

The revival of traditional newspapers and magazines after decades of near failure

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Who am I? I am the president of Innovation Media Consulting. We write a book every year, *Innovation in News Media*. This is considered the Bible of innovation, the barometer for innovations in journalism, innovations in the business side of journalism, innovations as well in print and in digital media. We publish this on behalf of WANIFRA, which is the World Association of Newspapers, based in Paris. We have been doing this for twenty-two years. We also publish, *Innovation in Media*. This is more for the magazine industry.

We've been publishing this book for the World Association of Magazines, for the magazine news media, based in London. It's called FIPP [International Federation of Periodical Publishers].... In these book we try to encapsulate, every year, the most successful innovations going on around the world, based on twelve months of research and based also on our consulting experience globally. We've worked here with *Joongang Ilbo*. I've engaged with *Chosun Ilbo* and the Korean Press Association; we have a good friendship. So, we know your market and I think a lot of the innovations I am presenting here for you today are relevant.

Who are we? We are basically a consultancy helping to turn around newspapers and news magazines. We've been doing this for thirty-three years. You know your company. You know your country. We do know the industry and we keep track of it. You will travel around the world with me today, seeing all these innovations. We try to disrupt disruption. There is a lot of mystery about what is happening with our world. We are here with you to decode that mystery and to show you innovations that are really working. Basically, with three criteria: reach, relevance or revenue -- all these innovations have to pass one of those tests. We organize chaos and we try to relaunch legacies of great newspapers like yours.

These are some of our clients over the last two mainly, last four years, some of them. Overall our slogan as was said a moment ago is that "Good journalism is good business." And if it is not good business, it is not good journalism. For you to promote and to have a free press, that press has to be profitable. If it is not profitable, if it does not publish without fear or favor, if it doesn't have a business logic behind it, it will never have independence, it will never have credibility, it will never have readers, it will never have the advertising that seeks those readers and if that virtuous circle of publishing is broken if that press does not make money.

Recognize the false prophecy

I am going to take you quickly through fourteen business models. These are in the book, which you are getting a pdf of. I'm going to focus particularly on the single most important innovation to succeed in the digital age today. Of all these fourteen there is one that everybody globally, from the United States to Europe to here in Asia is pursuing -- from ad revenue to reader revenue in the digital world. If this year a

publisher here is not charging for your digital content, you should not be publishing, let alone be in journalism. It's game over. You will never make money on digital just based on display advertising. This business of getting volume and digital traffic and somehow the revenue will come is a false prophesy.

The way you do this is through a data wall [where the reader must provide some data, perhaps name age and E-mail address] or a pay wall [when they pay for a digital subscription]. This is the global trend. If you are not getting people to go through a data wall or through a pay wall, it's game over. Again, you have no future in digital; media built on and dependent on ad revenue is in serious trouble and is quite vulnerable. Remember that for many years we, in legacy media, you in legacy media, were looking at this wonderful new commerce and thinking, Oh, this is the future. Well, the pure press that was supposed to be the future... They are not so pure anymore. They're in big trouble -- Mashable [a digital media company] is laying many people off. Vice Media is also laying people off, with profit warnings. BuzzFeed [a news and entertainment website] -- again had profit warnings the last two quarters. Salon went belly-up [died]. The valuation of the Huffington Post, which was supposed to be the future of journalism, also went through the floor. These people who built their business on display ad revenue cannot sustain their business. There is no future in this business model. Stop emulating it.

Back to basics

Everything that generates value should generate revenue. We need to go back to basic principles, and this is a basic one for journalism -- we generate value. We should have the courage and the attitude and the confidence to charge for it. If not, what's the point of the business? Are we in the propaganda business? Can we not get an audience to pay for our journalism?

That is interesting, because this has come at a time that I like to call "the Netflix moment." Everybody here is subscribing to Netflix or if not you are paying for your children's Netflix. Everyone here is paying for a music subscription, whether it is Spotify or something else -- the data supports this. Everybody is paying for digital content and the device, a mobile phone.

