

# FIPP Insight Special Report



## Digital Innovators' Summit

21-24 March 2015, Berlin, Germany

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## Introduction

The lasting impression from this year's [Digital Innovators' Summit \(DIS\)](#) in Berlin, Germany was that multi-platform strategies for magazine media companies are starting to bear fruit.

While, given the ongoing pace of change, questions of "what we should do" will remain, there was a shift from previous years towards "we know what to do, and this is how we are doing it."

The main Summit took place on 23-24 March 2015, with a hackathon, startup tour and opening drinks reception preceding the main event on 21 and 22 March, and DIS Early and DIS Late networking drinks in the evening of the 23rd.

This was the 8<sup>th</sup> Digital Innovators' Summit, hosted by FIPP, the worldwide magazine media association, VDZ, the German Publishers' Association and eMediaSF, a San Francisco-based consultancy.

Here are some highlights showing the move to "multi-platform-ism."

One company, known the world over as a "magazine publisher" has an online universe across its global websites of nearly 300 million unique monthly unique users.

One has moved digital as a percentage of overall revenues from 12 per cent in 2008 to 22 per cent in 2014 and live events revenues from 19 per cent in 2008 to 40 per cent in 2014, expecting digital to make up 40 per cent of overall revenues, and events 45 per cent of overall revenues by 2020.

Another has moved ecommerce revenues as a percentage from 5 per cent in 2010 to 27 per cent in 2015, expecting it to become the company's dominant revenue stream within three years.

It is a story of an industry in rapid, but successful transformation that few other events highlight as clearly as the DIS in Berlin. If you are in the magazine media industry, be proud (and keep on innovating). If not, it is a good barometer for current industry thinking.

This report, compiled by Cobus Heyl, FIPP's chief content officer and market manager, highlights some key discussions to have emerged in Berlin. It includes the following sections:

1. From single platform to multi-platform
2. Data | Consumer focus
3. Technology
4. Content
5. Social | Mobile | Video
6. Digital revenue streams
7. Transformation | Innovation

# From single to multi-platform



Event speakers are sometimes guarded with providing hard data, but at the DIS they openly shared information on their innovation and transformation journeys (perhaps a sign of new industry confidence?).

## F+W: from a publisher to a content and ecommerce company

F+W has seen successful transformation being known as "F+W Publications" in 2008 to being "F+W, a content and e-commerce company" today. The company operates in several vertical markets and as its chairman and CEO David Nussbaum (USA) explained, adopted the mantra "a digital-first philosophy" for its transformation. The strategy is built on four core tenets – community, commerce, content and curation – that reflect "why our company exists" and "who we serve". Here's where the journey since 2008 to today has taken F+W:

- 56 magazines
- 500 new book titles annually
- 1,200 original DVDs/CDs
- 250 content and commerce websites
- 33 ecommerce stores
- 5 million ecommerce shoppers per month
- 8 million unique email addresses
- 9 million community members
- 120,000 registered event attendees annually

And here is further evidence, based on contribution to overall revenues (percentage share), of how the company is changing:

	2010	2015
Digital (ecommerce)	5	27
Events	8	8
Print media	87	53
Catalogue	0	12

### Emap: Built on three obsessions

Opening the DIS, Emap CEO Natasha Christie-Miller (UK) explained how Emap saw rapid transformation thanks to a three-pronged channel approach incorporating digital, face-to-face and print. "Four years ago, Emap was a print-aligned business with revenue in decline for a decade. Today, we have had four years of growth." Apart from the multi-platform approach, the transformation was built on three "obsessions": Subscriptions, sales excellence and customer joy.

Here is how, based on contribution to overall revenues (percentage share) things have, and are forecast, to change:

	2008	2014	2020
Digital	12	22	40
Events	19	40	45
Print	69	38	15

### Good Food: digital charge towards 2020

BBC Worldwide launched *Good Food* magazine in 1989. Head of publishing Chris Kerwin (UK) shared how the brand stacks up as a multi-platform brand today.

- Website: 18 million monthly unique users (75 per cent of them via mobile)
- Video: 350,000 monthly video streams
- Events: 245,000 attendees at eight live shows in 2014
- Print magazine: 250,000 monthly magazine readers
- Books: 4 million sold

Moreover:

- Digital revenues doubled between 2011/12 and 2014/15
- Digital ad revenue overtook print ad revenue in 2013/14
- Digital today makes up 25 per cent of overall revenue
- Digital will make up 60 per cent of overall revenue come 2020

### Radio Times: weekly cross-platform reach of millions

Stuart Forrest (UK), digital publisher of the *Radio Times* at Immediate Media, shared a similar story, with the following numbers for the group:

- Print magazines sold/year: 74 million
- Monthly print magazine subscribers: 1.1 million
- Monthly unique users: 33 million
- Social reach: 18 million

Charting the 91-year old *Radio Times'* own journey, Forrest showed how things have changed in a matter of four years:

2011	2015
<ul style="list-style-type: none"> <li>• Strong print circulation</li> <li>• Mediocre digital offering</li> <li>• Competing with TV listings, and newspapers</li> </ul>	<ul style="list-style-type: none"> <li>• Stable print circulation</li> <li>• Growing subscriptions base</li> <li>• Younger multiplatform digital audience</li> <li>• Transactional data business</li> </ul>

*The Radio Times* brand now has 1.9 million weekly print readers and 7.1 million monthly unique users, for a total weekly brand reach of 3.9 million.

There are no illusions that transformation is ongoing and innovation a constant prerequisite, but if you ever doubted whether the magazine media industry could transform, it's happening.

# Data | Consumer Focus



## Data

The importance of a data-centric approach to business came through in many, if not virtually all, presentations.

