It’s Not Too Late to Stop the Insanity

By: Nikolay Malyarov, Chief Content Officer, PressReader

We’ve all heard the infamous quote attributed to Albert Einstein, “The definition of insanity is doing the same thing over and over again, expecting different results.”

While the assertion may not have originated with the genius, it doesn’t take a rocket scientist to recognize the truth when they read it.

But it’s amazing how many intelligent executives in billion dollar businesses continue to repeat the same mistakes hoping for a more favourable outcome – media moguls included.

Victims of “Digital Darwinism”*,* they continue to fall short of meeting the needs of consumers, who are not only riding the wave of digital technology advancements and society’s rapid shifts, they’re driving them both.

But in their efforts to try and squeeze traditional print publishing paradigms into bits and bytes, publishers have missed a fundamental element for financial viability in this new people-powered planet. They’ve missed the “consumer-isation” of the communications gravy train, and like many industries before them, they need to do a serious about-face and face their audience up close and personal, or, frankly, perish.

This is a harsh reality so many executives just don’t get, not because they aren’t intellectually intelligent, but because they lack the Social IQ needed to build a business that can thrive in a socially-centric digital world.

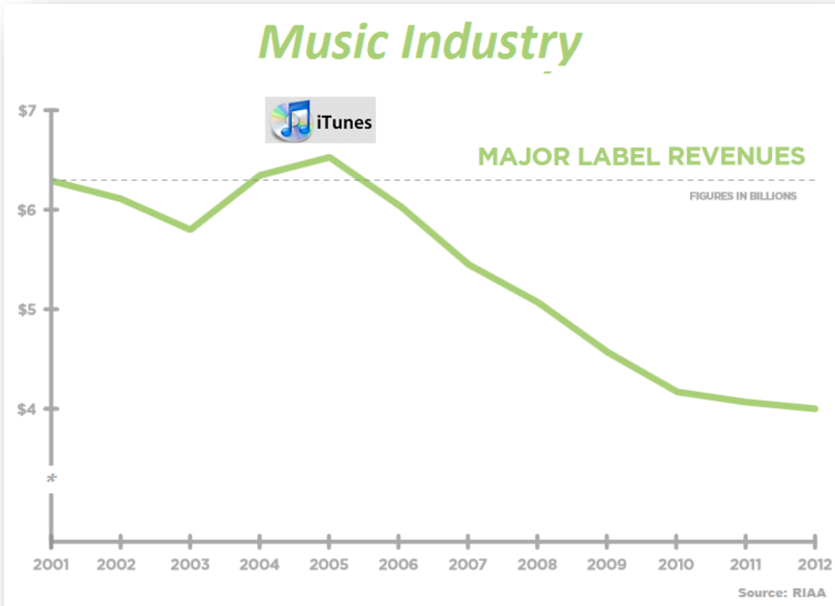
Digital Disruption or Digital Destruction?

Publishing isn’t the first to be impacted by digital disruption. The music and video industries faced similar challenges that ultimately forced them to radically transform their business models in order to survive.

Music

When record sales reached their peak in 2000, Americans bought 943 million CDs, and digital revenues were negligible. But the traditional pricing model of $15/CD did not sit well with many music fans. Their response was to find other, sometimes nefarious, ways to access music they felt was overpriced.

In its stubbornness not to give listeners what they wanted, the music industry gave birth to Napster, then iTunes and Spotify -- consumer-savvy services that gave consumers what they wanted – convenience (i.e. choice and aggregation) at the right price.



