Business Model Innovations in the Digital Publishing Industry

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Abstract

“When New Technologies Cause Great Firms to Fail.” This is how, in 1997, Clayton Christensen described the situation for media enterprises, particularly the news publishing industry, in his book “The Innovator’s Dilemma”. For decades, publishers operated in an established market, which generated safe revenues. However, this stable economic situation changed with the introduction of the Internet and a “for free” mentality of consumers. Since then, the total circulation of news publishers has been declining and digital content is on the rise. Even worse, new competitors are entering the field offering digital content and advertising companies have new options for placing their advertisements. The consequence, the publishing industry is on the brink of the most radical change since the invention of printing by Gutenberg: They have to reconsider every single element of their business model. To underline these assumptions, the present study explores consumers’ expectations towards digital news content. With this study, we mainly consider the changed consumer behavior and consumers’ expectations towards digital content in order to derive implications on future business models of publishers, in particular on the customer value proposition. Furthermore, our findings show that features of content have an impact on payment preferences and that the acceptance of payment models does not differ depending on the news source.

Keywords: Publishing industry; Business model; Innovation; Digitalization; Customer value proposition; Digital user behavior

Introduction

The shrinking circulation Figures of printed publications changed the traditional business model of news publishers and caused revenue from circulation and advertising to crumble [1,2]. As a consequence, publishers have looked for several alternative sources of revenue through business model innovations recently [2-4] in order to reduce the dependence on revenue from the print segment [5-8]. Transferring the printed newspaper to an online version is no solution either, since consumers’ willingness to pay for digital content is particularly low due to complementary journalistic brands on the Internet and new digital payment models [8]. Simultaneously, consumers expect a high added value from digital as well as from printed news [9,10]. This is why the customer value proposition of digital news content has changed compared to printed news. Furthermore, the use of digital content has steered away from the mass market and shifted towards niche topics [11], which lead to new opportunities regarding revenues from advertisers. Overall, the digitalization has led to a disruption of the publisher’s’ business model, as Christensen has described already in 1997. The surprising observation of today is that publishers still seem to be searching for an appropriate adaptation of their business model.

This forms the current challenge for news publishers: They have to reconsider every element of their business model – the customer value proposition, profit formula and revenue model, key processes and key resources [12]. This study addresses these business model innovations in the digital publishing industry, in particular the customer value proposition. Therefore, the study investigates consumers’ demand for news content and raises the research question:

Are there any specific determinants (i.e. brand affinity, interests, habits of usage) which appear in combination with specific needs or features that determine the CVP of publishers?”

There are certain bodies of literature about changes in the digital media industry [13] and disruptive innovations [14,15], about the future of the digital publishing industry [1,6-8,16,17], and about new business models and competition in the digital world [18].

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There are surveys about the willingness to pay for digital content [1,2,5,6] and about specific consumer demands, trends and innovation [5,8,9]. However, despite the steady decrease in total circulation many publishers do not seem to have an appropriate answer and research concerning the potential for digital content production and distribution for newspaper publishers is still lacking [3,4,16].

Conceptual Framework and Research Model

Business Models

Existing literature about business model and business model innovation [12,18-20] define business model with various numbers of components. In 2005, Morris et al. conducted a research across 18 publications and identified 24 different components of a business model with 15 components mentioned more than once. On average each research named between four and eight components within its business model framework. In practice the most used business model is probably the CANVAS model of Osterwalder and Pigneur [19] with nine components. Amongst the various definitions three to four cornerstones are always mentioned as core elements: value proposition, revenue stream and key resources as well as key processes. This is why we base our research on the model of Johnson et al. [12]. It represents those four core elements and it is easy to use as a framework for the publishing industry. According to Johnson et al. [12], a business model consists of four characteristics: it creates a customer value proposition by applying key resources and key processes and allows revenues by a profit formula. “A successful company is one that has found a way to create value for customers. (...) The profit formula is the blueprint that defines how the company creates value for itself while providing value to the customer. (...) The key resources are assets such as the people, technology, products, facilities, equipment, channels, and brand required to deliver the value proposition to the targeted customer. (...) Successful companies have operational and managerial processes that allow them to deliver value in a way they can successfully repeat and increase in scale” [12]. Several factors affect the publisher’s’ business model [4]. It is not only the competition among publishers, which is going to be disordered, but there are numerous competitors entering their domain with new technologies, leading to radically changing consumer behavior and increased competition in the advertisement market. In order to illustrate possible changes of business models in the future, the traditional business model of publishers has to be taken into account.