### **Lutz Finger: Ask the right questions; start from within**

Just because you can measure virtually everything and data extrapolations and visualisations can look impressive, it does not mean all data is of value. The starting point is finding the right questions to ask, said Lutz Finger (USA), director of data science and data engineering at LinkedIn (but presenting in his personal capacity and as co-author of "Ask Measure Learn").

As an example, he referred to AltaVista, one of the first and dominant web search engines, and Google. Altavista claimed to have "all of the websites on the Internet" but it took Google "11 months to wipe them out." Google could not compete with AltaVista on data centres and resources, Finger said, but it asked different questions that helped it to deliver more targeted, more relevant results. "Altavista could've done this, but did not ask the right questions."

Finger said the right questions are actionable, time-bound and specific, and should be grounded in the value you wish to extrapolate.

Responding to a question of whether media companies should bring in data scientists to help with the formulation of questions, Finger said scientists "are vehicles for getting things, but you know your business better than anyone. You can get teams in to help with knowledge discovery, but they will come back with whatever they have found, including a lot of useless data. I think it will be faster doing it the other way around (using institutional business knowledge first to get

to the questions). I have often seen data teams fail because they are not ingrained in the organisational culture; they don't have a gut feel for potential interesting things 'out there' and what might be useful (to the organisation)."

His steps for the future:

- Make your data accessible
- Build a content profile for each reader
- Build a knowledge profile from your journalists
- Hire a data team (aka scientists)
- Envision data products
  - Distribution network
  - Ad placement
  - Content recommendation

### **Radio Times: unlocking real value**

Using data to unlock opportunities is one of *Radio Time's* (Immediate Media's) core components of transformation. The brand uses the Caci and Krux for data management, with their data ecosystem including the web, phones, tablets, newsstands, print subscriptions, digital subscriptions, email, social media and more.

Of course "not all data is equal," Forrest said, and while "a 'like' is not as valuable as a subscriber, it is a combination of all of it that drives us forward." With data "at the heart of their strategy, driving content and audience monetisation," revenues have increased from £55 million in 2011 to £70 million last year.

### **F+W: driving consumer journeys**

Curation is one of the four tenets of F+W's business. According to David Nussbaum curation "sets us apart," with processes designed to deliver highly relevant, highly contextualised experiences to potential shoppers.

To take shoppers through an automated path of products and services each requires, F+W uses Salesforce/ExactTarget's Journeybuilder, which "empowers you to guide customers on 1:1 journeys across channels and devices and deliver premium experiences throughout every phase of the marketing lifecycle." F+W's recommendations engine uses "predictive intelligence, leveraging algorithms to automatically determine the next best offer, product or piece of content for each customer," said Nussbaum.

### **Emap: building products on data**

Data is not only something to help you get smarter, but can also be the inspiration for new products, said Christie-Miller.

She used the example of [Health Services Journal Intelligence](#) (HSJI) for NHS trusts in the UK. They "came to Emap asking for an intelligence product collating data from a variety of sources. We built a database product... including financial, demographic and other data. The gold dust we layered on top of it was the reports and analysis of our experts created by pulling together data and making predictions of the future for all trusts." *HSJI* will be a £4 million-business, achieved within three years. "It's smashing all our expectations," Christie-Miller said, adding that they will soon be launching similar products in the retail and nursing spaces with more to come in 2016 and 2017.

### **Piano: Data, a paid content upshot**

One upshot for brands experimenting with paid content models is the user data it generates. "Publishers who are successful have made a paid investment in data,

and not just paid lip service to it," said Piano Media CEO Kelly Leach (USA). This data can be interrogated for marketing, content and advertising decisions.

As examples, she used the *Financial Times* and *New York Times*, companies that "are showing huge commitment to data," with the *FT* employing an analytics team of 30 and the *NYT* 40-50 people. They are "dedicated to analytics and customer insights." Leach explained how the *NYT* data team sit with the editorial teams, meaning "they are embedded with the decision-makers" and the data can be "truly leveraged."

## Consumer focus

Closely aligned with data is a real focus on the audience.

### HBR: Be obsessed with the user

Josh Macht (USA), publisher of *Harvard Business Review*, urged the DIS audience to "be obsessed with the user. You can get caught up in processes and forget about your audience. Don't lose track of the primary stakeholder." He shared *HBR's* seven guiding principles for user obsession:

- Don't waste your users' time
- Prioritise flexibility – quickly adapt
- We are not the users. Think from the outside in
- Always speak to your users in a consistent, friendly, respectful way
- Test, test, test is part of all launch activities
- Prioritise long-term relationships over short-term transactions
- Whenever possible, prioritise users over stakeholders

### Radio Times: engaging relationships

Developing engaged relationships with your audience is crucial. "We create super engaged relationships with our consumers," Stuart Forrest told the DIS. "We engage at very deep levels. With that comes trust. With that comes permission. With that comes data. And that powers our content strategies, our advertising strategies, subscription development, and social media amplification," amongst other things.

### Emap: find our core purpose; provide customer joy

Brands have to establish "emotional connections" with their audiences to succeed, said Christie-Miller. Within this, customer service has to be excellent. Businesses also need to re-discover their core purpose, "the job you do for your customers" and ensure you provide "customer joy," delivering the core purpose. As she put it, "any fool can sell something once, but great businesses have repeat customers."

### Buzzfeed: tap into emotions

Emotion and the virality of content goes hand in hand, said Juliane Leopold, founding editor of BuzzFeed Germany. Cat gifs generate traffic because it makes people happy, but so can serious content that tap into different sets of emotions. It has always been about emotions, she said, but the difference today is technology, and BuzzFeed uses technology as an ally.