The content was free for many, many decades. Now, people understand that we have to pay for it. By the end of this year, people in the average Western country will be paying for four subscriptions -- one will be a newspaper of quality, the second will be a magazine -- of course, third will be Netflix and the fourth will be a music subscription.

That is the forecast. If you're not in that game -- if you're not able to charge for content -- you have no future. Everyone now understands that a mobile device is something that needs to go through a payment transaction and that I should pay for the content I am consuming.

I understand that in this country you have a huge issue with NaverDOTcom [sometimes called "South Korea's Google."] I know your problem with Naver; I think you can break free from those shackles. You should be able to charge for content and break away from this stranglehold that Naver has had on your industries for so long.

Where does the money flow in?

The objective -- the benchmark globally for you -- is to have a healthy business. What is sustainable in the digital age is that forty percent of your income should come from readers. Forty percent -- that's [counting] both from digital and from print. If it's not so, you have no business model. To make this transformation, I want to talk about Faithbook, I mean Facebook, because something has to be done about the stranglehold of social media.

All of our clients, all global brands, are taking a new position when it comes to Facebook and when it comes to Google. In the UK, it's called "breaking the duopoly." Facebook and Google have a stranglehold on the news business in terms of revenue. We definitively need to address this. This is a duopoly that we are foolishly fermenting. We have succumbed to their charm offensive. We have believed what they told us for decades. And just as I told you that everything that generates value should generate revenue, this is another big principle for the digital age: Money is made where the article is viewed.

If you place it on Facebook, money will be made there. If you place it in Google, it will make the money. Everyone is moving away from this; *the Wall Street Journal* has moved away from this; *the New York Times* is reestablishing its relationship with Facebook. Because it's a toxic relationship in addition to being dysfunctional. It is toxic; we're losing money and we're losing trust.... We're putting our content on a platform that is toxic, associated with false information.

Weaning off of "click cocaine"

I call it "click cocaine." We live in an age when the newspaper business and the magazine business has bought into this idea [followed the trend] of "getting clicks" -- getting volume. And the promise was that

if you had a lot -- a lot of traffic, a lot of clicks -- Oh, look how many clicks he's got! -- he's successful, he's popular -- that somehow the money would come.

Facebook and Google, whom I have nothing against -- they are wonderful companies in what they do -- have dealt this "cocaine" to us. And they built the Internet, so I should give them credit. But we should not necessarily play by their rules and be on their platforms for their sake commercially. A huge issue that is coming out with digital content is fraud. The third biggest source of organized crime in the world is advertisement fraud. Number one is illicit drugs; number two is counterfeiting.

Bigger than fake cigarettes is advertisement fraud. I have been to China recently and I filmed these "click farms" in China. You can be a politician anywhere, send them an e-mail, pay them \$500, launch your campaign and you will get one million clicks overnight. [Showing a slide] This is a click farm with individual IPs [IP addresses -- each indicating an individual computer). I visited another click farm in Russia. One million followers is only \$250 in Russia.



False stories are saving journalism

It's not just me saying it; the CEO of Uplift is saying it. It's a massive issue and we are unfortunately putting our content [on sites] associated with that fraud. In a perverse and somehow-clever way, what's happening to us is that all this fake news that we are all scared about, that we are writing about -- saying that it's the end of journalism -- is exactly the opposite. Fake news is saving journalism. Human beings intrinsically seek the truth and now we know we are being lied to. As a result we have a global phenomenon: People are willing to pay for quality journalism. People are subscribing and they are willing to do so. So much content is so bad out there that it is worth paying to cut through the rubbish. This is the position that is saving newspapers and quality news and content magazines, when you actually tell readers, I am in the business of maintaining credibility and telling the truth.

We need to stop playing defense. There has been a long-held attitude of playing defense when it comes to Google and Facebook. It's time to play offense. How do we do this? You do this by treating your site as a destination. Stop putting your content on social media platforms, and only serve "appetizers" if you must be on those platforms. This is the global innovation, the global trend. Because the last thing you need is more visitors. That's the last thing you need -- more traffic, traffic, traffic. To what end? What you need is paying customers. Paying customers will share that content ten times more than if they had just gotten it for free, because they paid for it. There is a psychological understanding that this has value because I'm willing to pay for it, therefore it must be believable, it must be trustworthy.

