OUTSELL

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MAGAZINES AT A DIGITAL CROSSROADS

ECOMMERCE AND NEW MODELS FOR THE FUTURE

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with contributions from David Lipsey

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White Paper

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Executive Summary

Periodical publishers are facing an unprecedented time of change. With print revenues declining, they have turned to digital products to restore revenues and develop new channels. None of these products are proving to be a panacea, however, as the landscape for digital products and the underlying business models remain in a state of constant flux. Given these profound and large-scale changes, how are publishers responding? While the new landscape is still emerging, publishers have not stood still. Many have tried new models, including free, paid, advertiser-based, "freemium," and more. Some have made small bets (e.g., adding a digital edition to complement print editions), while others have made big bets on new portal and paid models. Results have, famously and infamously, been mixed. But the interest is keen, the need is absolute, and the openness to creating this future is essential.

The more well-known experiments are truly just a slice of what publishers have tried and can still try. Mobile apps are ushering in intriguing hybrids of paid (the app), free (supplemental content available to both the app buyer and others), and advertising-supported. Various digital channels are opening numerous new ways of interacting with consumers. These channels also provide publishers with a chance to build a more complete profile of consumer behaviours and needs—what kind of content do they access and when, what kind of premium content attracts them, and what paths take them to the premium content? This new analytical information could prove to be a boon to publishers. Although models and approaches are still nascent, new opportunities are at hand as tablet devices and smart phones flood the market.

Magazine publishers must define these new business models within the unique context of their industry. While lessons learned from the music, newspaper, film, and book publishing businesses are valuable, they are *not* magazines. The success or failure of economic pricing and relationship management is not predicted elsewhere in the content industries. Periodical publishing requires a high degree of control and flexibility over eCommerce. Publishers may want their own websites to be the point of purchase, or they may want one group of buyers to be presented with one offering and another group a different offering. The variations, in fact, are potentially endless, as publishers will need to experiment with many models, many offerings, and many audiences. Publishers can decide what role to play and how to be seen in the digital marketplace. In executive meetings today, questions about roles are top of mind: are they content producers, aggregators, distributors, retailers—or some combination of these?

It is clear that publishers must work quickly—and intentionally—to develop new products, try new models, and quickly measure the results and refine their offerings. To support these efforts, they need business systems that will enable them to efficiently deploy new offerings at reasonable cost, measure the success of these offerings, and then just as quickly and efficiently revise and re-launch the offerings to meet the evolving demands of consumers and the larger marketplace. In this paper, we briefly highlight some of the emerging models that show promise. We provide examples of where forward-looking publishers are investing—how they are learning about new customer requirements and needs, and how they are turning these needs into attractive new products. Finally, we make the case for the growing need for contemporary eCommerce platforms to support publishers as they experiment, win, iterate, and drive their businesses into the future.

Requirements for Flexible eCommerce

Content and access to it seems as ubiquitous as electricity. Consumers do not think much about the electrical outlets in their homes and offices. Using them does not require much past a decision about a plug with two prongs or three, or if a heavy-duty outlet is necessary for a washing machine or car. Electricity is just there, waiting to be used. In most cases, it just works. Consumers access it unthinkingly. But there is a revolution underway behind the scenes, called the "smart grid." It serves as a useful guide to thinking about content.

Like electricity, content can be always on, anywhere and anytime, reliable and universal. Open the mailbox and there sits a magazine. Log onto a laptop, and interact with that same magazine in digital form. Turn on networked tablets and smart phones, and pass the magazine around to friends. Reach across the table or across a continent—an idea hard to imagine just a few short years ago. But readers are nearing the point where they do not think about content and access to it. Content is just "there." Content ubiquity thus puts an end to the long-time mass media monopoly on—no, not on the content itself, but the content's distribution chain. While publishers still need to strive to provide best-in-class quality of content, this alone is no longer sufficient to monetize it. Rather than simply publish the content in one mass media to one huge audience, today's successful publishers measure and understand the exact needs of ever smaller audience fragments and think hard how differentiated value can be delivered to all of them in a specific way.