# Technology



Several speakers spoke about ensuring technology is central to the thinking and provides the ability for business to scale.

## **Say Media: A blurring of lines**

As David Lerman (USA), chief technology officer of Say Media put it, the lines between media and technology continue to blur. "Media and technology companies used to be separate, but the lines have started to blur. The New York Times, Hearst Magazines, Condé Nast and Forbes are examples of companies becoming "techy," whereas Yahoo, AOL, Netflix and Amazon are "moving decidedly into media." Then "there is a category of new companies in the middle, such as Medium and Vox." (From Say Media's perspective, they are looking to free up media "to be media" with their Tempest platform).

## **Hearst: creating a connected digital network**

Gary Ellis (USA), chief digital officer of Hearst Magazines International (HMI), explained how diverse the company's tech platforms were, separate systems spread around the world. While there is truth in the saying strength in diversity, "your strengths can also be the challenge: how do you bring it all together?"

To enable their global online strategy, his challenge was to create "a connected digital network of products and teams leveraging our iconic footprint and brands. There was no light switch to make a quick change. So we had to focus and prioritise, and we did they by starting with the technology platform."

The plan was this: move from having over twenty different CMSs to one proprietary system – a responsive platform, with mobile focus, standardised video, a scalable, modular user-experience and social sharing built into it. To do this, HMI looked at the CMS of one of their pureplay brands, Digital Spy in the UK, and decided to make it "the technical connective tissue for the organisation."



The results were “immense,” enabling editors to be more productive, more effective and more empowered. “Connecting the tech allowed us to make a cultural change in the way we look at content: moving from months to moments,” explained Ellis. This is what it means:

Months	Moments
<ul style="list-style-type: none"> <li>• Story is created for print; digital is an afterthought</li> <li>• Publisher-focused</li> <li>• Low velocity</li> <li>• Lag-time between insight and action</li> <li>• Broadcast mode</li> </ul>	<ul style="list-style-type: none"> <li>• Integrated story development (multiple channels)</li> <li>• Influencer (audience) focused</li> <li>• High velocity</li> <li>• Insight and action in real time</li> <li>• Social listening mode</li> </ul>

### Elsevier: the mashup of content and technology

Alexander van Boetzelaer (USA), MD R&D Solutions at Elsevier, explained how the company transformed from a print publisher to one providing electronic databases to one providing electronic decision-making tools. It meant moving from a content-centric mindset to research- and then network-driven mindset where it is “increasingly about software and intelligence.” This means mashing unique content with analytics and technology to provide tools to help professional research collaborators in every step of the way.

Two of the lessons learnt along the way:

- Content is still king, but
- Technology is crucial to unlock content value

### TU: first clean up the mess, then build

Jan Moberg (Norway), CEO and editor-in-chief of TU, told of the turnaround of their 161-year old technology media brand, which by 2009 was in deep trouble. Fixing back-end technologies was a first, critical step in the change to set TU.no on course for phenomenal subsequent growth: “First we had to clean up the mess. The technology infrastructure was lousy. We had to rebuild everything, replace everything... Make sure when you start building something that your infrastructure is good enough. Without that, no matter the ambition you cannot achieve success.”

### Sanoma: get the basics right

Antoine Hendrikx (The Netherlands), business unit manager of Storefronts at Sanoma Digital, spoke about the European expansion of their Fashionchick ecommerce brand. He too made a powerful point regarding the platform on which to build: “Do not duplicate a second rate product. In our urge for growth and for speed we went into countries while the product was still inferior. You have to get the platform right first, and then you build.”

### F+W: empower your people

Choosing the right technology platforms is crucial to “your people,” David Nussbaum said in reference to Magento, a lower cost ecommerce platform for mid-sized businesses F+W chose to use. It is open source with “a robust developer community” and allows “fast-to-market customer module development,” empowering staff to deliver.

# Content



One of the key messages at the DIS was that businesses are becoming much smarter in the ways they leverage content and content production on the one hand, while emphasising the continued importance of good, quality content in general on the other.

## **Hearst: creating a 24-hour, global content network**

A major recent change at HMI was creating 24-hour newsrooms sharing content across its brand network including *Cosmopolitan*, *Harper's Bazaar*, *Elle* and *Digital Spy*. In essence, content within this network is available to all brands on a daily basis.

"At first, people thought content is very brand-specific," explained Ellis. "This is true (of some content), but when you look at the typical news angles, the stories were often the same. So the question was, why not share and then you just tailor it to what you need it to do for your brand?"

The result was a boon for markets with lower resources, it allowed HMI to enter new markets (such as Nigeria, with more to come, with an online-only *Cosmopolitan* website) and developed deeper relationships between markets.

The "global content sharing" initiative is typical of an online environment "where you give users desert first," Ellis said. By this he means taking a look at what is trending online, picking what will be of interest for a particular brand off the global feed, applying brand lenses to it "to get people in the door" and then giving them the rest of your content.

How much content is shared versus that which is brand-specific depends on the type of market. According to Ellis around 20 per cent of content on sites in

developed markets come from the global content desk, while in lower resourced markets the percentage is higher.

### **BBC Good Food: a central kitchen hub**

Because of the way *BBC Good Food* is structured, with Immediate Media publishing the print magazine on contract and BBC Worldwide responsible for the website, there are separate print and digital editorial teams. However, continuing the theme of leveraged content, BBC Worldwide's Kerwin explained that the *Good Food* kitchen hub was centralised to provide content for both the website and the printed magazine. Around 90 per cent of the content produced there goes to both platforms, with the remaining 10 per cent for specially commissioned platform content.