The customer value proposition (CVP) of newspaper publishers traditionally addresses the client’s demand of being provided with news and background information. The more relevant and reliable the content and the better the information provided for consumer the higher the CVP [9]. The key resources for providing this information are qualified journalists and editors and the key processes refer to communication networks which allow a timely provision of this content and an efficient processing to media products. Due to the digitalization, publishers’ key resources and key processes have changed: Content creation is not solely performed by professional journalists but also by consumers (user-generated-content) and is delivered via various devices and platforms. A publisher’s profit formula is based on two markets: the consumer market (providing the consumer with content) and the advertising market (audience). Competition in the advertising market continues to increase since advertising companies can choose between growing numbers of possibilities to contact their relevant audience [1,21]. And the advertisements for jobs, cars, real estates or personal relationships have moved to specialized internet platforms.

Hence, the question arises of what differentiates a publisher from its increasing number of competitors. Is it possible to “reengineer” publishers’ key resources and processes, such as journalists, distribution-channels and strong brands, in order to deliver a unique value to the consumer (CVP) and to distinguish them from their competitors [12,20,22].

Examples of digital content distribution suggestions: innovative offers in the publishing industry

In order to illustrate new approaches of production and distribution of news content and a change of the Customer Value Proposition of Publishers, international approaches can be taken into account. In 2014, the authors have conducted a document analysis of international innovative business models of digital content. Therefore, the collected data focused on the parameters: product portfolios, pricing, target groups and content distribution in order to obtain a picture of international innovative business models in the publishing industry. The focus lied exclusively on the largest and renowned models. In order to list benchmarks, selected terms were run through various search engines to seek international approaches for innovative business models within the publishing industry. Furthermore, blogs and websites reporting on digital media were analyzed with regard to their coverage of innovative approaches in digital publishing. Following thorough research and investigation, the captured models can be assigned to three different types of digital content services: “content flat rates”, “unbundled contents” and “online newsstands”.

Content flat rates, for example, Texture (USA), Readly (Sweden) or LeKiosk (France), offer the complete digital content for a fixed price per month. The consumer subscribes to and consumes content from the entire product range of the platform with no temporal and local restrictions. Next Issue Media (owned by Condé Nast, Hearst, Meredith, News Corporation and Time Inc.) offer their own portfolios’ content only, which combines approximately 100 titles. The independent Swedish distributor Readly serves its 15 million consumers more than 70 titles and receives 30% of the revenue, 70% is passed on to the publishers. LeKiosk was founded in 2007 and represents one of the oldest content flat rates. They offer more than 600 titles and hold co-operations with more than 120 publishers. Flat rates provide the consumer with the advantage of testing the service by downloading single complementary products; however, the goal of integrating as many publishers and publications as possible poses a challenge for flat rate models. [23,26].

Providers of unbundled content, e.g. Flipboard (USA), aggregate
previously bundled content from single brands and distribute it in
the form of a new product via a platform or app. The consumer can
individually assemble his relevant content from several brands on
one platform, as algorithms are used, which offer content based
on the consumers’ interests. Most of the content aggregators
are free and earn revenue via advertisements or partnerships
with products and brands. Flipboard already has more than 50
million consumers and offers social media and sharing options,
which guarantee a high consumer engagement and scope. The
disadvantage for publishers within unbundled content and
aggregation platforms is that they cease to have control over
the placement and distribution of their content. Presently, the
editorial department decides which article appears in which
position on a website or whether it should be published as a
front-page story in an ePaper. With the unbundling of content,
the consumer decides which articles are most interesting [27].

**Online newsstands**, such as Apple’s App Store (USA) or Orbyt
(Spain), sell full ePapers via a website or an app for a price
similar to the traditional price of the newspaper or magazine.
While Orbyt offers an interactive community and an archive with
articles from the past 20 years, the Apple App Store only acts as
a digital newsstand. Particularly unbundled content and content
flat rates seem to show high potential for the business model of
publishers [28].