In the smart grid for electricity, the meter behind the scenes is undergoing a revolution in what it measures. Today electricity comes from multiple sources—wind, coal, nuclear, solar, geothermal, and maybe even sourced through rooftop solar panels. The smart meter is aware of source and charges differently for different kinds of power, for different times of day or night. The electricity for recharging an electric car at night may be cheaper than the electricity on a July afternoon with air conditioners running at full capacity. And the smart grid is a two-way street. Utility companies who previously cared only about usage volume now face immense business challenges of understanding their consumers, collecting and analyzing data about what power they use and when , and then marketing them new products—related to electricity!

Within the context of the smart grid for content, publishers have a similar opportunity to offer consumers unparalleled flexibility in accessing and paying for content. Today, a publisher's billing system has the potential ability to dynamically create multiple, on-demand offers for consumers. This is the meter for content on the smart grid. It exists today, and it can help realign the economics of content industries still struggling to emerge from print-driven models.

The smart grid gives publishers the chance to directly take control of the end-user's transactions—and not watch passively as knowledge about the end-user disappears into the distribution system (whether print or through e-subscriptions), which is mostly the case today. This is the economic leverage of the smart grid. The keys to this are, of course, both the mechanics of eCommerce as well as a keen grasp of the data management obligations that come with the territory. There is no avoiding either one. Plenty of other content manufacturers have learned this the hard way. The music industry is one example. Content owners have seen pricing decisions taken away from themselves, with the data about who bought what hidden by distributors who have no interest in sharing it. Today content owners have the potential to migrate from a method-specific content manufacturer (a book, a music album, a magazine) into a services-based content industry. The business systems to support this are available today—and they work.

In the smart grid for content, consumers get their data, just as they do from the power companies. They can see peak usage on their bills and detect so-called vampire devices that draw electricity even when not in active use. In an era of unbundled content and dynamic eCommerce offers, consumers will also see the bill, regardless of where the transaction occurs, perhaps directly from a smart device with the magazine, the Amazon store, or embedded in app or game. Content is nearing the point of moving with different valuations from device to device, and being "always on" and creatively offered. The meaning and value of a subscription may change to something more like a software license with an initial grant of access and annual support.

The smart grid for content has four key components:[1]

1. ***Reliability:*** It is always on, and search works accurately.
2. ***Costs:*** The smart grid requires investments in producing highly agile content objects and in utilizing work flow, allied editorial tools, digital asset management, PRISM and other standards compliance, and metadata / taxonomy tools that make search work ever more effortlessly. The billing platform—behind the scenes—is also transformed and updated. Both the offering to the consumer and the subsequent invoicing must be clear, easy to audit, and dynamic.
3. ***Relevance and flexibility:*** These are the equivalent of efficiency for the electrical power grid. For magazines, as an example, it means a continual supply of content and well-formed long-tail

[1] Based on "Recognizing Excellence in Smart Grid Development: The Perfect Power Seal of Approval™ Program," The Galvin Electricity Initiative, http://www.galvinpower.org/sealofapproval

and/or archive access. It means that content is attractive to third parties such as aggregators or licensees.

4. ***Consumer empowerment:*** The smart grid for content means choice; it means personalization and configuration to specific needs; it means price transparency, especially as magazines offer more dynamic choices for purchase. It also means making it easy to discover and purchase content, with or without advertising as a key component.

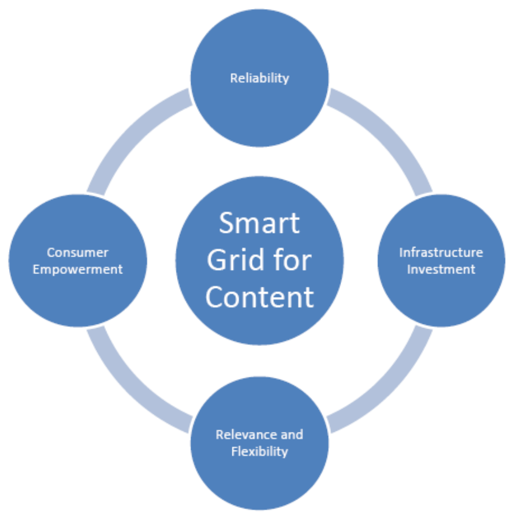

Figure 1. The four components of a smart grid for content. Taken together, we see a new context for transforming the relationship of the end-user to the magazine industry specifically and the content industry in general.

