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<td>The online publishing house of the future.</td>
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<td><strong>Author(s)</strong></td>
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Paper No. 7
Overview

1. The online publishing house of the future
2. New business models
3. Organization
4. Marketing
5. Contents, interaction, transaction
6. Partner management
7. Change management
8. 13 Mistakes to avoid
The online publishing house of the future consists of the following building-blocks.
Stimulating the convergence of media, the Internet will profoundly alter the existing business models of the media industry.

**New business models (1)**

**Digital Media Business Models**
- Services
- Products
- Contents

**Traditional Media Business Models**
- Music, books
- Newspapers, magazines
- TV, radio

**Media convergence**
- Ads
- Contents
2 New business models (2)

Four different kinds of business models will be available to publishers on the Internet.

- Content
  - subscription
  - pay-per-view / click / article
  - archives
  - push services
  - individualisation
  - online learning
  - database inquiries
  - consulting
  - licences
  - content placement

- Platforms
  - broker services
  - virtual marketplaces
  - trade fairs
  - auctions
  - 1:1 marketing
  - sale of profiles
  - clubs

- Internet services
  - access
  - home page hosting
  - e-mail
  - SMS

- Advertising space
  - advertisements
  - classified advertisements
  - intelligent banners
  - online inserts
  - contents combinations
  - sponsoring
  - e-coupons
2 New business models (3)

Currently, most revenue is generated through online advertising. A rapid growth of banner revenue and other forms of advertising can be expected over the coming years.

Source: Forrester Research
The traditional revenue sources (i.e. reader sales and advertisements) alone will not work on the Internet.
2 New business models (5)

The arrival of new interfaces (i.e. e-books) in combination with the Internet will change our industry. Consider the example of book publishers who will be able to communicate directly with their readership.

Distribution model for conventional books

```
author -> publisher -> distributor -> bookshop -> reader
```

Distribution model for e-books

```
author -> publisher -> reader
```

---

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2 New business models (6)

On the Internet existing business models of publishers will be replaced by new ones. Three parameters will be crucial for the repositioning of publishers.

- **community**: products, services, contents
- **SOP*-Focus**
- **content**

* Service Offering Portfolio

**Sales & profit-potential**

- stand-alone publisher
- virtual network
- integration

existing print customers reader / user new print & online customers
2 New business models (7)

The imposability of fees for online contents has so far been proven to be difficult. Publishers who own exclusive / specialized contents with a "need to know"-character have the best chances of success.
2 New business models (8)

Brokerage has turned out to be one of the most effective new business models on the Internet. Publishers should aim to become the interface between supply and demand on the Internet. If they do not occupy this position, somebody else will.
New Business Models (9)

Broker business models are among the most successful ones for publishers. The following example illustrates, how newspaper publishers can generate revenues and profits through such a business approach.
For broker and other shopping business models, several forms of revenue exist.

<table>
<thead>
<tr>
<th>Flat fee</th>
<th>%-share</th>
<th>Shop-rents</th>
</tr>
</thead>
<tbody>
<tr>
<td>• x $ for each customer presented (especially valid if transactions can not be completed over the Internet)</td>
<td>• x % share of the transaction (especially valid if transaction can be completed over the Internet)</td>
<td>• Different rates according to offered service level</td>
</tr>
<tr>
<td>• 2 $ if a table is booked at a restaurant</td>
<td>• Auctions: 1,5% - 3,0%</td>
<td>• 10 $ - 100 $ / Year</td>
</tr>
<tr>
<td>• 50 $ for inclusion in a restaurant listing including a picture</td>
<td>• Books: 4,0%</td>
<td></td>
</tr>
</tbody>
</table>
2 New Business Models (11)

In a recent project, Diebold planned different portals. The following figures represent the cost and revenue figures in the third year.
A possible blueprint for an online unit could look like this.
3 Organization (2)

Offline and online jobs differ significantly from each other. Consequently, employees will have different backgrounds and qualifications.

