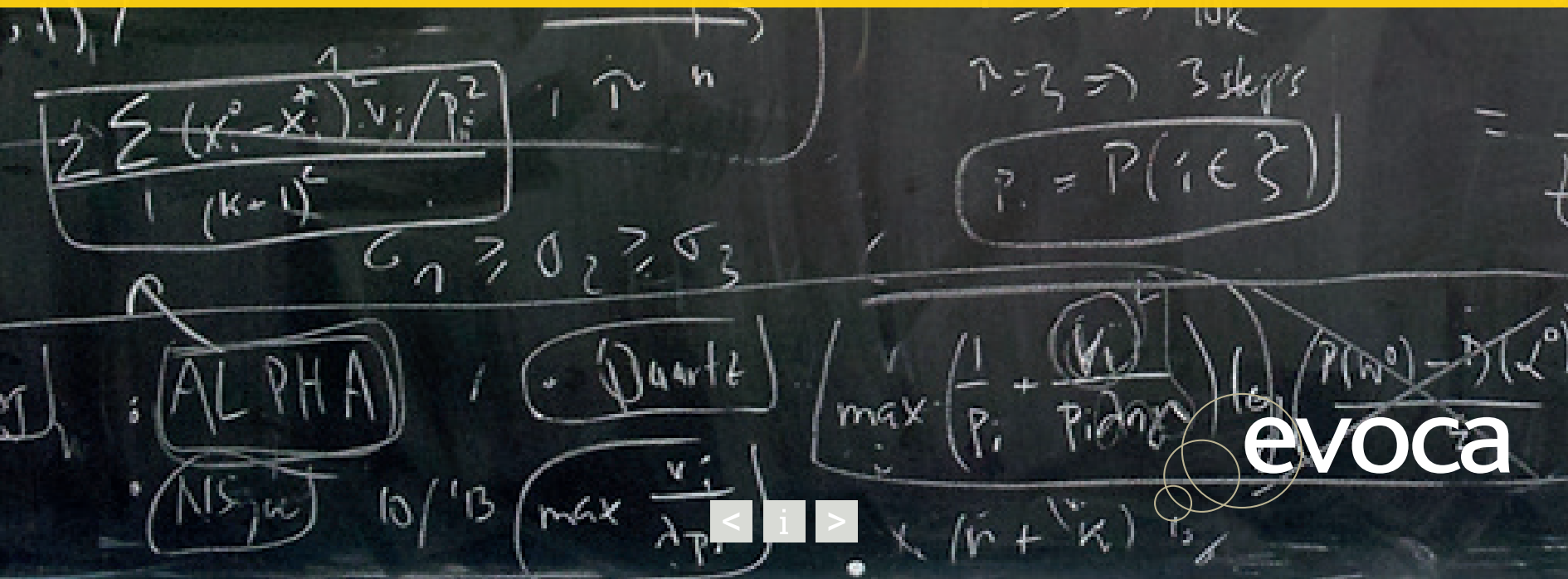


DOSSIER

Searching for the business model

Pepe Cerezo



evoca

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Aggregation	4
Agencies	6
Brand licensing	8
Barter product	9
Electronic commerce	11
Business consultancy and advice	16
Cross selling	17
Crowdfunding	18
Crowdsourcing	19
Data broker	20
Events	20
Philanthropy	22
Training and education	24
Research and analysis	24
Content marketplace	25
Media for equity	26
Membership	27
Content payment	29
Advertising	32
Tech licensing	36
Jaas (journalism as a services)	38
Verticals	39
Innovation	41
Conclusions	44

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Searching for the business model

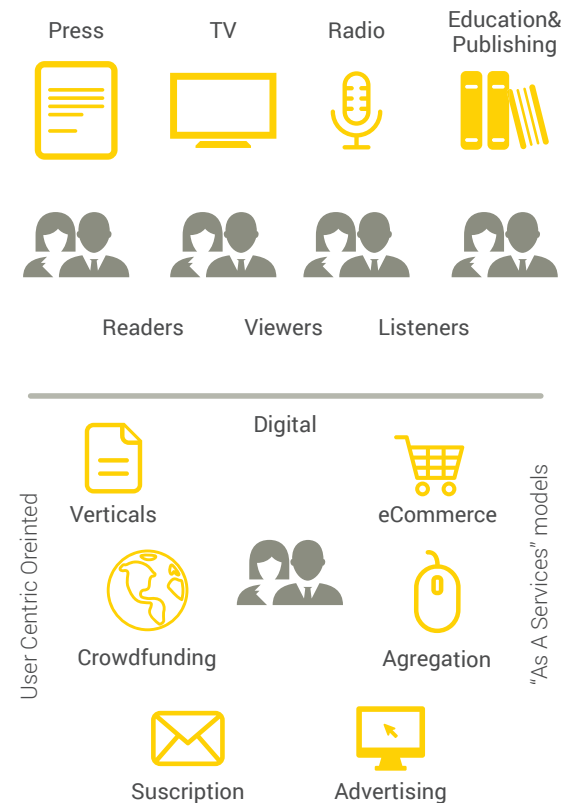
The impact of digitization in the media sector has been particularly rapid and intense compared to others. Digitization has transformed the chain value as a whole, especially with regard to the distribution model and, therefore, the business model. Surprisingly, in the information society the media, are suffering the most to find a viable and sustainable business model over time.

Although the media has advanced in the creation and development of information and entertainment products, third parties are increasingly controlling the distribution. The quest for a universal and stable business model remains a priority. Even more so for the traditional ones, which support all the paper structures and have no other option but to reinvent themselves.

However, almost two decades later, despite of proofs and errors, there has not been found a single, universal model that

responds to this revolution but rather a sort of combination of different sources of income. Precisely, the fall in advertising revenues has obliged media companies to look for new business opportunities in other areas such as electronic commerce, the sale of content and technology to third parties, events, etc. There is no doubt that it is one of the great challenges to the sector: the media will survive in the extent to which they are able to look beyond traditional business models¹. So far, the lack of innovation and the aversion to taking risks have been the major problem.

The media should internalize all the new business rules that are constantly appearing in the digital world so that they can rethink their role in the chain of value. The digital economy is an overabundant economy: infinite advertising inventory, immeasurable competition in which it is necessary to look for artificial scarcity models based on differential value



¹ The reinvention of publishing: media firms diversify to survive
<https://www.theguardian.com/media-network/2017/jan/30/reinvention-publishing-media-firms-diversify-survive>

proposals. In this sense, it is important to understand that business is also part of the message². In other words, business models have a major impact on what is produced and how and which end user consumes it. Innovation, diversification and hybridization of models are the three main characteristics that should be present in any business strategy.

The choice of the business model depends on the organization of the market, the internal capacities and the degree of digitization. Not all formulas are suitable for every headboard. In short, and as Donata Hopfen, editor-in-chief of **Bild** says³ "Every brand needs to find its own model".

In this document, we have attempted to identify and categorize the different business models and their characteristics. A business model may offer different ways or modalities of income. For this reason, it sometimes happens that the business model is confused with the payment modality or that in the nomenclature of the new hybrid models may fit several

categories. In addition, it is also important to differentiate when the commercial relationship is carried out between companies: business-to-business (B2B), or between companies with the end user: business-to-consumer (B2C). However, in some models both variants are possible.

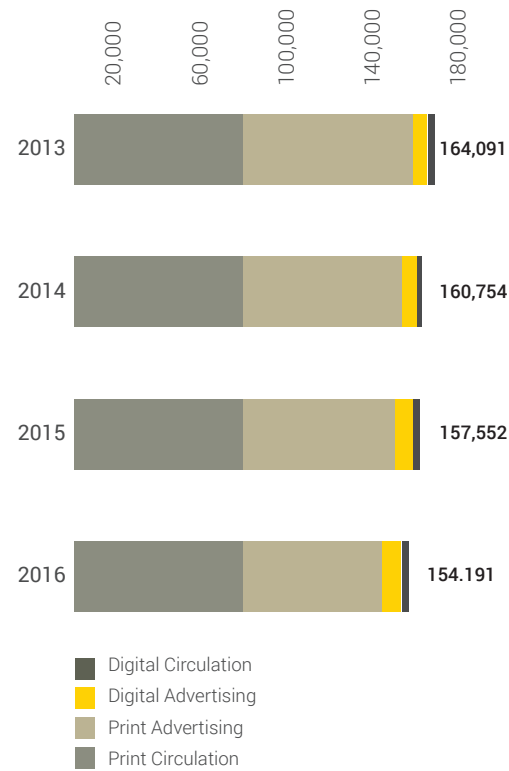
With this in mind, based on the categorization of the different models, we have identified and selected a set of good practices that allow us to have a vision of the state of the art of the sector. Although it is true that in Spain there are examples of success, we have preferred to focus on the following areas analysis in the international market.

AGGREGATION (B2C)

In an increasingly fragmented information ecosystem, healing and/or aggregation has great potential value. Around these services that have found in mobility their most propitious habitat, the possibility arises of different types of monetization, whether through micro-payments or subscription.

Global newspaper traditional revenue sources.

Global data 2012-2017



Source: WAN-IFRA from WPT, Zenith-Optimedia and PwC. 2017

² As The Media Industry Evolves, The Business Model Becomes The Message. <https://www.forbes.com/sites/gregsatell/2016/01/31/as-the-media-industry-evolves-the-business-model-becomes-the-message/#52eb92c63ccd>

³ Every brand needs to find its own model' – BILD Group's Donata Hopfen. <https://blog.wan-ifra.org/2017/08/16/every-brand-needs-to-find-its-own-model-bild-groups-donata-hopfen>

This is the case of **Discors**, an application that presents a subscribed news aggregation model that brings together contents from **The Economist, The Washington Post, Foreign Policy, The Guardian** and **Bloomberg**, among others. With the aim of giving readers access to different news sources the service offers, for a monthly fee, a selection of articles from each of these publications. Discors is presented as a middle way for those users who want to access several different headers but don't want to pay for a full subscription to each of them⁴.

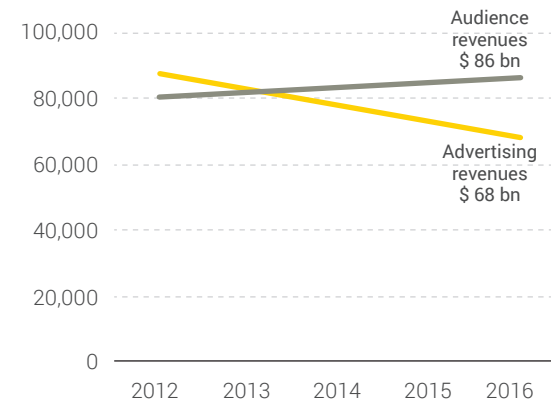
Another example of aggregation model is **Blendle**. An Dutch news platform –with more than 250,000 users worldwide last year– that allows readers to pay per piece unitary. In addition, at the beginning of 2016 it launched **Blendle Premium**, initially only for the Netherlands. It is a service that offers users to read 20 stories per day, which have been selected depending on their own interests. Regarding micropayments, there have also emerged

companies with new technological solutions such as the case of German **LaterPay**, which offers a small variant, allowing first a free access and later the payment. Among its customers in Europe the most outstanding is **Axel Springer**, who operates⁵ in the U.S. since 2016.

However, micropayments have been less successful than expected. Winnipeg Free Press⁶, for example, has ended up using them not so much as a source of revenue but as support for their paywall, allowing them to identify potential subscribers. Till the date, 10,000 people have used their micro-payments system, of which 15% have become digital subscribers.

In Australia, a series of start-ups such as **Inkl** and **Tapview** have emerged, offering another payment option called 'you-go'⁷. Which allows readers to either pay for single pieces (usually 10 cents per piece) or a flat rate for unlimited access to all the editors. According to company data,

Global newspaper revenue. 2012-2016



Source: WAN-IFRA 2017

⁴ Discors wants people to pay for news via a low-priced subscription that crosses multiple publishers www.niemanlab.org/2017/03/discors-wants-people-to-pay-for-news-via-a-low-priced-subscription-that-crosses-multiple-publishers/

⁵ Europe micropayments Laterpay LaterPay brings its media payment technology to the US <https://techcrunch.com/2017/08/10/latepay-us-launch/>

⁶ In the hunt for reader revenue, publishers give micropayments another look <https://digiday.com/media/hunt-reader-revenue-publishers-give-micropayments-another-look/>

⁷ Cheatsheet: The state of paying for news <https://digiday.com/media/cheatsheet-state-paying-news/>

Inkl presents a conversion rate of 15% of active users who pay monthly for the consumption of news, with an average reading rate of 50 pieces per month per subscriber.

Aggregation models should not rely only on payment. One of pioneers in a model exclusively based on advertising was **Flipboard**. Initially conceived as an online magazine for tablets, trying to resemble its experience to that of the printed magazines. With the gradual fall in consumption of this device, its approach has changed from 'tablet first' to 'mobile first'. Currently, 95% of Flipboard readers have access to Flipboard through its application on the mobile. Although it was born in 2010 it was not until February 2017 that it achieved positive cash flow⁸.

Usually these applications start out as initiatives of independent companies, outside the media world. On rare occasions, it is the publishers who have launched themselves into the aggregation of news from third parties, as is the case of the

German **Axel Springer** with **Upday**. Also in a format designed for mobile consumption, its revenue comes from advertising.

For its launch in Europe, the application counted with the collaboration of Samsung, whose new devices have been pre-installed. With this strategy, Upday managed to surpass the eight million unique monthly users⁹ last April. The application, already available in 12 countries in Europe, offers a news section fed by journalists that select the best stories and a personalized section thanks to its own algorithm of recommendation.

AGENCIES (B2B)

As reported in a **Newswhip** study¹⁰, 70% of people prefer to know a brand through its content rather than advertising and 68% of consumers say they feel more inclined towards a brand after interacting with the content created by it. These data explain the boom in the development of proprietary sites by brands and the rise of branded content.

Usually these applications start out as initiatives of independent companies, outside the media world.

⁸ How Flipboard pivoted to mobile at an opportune time <https://www.axios.com/how-flipboard-pivoted-to-mobile-at-the-exact-right-time-2464268676.html>

⁹ News aggregator Upday, a sort of Apple News counterpart for Android, expands into 16 countries www.niemanlab.org/2017/04/news-aggregator-upday-a-sort-of-apple-news-counterpart-for-android-expands-into-16-countries/

¹⁰ Why the top brands are thinking like publishers www.newswhip.com/2017/08/top-brands-thinking-like-publishers/

Until now, it has been customary for these contents to be generated internally by the companies themselves, which would explain the increase in the hiring of journalists, or by the agencies; however, there is an opportunity, to a large extent still to be explored, for media companies. Studies and content laboratories, already common in the sector, have evolved to become independent agencies.