Optimizing the value of the smart grid will be challenging. It is a far cry from working with a subscription fulfilment house and paying attention to fairly narrow retention, renewal and churn measures, or to the unique world of mail regulations and lobbying the postal authorities. The organizational refocus is significant: understanding what the end-user buyers want and how to price the content offers, measure their efficiencies, keep track of who is buying them, and then suggest related products. This shift must occur *at the same time* the business continues to make money and satisfy advertisers. But unlike the utility companies, magazine publishers have tremendous brand loyalty and advertising as a source of revenue to sustain them through turbulent times.

Groping for New Models

Magazine publishers have not stood still while the digital revolution has overtaken the marketplace. Many were early adopters of the web and developed significant content, advertising, and brand presence. These included sites for individual titles as well as thematic sites that aggregated numerous titles (e.g., Manufacturing.net and ZDnet.com in the U.S., and Centaur Communication in the UK). For a time in the late 1990s, the audience for web-based magazine content grew rapidly—and the advertising revenue along with it. These websites are still an important part of the mix for publishers, but usually not enough to drive the revenue engine.

Publishers have also developed a number of other digital models that typically combine content with advertising to reach readers:

- Digital editions
- Electronic newsletters
- Blogs
- Podcasts and video casts
- White papers
- Directories

Most of these efforts fall under the category of low-risk and also usually low-reward. In most or all of these cases, publishers have found willing and able partners to help produce and distribute the content. In many of these categories, they have adopted content management platforms that offer such capabilities. The latest move toward mobile apps raises new challenges. Are apps just another output format, like digital editions, or are they a mandate for a new user experience driven by the mobile platform? And if they are a mandate, will publishers be forced to develop for several mobile platforms? Publishers have begun experimenting with apps, but so far the picture of success is still developing.

What Has Not Changed: Consumer Quest for Quality

The continued pattern of consistency, extension, and renewal of core magazine brands (and content brands in general) gives magazine publishers a distinct advantage in moving to the smart grid. Consumers still seek quality content, brands still count, trust still matters—and consumers will spend. While there are relatively few models for converting a consumer engagement from product-based to relationship-based, those that do exist follow a pattern of brand loyalty. Magazine publishers are wise to learn from this. QVC, for example, now realizes nearly half of its revenue from web-based sales. Its *InsideQ* magazine extends and reinforces the QVC brand.

Numerous non-publishing industries are turning to print magazines as a relationship-building tool for their brands. They recognize that magazine-style content has great brand value. For example, Verizon Triple Play customers receive the *Spotlight* magazine with unique content and offers. In such instances, the magazine industry has the opportunity to partner with consumer brands as well as other content industries and apply a rich suite of knowledge to these partners. The better the tool set that the magazine industry has to offer these partners (including the smart meter of flexible eCommerce and data management), the larger share of the revenue dollars the magazine industry will retain.

What Has Changed: Where the Consumer Is and Is Not

Content consumption habits are in the midst of changes that will take many years to understand. Such exploration is outside the scope of this paper. But we do want to emphasize that end-user devices are driving profound change in how the economic relationship will be transacted with the magazine business. The fundamental convenience of print subscriptions might not develop a contemporary corollary. The end-user who is digitally mature may be an economic minority of the industry's current revenue streams, but this is changing quickly. In the content smart grid, though, rapid pricing offers for new end-user opportunity and new methods of payments—PayPal and other wallet systems—are just as important as being ready for the next new wave of content presentation.

Embedded Content and New Markets

The ability to use trusted content in innovative presentations offers more opportunities for exploiting magazine content. Examples include lifestyle recipes for diet and health offered by subscription and anonymous white-labelled licensing, or *Do-It-Yourself* partnerships between a home improvement retailer and manufacturer of children's outdoor playsets. Through its well-known and widely popular *Brigitte* magazine (the top women's magazine in Germany), Gruner & Jahr (G&J) has led the way with a cluster of offerings all built from the core issue content. *Brigitte*'s recipes become online diet coaching programs. The recipes become cookbooks, and can be searched on the *Brigitte* mobile app right at the grocery store. More than one thousand advertisers have joined in with diverse and inventive revenue streams. G&J has seen further revenue from licensing arrangements for this very same content, adding a business-to-business component to an already diverse business model.

Meredith, an established expert in custom publishing competencies, has recognized this with its Meredith Integrated Marketing division. In June 2011, Meredith acquired the EatingWell Media Group, whose assets include a highly successful and award-winning bi-monthly magazine; a content-rich website featuring healthy recipes, food and shopping tips, and meal preparation, as well as articles, blogs and nutrition advice; a robust content licensing and a custom marketing program providing diet and nutrition information to over 75 clients including major consumer portals, healthcare, food and supermarket retail partners; top-rated mobile recipe and health apps; and a series of high-quality food and nutrition-related books and cookbooks.