How media outlets succeeded

Let me take you through the fourteen business models. The number one business model is obviously the paid-for content publisher. The big innovation is that people are following the Rule of Three [an old literary trope]. Bundling print and digital as long as possible. *The Economist* has been doing this brilliantly, so has *the Washington Post*. *The New Yorker* has made the transformation recently from basically having no reader revenue to 70 percent coming from readers. Fantastic! Our client Pam spoke of

how they had undervalued themselves for so long. They had lived in the "world of clicks."

They've gotten out and now they have a sustainable business model in digital journalism. There is a problem out there. A lot of you are just looking at reader revenue and asking, How should we start going about it? Should we have a pay wall? -- a hard one [subscribers only] a premium [allowing free access to less-important content only]? Metered [asking the reader to subscribe after a set number of articles]? This is not the way to look at it.

What do we have that is desirable?

This is the big question that we need to answer as journalists: What content triggers a subscription? We as journalists, I as a journalist, you as editors, know well what content generates traffic. Unfortunately, that appeals to the lowest common denominator in humanity. You know what I'm talking about. But what content triggers a subscription? That's a fascinating exercise we do with editors. We sit down with them and say, Let's look at what you produce and let's see what's worth paying for. The insights, what comes out of it, are extraordinary.

Before you answer which method you have to use to charge people, you need to answer, What content triggers a subscription? Do I have journalism worth paying for? Again, you don't need to stick to a model -- a hard paywall, a metered, a premium.... The big innovation globally is called "dynamic paywalls." These are flexible paywalls. One size does not fit all.... Schibsted [(media) Group] has been pioneering these in Sweden. Essentially, it's like yield software [which shows searchers paid content, free content and content that best fit their search terms] -- the most demanded pieces of journalism, you put behind the wall. This is a fluid situation; you are not just charging for everything outright.

Selling emotional content

The number two business model is publishers and emotional advertisers. You have content that is worth paying for that is engaging. Emotional targeting is a big, big thing that goes beyond display ad revenue. You are matching a reader in motion with a piece of content. Let me show you how *the New York Times* is doing it with this article on Cher [a popular Native American singer and actress]. They get an advertiser who wants to be associated with that reader experience so [*the New York Times*] charged a premium of up to 40 percent. And that advertising has premium pricing as well. These are the emotions they are selling to advertisers who want to gain readers. [The article on Cher triggered moods of inspiration, amusement and adventurousness in readers.]. *USA Today* is doing it across its network. It has gone from selling demographics, selling volume to blind audiences -- readers we have no information on....

We need to move to psychographics [market research along psychological lines -- on values, fears, attitudes]. We can do this today, but you can only do it if you get people to go through a data wall, not yet a pay wall, but a data wall. Then you can sell psychographic advertising. ESPN is doing it as well. The number three business model is that the publisher is a broker. This is an example using bitcoin and blockchain. Heart-Media in Singapore is a high-luxury magazine group and they are actually using a bitcoin. I know that in South Korea, you have a huge amount of people using bitcoin. They launched their own bitcoin and they are selling products events and merchandise and experiences that you can pay for with bitcoin.

Join the club

The number four business model is the publisher as a club. Once you get to that stage of engagement with people paying, people create a club. Club la Nación in Argentina has been pioneering in this area for a long time. They have gotten four hundred thousand subscribers in the club. The club essentially works like a discount card, where you get discounts and the newspaper does a barter deal with shops. You go to Starbucks and you get a discount because you are a subscriber to La Nación and the Starbucks gets advertising for free on Club la Nación's platforms. This creates loyalty and is working extremely well for many brands.

The number five business model is recommendation journalism, done with credibility. The iconic strategists are *New York Magazine* and *Wirecutter*. This is journalism that gives you recommendations for products and services and is successful. It started with Net-A-Porter but now it is going global. T-3 in Australia has turned it into a big business and even the (Financial Times') *FT Weekend* is doing it. Just click to buy, and it comes with independent journalism.

