Next Gen Operating Models for Tomorrow’s Media

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Multiple 'Evolutionary Trends' are at play

- **Changing customer habits**
  - Online top source of news & info (2x print)
  - Mobile screen time will be 6+ hours/day by 2018

- **Digital video boom**
  - Time spent doubled in 4 years (2012-16)

- **Rise of old and new platforms**
  - Monetization unclear
  - Google FB, Instagram, Blogs, Aggregators
  - + Amazon, Telcos, ISPs

- **Supply side is changing**
  - Changing revenue mix (ad vs. sub)
  - Divestiture, dismantling traditional partnerships

**Major shift of profit pools (within and from) publishers to platforms and tech enablers**

Source: eMarketer, Reuters Digital News Report 2017, PQ Media Research, Forbes
Across markets, online is now the dominant source of news & info

Population using for news (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Online</th>
<th>Print</th>
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<tbody>
<tr>
<td>Germany</td>
<td>60</td>
<td>34</td>
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<tr>
<td>France</td>
<td>71</td>
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<td>UK</td>
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<td>Greece</td>
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Two consumption shifts taking place - from print ➔ online and within online ➔ mobile

Source: Reuters Digital News Report 2017
Platforms have data but do not (yet) offer reliable context

Billions of data points captured every day...

Leading to some hits:

- 60% of global digital ad revenue pool captured by Google and Facebook
- Ability to serve personalized content/ads based on user behavior

And misses:

- User fragmentation
- Ability to control ‘fake news’
- ‘Editorial authority’
- Meaningful relationship with readers/subscribers

Source: Enders, BCG Analysis
Threat of extinction is real for many physical titles/genres.

Revenue decline for some titles even more steep.

- Endangered
- Threatened
- Survivors

More niche products/genres, linking with offline e.g. club memberships.

Note: Number of magazines different in each (taken for all magazines provided by IVW), Women’s - 59 (monthly +weekly), current events - 16, children - 39, TV Channels - 29, Home & Garden - 28, Economic & finance - 21, Food - 14, Cars & Bikes - 24, Sports - 31

Source: IVW Germany
Magazines need to 're-invent' their role/relevance and become 'MagNets'.

From ... Storehouse of “information”

Interest-based community

Advertising platform with sharp targeting

Rise of horizontal communities/social networks

Magazine decline

To ... System of ‘individualized engagement’

Resurgence as MagNet System

Can publishers drive reach & individual engagement with high trust but at lower cost?
Burning questions on every magazine publisher’s mind

- What are my strengths – community, content, brand, scale?
- What are the attractive opportunities to pursue – size of revenue & profit pools?
- What capabilities will I need to build to profitably pursue these opportunities?
- How do I prepare for the transition?
We identified five potential “evolutionary” pathways...

- **Brand Activation**
  *Events, radio, out-of-home, Clubs*
  - Distance from the core: 3
  - Market Size: $80-100B

- **Agency Services**
  *Insights, Strategy, Creative, Execution*
  - Distance from the core: 4
  - Market Size: $80-100B

- **Online Branded Content**
  - Distance from the core: 5
  - Market Size: $2.5T

- **Print Magazine**
  - Distance from the core: 1
  - Market Size: $60-70B

- **Digital Publishing**
  - Distance from the core: 2
  - Market Size: $15-20B

**Global Market size (2016)**:
- **Digital Engagement**
  - Market Size: $60-70B
- **Physical Engagement**
  - Market Size: $15-20B

*Note: Branded Content - Premium Branded content market in 2017 for top 5000 publishers, Core - digital Circulation and digital ad (2015), Brand Activation - Revenue for advertising excluding tv, print, digital, Content creation - Ad agency market size*

*Source: eMarketer, Polar, Zenith, Ovum, Magna, HIS, IBIS world*
...with dramatically different capability requirements

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<tr>
<th>Print</th>
<th>Digital</th>
<th>Agency Services</th>
<th>Branded Content</th>
<th>Commerce</th>
<th>On Ground Activation</th>
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**Organizational Capabilities**

- Subscription
- Ad sales

**Monetization Models**

- Subscription
- Ad Sales

- Retainership
- Project fees
- Production fee
- Conversion - transactions, ATV
- Lead gen
- Sponsorships
- Ticketing revenue
- Rental/ listings fee

**New selling capabilities**
Several publishers making inroads across these pathways

Brand Activation
*(Events, radio, out-of-home)*

Agency Services
*(Insights, Strategy, Creative, Execution)*

Physical Engagement

Print Magazine

Digital Publishing

Online Branded Content

Commerce
*(E-comm, Lead Gen)*

Digital Engagement

Distance from the core
'Watch-outs' as you embrace evolution

Key watch outs for operating model transformation

Strengthen the Core
'Clinical brand review' to have a sustainable core product is the starting point

Managing Change
Invest in new talent
Visible change via top leadership

Sharp Shoot Adjacencies
Focus on opportunities relevant 'for you'—don't go after everything

Data Powerhouse
Creating a single view of consumer across use cases

Open Source Editorial
Source content from bloggers, readers
Technology enabled editorial

Platform 'co-existence'
Find ways to co-exist with large distribution platforms—Google, FB
Looking ahead...

what the MagNet looks like 3 years from now