**Deduction of research questions**

The examples of innovative offers from the publishing industry
underline the assumption that every component of publishers’
business model has to be reassessed. Subsequently, we highlight
some selected aspects of the business model, particularly the
Customer Value Proposition and the willingness to pay (Profit
Formula) [29-32]. With respect to consumers’ expectations we
assume that media usage behavior has changed and alternative
news sources like social media, blogs, special interest groups etc.
are gaining more and more attention. As a result, we assume
that changes in digital media consumption affect usage of traditional
newspapers. Hence, we derive this explorative hypothesis:

**H1: Online news consumption differs fundamentally from usage
of traditional newspapers**

Consumers are increasingly interested in searching for specific
topics instead of buying a whole newspaper and in receiving
individualized content according to their preferences. As a
result, several of the examined innovative media offers provide
unbundled content such as single articles instead of entire issues
of newspapers [33]. Thus, we assume that distribution of topics
becomes more important as consumers might look for specific
topics rather than for an entire newspaper. Therefore, we assume:

**H2: The demand for unbundled content is higher than for entire
newspapers**

Since consumer behavior and content consumption have changed
consumers expect an additional value from digital content
compared to the printed product. Besides offering unbundled
content the examined media offers also enable features such as
commenting functions or uploading user-generated-content
(UGC). By doing this, they provide the possibility of interaction
(e.g. UGC, discussions, share content with friends) for the
consumer which might result into a higher brand loyalty or
willingness to pay for the news source. We assume that features
(that differentiate the digital version of a newspaper from the
printed product) have an impact on the willingness to pay and
payment preferences towards digital content. Thus, we propose:

**H3: Consumer ask for possibilities to participate, particularly
Features (e.g. commenting, sharing, or creating user generated
content) result into a higher acceptance of flat rates.**

On the other hand the renowned newspaper with a respected
reputation stands for reliability and validity of the news provided.
What is more important for the consumer? And does that differ
for different kinds of information? We operationalized these
questions by the relevance of brand affinity (towards sources of
content) which might differ depending on the content’s topic
[34]. We assume, if a consumer wants to read e.g. an article
about political news, then he prefers a reliable newspaper as a
content source, while for special interest topics he or she might
be interested in other information sources as well:

**H4a: The brand affinity towards traditional newspapers is higher
in news than in other special interest topics.**

**H4b: The brand affinity towards traditional newspapers is lower
in special interest topics than in news.**

The traditional CVP of a publisher aims at providing the consumer
with useful information and differentiating its content from that
of competitors by delivering unique content. Nevertheless, the
willingness to pay for digital news of traditional brands is low.
When it comes to digital content, consumers are less willing
to pay [2,6,10]. Furthermore, due to digitalization, various
new content providers have entered the news market, offering
unbundled content or content flat rates with multiple payment
models. Hence, the question arises, if the acceptance of payment
models depends on the type of news source? We assume:

**H5: The acceptance of payment models does not vary depending
on the news source**

**Method and Data**

**Sample and Data Collection Procedure**

First, a qualitative pretest was conducted with 20 MBA
students who were actively using Web 2.0 tools and consuming
digital news content as well as social media and blogs. These
respondents were asked how they interpret the items, including
the format of the questionnaire, wording, and length. For testing
our hypotheses, the survey was sent out in 2014 to a total of
2,290 full-time students (undergraduate or graduate level) at
different universities and schools in Germany. We asked students
because they incorporate digital natives–consumers who grew up
with digital technologies and new digital news distribution and
consumption. Within the standardized online survey amongst
consumers, 504 consumers completed the questionnaire about
their consumer habits concerning digital content (e.g. brand
affinity, interests), their general willingness to pay for digital
content and their preferences in payment models, such as pay
per view, flat rates or freemium models [35].
Measurement development

The questionnaires were based on items found in the aforementioned literature and our preliminary studies. The items were reformulated to fit to the context of newspapers. We have studied relationships between certain variables, e.g. brand affinity and topics and news source and payment methods. The variables features and forms of content provision were measured with a five point likert scale ranging from “very important” (=1) to “unimportant” (=5). The items for content were developed based on the studies of Meijer (2013) and Skovsgaard et. al (2013) and adapted to our context. In addition to the items for our research models, we asked about consumers’ media usage behavior and demographics.

