

World News Publishers Outlook 2017

Executive Summary

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WORLD NEWS PUBLISHERS OUTLOOK 2017: MAIN REPORT

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About the report

Some of you hopefully remember “newspaper techniques,” the former industry magazine that then-IFRA published on a monthly basis. Back in January 2005, we started an annual edition called the “Decision-Makers’ Guide to Publishing,” primarily based on a survey of publishing executives around the world.



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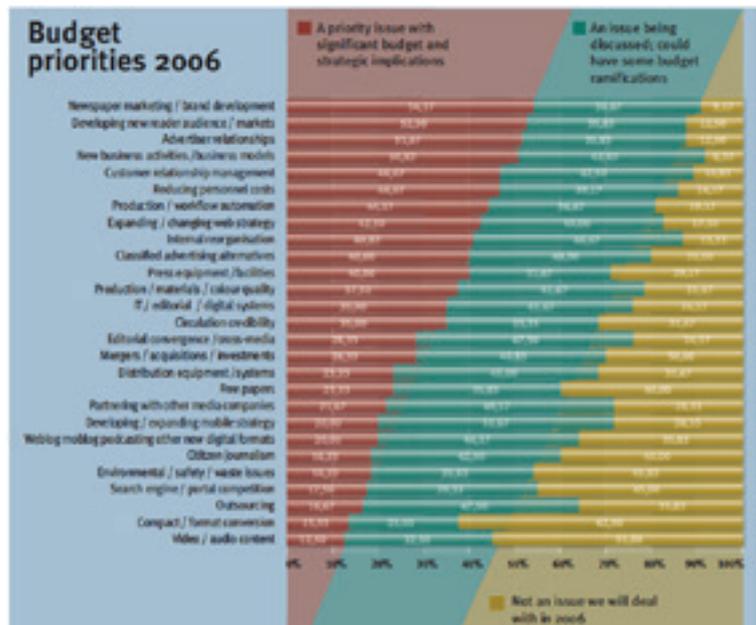
For whatever reason (my memory fails me these days), we didn’t publish the graphic results of that 2005 survey, focusing more on the analyses, but we did so the following year (results opposite).

When we started talking to Dr. François Nel of the University of Central Lancashire in the UK last year about possibly working together again for this World News Publishers Outlook 2017 – this research project was initiated in 2009 and published by WAN-IFRA until 2011, then by UCLan and WNMN in 2012 and 2013, and as chapters in FIPP reports in 2014 and 2015 – I couldn’t help but think of the Decision-Makers’ Guide. That “guide” was similar to the Outlook with its primary goal of identifying publishers’ budget/investment priorities for the next year, but not in its scope.

We got more feedback from the Decision-Makers’ Guide edition than most other magazine editions as it was a good barometer for publishers looking forward. And we expect a similar response to this Outlook report as it delves much deeper into not only possible investment projections and trends, but due to its granularity of data and analyses, it allows us a peek into the mindset of publishers and to benchmark what a culture of innovation looks like.

It’s interesting to take a closer look at that 2006 graphic, and the similar graphic (Q12) for this year’s survey on page 23-24. Noticeably absent from the 2006 survey is the issue of social media, which TOPS the priority list in 2017. Also, video content is another top priority in 2017; it bottomed out in the 2006 survey. And social media has driven much of that video trend for sure.

But there are indeed some priorities that haven't changed in that time: developing new business and reader products, as well as internal reorganisation. There are a couple of ways to look at that: 1) you could say, as most analysts tend to do, that inertia haunts our industry; or 2) our industry has been developing its new business intensively and adapting to change internally. The answer is probably somewhere in between.



But among the numerous findings of this year's World News Publishers Outlook, one stood out for all of us that is telling: When asked, "What is the single most important risk to your news organisation's future success?", the largest number of executives in our study (26 percent) answered: their organisation's reluctance to innovate.

Not the challenges of finding new business models (which isn't that far off at 24%), nor Google and Facebook gobbling up all their ad revenue, nor a lack of trust from their readers, but that inertia to innovate.

Of course all those other challenges play a major role and an impetus to innovate, but summing up the will and the strategy to "get moving" is apparently what concerns many publishing executives across the globe.