At the same time, Meredith launched Recipe.com, featuring a dynamic website containing more than 20,000 trusted recipes and both in-store and manufacturer savings coupons; a magazine published on quarterly basis with an initial distribution of 350,000 at a cover price of $5.99; a mobile web feature that provides on-the-go consumers with recipe and meal-planning content; social media outreach through

Meredith's branded sites on Facebook and Twitter; promotion across Meredith's digital network that reaches 25 million monthly unique visitors; branded television segments airing weekly on Meredith's daily syndicated television program; editorial features appearing monthly in Meredith's well-known magazines; and quarterly insert promotions featuring custom content and coupons poly-bagged in Meredith's monthly magazines and distributed to more than two million consumers.

Figure 2. Meredith Publishing's Recipe.com web site is one part of a comprehensive product offering that combines print, web, mobile, broadcast media, and social media.

Launched with numerous brand advertisers, content from these sources will be offered in many diverse offerings and through multiple Meredith partners. The examples reflect Meredith's preparedness for content on the smart grid with an extensive inventory for private label ventures and supporting its own branded campaigns. The key question is whether offerings can be diversified for customers with different needs, so that prices can be optimized to the different levels of perceived value delivered. For example, people who want to lose weight may see more value and be prepared to spend more than those who are just conscious of a healthy diet. Such a parameter could be combined with demographics like age and social status to generate different offerings and price points. To create the optimal package for everyone would require data management to do the optimal segmentation, decide about what the needs are, and the ability to flexibly package diverse offerings at different price points.

Requirements for Contemporary eCommerce

Given the complex mix of product offerings—and the clear need to be able to segment and target different audiences—publishers face a formidable data management challenge alongside content management, publishing, and advertising delivery challenges. Consider what is a typical case for many publishers: different data sources and databases for readers of print publications, website visitors, newsletter subscribers, podcast listeners, and on and on and on. Publishers are much like any other company in wanting a 360-degree view of the consumer. The challenge for publishers is that customers may well be consumers of many of their products, across many delivery channels, with contact and profile data spread across numerous, disparate, and heterogeneous systems.

Data, Not Content, is King: The New Customer Profile

Data is what converts an interconnected *mess* to valuable interconnect *ness*. Magazine publishers have long known this, as evidenced by their commitment to measuring churn, retention and readership, and providing an audit mechanism that delivers the proof points to advertisers, their main source of revenue. But content on the smart grid can be measured at every step of its journey. Both the quantity and quality of this data necessitates the work-in-progress reworking of measurement and analytics that publishers are undertaking.

Simply put, data defines the relationship with today's consumers—what Bruce Benson of the Media & Entertainment Practice of global consulting firm FTI calls "Viewer Relationship Management" in his highly regarded papers on the modern content landscape.[2] The economic data recording how much money a consumer has spent with a publisher, the frequency and duration of engagement with customers, and the descriptive nature of what is being consumed is essential to an ongoing relationship with the emerging magazine content consumer. Eventually, cost analytics will allow a publisher to closely monitor the project costs associated with ever-smaller content objects such as an article, a product review, a recipe, or a movie review. Tracking the usage and monetary income for such content can then be used to examine author payments, determine how much to charge for content, and prepare a publisher to audit its digital revenues through direct and indirect channels.

Advertisers will expect it, consumers will benefit from it, and publishers should own it and be prepared for the personnel and systems investment to make this happen. While the on-ramps to the smart content grid are still being built, the wise publishers are putting the metering in place for high value (content) toll lanes.

Readers Are Everywhere Today (And Elsewhere Tomorrow)

One aspect of magazine publishing that has not changed much is the price of a print subscription. The cost of single-copy issues has risen reasonably commensurate with inflation and other prices indices. In contrast, for the convenience of opening the mailbox and finding a freshly printed copy of a favorite magazine, today's consumers pay only nominally more than they did ten years ago. Numerous magazines cost $1.00 per issue. Readers can share them with as many friends and family members as

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[2] Available at http://www.fticonsulting.com/resources/documents/bellyvision-september-2008--2-.pdf as of the publication date of this paper.

they like. Clearly, the economics of this make business sense for the current preponderance of magazine industry revenue. But the new content world for magazines will need to break this paradigm and present numerous dynamic offers to consumers.

