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<th>Content alliancing in media : windows of opportunity</th>
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Content alliancing in media:
Windows of opportunity

9th Amic Annual Conference,
Singapore, 29th June 2000
The following quotes proof, that some self-proclaimed industry experts believe that the traditional players in the publishing industry will play only a minor role in the future Internet publishing business.

"The year 2000 will signal the end for newspaper and magazine publishers"

Bill Gates, CEO Microsoft, 1998
Readers and Internet users have a number of different information requirements. The Internet will play a catalyst role with regard to these changes.

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**Diebold**

2 Altered Demand for Information (1)

Readers and Internet users have a number of different information requirements. The Internet will play a catalyst role with regard to these changes.

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**Diebold**

2 Altered Demand for Information (2)

Readers and Internet users have a number of different information requirements. The Internet will play a catalyst role with regard to these changes.
New Competitors

Publishers are confronted with a number of new competitors on the Internet.

Online Vision for Publishers (1)

Portal-sites are among the most successful Internet companies. By enriching their initial search functionalities with contents, services, local and customer-specific offerings, they successfully generate traffic.

YAHOO!

Employees (world): approx. 1,000
Country services: 15
Turnover 1998: US$ 200 million
Profits 1998: US$ 50 million

Highest share value: US$ 244
Market value: approx. US$ 65 billion
Daily accesses: 700 million
Regular visitors: 35 million
Customers are increasingly demanding "one-face-to-the-customer"-concepts. Successful online companies such as YAHOO! or Amazon.com have implemented such approaches into their websites.

The following hypotheses form the basis for a vision of the publishing future in the next millennium.

**Aggregation Hypothesis**
"Publishers have to aggregate the information, interaction and transaction requirements of a defined target group as fully as possible on one website in order to ensure survival in an increasingly dynamic competitive environment."

**Self-image Hypothesis**
"Publishers have to revise the mostly journalistic, cultural, or educational image they have cultivated in online business up to now and replace it with an image that is essentially more like that of an information and service broker."

**Publication Cycle Hypothesis**
"Publishers have to take account of the fact that the Internet levels out the publication cycles and consequently obscures the dividing lines between the various (print) media."

**Value-added Hypothesis**
"Whatever their present position in the online business, publishers have to replace their present value-added chains with new ones."

**Network Hypothesis**
"Publishers who do not network with service, technology, and media partners will have no chance of becoming permanently established on the Internet. Online publishing ventures without co-operating partners are bound to fail."
Publishing on the Internet will increasingly take place in a network of technology-, service- and media companies. Publishers will play a key role in aggregating contents and managing partners.

The following example shows which contents and partners could form the meta-network "Leisure Time".

- **Network hierarchy**
  - Level 1: meta-network
  - Level 2: macro-network
  - Level 3: micro-network
  - Level 4: stand-alone

**Example Diagram:**
- **Meta-network (leisure activity):**
  - Sports
  - Outdoor
  - Pets
  - Entertainment
  - Family

- **Macro-network (sports):**
  - Football
  - Tennis
  - Basketball
  - Skiing

- **Micro-network (football):**
  - Reports
  - Statistics
  - Interviews
  - Interfootball
  - Associations
  - Fan clubs

- **Stand-alone:**
  - Online publishers alone, without partners
The online publishing house of the future consists of the following building-blocks.

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

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.
In order to check to which degree publishing houses have already integrated customer communication via e-mail into their communication strategy, Diebold sent out about 750 e-mail queries to about 250 European and American publishers. Only 28% of all e-mails were answered within 5 working days.

Compared to other industries, publishing houses are most unreliable with regard to answer customer inquiries via e-mail.
Study on Publishers' Reaction to E-Mail Queries (2)

Even of the 218 answered e-mails only 72% were answered satisfactorily.

Breakdown of the 218 e-mail responses:

- direct, satisfactory answer: 157 (72.0%)
- reference to publisher's web site: 21 (9.6%)
- reference to publisher's employee: 10 (4.6%)
- answer with counter-question: 21 (9.6%)
- refusal to answer: 9 (4.1%)

Total: 218 (100.0%)

Hot Issues for Publishers (1)

The Internet has already started to alter the newspaper reading habits.

How has the Internet affected your newspaper reading habits?

- significant decline: 51%
- slight decline: 21%
- no effect: 22%
- growth: 5%
- non-readers: 1%
7 Hot Issues for Publishers (2)

The following online players are examples for the numerous new competitors that are threatening publishers on the Internet:

- Auto-Broker Auto-by-tel
- Online auctioneer eBay
- Job-Broker Monster.com
- Real-Estate-Broker RDM
- News from CNN
- News from YAHOO!

8 Best-Practice Examples (1)

- One essential advantage that newspapers have over other information providers is that they often possess extensive archives, which appeal to both private and business customers.
- Almost all of the larger dailies offer archive access. Newspapers are clearly heading in the direction of charging for this service, whereby the average price per article is ca. $1 - 3.
- Queries are generally easy to refine using selection fields ("date: from - to", "department" etc.). In the Washington Post example, articles published in the prior two weeks are free, others cost $1.50 (evening rate) or $2.95 (during business hours).
The Diebold research revealed how important it is to integrate partners into your web site. A good example of this is the cooperation between the Star Tribune newspaper and the online travel agent Atevo Travel. Under the banner of the Star Tribune, the user can book package tours, flights, and hotels online, while returning at any time to his daily paper.

Daily newspapers in particular are the perfect vehicle for creating online local "communities", reporting on them, and offering a comprehensive service palette on their web pages. The Chicago Tribune has gathered all essential information about all 77 city districts, grouped by subject ("schools", "leisure activities", "crime rates", etc.). Readers, or users, can register as citizens of "digital city Chicago", and are subscribed to a digital newsletter containing community-related information.
8 Best-Practice Examples (4)

- Online courses aimed at specific target groups can help publishers establish a solid position within a macro or micro "subject network".
- The Wall Street Journal works with Dow Jones University to offer investment and finance courses.

8 Best-Practice Examples (5)

- One of the advantages a printed newspaper still has over its online electronic counterparts is its portability.
- Various newspapers try to compensate for this by making their content available on hand-held devices.
- One of the first European papers to try this is the Austrian daily, Der Standard.
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.

Diebold
10 Outlook (1)
Through the aggregation of different meta-networks "Life-Portals" or hyper networks will emerge. The aim of such a hyper-network would be to consolidate all the interests and concerns of daily life (personal, professional, and official) comfortably and comprehensively on one web site.
It can be expected that in different language areas of the world several hyper-networks, each consisting of the aggregation of different partners and contents, will compete with each other.

"You can not stop the wind from blowing,...

... but you can construct windmills."
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