

Analysis and Design of a Publisher Independent Portal for Newspapers and Magazines

Masterarbeit

zur Erlangung des akademischen Grades „Master of Science (M.Sc.)“ im Studiengang
Wirtschaftswissenschaften der Wirtschaftswissenschaftlichen Fakultät der Leibniz
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Hannover, den 27.9.2013

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1 Introduction

1.1 Relevance of the topic and motivation

Topics such as the crash of the Financial Times Germany, the take-over of the Washington Post by Jeff Bezos or how to compensate sinking advertising revenues in printed press are dominating many headlines in newspapers today. The publishing industry is complaining about sinking subscribers and circulations, which result in fewer advertising revenues in return. There are about five million less sold daily newspapers today in contrast to 2003. Moreover, this is accompanied by about 1,3 billion Euros losses on advertising revenues. Big cities count up to 50 % less subscribers to daily newspapers today. The development of e-paper subscribers does not cover the missing subscriber to printed issues yet. Moreover, people share news via social networks rapidly and bloggers generate new content using this information. Free content can be found on lots of different websites; for example on Tagesschau.de or CNN.com a user can read daily news for free. Spiegel online and Süddeutsche.de also publish a lot of articles for free, without forcing a user to pay for the content. Other newspapers and magazines, especially regional ones have already implemented so-called paywalls because otherwise they can not cover all of the costs they have due to the production of all these information. These paywalls are barriers to content which is not available for free. Hence, a user needs to log-in and pay either a certain fee for a single day or conclude a subscription. More and more, even national newspapers are implementing such paywalls, because advertising revenues can not compensate all production costs of qualitative journalism.¹

This master thesis will cover current problems of the printed press concerning sinking returns of sales. Due to the development of the internet and the diffusion of smart phones and tablet PCs, information seems to lose its monetary value. Information seems to be ubiquitous. Especially events of the day can be found on the internet promptly and for free. These information is not interesting to read in the newspapers a day after, which also results in lower returns for the printed media sector. Therefore, this master thesis will cover a highly relevant topic.

¹ cf. Newsroom.de 2012, cf. FAZ 2011; cf. FAZ 2013c; cf. Zeit 2013; cf. Schnibben 2013; cf. Die Tagesschau 2013; cf. Reuters 2012

Due to enormous losses in sales and hence, advertising revenues, it is important to focus on new business models for digital products and services. The traditional business models do not succeed by simply transferring them to the online market. Online advertising does not work in the same manner as offline advertising does.² These developments have several parallels to the problems in the music industry.

Since the nineteen nineties, digital music have gotten a lot more attention and illegal file sharing has grown enormously. For example, in 2004 there have been 475 million music downloads, 80 % of them have been done illegally via peer-to-peer networks. Due to MP3 and peer-to-peer networks illegal file-sharing has influenced revenues in the music industry enormously.³ BVMI reports a decline of 41 % in revenues between 1999 - 2008.⁴ Today, there are new digital business models in this sector. Apple's iTunes, Musicload and completely new business models such as Spotify, revolutionize the music market. Digital music distribution today covers parts of sunk sales revenues on physical music products. According to BVMI, in 2011 digitally sold songs aggregated about 17 % of all revenues in Germany's music industry. Furthermore, there have been about 70 legal music providers on the internet in Germany to that time.⁵

Moreover, the first companies state that changes in digital music distribution in terms of offering new distribution channels as well as intensive investments in these channels now become profitable.⁶ Users do not want to own music anymore. It is not important to have a shelf full of compact disks. More probably, it seems to be important to have access to every single song which is released. Free access to millions of songs is possible on above mentioned streaming services by e.g. Spotify.⁷

Based on these occurrences, the idea of this master thesis is to develop a similar business model for the digital distribution of newspapers and magazines. The access to news and articles, independent from a specific publisher, should be able to gain by paying a monthly fee. It can be seen as a flat-rate newsfeed. Having paid once, the user

² cf. Scharrer 2013b

³ cf. GfK 2005, pp. 16 + 19

⁴ cf. BVMI 2009

⁵ cf. BVMI 2012

⁶ cf. BVMI 2013a, pp. 2 - 3

⁷ cf. Bernau 2013

is able to read all articles which are offered on the special portal as long as the subscription is running. These fees shall guarantee the quality of journalism by remunerating the authors for their work. Especially for the next generation, people who are young and grow up in a highly technical and a ubiquitous internet environment, it is important to provide an alternative to the subscription of whole newspaper and magazine issues but also to value qualitative journalism.⁸ This can be seen similar to the music industry in which artists need to be remunerated for their work to guarantee qualitative recordings in return.

