

# **“Paper-less publishing, no ads please”**

(non advertising-based revenue models for paper-less media)

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# In which we argue that...

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- print-media ad revenue models don't make sense in paper-less publishing
- ad prices will not go back to their old levels
- advertising by itself cannot support paper-less publishing
- print-media are at a major cost disadvantage with on-line

We are not concerned with search advertising.

We are not concerned with financial news, data etc.

quickly... what is the real problem for “press”?



# What I think is the real problem for “press”

Perhaps it is that...

- It is built around making money from dead trees
  - ... on-line channels are in direct competition with print-media
  - ... media consumption patterns have shifted a lot to on-line
  - ... new tech is making on-line media more attractive
  - ... print-media are at major cost disadvantage (print, distribution)

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  - ... new tech is making on-line media more attractive
  - ... print-media are at major cost disadvantage (print, distribution)
- Everyone can become a media shop
  - ... low barriers to entry
- Ad prices on-line make “digital pennies for analog dollars”
- Circulation is declining
- Ad revenue is declining fast

# Consider this...

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*“It makes increasingly less sense even to talk about a publishing industry, because the core problem publishing solves — the incredible difficulty, complexity and expense of making something available to the public — has stopped being a problem.”*

-- NYU Prof. Clay Shirky March, 2009

source: <http://www.shirky.com/weblog/2009/03/newspapers-and-thinking-the-unthinkable/>

# Almost anyone can become a media shop

*Cringely -- “Now look at the screen you are reading right now, my Wordpress blog at cringely.com. It cost me NOTHING to design. I did it myself in a single night with the help of an experienced and generous friend, [...]. This blog is hosted [...] in Los Angeles and costs me \$50 per month, which is a lot compared to most blogs, but then I’m getting more than a million page-views per month. [...] a good Internet media product doesn’t have to cost a lot of money. This is my living, remember, that’s putting three kids through school. What are my gross margins — 10,000 percent?”*

*source: <http://www.cringely.com/2010/01/the-problem-with-big-media-why-one-tablet-is-not-enough/>*

# Supply and demand

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With (off-line) press there was a relative equilibrium between the addressable audience and the supply of channels used by advertisers to reach the audience.

The audience is relatively constant whereas the on-line channels are increasing.

Because audience attention has shifted to on-line channels and because there is an over-supply of those channels, ad prices are dropping.



# Thinking the unthinkable about “press”

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What if ad prices never ever come back to their old levels?

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- What if ad prices never ever come back to their old levels?
- What if the current model of the “press business” is totally broken for this epoch?
- What if the part of the value-chain which is optimised around printing and distributing paper is too expensive and is capping profit or is creating loss?
- What if a competitor with similar brand value dispenses with this expensive part of the value chain and becomes much more efficient?
- How long can a “traditional” publisher compete this way?

# Remember: This is an ad buyer's market

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- Advertising companies are in a relative advantage to publishers
  - ... Ad inventory is effectively infinite therefore there is a huge value destruction
  - ... On-line tech allows for fine grained control and analysis of results
  - ... Naturally, advertisers want to pay for measurable results only

# The main problem with advertising on-line?

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Consider the following thesis:

“The problem is not the medium, the problem is the message, and the fact that it is not trusted, not wanted, and not needed,”

“...Pushing a message at a potential customer when it has not been requested and when the consumer is in the midst of something else on the net, will fail as a major revenue source for most internet sites. This is particularly true when the consumer knows that the sponsor of the ad has paid to have this information, which was verified by no one, thrust at him. The net will find monetization models and these will be different from the advertising models used by mass media, just as the models used by mass media were different from the monetization models of theater and sporting events before them. Indeed, there has to be some way to create websites that do other than provide free access to content, some of it proprietary, some of it licensed, and some of it stolen, and funded by advertising”

--- Prof. Eric Clemons, Operations  
and Information Management, The Wharton School, University of Pennsylvania.

source: <http://techcrunch.com/2009/03/22/why-advertising-is-failing-on-the-internet/#comments>

# Problems for publishers...

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- Guilty secret that on-line ads are not so effective therefore selling CPM impressions is favoured to CPC and CPA models (and vice versa for advertisers)
- Audiences are mentally (or technologically) filtering out ads
- Good-enough content is in overabundance
- People's nature is to **share** the content (news, gossip, etc.)

