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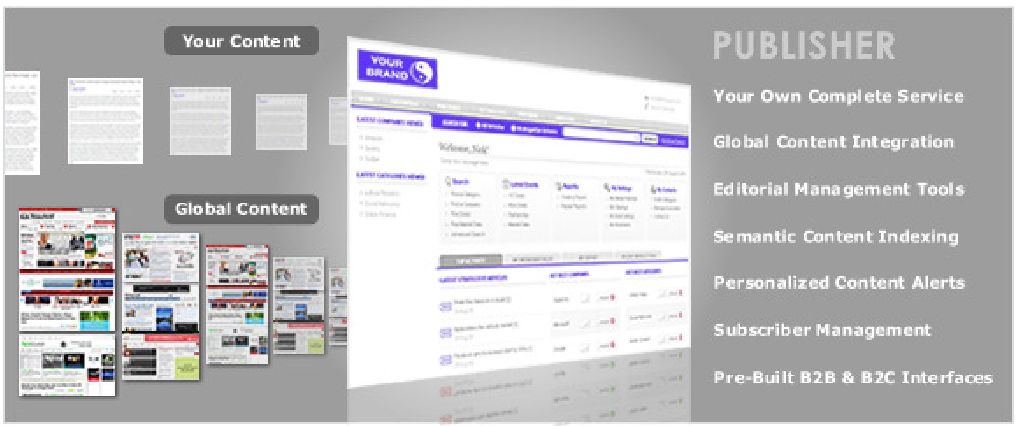
THE NEXT TWO YEARS OF PUBLISHING – WHERE IT NEEDS TO MOVE

There are key shifts occurring in the global publishing industry. Some are obvious but many of the underlying trends are more subtle and relate to the changing usage patterns of the next generation of users, "Audience 2.0". The combination of factors is complex but all need to be closely considered by B2C and B2B publishers as they react to the current media industry crisis and position themselves as long-term survivors.

Nick Gregg is a former analyst with a Wall Street firm and CEO of StrategyEye (www.strategyeye.com). StrategyEye PUBLISHER is a solution for media companies to launch subscription or ad-based intelligence services.



PUBLISHING INDUSTRY SITUATION

Aside from the economic chaos, there are a number of fundamental factors at work in the publishing industry today:

- **Offline revenue continues to decline fast as next generation of audiences shift online.**
- **Google, aggregators (and now Twitter) increasingly 'decide' which sources audiences are directed towards – and will take a growing slice of available advertising pie.** Though this is mainly a critical issue for B2C publishers, it will also increasingly affect B2Bs as emerging aggregators focus on specific verticals more efficiently.
- **Online channels continue to explode.** New blogs, aggregators, micro-sites and Twitter subscribers are all crowding out mainstream sources – and in many cases breaking or, at least, virally spreading news.
- **Future value of traditional brands to next generation of audiences is highly uncertain.** Traditional publishers rarely now break major news (a key tenet of their prior value proposition). Though traditional brands have an inherent trust factor, many newer online sources are delivering "good enough" facts and news to audiences. The 22-year-old coming into the workplace is less likely than ever to engage with a physical publication and will lack major loyalty towards these older brands in coming years.
- **Large editorial journalist bases are expensive and out of tune with new world**. A shift to a blend of 'investigative' writers and 'curator' writers is needed to both reduce costs and deliver wider information in the succinct manner modern users expect.
- **Users demanding personalization and centralised access to relevant content – the "MyPortal" approach.** Facebook generation are used to accessing all social news on their favourite people through a central networking site and receiving personalized alerts. This mindset will similarly apply in the future for accessing news and business information on topics of interest through one or two online applications and alerting services.
- **The Apple Factor.** By leveraging the iTunes billing account, Apple has proved it can convince consumers to buy apps with micropayments through its tied iPhone applications store. The rapid domination of iTunes in music and now apps should be a lesson to publishers that power can shift quickly in content. It is not inconceivable that Apple's next generation of products (tablet or otherwise) could transform the way news is consumed and that, with its 'trusted' billing relationships, Apple could dominate consumption of premium news articles and features for small micropayments made through the iTunes billing base.