<table>
<thead>
<tr>
<th></th>
<th>Offline employees</th>
<th>Online employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>writing / editing skills</td>
<td>good</td>
<td>good</td>
</tr>
<tr>
<td>multimedia skills</td>
<td>limited</td>
<td>good</td>
</tr>
<tr>
<td>management know-how</td>
<td>limited</td>
<td>fair</td>
</tr>
<tr>
<td>contact with readers</td>
<td>rarely or never</td>
<td>often</td>
</tr>
<tr>
<td>contact with partners</td>
<td>rarely</td>
<td>often</td>
</tr>
<tr>
<td>contact with advertisers</td>
<td>rarely or occasionally</td>
<td>occasionally or often</td>
</tr>
<tr>
<td>technical skills</td>
<td>limited, unchanging</td>
<td>comprehensive, changing</td>
</tr>
<tr>
<td>range of responsibility</td>
<td>limited</td>
<td>wide</td>
</tr>
</tbody>
</table>

specialist

generalist
In the project Diebold also planned the number of employees.
Like no other media the Internet offers endless opportunities for direct interaction with customers based on a 1:1-communication strategy. By individualizing contents and services, it is possible to meet customers’ demands on a much higher level.
To build a strong brand name online, BTM AG can choose from three alternative branding approaches in each of the three portal environments.

**Brand Approaches**

**Transferring the offline name into the online world**
- This creates an initial advantage, especially in the case of print products, because users enter brand names intuitively into the browser.
- Securing or expanding this advantage nevertheless requires intensive marketing activities.

**Creating a new online brand name**
- Recommendable especially in the case of non-congruent online and offline target groups.
- Expedient if the print name is not suited to a national or international web presentation.
- Establishing a new brand involves distinctly higher costs.

**Participation in an „online joint brand network“**
- Suitable if different print titles are aggregated within a steeply tiered network.
Companies which possess an established offline brand name can achieve a satisfactory level of awareness in the online business more quickly than startups that are oriented purely to the "virtual" business world.
There is no solution to the question how to implement successful offline brands into the online world. Time Warner failed by creating an umbrella brand for its publications, whereas German publisher Tomorrow Internet AG is highly successful.
When constructing contents for an Internet publication it is crucial to remember that the Internet is a non-linear medium, i.e. users will take different routes through a web presence.
Comparison of various forms of office communication, positioned according to two criteria: interaction and information value.
Diebold conducted an e-mail response survey of 255 online publishers to check how well electronic communication forms are used.
Overall, reaction to the e-mail sent was disappointing. Although publishers are engaged in the business of handling and processing information, 547 of the 756 e-mails sent were not answered.
An overview of the accumulated response behaviour of the publishers polled shows, that if the user has not received an answer within three days no answer is forthcoming.
72% of the e-mails were answered directly and adequately. In the remaining 28% of the e-mails, the publishers failed to provide an answer.

Breakdown of the 218 e-mail responses:

- direct, satisfactory answer 157 72.0%
- reference to publisher's web site ("The answer can be found in Section....") 21 9.6%
- reference to publisher's employee ("Please call Mr./Ms. ... at the following number...") 10 4.6%
- answer with counter-question ("What do you need this information for?") 21 9.6%
- refusal to answer ("For internal company reasons, we are unable to answer your question.") 9 4.1%

Based on:
218 e-mail responses

218 100.0%
Content, interaction, transaction (7)

Compared with other industries, the publishing industry rates worst when it comes to answering e-mails.
Transactions in the publishing business will take place in a changed environment. Publishers will need to adapt to far-reaching changes in two dimensions.
5 Content, interaction, transaction (9)

In the course of the Diebold-Study about 130 content, interaction and transaction components have been researched. The following portfolio allows to position these components according to their relevance for the respective publishing house.
5 Content, interaction, transaction (10)

Content, interaction and transaction are the key elements of any successful Web strategy. The higher a publishing house will move up the network hierarchy, the lower the percentage of the own offered information will become.
5  Content, interaction, transaction (11)

Status quo and potential for publishers.

| Daily Newspaper: Regional / Local | 10 |
| Daily Newspaper: National / International | 15 |
| Magazine: Mass Market | 25 |
| Magazine: Specialist / Hobby | 15 |
| Magazine: Specialist / Professional | 10 |
| Book: Fiction / Poetry | 15 |
| Book: Specialist / Hobby | 10 |
| Book: Specialist / Professional | 10 |

- Required level of competence in the three publishing components
- Profitable online publishing
- Status quo for publisher type
- Time remaining (in years)
5 Content, interaction, transaction (12)

Three groups of publisher types and required level of competence in the three publishing components.