# Everyone can be a real-time reporter

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*"I live in Google Reader 3-4 hours a day. I use "Share" to add to my Shared Items list. This list is pulled into my blog site with a WP Google Reader plug-in and make a nice list, so my blog readers see what I'm interested in. Also FriendFeed gets immediate notification via PubSubHubBub and posts my shared items to FriendFeed and then FF shortens the URL and ships it off to my Twitter account. Usually faster than I can switch tabs and view the posts.*

*So I can browse, read and share to 4 places all within Google Reader. I can also email items to specific people if I want to."*

"RSS Reader Market in Disarray, Continues to Decline", 20 December 2009

Source: [http://www.readwriteweb.com/archives/rss\\_reader\\_market\\_in\\_disarray.php](http://www.readwriteweb.com/archives/rss_reader_market_in_disarray.php)

## Quality and insight still matters even in the era of “free”

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*“I read magazines and they are still delivered in my mailbox.*

*I read several dozen blogs and they are delivered through my reader (Google Reader).*

*My rule is: If the author didn't spend 10x longer writing the article than it would take for me to read, then it's not worth my time to read.”*

How about?

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# Non ad-based monetisation



# A thought experiment...

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Assume for a moment that advertising cannot support paper-less publishing and that alternatives exist.

What can a viable business model able to support paper-less magazine publishing be?

Try harder.....

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I just said  
“assume NO advertising”

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thank you :-)

# Consider this...

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Q: What is the function of a media company?

# Consider this...

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Q: What is the function of a media company?

A: To acquire, maintain and monetise audiences

# Some options for consideration:

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- Pay-per-view/unit (e.g., The Economist)
- Subscriptions (e.g., WSJ, The Economist)
- Freemium (e.g., The Financial Times)
- Virtual goods
- Premium services
- Sponsorship (e.g., POPURLS )
- Mobile apps (e.g., The Guardian, Men's Health iPhone Workouts, BBC Radio Times)
- Mobile app subscriptions (e.g., The Spectator, FT, McSweeney's)
- e-commerce (e.g., Net-A-Porter.com, InStyle.com, The Daily Telegraph)
- Clubs with subscription (classifieds, dating etc. e.g., The Daily Telegraph)
- Off-line activities - events

# How about a mix?

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What if we could mix different monetisation models according to context and value proposition for each segment of the audience?

# Why people don't pay for newspapers online?

A very plausible theory:

“People who click on a news article or a video at work as a distraction from other tasks aren't going to want to pay for it. People are willing to pay for newspapers not because they're used to paying, according to Varian, but because "It's a much nicer experience to sit there with a newspaper and a cup of coffee and have that be your leisure time activity.”

--- Google Chief Economist Hal Varian,  
Berkeley, School of Journalism, 27 Jan 2010

source: <http://unitedstatesofearthbycozec.blogspot.com/2010/02/google-economist-explains-why-you-wont.html>

# Getting paid

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How can we make the readers pay quickly for the offered experience(s) and goods with pleasure?

Hint: who has the “charging relationship” with the customer?



# Who has the “charging relationship”?

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(and are open to assist for a fee)

- Amazon
- iTunes Store (which now has in-app payment processing)
- Facebook
- Mobile operators
- eBay
- Publishers?
- Google Checkout?
- Second Life?
- World of Warcraft?
- Nintendo?

# Innovator's dilemma

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**Should you persist serving what your best clients need today or look at what is coming and also serve new clientele that brings less revenue today but in the future may bring more?**

## ...a word from the wise

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A reminder from Fred. P. Brooks “ No Silver Bullet - essence and accidents of software engineering”, 1986

**There is NO silver bullet!**

# Follow up from MCA2010

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<http://www.pagonis.org/Dialogue.html>

thank you