

Eliminating the Print and Digital Divide

How magazines can reinforce their brands online

Websites are a vital avenue for attracting and retaining readers, but they often come at the cost of falling print sales and eroding brand value. To survive, magazine publishers must find a way to bridge this print-digital divide during a worldwide advertising slowdown. Rather than working in opposition, print and digital operations can work together to boost the value of the brand, tailor more personalized experiences for readers and unearth new revenue opportunities.



Magazines today face the Schwab dilemma—their online vehicles are popular but can cannibalize print sales and erode the brand. It is the classic print and digital divide.

In late 1995, at the dawn of the Internet era, the brokerage Charles Schwab went online with discounted electronic trades. While this spurred growth of its website, the offline business model was challenged. Worse, the online venture was eroding the Schwab brand, thanks to a “confusing and kludgy” website, as CEO Charles Schwab later put it.¹

To confront this problem, Schwab gambled that although customers would have different needs and experiences based on their interaction channel (online, telephone or in person), it could reinforce its brand with superior customer service across all channels and generate long-term opportunities for new sources of revenue. Indeed, those sources—cross-selling products, increasing equity account values and offering complementary services—helped the company’s stock soar from \$4 at the end of 1995 to more than \$43 in 2000. There have

been ups and downs since, but Schwab’s early lead online cemented its position as a global financial services leader.

Today, many magazines face that Schwab dilemma. Online vehicles are popular but can cannibalize print sales and erode the brand. Magazines can succeed by emulating Schwab’s choices: strengthening the brand, tailoring unique online and print experiences, and pursuing new revenue opportunities.

Strengthen Brands

Magazines today need both a print and digital presence. Print provides lengthy, vibrant spreads, and the pleasure of reading a physical product. The Web provides an interactive experience, additional points of communication (such as email, social networking, text messaging and mobile applications) and opportunities for better audience tracking and more targeted advertising. Linking digital

¹ Elizabeth Corcoran, “The E Gang,” *Forbes*, July 24, 2000.

See http://www.forbes.com/forbes/2000/0724/6603145a_11.html.

and print content drives increased readership, and the online channel is now a vital conduit for increasing print subscriptions to meet the rate base.

But do the two sides need to be separate? Fundamentally, integration helps align the brand, prevents the disconnect that can drag down readership and advertising, and reduces duplication, such as purchasing the same stock photo separately for print and digital editions. Conversely, an integrated structure reduces costs by negotiating broader rights to valuable content, using idle editorial capacity between print deadlines, and improving sales efficiency for overlapping customers (see figure 1).

A first step toward forging a collaborative working environment is to re-seat the two divisions in closer vicinity. Informal conferencing will lead to shared resources, a more consistent brand image and better use of employee skill sets.

Tailored Experiences

As Schwab found, integrating operations enforces the brand's values, but for publishers that does not mean turning the print and digital products into mirror images. On the contrary, each experience should be tailored to fit the channel.

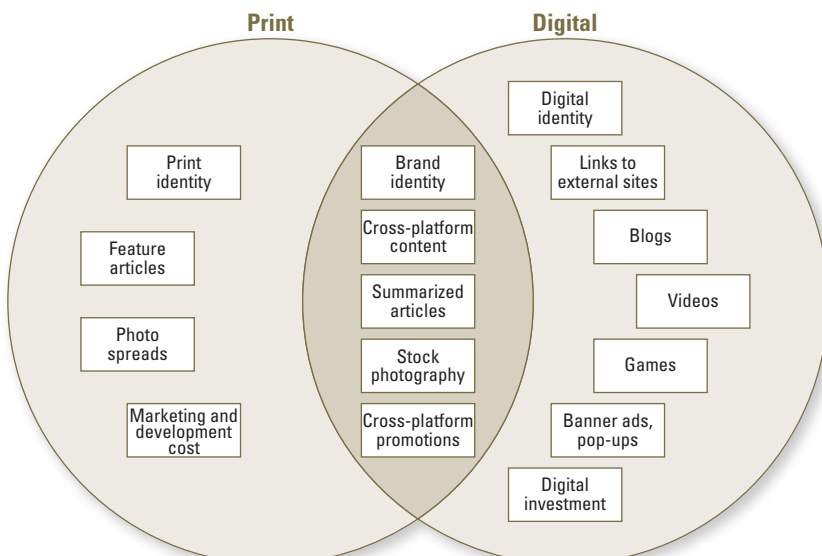
For example, online users are interested in games, smart-phone applications and social-media tools. These new media present publishers with the opportunity to create strong community bonds with their most passionate fans. Rather than merely providing free versions of articles online—thereby potentially contributing to declines in print circulation—one possible tactic is to show video clips of interviews or photo shoots online to drive traffic both ways: Folks who read the article want more on the source, and folks who see the video want the final product.