That is the case of **Condé Nast**, which in 2015 created the agency **23 Stories** to manage the campaigns on the different sites of the company. At present, it is capable of making them also for third parties and has a staff of more than 100 people, mostly former executives of specialized agencies and consultants.

There are many media that already have specialized departments in content marketing for their customers and third parties, such as **IDG** or **The Atlantic Re:think**, but few are still providing a portfolio of marketing services similar to the agencies, leaving a field still to explore.

Remezcla is an example of a differential bet with integral marketing services portfolio.

The independent Latino culture site for English-speaking Hispanic Millennials¹¹ had to rethink its business strategy in 2009. In the midst of the advertising crisis, they opened a production line for brands and companies with which they began to explore new revenue streams, such as hosting sponsored parties, creating videos for brands or social networking activities. Although it emerged as a 'survival tactic', today it represents a fundamental source for the company, which is based in Brooklyn but has offices in Los Angeles and Mexico.

CNBC International is one of the most recent examples of a publisher that leans down to the agency world. **CNBC Catalyst** was launched in 2016, an internal agency that has won important accounts such as **HSBC**, **ExxonMobil** and which has attracted new brands such as **Schneider Electric** and **Huawei**. Their income, according to company sources, has grown over the last year above two digits¹².

¹¹ "Nueva Yol" Latino www.evocaimagen.com/nueva-yol-latino/

¹² "The model is working": Inside CNBC International's full-service agency <https://digiday.com/media/model-working-inside-cnbc-internationals-full-service-agency/>

More difficult to catalogue is **Old Town Media**, the project founded by three former executives of **Politico**¹³. Halfway between a venture capital company and creative and content agency, it was born with the aim of helping companies to launch new media and design products and services that are difficult to develop internally. One of his first projects has been **Galley**, a subscription-based news app designed to offer journalists a new way to talk to users.

Although a good number of successful initiatives already exist, the creation of an agency is not easy for publishers. **The New Republic**, after two years of working with a content, events and marketing agency called **Novel** was forced to close. The causes are clear to its founder: "What I realized was that even though we had the editorial prestige, we didn't have the scale, infrastructure, resources, technology to execute on that"¹⁴.

BRAND LICENSING (B2B)

Certain companies –mainly manufacturers–

have used brands of greater recognition or prestige for the marketing of new products. It has been common in sectors such as fashion or cosmetics. The world of colonies is a good example where it is common for movie stars to license their personal brand.

Little by little this model is being extended to the online world. The media, especially in the U.S., are actively exploring their business possibilities. Thus some brands, especially magazines, can be very attractive to other companies. Only in The US and Canada, the retail market for sales of licensed branded products during 2016 reached 272 billion dollars¹⁵. The unquestionable leader is **Disney**, which has a turnover of 57 billion dollars. Secondly, in the purely editorial field, Meredith Corporation, owner of magazines such as **Better Homes and Gardens**, the fourth best-selling magazine in the United States.

Although little known in our country, in 2016 it made 22 billion dollars from the licensing of its brands. It is followed by others more

Although a good number of successful initiatives already exist, the creation of an agency is not easy for publishers.

¹³ With Old Town Media, three former Politico execs want to help publishers figure out the future www.niemanlab.org/2017/09/with-old-town-media-three-former-politico-execs-want-to-help-publishers-figure-out-the-future/

¹⁴ "The model can't hold": Publishers face content studio growing pains <https://digiday.com/media/model-cant-hold-publishers-face-content-studio-growing-pains/>

¹⁵ Why Time, Conde Nast and other magazine publishers are charging into brand licensing. <https://digiday.com/media/publishers-brand-licensing/>

recognized as **Playboy**, with 1.5 billion; **National Geographic**, with 360; **Hearst**, with 350, followed by **Rodale**, with 155 and **Condé Nast** with 150 million dollars.

In order to increase its revenues in this field, **National Geographic** has hired two specialized executives in trademark licensing. For its part, Condé Nast is expanding its strategy through multiple categories, such as a line of sports equipment with **Argento** SC, a reference manufacturer in this type of clothing¹⁶.

A step beyond is the manufacture of their own products that can complement the contents produced by their website. The most innovative in this sense to date has been Tasty¹⁷.

BuzzFeed's recipe vertical has launched its first 'smart device', the Tasty One Top. A Bluetooth compatible induction board that connects directly to your application. The portal publishes recipes specially designed for the utensil, so that users can choose

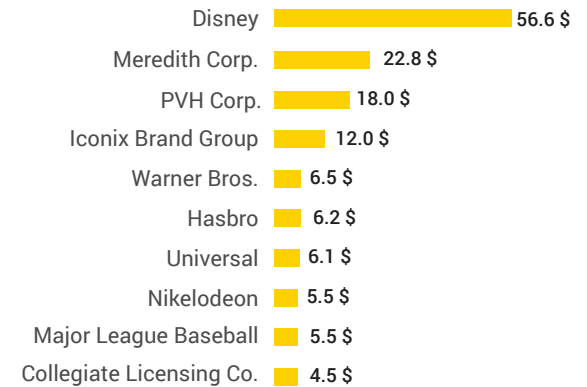
a recipe for the application and send it to the device. The same team that launched its first cookbook¹⁸ –the **BuzzFeed Product Lab**– in collaboration with **GE Appliance** manufactured **Tasty One Top**. The novelty is that, unlike other launches in which only the brand is used, on this occasion it is the exclusive property of BuzzFeed.

BARTER PRODUCT (EXCHANGE OF GOODS) (B2B)

The model of alliances and collaborations between different companies and brands in which goods and/or services are exchanged has a huge track record in the digital environment. But especially interesting is when these alliances take place with companies from other sectors.

Airbnb, in collaboration with **Hearst Magazines**, has launched a printed magazine using the traveler data collected on its site. The new publication, which was launched in May 2017, builds anonymously stories from the data of the users that Airbnb collects. For

2016 Global Reatil Sales of Top 10Licensors. \$ billions



Source: UBM Americas y BI. 2017

¹⁶ Condé Nast Expands Branded Licensing Strategy Across Multiple New Categories
<http://www.condenast.com/press/conde-nast-expands-branded-licensing-strategy-across-multiple-new-categories/>

¹⁷ BuzzFeed Unveils First Smart Appliance, The Tasty One Top
<https://www.mediapost.com/publications/article/305101/buzzfeed-unveils-first-smart-appliance-the-tasty.html>

¹⁸ BuzzFeed' 'Tasty' Cookbook Becomes Bestseller.
<https://www.mediapost.com/publications/article/292386/buzzfeed-tasty-cookbook-becomes-bestseller.html>

example, about Savannah Ga, a fashionable area in the state of Georgia in the United States and one of the main destinations search for users in Airbnb¹⁹.

The data of the apartment rental platform between individuals offers to the publisher valuable information for shaping future content. Airbnb and Hearst Magazines are co-owners of the new company, sharing equally the costs and benefits. But the incursion of Airbnb in the building is not new. As early as 2014, it launched a number of a print travel publication called **Pineapple**.

Mother Jones magazine, better known as **MoJo**, has created an area of collaborative reporting with partners such as The Guardian and **The Huffington Post** to analyze climate change in depth²⁰. Thanks to this initiative in which they share their information resources, all participants get more benefit than they would do individually.

Condé Nast and the online sales site **Farfetch** have partnered for a collaboration agreement²¹, the former provides the content and global e-commerce platform its technology. This case goes beyond a membership model because Condé Nast and **Farfetch** together offer a purchasing experience through product integration. In most cases, this type of collaboration involves the proportional distribution of income, known as revenue share.

In other cases, it is a client-supplier relationship model, such as the one recently announced between **BuzzFeed** and **Decision Desk**²² for conducting polling surveys. An agreement between the two digital companies that could surpass a million dollars.

The alliance includes live coverage of all elections in the United States until 2018. Decision Desk is a start up that was born on Twitter, specialized in the monitoring and analysis of electoral data.

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¹⁹ Airbnb Teams With Hearst on Magazine Guided by Travel Site's Data https://www.wsj.com/articles/airbnb-teams-with-hearst-on-magazine-guided-by-travel-sites-data-1493892000?utm_source=Daily+Lab+email+list&utm_campaign=1f3128f48a-dailylabemail3&utm_medium=email&utm_term=0_d68264fd5e-1f3128f48a-395928173

²⁰ Mother Jones' nonprofit fix for serious journalism <https://digiday.com/media/mother-jones-nonprofit-fix-serious-journalism-work/>

²¹ Farfetch and Condé Nast Announce Global Content and Commerce Partnership <http://www.condenast.com/press/farfetch-and-conde-nast-announce-global-content-and-commerce-partnership/>

²² BuzzFeed inks six-figure deal with Decision Desk to provide election results <https://www.poynter.org/news/buzzfeed-inks-six-figure-deal-decision-desk-provide-election-results>

ELECTRONIC COMMERCE (B2C)

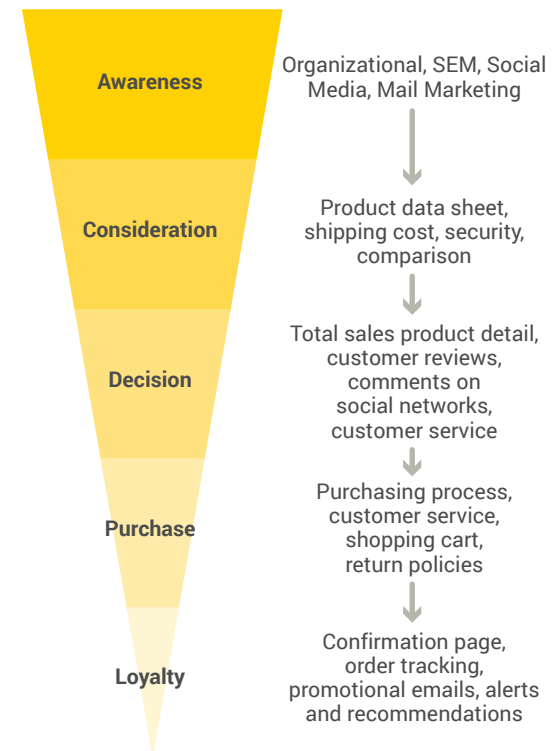
Since the media made their inroads online, the sale of products and services has been an important source of revenue, whether through ticketing, membership models or coupons.

The online sales process is based on the so-called 'funnel of sales' or 'funnel of conversion', which synthesizes the different stages that the user goes through from the moment they land on a site until they become a customer. The media, thanks to the ability to generate large audiences and the trusting potential of its brands are essential in the early stages of the process (see graph). However, given the complexity of the value chain of online commerce as a whole, it is generally required the participation of third parties and above all, the adequacy of the offer to the users' demands, keeping the editorial line protected at all times. **Condé Nast**, which groups publications such as **Vogue**, **GQ**, **Glamour**, **Vanity Fair** or **Allure**, among others, has made the decision to close **Style.com** and partner with **Farfetch**, a company specializing in

the electronic trading of luxury brands and products.

Dennis Publishing, owner of 35 journal headlines and specialized websites, is a clear example of a diversification strategy based on ecommerce²³. A bet that seems to have brought them good results in view of the increase in the company's global revenues from £59 million in 2009 to more than 93 million at the end of 2016. More than a third of them currently come from the digital area, half of which corresponds to online advertising and the other 50% to e-commerce. One of its successes comes from the acquisition in 2014 of **BuyaCar**, an online car dealership that generates the 16% of the company's online revenue. The complementary audience of their motor and BuyaCar sites has enabled them to sell more than 200 cars per month.

Digital natives like **Buzzfeed** have also made a strong effort to boost electronic commerce. With the acquisition of **Scroll**, the company founded by Jonah Peretti, created **Product Lab**, an area specializing in ecommerce that uses the data provided by its audience on Facebook to develop



²³ The reinvention of publishing: media firms diversify to survive
<https://www.theguardian.com/media-network/2017/jan/30/reinvention-publishing-media-firms-diversify-survive>

new product lines²⁴, such as a full range of candles, book publishing or, as we have seen above, even connected kitchen equipment.

In recent years we have seen an increase in the creation of vertical portals²⁵ thanks to the fact that the increased segmentation and affinity with users offers good opportunities for the development of electronic commerce.

Buzzfeed is one of the native media that is betting on 'verticalization' with specialized sites such as **Goodful**, in wellness, **Nifty**, in do-it-yourself or **Bring Me**, aimed at lovers of adventure travel.

The verticalization also seems to attract the attention of traditional media such as **The Telegraph** and its commitment to the specialization through a site on business trips. Its strategy is clear: to promote this type of content to improve ecommerce revenues. That would possibly surpass the other advertising companies in five years²⁶. The British headquarter

has a team of 50 people within the travel section, including publishers, salespeople and salesmen and sales managers as well as product managers, customer service and engineers, twenty-five of whom manage the electronic commerce section.

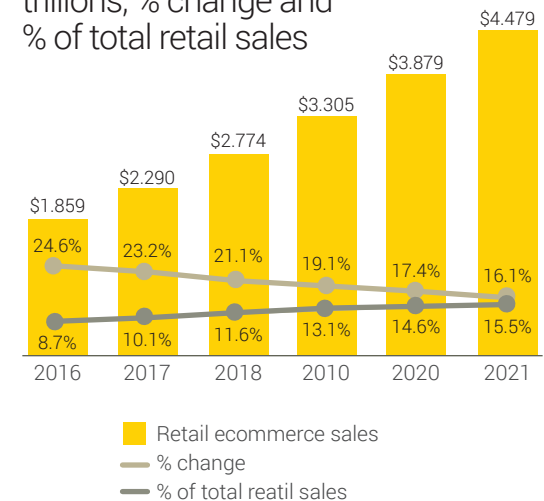
However, it is difficult to establish successful strategies, which explains the large number of companies that have failed in their ecommerce strategy, either because they have offered products that are not relevant to their audiences or because they have no operational capacity. Once again, the specialization and the value proposition for users as well as the collaboration with the right partners in each of the links in the value chain are determining factors.

