

White Paper



The new digital media ecosystem

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The new digital media ecosystem

Nowadays society is attending to a new and more fragmented informative model, in which the boundaries between contents, technology and business tend to fade away and where the platforms and algorithm organize hierarchically and distribute information using business models not really consolidated yet and organization structures that are still needed to be checked. Understanding this ecosystem, which is turning even more complex every time, is fundamental if we want to respond to the challenges the sector and their professionals are facing.

Because of this complex and changeable scenario, some new native digital companies have emerged. They have been able to understand the new digital, mobile, social and global ecosystem and, what is more important, they have adapted to the new consume methods of a hyperconnected user, who is used to a more fragmented and constant consumption of info instead of the classical headlines. Their wisest choice has been to put technology to people's service, giving priority to their needs and wants.

THE ECOSYSTEM

Due to their own open, changeable and dynamic nature, digital business, especially the media, are living the most intense transformation of their history. The only certainty nowadays is the need to face this deep digital transformation, even though it did not seem that clear 5 years ago for most of the traditional media. However, when the media seemed to have founded a viable web model, the unstoppable convergence between smart phones and social networks, plus the digital publicity transformation, have made them turn back to the beginning. The first step in order to respond to users' needs is to understand the new informative ecosystem. Its main characteristics are the following:

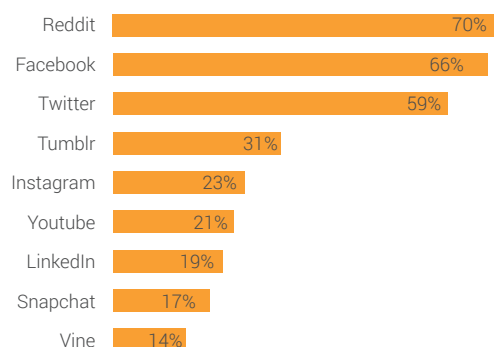
Mobile

Users demand access to info through any channel at any time and anywhere. In this scenario, access by phones is changing drastically the way of using info. According to *"State of the news media 2015"*, PewResearch Center, 39 out of the 50 main online media of the USA receive more audience from phones than from PC. This fast evolution towards smart phones has an impact on the digital transformation in the journalism organizations; while some media are tending to the "digital first", greater and greater are the users who are in a more advance phase that we could name as "only mobile"

Social

Social media has become the main area to share information in, and one of the most important source of traffic for the media. Around two thirds of twitter users and the seventy per cent (70%) of Reddit followers inform themselves using just these platforms. It is because of that that the strategies to increase audiences has developed from the "SEO first", the traditional web model, to the actual "Social media mix".

Social networking site's more used to get news % of users each site



Source: Pew Research Center, 2016

We are facing the rising of indirect audiences. The media like Quartz or BuzzFeed have been capable of changing this structure and organizing themselves following the interesting topics and focusing on social consume as well as in mobility: "Liquid media adapting to the social flow".

Information as streaming

Convergence between smart phones and social networks has a multiplier effect in changing the user habits. Information, once conceived as a compact thing, is turning into an information flow. Twitters continuous feed, Facebook walls, chat apps like WhatsApp, Snapchat or Line, as well as curation models organize and distribute information in a fragmented way, as a multiple, diverse and unstructured information flow. Because of this, and also due to the change in distribution, we are moving from products to information flows ruled by algorithms that take part in the categorization and classification of information. Furthermore, the exponential increase of bots and chat bots, that can realize routinely edition functions, has introduced the potential development of infinitive conversations.