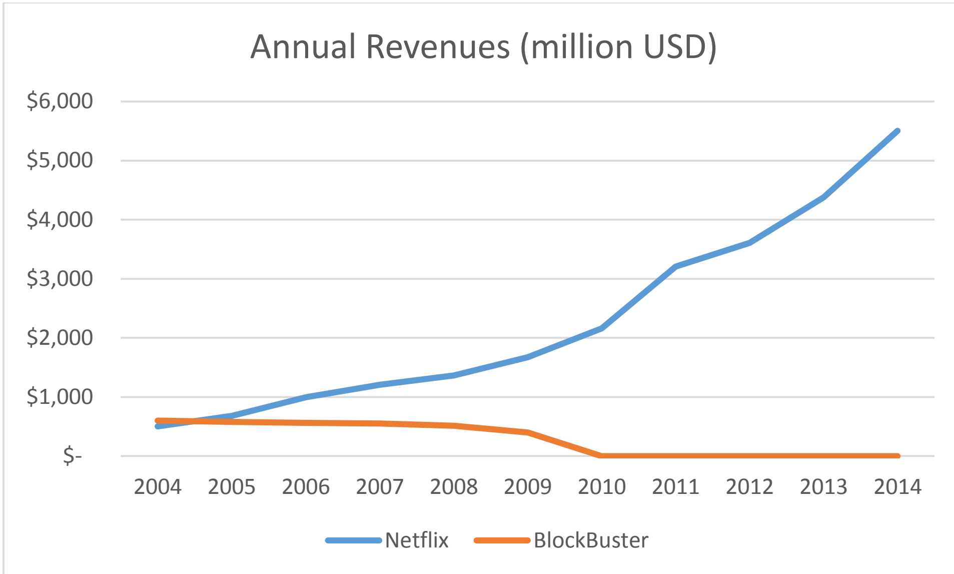
Video

Netflix had a similar impact on the video industry replacing DVD purchases with its on-demand video streaming. Blockbuster, once the king of video rentals with 9,000 locations in the USA and $1.6B in revenues, declared bankruptcy in 2010 and closed its last 300 stores early in 2014.

Pressured by movie studios to maintain high-margin DVD revenues Blockbusters' high-priced DVD rental model fuelled the Torrent Revolution and lead to a pricing standoff with consumers from which they could never recover.

Meanwhile, Netflix, which was also into DVD rentals, didn't go down with its mail order business. By listening to the market and innovating to serve its needs, Netflix offered a $7.99/month all-inclusive subscription model that was able to reach consensus with viewers because it gave them convenience (i.e. aggregated video) at the right price. Blockbuster's attempt at a pay-as-you-go streaming video solution couldn't compete.

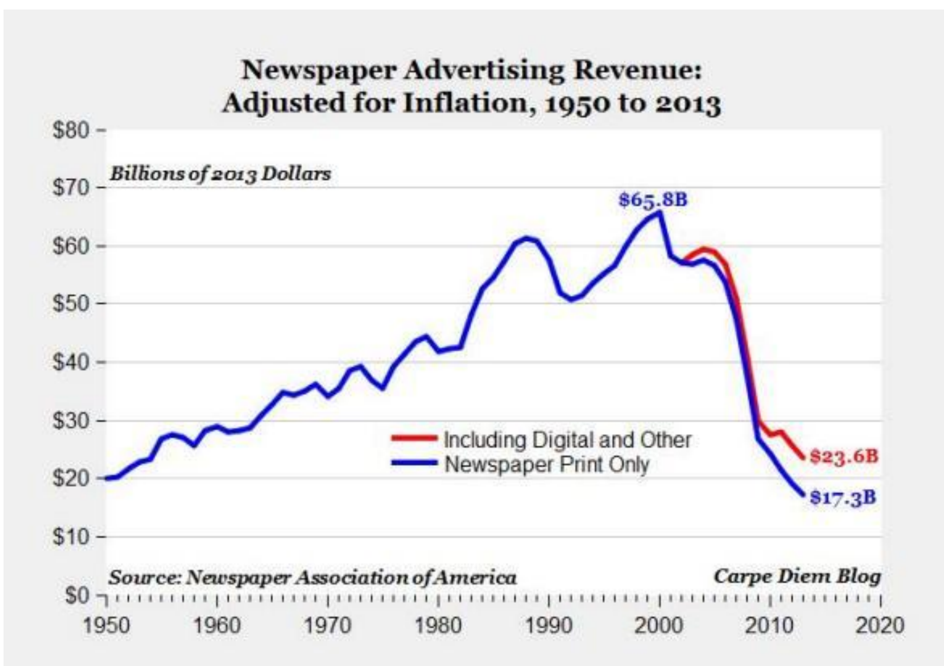
Today Netflix is the largest premium TV/movie subscription service in the United States with 5.5 billion dollars in revenue in 2014 and over 57.4 million subscribers.



Publishing

In the music and video industries, digital and social disruption of their markets resulted in massive makeovers of business models that no longer worked.