The fault lines and emerging trends are somewhat apparent. Kindle singles may sell for $0.99 or more; custom, on-demand manufactured recipe groupings might be offered as a part of a one-year subscription to a cooking magazine or might be priced on demand, depending on an advertiser's ingredients in the shopping list. An instant travel guide might be in an app from Sunset Publishing and cost more if it included online access to chat with a writer whose insights the reader valued—almost more like subscribing to an analyst service that includes several hours of private advice with annual subscription. Or perhaps if a reader makes a reservation through the Sunset Magazine app or website, she gets a six-month extension to the print magazine subscription. It is too early to know which of these might emerge as a long term program. But the need to make such offers already arrived and will do nothing but increase as the consumer expectation for on-demand content continues to grow.

Reaching Readers without Breaking the Bank

With digital content, creating additional customer value is no longer the daunting project that was once required to launch a new title or re-purpose costly print. Innovation will accelerate as publishers see new ways to use data, content, and context for their products. Modern technology continues to provide lower costs and remarkably flexible tools to reach readers with the new offerings.

Publishing Agility: Providing Form, Function, and Value

Demand-driven flexibility in both the consumer-facing offering and a rich, flexible ERP back-office infrastructure can help the media industry be ready for quickly changing eCommerce models. Coupled with this are the critical insights derived from deep reporting and analytics, the chance to explore new payment models for authors, and continued maturity of an accurate understanding of digital revenue.

The back-office systems to support the smart grid for content may resemble traditional billing mixed in with both eBay and Amazon. This is not to propose or endorse some type of auction-based content system, but rather to suggest that the pricing relationship will be very different than drop cards and the rigidity and closed garden (with limited or no data) of the iTunes store.

Some offerings may be publisher-driven and fixed for a vast number of readers, as they are today. Others may be dynamically assembled based on the data about consumers. This need for dynamic pricing bundles will end up exerting the most pressures on publishers. And with this comes, of course, new invoicing systems, the need for instantaneous access to multiple payment formats and credit and collections history, a tie-in to customer service for when there are problems, and a re-thinking of the industry's historic accounting protocols with revenue recognition, audit bureaus, author payments and partner revenue management, and clarity in audit trails. This infrastructure can be shared or outsourced; regardless, the need is clear and the challenge critical to the magazine industry's ability to secure its own fortune. Success should not be compromised because eCommerce platforms cannot enable consumers to buy content in innovative ways.

Although advertising management is outside the scope of this paper, we note that the industry recognizes that redefining the rating engine for the twenty-first century is just as important as new offerings for the content consumer. The two go hand in hand. Flexibility of ad models is also critical to future revenue success, and in the context of this discussion, ad revenues can play a role in the pricing offered to end-user consumers.

Finding Success Today: New Models in Action

The Atlantic: The Old is New Again

the Atlantic wire
what matters now

The Atlantic has been published in the U.S. since 1857. Originally a literary magazine featuring the likes of Nathaniel Hawthorne and Harriet Beecher Stowe, the magazine evolved into an influential general-interest magazine that now also covers politics, science, and other public policy areas. Still a successful print magazine with a circulation of 400,000, *The Atlantic* has a healthy digital business, Atlantic Digital, in which steady investment has been made.

Atlantic Digital has thrived in its recent, steady build-out of new web properties, new features, and expansion into new areas of coverage, most notably business and technology. The publisher was also early to focus on blogging, and has maintained a steady roster of political and other bloggers with strong name recognition and readership.

- TheAtlantic.com acts as home page and portal to both the print magazine and the digital properties.
- TheAtlanticWire.com is an all-digital offering that looks and feels like a daily news magazine, with the tagline, "What matters now."
- The mobile app combines content from the magazine (full digital edition for subscribers) with content from the websites and content developed exclusively for the app.

In an era when general-interest consumer magazines are on the decline, *The Atlantic* is managing to maintain a strong print presence as it builds a very healthy digital presence.