Change in distribution

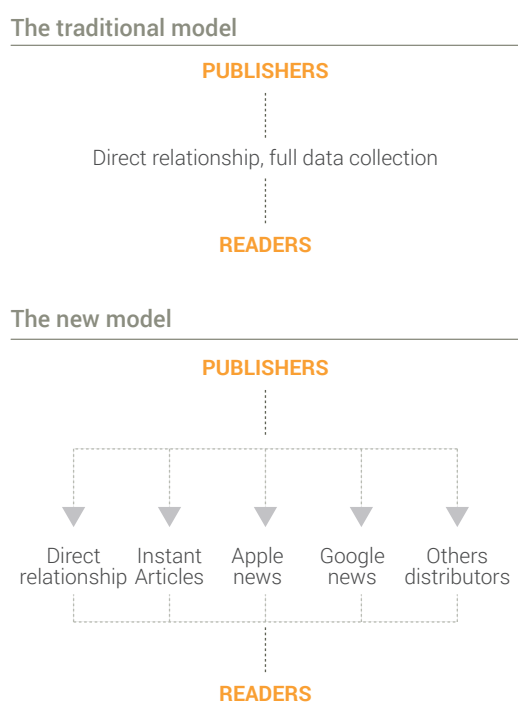
The new role that the digital platforms want to perform in the information field is, without any doubt, the most relevant change for the future of the sector. Facebook Instant, Apple news, SnapchatDiscover or the recent bond between Google and Twitter are initiatives that are expected to revolutionize the information distribution model, by ousting the interaction between users and, therefore changing the business from the media web to this platforms.

Progressively, the different agents: Google in the net, Apple at phones or Facebook on the social networks, have been moving the media into a creation side. This is one of the basic links, even though is not as important when it concerns to business, which should make them reconsider their strategy towards future.

Even though at the beginning of the decade the media were thinking about the possibility of becoming digital platforms, the stratospheric takeoff

of the social networks (mainly Facebook) and the boom of Chat Apps have shown the difficulties of being competitive in this field. If digital platforms will be one more information carrier or, if on the contrary, they will get to become the owners of distribution by controlling publicity and relations with the customer, setting aside the media as just continue providers, only time will tell.

Change in distribution model



Source: The monday note

From products to services

The beginning of the digitalization had Napster as a reference and therefore its impact in the distribution models and consumption of digital content, "napterazing" the model. Nowadays the "spotification" would be the new model. Named after Spotify, the music streamer platform represents the evidence that digitalization speeds up the transformation from products to services. However, this tendency is not working with the consumption of information. Like in other fields, the most innovative attempts come from extern agents. Since September 2014, Amazon offers a free 6 months 'The Washington Post National Digital

Edition subscription' for Kindle to all the members of Amazon Prime.

CUSTOMER MEDIA: USER POSITIONING

Because of this complex, dynamic and polyhedric scenario, it might seem that the media don't have many options. However, within the last few years, a group of native media have been able to reinvent the field and give hope to the future. It is a group of projects that have drawn the attention from users and investors. They are setting the basics of the new information model. The customer media have set the user in the middle of their strategy and therefore they have been rewarded with their attention.

The obsession for data and analytic

Most of the decisions that are taken in business are based on the right administration and analysis of the data. The customer media haven't succeed because of being digital "per se" but because they have known how to put the data into the service of the media. They have known how to channel all the social networks potential, create a community, direct the audiences to their sites as well as taked advantage of each channel, offering the user what they need anywhere and anytime.

They are social

Understanding how to access and share information in the social medial has become not just an advantage but also one of main foundations for businesses to succeed. Because of their strategy to attract audience from the social network, BuzzFeed has become a reference. In fact, their main traffic source, which is estimated to be more than 150 million unique visitors each month, comes from social networks. It is also 5 times bigger than the visits coming from research.

They are mobile

Mobile has become the second biggest wave of the digital revolution. It has become its own category needing different demands than the Web, not only in the development of products and services but also in everything that concerns new business models. A

good example of this is the evolution of the messaging apps such as WeChat or Snapchat, which are tending to the world of information. More than 60% of BuzzFeed or Gawker audience comes already from tablets and smartphones.

They are audivisual

Audiovisuals have become one of the biggest demands for users as well as announcers. According to Business Insider, income coming from publicity in video online will increase in the next three years by 19.5% each year (CAGR). This will be faster than in any other format, except for mobile of course.