Due to several changes in society from an industry driven right up to an information driven society, information has developed to an important factor of production. The information sector with all connected media companies as well as telecommunication and information technology businesses generate a high number of jobs.⁹ Therefore, media can be seen as an very important branch of the economy. The society should accept that also the production of information costs money and moreover, newspapers and magazines can not produce and provide every single article for free.

One of the main problems today is that traditional publishing companies can not transfer their existing business model into the electronic environment. The development of the internet with its huge number of new business models force the companies to be innovative and to create new business models to satisfy new consumer needs. Moreover, traditional businesses are confronted with a completely new competitive context because of fast developing start-ups.¹⁰

The motivation to think about this topic came up while analyzing the music market for the last few years. It has become very difficult to sell music on physical media. File-sharing portals such as Napster or KaZaA in the nineties have revolutionized the music industry. Today, the MP3 standard is accepted as qualitative music and streaming portals such as Spotify and AMPYA are in wide use.

The present discussion about collapsing newspaper companies as well as restructuring publishing houses resulted in the idea of dealing the press industry in a way which is already used in the music industry.

⁸ cf. Weichert et al. 2009, p. 14 - 15

⁹ cf. Wirtz 2009, pp. 18 - 21; cf. Stähler 2002, pp. 23 - 24

¹⁰ cf. Wirtz 2010, p. 197

7 Conclusion and Outlook

In a very fast developing environment it will be very important to satisfy customer needs. These needs change rapidly due to enormous technological progress for the last years. The fact of being online all the time and everywhere forces the media to be present as well. A printed newspaper is not able to be as current as a news on twitter or other web presences. So it will be more problematic to aggregate revenue with a printed issue of a daily press newspaper. Events of the day need to be published promptly and not the day after something already happened. This is why especially newspapers suffer most from the digitalization. Background editorials concerning a deeper look into a specific topic do not need to be published this promptly. This is a reason why magazines providing these articles will have a better chance to survive the ongoing digitalization. Users assign value to these articles in an other way than to daily news. Important here might be the offer of special content for online users, e.g. videos or interactive features concerning one topic so that there is a higher willingness to pay.

Nevertheless, most of the providers still offer these information for free on the internet. It will be interesting to see how successful the introduction of paid content will be accepted by the users. BILD and Welt by Axel Springer have started their paid content projects not long ago. If these steps will be successful need to be observed. Based on these results, other newspaper and magazines might follow.

However, the raising introduction of paid content can be an advantage for the developed portal. Moreover, it presents a unique selling proposition by not simply aggregating a list of current news headlines. This would not produce an interesting added value to the portal because it is done by Google News already. In this case, the advantage of the portal can be found in a user preference based sorting of articles. The opposite is done on Google, which only sorts articles by the preferences of all people together without differentiating between individual likes and dislikes. This needs to be enhanced as unique selling proposition of my portal to be successful on the market. Furthermore, the only signing up once option might convince people of using my portal instead of registering a hundred times, just to get access to single articles of different publishers. Furthermore, the growing awareness of copyright infringement can be used to increase the willingness to pay for content, even on the internet.

These developments may give a basis on which it is possible to build up such a publisher independent portal for newspapers and magazines. Due to several commonalities between music and press products the main idea of music streaming portals can be transferred to the newspaper and magazine branch. The critical success factor can be seen in the problematic of convincing the still good enough performing publishing houses. If these detect the chance in such a new distribution channel for their articles, including generating new revenue streams and hence, compensating potential losses on their own websites, the portal might be successful as long as users cherish the work of authors. Due to the fact, music streaming portals argue to stem illegal file sharing activities, it might be seen as a chance, that people will accept the need to pay for content on the internet more often in future. Nevertheless, based on the fact, that events of the day will be spread on several news agencies for free, including television and broadcasting, articles dealing about these topics will not succeed if they will be placed behind paywalls. That in turn means, publishers and authors will only generate revenues with qualitative content, with background editorials or local news, which is not on television or national broadcasting. However, even events of the day can be provided on the developed portal in a free version, which could be financed by advertising revenues.

This leads to the end, that a publisher independent portal for newspapers and magazines, can follow the idea of the music streaming portals, but it is not sure, whether this model will succeed for the long haul, because there are no long-term studies yet, which would support the competitiveness on the market. Nevertheless, the short-term shows positive effects by music streaming portals on the development of the music market.