### **The Daily Beast: Quality content and the millennial generation**

John Avlon (USA), editor-in-chief of The Daily Beast said with all the discussion about technology when it comes to media today, it "is easy to lose sight of content. But without the art, the jazz, people will fall short. There is a human quality to content people are hungry for. Computing it won't cut it."

His presentation focused on quality news content and the millennial generation, the first digital natives, widely considered as the big modern media opportunity today. Citing studies and own experiences that show, contrary to what many believe, millennials do connect with quality news content, Avlon said "there is a thirst for quality journalism" within the generation, but you have "to make smart content sexy and sexy content smart" to engage them.

Avlon's tips on how millennials think:

- They are suspicious of organisations. They will seek out independent views.
- They have highly developed BS detectors. They will reward brands that remain independent, offering quality, credible journalism
- Long-form journalism on mobile does well in this generation
- Exclusive reporting resonates. Opinion is nice, but is not a recipe for success
- Stick to the fundamentals (of journalism) and do it right, and with a lot of voice ("make smart content sexy so that it does not taste like medicine")

### **HP: content + context: the future**

Shane Wall (USA), CTO of Hewlett Packard, speaking of blended reality, said "soon everything will be interconnected, (a place) where the internet is no longer a thing you dial into but is just like electricity or water, ever present. [This connectedness] won't just be the things that we can put computing into, but will actually become all things not only those with electronics in them. All the technological change we're experiencing is only heading in one direction. The physical world is on an inevitable collision with the digital world. Over the next three, five, seven years these lines will become even more blurred and we'll see this happen in a seamless way."

In this world, "content will remain king, but context will be the queen," and there will be "fundamental ramifications in how you distribute," Wall said.

# Social | Mobile | Video



Social, mobile and video were among the themes most prevalent in presentations at the DIS, with clear evidence that publishers are mastering the arts.

## Social media

### **Pinterest: this is 'why social is a bigger opportunity than search'**

After Facebook, Pinterest has been shown as the top social referrer for many a media site (see for example the Shareholc report of January 2015). Matt Crystal (USA), Pinterest's head of international, explained their vision is to build "a discovery engine with content curated by people, not computers." This human element to its content is what Crystal believes make the platform "stand out."

Referring to search and social, Crystal said search is a great tool when users have a specific question, with a factual answer. But when you look for ideas ("go type in 'my next holiday', he said by way of example), the results aren't very inspiring. "There is a huge range of questions that aren't specific and factual, and that is where social discovery comes in. We believe these types of questions present a bigger opportunity than search."

### **Hearst: follow your users**

Gary Ellis said while Facebook is HMI's dominant channel, they are actively diversifying across multiple channels, including smaller, niche ones. "We see a lot of traffic from the big ones (channels), but also from smaller regional, local and niche networks (in places like China). (The question is) Where do you want to build digital audiences and whom do you want to target? If it is niche, what platforms are they on? How do you target them there?"

### **BBC Worldwide: enough evidence to create team focus**

For *BBC Good Food*, as with most content sites, social and search are key drivers in audience development. According to BBC Worldwide's Kerwin search remains

the brand's top referrer of traffic, however he believes this will change. Currently the editorial teams handle social, but Kerwin said there is enough evidence to give "credence to a business case" for specific social teams.

### **TU.no and BuzzFeed: don't only think 'home page'**

TU.no editor Svein-Erik Hole referred to the difference between print and digital distribution. "The great strength of print media distribution is getting the newspaper to your door, and then you look at it. Online you have to find your users wherever they are, and this is often outside of your website." Here the single article, not the home page, becomes an important component in the distribution strategy. "When 75 per cent comes from channels outside your website, the article is the first thing they see," meaning article templates must be optimised to lead users deeper into your environment.

Linked to this (single units of content become more important than the home page), BuzzFeed's Leopold explained that they think of content as "free and floating" and made "for people to share it." This makes thinking about how people might choose to share content more important than "optimising the home page for clicks."

### **The Daily Beast: Facebook's plans; no one-size-fits-all**

Avlon was asked about his thoughts on Facebook's plans to host publisher content natively on the platform (as opposed to driving traffic to the publishers' own websites). "As with all things you have to balance impulses: you want to engage but there is a basic question: if they're hosting but not referring back, what is the benefit for brands? If it is only of benefit to Facebook, there's a real issue there. (But) the details of this are still to be seen."

That said, Avlon reminded that people use social media in different ways, with no one-size-fits-all solution.

Referring to Snapchat Discover (in context of the above discussion), Avlon mentioned the rise of more personal networks, where people share only with an intimate group of people. He believes this trend is set to grow. "We will see more and more of this in the next 2-3 years." This will also have an impact on what people share, for example "people don't really share controversial content" in more open environments like Facebook.

### **FIPP/IMC Innovation and TU.no: Don't forget email!**

Innovation Media Consulting's Juan Señor (UK) and John Wilpers (USA), the editors for *FIPP's Innovation in Magazine Media World Report* (the 2015/16 edition is [now available](#) via FIPP.com), reminded the audience not to forget about email as part of their distribution strategies, citing examples such as Quartz and Time's successful endeavours using newsletters as virtual "home pages" into their sites.

Also on the topic of newsletters, TU.no's Svein-Erik Hole explained how they have made newsletters an integral part of their distribution strategy, increasing delivery to twice a day in December 2014. Admitting there were some question marks over how the two-per-day strategy will perform, he said users "open the second newsletter just as much as the first one," indicating strong appetite for the form.