Empirical findings

This section presents the data from the survey amongst consumers concerning the demands and the expectations of consuming digital news content. The survey collected consumers’ perceptions about changes in consumer behavior, willingness to pay and attractiveness of technological possibilities of digital content. In total, 62% of the questioned consumers are male and 38% female, more than 70% aged between 10 and 29 with over 20% aged between 30 and 49. Almost 50% of the interviewed consumers hold a university degree and more than 30% have finished their A Levels. Subsequently, some results of the surveys will be presented. One major finding of the survey reveals that changes in media consumption affect usage of traditional newspapers. Although newspapers have been the main source for daily news consumption in the past, the majority of the consumers do not use dailies at all (34.5%) or little more than once a month (32%). Just 10.6% read a newspaper (22%) once a day. Thus, H1 can be supported. Regarding digital media, there is an obvious difference: 85.7% use the Internet more than once a day. 64.2% never use ePapers (Figure 1).

The Figure above shows that distribution of topics becomes more important as more than 35% of consumers search for specific topics more than once daily. Therefore, H2 can be supported. Offering unbundled content such as single articles instead of entire issues of newspapers can be an approach to suit consumers’ needs. Consumers expect additional value with digital content. More than 35% of consumers find video content and the possibility to share the content with friends important or very important. The majority of consumers judges audio features and user-generated-content as not important or of little importance (Figure 2).

When asked how digital content should be provided almost 60% of consumers have a high interest in content from various sources, more than 50% find the distribution on different devices important or very important and more than 30% like personalized digital content (Figure 3).

Furthermore, selling personalized content has an additional potential of revenues from advertisers since publishers can provide combined offers in collaboration with advertising companies. Simultaneously, more than 80% of consumers said they would tolerate advertisements in order to use free digital content. Thus, H2 can be supported.

Furthermore, 44.4% of consumers have a high brand affinity towards websites, and more than 35% have a high brand affinity towards traditional newspapers and news apps (40.2%). Regarding brand affinity and topics, there is a positive linear medium high correlation between the brand affinity towards newspapers and sports (r504=.255; p=.000) and lifestyle topics (r504=.234; p=.000). The difference is significant at the 1% level. Regarding digital media, there is a low positive linear correlation between news apps and lifestyle (r504=.115; p=.008), between news apps and news topics (r504=.140; p=.001), and between websites and sports (r504=.156; p=.000) or news topics (r504=.153; p=.000). The difference is significant at the 1% level (Table 1).

There is a positive linear medium high correlation (r504=.210; p=.000) only between ePapers and computer topics which is significant at the 1% level. These results implicate that consumers do not feel a high brand affinity when they look for several topics. Hence, themes can be offered via various media channels to trigger different target groups independent from any brands. Thus, H4a and H4b can be supported.

While usage of news sources is miscellaneous, the majority of consumers would accept a freemium payment model, which includes free basic content and paid premium content. A flat rate model within one product followed by an overall flat rate within the whole digital publishing industry is also well accepted. The
declaration of consumers data or pay per view for an issue or a single article is not widely accepted. One might assume that the acceptance of payment models or willingness to pay for digital content differ with different news sources. However, as a result of the survey, the acceptance of payment models marginally differs with the use of digital news sources. Thus, H5 is supported.

Quantitative analysis shows that there is only a low correlation between the importance of news sources and the acceptance of payment models. The correlation between websites as a news source and product flat rates is low positive linear (r^2 = 0.164; p = 0.000) as is the correlation between websites as a news source and freemium models (r^2 = 0.176; p = 0.000). Also the correlation between news apps and product flat rates (r^2 = 0.177; p = 0.000) or freemium models (r^2 = 0.148; p = 0.000) is low positive linear. The difference is significant at the 1% level (Table 2).