The Financial Times: The Power of Brand

FINANCIAL TIMES

As MediaPost.com recently reported, *The Financial Times (FT)* is enjoying a boom in its digital subscription business at the same time that many newspapers and magazines have not yet developed a for-pay model for their content:

- Digital subscriptions increased 34% from 172,000 in the first half of 2010 to 230,000 in the first half of 2011, including a 30% increase in subscriptions to FT.com.
- In addition, total registered users (both paid and unpaid) rose an impressive 49% from 2.48 million to 3.7 million over the same period.

In addition, *FT* also sells digital editions on the iPad and other mobile devices.

FT's success likely comes from several factors, including the strength of its content, its ability to invest and execute, and its ability to build out a useful platform for readers and advertisers. But its success also speaks to the power of brand. Along with *FT*, the only US newspaper with a strong record of digital subscriptions is *The Wall Street Journal*, though *The New York Times* is showing some promise with its latest efforts.

Manilla.com: Websites in the "Lifeflow" Business

manilla beta

Manilla, a startup company owned and incubated by Hearst Corporation, is a new service that promises to simplify the lives of consumers by providing an easy, intuitive, and consistent approach toward managing the myriad of bills and subscriptions that individuals have to deal with. Targeting what they term the "Chief Home Officer," the offering could be described as a "lifeflow" tool, as it mirrors attempts publishers have made on the professional side to embed themselves in the everyday tasks of end-users' workflow.

From all appearances (and acknowledging that the site is still in beta), the site delivers on its promise, enabling broad yet simple integration with personal accounts far beyond where formal relationships exist between *Manilla* and the bill provider. Reviews have been quite positive, and the market opportunity appears robust, as *Manilla* tackles a significant problem for both businesses and consumers that results in billions of dollars of unnecessary costs clouding transactions each year.

One of the stated reasons Hearst has backed this effort is to reduce its own mail costs, and on that alone it seems like a reasonable gamble despite the spending needed to gather top talent and build out the site prior to launch. This level of spending appears to be the new norm for many startups in this era where significant funding is required just to rise above the noise by hitting the market with an ambitious polished product from the outset.

Yet those observations aside, it does not take too much thought to realize that the greater benefit to Hearst is in becoming the *de facto* clearing house for such consumer information. This benefit is likely at the core of this startup's mandate, and is directly mentioned on its own description page as a lure to potential partners. Throughout all of its iterations as a media company, Hearst has at its core been about connecting consumers with marketers in meaningful ways. *Manilla* just might be the ultimate expression of this goal.

Key Takeaways from These Ventures

While these ventures represent a range of content and audience, there are some key takeaways that relate to the over-arching themes of this paper:

- **Brand matters**. Both *The Atlantic* and *The Financial Times* have leveraged their brand to expand their traditional print business into digital.
- **Platform matters**. All of the ventures are built on technology platforms that enable them to build out new sites, new features, and new functionality without breaking the bank.
- **Data matters**. Data is the key to understand customer value and how content can be monetized. As Bob Cohn, Editorial Director of *Atlantic Digital* said in an interview, "Pay attention to how users are using the site or the app, rather than how you think they will. Pay attention to whatever data you get and whatever studies you do. And be flexible enough to say, 'We thought on the whiteboard that this was going to be the way it would work, but in fact our readers are saying that doesn't make sense. So let's move this module this way. Or, let's not do a carousel, but instead do three side-by-side photos.'"[3]

Conclusions: Technology for Flexible eCommerce

The many innovations in the magazine marketplace as illustrated throughout this paper are a small sampling of the experiments and initiatives to which the magazine industry has committed. The numerous programs sponsored by the Association of Magazine Publishers and its digital leadership are well known and highly regarded. But among the many necessary success factors is the critical need for technology to support and operationalize the best possible and most flexible eCommerce for the magazine industry.

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[3] "So What Do You Do, Bob Cohn, Editorial Director of Atlantic Digital," by E.B. Boyd, *MediaBistro.com*, http://www.mediabistro.com/articles/cache/a10986.asp?pntvs=1&.

We see this as complementary to traditional subscription management systems. We do not see an inherent need to immediately replace these workhouse systems, particularly when digital revenue is a small fraction of overall revenues. But we also firmly believe that convincing consumers about content on the smart grid requires the ability to act as a content service provider through both billing and data management. From a systems design point of view, the flexible eCommerce system must manage and monetize numerous content objects and/or the combinations thereof. The workflows to manage this will be disruptive and require digital pricing specialists whose expertise derives from smart content analytics that are not advertising based.