## Mobile

### FIPP/IMC Innovation: in case you need reminding, here's why

"Having no mobile strategy is suicidal," Juan Señor and John Wilpers told the audience. Some stats:

- Users check their mobile phones 221 times a day
- 40 per cent of all web pages served worldwide are already mobile
- By 2018, mobile will account for \$159 billion of worldwide ad spend, more than double the expected \$64 billion in 2014

As if not enough, there is Google's algorithm change in April this year that will affect sites' mobile search rankings based on the mobile friendliness of the sites. Worth noting here is that mobile search has now overtaken desktop search.

Moreover 80-99 per cent of users surveyed in a study in Brazil, China, Germany, India, the UK and the US said they go to competitor sites after a bad mobile experience.

Quoting Forrester Research SVP Josh Bernoff, the duo made the point that the shift is more than a mobile first strategy, but rather "represents a complete change in the psychology of consumers. The expectation that any desired information or service is available, on any appropriate device, in context, at your moment of need."

### Hearst: mobile first, truly

HMI's Ellis showed the audience charts of the explosive online year-on-year growth of their brands in markets around the world, for example for *Cosmopolitan* from 41 per cent in Argentina to 1,091 per cent in The Netherlands. Tellingly, by far the majority of these interactions were mobile-led.

### BBC Good Food: 75 per cent of all visits

BBC Worldwide head of publishing Chris Kerwin said that 75 per cent of all visits to the *BBC Good Food* website come via mobile. The brand has around 18 million monthly unique users.

### Buzzfeed: if it won't work on mobile, don't bother

Half of BuzzFeed's visits come from mobile. Leopold told the audience the company "will not publish something that does not work for mobile, because it will not succeed."

### The Daily Beast: 'Tinder for news' app has millennials cooing

The Daily Beast's Avlon, in discussing content for millennials, referred to their "Tinder for news, Read This Skip That" mobile app, which is seeing deep engagement. It is "a simple, addictive app that delivers our original journalism with just two options: read or skip. The more someone reads, the smarter the app gets." There is also a level of gamification here: "Users are able to view a dashboard of their actions versus other users."

Designed for mobile, there is beauty in smart simplicity, he said. "Engagement in the app is at over five-and-a-half-minutes per visit. Time spent exceeds our mobile and desktop experiences by over 2.5X while return visits are 3X higher."

## Video

The web is increasingly visual, and video is driving the *watch-first, read-second* revolution.

### The visual web

Here's food for thought (from Emap's Natasha Christie-Miller): "The written word is just a blip in human history. Before the printing press, most stories [were told through] word of mouth and images. Now, with the internet, are we going back to speaking and sharing stories through images?"

*BBC Good Food* has some 290,000 likes on Facebook and some 220,000 followers for *BBC Good Food* and another some 95,000 for *BBC Good Food Shows* on Twitter. However, Pinterest, where the brand has "only" 45,000 followers, is its biggest social referrer. This is likely because of "of the brand's very visual content," said Chris Kerwin. (He told me separately the brand is investing a lot in visual content, with expanded photo series, videos and infographics, often dealing with "how to" questions).

### F+W: the video commerce revolution

F+W is working with its online learning platform provider Thought Industries to become "the first company to have online video and ecommerce linked to video. It's a revolution in video ecommerce," said David Nussbaum.

### Innovation Media Consulting: how to make video work

According to Señor and Wilpers, quoting Cisco, video will make up 79 per cent of consumer web traffic, up from 66 per cent in 2013. Then there are CPMs:

- Text: Average CPM is \$2.50, along with a shrinking share of traffic
- Video: Average CPM is \$24.50, with a growing share of traffic

Furthermore, video gets 800 per cent more conversions than text-only pages, increases time spent with 88 per cent while posts with text and videos combined get 1,200 per cent more shares. Further consider the collision of video, mobile and social, with more videos now being viewed natively on Facebook than YouTube, as well as video and native, where native video ads "easily out-performs anything else."

Their advice is to make video a top priority and then to:

- Hire digital video natives
- Establish cost controls
- Repurpose each video multiple times
- Keep clips to the point and do a lot of "how to" videos
- Promote and distribute clips across multiple platforms
- Partner with YouTube video stars

# Digital revenue streams



## Advertising

### Cannes Lions: The case for creativity

Creativity is not only a marketing driver, but also a business driver.

Drawing from evidence from McDonald's, Coke, a "large beer brand" and other campaigns at the Cannes Lions, Lions CEO Phil Thomas talked about the "direct link between business success and creativity in organisations. If your work is creative, it amplifies your ROI."

This effect has increased since 2004. "Since 2004 creative campaigns get significantly more attention," said Thomas. Why? It is around the time that digital technologies, and in particular social media, entered mainstream.

Easy to do, it is not, but in "the modern world, with so many consumer choices and touch points, if you are creative, innovative and you can capture extra attention, you will move ROI."

He offered the following "ways to win":

#### *Collaboration:*

Cannes Lions has seen a considerable increase in collaboration between partners in recent years. This includes "many different types of organisations across different countries, (working together) to create a piece of work."



### *Simplicity:*

When you take a look at the most creative campaigns at the Cannes Lions, you see “the executions may be complex, but the ideas are really simple.”

### *Tech and expertise:*

“A mash-up of using data and amplifying it with real expertise in technology is important,” Thomas said, adding “creativity without technology will not get you to where you need to be these days.” He continued: “If you don’t have tech expertise, you need to get it. The vast majority of award winners we see have an understanding and ease with technology and data.”

### **BBC Good Food: advertising that works**

Digital advertising is working for us, BBC Worldwide’s Chris Kerwin told the audience. He highlighted four areas:

- Programmatic
- Partnered (including native)
- Video
- Social

In general, programmatic advertising now makes up around a third of all digital advertising for the brand and partnered (native) advertising another third. “We believe general display (ads) will decline to zero over the next five years.”