The same is happening to the publishing industry, but at an even more precipitous free-fall; print advertising revenues have decreased more than 57% in just the last 6 years and over 75% from the $65.8 billion peak in 2000.



And because publishing executives didn't learn from music and video's hard lessons and continued to

- silo their content behind paywalls
- treat engaged digital readers like passive print subscribers
- deny readers choice at the right price

they opened the door to competitors they never imagined.

Racing to the Bottom

Disruptive innovation is a double-edge sword. For incumbents in industries affected by the phenomenon, it often results in “the bigger they are, the harder they fall” finales. But every fatality also leads to new entrepreneur success stories. Such is the case with the publishing industry.

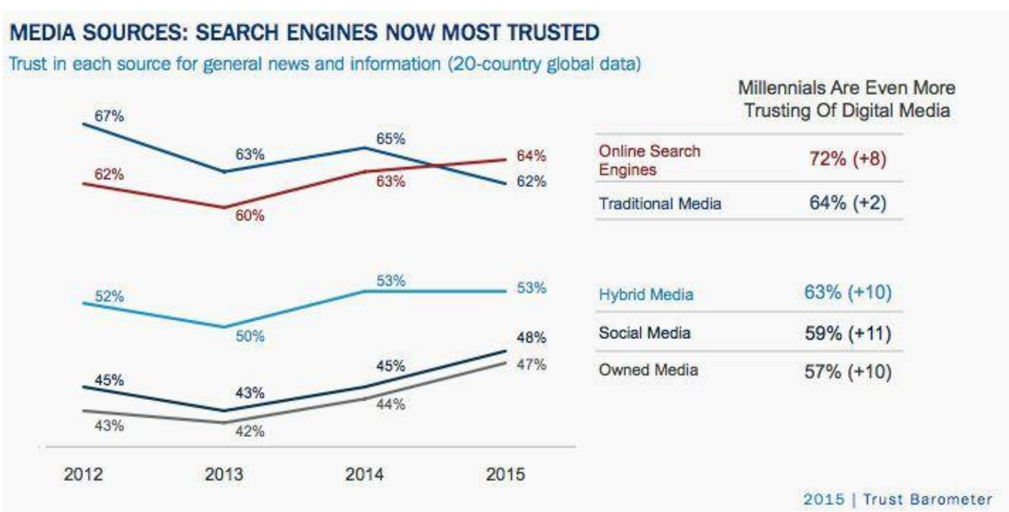
Today’s media landscape is vastly different to what it was 15 years ago, but at its core, the industry itself has changed very little, starting at the top. Sticking to traditional business models, beliefs and values, publishing executives are blind to the realities radical change -- in technology, society and markets.

Some have called it hubris; others blame 400 years of print mentality baggage, but whatever it is, publishers’ digital strategies and tactics are propelling them to the bottom and they need to stop the madness before the bottom falls out.

On Your Mark…

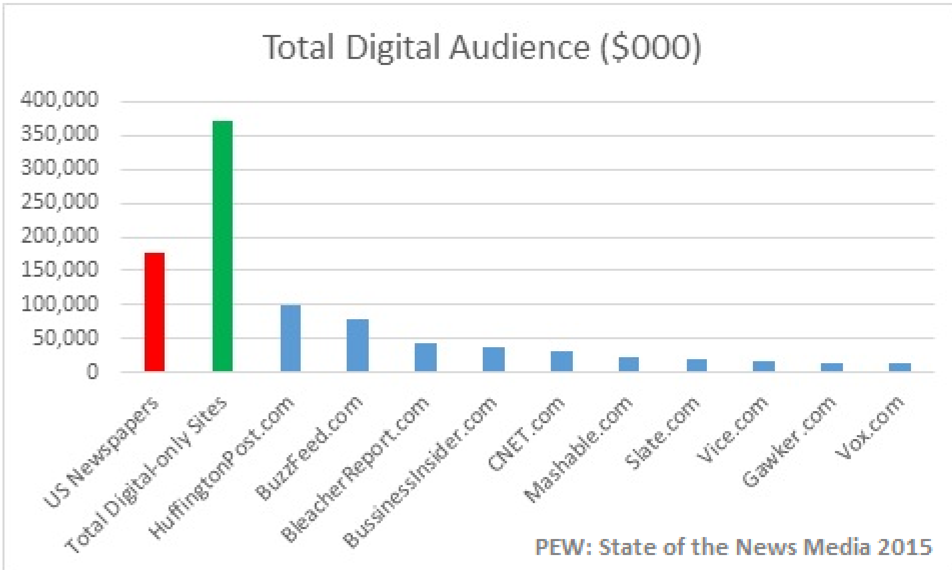
Seeing syndication as sinful, publishers rejected the content aggregation readers wanted and gave birth to Google News, Yahoo News, AOL, etc. The result…in 2015 Google lead the pack of search engines becoming the most trusted source of news globally and the world’s largest media owner.