Affiliation (B2B)

Within the wide range of ecommerce, affiliation is a modality with particular characteristics. Initially promoted by **Amazon**, it has been imitated by many

Retail ecommerce sales Worldwide 2016-2021

trillions, % change and % of total retail sales



Source: eMarketer, 2017

²⁴ How BuzzFeed is pushing into commerce with a 12-person team
<http://digiday.com/media/leave-no-strategy-untested-buzzfeed-pushing-commerce-12-person-team/>

²⁵ How food brand Tasty is a template for BuzzFeed's vertical expansion
<https://digiday.com/media/food-brand-tasty-template-buzzfeeds-vertical-expansion/>

²⁶ How travel is driving The Telegraph's e-commerce business
<https://digiday.com/media/travel-driving-telegraphs-e-commerce-business/>

online retailers. It consists of a commercial relationship between two companies whereby the final seller of a product or service - an ecommerce, a distributor or a hotel, for example, offers a commission to a third party for each customer or sale it has provided.

The media, which generate large audiences and have a high degree of influence and recommendation, have used this model in some of their sections to supplement their income. The recommendation of the media can be materialized through a link from a site of cooking, tourism, etc. to a specialized ecommerce to help generate a sale.

There are many companies that, to a greater or lesser extent, have tried and implemented in some section affiliation models. Among the digital natives, **Gawker Media** (GMG) has been one of the pioneer companies with a more determined strategy, even reinforced after Univision acquired it. According to data provided by Raju Nariseti²⁷, GMG's CEO of Gizmodo, GMG's

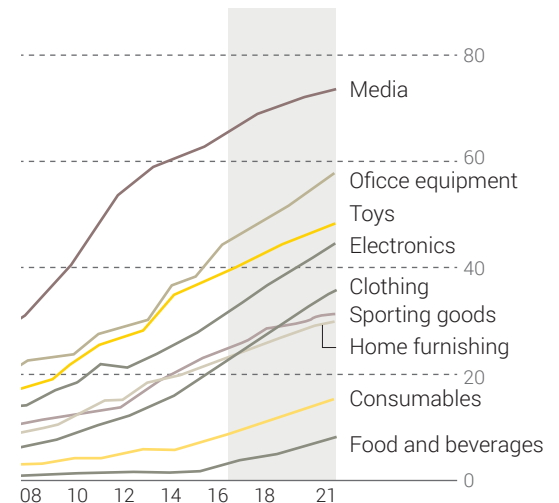
revenues from this channel are increasing: "This year, almost a third of my total revenue comes from e-commerce and we are expecting revenue to be up in the 30% or so range" BuzzFeed also has an affiliate program called **BuzzFeed Markets**.

In the U. S. market, the affiliate commissions range from 2% to 20%, depending on the type of product, volume and trading capacity of the companies. But, typically, standard transactions involve commissions for the affiliate of between 5 and 8 percent of the sale²⁸.

The New York Times has strongly opted for this model and has taken a step further by acquiring in 2016 for 30 million dollars²⁹

The Wirecutter and **The Sweethome**, two recommendation sites whose business model is based exclusively on affiliation. The Wirecutter, specialized in technological products and The Sweethome, in household products, receive a commission for each sale made. In order to give it a new impetus, the company has announced its intention

United States, e-commerce penetration by sector, %.



Source: The Economist from Cowen & Company, 2017

²⁷ Univision's Big Bet on E-Commerce, Built on Gawker's Ashes

<https://www.thestreet.com/story/14089501/1/univision-s-big-bet-on-e-commerce-built-on-gawker-s-ashes.html>

²⁸ Is Affiliate Marketing A Viable Business Model In 2016?

<https://marketingland.com/affiliate-marketing-viable-business-model-2016-159804>

²⁹ New York Times Company Buys The Wirecutter https://www.nytimes.com/2016/10/25/business/media/new-york-times-company-buys-the-wirecutter.html?mcubz=3&_r=0

to redesign and unify the two sites under a single name: **Wirecutter**. According to some estimation, in the last year and after the acquisition of the New York Times, its income has doubled from 20 to 40 million dollars³⁰.

Affiliate models are a good choice for the big media but also for the smaller ones which cannot develop their own ecommerce strategy because it is much more expensive and requires more internal resources. On the other hand, the newsletter, given its proximity to the public, which has been previously segmented, is an unbeatable channel for affiliation models. Vertical specialization, as we shall see below, facilitates impact on more specific publics, improving the conversion ratio. However, this model can present certain risks if they do not manage to be transparent with their clients and they are not able to separate clearly its editorial independence from the commercial interest of the products it recommends.

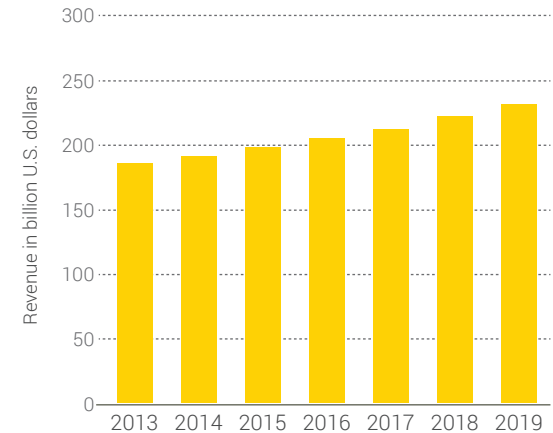
Digital coupons and rewards

The need to explore new spaces and territories has led to the recovery or adaptation of traditional models such as coupons and rewards to the online universe. The celebrity magazine People, part of the **Time Inc.** group, recently launched Perks, a digital rewards program³¹ which, through a subscription, allows access to more than 1,000 retailers, such as **Best Buy**, an electronics specialist or the **TGI Fridays** restaurant chain. Members can also win tickets to Time Inc. events like access to the red carpet of the Oscars or attendance at the Tony Awards rehearsals. This program is the second one released by Time Inc. who joins **PetHero**, oriented to pet owners. Again, verticals as a strategy to impact more efficiently on niche audiences.

From Click & Mortar to Click & Paper'

At this point it looks like the real winners of the digital transformation have been those who have known or have been able to take

Global newspaper B2B revenue. 2013-2019



Source: Statista 2017 from PwC

³⁰ New York Times Rebrands Wirecutter as Product Review Sales Grow <https://www.bloomberg.com/news/articles/2017-09-13/new-york-times-rebrands-wirecutter-as-product-review-sales-grow>

³¹ People launches a \$60-a-year subscription program <https://digiday.com/media/time-inc-launches-60-year-subscription-program-people-perks/>

the greatest potential of the online business without cannibalizing the traditional one.

The retail sector, mainly the fashion one, is a good example of this. In 2016 **Marie Claire** teamed up with online sales specialist Ocado to launch a new physical beauty store in London under the name of **Fabled by Marie Claire**, a new 'click and mortar' retail concept aimed at creating a new customer journey experience. The store incorporates tactile digital screens where customers can learn about specific products through the website³².

One year ago, the capture division of **The Economist** supported its circulation strategy through a strong advertising investment that led to large losses³³. With the subsequent decrease in advertising investment from £83 million to £76 million in 2016. However, its diffusion revenue increased by 8% up to £176 million. This change has come about largely thanks to its investment in social networks, which has allowed it to significantly reduce the cost of acquisition per subscriber. In the words of Michael Brunt, CMO (Chief

Marketing Officer) of the company: "Social media has been probably the most influential success driver for us, introducing The Economist to people who would have been incredibly expensive to reach through other forms of marketing."

The trends magazine **Monocle** is an atypical case that has made the defense flag of the printed edition, putting the rest of the company's channels both online and radio at its service. So they have deliberately made it difficult³⁴ for people to read the magazine online. You can download podcasts from the Monocle website, watch movies but rarely pick up on the topics covered in the magazine.

However, the diversification and search for other territories, especially physical stores, is not always easy, as **The Guardian** has been able to experience in its own meat. In 2016 it announced the closure of **#Guardiancoffee**, its coffee shop, which has been in operation since 2013 and joins the closing of his t-shirt and merchandising store, in addition to

The newsletter, given its proximity to the public, which has been previously segmented, is an unbeatable channel for affiliation models.

³² Marie Claire and Ocado launch new physical beauty store Fabled <https://www.designweek.co.uk/issues/15-21-august-2016/marie-claire-ocado-launch-new-physical-beauty-store-fabled/>

³³ The reinvention of publishing: media firms diversify to survive <https://www.theguardian.com/media-network/2017/jan/30/reinvention-publishing-media-firms-diversify-survive>

³⁴ A decade after launching, Monocle is still confident about print <https://www.journalism.co.uk/news/a-decade-after-launching-monocle-is-still-confident-about-print-/s2/a709507/>

abandoning the project for the construction of a center for parties and events. The company reported that these closures are part of a restructuring of different business areas to focus on the most profitable ones³⁵.

The New York Times, in partnership with the company Chef'd, has opted for a mixed modality that combines the web and marketing of products. Since 2016, they offer their readers the possibility to taste the recipes published in their Cooking section by sending kits with all ingredients to cook at home³⁶.

BUSINESS CONSULTANCY AND ADVICE (B2B)

While some sectors such as the banking, the "telco" or the big consulting firms quickly glimpsed the potential to occupy the space traditionally controlled by the media, contrary initiatives are the exception, that is to say, occupy other business spaces

such as consulting. Even more so, the big business consulting firms (the '**Big Four**') are positioning themselves to occupy a predominant place in the new ecosystem advertising program, reviewing the business of traditional media agencies.

It is logical to think that the media, taking advantage of the fact that they have specialists in different fields and that their raw material is information and analysis, continue to explore these new lines of business. So at least **Bloomberg** interprets it, using the data collected by its terminals and its powerful research and analyst team, has launched³⁷ a management-consulting unit to advise companies. The prices of the service will be between 150,000 and 200,000 dollars a month.

The Atlantic, one of the most active groups in its strategy of innovation and diversification in its financing, launched **Atlantic Media Strategies** (AMS) in 2012,

³⁵ First the coffee shop, then the events shed, and now this: The Guardian closes its T-shirt business www.cityam.com/249118/first-coffee-shop-then-events-shed-and-now-guardian-closes

³⁶ El New York Times entra en el negocio de la comida a domicilio [http://forbes.es/business/8801/el-new-york-times-entra-en-el-negocio-de-la-comida-a-domicilio/](http://forbes.es/business/8801/el-new-york-times-entra-en-el-negocio-de-la-comida-a-domicilio/forbes.es/business/8801/el-new-york-times-entra-en-el-negocio-de-la-comida-a-domicilio/)

³⁷ Bloomberg Launches An Entirely New Model of Media www.adweek.com/digital/bloomberg-is-tapping-its-deep-resources-to-provide-consulting-services-for-businesses/?utm_source=API+Need+to+Know+newsletter&utm_campaign=9d6bc608ac-EMAIL_CAMPAIGN_2017_08_09&utm_medium=email&utm_term=0_e3bf78af04-9d6bc608ac-45805565

halfway between analysis, research and consulting for third parties; the area created in 2012 has contributed to the strategic development of new websites and other products and services.

CROSS SELLING (B2C)

The sale of complementary products and services other than those that make up the company's core has been commonplace in the media world. In fact, promotions have been a lucrative business for print editions during many years.

Again **Monocle** experiments with the publication of a weekly newspaper on paper designed to be consumed only in summer³⁸, which is when readers have more time to read and advertisers can reach a very specific public, in this case tourists of high purchasing level who are on holiday in Italy. We've spent a lot of time analyzing the state of the international

news market and looking at what works and what doesn't, and there was nothing similar in English for this public.

Following the tradition of their elders, the pure digital media bets on the digital media-publishing sector. **Tasty: The Cookbook**, the culinary content division of **BuzzFeed**³⁹ achieved an important milestone, having surpassed 100,000 copies since its launch in November, it has become one of the best-selling cookbooks of the year; according to Bloomberg's estimate, the portal could have entered between \$2.4 million and \$3.9 million dollars for the book. Following in his footsteps, **Quartz**, celebrating his fifth anniversary, has published his first book **The Objects that Power the Global Economy**, aimed at translating his particular approach to journalism and storytelling into print media. In addition to the proceeds from the sale of copies, it obtains funding for sponsored content.

The media, taking advantage of the fact that they have specialists in different fields and that their raw material is information and analysis, continue to explore these new lines of business.

³⁸ Monocle is printing a limited-run weekly newspaper in Italy <http://www.niemanlab.org/2017/07/monocle-is-printing-a-limited-run-weekly-newspaper-in-italy-because-why-not-plus-it-made-money/>

³⁹ BuzzFeed 'Tasty' Cookbook Becomes Bestseller <https://www.mediapost.com/publications/article/292386/buzzfeed-tasty-cookbook-becomes-bestseller.html>

CROWDFUNDING (B2C)

Crowdfunding, understood as the collection of funds directly contributed by users to support and sustain online projects, has become a means of financing the implementation of independent projects that require an initial impulse for their launch.

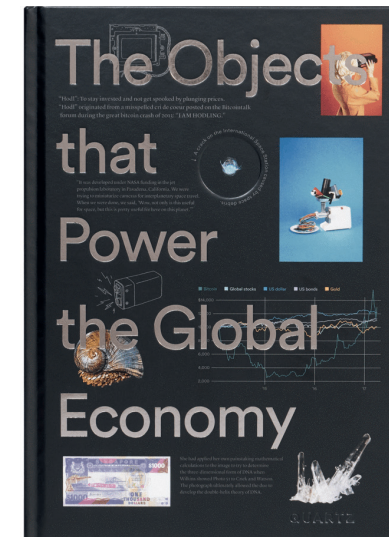
It is often a means of supporting local journalism and investigative journalism, which has been particularly hard hit by the crisis. Especially in the USA where many local headwaters, including large and medium-sized cities, have disappeared in the last ten years. This is the case of **Baltimore**, which has lost some of its most emblematic titles, with **City Paper** being the last to announce its closure. To try to remedy this gap, the **Boston Non-Profit Institute of Journalism** (Binj) launched a crowdfunding campaign to raise \$25,000 dollars to support local community journalism projects.