Websites are also interactive in

ways that print cannot duplicate—but can take advantage of. This includes events and promotions, search and data presentation capabilities, and message boards that enrich the community while offering fodder for future article ideas. Good digital content can enhance the publishing brand in a way that the print experience can't.

Linking digital and print content increases readership and the online channel is a conduit for boosting print subscriptions.

FIGURE 1: Combining print and digital capabilities



Source: A.T. Kearney analysis

New Revenue Opportunities

As publishers know, cutting costs and enriching brand experiences won't help without increased revenues. Strategically identifying new revenue opportunities will distinguish winners from losers in the future.

One way to do this is to reclassify the magazine business to drive new revenues. Let's look at two areas.

Titles. Magazines can be placed into segments that are separated by how a reader may experience the brand.

Magazines focused around **products**—such as fashion magazines and enthusiast titles—can take advantage of product placement. For example, someone sees a dress on a fashion-magazine website, and one click could

take her to a retailer who sells the dress.² Many enthusiast magazines entice subscribers to pay for content, and extend that interest to product sales to help publishers capture the full potential of that energy. Meanwhile, fashion magazines have stepped boldly into the arena of “lifestyle” brands, following in the footsteps of their advertisers. *ELLE*, for example, uses its brand across media, drawing readers to television shows such as *Ugly Betty*, *Stylista* and *The City*. While ratings success is not a guarantee, the willingness to invest brand power beyond the core business is a critical step forward.

Content magazines such as *The Economist*, *Time* and *BusinessWeek* attract an audience that likes sophisticated, in-depth treatments, and may be open to paying for exclusive online

content, cross-selling conferences or podcasts. Generating a meaningful slate of revenue opportunities is a challenge for organizations that typically operate on a standard news cycle. Unlike product-driven titles, content magazines face the possibility of diluting their value from overexposure, tapping readers too many times, or selling opportunities that don’t meet expectations. A successful program requires significant investment in areas that had been cost-cutting targets.