Meanwhile trust in traditional media continued to head in the wrong direction.



Get Set…

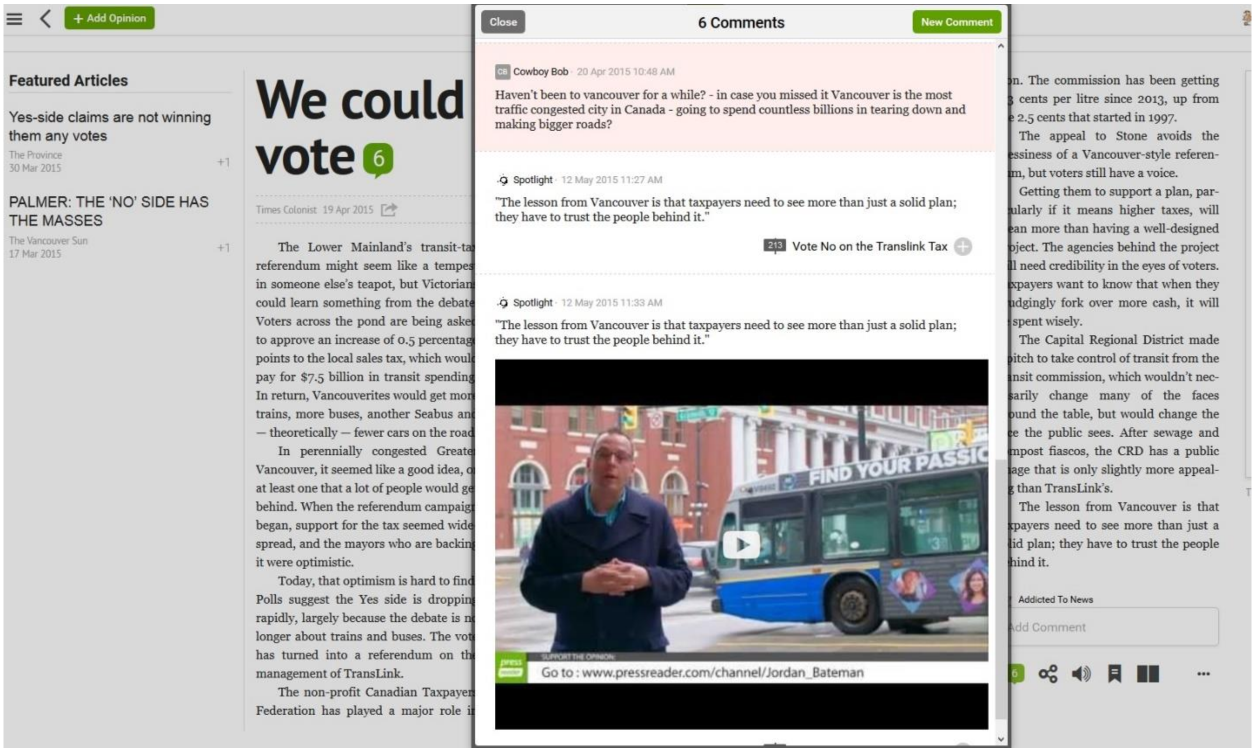
Not willing to budge on budgets, publishers created a pricing standoff that has driven hundreds of millions of readers to free news sources and spawned a new generation of digital-only news sites like Huffington Post, BuzzFeed, Vice, etc.



Go!

Publishers' refusal to give readers a voice in the news is probably the most bizarre and myopic move I've seen in years.