Although crowdsourcing can be vital for the start-up of new projects, it does not guarantee their sustainability in the medium and long term, so if they do not

have a sustainable model of additional income, they usually end up closing. This is the case of **Spot us**, which was one of the pioneering organizations in the search of funds provided by users to bring together citizens, journalists and editors. Launched in 2008, it earned 340,000 dollars from the **Knight Foundation** and was later acquired by **American Public Media**. Unfortunately, it failed to launch a profitable model, closing its doors in 2015.

But there are also examples of crowdfunding such as the Dutch company **De Correspondent**, which was launched thanks to a collective fund of 1.7 million dollars, which allowed them to pay the first wages of their journalists. Thanks to its model, the initial 19,000 subscribers quickly became 28,000. In one year the website had a viable model, paid for through a subscription and a paywall. It currently has more than of 56,000 subscribers enabling sustainability⁴⁰.

The 'fake news' boom has also boosted funds for specialized news verification services such as **PolitiFact**. Formed by the data verification team **Tampa Bay Times**, has managed to raise more than 100,000



⁴⁰ Will crowdfunding save journalism? <https://theconversation.com/will-crowdfunding-save-journalism-54070>

dollars in the United States in 20 days through a fundraising program⁴¹. **Mother Jones**, on the other hand, obtains just over half of her income directly from her donors, currently around 40,000, representing a 125% growth this year. The basis of their support is very varied, from small individual donors to large foundations. The magazine carried out an awareness-raising campaign of the need for these donations in order to support this type of information. It showed the cost of one of his investigations and the associated income they obtained for publicity. If the contributions were usually US\$ 20,000 per month, during the following six months to the bell got this amount to triple⁴².

Crowdfunding requires that a considerable number of people show great interest and confidence in a project to make contributions in advance. Therefore, they are usually models of risk, generally more outdated for the implementation of projects or to support research that, due to a lack of resources or time, the means could not be carried out independently, but they are

an insufficient and difficult road that is sustainable over time.

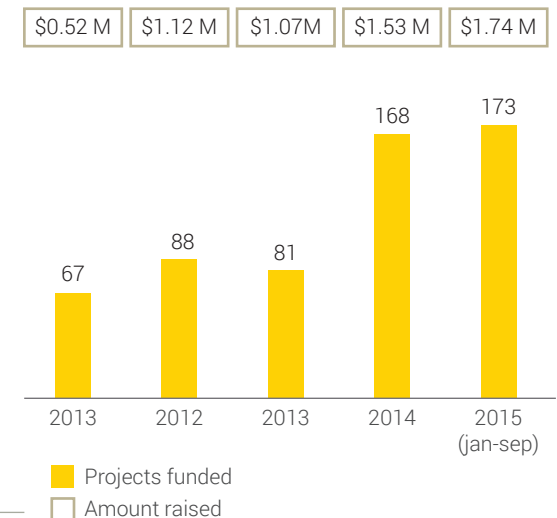
CROWDSOURCING (B2C)

One variable of the model of mass fundraising provided by users is the participation of the community in the development of products and content. That is to say, a model of open and distributed collaboration in which third parties participate. Instead of contributing funds, the contribution is made through crowdsourcing. Therefore, we would not be looking at a direct income model but rather at a new incorporation of resources that could improve the income statement. While it is true that this type of initiatives had a great repercussion coinciding with the rise of citizen journalism, in recent years have been in decline.

One of the few remaining examples is **Fresco News**, a New York City-based organization that uses crowdsourcing to deliver news on video created by its collaborators. In application format, Fresco

Crowdfunding requires that a considerable number of people show great interest and confidence in a project to make contributions in advance.

Number of journalism projects funded through Kickstarter



Source: Pew Research Center 2015

⁴¹ PolitiFact levantó \$ 105.000 de 20 días a través de su programa de membresía recién lanzado <https://www.poynter.org/news/politifact-raised-105000-20-days-through-its-newly-launched-membership-program>

⁴² How Mother Jones used its prison exposé to turn readers into donors <https://www.poynter.org/news/how-mother-jones-used-its-prison-expose-turn-readers-donors>

News connects users and professional organizations so that they can use the content that users upload, and is especially useful to cover events such as demonstrations or in natural disasters. For its part, **De Correspondent**, already mentioned above, regularly requests the opinion of its readers to know what stories they want to be researched and published.

DATA BROKER (B2B)

Fortunately, in an era when the data is considered to be the petroleum of the digital economy, the media has important sources that they have begun to explode internally and which can also represent new opportunities. Internal data use is widespread and it is the cornerstone of digital business.

ProPublica has been one of the most decidedly media to explore the sale of data to third parties⁴³ through the **ProPublica Data Store**, its data repository. The project, which was launched three years ago on an experimental basis, began to bear fruit

quickly, surpassing 200,000 dollars of revenue in 2016. Its ultimate goal is to help other media to market their datasets.

The programmatic advertising has focused on the importance of own data, the so-called 'first party data' for the media. Although its consumption is mostly internal, some large headlines such as **The Telegraph** or **The Guardian** have tried to put them in value offering to third parties, with unequal results.

EVENTS (B2C-B2B)

Although the events organization has been an area that media companies have explored since before the arrival of Internet, it has been in recent times when its implementation has exponentially grown, becoming a complement for both the income part as well as influence goes. As Anna Jones, former **Hearst** CEO said, "We realized that if trust and entertainment are at the heart of what we do, we can actually build an event business in a very interesting way." Event

The media has important sources that they have begun to explode internally and which can also represent new opportunities.

⁴³ ProPublica's Data Store, which has pulled in \$200K, is now selling datasets for other news orgs www.niemanlab.org/2016/10/propublicas-data-store-which-has-pulled-in-200k-is-now-selling-datasets-for-other-news-orgs/

design and execution allows us to combine basically two types of revenue: ticket sales and sponsorship, without forgetting the influence and relationship they generate.

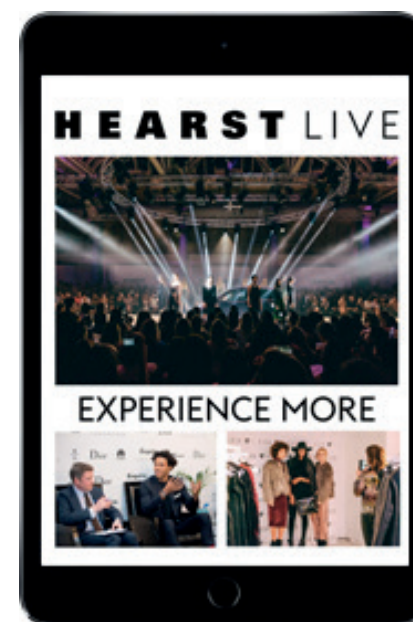
With this in mind, **Hearst Live** is born, an area in charge of centralizing all the events of its different headlines: **FashFest**, **Cosmopolitan**, Good Housekeeping, Harper's Bazaar and ELLE. Hearst has increased revenue from both ticket sales and sponsorship. Dior, for example, is the official sponsor of **Esquire Townhouse**. Her most recent release is adult dating events. Since its launch in 2015, Hearst Live has not stopped growing: more than 100 events per year, its revenues and profits have doubled⁴⁴.

Events are becoming more and more important because they are also interesting for consumers, which in the words of Raul Martinez⁴⁵ Condé Nast creative director: "It's an ironic reaction to an overly digitized world, where people crave real-life experiences, but still want to share them on social media. There's a demand for

experiential marketing, which has become a catalyst for content creation".

But events don't have to be monopolies of the big brands, they can also be a good choice for the local media. This is the case of **Spirited Media**, parent company of **Billy Penn** and **The Incline**, two headlines oriented to millennials. Their strategy has been to boost local events "You have an event that goes really well. You send 175 ambassadors out of your event thinking it was awesome, saying, "I love Billy Penn's events. And on top of that, you make money doing it" ⁴⁶.

The list of companies that includes events in their diversification strategy is countless, but among those that stand out are **The Economist**, **The New York Times** or **The Guardian**. Also the most innovative digital media such as **The Information**, **Digiday**, **Fast Company** or **Quartz** have opted for this complementary revenue stream. And this trend seems to be increasing. According to the **Publishing Benchmarks Report**⁴⁷, more than a third of the publishers



⁴⁴ Hearst live continues to grow with series of senior appointments
www.hearst.co.uk/uncategorized/hearst-live-continues-grow-series-senior-appointments

⁴⁵ Conde Nast positions 23 Stories as a 100-person creative agency
<https://digiday.com/media/conde-nast-positions-23-stories-100-person-creative-agency/>

⁴⁶ Jim Brady: Events and experiences are key to connecting younger audiences to local news. <http://www.niemanlab.org/2017/03/jim-brady-events-and-experiences-are-key-to-connecting-younger-audiences-to-local-news/>

⁴⁷ <https://blog.hubspot.com/marketing/publisher-events-the-future-of-media-revenue>

participating in the survey consider that the events will be increasingly important in their contribution to the company's global accounts over the next two years.

The power of news brands to create communities of interest and their ability to exploit them in the form of events is evident. The unstoppable increase in number and frequency together with a growing uniformity in formats, issues and speakers can lead, however, to a rapid overexploitation, becoming the peak of 'death of success'.

PHILANTHROPY

The media as well as the public, cultural and NGO sectors has private non-profit organizations that enjoy a business model, which provides them with income streams. This type of funding includes philanthropic support, government funding and corporate responsibility.

Pierre Omidyar, who was one of the founders of **ebay**, launched **Omidyar Network**, a philanthropic organization

that has earmarked \$100 million dollars to support⁴⁸ journalism of research, fighting misinformation and countering hate speech around the world. One of the first contributions, worth 4.5 million dollars has been allocated to the **International Consortium of Investigative Journalists** (ICIJ).

Examples of philanthropic support spread all over the planet. South Africa is home to the **AmaBhungane Center for Investigative Journalism** (NPC): A non-profit company founded to develop journalism of public interest. Its aim is to promote a free and dignified press capable of sustaining an open, responsible and just democracy as well as ensuring the information rights that investigative journalists need to do their job⁴⁹.

Voice of San Diego is spearheading a team to help other smaller media to create membership programs. Initially it is helping a pilot group of five news organizations - **Honolulu Civil Beat**, **InsideClimate News**, **The Lens**, **NJ Spotlight** and **PolitiFact**. Aid ranges from technology development to strategic guidance⁵⁰.

⁴⁸ Omidyar network gives \$100 million to boost journalism and fight hate speech https://www.washingtonpost.com/lifestyle/style/omidyar-charity-gives-100-million-to-boost-journalism-and-fight-hate-speech/2017/04/04/aebb013c-193d-11e7-855e-4824bbb5d748_story.html?utm_term=.a8cce0ald257

⁴⁹ The amaBhungane Centre for Investigative Journalism NP <http://amabhungane.co.za/>

⁵⁰ Voice of San Diego is spearheading a team to help other smaller news outlets build membership programs www.niemanlab.org/2016/12/voice-of-san-diego-is-spearheading-a-team-to-help-other-smaller-news-outlets-build-membership-programs/

Civil Beat was one of the first five organizations that joined together to the project. For a fee they set up membership programs: software, recruitment, retention, messaging and maintenance and also facilitate an exchange of ideas among the participants.

For its part, **The New York Times** has launched an area to look for investments of a philanthropic nature⁵¹ from both organizations and individuals in order to promote their journalistic projects. According to an internal memo signed by the editor of the newspaper, Dean Baquet, "Over the past year a host of philanthropies and universities have come forward asking to help support our journalism. Invariably, they say we are one of the few institutions with the independence and ambition to take on the largest subjects here and abroad".

This initiative is known only a few days after to formally launch **theguardian.org**, the U.S. -based 'peak philanthropy arm' of the British headline. Apparently, it had been running quietly for more than a year. During

this time it would have raised 1 million dollars and insured 6 million more. This money is intended to cover issues such as modern slavery or climate change and it is expected to support coverage of issues that would not otherwise be reported.

In an attempt to increase understanding with the media, **Google** launched the **Digital News Initiative** (DNI) Innovation Fund in 2015, a European fund for financing innovative projects in journalistic organizations. Since its launch, it has donated 73.5 million euros to 359 projects in 29 countries. For its part, **Facebook** has launched the **Facebook Journalism Project**⁵², a program to collaborate with organizations of news that acted in three different fields: development of information products, search for emerging business models, the launch of hackathons or of training programs for journalists and users. It should also be noted that in Europe, unlike other markets, the public sector continues to be an important support for the private media sector⁵³, whether through direct or indirect aid.

The International Consortium of Investigative Journalists is a global network of more than 200 investigative journalists in 70 countries



Source: www.icij.org

⁵¹ A New Role for Janet Elder <https://www.nytc.com/a-new-role-for-janet-elder/>

⁵² Introducing: The Facebook Journalism Project <https://media.fb.com/2017/01/11/facebook-journalism-project/>

⁵³ Public funding of private media. Media Policy Project .

<http://www.lse.ac.uk/media@lse/documents/MPP/LSE-MPP-Policy-Brief-11-Public-Funding-Private-Media.pdf>

TRAINING AND EDUCATION (B2C)

The media has traditionally been very pro-active to the education and publishing sector. With the financial and advertising crisis, some groups reoriented their strategy to focus on one of them.

Other media have begun to explore their own educational initiatives. Since 2013 **Forbes Media** has been collaborating with Ashford University in the implementation of the **Forbes School of Business**, offering its students all its resources through online courses. For its former President: "This collaboration is a natural extension of what Forbes has been doing for nearly 100 years: providing people with information and insights to enable them to develop their own talent and become true entrepreneurs"⁵⁴.

Bloomberg Finance Lab offers a program under the name of **Universities Bloomberg Terminal**⁵⁵ aimed at university students who want to learn how to manage their terminals. It also offers its data sources to those who are training in finance. A

part of being a direct source of income, in the medium term they are generating a community of prospective clients and prescribers.

Although the borderline between training and events is increasingly blurring the media have a highly qualified human capital, which is necessary in the current ecosystem of continuous training. In this sense, either individually or in collaboration with educational institutions (universities, business schools, etc.), tools such as webinars or MOOCs (Massive Online Open Courses) can represent an alternative revenue stream that has not yet been sufficiently exploited by the sector.

RESEARCH AND ANALYSIS (B2C/B2B)

Halfway between consulting or agency services the media are developing their own areas for analysis and research. Both for their own use and for a third part.

One of the most active media since its birth in this field has been **Business Insider**, owned by **Axel Springer**, which

In Europe, unlike other markets, the public sector continues to be an important support for the private media sector.

