

Integration and The Digital Duel

2002 could be the pivotal year for successful integration of print and online products, but publishers who hesitate could be latecomers for the next media revolution.

By Jillian S. Ambroz

Imagine what the magazine industry might look like today if publishers had cast aside their traditional print business practices and milked the Web for all its functionality and e-commerce capabilities. A successful online integration of *Travel + Leisure*, for example, might have negated the likes of Expedia and Travelocity, landing bountiful ancillary profits for the media company and building a greater audience, both online and off.

So thinks Vin Crosbie, president, Digital Deliverance, a digital media consultancy. "If [publishers] had come into the new media with an idea toward understanding it, seeing what was possible, there could have been several major media companies that would have had much greater revenues and created such huge worth doing that," he says. But the typical magazine publisher "was so busy trying to fulfill a corporate mission that basically involved shoveling the magazine's content online that they missed opportunities that this medium presented to them."

2002 presents similar significant technological opportunities with the long-term potential to reshape the magazine industry again—and perhaps fix some of the online missteps. Most publishers have finally digitized their print workflows, enabling them to take advantage of some new digital distribution channels, such as wireless and digital magazines. Sophisticated online delivery systems and the forthcoming Tablet PC are here or on their way. And even businesses with the tightest budgets are ripe to capitalize on the knowledge gained from trial and error over the last few years—not to mention the eagerness of publishers to find a way around ever-rising postal rates. Yet this potentially pivotal year feels eerily like 1992 all over again, says

Crosbie, with most gun-shy publishers afraid to invest in the new technologies that are changing their industry.

After shelling out tons of money in a fairly short time to build some useful but complex online production systems, publishers then slid into a period of slashing Internet budgets and shuttering Web sites. Now, they're left wondering how their efforts can satisfy the increasing corporate directive to merge online and print components for integrated sales.

The Web is no longer the only option. In fact, technology is migrating toward wireless and digital applications for new integration opportunities. Manufacturers and ASPs are delivering new solutions into the marketplace, and standards work is being prepared for the new media. But the movement could splinter into two different directions. In one area are the publishers who have found success through various pricing strategies and targeted online content, such as Penton Technology Media. They are preparing their editorial for multiple delivery systems, including hand-held wireless devices. On the other side are the digital purveyors who are sticking closer to the classic magazine experience by creating digital duplicates for onscreen delivery.

THE WIRELESS WAVE

New technologies have the capability to complete the magazine's mission more effectively than print can, says Crosbie, through interactivity and real-time multimedia. "All of these latent technologies are now about to rise up and engulf the publishing market," says Crosbie. "It's another

classic case of disruptive change coming from unexpected sources—in this case, these hand-helds and the wireless market." According to Digital Deliverance, within two years in Europe and Asia, and three years in North America and Australia, these hand-held devices will have become the primary means of electronically distributing content to consumers.

And wireless is where some publishers, such as Penton Technology Media, are taking the biggest leap of faith when it comes to new delivery devices. "We consider any online technology interesting that helps us enhance our ability to provide readers and advertisers value," says Bart Taylor, group publisher, *Windows & .NET Magazine* (formerly *Windows 2000 Magazine*) and *SQL Server Magazine*. "We're very supportive of [wireless and hand-held] technologies and will do everything as we develop online strategies to take those into account in the ways we design our online portals. We'll

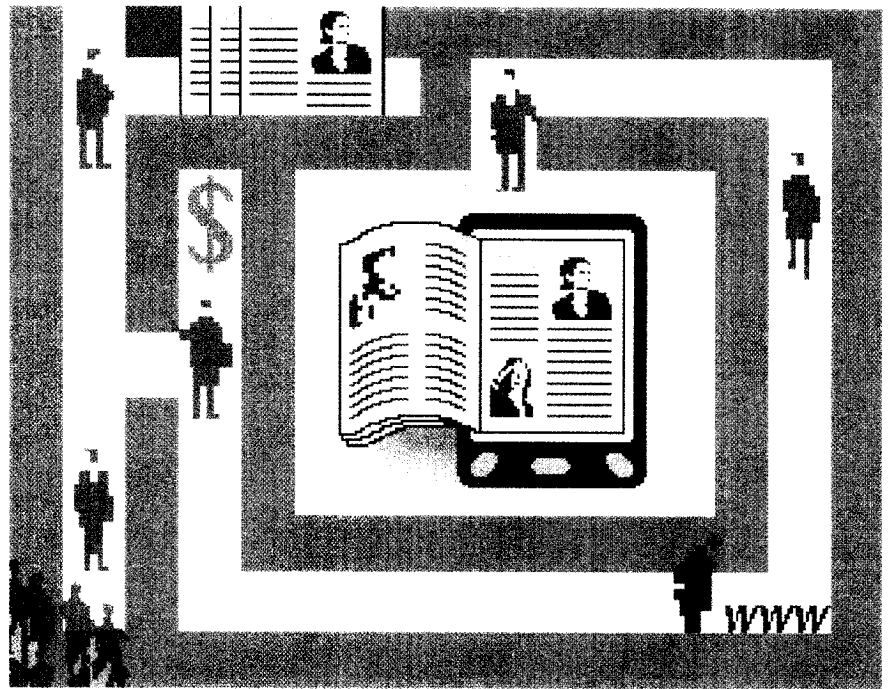
design our online business with those things in mind."