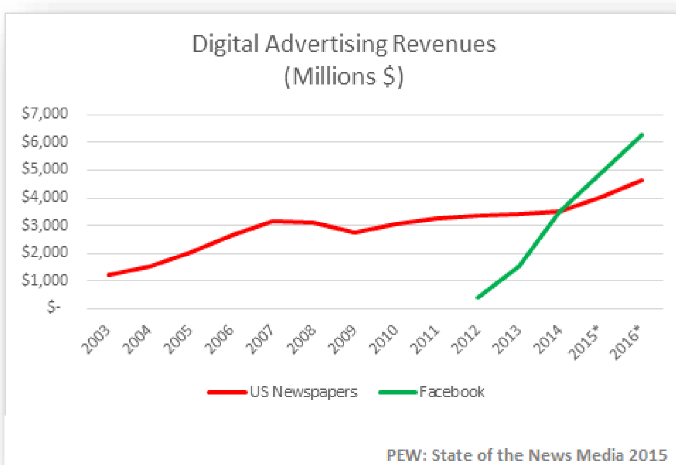
Blaming trolls and claiming brand-protection as reasons for muzzling their readers and not allowing them to add their comments and opinions to articles is not only unwarranted, it's crazy.



By unjustly punishing the masses for the sins of a few, some publishers have turned social media communities into news networks, pushing [Facebook into the No. 1 spot](#) for frictionless news discovery and content curation by the crowd.

It is unfathomable that such smart people can't see beyond their paywalls and printers to recognise that engagement is the secret sauce to ad sales. How can they be so blind to the billions those conversations are bringing in to the new kids on the block?

Digital advertising revenues rose 18% to $50.7 billion in 2014 with [Facebook increasing its digital ad revenue 52% to ~$5.0 billion](#). That's more than the digital ad revenue from all US newspapers combined!



On a global scale things look even scarier. Ad spend on social networks grew 41% in 2014 totaling over $15.3 billion. Facebook accounted for 75% of that windfall; 8% went to Twitter. In 2015, global ad spend on social is forecasted to grow by 29%, totaling $19.8 billion.

The social media gap will continue to widen as revenues reach $8.2 billion by 2018 in the US alone, at which time print advertising will have plummeted to $20.3 billion, less than a third of what it was in 2007.

Bottom line…social media came out of nowhere less than a decade ago and is now kicking publishers' butts in terms of:

- News discovery and curation
- Audience growth and engagement with content
- Advertising dollars

All because publishers couldn't, or wouldn't, think outside the broadsheet and innovate fast enough to capitalise on a massive digital audience hungry for media.

Instead of looking for new ways to engage with readers within their own digital destinations, or better yet, partnering with others in their industry to create a socially-engaging "network for news" and share the wealth, media companies are now giving away their high-value content for free to Facebook – the filter-happy, brand-unfriendly content curator and controller.

Facebook may be responsible for 27% of all traffic to most news sites (up to 70% for some), but what happens to all that traffic when a publisher's full-content articles are hosted in the social titan's territory? Why should readers ever visit the publishers' site again if they can get the content + conversation they want on Facebook? Bye-bye website + digital edition traffic and related advertising dollars!

Facebook – Friend or Foe?

Just like publishers' parade to paywalls, *The New York Times'* decision to strike a deal with Facebook probably has many newspaper executives contemplating a similar engagement. The deal may look tempting, but don't be surprised when it turns out to be just another one of Facebook's famous "bait and switch" scenarios.

NYT and other "selected" early adopters of Instant Articles are the bait to draw unsuspecting lemmings into the lair. Don't think for a minute that all publishers will receive the same preferential treatment as the NYTs of the world. And never forget how much of a brand bully Facebook can be and how it has treated publishers in the past.

Last year it arbitrarily adjusted its organic reach algorithm to drastically decrease the distribution of companies' content to less than 5% of fans who took the time to LIKE their pages. Suddenly brand marketing for businesses on Facebook took a major hit and the subliminal message from the Black Widow of the Social Web was easy to read between the silk, "*Pay to play* or don't play at all."