⁵⁴ Ashford University and Forbes Media Form Alliance <https://www.forbes.com/sites/forbespr/2013/11/05/ashford-university-and-forbes-media-form-alliance-and-name-the-forbes-school-of-business/#638050ab7821>

⁵⁵ <https://www.bloomberg.com/professional/expertise/universities/>

already in 2013 launched its BI Intelligence (BI) research unit as an additional revenue stream. In 2016 BI had a team of 40 people and 7,500 subscribers who pay around \$2,500 a year for access to their reports. In addition, it has built its own research panel with more than 15,000 panelists⁵⁶.

The Digiday's Research in Brief is the payment research service that provides "digestible" data and analysis to aid in strategic decision-making. Based on surveys made to industry leaders, executives and influencers, the service is offered – together with a magazine on paper, monthly trend analysis and access to a channel in **Slack**–to the subscribers of their premium **Digiday Plus** service.

Bustle, the site focused on female millennials, is one of the most recent examples⁵⁷ in exploring this new way of income. With the creation of **Bustle Trends Group**, a research area for analyzing the trends they like the most, wants to become a reference point for monitoring

this target so coveted by advertisers. Although its main objective is research for advertising purposes, the publication of white papers and other documents are also addressed to market other companies interested in knowing the consumption habits of millennials women in the U.S.

CONTENT MARKETPLACE (B2C)

Marketplaces can generate income between companies. This is the case of **Bloomberg** or **Reuters**. But they can also promote B2C end user models, frequent in the world of images, with **Getty Images** being the biggest reference.

Reuters has launched a market place⁵⁸ that offers all its own multimedia content as well as a wide range of services from other leading media around the world. Reuters Connect is designed to be a faster and smarter way for their customers to get to the source of all the content they need through a single destination. Content providers on the platform include **BBC**,

Los medios disponen de un capital humano altamente cualificado que, en el actual ecosistema de formación continua, tienen mucho que aportar.

⁵⁶ Business Insider now has a 40-person research group and 7,500 subscribers
<https://digiday.com/media/business-insider-now-40-person-research-group-7500-subscribers/>

⁵⁷ How Bustle, Atlantic Media are expanding their agency services
<http://digiday.com/publishers/bustle-atlantic-media-expanding-agency-services/>

⁵⁸ Reuters launches Reuters Connect, a content marketplace driven by the needs of modern day publishing
<https://www.thomsonreuters.com/en/press-releases/2017/may/reuters-launches-reuters-connect.html>

USA Today Sports, Omnisport Variety, Hollywood TV, Jukin Media, Africa24, etc.

Contents marketplaces are not exclusive to content and news companies; other sectors also perceive the potential of this model. **Uber**, the company that is revolutionizing urban transportation and continues to grow, is trying to expand its business⁵⁹ to more areas. Among others, to turn the application into a content marketplace.

Advertising Marketplaces

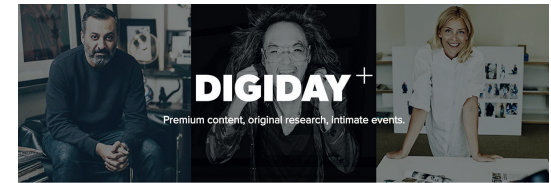
The birth of advertising marketplaces is a growing trend, as a result of the expansion of programmatic sales. Its objective is to join forces against the growing power of technological platforms. That is the case of **Concert**, an alliance created a year ago by **NBC Universal** and **Vox Media** to implement its own advertising marketplace based on premium content and to achieve a greater reach than the companies could achieve separately. According to Jim Bankoff, CEO of Vox Media: "In an era of fake news, ad

fraud and ad blockers, we are looking to build something advertisers can trust"⁶⁰.

MEDIA FOR EQUITY (B2B)

The big media companies have found in start-ups the innovation that for culture and structure is difficult to develop internally. It is not only help the internal digital transformation but also it can be a potential source of income. The approach is usually through a model called 'media for equity', whereby the publishing company takes a share of the start-up in exchange of advertising and mentoring services, advice, etc. For the media, the income can come from the start-ups own business or, more frequently, from capitalizing its share by selling it to a third party ('exit' or divestment).

The **News UK** has set up a start-up incubator to identify new sources of revenue⁶¹. The selected companies will work in collaboration with News UK to exchange assets and knowledge in



⁵⁹ Uber plans to turn its app into a 'content marketplace' during rides
<https://techcrunch.com/2017/03/03/uber-plans-to-turn-its-app-into-a-content-marketplace-during-rides/>

⁶⁰ In the Fight Against Big Digital Powers, Conde Nast Joins NBCU and Vox in Ad Pact
<http://adage.com/article/media/conde-nast-joins-nbc-universal-vox-ad-partnership/308216/>

⁶¹ News UK looks to startups to unearth new sources of revenue
www.thedrum.com/news/2017/09/04/news-uk-looks-startups-unearth-new-sources-revenue

order to generate more value for both the publisher and the startup itself.

Thomson Reuters has Thomson Reuters Labs, focused on start-ups specialized in big data, advanced analytics, artificial intelligence, automated learning and other innovative technologies that it is difficult to develop internally.

Also British **Channel 4** has an investment fund that offers to new business start-ups a rapid access to the advertising inventory in exchange of shareholdings as well as income distribution agreements. The company sees this fund as a way to attract new advertisers to invest in television. For its part, **Guardian Media Group** has partnered with **Founders Factory** incubator to jointly support new **MediaTech**, start-ups specialized in the media sector. The incubation program hosts five selected companies for a period of six months to help them grow.

In Australia, **Fox Sports** and **Nova Entertainment** have teamed up to launch an investment fund specialized in media with the aim of promoting start-up companies. The fund, which was born

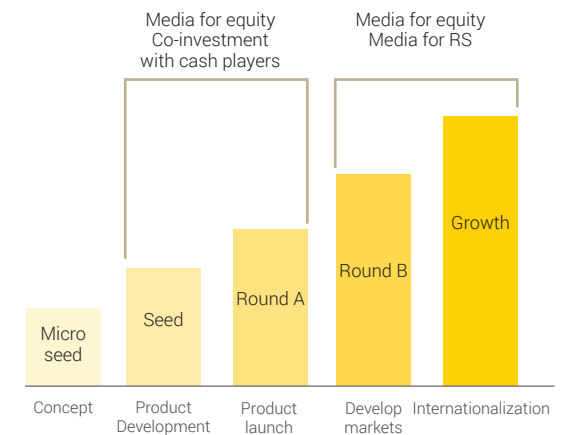
under the name **Scaleup Mediafund**, will give access to Australian start-ups and, in exchange of a shareholding, offers its equivalent in advertising.

MEMBERSHIP (B2C)

Membership consists of a model for which members pay a monthly or annual subscription to have a series of advantages or benefits. Membership combine priority access to content with added-value services such as conferences and events, merchandising, discounts on products, etc.

Some brands such as **The Guardian**, which up to date had rejected the model of paywall, have trusted in the creation of a membership club as an additional revenue stream to advertising. Under the name **The Guardian Membership**, the program offers three different levels: friends, partners and clients. The latter, the most complete, includes a series of discounts and bookings, priority for events, debates with journalists or visits to the newsroom to experience the editorial process live. In the words of Alan Rusbridger⁶²: "By joining, you can be part of of our journey of transformation

Media Digital Ventures



Source: Digital Media Ventures, 2016

⁶² Guardian launches new three-tier membership scheme
<https://www.theguardian.com/media/2014/sep/10/guardian-membership-scheme-patrons-kings-cross>

into an open and global 21st century media company.”

In this way **The Guardian** has reached 800,000 readers who support it financially in a direct way. Of these 500,000 are subscribers or members of its membership program, while the other 300,000 readers do so through donations. In this way, and without a payment wall, the British newspaper already receives more revenue from readers’ direct payments than from advertising⁶³.

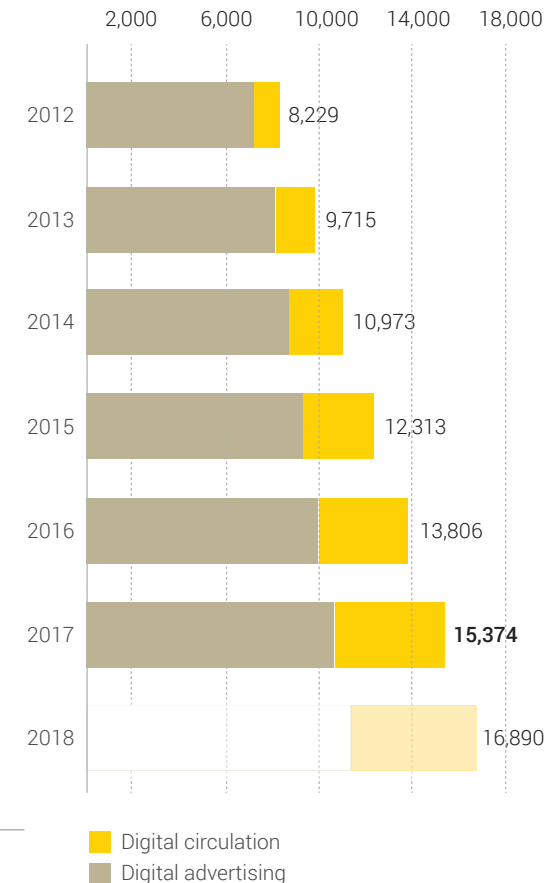
In the U. S., **The Atlantic** has launched a membership club⁶⁴ that aims to raise revenue from their most loyal readers. On September 6th the political magazine launched **The Masthead**. Benefits for members include a digital subscription to the magazine, a daily ticket with exclusive content, monthly reports, access to a member-only **Facebook** group and weekly telephone conferences with The Atlantic editorial staff, plus event discounts.

For its part, after a few months of rethinking its business model, Medium, which was born as an open platform for online publishing, has ended up opting for the development of a membership program. For about five dollars a month they offer selected content and a better user experience. Its aim is to become a kind of content provider such as **Spotify**, **Patreon**, and **Pocket**⁶⁵.

As in other models analyzed, membership is not exclusive to traditional media. Digital natives such as **Stat**, **Slate** and even smaller ones like **Charlotte Agenda** (specialized medium in Charlotte, North Carolina) are offering similar models that include promotions, training, access to newsletter, gifts and meetings with other club members⁶⁶.

Membership models are becoming increasingly important. A good example of this is the **Membership Puzzle Project**⁶⁷, an initiative promoted by **New York University** (NYU) with the support of the Dutch media

Global newspaper digital revenues. 2012-2017



Source: WAN-IFRA from WPT, Zenith-Optimedia y PwC. 2017

⁶³ Together, we are safeguarding the Guardian's independent journalism <https://www.theguardian.com/membership/2017/oct/26/together-we-are-safeguarding-the-guardians-independent-journalism>

⁶⁴ The Atlantic launches \$100-a-year membership program <https://digiday.com/media/atlantic-launches-100-year-membership-program/>

⁶⁵ “Media is broken,” so Medium's launching a \$5/month member program that offers small upgrades www.niemanlab.org/2017/03/media-is-broken-so-mediums-launching-a-5month-member-program-that-offers-small-upgrades/

⁶⁶ <https://www.charlotteagenda.com/become-a-member/>

⁶⁷ <https://membershippuzzle.org/>

De Correspondent and funding from the **Knight Foundation**. The project was born with the aim of monitoring and analyzing the different initiatives linked to this model that are emerging in the U.S.

CONTENT PAYMENT (B2C)

After years of offering information content free of charge, the payment for online information grows slowly. However, in the last two years, digital advertising revenues have not grown as fast as the media expected. What is forcing to look for new formulas that develop models to encourage payment for information.

The advertising crisis and other structural and conjunctural factors are behind the creation of these initiatives that can be materialized in the following points:

1. The weakness of digital advertising.
2. The current power of the distribution.
3. The rise of false news.
4. The 'Trump Communication Machine' effect.

As we analyzed in a previous report⁶⁸, the Brexit and the rise of fake news, together

with Trump's arrival at the White House and his particular crusade against the media, have served to promote and accelerate initiatives that are moving in this direction. The latest data from subscribers in the major US media supports this:

- The New York Times: 2,500,000
- The Wall Street Journal: 1,270,000
- The Washington Post: +1,000,000.
- Los Angeles Times: 105,000
- The Boston Globe: 90,000

When we talk about the payment of contents, the predominant modality is subscription. However, others are appearing such as the new hybrid models that dilute the bars and in which several modalities can converge at the same time, which make difficult an exhaustive categorization. As a guideline, these are the different payment methods, some of them analyzed individually in this document:

- **Freemium**: a free basic version is offered and paid only for premium services.
- **Membership**: payment for additional services.
- **Micropayment**: payment for

Membership combine priority access to content with added-value services such as conferences and events, merchandising, discounts on products, etc.

⁶⁸ El auge de los modelos de pago <http://evocaimagen.com/dosieres/dosier-evoca-04-paywalls.pdf>

consumption of individual pieces.

- **Paywall:** the most widespread is the metered or porous one that offers free access to a specific number of news items, being necessary for others to pay.
- **Subscription:** monthly or annual payment for access to all available contents.

Paywall metered

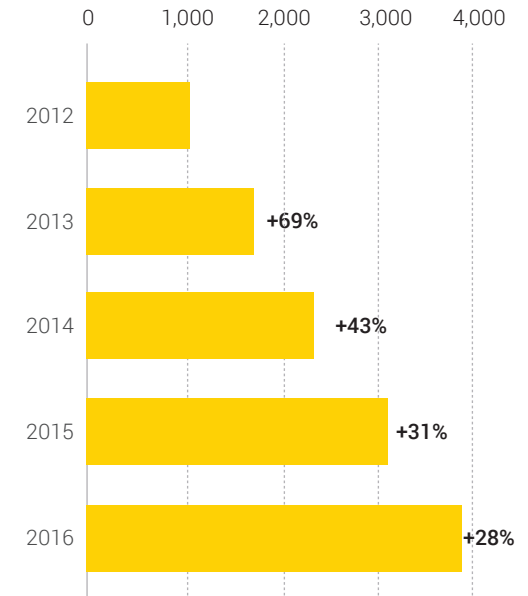
The New York Times is the reference media, which is leading the transformation of the sector. It has made the metered model their flag. In fact they are their inventors. In their quarterly report⁶⁹ for the third quarter of 2017, they announced that 105,000 net subscriptions had been added, reaching almost 2.5 million digital subscribers among all its products: **Crosswords** and **Cooking**, representing 85.7 million dollars in revenue, 46.3% more than the same period a year ago. Its goal is to continue growing and, according to CEO Mark Thompson, to reach 10 million subscriptions.