### *Programmatic:*

Asked about the so-called race to the bottom with programmatic advertising, Kerwin said “a lot of agencies and clients now trade in this way, so if you do not participate, you will lose a substantial amount of revenue.” Aside from securing a revenue stream, programmatic also helped to free up sales resources to focus on selling other high-value ads.

### *Partnered:*

Examples of partnered advertising include print advertorials, home page take-overs, original video with celebrities and newsletter and social placements (see more on native advertising below).

### *Video:*

Developing the offering is crucially important not only because of higher advertising CPMs (£25-£35 for *BBC Good Food*), but “the majority of requests for proposals by agencies now require a video element to the campaign.” Despite the some 350,000 video streams already on *BBC Good Food* per month, this is not enough, Kerwin says. To make advertising sense, “we need 500,000 as a minimum.”

### *Social advertising:*

Social advertising for *Good Food* grew by 74 per cent in 2014, but Kerwin sees it as a “limited opportunity” and advises circumspection. “Social is the new search, so we do not want to bombard the audience with advertising. They’re too valuable to us.”

### **The case for programmatic advertising**

Juan Señor and John Wilpers mentioned that in the US revenues from programmatic advertising represented more than 50 per cent of all buys for the first time, with the growth set to continue to 66 per cent in 2016. “It leverages consumer behaviour data to guide marketing strategies in personalised ways that offer a much greater chance of advertising campaign success.”

Busting some of the “myths” regarding programmatic, they said:

- It can free up sales people from grunt work
- It does not have to eliminate jobs
- It does not necessarily lower CPMs

### **The case for native advertising**

Señor and Wilpers also made a clear case for the value of native advertising if done well – not only from a brand perspective, but also from a user/reader perspective. The risk of course is poor execution: research has shown some 58 per cent of users won’t visit the site again after a bad native advertising experience, while around half will tell their friends about it.

Cannes Lions’ Phil Thomas, illustrating the rise of native advertising, said branded content at Cannes Lions is the biggest, fastest growing area of the whole festival. Last year entries increased by 43 per cent. (An interesting side note: while print is shrinking in contrast to branded content, it remains one of the Festival’s biggest sections with 9,000 entries).

### **Viewability, measurement and ad fraud**

Viewability of ads online is an increasingly important debate publishers should take note of. Viewability measurement can help better align price and value, said Mike Shaw (UK), VP of Media at ComScore.

Non-human traffic to sites lower viewability of ads, and besides that it dilutes audiences, drives up impressions and creates mistrust in digital advertising. To address this, trusted independent data is required to reveal when:

- A served ad has been validated
- A target audience has been reached
- Digital advertising is working

On the same theme, Señor and Wilpers warned of the threat of ad fraud, quoting the IAB’s board of directors president Vivek Shah saying 36 per cent of website traffic today is generated by machines, not humans. This puts question marks on the performance of many an advertising campaign, which can cost the ad industry around \$6.3 billion per year. Warning that it “strikes at the heart of our business,” they offered the following tips to prevent ad fraud:

- Authorise 3<sup>rd</sup> party traffic validation technology
- Request transparency for sourced traffic
- Use 3<sup>rd</sup> party monitoring
- Apply day-parting

## **Ecommerce**

### **F+W: ecommerce will be our main revenue stream**

F+W operates across deep verticals with enthusiastic communities. They took a decision that “as buying preferences shifted, we needed to become our own retail channel,” which meant “owning the entire supply chain from content creation to delivery.” Their aim: “Be the ‘Amazon’ of vertical communities where creative can discover everything related to their hobby.”

In 2008, when David Nussbaum joined F+W as chairman and CEO, the company had one ecommerce store, delivering 2 per cent of the company’s revenue. By

2015, they had 33 stories delivering 27 per cent of revenue, growing in double digits year-on-year and forming part of an overall greater revenue pot. "It is the most profitable part of business and will be our main revenue stream in about three years."

#### F+W's ecommerce growth

	2008	2010	2015
Ecommerce stores	2	21	33
Percentage of total revenues	2	5	27

Email is a key arrow in the ecommerce bow. Nussbaum referred to the growth of the company's targeted email lists per community, with each customer on the list presenting a lifetime value to the company: from 1.3 million active contacts in 2010 to 7.9 million in 2014.

This enables them to reach consumers with innovative offers, such as "kits + bundles, a unique service offering curated physical and digital products sold together, alongside educational videos on how to use them." In 2014, F+W sold 47,000 such kits, at an average price per user of \$58.77 (\$2,574,190 in total, up 43 per cent on 2013, which in turn was 180 per cent up on 2012).

#### Radio Times: targeting 'Generation Wealth'

Stuart Forrest spoke about how the brand is building a transactional business within the "Generation Wealth" target group, those older than 45 with high levels of disposable income. It includes travel, financial and other services. Referring to travel alone, Forrest said they generated £5 million in travel bookings in 2014.

#### Sanoma: the importance of brand

Antoine Hendrikx, business unit manager of Storefronts at Sanoma Digital, emphasised that brand is important in building ecommerce. "Ecommerce is about trust, and trust comes through a brand. You see conversation rates jumping when you are a brand."

To be successful at ecommerce, he said, it is about finding a balance between three main components: content, community and commerce. "You have to find the sweet spot between the three to find long-term success."

## Paid content

#### Piano Media: keep on innovating

It is still early days for paid content online, said Kelly Leach, but there are three main benefits of this experimentation:

- Diversifies revenue stream
- Data, data and more data
- Supports print revenues

Deep data is a crucial by-product of paid content models, and this should be truly leveraged to drive ongoing decision-making, a point made by other speakers in a paid content panel session at the DIS too.