Millennials attraction

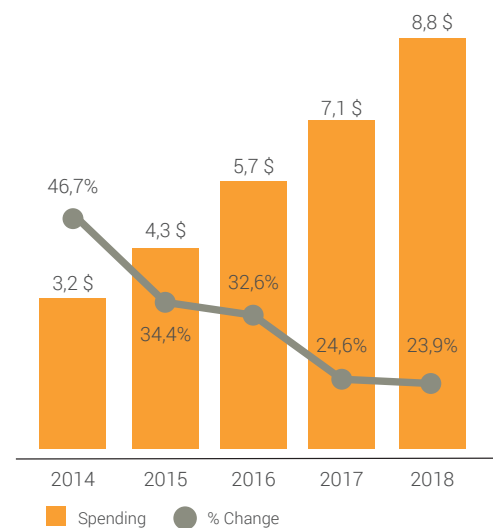
Knowing how the youngest generations inform themselves and share information in order to contact them, it is almost an obsession for the brands and therefore the media. Traditional headlines are facing the aging of their public. Two thirds of American media audience is older than 55. Just fashion and beauty magazines like Cosmopolitan or Esquire are still maintaining the millennials interest. The customer media seem to have worked better with the millennials demands in regard to information interest. Sites like BuzzFeed, Circa, Upworthy, Vocative or Vox hold youthful audiences. Elite daily stands out because 71% of their audience is between 18 and 34 years old. This is what it makes them "*TheVoice of Generation Y*". The same happens to Mic.com that has become a reference web for people from the same age.

Positioning on native publicity

Native publicity is the answer from the media to the change in the user's habits and the inefficient traditional publicity model and everything that it represents. The global expense in native publicity approaches 7,900 million of dollars, and it could get over 21,000 by 2018. BuzzFeed ended 2014 with more than 120 million dollars of benefit coming from native publicity. During this change, the CMS "merge" with the ad servers in order to strengthen models which mix contents and publicity. Again, technology becomes a differential and a competitive advantage.

US native ad spending 2014-2018

Billions dollars and % change



Conceived as platform

Since the beginning of Internet, the media had tried, mostly without succeeding, to become technological platforms. We just have to remember some failures in the launch and acquisition of social networks by some traditional headlines. That's what Nick Diakopoulus calls "Plataforming the news". Tumblr and Medium seem to be some of the new media that have succeed on the dichotomy between platform/publisher.

Multimedia DNA

It has been years talking about the importance of video and they are uncountable the different

initiatives driven. Users demand more videos while announcers want to have a larger inventory. Without setting a precedent, the commercial and contents teams agree: *"we need more videos!!"* The Huffington Post, Vice or BuzzFeed are, right now, the spear head of the field in regard to their positioning on the video online. Meanwhile, Apple and Google are still working on reinventing the TV world. Broadly speaking, Digital media is still looking for a sustainable model.

Vocation for Internationalization

Customer media are also characterized for their "glocal" vocation by mixing the development of global brands with contents and local teams. In this way, the Huffington Post has been expanding all around the world for many years. By establishing alliances with local media, it is already present in 13 countries such as Canada, the UK, Greece or Spain. On the other hand, Vice Media has editions in Mexico, Serbia, Italy and Spain, meanwhile BuzzFeed runs in Brazil or Germany among others.

On the investors bullseye

Even though the debts incurred during the 90s are still ballasting their accounts, investors have bet on the customer media. The biggest media groups don't want to get aside and they are also taking positions by using investment found. Last year, Disneys joint venture and Hearst bought 10% of Vice Media capital for 2,500 million dollars. At the beginning of the year, it came up that Business Insider received 25 million dollars from a group of investors leaded by Axel Springer. This proves that acquisitions are one of the most favorite ways for the traditional media to add technology, contents and digital talent once and for all.

CONCLUSION

Like in any other change of model caused by the emergence of a new disruptive technology, the knowledge of the past is no longer enough to interpret the future. That is what is happening in many of the newspapers.

It is evident that the new digital media are no exempt of risk either. The complex and uncertain publicity ecosystem, the growing dependence of thirds platforms to generate large audiences, also carries some doubts to which we will need to respond in the further months.

In this sense, those traditional media who have known how to integrate the fundamental aspects of the customer media to interpreter reality and to tell good stories are showing good results. Because, we cannot forget that the task of journalism is still as necessary as a 100 years ago.

This Whitepaper is the executive summary of a previous inform far more extensive published in Spanish by the name of "Customer media, liquid media for hyperconected users" You can find it in:

<http://evocaimagen.com/dosieres/dosier-evoca-01-customer-media.pdf>

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Evoca is a company formed by experienced professionals in project management, Communication and Digital Transformation. Created in March 2004, Evoca is focused on the field of Information Society, Media and Telecommunications sectors.