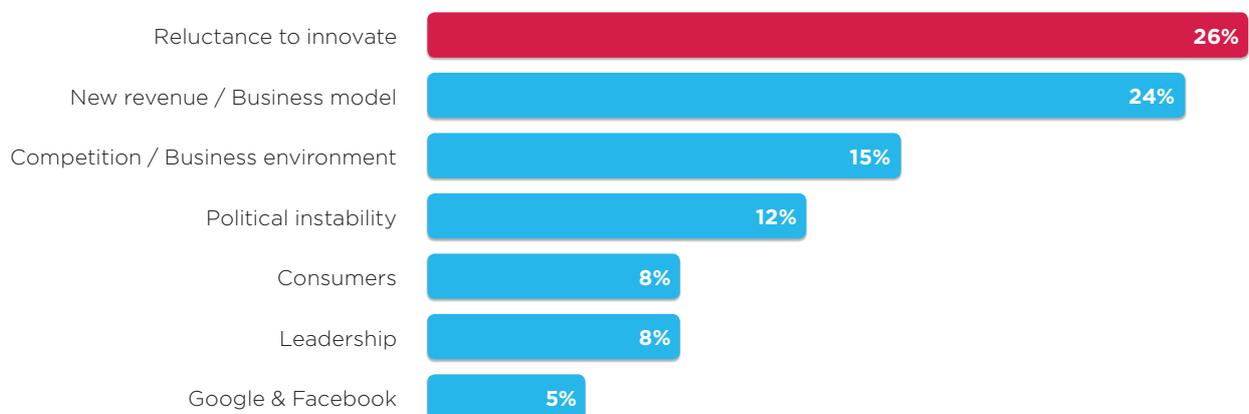
But that is just one of the many insightful findings from our survey and the analyses that François and his colleague, Dr. Coral Milburn-Curtis of the Innovation Research Group, provide that can help publishers to benchmark where their activities stand and should be headed.

We want to thank François for his hard work on this report. Hope you enjoy it.

Executive summary:

Certainly, news media firms worldwide confront an array of external forces – whether increasing competition for advertising from Google and Facebook, shifting audience consumption patterns, rapid technology advances, or political instability. But decision makers responding to our annual survey told us the greatest risk to their businesses lies within their own organisations – a reluctance to innovate.

(Q19) Greatest risk



Source:

World News Publishers Outlook 2017 – Innovation Research Group, & WAN-IFRA

They also told us how these factors and more have shaped their financial performance during the past year, what their investment priorities are for the short- and medium terms, and in which ways they plan to change to ensure their firms thrive going forward.

The 7th annual survey was conducted in 11 languages by the Innovation Research Group and WAN-IFRA in the third quarter of 2016. Of the nearly 250 executives in 68 countries across six continents, by far the largest group of respondents, 43 percent, sit in C-suites, serve on boards, or own their companies. Other responses came from editorial, commercial, and technology managers, as well as from a very small number (2 percent) of consultants and academics.

The majority (82 percent) are at organisations that are in private hands, while 6 percent worked in government-owned media firms and 4 percent were in public service organisations without direct political control. Further details about the respondents and the full methodology is available at the end of the report.

Whatever their company profile, however they are involved, and wherever they are based, most of those surveyed are very anxious about the capacity of their companies to innovate at the pace and to the extent required.

They are right to be concerned.

- Although almost a third of our respondents report that their firms' revenues have grown over the previous year, **six out of 10 say revenues have shrunk.**

Many expect that their organisations will **need to radically change their business models if they are to meet future expectations.** And there is no time to waste.

- **Seventy percent say that during the next 12 months up to 30 percent of their income should come from non-traditional media activities** (i.e. other than content sales and advertising) if they are to reach their financial goals. Those figures flip exactly when we asked for their medium-term outlook.
- Seven out of 10 respondents expect that **during the next five years more than 30 percent of their firm's income will need to come from diverse revenue streams** if they are to be successful.