Penton has been delivering content for mobile devices for more than two years through a mobile and wireless Web site and e-mail newsletters, says Eric Shanfelt, director of online media, *Windows & .NET Magazine*. It tooled its

mobile operation late last month and is relaunching in four major delivery channels: the AvantGo channel, for Pocket PCs and PalmPilots and for mobile phones. The content includes industry and IT news, security alerts, as well as daily features. "This encompasses the entire *Windows & .NET franchise*, and we already have some sponsors," says Shanfelt. Since the editorial is repurposed from its Web site or magazine, it doesn't require additional investments in staff or production, he says.

"We wanted to establish ourselves in the [mobile] space, but market penetration for those devices for publishing use is still not that high," he says. "For right now,

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there's no reason why you can't take advantage of technology and opportunities in that space as they exist. This is really on the bleeding edge of publishing technology—and be prepared to adapt as it changes. As long as you're still able to deliver value to readers and advertisers, it doesn't matter how the media flex."

But most balk at wireless delivery of magazine content as the next wave of integration, simply because today's screen sizes on hand-held devices are too small. Crosbie says this is shortsighted and likens this thinking to publishers' reactions to the Web 10 years ago and the short-lived black-and-white monitors that couldn't translate magazine graphics.

"That's the same logic that a lot of publishers are using toward the wireless and hand-held devices right now, thinking that the screens will always be as small as they are now and the connection speeds as bad or as slow," he says. "The fact is, those things are radically changing. Whatever new online media come down the pike will fundamentally reshape the magazine industry." For example, Microsoft will launch its Tablet PC, a flexible, mobile computer that's a lot less clunky than a laptop, later this year.

Publishers need to be wary of targeting any specific devices or applications exclusively as they cultivate new ways of packaging editorial. Remember the scramble to WAP-ify systems, which resulted in a lot of wasted resources directed toward a closed wireless system? Instead, publishers need to get involved in the standards work that is being developed to form the protocols for this new media.

"The magazine industry has done very little to make sure that the standards that come out, in terms of sprints, billing and rights management on an open standard, work in these areas. The danger with this is that a lot of the software built for these purposes will be built based on what book and newspaper industries need—and not on what the magazine industry needs," says Crosbie. "People think the new media

stuff is over now and we can just go back to what we've always done in print."

DIGITAL EDITIONS

Some publishers, however, are still convinced that replicating the print experience for digital delivery is the best online tonic. They contend that magazines don't translate well on the Web because people like their magazines the way they are. Now, they can have that experience in a truer form via online delivery. "There's something about being able to flip through a magazine. If they aren't leaving that experience, let's duplicate it," says Daren Coudriet, practice director, media and information, Granitar Incorporated. "It's an attempt to create the best of both worlds—the experience of what you get from the print world, combined with what you get from an online world." That combo is a digital magazine with all the editorial and graphic integrity of the print version, plus added functionality.

The portioning out of singular articles and content for online or digital delivery contributes to the online failure experienced so far, suggests Daniel Okrent, former Time Inc. editorial executive and writer. "The disaggregating power of the Web means that you don't look at this week's copy of *Time*, you look at a particular article that you're reading from this week's copy of *Time*," he says. "The Holy Grail is that if you believe that the magazine form has validity, is a useful and effective way of communicating to someone, then to do it digitally means that you do

not disaggregate it. The whole feeling of the magazine must be re-created for it to be a successful transfer to the medium."

Companies like Zinio Systems, Qmags.com and Newsstand.com act like manufacturing and fulfillment bureaus. They aim to provide a magazine in its entirety, including all of the graphics, photos and advertising, with added functionality, such as hyperlinks, better search and archiving capabilities, and the ability to tear and save and pass along articles electronically—not to mention multimedia presentations of both advertising and editorial.

These systems allow publishers with digital workflows to deliver a multiplatform product without investing in additional time, staff or hardware.

The Zinio system, for example, intercepts the digital file of the traditional magazine on its way to the printer and then pieces together the files as a whole digital magazine—which it then delivers to a consumer's computer via the downloadable software application, Zinio Reader. Zinio has completed beta testing with five magazine companies, including Ziff Davis Media and Time Inc., and is scheduled to roll out its product this month, says Mike Edelhart, president and COO.

Given the favorable economics of digitally manufacturing and distributing a magazine, publishers can't afford not to invest in this technology, says Okrent, a Zinio board member. "What's expensive is printing and distributing a magazine. The digital form presupposes that those costs can be all but eliminated," he says. "The

economic opportunity is just too delicious not to invest in it, to not pursue it.”

