Is There a Formula to Monetizing Content?

The Evolving Media Landscape and Economic Realities

“It was the best of times, it was the worst of times,” Ralph Monti, CEO of Special Interest Media Inc. said, employing the Dickens quote to describe the current media landscape. The best of times for actual content, but also the worst of times due to the challenges that media companies face in navigating ongoing changes in the delivery and monetization of that content.

In February, media business leaders were asked to discuss whether there is an evolving, formula to monetizing content at the Gotham Media Ventures Digital Breakfast Series Navigating Media’s New Frontier, held at the Penn Club in New York City. The panel covered topics including the challenges and opportunities that media companies face in making the transition to new technologies and economic realities, the future of news organizations and print media, the valuation of new and traditional media and the monetization of media on multi-media platforms.

Monetizing content distributed across a variety of channels, such as print, digital formats, TV, social aggregation sites, smart phones and tablets has been particularly difficult for companies. They are challenged to determine not only the means of distribution, but to accurately determine the consumption of content by platform and subsequently sell space to advertisers by showing concrete evidence of popularity and advertising efficacy. As Gregg Hano, SVP, Corporate Sales and Technology Group, Bonnier Corporation stated, there is no “secret sauce” to monetizing across all platforms.

Similarly, newspapers must find new ways to increase revenue from their readership by gating free content, increasing revenue streams from digital content, and looking at consumers on an integrated basis. Jason E. Klein, Former President & CEO, Newspaper National Network LP, sees a threat from the potential loss of advertising revenue from inserted circulars, a core profit stream for the newspaper industry, as the format changes
to digital. The panelists agreed that there is still an audience for print, though many more people are reading online. However, while online readership has skyrocketed, advertising revenue online is only a fraction of what print ads once brought in, causing a decrease in profit margins over the past decade, making newspapers less profitable.

Thomas P. O'Connor, Managing Director, Berkery, Noyes & Co., LLC commented that constantly investing in and improving the platform through which content is delivered are very important. Private equity firms are more likely to be interested in supporting small businesses with zero EBITDA, over an $80 million dollar business that is print-centric, because it is more difficult for the print-based company to improve and innovate. While some large publishers have the financial muscle and private equity backing to continue investing and innovating, others may not have the same luxury. In some ways, the focus on innovation favors small, streamlined businesses. The panelists suggested that publishers may consider partnering strategically with an established multi-platform distributor such as Apple or Amazon.

Jason Klein pointed out that one of the most significant opportunities available to media companies now is the shift of the local advertising market to digital formats, including mobile—a big white space. AOL is investing a reported $160 million in Patch to capitalize on this movement to digital. The panelists also agreed that aggregating content across platforms to give audiences a flavor of what a media company can offer has very discernible advantages. Ralph Monti said that the industry has seen this strategy succeed with the Huffington Post, which was able to attract and aggregate engaging content, building a large and loyal audience, ultimately leading to the site’s being bought by AOL last year for $180 million.

The media industry is also struggling with developing effective methods of measuring the engagement level of the audience. Gregg Hano indicated that there are several organizations and companies lining up to help with such measurement. These companies include the Audit Bureau of Circulations, which publishes a consolidated media report; the MPA - Association of Magazine Media and their newly formed Tablet Metrics Task Force; VivaKi – part of Publicis Groupe – which is working on ad units standardization; Vista & Ad Measure which is focusing on measuring recall as well as subscriber studies shared with Opt In readers of the brands; and Omniture, a page and engagement measurement company. The formula will ultimately be simple – prove an advertisers’ target audience is engaging with the content, make it easy to buy advertising space, prove that such advertising is efficient in driving sales and the business will grow.

Unfortunately, monetizing internet content is not as easy as erecting subscription paywalls. With the sea change happening throughout the media industry, new business models are emerging every day, but not all of them have hit the right spot – there is no single, secret formula for profitability. The panelists pointed out that audience engagement is closely linked to willingness to pay for content. As such, it is vital that publishers consistently provide high-quality, engaging content. Publishers can be equally successful using all-access subscription or pay-per-use models, but the key to success is knowing the audience – their interests and behaviors and how to measure their engagement level.

Navigating Media’s New Frontier was part of the Gotham Media Ventures “Digital Breakfast Series” sponsored by WeiserMazars LLP. The discussion was moderated by Roy Anderson, a partner in the WeiserMazars’ Media and Entertainment Group and included the following panelists: Gregg Hano, SVP, Corporate Sales and Technology Group, Bonnier Corporation; Jason E. Klein, Former President & CEO, Newspaper National Network LP; Ralph Monti, President & CEO, Special Interest Media, Inc.; and Thomas P. O’Connor, Managing Director, Berkery, Noyes & Co., LLC.

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