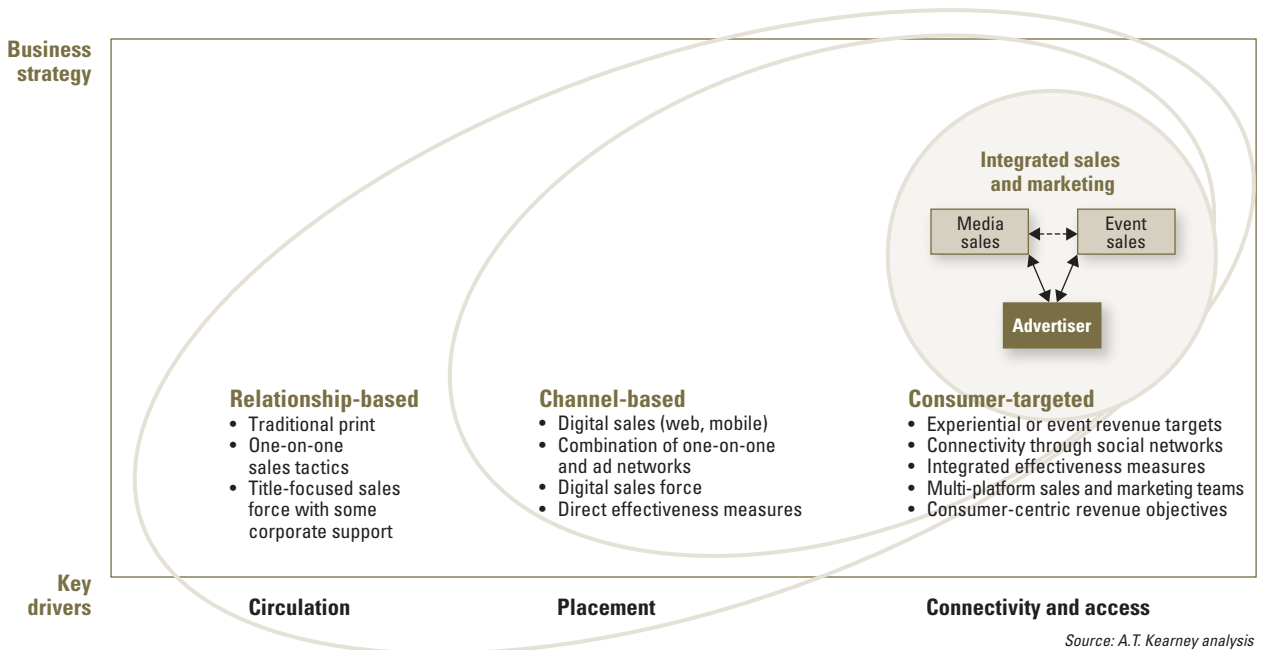
Women’s magazines such as *Woman’s Day* and *Better Homes and Gardens* are all about **community**. They are served by Web tools such as social-media sites, message boards and recipe databases. Granted, online community does not yet have a proven revenue model—but that hasn’t lessened the value of today’s hottest high-tech

companies. Success requires more than just taking a print product and adding new technology. The leaders will invest the time and thought to identify how their communities can best interact with their content—rather than merely adding new technology to try to deliver it. Meredith’s Mixing Bowl network is a great example, as it connects an engaged community with the vast Meredith portfolio.

Content. Publishers must take a hard look at how they generate content and what it is actually worth—many brands either undervalue or overvalue the financial value of what they create and deliver.

Commodity content, such as news headlines or stock photography is highly accessible, time-sensitive and easily distributed. The key is to minimize costs and maximize the frequency

FIGURE 2: Evolution of media revenue models



² Will this break the sacred wall between editorial and advertising? Evidence from ethical bloggers suggests no. See <http://www.probblogger.net/archives/2009/08/19/amazon-associates-tips/>, especially lessons 8 and 10.

the content is touched. Often, commodity content is best handled by wire services and other high-transaction organizations.

Value content, such as exclusive-rights photos or opinion articles, is also time-sensitive, but its exclusivity will draw readers to the brand. Here it is vital to balance costs and revenues. The editorial challenge is to understand what value the title brings and what is offered by the author. Does the byline bring the readers, or does the title validate the byline? A clear syndication plan informs editorial teams about the tradeoffs between rights and costs prior to making those decisions.

It is helpful to distinguish between information and analysis. Information about a major news event may indeed need to be free of charge. It spreads like wildfire and is impossible to brand.

But analysis on that event—the unique point of view that puts it in context—is something people will pay for.

Iconic content, such as photos or cover stories on historic people and events, have a high lifetime reuse value. In these cases, editorial teams must assess the estimated value of this content, and then establish the structures to capture the associated direct and indirect revenue.

As these categories evolve, the industry must adapt them to a more integrated revenue model that draws readers, advertisers and the magazine together (*see figure 2 on the previous page*).

Following the Lead

Consider how some leaders have already succeeded at bridging their online and print products:

- The *Wall Street Journal* has long experimented with charging for its unique in-depth business insight
- *Consumer Reports* provides access to Buying Guide information on its website, but requires a subscription to view its branded rankings
- ESPN.com offers premium content, such as fantasy football recommendations, but only to paying insiders who also get a subscription to *ESPN The Magazine*

In the quest to eliminate the print-digital divide, the strategies of each magazine will differ. But the starting point—as Internet pioneer Charles Schwab demonstrated more than a decade ago—must be to offer tailored experiences. A common-sense mindset will strengthen the brand and maximize revenues.

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