Its top competitor, **The Washington Post**, whose digital revenues in 2016 could have exceeded \$100 million, is also a supporter of payment through a porous model. In the words of its director, Martin Baron: "Investigative reporting is absolutely critical to our business model. We add value. We tell people what they didn't already know. We hold government and powerful people and institutions accountable. This cannot happen without financial support. We're at the point where the public realizes that and is willing to step up and support that work by buying subscriptions"⁷⁰.

This is undoubtedly one of the great challenges of the sector: to get a group of users, accustomed to the free use of the Internet online information, find incentive for payment. According to a survey conducted globally by **Reuters Institute**⁷¹, more than half of the participants see no reason to pay for news online as they can get it free of charge. However, the survey gives different results when the content is audiovisual entertainment. In any case,

Global newspaper digital circulation revenues.

Millions dollars and %



Source: Statista 2017

⁶⁹ The New York Times Company Reports 2017 Third-Quarter Results
<http://investors.nytc.com/press/press-releases/press-release-details/2017/The-New-York-Times-Company-Reports-2017-Third-Quarter-Results/default.aspx>

⁷⁰ Washington Post, Breaking News, Is Also Breaking New Ground
https://www.nytimes.com/2017/05/19/business/washington-post-digital-news.html?_r=1

⁷¹ The 2017 digital news report <http://www.digitalnewsreport.org/survey/2017/paying-for-news-2017/>

only 16% of US news users paid for them in 2016. The Wall Street Journal, one of the few online media that have maintained a payment model since its creation, continues to look for new ways to adapt to changes and palliate the fall of advertising investment in print media. Among others, the possibility of charging per item and even for home delivery of your paper edition, including an ad-free digital version.

On the current European scene, according to Reuters, 66% and 71% of newspapers and magazines respectively operate with some payment model. Apart from the usual **The Economist** or **Financial Times**, there are other initiatives that have been consolidated over time.

Three years ago, the Norwegian publishing house **Amedia**, which has 62 local and regional titles from all over the country, launched a digital subscription strategy based on a universal access system called ID. Amedia has reached about 530,000 paying users (digital + print, about 10% of

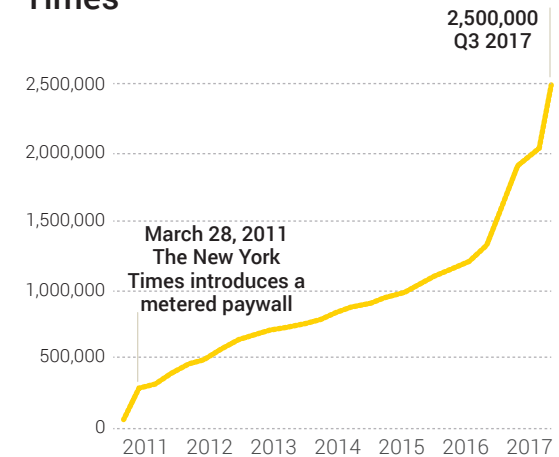
Norway's total population). The key to its success lies in the exhaustive knowledge of its users thanks to the collection and analysis of different data sources that allow them to offer personalized value propositions for each audience segment⁷².

In Germany, **Spiegel Plus** presents a small variant of the micropayment-based metered model. Readers can access all the articles but only up to the first 1,000 characters from which the subscription is requested. These new, more innovative modalities and experimental are made possible by new tools and payment platforms that make it easier for the media to manage and control the process⁷³.

Subscriptions

Although most of the media that have payment models seek coexistence with advertising, a few, usually digital natives, have opted for pure subscription without any type of advertising. It seems paradoxical that the few native digital

Paid digital-only news subscriptions of The New York Times



Source: Statista 2017

⁷² Here's how this Norwegian publisher built a successful digital subscription model for local news <http://www.niemanlab.org/2017/05/heres-how-this-norwegian-publisher-built-a-successful-digital-subscription-model-for-local-news/>

⁷³ Pay it forward: LaterPay, a German payment infrastructure company, offers micropayments with a twist www.niemanlab.org/2016/07/pay-it-forward-laterpay-a-german-payment-infrastructure-company-offers-micropayments-with-a-twist/

media presenting payment models opt for the most closed version possible, that of subscription without advertising.

In Europe, where 97% of native digital media opt for free-of-charge, France's **Mediapart** stands out for its exceptionality, presenting a payment model without advertising. It already has 140,000 paid readers. Every day, 400 new subscribers are added to the network, reaching more than 1,000 when a major breakthrough. All of its revenues come from subscriptions, having got 11.5 million euros three years after its launch and net profits of over two million euros⁷⁴.

A similar model in the US is **The Information**. The media, born in New York City and founded by the former Wall Street Journal editor Jessica Lessin, has highly specialized content in technological companies, which has led it to become one of the most influential sites for the business community and technology investors. Their subscription model without advertising has generated more than 10,000 paid subscribers.

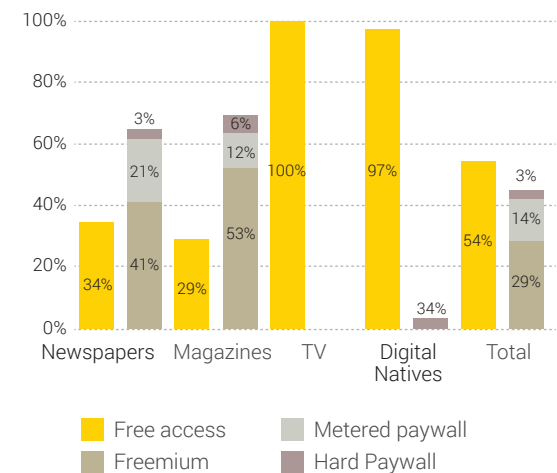
According to the same **Reuters Institute** report mentioned above, more than half of the readers consulted say that it makes no sense to pay for the information online because it is easily available free of charge. Although as we have seen, payment initiatives follow one another, the challenge to reverse this perception is complex and requires a great effort that, to a large extent, goes through exclusivity, quality, customization and innovation in formats.

ADVERTISING (B2B-B2C)

Advertising investment in paper is still in free fall, having fallen from 43 billion to 12 billion dollars, meaning a 12% decline in 2016⁷⁵. However, this investment has not migrated as expected into the digital market. To all this, it should be added the growing power of **Google** and **Facebook** as advertising platforms and an increasingly fragmented and confused ecosystem.

The media has become one of the main victims in today's digital advertising market, which the CEO of **The New York**

Online payment models in Europe



Source: Reuters Institute, 2017

⁷⁴ How French publisher Mediapart has used political tumult to drive subscriptions <https://digiday.com/media/mediapart-grown-140000-paying-subscribers/>

⁷⁵ US advertising forecast <https://magnaglobal.com/wp-content/uploads/2017/03/MAGNA-March-US-Forecast-Press-Release.pdf>

Times describes as a “nightmare joke”. From the outset, the media, driven by the unstoppable dynamics of the market, have been plunged into the battle of ‘page views’ and indiscriminate clicks. Abuse of intrusive formats and other malpractice has undermined the viability of the model itself. The arrival of the adblockers was an alarm of the problem facing the sector without even noticing its seriousness. For some digital natives, which were born without the burden of traditional media, the picture is more optimistic. In the words of **Quartz** editor Kevin Delaney: “We still have confidence in advertising. It’s a business model that works. We think that advertising has been done in a manner that’s not super friendly to readers”⁷⁶.

However, Quartz is an atypical case. Their approach to advertising, which they define as “less is more”, is far from resembling the traditional model based on clicking. The site, linked to **The Atlantic**, was born with a ‘mobile first’ vocation clearly focusing on the user experience, which has remain as a part of the company’s strategy, being extrapolated

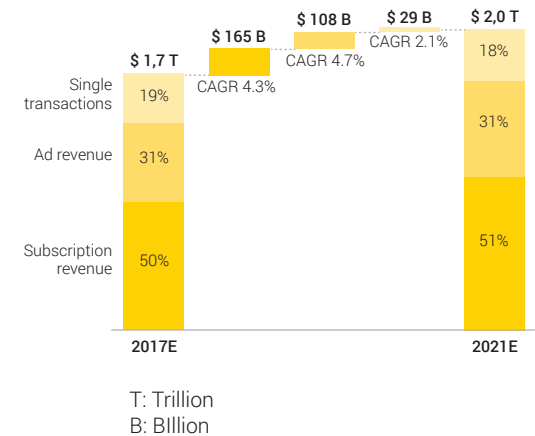
to the advertising formats, designed to be integrated into the navigation flow without any interference for the reader.

Proof of its firm commitment to innovation is the launch of the first advertisement based on a bot with Artificial Intelligence (IA). Developed in collaboration with **Hewlett Packard Enterprise**, born under the name of **Hugo**⁷⁷, it allows interaction with the user and also learns through its use.

The strategy of reducing advertising and focusing on formats with greater commitment and performance seems to have worked for them. The CPM (cost per thousand impressions) of the site is in the range of 60 dollars, when the average value for the rest of the sector was 13.88 dollars. Quartz, which in August 2017 surpassed the 22 million unique users, could have obtained a million dollars of profit from the total of 30 million dollars of revenues⁷⁸.

According to data from **Zenith**⁷⁹, Google and Facebook together accounted for 20%

Consumer Internet and media revenue growth by revenue model



Source: Actívate 2017

⁷⁶ Quartz’s Kevin Delaney: Advertising is still a great business model for news

<https://digiday.com/podcast/quartz-kevin-delaney-ads-will-foundations-quartz-next-five-years-digiday-podcast/>

⁷⁷ <https://qz.com/se/machines-with-brains/1019532/im-hugo/>

⁷⁸ Quartz chases advertising with new media initiatives

<https://www.ft.com/content/7eb2161a-90d9-11e7-a9e6-11d2f0ebb7f0>

⁷⁹ Google and Facebook now control 20% of global adspend

<https://www.zenithmedia.com/google-facebook-now-control-20-global-adspend/>

of global advertising. At the same time they are the generators of an important part of their audiences. For their part, the platforms are aware that they need the media to provide quality information and entertainment content and its undeniable power to influence and generate opinion. For all these reasons, both of them are called to understand each other and to seek ways of collaboration in a clear example of a “co-petition” model.

Native advertising and Branded content

In this scenario, with the display model drifting, the media have found in sponsored content an important source of revenue. Native advertising, designed to imitate form and function, integrates at its maximum with its surroundings, and branded content have experienced tremendous growth.

MediaRadar has identified more than 1,000 sites that sell native advertising. Despite the risk of a potential bubble, the truth is that for a good number of media, native advertising and branded content are now the biggest

source of advertising revenue. An example is The Atlantic, for which advertising accounts for 60% of its revenue⁸⁰. They understand that providing quality sponsored content is good not only for the audience but also for advertisers and publishers. According to their own data, users devote four to five minutes to sponsored content, a good indicator that it is relevant to them and therefore effective for advertisers.

Guardian Labs is the agency of Guardian **News Media** (GNM), publisher of the British newspaper and responsible for developing and managing advertising content for brands. GNM has high expectations for these formats. Today, along with programmatic advertising, these are the two ways that, according to commercial director Nick Hewat, “managing to offset any structural declines that we can see in print”. The collaboration with Barclays to report on financial fraud and security will report GNM around £900,000 next year⁸¹.

Other medium sized media like **Slate** also want to reduce their dependence on graphic

More than half of the readers consulted say that it makes no sense to pay for the information online because it is easily available free of charge.

⁸⁰ 60% of The Atlantic's ad revenue comes from branded content
<https://www.gotoast.ca/en/60-atlantics-ad-revenue-comes-branded-content/>

⁸¹ Guardian pins hopes on branded content
www.campaignlive.co.uk/article/guardian-pins-hopes-branded-content/1434086

advertising. For this reason, its native advertising strategy is being strengthened, which in 2016 represented almost half of the total income⁸². If we look at the breakdown of revenues, advertising accounts for 90% of the total, of which 50% corresponds to display and podcast and the other half to native advertising. The remaining 10% comes from other sources such as your **Slate Plus** membership program.

Branded content and new marketing also reaches the most specialized information.

Politico Focus describes itself as a “study of brand and data journalism”. Its particularity is to offer marketing professionals, nonprofit organizations or think tanks, etc. the opportunity to contact with an audience of influential people from the political world⁸³. The company is formed by a content area with eight people working on creative topics: design, strategy, editorial concepts, project management and research, and another audience analysis that monitors the campaigns.

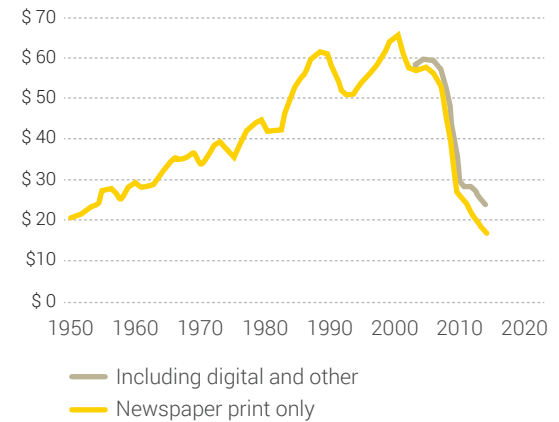
But internal management and the sale of new formats can also occasionally be met with barriers within the company commercial areas. Stephanie Losee, who helped launch Politico’s branded content studio, says⁸⁴: “It’s just not a natural thing to have a creative arm inside a sales organization. That requires a new kind of salesperson who has as much a creative mind and an ability to read a room as make a sale.”

Programmatic transformation

As we analyzed in a previous dossier of this collection about its impact on advertising⁸⁵, programmatic advertising represents the true transformation of digital advertising. Although it has only just begun, it is succeeding in altering and modifying the ecosystem as a whole. The consequences for the media – especially those with qualified audiences and resources to target them appropriately – appear to be positive, as if campaign effectiveness is improved, CPM and therefore revenue improves.