Regarding social networks there is a positive linear medium high correlation between the importance of social networks and (1) product flat rates (r^2 = 0.255; p = 0.000) as well as (2) declaration of consumer data (r^2 = 0.219; p = 0.000) and (3) freemium models (r^2 = 0.204; p = 0.000). The difference is significant at the 1% level (Figure 5).

Audio and user-generated-content do not seem to be important to the majority of consumers. A flat rate according to topics that meet a consumer’s interests such as a certain topic or hobby seem to be very promising for the above mentioned personalized content provided from various sources and via various devices.

One reason for this might be that the majority of consumers’ willingness to pay for digital content is only half the price of the printed version. Only 8% of the consumers would pay the same amount as for the printed product (Table 3).

Regarding the acceptance of payment models and features within digital content, there is a positive linear medium high correlation between sharing functions and product flat rates (r^2 = 0.249; p = 0.000), branch flat rates (r^2 = 0.264; p = 0.000) and between commenting options and product flat rates (r^2 = 0.221; p = 0.000). Furthermore, there is only a low correlation between a freemium model and video content (r^2 = 0.179; p = 0.000) or sharing features (r^2 = 0.189; p = 0.000). The difference is significant at the 1% level. Thus, H3 is supported.

Managerial Implications for the Business Model of Publishers

This paper contributes to the existing business model innovation literature, in particular regarding the CVP of publishers. Besides the existing knowledge about changed consumer behaviors due to digitalization, this paper illustrates findings about consumers’ willingness to pay for certain products, news sources or features, which can lead to more distinct aspects of news publishers business models. Hence, publishers can no longer solely react to established changes in technology; they have to create innovative services and meet consumers’ demands [1,2,15] since consumers have evolved from passive recipients to active consumers and co-creators who like to comment, share, or generate their own digital content. Managers of publishing houses are the core consignees of this research, since they are responsible for the success of the business model employed in their company. The following statements are made from the viewpoint of publishing houses and their managers in particular. Hence, all the research questions address the design of the current business model.

Customer Value Proposition

The traditional CVP of a publisher aims at providing the consumer with useful information and differentiating its content from that of competitors by delivering unique content. Since consumer behavior and content consumption have changed consumers
expect an additional value from digital content compared to the printed product. Features can be UGC and discussion facilities as well as video content or “share with friends” options in order to offer a special value besides the content of traditional newspapers. Enabling features (e.g. commenting functions or uploading UGC, sharing) might also result into a higher willingness to pay. Therefore, publishers should focus on websites and interactive news apps instead of static ePapers, since consumers expect a different value with digital content compared to the printed newspaper. Referring to the consumer survey, brand affinity plays a minor role when using digital media or searching for specific topics. Therefore, publishers should not rely too much on their traditional brand, as it seems to become less important to the consumer. Furthermore, consumers are interested in searching for specific topics instead of buying a whole newspaper and in receiving individualized content according to their preferences.

Hence, offering unbundled content such as single articles instead of entire issues of newspapers can be an approach to suit consumers’ needs. Furthermore, unbundling of newspapers can create a CVP that differentiates itself from its competitors. This addresses niche topics which can be offered to the consumer via personalized recommendations and which correspondingly increases the potential for differentiation from competitors and the CVP. Brand affinity is less important when using digital media or searching for specific topics; hence, the brand does not have to be the cornerstone in publishers’ CVPs. As usage of social networks is high, publishers should consider sharing and social recommendation features. While content creation by consumers is already a trend on other platforms (e.g. YouTube; blogs), the recommendation features. While content creation by consumers is already a trend on other platforms (e.g. YouTube; blogs), the approach of allowing consumers to create their own content is currently less popular amongst managers. Nevertheless, as this might change in the future managers should monitor such trends. Concluding, non-interactive bundled issues of newspapers – even from a traditional brand – will fail to increase the consumer’s willingness to pay in the future. As described, managers have to innovate their digital content and create a new CVP to increase reach and/or willingness to pay for their content. Furthermore unbundled content helps advertisers target consumers more accurately. Instead of striving for large reach, advertisers can address their consumers more individually in order to interact with them.