The number six business model is the publisher as festival organizer. This is the event reinvented. The great innovation here is that the events are multi-day events. *Le Monde* does it with the *Le Monde* Festival. It's about many things -- dare to dream! *Publico* in Portugal is doing it as well. FT also does it, as a luxury summit business.

Non-profit money generators

The number seven business model is the publisher as a philanthropist. This is an interesting new trend. It started with *Mother Jones*, a liberal magazine in New York [legally registered as a non-profit organization.] They have been able to sustain a business a model based on this. Now, it has obviously been turned into a big trend for many newspapers, the most prominent one is the *Salt Lake Tribune* in [the State of Utah] in America, which changed its status with the US Internal Revenue Service [federal government tax collectors] from a business to a charity. They charge for content but also get revenue from individual donors and foundations.

The number eight business model is the publisher as an agency. This is where many publishers are building in-house advertising agencies to do branded content with great success.

The number 9 business model is publishers selling costs per hour (CPH [how many hours readers collectively spend on articles with ads]). It's the big migration from clicks to clocks. This is a big, big idea. I don't have time to delve into it. Stop selling CPM [Cost per mille, what advertizers pay for a 1,000 ("mille" in French) views or clicks on their ad.] It is moving from page views to time spent.

As the number ten business model, we have the publisher as a brand licensor. This is one where once you have got a credible brand you can actually sell experiences, awards, citations and rankings based on that business. Forbes has been pioneering this. They've launched all of these businesses, all of which are based on a second party running them. *National Geographic* does travel shows, while *the Telegraph* is doing it with its Travel Solutions [a travel agency]. One media outlet, for instance, is now selling trips to America's political conventions, where you get access to the Democratic convention or the Republican convention and you can meet some of the journalists. That's €10,000, thank you very much.

Internet technology

Number eleven business model -- I have three to go -- is the publisher as an IT provider. This has been pioneered by Arc [Publishing] of *the Washington Post*, this is now a one hundred-million-dollar business. Obviously they have the advantage of having Amazon behind them.

But here in Korea, you have developed a lot of leading technology, with Kakao for instance and *Joong Ahn Ilbo* at a time had a tie-up, so selling that technology, your CMS, your CRM, your data management systems to other publishers is big business and it can be done. There is no reason why South Korea shouldn't lead the way on this.

Number twelve is the publisher as an investor, publishers that are investing in start-ups. They are using their office space, their broadband and are also using their marketing to promote some of these businesses. We have a client, *El Tiempo*, in Colombia that invested in the equivalent of Uber in Bogota. Now that company is valued at more than two billion dollars. This newspaper [has prospered] as a result of this investment that they made following this criteria of investing in digital startups -- within the newsroom, with editorial criteria.

Education beyond the paper itself

Number thirteen, and this is an important and interesting one, the publisher as an educator. We are seeing places like *the New York Times* launch the School of the New York Times. This is done with their association with New York University. We are seeing it in many countries where a newspaper embodies the language of that country. So, you are teaching best practices when it comes to speech. *Le Monde* is doing it, teaching French as a result of its credibility, having the best spoken modern French in the world today.

The final business model is the publisher selling nostalgia. Being a bit of a librarian, going back to its archives and selling it with great success. *The Globe and Mail* has already built a multi-million-dollar success based on selling its news photo archive. Of course, they have a massive archive covering the history of Canada. Where I come from in Barcelona we have an area with a lot of books being sold. The *New York Times* as well, selling you a photograph of Babe Ruth from their archives for \$150. Again, thank you very much.

So, you must aggressively expand three or four of these business models for you to have a sustainable one, but of course, you cannot grow, you cannot be sustainable in the digital age unless you get people to pay for your content, to pay for your services, for your products.

This is what we do at Innovation, we bring companies into this transformative dynamic to seek out the business models that will make sense based on journalism worth paying for. To conclude: There is not instant digital salvation. There are no digital miracles. If you want a miracle, you know what to do. Only journalism will save journalists -- with journalism worth paying for. It's as simple and as complicated as that.