- Daily newspaper: regional / local
- Daily newspaper: national / internat.
- Magazine: mass market
- Magazine: specialist / hobby
- Magazine: specialist / professional
- Book: fiction / poetry
- Book: specialist / hobby
- Book: specialist / professional

: required level of competence in the three publishing components

- middle level
- advanced level
- highest level
Three groups of publisher types and required level of competence in the three publishing components.

- daily newspaper: regional / local
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- magazine: mass market
- magazine: specialist / hobby
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- book: fiction / poetry
- book: specialist / hobby
- book: specialist / professional

: required level of competence in the three publishing components
- middle level
- advanced level
- highest level
5  Content, interaction, transaction (13)

Competence of three publishing groups and nature of information.
6 Partner management (1)

The integration and the management of a large number of networked partner companies is the single most successful factor in becoming a dominant player on the Internet.
A number of different co-operation models with partner companies exist. It is the task of the top management to decide which forms work best.
Partner management (3)

What is a partner?

A partner may be defined as a company, organization or individual person, who is actively integrated into our website, for example, by contributing content, products and services, or by providing important technology and infrastructure support. The most important partners can be found in the fields of technology, media, services, trade, the public sector and non-profit organizations. Finding, integrating and managing suitable partners will constitute one of the major success factors of BTM AG’s Internet strategy.

Securing partner management firmly within the future organization of the BTM AG Internet Business Unit is thus a prerequisite for the successful implementation of the partnership concept. The cooperation is based on the general conditions contractually stipulated, such as the performance due, the duration of the cooperation and the objectives to be achieved.
Winning these partners is of paramount importance for the success of the future web strategy. The number of possible partners is limited. They must be approached via the managing directors of BTM AG or the top management of the Internet business unit to be founded.

These partners are somewhat less important but clearly more numerous. They must also be approached in person, but it is adequate for the middle management to accomplish this.

The integration of all C-partners will not be possible. It will suffice to include as high a percentage of them as possible. This reflects the minor importance of these partners. Suitable marketing instruments could, for example, be advertising in the BTM-AG Media or direct mailings.
6 Partner management (5)

When approaching potential partners it is necessary to present them with a detailed break-down of the expected benefits?

- **Image gain**
- **Complete solutions or platforms** (e.g., mall, auction) including collateral services and thus involving minimum input
- **Traffic focus** through BTM AG brand name
- more intense **customer relations**
- more **precision** in targeting audiences
- Opening new **information** and **service channels**
- ...

- Generation of **new sources of revenue**
- Opening of a new **distribution channel**
- **Improved efficiency** through connection with extranets or intranets
- Potential rationalization by integration into **value chains**
- Extension of **geographic range**
- ...
6 Partner management (6)

Please consider which potential partners your publishing house should integrate.

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<tr>
<th>Name</th>
<th>Description</th>
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</table>
Problems and failures in change processes quite often are due to emotional aspects of the project work rather than rational ones.

95% of all project failures are caused by human / organisational error.

70% of all failed business process reengineering projects went wrong because they were not sustained by the company culture.

"Reengineering has saved our company and destroyed the organisation." This and similar statements prove that the success of complex consulting projects increasingly depends on an overall view of the elements to be changed.

In addition to the dimensions of processes (organisation and structures) and systems, „behaviour“ as a third dimension becomes an increasingly important success factor.
A 5-step information and communications plan helps proactively to address these potential problem areas and thus to minimize and avoid difficulties in the project work at an early stage.
## Change Management (3) - Resistance