According to Zinio's Edelhart, the Zinio system saves publishers about 50 percent on their traditional paper, manufacturing and distribution costs. The average price to produce a digital magazine, he says, ranges from \$500 to \$700 per issue, plus 50 cents per delivery.

Digital magazines also present some interesting and cost-effective integrated sales options for advertisers. Because the digital versions replicate the print version exactly, advertisements are delivered in multiple platforms, with no gutters—unlike Web versions. Digitization also saves advertisers money in film production. Digital subscribers may also represent a brand new audience for advertisers. The digital version of *Harvard Business Review*, which utilizes Newsstand.com's system, has so far built up a digital audience of 700 readers—nonprint subscribers—which boosts the circulation of the publication, says Jeff Flanders, vice president, consumer marketing, Harvard Business School Publishing.

Although counted by audit firms, *HBR* is waiting for a significant growth pattern and advertiser comfort before adjusting its

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ratebase, and is thus earning money only on its subscriptions at this point, and not through integrated advertising sales. “It's a new arena of distribution, and we're confident that it will be proven to be just as effective as the print version,” says Flanders. “But, by the same token, as with anything new, we want to give our advertisers a chance to see what it looks like—and to see the growth pattern and to feel more comfortable with it.”

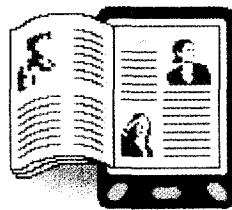
As things fall into place, publishers' interest should also grow, says Kevin McCurdy, CEO, Zinio Systems. It's taken the magazine industry almost a decade to digitize its upstream workflow, and the technology infrastructure was not capable of delivering true digital magazines before. It's also taken a few years for the audit bureaus to decide to count digitally distributed versions in audit reports. Add to that an emerging generation of readers for whom screens are a natural way to do almost anything, coupled with upcoming devices, such as Microsoft's Tablet PC. All of these elements contribute to good tim-

ing for applications like this, says Edelhart.

But not all publishers are interested in duplicating the print experience digitally. “All of those efforts are laudable,” says Penton's Taylor. “But, we're going to try to leverage the unique aspects of each medium and provide advertisers and readers value for their time investment in each platform.”

And it may be a tougher sell for consumers. Crosbie says these applications fulfill the publishers' wishes, but not the consumers'. For example, “[Newsstand.com] requires the consumer to download and run something on their PC, which right off the bat is a bad idea,” he says. “People won't download separate applications for separate publishing subsectors. What's needed is a common application.”

In the meantime, publishers must start investing in the R&D of the new technologies today. “The publisher's assumption that they can just do it when everyone else is doing it is flawed. It's a recipe for disaster,” says Crosbie. “The milk industry spends a greater percentage of its revenue on R&D than the magazine industry—and the milk industry is not facing radical changes.” ■



WORKING THE WEB

Digital developments present new opportunities, but that doesn't mean magazines should abandon the Web. Here's how some publishers are monetizing the integration of print and online content.

Packaging content for a Web audience with prices that reflect its value, a procedure called versioning, is one way to successfully integrate, says David Forrester, director of practice development for Molecular, a consultancy in Massachusetts. “You've got to look at your particular magazine and its audience and set the pricing according to the value that customers place on the information,” he says. “Versioning seems to be the key to the ones we've seen that have been successful: slicing and dicing and aggregating your own information in different ways for different audiences and for different price points.”

Harvard Business School Publishing, which produces *Harvard Business Review*, offers various pay-per-view content on the Web, such as HBR OnPoint, in addition to its digital magazine, through Newsstand.com. “*Harvard Business Review* has created this whole new revenue stream by taking multiple articles on the same subject matter and providing a little context, just a one-page idea

and brief that helps set the context for someone,” says Forrester. “That's added value, and it doesn't cost them a lot of money to create an extra page of copy to wrap around these things.”

Penton Technology Media's *Windows 2000 Magazine* online franchise clawed its way into the black with e-mail newsletters, online seminars and Web resources, says Bart Taylor, group publisher, *Windows & .NET Magazine* and *SQL Server Magazine*. “Our network comprises fairly targeted areas of content that we now package and price in such a way that advertisers really can predict—with a high degree of certainty—what their traffic, conversion and click-through levels will be, and their ROI on these programs,” says Taylor. “That's something you can't do in print.”

Beyond versioning, publishers should consider licensing their content, especially the archives. There's a real challenge in being able to sell the same content online and offline, says Daren Coudriet, practice director, media and information, Granitar Incorporated, a Boston-based consulting firm. “But if you're selling a license that is a window into those archives, it allows further segmentation of users.” Coudriet adds that publishers have been forced to make their operations lean, mean and efficient. The next step in the evolution, he says, is to monetize it.—J.S.A.