traditional fiction and science fiction they reimagine the connection between the future of media and the audience.

The final part of the book focuses on ongoing strategies in the news industry. The aim of Chapter 12, “Digital Integration of Consumers into Local Press Value Chains,” is to understand the impact of “social era” technologies on the news-industry value chain; to examine the perception of consumer engagement (interactivity) and value creation within the online environment; and to question the manner in which local news-media organizations engage

with consumers within the digital landscape. Specifically, the chapter seeks to answer the research question of how the social era is transforming the role and participation of consumers in the news value chain.

Chapter 13, “The Economics of Paywalls,” suggests that paywalls have been one of the strategies that the newspaper industry applies in order to compensate for the dramatic decline in advertising revenue. The chapter explores the economics of paywalls and assesses the financial payoff of their implementation. It concludes by suggesting that attracting a large audience and converting news website visitors into paying subscribers before running dry is for many companies now a matter of survival.

Chapter 14, “Concluding Thoughts on the Future of the News Industry,” summarizes the various messages of *Content Is King*. In a world more interconnected than ever before, the news industry is in flux. Therefore, news media managers have to consider economic turbulence and the chaos turbulence creates. Content-driven news landscapes do provide new opportunities. News business leaders who embrace and respond to the fast-changing pace of innovation need to implement new systems to detect turbulence in advance. They need to understand the communities they serve and the market opportunities that are emerging as the news space fragments further. While nothing before us or on the digital horizon promises to replicate precisely the depth and sweep of the daily newspaper, the search to find a viable future marketplace niche must continue.

In responding to turbulence, we suggest that news media executives need first to experiment with business models that can enhance their social (community) capital; second, to strengthen their market position as trusted sources of digital news content; and third, to develop new products embedded in “social era” modes of competitive advantage (civic participation). They cannot solely strategically rely and wait on technology service providers such as Apple to save them (by finding the right technological solutions to their problems). They also need to ask communities the right questions so can they remain relevant and develop more user-centric business models.

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