<table>
<thead>
<tr>
<th>Change does not only have friends.</th>
<th>There is no change without resistance! Not the occurrence of resistance gives reason for concern but its absence!</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resistance always contains a &quot;coded message&quot;!</td>
<td>Whenever people struggle against something that makes sense or is even necessary, they are concerned, worried or frightened. Resistance is often caused by emotional factors.</td>
</tr>
<tr>
<td>Not taking notice of resistance leads to obstruction!</td>
<td>Resistance indicates that the conditions for a smooth way forward according to the plan are not or not yet given. Increased pressure only leads to increased counterpressure.</td>
</tr>
<tr>
<td>Go with the resistance, not against it!</td>
<td>The latent emotional energy needs to be received - i.e. accepted first of all - and channeled in a sensible way. Take away pressure, enter into dialogue, explore causes, redefine the way forward.</td>
</tr>
</tbody>
</table>
Tell them - and they will know! Show them - and they will remember! Let them experience - and they will understand!
7 Change Management (5) - Matrix of Acceptance

In most change processes the behaviour of individual employees can be categorised into four clusters.

The behaviour of a person is determined by the individual behavioural background:

**Topic-related risk:** How does the individual judge the project itself, e.g. its necessity, effectiveness etc.?

**Personal risk:** Is the individual more likely to win or lose something?
7 Change Management (6) - Specific Approach

These four behavioural clusters require a differentiated approach.

<table>
<thead>
<tr>
<th>Promoter</th>
<th>Inhibitor</th>
<th>Skeptic</th>
<th>Obstructor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive support</td>
<td>Safeguard against personal risks / demonstrate personal benefit</td>
<td>Set up a topic-related information base</td>
<td>• Targeted individual measures</td>
</tr>
</tbody>
</table>

- Deploy as manager of the pilot project
- Point out model function
- Deploy as "change agent"

- Individual talks
- Staff development
- Give security, build up confidence
- Point out personal opportunities resulting from the project

- Play an active role in information base
- Agree workshop documents

- Individual talks
- Active involvement in project responsibility (e.g. workshops)
- Visualisation of counterarguments in information base
In order to counter possible resistance at an early stage, it is advisable to implement four change management roles.
The function of the "pilot":
- Elaborates an information and communications plan
- Determines project-internal communication rules
- Plans, implements and monitors all information and communication activities
- Documents all information and communication activities
- Information desk for people outside the project
- The focus is on the typical questions of information transmission
- When/where do people communicate?
- How/which medium is used?
- What is to be achieved?
- At whom is the message directed / With whom should you communicate?
- Who should communicate/inform people?
A good radar system has the function of conveying all project relevant information, opinions, feelings and threats into the project in order to allow necessary project amendments.

The function of the "radar":

- **Analysis** and **evaluation** of project relevant developments and facts within the company
- **Spotting** and **evaluating** project relevant feelings and rumours in the company
- **Early identification** external project resistance and initiation of appropriate countermeasures
- **Feedback function** regarding individual information and communication measures
- **Integrate expertise** and specialized knowledge within the project

The key question is:
- Which **factors outside the project** could either jeopardize or forster the success of the project?
The salesperson is primarily responsible for the professional marketing of the project within the company.

The function of the "salesperson":

- Marketing and positioning of the project within the company
- Synchronize marketing with the build-up of confidence
- Edit and visualize the project statements and achievements
- Organisation of "convincing" communication activities (actively)
- Provision of convincing material regarding the project status (passively)

The key question is:

- What is the project's external effect (project image) and how can it be influenced?
The function of the "motivator":

- Build up creative tension and provide orientation during those phases where the project is at risk of failing due to a lack of project tension and motivation.
- Create project identity (logo, slogan).
- Integrate other employees and provide transparency regarding the project and project organisation.
- Create an environment that encourages and facilitates action enabling it to penetrate the project organisation.
- Give an example the appropriate management culture through one's own behaviour.
7 Change Management (12) - Overview of Selected Instruments

To support the transformation process there are various change management instruments which help to accelerate change and hedge against (internal) risks.