The publishing industry needs to adapt fast. There will be a massive shake-out with lower profits, job cuts and mergers as the revenue pie changes. Surviving brands need to reinvent their editorial models and adapt their technology to be ready to rapidly exploit new content opportunities.

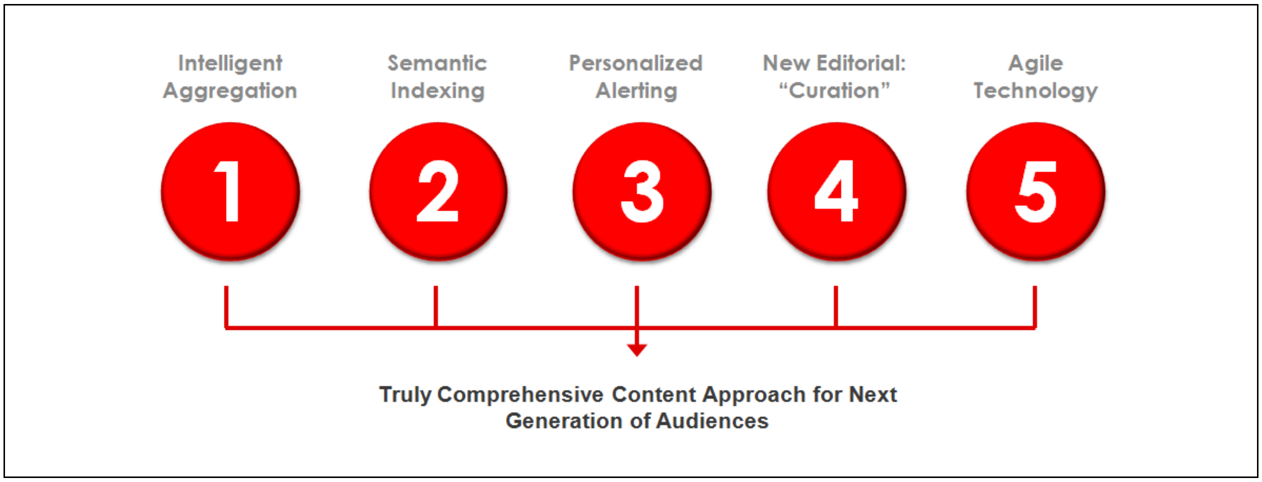
However, knee-jerk reactions are not the way forward. The current vogue for some publishers to say "*let's shift to paid subscription walls*" is potentially highly damaging except in certain niche content areas. Imposing subscription walls may generate some revenue from a small percentage of loyal readers. But it could kill a brand in the long-run if the next generation of target audience simply never engages with its content.

The simple truth is that online audiences can, more easily than ever, shift eyeballs to other "good enough" content with the click of a mouse or a Google search, particularly in overbroked content areas such as general news or media/entertainment. Publishers should leverage their existing brands and build new technology features to defend current audiences, while building new revenue streams in emerging subscription or ad-based content areas – "News Apps", their equivalent of the mobile apps now exploding.

FIVE CORE ACTION POINTS TO SERVE FUTURE AUDIENCES

There is no “silver bullet”. Under current trends publishing is never going to return to old-style profits.

However, there are five key points B2C and B2B publishers can act on today to defend audiences and drive new profit streams. Many companies, traditional and start-up, are developing features around individual points. But to leap ahead of competitors and deliver a solution that truly caters to the next generation of audiences, traditional publishers need to consider how they can deliver on all points in parallel:



1. Intelligent Aggregation

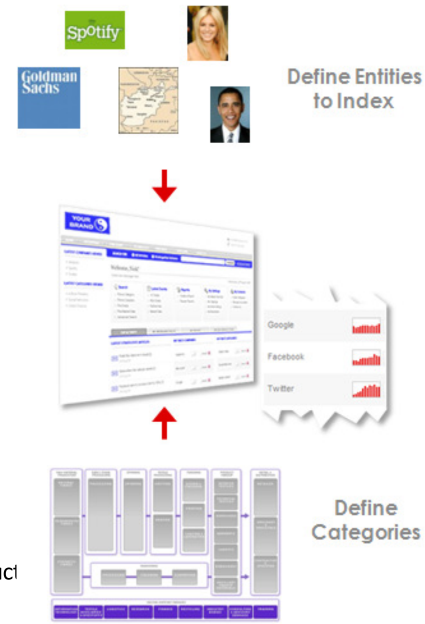
Gone are the days when editors can rest on the notion that their content alone is good enough, particularly if they are not breaking news stories daily. Users want centralised access to all content, wherever it originated.

Publishers should lead with their own proprietary articles but integrate aggregated global intelligence (news, blogs, Twitter) in real-time to position their brand as a trusted ‘search engine’ for content from other trusted sources. It will never replace Google but will cater to a large proportion of their current audience and demonstrate they are innovating with new content tools. Right now it is a case of “eat your own lunch” before Google or the aggregators do it entirely.

Position brand to become ‘iTunes’ of your content domain.

- **Moreover** (www.moreover.com) – recently sold by Versign, in the next phase of publishing Moreover could benefit significantly as one of the ‘oldest’ and established names in aggregation.
- **MSN** has announced a move into aggregating news content alongside its core services, using outsourced technology that pulls in global newspaper articles.
- **OneRiot** (www.oneriot.com) – taking a step into micro-blogging, OneRiot is a startup and early leader in Twitter aggregation and is experimenting with online sites such as Yahoo!

2. Semantic Indexing – The "Linked Economy"



Publishers need to apply intelligent, structured indexing that 'understands' the context and entities involved in any article in their databases, and makes it as easy as possible for users to quickly link between relevant content.

So-called 'semantic' indexing allows for creation of consistent meta-data for searching and linking between articles. Some automatic "if you like this article, you'll like this other articles" options work based on Bayesian or SVM algorithms, but these can't truly understand the context of an article or relationships between the entities identified (eg what category is the company 'Spotify' in and who are its competitors, or how does 'Steve Jobs' relate to 'Apple').

To make content indexing truly accurate and useful, it requires human IP in defining entities initially – whether those entities are companies, industry categories, executives, celebrities or sports teams.

For each content area, publishers need a process to properly define struct

- Add Categories (eg Online Music, Actresses)
- Add Companies or Brands (eg Spotify, Goldman Sachs)
- Add People (eg Barack Obama, Sienna Miller)
- Add Topics (eg Afghanistan War, Healthcare Reform)

This could be done within some flexible content management systems, but can also be done by submitting articles into hosted software as a service (SaaS) solutions that analyze content in real-time and return meta-data detailing all entities involved.

There are also side-benefits from defining a content area in detail:

- Vertical search – Adding definitions allows easy vertical search options by topic or area
- Buzz ranking – Definitions allow ranking by buzz mentions and can support sentiment analysis

- **OpenCalais** (www.opencalais.com) – offered by Thomson Reuters (and based partly on its ClearForest acquisition), this caters to mass-market entities and allows companies to submit thousands of articles daily for free, returning very effectively entities such as Companies or People
- **SportsUltra** (www.sportsultra.com) – a beta example of a new B2C site filtering global content with a highly structured approach that allows users to 'follow' individual sports teams or players

3. Personalized Alerting

During current media turmoil, it is vital for publishers to defend their present brand awareness – while it lasts. Personalized email (or App) alerts on content are a powerful tool to maintain daily contact with audiences and to understand true user interests better than through subscription registration.

Alerts would be defined by the user, employ the “semantic” entities approach and be as granular as required. They would deliver both proprietary publisher content but also links to relevant third-party blog or news articles.