Leach mentioned several emerging paid content models, including hard-locked, metering, freemium, federated, progressive registration, charging advertiser "evaders," and micro payments.

She said success depends on many factors, including developing deep audience engagement, “but it is encouraging to see that publishers are willing to innovate and change... based on how customers are constantly evolving.”

#### **Blendle: making payment ‘fun’**

Marten Blanckesteijn (The Netherlands), CEO of Blendle in The Netherlands, asked the audience “how can you make money if you give all your jewels away for free?” Blendle “has a team of 40, with an average age of 26. Our aim is to make our friends pay for journalism again. What we see happening with paid content is similar to what happened in the music industry. Everything is available for free on YouTube but we all pay for Spotify. Why? Because it works. We are trying to do that with journalism – making it so fun and easy to access that people don’t care about paying for it.”

#### **PressReader: getting those difficult segments**

Nikolay Malyarov, EVP, chief content officer and general counsel of PressReader, in Canada, explained that one of the added benefits behind their “all you can read model” is that publishers are finding audiences perhaps not necessarily looking for their content, while it also allows them to reach perhaps difficult segments.”

#### **CeleraOne and Readly: back to data**

Falk-Florian Henrich, founder and CEO of CeleraOne in Germany, and Philipp Graf Monteglas, MD of Readly, Germany, also emphasised the importance of data. “Leveraging the customer data you get is key to success,” said Henrich, and “it’s key for publishers to use data,” said Monteglas.

### **Online learning**

#### **Thought Industries: why publishers should care**

According to Barry Kelly, CEO and co-founder of Thought Industries, the market for self-paced online learning will reach \$53 billion by 2018. Kelly explained how publishers can leverage existing content and deep expertise to develop online learning programmes, citing a number of media companies already using the Thought Industries platform.

#### **F+W: tapping into the ‘next revolution’ in education**

One such company is F+W. CEO David Nussbaum spoke with high praise of the Thought Industries platform, explained how the company will help them tap into the “next revolution” for online education which “is video-led, instructor-led and self-guided,” programmes for “the absolute beginner to the more advanced enthusiasts.”

# Transformation | Innovation



Across the two days, speakers shared several lessons from their transformation and innovation journeys, some of which we capture here.

## Transformation

### Make people your top priority

F+W's David Nussbaum was very clear on the top priority to make transformation work: "The most important job is to sell it to your team. Until you get your team behind it, you're not going anywhere." Referring to F+W's four tenets of business, community, commerce, content and curation, he said, the CEO has to take his/her "team on the [transformation] journey. If I call up any employee at midnight, they will be able to give you our four C's."

### Provide the right support

Natasha Christie-Miller of Emap said it is important to have people who choose to be part of the journey. When she joined Emap in 2008, she initially "tried charm and all that" to change mindsets. "There was progress in some areas, but the impact wasn't fast enough." But people can change. Christie-Miller created a project called "Project Deadline" with a fixed deadline for editors of six months to change. During this they gave support and training that helped the shift along.

### Be clear in what you want to do

BBC Good Food is being transformed "into a multi-faceted, digitally-led business with content available on all platforms. Printed magazines, books and live events will remain central to the *Good Food* business, as long as their economics continue to make sense," said BBC Worldwide's Chris Kerwin. On the digital front, there is a clearly outlined strategy, built around (1) accelerating digital audience

growth and (2) exploring new digital revenue streams, with twelve objectives listed below the two.

Christie-Miller said knowing and having a deep understanding of the core purpose of your business is crucial to transformation. “Rediscovering Emap’s core purpose has been the most important step in our journey of transformation,” and is “what will keep us straight when challenges come our way.”

### **Where needed, get the right people in**

Changing from a publishing company to a content and ecommerce company of course also meant a need for new talent. Today, 19 per cent of F+W’s total work force is in digital, compared to only 3 per cent in 2008. “We needed digital-focused employees with significant experience from outside media to help us grow this important business (ecommerce). Sometimes you have to hire in. Ecommerce is a different business to content, and I needed to get people who come from tech companies” to drive this part business along. Here are just some of the titles you will find in F+W today, joining people such as online editors, social media managers, developers and designers:

- Chief Digital Officer
- VP of eCommerce
- Ecommerce Marketing Managers
- Online Product Managers
- SEO and SEM Experts
- KIT Program Manager
- Email and Traffic Managers
- Social Media Managers
- 3<sup>rd</sup> Party Product Managers

### **The right people, with the right attitude**

Jan Moberg of TU also referred to getting the right people on board in the change process. “Hire competent people with the right attitude. The right attitude is perhaps even more important. With the right competence and attitude, one person can change an entire organisation.”

### **Make tough decisions**

The process of transformation includes the closing of some businesses, the strengthening of remaining ones and the launching or acquisition of others. At F+W, David Nussbaum closed outliers such as *Scuba Diving*, *Healthy Beverage Market*, *Log Homes* and *Sport Collectibles*, while strengthening core communities such as quilting, arts, crafts and writing, including through licensing deals with Burda International and acquisitions such as *The Writers Store*, *New Track Media*, *Interweave* and *Sew and So*.

### **Break down silos**

In addition to the above, Nussbaum also got rid of silos within the company. “To build thriving external communities, you need a thriving internal community.” So, the company did away with silos such as magazines and books, and reorganised teams around communities – art, craft, quilting, design and writing.

### **Transformation is not a linear process**

“You pivot, you move, you change, you grow – and by the way you make mistakes sometimes,” said Nussbaum.