To reach those ambitious targets, there is much work to be done – and much need to reconsider the way things have been done in the past. We asked respondents: **What is the single most important change that should be implemented in your news organisation during the next year?**

The answers varied widely, **but the one change that news media executives most wanted to make was to their company's way of doing things.** More than one out of every five respondents (21 percent) mentioned

this. "Getting all staff to embrace and share new ideas, techniques and strategies to keep the newspaper alive and exciting," said an editorial manager from Kenya. A chief executive from Portugal summed it up: **"Innovation culture."** We

will come back to this point and what we discovered, but we should highlight the other key priorities for change that media executives in our study identified:

- technology investments for both editorial (CMS) and commercial (CRMs);
- convergence of operations, both across channels (print, online, broadcasting) and functions (technology, editorial, commercial);
- efficiencies to cut costs and increase effectiveness;
- monetisation of both current endeavours and by identifying new business opportunities;
- social media platforms for content and commerce;
- developing talent from the board and across all departments, especially in regards to all things “digital.”
- the organisation’s approach to innovation.

All these changes are justifiably important and delve into each later, but that last listed item of innovation resonated throughout our research. To understand the relationship between innovation culture and organisational performance, we used advanced statistical techniques **to scrutinise the nearly 80,000 data points collected in this study** from news executives ranging from Australia to Zimbabwe. Our analysis showed a statistically significant link between organisational cultures in which innovators flourish and their firms’ performance and success – including their financial success.¹

We continued to dig deeper and discovered the ways in which the decisions of leaders at firms reporting successes differ from those at loss-making companies across the 7 building blocks of organisational culture: resources, processes, values, behaviour, climate, success and innovation role models. While organisational culture is a multifaceted construct and the building blocks are all dynamically linked, the critical role leaders play in shaping every aspect of innovation in their firm is undisputed.

In fact, **our analysis shows that firms where the leaders are positive Innovation Role Models are more than 4.3 times more likely to be reporting overall revenue growth compared with those who do not.** Thus, company leaders have it within their gift to cultivate a culture where innovation thrives – and, when they do, our study shows that their companies’ fortunes can too.

¹ We draw on World Bank studies to define variables such as regional boundaries, Gross Domestic Product and internet penetration.

Key takeaways

- **The biggest risk to future success** is not seen to be challenges to business models, technology disruption, advertising declines, or political instability – **but firms’ own reluctance to innovate.**
- When asked what is the single most important change that has to be implemented in their news organisations over the next year, the top response **(21%) was Organisational Culture.**
- Although trading conditions are tough worldwide, **30 percent of nearly 250 decision-makers surveyed reported overall financial growth during the past financial year**, while about 35 percent said there had been no change. This is the highest proportion of positive responses since the study began in 2009/10 in the wake of the global economic recession.
- The outlook for the future success of media firms depends on the extent to which they can diversify their revenue streams. In the short term (next 12 months), **70 percent of respondents say they will need up to a third of their income to come from non-traditional sources** (i.e. traditional advertising and existing content sales) to meet company revenue expectations.
- That figure flips when asked to project into the medium term (3-5 years) – and **nearly a quarter (24 percent) of all respondents expect more than half their income will need to come from new revenue streams.**
- An analysis of almost 250 responses by executives in 68 countries shows a statistically **significant relationship between the innovation culture in firms and their financial performance.** In fact, companies that prioritise innovation are more likely to report organisational and financial success compared with companies that don’t.
- **Leaders at successful firms make distinctly different choices about the 7 building blocks of an innovation culture** than those at firms that report losses.
- Meeting future revenue targets will require **significant focus on innovation by news media leaders** – who will increase their firm’s likelihood of success very significantly if they are effective Innovation Role Models themselves.

Studying innovation in the news media worldwide

Executives worldwide want their organisations to be innovative. And, of course, news media firms always have been. Innovation – the process of transforming creative ideas into outputs with impact – has, and continues to be, the fuel that drives newsroom engines at every organisation. But wide-ranging changes compel us to rethink how we go about innovation in every part of our enterprises – across editorial, commercial, technology and operations. We also need to identify and develop new opportunities to sustain and grow our businesses.