Newspaper Advertising Revenue: Adjusted for inflation, 1950 to 2013

Billions of 2013 dollars



Inflation-adjusted data
Source: NAOA, 2015

⁸² Slate now relies on native ads for nearly 50 percent of its revenue
<https://digiday.com/media/slate-now-relies-native-ads-nearly-50-percent-revenue/>

⁸³ Politico Focus Aims To Connect Brands With Political Influencers <https://www.mediapost.com/publications/article/290004/politico-focus-aims-to-connect-brands-with-politic.html>

⁸⁴ ‘The model can’t hold’: Publishers face content studio growing pains
<https://digiday.com/media/model-cant-hold-publishers-face-content-studio-growing-pains/>

⁸⁵ Los medios ante la transformacion programática
www.evocaimagen.com/2o-dossier-evoca-los-medios-ante-la-transformacion-programatica/

Thanks to the programmatic advertising⁸⁶ **The New York Times** is promoting the international expansion of its business in Europe and Asia. Programmatic advertising revenues doubled in the second quarter of 2016, driven by good work on advertisers to create custom campaigns, the growth of private markets (PMP) and guaranteed deals. However, even though the execution of the direct marketing campaigns is automated, the negotiation of the conditions requires dedication of the commercial teams.

TECH LICENSING (B2C)

Publishing companies that have been spending years investing internally in the development of their publishing platform have made a constant and heavy investment in technological developments, mainly in their content management platforms (CMS: Content Management System), which lead to an advantage in being able to offer a wide range of services for their clients.

Without any doubt it was **The Washington Post**, thanks to the vision of its owner Jeff Bezos, founder of **Amazon**, which developed

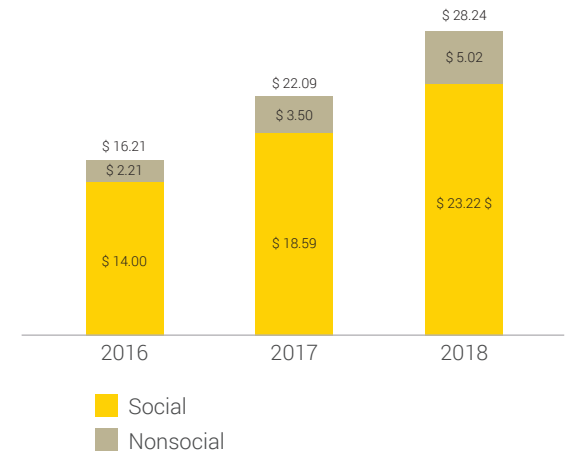
a more advanced and sophisticated model. In 2015 the Washington Post agglutinated under the name of **ARC** a set of tools that had been built for internal use and that configured its content management platform. Although the initiative starts its CIO Shailesh Prakash, it is with the arrival of Bezos that he gives priority to the project, providing more resources and directing it to the commercialization for third parties. It is conceived as an umbrella for providing services: from video creation to customization or the analytics that can also be seen as modules.

ARC has 15 different functions that can be licensed separately. The complete set of tools configures a powerful enough platform for a medium-sized editor to edit automatically, quickly and easily. The idea of the company is to open the platform to all publishers through a self-service model. It can charge major publishers up to \$150,000 a month for access to ARC, and its goal is to generate more than \$100 million dollars a year.

For its part, **Tronc**, which includes headlines such as Chicago Tribune,

US native digital display ads spending, by segment.

Billions



Source: eMarketer, 2017

⁸⁶ Inside The New York Times' international programmatic strategy – Digiday
<https://digiday.com/media/inside-new-york-times-international-programmatic-strategy/>

Baltimore Sun, Orlando Sentinel or L. A. Times, is one of the first publishing groups to have signed with The Washington Post to install ARC as a manager for its online newspapers⁸⁷. Other media outlets outside the US, such as the Argentine **InfoBae** or the Canadian **Globe and Mail**, have also announced similar agreements.

Svenska Dagbladet (SvD), a Swedish media belonging to the Schibsted Group, is another example of transformation thanks to its technological gamble. One of the main keys to success has been the development of a CMS of its own which, thanks to the use of algorithms, designs and automatically updates the home page. By automating the most tedious processes, newsroom journalists can focus on better journalism. In addition, Svenska Dagbladet (SvD) is already exploring the possibilities of marketing to other publishers⁸⁸.

In 2016 **AMS**, the area of consulting and development of **The Atlantic**, created

a tool marketed under the name of **Audience Quotient** (AQ), which measures a customer's audience potential. Today, more than ten customers have purchased the tool, contributing to 35% of the company's new revenue last year. Jean Ellen Cowgill, director of AMS maintains that AQ complements and promotes its consulting services: "In the past we have focused on strategy development, now with AQ we also have available of tools to quantify them." The company is working on more editorial tools for its marketing.

Another hybrid model, halfway between technology licensing and consulting and advisory services, is that of the technological collaboration in the field of chat-bots. **Quartz**, one of the most active companies in this field, has created a 'bot' specialized in breaking news. Its intention is to help other organizations to develop their own. This initiative is part of a plan to make a joint of **Slack**-based tools. It is designed to simplify the process of creating bots for third parties. The project is made possible by a grant

Branded content and new marketing also reaches the most specialized information.

⁸⁷ Washington Post Licenses Publishing Technology to Tronc
https://www.wsj.com/articles/washington-post-licenses-publishing-technology-to-tronc-1489423276?utm_source=Daily+Lab+email+list&utm_campaign=11d920eeff-dailylabemail3&utm_medium=email&utm_term=0_d68264fd5e-11d920eeff-395928173

⁸⁸ Meet the Swedish newspaper editor who put an algorithm in charge of his homepage
www.storybench.org/meet-swedish-newspaper-editor-put-algorithm-charge-homepage/

of \$250,000 from the **Knight Foundation**⁸⁹. Undoubtedly in advanced markets such as the UK and the U.S. philanthropy is once again a leading player that serves as a catalyst for innovation and the pursuit of future sustainable models.

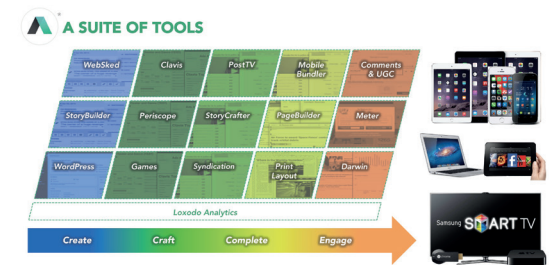
JAAS (JOURNALISM AS A SERVICES)

The break-in of AI, 'machine learning' and predictive analytics will propel the advent of a new era that the **Online News Association** (ONA) calls 'SaaS Era'⁹⁰. An integration phase supported by a deep knowledge of the reader through the data and that can only be sustained by a relationship model in which the user pays for quality information services.

As it happened in other sectors, digitalization is promoting the transition from products to services. If the trend observed in the automotive world, banking or telecom companies is consolidated; it seems evident that journalistic organizations will also have to evolve to find new ways of generating revenue through journalism as a service.

Like the models 'as a services', common in the software world, are being extended to other sectors, giving rise to a current called 'enterprise as a service', which allows products to be offered in the form of on-demand services.

The news organizations have an important source in informative products, newspaper library, analysis, data, etc. that correctly managed and structured can be capitalized by this way. In this sense, the information and related services can cover different possibilities: personalized news, financial advice, APIs, databases, appointments calendar informatively relevant, reports or analyses based on the newspaper library, etc. These services for companies or users, extend the life cycle of information, do not require intermediaries and reverse the income directly to the company. The few experiences in this regard are still at an experimental stage, driven by non-profit organizations or in the university field, but it can be the basis for business models that can be exported to private organizations.



⁸⁹ Quartz created a bot that can break news — and wants to help other news orgs develop their own www.niemanlab.org/2017/08/quartz-created-a-bot-that-can-break-news-and-wants-to-help-other-news-orgs-develop-their-own/

⁹⁰ The current move to subscription models is a revolutionary shift for journalism. <https://www.poynter.org/news/current-move-subscription-models-revolutionary-shift-journalism>

The Coral Project⁹¹ is an experimental initiative created in collaboration with the Mozilla Foundation, The New York Times and the Washington Post, and funded by a grant from the John S. and James L. Foundation. Knight. It offers access to different services – through an open source platform – such as tools for journalists, academic research, datasets, good practice guides, training and events, etc.

VERTICALS (B2C)

One of the most evident trends observed is the search for new audiences and the necessity to establish a more direct and personalized relationship with users. In this context, great deals of information companies around the world are betting on it, which would explain the rise of 'verticalisation'.

The creation of verticals allows a greater knowledge of the customer which leads in the ability to offer products and services more in line with their demands, promoting revenue diversification, either through advertising or ecommerce. Headlines such as **Buzzfeed**, **The New York Times** or **The Telegraph** have found in their

verticals an opportunity to boost electronic commerce.

The number of verticals can be endless, as new ones appear every day. Among those of more recent creation, it is worth highlighting the launch of CNN Travel, a specialized channel that joins those already available for technology or politics. The main novelty with respect to the previous ones is that it is born as a business unit independent of the head office. For its part, **The Financial Times** is orienting, through **Transact**, its vertical strategy to video content. Its goal is to reach a more specific public and through native advertising and 'branded content' add a greater appeal to their advertisers. In its quest for greater personalization, The Financial Times is supporting its 'verticalization' strategy to attract new subscribers by using **Whatsapp**.

Because of its innovative character, it is worth highlighting Quartz, which has launched '**Machines with Brains**', a vertical specialized in the impact and practical applications of artificial intelligence. **The Washington Post** also has bet for this format with **The Lily**, an experimental vertical. Aimed at millennials women due

By automating the most tedious processes, newsroom journalists can focus on better journalism.

⁹¹ <https://coralproject.net/about.html>

to its fundamentally visual design. Lily is a project launched by the Emerging News Products area and named after the first U. S. newspaper run by women who saw the light of day in 1849.

The second youth of the newsletter

In the verticalization strategy and media segmentation, the 'newsletter' is presented as a channel that supports many of the business models analyzed in this document; specifically, **Nieman Lab** has identified⁹² up to 8 different direct or indirect revenue streams to which it would have added the potential enrichment of value data, which is the fundamental raw material of digital business.

1. Subscription
2. Donations
3. Support for Premium models
4. Advertising
5. Cross selling
6. Brand recognition
7. Community creation

Such is the business potential of the format that information companies specialized in this format are emerging. This is the case of **Inside**, the company specialized in newsletters founded by the businessman and investor Jason Calacanis, which has around 300,000 subscribers to 30 different newsletters, with an average opening rate of over 40%. Its business model is based on advertising and subscriptions. In this regard, there are several subscription options for payment: 10 dollars a month for premium access to an information newsletter, or 25 dollars for unlimited access to all verticals⁹³. The Skimm is another specialized company founded in New York City five years ago by Carly Zakin and Danielle Weisberg. Despite the criticisms received for their lighthearted tone⁹⁴, they have already reached 6 million subscribers and have dared to launch an application for mobile payment. In 2016 **The New York Times** took a stake in the company worth \$500,000 dollars.

The break-in of AI, 'machine learning' and predictive analytics will propel the advent of a new era that the Online News Association (ONA) calls 'SaaS Era'.

⁹² There are at least eight promising business models for email newsletters

www.niemanlab.org/2016/11/there-are-at-least-eight-promising-business-models-for-email-newsletters/

⁹³ Inside, the collection of industry newsletters, continues to bet on email, the "largest social network" www.niemanlab.org/2017/08/inside-the-collection-of-industry-newsletters-continues-to-bet-on-email-the-largest-social-network/

⁹⁴ The Skimm Is Bigger Than Ever and Its Founders Aren't Here For the Haters

<http://www.cosmopolitan.com/career/a10366792/carly-zakin-danielle-weisberg-the-skimm-founders-arent-here-for-the-haters/>

INNOVATION

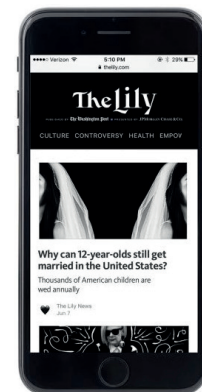
Although still experimental, the most innovative media are exploring new avenues associated with the most advanced technologies, among the following are to be highlighted:

BlockChain: technology, which can be described as a distributed database, in which each new block enriches the string. It looks like it will transform sectors, businesses and company. Its most widespread application to date and for which it has become popular is bitcoin, a cryptocurrency that operates on a decentralized basis. **Blockchain**⁹⁵ technology can be used to also help creating the so-called smart contracts, which enable the management of digital rights and distribute the revenue to creators in secure and transparent way. Gradually, initiatives based on this technology are emerging in the media sector, generally to help decentralize distribution and monetize content.

This is the case of **Civil**, a start-up that uses blockchain to build a decentralized infrastructure that allows reporters to publish their articles while readers can support them through donations. In addition, it offers the opportunity to act as a fact-checking-as-a-service (FaaS). Civilian is "a decentralized Ethereum-based platform that can be used to create newsrooms and a self-sustainable global marketplace for journalism, free of advertisements, false news and external influences"⁹⁶.

Internet of Voice: convergence between the Internet of Things (IoT), Artificial Intelligence (IA) and speech recognition systems is driving a new model.

Media companies have also begun to experiment in this field. The television channel **ABC** and **The Huffington Post** teamed up for a temporary collaboration coinciding with the launch of the third season of American Crime⁹⁷. As part of the collaboration, ABC integrates the content



⁹⁵ How can creative industries benefit from blockchain? https://www.weforum.org/agenda/2017/07/how-can-creative-industries-benefit-from-blockchain/?utm_medium=social&utm_source=twitter

⁹⁶ This startup is trying to create a set of blockchain-based marketplaces for journalism <http://www.niemanlab.org/2017/06/this-startup-is-trying-to-create-a-set-of-blockchain-based-marketplaces-for-journalism/>

⁹⁷ ABC Partners With HuffPost to Promote 'American Crime' With Alexa and Google Home Integrations <http://adage.com/article/marketshare/abc-s-promotes-american-crime-alexa-google-home-deal-huffpost/308234/>

of The HuffPost both in **Alexa Amazon** and **Quiz News Weekly**. In Europe, the German **N-TV** has been one of the pioneers in offering services in **Amazon Echo**, such as reading newsletters or monitoring traffic. Companies that already have virtual assistants like **Alexa** from **Amazon** or **Google Home** have begun to design, albeit still with limitations⁹⁸, their respective advertising models for this voice based platforms.