Overnight Facebook gave deep pocket publishers an unfair advantage over smaller outlets. And this kind of duplicity isn't new…

- In 2009 users were told that their personal information was being kept private, when in fact, Facebook was sharing it with others on numerous occasions. The company finally settled the charges with the Federal Trade Commission (FTC) in 2012 which required Facebook to agree to a "Consent Order".
- Two years later, in response to complaints that Facebook manipulated the newsfeeds of close to 700K unsuspecting users, the Electronic Privacy Information Center (EPIC) filed a motion with the FTC accusing Facebook of deceptive trade practices and violation of that 2012 Consent Order.

The social giant is forever "tweaking" its newsfeed, often at the expense of publishers. The most recent change which de-prioritises publishers' content even further makes one wonder if the move was designed to make publishers believe they have no other choice but follow in the footsteps of NYT in order to reach the 88% of millennials who "regularly" get their news from Facebook.

And speaking of those millennial readers, who will be given access to their personal data? Will it be shared with publishers based on their content being read or will users be asked to enable/disable access every time they access a new publishers' content, (akin In-App Purchases on Apple)?

Given today's promiscuous readers' preference for content from multiple sources, this could turn into an opt-in/out nightmare for many. Don't be surprised if Facebook suddenly gives users a universal switch to turn off data sharing with all publishers, in the best interest of users, of course!

Mathew Ingram summed it up well… "It [Facebook] tries to portray the algorithm as just a harmless extension of its users' interests, when in fact it is anything but. It is Facebook's most powerful weapon, and a blade that cuts both ways when it comes to the media industry."

Facebook is no one's "friend". It will never stop manipulating newsfeeds, users, publishers and advertisers to serve one understandable, fundamental need – to bolster its bottom line. So before publishers jump into bed with this very formidable competitor they need to remember what Facebook has done in the past and what it is capable of doing in the future with the fortune it will be making off publishers' content.

Terms might look rosy for some publishers right now, but Facebook is a game-changer in more ways than one. You know what they say…"Buyer beware! If something looks too good to be true, it probably is."

The Race is Still On – May the Slowest Publisher Win!

For hundreds of years, publishers held a monopoly on content and protected it like it was the Crown Jewels. And although technology has changed how people consume and interact with content, what hasn't changed is their insatiable appetite for quality news and media. There's still hope!

However, with the proliferation of content from almost everyone with an internet connection, news is becoming a commodity product. It hurts, I know. What makes content compelling to consumers now is how it is packaged, presented, integrated, distributed and priced.

Just like music and movie fans, today's readers want news "their way" or "no way", which translates to

- Frictionless all-access to relevant, shareable content
- Easy engagement in peer-to-peer conversations
- Convenience at the right price

Facebook gave them two out of three (engagement + price), but now with publishers jumping over each other to sleep with the unfriendly social giant, soon Facebook will have it all!

Stop the Insanity

Music and video needed to reinvent themselves to survive. It's time for publishers to stop the insanity of racing to the bottom and transform themselves into something beautiful in the eyes of their beholding readers. They need to…

STOP	START
Treating other publishers and industry leaders as competitors	Innovating with them to reinvent the industry by syndicating content that connects them all with readers
Alienating readers by making social media the only game in town for peer-to-peer communications around content	Inviting readers to participate in content creation to increase the value (and shelf life) of articles through commenting and opinions
Treating digital readers like print subscribers of old	Monetizing their content in a way that meets the needs of digital natives and gives them convenience and choice at the right price
Valuing traffic and page views	Valuing readers and the time they spend with publishers' content and the content generated by other readers
Giving away their biggest asset to the Facebook's of the world who are out to eat their lunch	Giving readers the frictionless all-access *social network for news* that will keep them engaged longer and coming back for more
Choosing publisher-unfriendly business models that only offer shared ad revenue opportunities and undervalue the content by not protecting it from piracy or paying for it explicitly	Working with trusted partners that value their content by paying for it, protecting it and ensuring it remains audit-bureau compliant – partners who also offer other opportunities to further monetize it

It's not the richest, oldest, smartest or strongest that will survive the next decade of disruption, but those most adaptable to it. Publishers need to shed the baggage of the past and innovate unfettered to realize a new vision of going where no one has gone before.

> "The secret of change is to focus all your energy, not on fighting the old, but on building the new."
>
> Socrates

But time is of the essence. Ray Wang, author of *Disrupting Digital Business* probably said it best, "Digital Darwinism is unkind to [dinosaurs] who wait."