Decisions about what to innovate and how to go about it falls largely to the company's leadership. That is why WAN-IFRA has once again teamed up with Dr François Nel and Dr Coral Milburn-Curtis of the Innovation Research Group to survey decision-makers worldwide in 11 languages: Arabic, Chinese, English, Finnish, French, German, Italian, Persian, Portuguese, Russian and Spanish.

The perspective of this report is truly global. The 7th annual world news media innovation study was conducted during the third quarter of 2016 and had 235 responses from 68 countries across six continents: Africa, Asia, Australia/Oceania, Europe, North America, and South America.

An analysis of the regional spread shows that over half of our respondents (57 percent) are in Europe, reflecting the geographic bias of the study leaders who are spread across the UK, France and Germany. That said, almost one in five of the respondents are from the Americas, while 18 percent of the respondents are from Asia and the Middle East, and 4 percent are from Sub-Saharan Africa.

While the geographic representation is uneven, our analysis shows that, in the main, country of origin played no statistically significant role in distinguishing survey responses. This supports our view that there are more similarities amongst news media firms than differences.

Traditionally the sector has shared similar practices, processes and business models, and globally we now face very similar business challenges, including

shifts of consumer preferences to mobile and competition for adspend – often from the same or similar technology firms, i.e. Facebook, Google, Snapchat, etc. However, there is a striking exception. When we explored how firms approach innovation, we found the organisational culture of firms in South Asia was markedly different – specifically, organisations in South Asia are 17 times more likely to have a high Innovation Climate, compared with European organisations (Odds Ratio = 16.91). (For more detail, see the discussion on Building Blocks of an Innovation Culture in Chapter 4 and Magdoom Mohamed’s essay, p. 60).

The survey’s 22 questions look at four areas: 1. the profile of respondents, including the nature and activities of their firm; 2. current revenue streams, financial performance during the past book year, and the anticipation of future revenue sources; 3. specific priorities for change and investment in the next year and in the medium term (3-5 years); 4. how leaders experience change and risk.

Firstly, we report back on the the current situation: how our respondent’s firms have performed financially during the past year, what the primary sources of those revenues are and the risks they face. Then, we report on their short and medium term outlooks, along with 10 key areas our respondents say their organisations need to change to achieve their aims. Finally, because respondents flagged the importance of their organisation’s capacity to innovate, we look clos-

(Q11) Map of respondents



Source:

World News Publishers Outlook 2017 - Innovation Research Group, & WAN-IFRA

er at that issue. In Chapter 4, we consider the building blocks of an innovation culture. We also use advanced statistical methods to analyse the relationship between organisational culture and organisational success – and we point out the strong link between Innovation Role Models² and company performance.

To provide additional insights and suggest further practical action points for consideration, we invited five guest analysts to contribute to this report:

- Anette Novak, a former senior newspaper executive and now CEO of Rise Interactive, Sweden: “5 lessons learned from an innovative firm”
- Helen Philpot, Head of Transformation and Governance at DMG Media, United Kingdom: “Three important factors for successful behaviour change”
- Kevin Anderson, a global media consultant and Founder of Ship’s Wheel Media, USA: “Combating the ‘accelerating avalanche’ of declining ad revenues”
- Magdoom Mohamed, Managing Director at WAN-IFRA – South Asia, India: “Innovation in India: South Asia’s largest growing market”
- Dean Roper, Director of Publications at the World Association of Newspapers and News Publishers (WAN-IFRA), Germany: “Why news companies appear to be focusing on the social newsroom instead of social revenue”

Appended to the report are the survey, details of the methodology, and an invitation to engage further with the findings – and how to participate next time.

SURVEY TRANSLATIONS:

- Arabic:** Ali Alrowaili, University of Central Lancashire
Chinese: Chen Chenchen, Chongyang Institute for Financial Studies at Renmin University of China
Finnish: Dr Katja Lehtisaari, University of Helsinki
German: Dr Britta Gossel, Technical University Ilmenau
Russian: Emma Urjasova, University of Central Lancashire
Persian: Dr Datis Khajeheian, University of Tehran

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2 In our study, Innovation Role Modelling represents the extent to which organisations demonstrate to their stakeholders that they have a burning desire to change, to explore opportunities, to use resources to create new things, to model the right innovation behaviours for others to follow, and to speak a common language about innovation.