<table>
<thead>
<tr>
<th>Transformations Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interviews:</strong></td>
</tr>
<tr>
<td>Intensive collection of information about factual and informal topics with the aid of an interview guideline</td>
</tr>
<tr>
<td><strong>Information and communications plan:</strong></td>
</tr>
<tr>
<td>Reach agreement on all company-internal communication measures with the aim of positively influencing acceptance among staff</td>
</tr>
<tr>
<td><strong>Appoint change agents:</strong></td>
</tr>
<tr>
<td>Identification and appointment of the opinion leaders who promote and actively support the realization of the plan (compare „four-role model“)</td>
</tr>
<tr>
<td><strong>Company mission (vision):</strong></td>
</tr>
<tr>
<td>Basic agreement, in writing, about the nature of the future company (principles of action, basic values, achievement programmes and customer groups)</td>
</tr>
<tr>
<td><strong>Information broker:</strong></td>
</tr>
<tr>
<td>Information offered to all staff interested in the transformation process, e.g. with the aid of metaplan boards, suggestions boxes, information events.</td>
</tr>
</tbody>
</table>
Many publishing houses are struggling on the Internet today. Please consider carefully the following list of mistakes that other publishers have done.

- **Mistake 1: Failure to apply benchmarks from other industries**
  Many companies fail to use the achievements and mistakes of other Internet undertakings as a guide in planning their own web presence. It is essential to run a detailed benchmark analysis before beginning the planning process. No publisher should make the mistake of re-inventing the wheel, when data for comparison is freely available.

- **Mistake 2: Lack of a coherent vision**
  A vision for the future, to be developed within the networked future of online publishing presented here, is essential for any publisher hoping to establish an innovative presence on the Internet. This vision may well contain elements that currently seem unrealistic due to the limits of technology or a lack of customer acceptance. Without a long-term, guiding vision, the publisher is leaving the field of innovation to the competition from the get go.
• Mistake 3: Lack of target group focus
Only with a clear understanding of what users, or readers, expect from their online publisher can a corresponding site be developed. Customer surveys are the foundation of this knowledge, enabling a publisher to create a network that fulfils its readers' expectations.

• Mistake 4: Lack of capital
Undercapitalisation is a further source of the failure of ambitious Internet strategies. If a company is not prepared to run it at a loss for several years, an Internet presence will never be able to live up to expectations.

• Mistake 5: Fuzzy business model
It is essential to develop a business model in the planning phase of Internet activities that details how much and what kind of revenue will be generated with which partners. If the Internet presence is not based on a clear-cut business model, there will be unavoidable problems generating revenue. In developing the model, it is important to take into account the involvement of partners in a subject-oriented network.
Mistake 6: Lack of, or under-utilised sources of revenue
The three main sources of income for publishers are content, advertising and service revenues. An Internet project, the planning of which has not included a sales plan that reflects a balance between these three sources of revenue, is doomed to failure.

Mistake 7: Lack of planning
Another common mistake is the lack of both adequate planning, and the accompanying supervision of the implementation phase. Without those essential tools, it is impossible to guide the implementation process, or to measure its success or lack thereof.

Mistake 8: Ill-defined processes and organization
If internal processes and organizational structures are not adapted to the new Internet medium, inadequate response to customer demands will result. The e-mail survey we presented illustrates how far publishers have to go in this respect.
• Mistake 9: Lack of commitment by top management
   Lack of support from the top levels of the company dooms many Internet projects to failure before they even get off the ground. For instance, if the organization of an Internet project is turned over to the IT area, it will inevitably acquire a technological rather than a strategic orientation.

• Mistake 10: Internal differences and resistance
   Organizational restructuring and reassignment of responsibilities meets with resistance in every company. A publishing house, too, must expect to encounter internal differences and resistance on the path to an online publishing venture.

• Mistake 11: Consensus at all costs
   It would be equally fatal to strive for absolute consensus within the company. This will reduce everything to the lowest common denominator, stifling any truly innovative ideas.
• **Mistake 12: Inadequate marketing budgets**
  If the company is not prepared to invest heavily in advertising its own presence on the Internet, the best site in the world will go ignored. Successful Internet ventures start by investing sums in marketing that are equal to or greater than initial turnover.

• **Mistake 13: Inadequate ordering procedures**
  Mistakes are often made in setting up ordering procedures for goods or services. Among these are **discontinuity of media** ("give us a call" or "fax us your order"), and confusing, **unclear ordering procedures** that make it difficult for the user to find his or her way around. You must also give the user a feeling of security and a sense of your reliability when s/he is paying online.