**Profit Formula**

Compared to the former willingness to pay for print products, for digital content it is relatively low. When it comes to digital content, consumers mostly access free digital content and are less willing to pay. Therefore, managers need to innovate the CVP of their business model in order to gain revenues from sales or to gain

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**Table 2** Importance of news source and acceptance of payment models (n=504) (2).

<table>
<thead>
<tr>
<th>News source</th>
<th>Pay per article</th>
<th>Pay per issue</th>
<th>Flatrate product</th>
<th>Flatrate Branch</th>
<th>User-data</th>
<th>freemium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Website</td>
<td>(r=0.077; p=.000)</td>
<td>(r=0.072; p=.000)</td>
<td>(r=0.164; p=.000)</td>
<td>(r=0.158; p=.000)</td>
<td>(r=0.155; p=.000)</td>
<td>(r=0.176; p=.000)</td>
</tr>
<tr>
<td>ePaper</td>
<td>(r=0.117; p=.000)</td>
<td>(r=0.167; p=.000)</td>
<td>(r=0.148; p=.000)</td>
<td>(r=0.115; p=.000)</td>
<td>(r=0.093; p=.000)</td>
<td>(r=0.127; p=.000)</td>
</tr>
<tr>
<td>News App</td>
<td>(r=0.097; p=.000)</td>
<td>(r=0.070; p=.000)</td>
<td>(r=0.177; p=.000)</td>
<td>(r=0.178; p=.000)</td>
<td>(r=0.129; p=.000)</td>
<td>(r=0.148; p=.000)</td>
</tr>
<tr>
<td>Social Networks</td>
<td>(r=0.136; p=.000)</td>
<td>(r=0.138; p=.000)</td>
<td>(r=0.227; p=.000)</td>
<td>(r=0.192; p=.000)</td>
<td>(r=0.219; p=.000)</td>
<td>(r=0.204; p=.000)</td>
</tr>
<tr>
<td>Newspapers</td>
<td>(r=0.124; p=.000)</td>
<td>(r=0.152; p=.000)</td>
<td>(r=0.098; p=.000)</td>
<td>(r=0.037; p=.000)</td>
<td>(r=0.060; p=.000)</td>
<td>(r=0.019; p=.000)</td>
</tr>
</tbody>
</table>

**Table 3** Importance of features and acceptance of payment models (n=504) (2).

<table>
<thead>
<tr>
<th>Feature</th>
<th>Pay per article</th>
<th>Pay per issue</th>
<th>Flatrate product</th>
<th>Flatrate Branch</th>
<th>User-data</th>
<th>freemium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Video</td>
<td>(r=0.175; p=.000)</td>
<td>(r=0.180; p=.000)</td>
<td>(r=0.183; p=.000)</td>
<td>(r=0.163; p=.000)</td>
<td>(r=0.190; p=.000)</td>
<td>(r=0.179; p=.000)</td>
</tr>
<tr>
<td>Audio</td>
<td>(r=0.277; p=.000)</td>
<td>(r=0.282; p=.000)</td>
<td>(r=0.250; p=.000)</td>
<td>(r=0.188; p=.000)</td>
<td>(r=0.191; p=.000)</td>
<td>(r=0.151; p=.000)</td>
</tr>
<tr>
<td>Discussion</td>
<td>(r=0.182; p=.000)</td>
<td>(r=0.200; p=.000)</td>
<td>(r=0.221; p=.000)</td>
<td>(r=0.219; p=.000)</td>
<td>(r=0.162; p=.000)</td>
<td>(r=0.103; p=.000)</td>
</tr>
<tr>
<td>Sharing</td>
<td>(r=0.188; p=.000)</td>
<td>(r=0.171; p=.000)</td>
<td>(r=0.249; p=.000)</td>
<td>(r=0.264; p=.000)</td>
<td>(r=0.190; p=.000)</td>
<td>(r=0.189; p=.000)</td>
</tr>
<tr>
<td>UGC</td>
<td>(r=0.230; p=.000)</td>
<td>(r=0.214; p=.000)</td>
<td>(r=0.266; p=.000)</td>
<td>(r=0.265; p=.000)</td>
<td>(r=0.180; p=.000)</td>
<td>(r=0.166; p=.000)</td>
</tr>
</tbody>
</table>
reach with their content to increase revenues from advertisers. The acceptance of payment models does not differ enormously with the usage of digital news sources. Therefore, it might make sense to take the flat rate approach of international providers and offer flat rate packages for individual topics (e.g. news, sport, and lifestyle); also a freemium model seems to be promising. Furthermore, according to the survey offering features result into a higher willingness to pay for flat rate models. Additionally, a differentiated flat rate or freemium model for loyal consumers can be useful in order to fragment the target group more strongly and manage to address consumers’ individual needs. Especially for loyal consumers with a high frequency of usage a premium model would be beneficial, as this enables them to access personalized offers or exclusive content. This can provide publishers with a higher potential for differentiation. Furthermore, it leads to a higher willingness of advertisers to pay for being connected to these interesting target group.

