Beyond the digital tipping point: INMA CEO talks the future of news media

The news media industry is experiencing a period of intense transformation, made more complex by the vastly different rates of change in different parts of the world.

Someone who understands this better than most is Earl Wilkinson, executive director and CEO of the International News Media Association (INMA). He's been travelling to news media companies across the world to understand the state of the industry as we approach 2020.

"You've got the most digitally disrupted market, Scandinavia, and you've got the least digitally disrupted markets of South Asia, such as India, Pakistan and Bangladesh."

The revenue model discussion, he says, is happening in newsrooms across the region, with news brands such as Nine and News Corp putting greater focus on subscriptions and revenue diversification.

"In the digital space, it is very clear that the advertising model does not work as a replacement for the lost print advertising revenue."

How did we get here?

Earl has been in the news industry nearly 40 years, including 29 years as CEO of INMA. This has allowed him to see the emergence of digital disruption and how the news media initially got it wrong.

Digital subscriptions started in the mid-to-late 1990s, what Earl describes as a defensive mechanism to protect print circulation pricing integrity. This was followed in the early 2000s by the development of the freemium model.

Then in 2007 the *Financial Times* came out with a metered model, an approach refined by *The New York Times,* which launched its own version in 2011. Media brands watching from the sidelines soon followed suit.

“2015 seems to be the landing spot where publishers woke up and realised that this was our future,” says Earl.

The technology that allows these models to work, as well as greater cultural acceptance of paying for digital news.

Setting the price for digital subscriptions, however, remains a challenge for publishers.

“We’re hemmed in, to an extent, by products like Netflix and Spotify. If we charge less than that for a news subscription it looks like we don’t value ourselves enough, but if we charge more it seems like overconfidence.”

Now we’re reaching 2020.

"I cringe when I hear that there are companies that have not started the process of working out their revenue model going forward," he says.

"Companies have spent the last five years ideating, improving and refining their models. If you haven't started this process, that's worrying."

> ***"I think the Australians and New Zealanders don't realise how well they're doing in comparison to their peers. Companies are rethinking old models and moving towards digital subscriptions but still finding a place where print fits. It used to be about the next day's newspaper, but now it's also about long-term strategy."***

Parallel to this are explorations of new funds that publishers can tap: philanthropy, government grants and collaboration with big tech.

Media companies, Earl argues, have been too disconnected from these opportunities.

"On the one hand there's the legal space where media companies are struggling to redefine the relationship with big tech to make sure that advertising revenue isn't siphoned off in perpetuity. On the other, media companies have to keep an eye on the money and services being offered by the likes of Facebook, Google and Amazon."

Memberships vs subscriptions

Subscriptions have become normalised in the industry, with fewer publishers than ever providing their content for free in the digital space.

The Guardian (a member of NewsMediaWorks) is perhaps the most prominent example in Australia, relying on the donations of readers to keep its content open and accessible to all.

But is this a realistic avenue that other publishers could pursue?

"It's not a model that 99 per cent of news brands could replicate," explains Earl.

"You must have a high-esteem brand, deep values, national and prestigious. Even some relatively high-consideration brands couldn't do it."

"I think *The New York Times* could pull it off, but not the *Dallas Morning News,"* he says, a reference to his hometown paper.

"That's because the latter involves a more local, transactional relationship with the brand."

Earl's discussions with news media brands about the success of membership models have revealed the need to build a sense of community around the brand first before soliciting donations.

"Ultimately, *The Guardian* could not have succeeded with its donation model if it had not spent decades building up a loyal and passionate audience."

The data revolution

The publisher-technology relationship has not been without its moments. Getting the balance right between taking advantage of resources and not getting taken advantage of has proved to be an ongoing challenge.

"When digital advertising was getting started in the 2000s, we were following the old print model of giving away everything for free, recuperating costs by creating a mass audience and selling advertising," Earl explains.

"It was a model we understood, but it didn't gain traction in the digital space. That's why we've moved on to a subscription model."

Now, he says, media companies are getting much smarter when it comes to using data to understand their audiences, as well as how to create and push content that is likely to engage and trigger conversions.

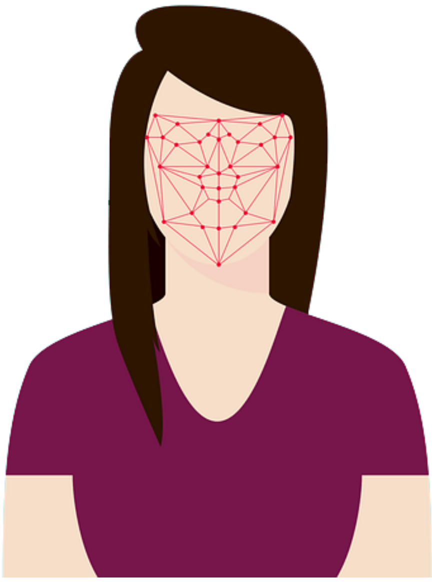
Earl sees this as a revolution being led by newsrooms, which have historically been separate from the economics of the business of producing news.

He's observed newsrooms creating content scoring systems, criteria attached to every piece of content, such as propensity to trigger subscriptions and shareability. There's also a consideration of whether a piece of content adds value to the media brand or contributes to long-term brand value.

"When I was a young reporter my work wasn't driven by the number of people reading my articles. Today, journalists are tracking how their stories are engaging and converting visitors over time. Editors are focusing on analytics and how their team is meeting targets."

"Editors now have the ability to take the data into consideration, but still determine the direction of their publications."

The future is personal



When looking back at his career, Earl reflects that news media used to be a slow-moving industry. For the first time, he says, he has no clear idea of where we'll be in ten years' time due to the rapid emergence of new technologies and opportunities available to publishers.

"There's a lot of talk that we are about to enter this personalised future. I don't think that true personalisation at scale is going to hit this industry until 2021 or later."

He believes that personalisation will not, as some fear, act as a replacement for serendipity, but will instead play a part in a broader digital experience.

“There is still going to be space for surprise and delight, for journalism that matters versus journalism that just drives traffic.”

“The smart newsroom is getting smarter about the economics of content and is able to make judgements to present a mosaic of content to readers.”

Tech innovation or just hype?

We asked Earl to rate the likely success of various technological strategies that news media brands are experimenting with.

QR codes

“If most of your advertising is brand advertising, it’s not a logical choice. If, on the other hand, the majority of your advertising is price-point advertising, it could be a brilliant technology.

Augmented reality (AR)

“I think that these are only things the big players can be investing in. There’s no ROI right now. Having said that, while these technologies might not have transactional value for brands, it does have brand value to be on the cutting edge. You want to be seen, especially among 20-somethings, as innovative. I would be putting in just enough investment to look cool.”

Podcasts

“Podcasts seem to be more about lead-generation than a subscription product. The feedback we’re getting in the INMA network right now from our publishers is that the market is in the process of changing. The attempts publishers are making now, such as starting daily podcasts, are going to become dated very quickly. They need to be coming out with bigger and sharper offerings with clear business reasons behind them.”

Voice and audio

“With audio, I’m worried about discoverability. It’s a concern I’m hearing everywhere at the moment. I think some of the changes at big tech companies are going to help solve that, so keep an eye on what’s happening.”

Earl’s blog is available on the INMA website here.