Virtual Reality (VR): many of the technologies are still in an experimental

phase, with little penetration among users, so commercial development is still ongoing incipient as is the case of Virtual Reality.

The Guardian has been experimenting with this technology for more than a year. To announce its application, **Guardian VR** distributed 100,000 **Google Cardboard** devices. According to the company, even though as a journalistic experiment has been satisfactory, it has not been so from a commercial point of view. For the time being, and until technology and the market are maturing, advertisers will continue to be very selective in terms of investment in VR.

BlockChain

Benefits



Increased transparency



Accurate tracking



Permanent ledger



Cost reduction

Unknown



Complex technology



Regulatory implications



Implementation challenges

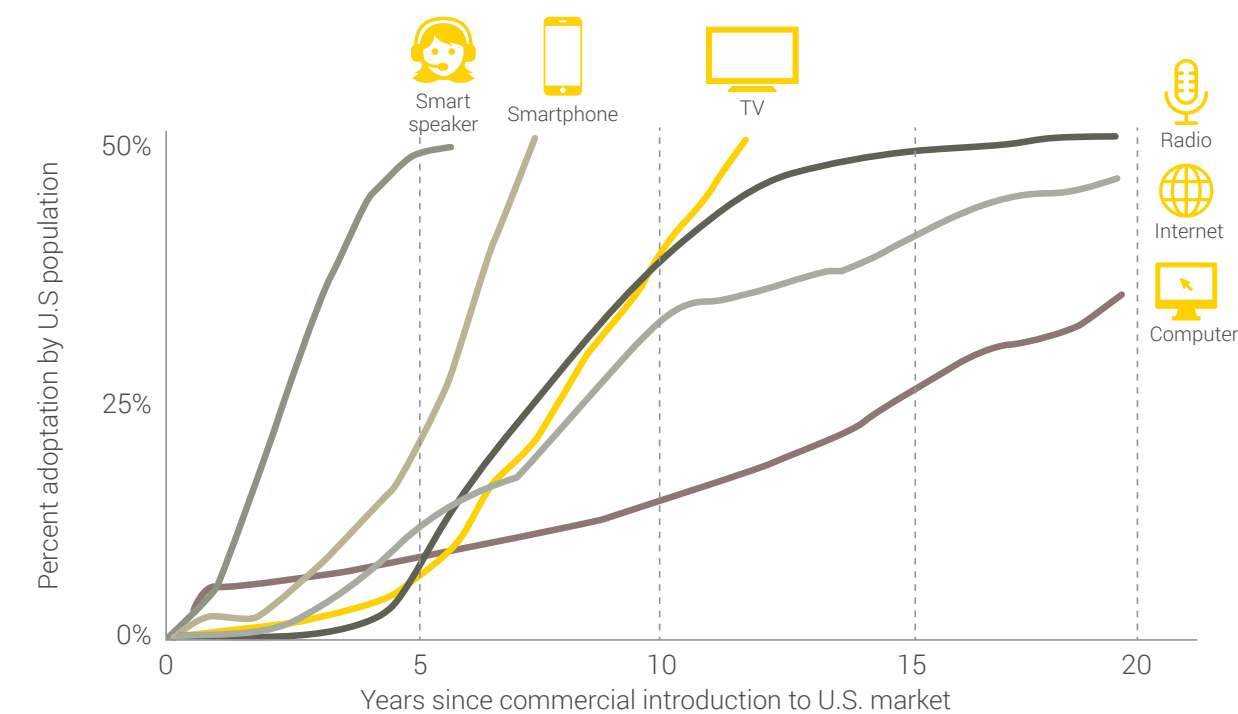


Competing platforms

Source: PwC 2016

⁹⁸ For publishers, Amazon Alexa holds promise but not much money (yet)
<https://digiday.com/media/publishers-amazon-alexa-holds-promise-not-much-money-yet/>

Smart speaker penetration U.S. years from inception, % population



Source: Activate analysis, U.S. Census Bureau, World Bank

Conclusions

The stagnation of digital advertising based on page views and traditional formats has led the online media sector to explore new revenue streams, such as the different modes of electronic commerce, the sale of content and technology to third parties, events or content marketing. There is no doubt that this is probably the biggest challenge facing the sector in all their history. As we have analyzed throughout this study, those media that are able to look beyond traditional business models will survive. From almost a hundred case studied in this paper, we can draw some conclusions about online media business models:

1. DIVERSIFICATION

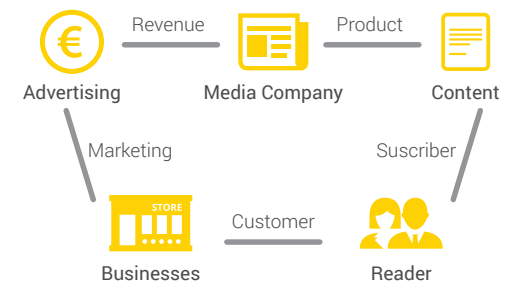
The two traditional models that have sustained most of the companies in the sector have result manifestly insufficient for the sustainability of the vast majority of online newspaper companies. It is evident that survival happens for diversifying sources of income. Although it is difficult to establish a universal formula, Raju Narisetti, **CEO of Gizmodo**

Media Group, says “Media companies need three to six sources of revenue. There’s always going to be display. There’s going to be programmatic. There’s going to be subscriptions, events and commerce.” Each organization has to identify and develop the most appropriate combination based on different factors, as the market in which they operate, specialization, the human, technological and economic resources available to them, etc.

2. MODEL INNOVATION

Diversification is as important as is the search for new models that best adapt to the peculiarities and characteristics of each organization. Many of the models are born as evolution or hybridization of others already existing. Technological innovation has proved vital for the media in the digital world as well as for business models. But its development depends on cultural change, just as they have been undertaken in newsrooms, business and management areas.

Traditional media business model



⁹⁸ Gizmodo's Raju Narisetti: 25 percent of revenue is from commerce <https://digiday.com/podcast/gizmodo-raj-narisetti/>

3. BUSINESS IS PART OF THE MESSAGE

The organizational structure of the company affects the product and also business models. Not all organizations are appropriate for all products, and vice versa. The technological capacity, for example, or its strategic orientation is not the same if it is a platform, such as Medium, as if it is a company focused on the creation of newsletters such as **The Skimm**. Each of them entails different approaches and strategies that demand different resources and structures. As many of the most innovative digital companies such as **Vox media, BuzzFeed, Quartz**, etc., have demonstrated, adapting cost structures to the new digital ecosystem. The traditional ones, on the other hand, have to do the same in order to respond to the needs of online business. The New York Times has tripled the number of people working in customer retention, having hired 25 consumer-marketing experts from outside media industries in the past two years.

4. BRAND VALUE

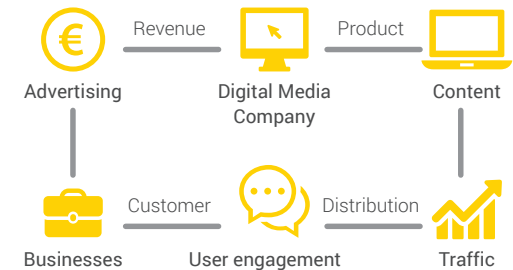
In the midst of a change in the distribution paradigm, in which

technological platforms have taken on a leading role, the construction of recognizable and credible brands has become one of the most important assets. Therefore, all the work done on the brand's attributes to improve its positioning is little. This work must be aligned with a change of the organization's culture: more innovative, flexible and dynamic. One of the most important assets is the attribute that the brands are capable of transmitting in the online world. Attributes that are built in collaboration with users. The success of the models of membership will depend on both products and the ability to create communities of interest around brands, whether global or local.

5. ECONOMY OF SCARCITY: VERTICAL AND NICHES

In the digital economy, where markets have no limits on paper, inventories are endless and competition is inexhaustible, the relationship between supply and demand tends to be unbalanced. The search for under-exploited niches and targets is necessary for the development of new business models. The key is to find niches or 'targets' big enough to make them economically viable. This explains

Digital media business model



the growing verticalization of content: technology, travel, cooking, etc., as well as their internationalization to achieve critical mass. This is the case of **Politico**, the media originally oriented towards the political community from Washington, which is exporting its model to Europe. In short, the search for a differential value that can be replicated in different markets.

6. COO-PETICIÓN

In a world in which all companies struggle for the attention of their users, and in which competitive barriers are blurred, the search for alliances is becoming increasingly necessary, even with potentially competing companies.

The need to reach an understanding between distribution platforms and information creators is already giving rise to new models of relationship that would fit under this category. In addition, these models will be among the natural competitors themselves and with new agents to develop business, as is the case of electronic commerce. A market with a complex and highly atomized chain of value in which the media cannot develop on their own. In this sense, it is essential that the media focus on doing

what they know best and for the rest seek for companies that offer the best value propositions in each case.

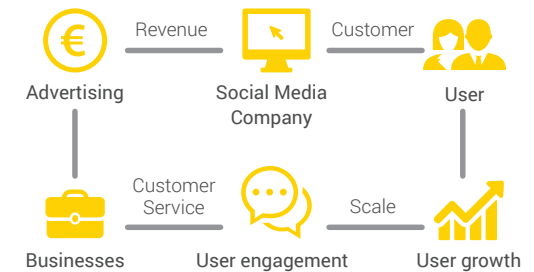
7. DATA ORIENTATION

If data is the raw material of digital business, every organization must be oriented to make decisions based on it. Digital culture must integrate data in all areas and departments as the core of their business. Data orientation requires having processes designed for it, as well as establishing the appropriate KPIs for its measurement.

8. NEW METRICS

The transformation of business models implies changes in processes and equipment; moreover, it requires the introduction of new methods and indicators that allow their monitoring and evaluation. For example, betting on new online advertising models also requires a new way to measure its efficiency. This is the case of **The Financial Times**, which has introduced new metrics and indicators such as the CPH “cost per hour” to evaluate its online campaigns, or the change represented by payment models that involve moving from managing audiences

Social media business model



Source: Digital Economy Forum

to customers. Therefore it has become common to hear about new new KPIs (Key Performance Indicator) as ARPU (Average Revenue Per User) or the cost of retention per customer.

9. "ENTERPRISE AS A SERVICES"

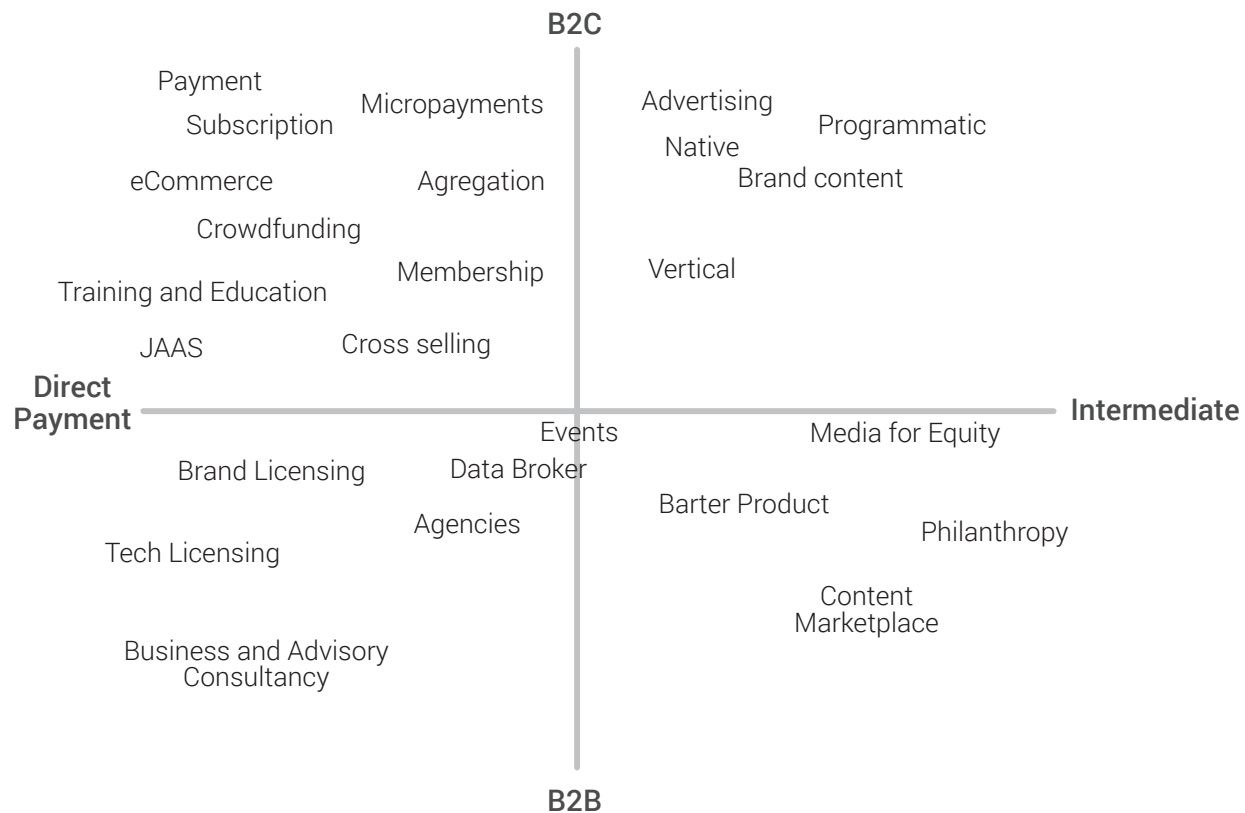
One of the characteristics of the digital economy has been to orient the product concept to a service model. The success of the digital transformation of media depends largely on finding ways to become a service company. Not only through the raw material which provides the information, but also through other proposals of added value, such as the provision of data, advice and consultancy, training, or marketing. Even to act in markets far from the perimeter of

the realm of information by exploring other sectors.

10. THE USER IS THE KING

None of the above is relevant if the user, the real protagonist of the business, is not taken into account, and as such must be considered. The 'abrasive' business models in search of indiscriminate audiences, with strategies such as the clickbait, or the most intrusive advertising formats have been one of the causes of the deterioration of confidence in the media⁹⁹. The quest for profitability cannot be an excuse to undermine the relationship of trust and credibility on which the information is based; the sustainability of the media industry is at stake.

⁹⁹Journalism needs a new business model and it's based on trust https://www.huffingtonpost.com/entry/journalism-needs-a-new-business-model-and-its-based_us_59d62025e4b0666ad0c3cafd





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