Content Business in the Age of Platforms

Strategic response to digital disruption

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Toothbrush test Publisher’s content drives daily news consumption, engagement on platforms

44% U.S. adults got their news last week on Facebook

Source: Pew Internet 2016
Platforms have become the new mass media
Top networks by millions of active monthly users

<table>
<thead>
<tr>
<th>Rank</th>
<th>Platform</th>
<th>Active Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>facebook</td>
<td>1,860</td>
</tr>
<tr>
<td>2</td>
<td>Messenger</td>
<td>1,000</td>
</tr>
<tr>
<td>3</td>
<td>YouTube</td>
<td>1,000</td>
</tr>
<tr>
<td>4</td>
<td>WhatsApp</td>
<td>1,000</td>
</tr>
<tr>
<td>5</td>
<td>腾讯网</td>
<td>877</td>
</tr>
<tr>
<td>6</td>
<td>WeChat</td>
<td>846</td>
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<td>7</td>
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<td>317</td>
</tr>
<tr>
<td>10</td>
<td>snapchat</td>
<td>300</td>
</tr>
</tbody>
</table>

Source: Statista 2017, Company data 2017
Winners of the attention economy Aggregate largest audiences & capture most of ad revenue

70%
Combined share of Google and Facebook in U.S. digital advertising market in 1H 2016

103%
Their share in new ad spend on the market

Source: Business Insider Intelligence 2016
Who else captures $ in digital ad ecosystem?

Share of ad tech companies 61%

Source: AEMII / Future Media Lab / European Magazine Media Association 2016
What’s the distributed content revenue?
Benchmark 17 top U.S. publishers in 1H 2016

$1.3m
Average monthly platform revenue
advertising revenue share + syndication + production fees

60%
Share of YouTube payments in average total platform revenue

Source: Digital Content Next 2017
Let’s imagine Facebook shares it all

$27.6\text{bn} / 50\text{m} = \$552$

Facebook’s ad revenue in 2016

Source: Facebook 2017
So who’s going to pay for your content?
The heaviest ever newspaper

Sunday, September 13, 1987

1,612 pages in total  5.4 kilograms in weight

420 news articles  125 comments & letters

783 display ads  194 pages of classified ads

The heaviest ever magazine was *Shukan Jutaku Joho* of Japan (Jan. 10, 1990; 1,940 pages)

Source: Guinness World Records 2017
1st wave of disruption: unbundling

- News sites
- Opinion sites
- Niche verticals (around topics, personalities, communities)
- User generated content (blogs, boards)
- Brand websites (product, service pages)
- Marketplaces
Unbundling news from marketplaces
Impact on U.S. publishers revenue

Source: Pew Research Centre 2013

Circulation Revenue


Advertising Revenue


Craigslist, Google enter classified ad business
... unbundling of individual stories

Headline of an article

Visual elements: e.g. picture, video, graphics

Complements: e.g. comments, reactions

Text of an article

Text elements: e.g. captions, sidebars

Recommended: e.g. related, earlier, similar stories
Top U.S. media brands distribute content across up to 22 platforms

Source: Tow Centre, Columbia Graduate School of Journalism 2017
2nd wave of disruption: disintermediation

Top non-music video ever on Youtube: 621M views / 6.6M channel subscribers

Source: Youtube as of 03/2017
3rd wave of disruption: decoupling
How decoupling works: Consumers’ decision making process vs. publishers’ business model

For consumer:

1. Choose medium / brand
2. Visit a website / an app
3. Search for content
4. Consume content
5. Notice ads

For publisher:

Value creating

Value capturing

Built upon: T. Teixeira, Decoupling effects of digital disruptors, EBR, 2016
Decoupling Platforms, ad-blockers let consumers avoid value eroding activities or minimise pains.

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Strategic response?
Platforms are not going away. Without reach, data & zero cost content, it’s hard to compete directly. Consumers are not going to start loving display ads.
What about charging other parties for content itself?
Who pays for digital content at the NY Times?

Consumers

Content marketers

Retailers

Donors
How much money may the Times make?

$232m digital-only subscriptions (2016)

$<60m branded content (est.)

$<10m affiliate marketing (est.)

$>5m donors (est.)

Source: NYT Company, Q4 2016; author’s estimations based on data reported in trade press
How come the most profitable European airline loses money on actual flights?

Source: Ryanair 2016, Ideas Works Company 2017
Design the new content portfolio

Content with different business models attached

Optimised for acquisition, retention, upgrade
Platforms become fishing ponds for customers and expand reach of branded content campaigns.
Social media is like air. Customer journeys are strongly influenced by new user behaviour.
Use platforms’ Big Data & e-commerce feats
Most underestimated resource to acquire users

INMA Survey: Publishers vs. Facebook

“We increase reach and engagement with our content using Facebook as a distribution channel.”

“We acquire referral traffic from Facebook to our own channels (e.g. Web sites, apps).”

“Facebook informs us about changes in products and services that affect our business on Facebook.”

“Facebook responds to our feedback on its product and services.”

“Facebook lets us experiment with new storytelling formats.”

“Facebook improves user experience on mobile with Instant Articles.”

“We generate revenue with advertising sold against our content on Facebook.”

“We generate leads for e-commerce business outside of Facebook (e.g. subscription sales).”

Source: Survey among INMA members. Weighted average of answers.
Base: 37 executives of news publishing companies — members of INMA
Brand risks on platforms: Suppressed branding, non-differentiated layout, exposure to unsafe context

49% of U.S. Facebook users notice the news brand

Source: Reuters Institute’s Digital News Report 2016
Your content may be fine
It’s the business model that needs to be fixed
Forget about chasing reach
Focus on your niche
& grow ARPU
Platforms are not your friends, nor enemies.
Hire them to work for you.