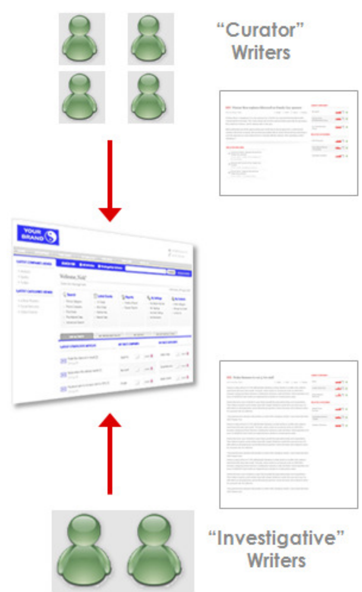
Aside from meeting a key audience requirement as a single point for relevant content delivery, the side-benefits of this are twofold:

- Daily interaction keeps the brand at the forefront of the user’s mind
- Publishers can ascertain *exactly* what the user is interested in – one of the supposed benefits of subscription – and can therefore offer tailored advertising or affiliate promotions alongside alerts

Alerts in current market can delivered via email and also via apps to smart devices such as the iPhone. Once ‘embedded’ into a device as an intelligence app that does the job for that individual, competitors may find this kind of app very hard to displace – reinforcing the first-mover notion.

- **Google Alerts** – as with most Google initiatives this is a powerful approach for mass users. However, the settings are simple and offer little contextual or structured options (eg no option to receive articles to do with “new Online Music companies” or “US Actresses”).

4. New Editorial Approach: “Curation”



Publishers need a mix of talented, investigative journalists who research deep articles alongside ‘curators’ who write succinct, informative commentary. The Facebook generation want quick updates to keep them ‘in the loop’. The more succinct, the better.

Editorial teams would shift to a mix of investigative journalists and ‘curator writers’. Output would be split into a smaller number of high-value, in-depth proprietary commentary pieces followed by a long-tail of curated articles. These would be delivered as succinct, contextualized summaries of breaking news with extracted data and with live links to global opinions if the reader wants to dive deeper.

Aside from delivering news clinically, there are two further benefits:

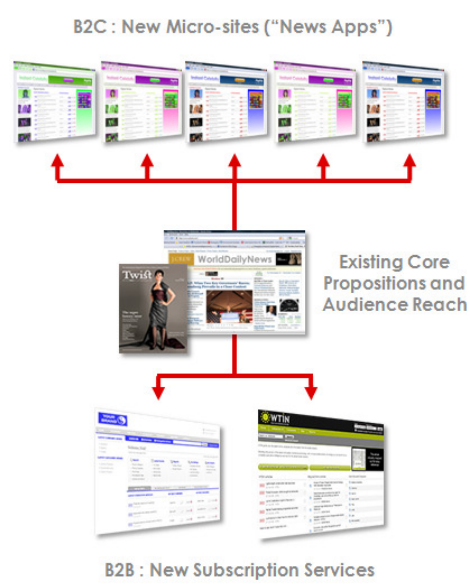
- Curators do not need extensive journalistic experience and can be sited anywhere. They would leverage technology for routing breaking stories identified in global feeds, significantly reducing overall editorial cost base.

- Curators can extract data points around events – for example, Client/Agency entities involved in a story on an advertising deal or the value in a VC investment. This gives a highly structured and properly searchable database for creating instant reports or other outputs.

- **eMarketer** (www.emarketer.com) – is an excellent example of curation – a B2B subscription service for marketing executives that collates and succinctly summarises and compares forecasts from many global research organisations on specific topics, such as mobile or online advertising
- **Watershed Publications** (http://www.watershed-publishing.com) – a B2B service with journalists sourcing stories in specific verticals such as the defence or retail industries and writing concise summaries within a simple subscription offering
- **DailyCandy** (www.dailcandy.com) – arguably a lateral form of curation, delivering B2C audiences with a daily, highly curated commentary on a venue or service
- **HolyMoly** (www.holymoly.com) – delivers consumers with a simple, curated summary of the five hottest celebrity stories with photos and irreverent brief commentary

5. Agile Technology

Publishers need to leverage their core audience proposition (eg existing open sites) but also identify new content areas that could support standalone subscription products or micro-sites ("News Apps") to generate ad or affiliate revenue models. Use flexible or outsourced technology to allow rapid experimenting in those areas ahead of competitors, and minimise in-house expenditure.