Nussbaum's tips on transformation include:

- Stay true to your core tenets
- Portfolio management: focus on markets you can own
- Know your customers' needs and goals and fulfil them
- Get the right people and positions on the team
- Content is critical: format is flexible
- Be willing to fail: be more willing to try again
- Evolve, change and transform

### **Be true to your brand's genetics**

Jan Moberg of TU in Norway runs a business with a heritage stretching back 161 years. While its approach to content delivery has changed, TU has retained the values that resonate with its audience. "Be true to your brand and genetics. Just because you lost it (in their case, job ads as a key driver) in print, it does not mean we cannot build on our brand's genetics. We have done it and I know you can build on it."

## **Innovation**

### **Five keys to innovation in magazine media**

According to Innovation Media Consulting's Juan Señor and John Wilpers there are five keys to innovation magazine media companies should heed today:

- Mobile is the dominant platform
- Video is the dominant mode
- Native advertising will be the dominant vehicle
- Programmatic advertising will be the dominant method
- Data will dominate decisions

### **Reward success and failure; punish inaction**

Pernille Aalund and Jan Krog Henningsen of Aller Media in Denmark described twelve rules the company follows to nurture innovation, concluding that "great companies reward success and failure and punish inaction".

### **'Never rest' (on your laurels ever again)**

TU's Moberg urged delegates to "never rest," never rest on their laurels. "One of the challenges was that we did not pay attention. We were used to downturns (in advertising), but then the surges always came. It's not like that anymore. We (TU.no) have been profitable for two years, but you cannot assume it will always be like that. You have got to wake up every day and plan afresh."

### **Keep on innovating**

Innovation Media Consulting's Señor and Wilpers shared several reasons to keep you going. Here are three motivational quotes:

- If you accept change, you never grow old
- It's only when you drop yesterday's assumptions that you can glimpse tomorrow's possibilities
- It's time to unlearn what you think you knew, and time to think innovation

## Innovation approaches: lean startup and design thinking

On Day 2 of the DIS, delegates had the opportunity to join workshops conducted by two experienced innovation experts, one with ties to Oxford University in the UK and the other Stanford University in the US.

Alan South (UK), innovation practitioner and module leader at FIPP's [Executive Programme for Innovation and Change](#) with Oxford University's Saïd Business School, in an innovation workshop on Day 2, spoke about Lean Startup and Design Thinking as two modern approaches.

The Lean Startup method brings the entrepreneur into the corporation. The core principle is embedded from a scientific perspective and it always seeks to avoid waste from creating something "no-one" wants. The aim is to build a minimum viable product (MVP) to take to market early and collect feedback from early adopters. Once you have analysed the feedback, you have three choices in which direction you want to go next: Pivot, persevere or kill.

Design Thinking is about bringing methods of the designer into the corporation. Its core principle is to look at innovation from a human perspective – looking for the right solution to meet customers' needs. The design thinker needs to get under the skin of the project, getting close to their customers. Innovators using this method spend time on user research, which helps them to iterate and refine to produce the highest possible quality solution.

In another session, Justin Ferrell of Stanford's Institute of Design highlighted the d.school's approach to design thinking:

- Empathise: Emphasise with the person suffering from the problem to develop real understanding of the problem
- Define: Learn from step one to define and frame the problem
- Ideate: Separate the idea process from idea selection. Look at as many ideas as possible before moving on
- Prototype: The aim here is to create "experience" and gather as much as possible feedback
- Test: The "gold" is gathered once the product is live in the real world (and "if you find yourself selling too much, it means your idea isn't really resonating")

## Something to think about... next

HP's Shane Wall gave the audience insights into "the next industrial revolution" with 3D printing. From the initial industrial revolution to now, things have not materially changed. (1) We take raw materials in, (2) we produce something and (3) sell it in the most effective way. Whoever is the most effective at the latter, wins. Over the years there has been acceleration of this, with some changes in for example how we consume: ordering online and products delivered to our homes. The next revolution, however, is that we will be able to obtain designs of whatever we want, customise and change them to our needs, and then print it out. "This will fundamentally change how we interact with things." Think about it.

## Quick feedback

### DIS Startup Xchange (DSX)

Berlin being one of the hot startup hubs worldwide, the [DSX session](#) has become a feature at the Summit – a session where selected startups have the opportunity to showcase their plans to the audience. Startups at this year's DSX included Kitchen Stories, Data Monk, Plenigo, and a[d]ssets. See their presentations [here](#).



Preceding the session, Michele McConomy, VP and general manager of RocketSpaceX in the US, showed how the average life span of companies have and are dropping, from 67 years around the 1960s to around 18-20 today through to 2019 and closer to 15 by 2025. Constant innovation (even reincarnation) is therefore imperative for corporates to remain relevant and alive, and they must learn about, work with and work like the startup community.

### **DIS @ Mediahackday**

In 2014 and again this year the main Summit was preceded by a hackathon on the Saturday and Sunday. Some 80 developers attended the first one in 2014 and some 120 the one ahead of this year's Summit. The topic this year was "connected car," with Bosch as headline sponsor. The 2015 winners were, in order from first to third, Roadtracking, Greentire and Retrosense. See more about these and other projects on [our Hacker League page](#).

### **Meet the Founder Tours**

This year saw two Meet the Founder Tours, where participants got the opportunity to visit Berlin startups in their own offices. Companies visited this year included adjust, videopath, Skysense, Beacon Inside, Unlock Your Brain and Gründerszene. See the descriptions of each company on the Digital Innovators' Summit website, [here](#).

### **Stories from the DIS on FIPP.com**

In case you missed it, [here is a round up](#) of our coverage from the DIS.

***This was a FIPP Insight special report on the DIS 2015***

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