These revenue discussions will reach into editorial meeting rooms very differently than those about advertising, as there are not the traditional "firewall" ethical issues. Executives from the Publisher to the C-suite team of CFO, CIO and COO will need to endorse and legitimize this new flexibility and ensure compensation models follow suit to reward success.

Our goal here has been to show how managing content on the smart grid—content from anywhere and reaching everywhere—is the coming paradigm for the magazine industry and the media industry in general. To be prepared for this is to be ready for a wide and affirmed embrace of new ways in giving end-users flexibility in their digital relationships with publishers. The systems exist to do this today. Revenues will follow their deployment.

The key to success is the build-out of the key elements of the smart grid—reliability, infrastructure investment, relevance and flexibility, and consumer empowerment. Together, these elements will give publishers whole new ways of connecting with consumers—and give consumers whole new ways of finding, purchasing, and consuming the content products they want and need.

Sponsor's Perspective

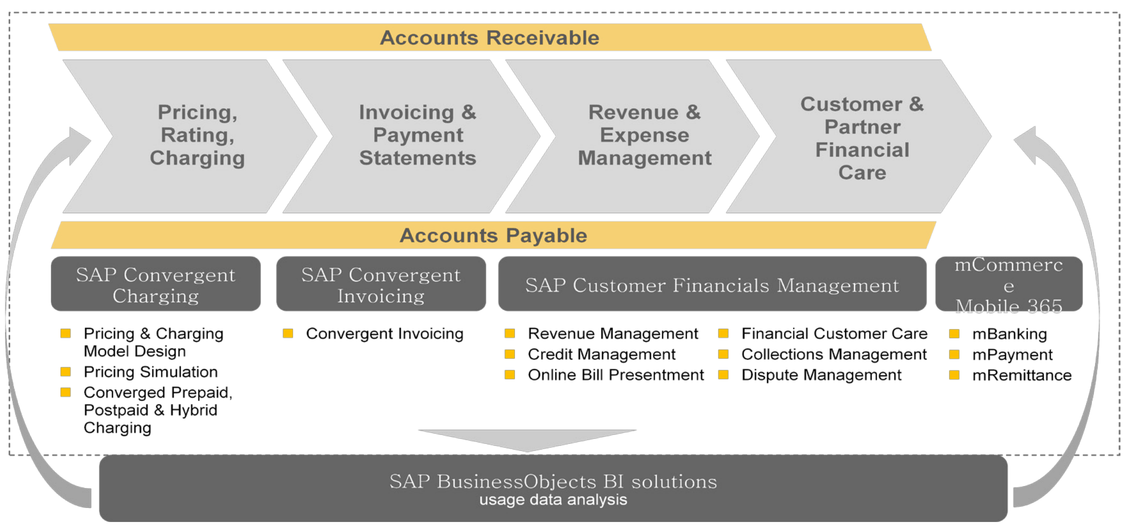
Outsell thanks SAP for the contribution of the content for this section of the paper.

SAP for Media: Helping Harness the Digital Revolution for Growth

SAP is a Walldorf, Germany–based provider of business software and services. Founded in 1972, SAP now has customers of all sizes and in all industries in more than 120 countries worldwide. SAP solutions for the Media industry meet the unique demands of publishers, broadcasters, advertising agencies, news services, and entertainment businesses. With over 2000 media customers worldwide, SAP provides tailored solutions to keep up with rapid industry/market changes driven by the proliferation of online media content, media convergence, and globalization.

SAP for Media positions publishers to successfully master the transition from a mass media-directed "push" relationship to an audience-centric "pull" relationship. SAP customers use **SAP BusinessObjects Intelligence Solutions** for daily analytics of customer trends on large volumes of detailed business data. With customer trends being well understood, **SAP Content-to-Cash** allows fast, cost-efficient and targeted innovation of media offerings. With this solution in place customized digital subscriptions, flexible pricing options and choices between post- or pre-paid charging models become the new media standard in delivering and monetizing customer value.

Successfully navigating the transition to digital publishing involves more than just transferring traditional mass-media business models onto other distribution platforms. To thrive with sustainable revenue models, publishers must identify new dimensions of customer value, develop new services vs. product-only offerings, and quickly measure the results so as to refine their overall offering. This requires business systems that help to gain deep insight into audience trends and then to efficiently target small customer segments with custom content offerings.



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