Establish a process to identify new areas beyond core proposition – these may be subsets of existing content strengths or a move into entirely new growth areas:

- eg B2B subscription services:
  - Environmental, Financial Trading Technology
- eg B2C micro-sites for news:
  - American Idol Finalists, AllAboutLeonaLewis.com

Build initially into own areas of content expertise – but outsourcing is critical to deliver fast given traditional infrastructure challenges in older publishing companies. In an era of SaaS, there is minimal need for costly in-house tech resources.

- **StrategyEye** (www.strategyeye.com) **–** provides complete outsourced solutions for indexing, alerts and editorial curation on a hosted basis, targeting both B2C and B2B traditional publishers, enabling them to launch rapidly into any new area
- **Hearst** recently launched LetMeKnow (www.LMK.com) based on outsourced technology from **Evri** (www.evri.com), enabling delivery of aggregated news solutions pulling in multimedia content feeds from sources such as AP and Getty
- **OpenCalais** (www.opencalais.com) – large-scale, hosted offering for indexing of any articles by common entities – a great option for outsourcing initial structuring of content

SUMMARY

Noise about the crisis in publishing appears to have reached a crescendo in the last few months and there may be a speed issue here overall – in the same way that iTunes now dominates the music-content market, industry power and control in content can change dramatically in a short period of time.

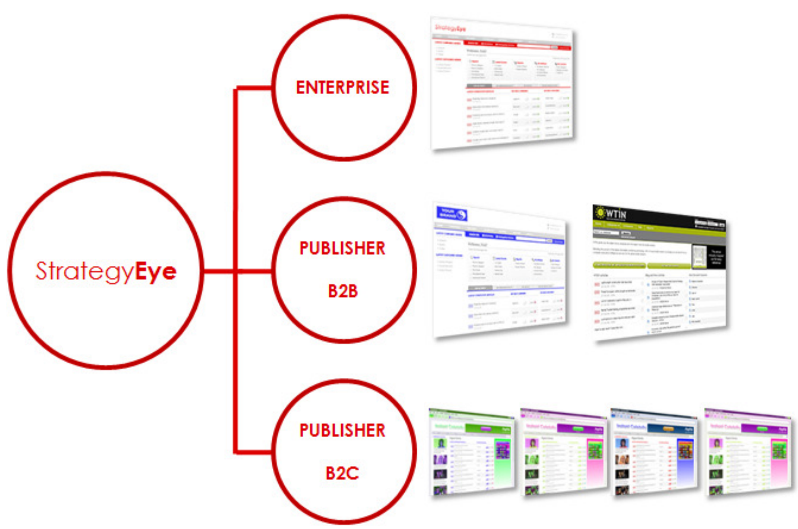
Once audiences find a great content delivery mechanism that meets their wider needs, they will be unlikely to switch, particularly as that mechanism becomes configured with their personalized interests. The Facebook generation appears happy to stick with one platform as long as it does the job efficiently. Those publishers not delivering comprehensive and personalized services quickly may well find themselves left out in the cold.

For today's brands to ensure they are among the profitable survivors they need to invest quickly in amending their editorial approach, identifying new content opportunities and developing flexible technology to meet the needs of these new audiences.

ABOUT STRATEGYEYE

Founded in 2006, StrategyEye (www.strategyeye.com) delivers comprehensive global intelligence on any industry, company or individual.

StrategyEye PUBLISHER is a white-label platform enabling offline and online B2B or B2C publishers to rapidly deliver complete new information products, protecting existing audience revenue streams or targeting emerging market opportunities. The modular platform enables seamless integration of proprietary content with relevant global news and blog sources, all consistently indexed through a highly structured 'semantic' monitoring engine. PUBLISHER is supported by a full suite of editorial creation and subscriber management tools.



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