Offering the aforementioned features or personalized content has an additional potential of revenue or payment models from advertisers, since publishers can provide combined offers in collaboration with advertising companies. The more accurately the consumer can be addressed by the advertiser, the more likely will be any kind of interaction with the consumers which leads to higher revenue potential for the advertiser. Ultimately, publishers can ask a higher price for audience access. Referring to the survey, the profit formula freemium and flat rate are the most accepted payment models by consumers when considering digital content.

Key Resources and Key Processes

Applying the aforementioned implications of including sharing and commenting features into the CVP, it indicates that this would also have a direct impact on the key resources and processes of publishers. By including consumers into the content creation process, they would become more relevant for publishers and could either create UGC themselves or contribute to content with comments or sharing. Therefore, publishers should be re-organized in order to (1) enable UGC as well as (2) provide unbundled content and distribute it personalized from various sources and via various devices. Thus publishers’ content could be a result of UGC and content shared within communities. Until recently the structure of publishers was built on brands and titles instead of topics or distribution channels. Content was created for a broad target group as technical and editorial limitations obstructed an individualization of content. Now, as mentioned above, it will be useful to provide unbundled content and focus on the distribution of topics instead of titles or features. There could be another trend concerning key processes and key resources: co-operations with forums and special interest groups are a possibility to provide an even wider range to consumers and a special CVP. This kind of strategic partnership might increase reach and revenue. Furthermore, the competition in the online segment is too big for publishers to focus merely on an audience that had been established for many years. Social media and aggregator models which, in a modern way, divert a consumer’s attention to content and brands while bundling those, will be much more important for publishers. The recipients are increasingly using content via viral methods of distribution and social recommendation tools – independently from brand awareness or a product’s location. The challenge for the management of publishing houses now consists of recognizing these trends and adapting their strategies to new approaches.

Limitations and Future Research

This research aims at providing insights of the challenges news publishers face: They have to reinvent their business model in order to match the expectations of their future consumers and to gain a high reach in order to sell advertising solutions and generate revenue.

Anyhow, this study has an explorative character and some limitations which lead to future research. Firstly, the sample is biased due to self-selection. Therefore, results should be interpreted cautiously. Furthermore, some of the presented results are of descriptive nature, e.g. the usage numbers. This type of results is informative, it cannot be generalised upon, as the usage numbers change over time, though they can indicate a trend. However, our aim was to identify the expectations of consumers in order to illustrate possible approaches of the future business model of publishers, in particular the CVP and parts of the Profit Formula. Therefore, we were able to reveal the opinions of this target group. Secondly, we assume that there are numerous expectations towards content as well as acceptance levels of payment models. Therefore, future research could determine other factors influencing expectations towards content and payment model, in order to extend our findings. Furthermore, future studies could also focus on how publishers are trying to integrate these findings into their business model. One could investigate how consumers can be integrated into the business model of publishers. As user-generated-content becomes more popular and special interest content can be distributed easily via the internet, future research could investigate how user-generated-content can affect the CVP, the profit formula as well as the key resources and key processes of publishers. Finally, future investigations could focus on advertisers and the integration of new advertising approaches into the business model of publishers in order to generate revenue. Advertisers may be interested in new advertising approaches of addressing consumers personalized. Therefore, also content delivery could be more personalized and able to address various target groups. This may pave the way for a promising profit formula as the fourth pillar of the business model.
References


