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THE BOSTON CONSULTING GROUP

Transforming Print Media

Managing the Short Term While Restructuring for the Future



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Managing the Short Term While Restructuring for the Future

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AT A GLANCE

How do newspaper and magazine publishers transform their business, maintaining short-term performance while planning and executing a long-term vision? There are several interconnected steps, with success depending more on execution than insight.

DEVELOPING THE OVERARCHING STRATEGY

Transformation requires a clear strategy—a one-time reset that involves a mindset shift away from the traditional definition of products and business models.

FUNDING THE JOURNEY

Publishers need to unlock cash to pay for the journey and to buy time, which requires a fresh look at costs, revenue opportunities, and shareholder value.

WINNING IN THE MEDIUM TERM

Digitally aligned businesses have to score early gains and point toward new sources of growth and profit.

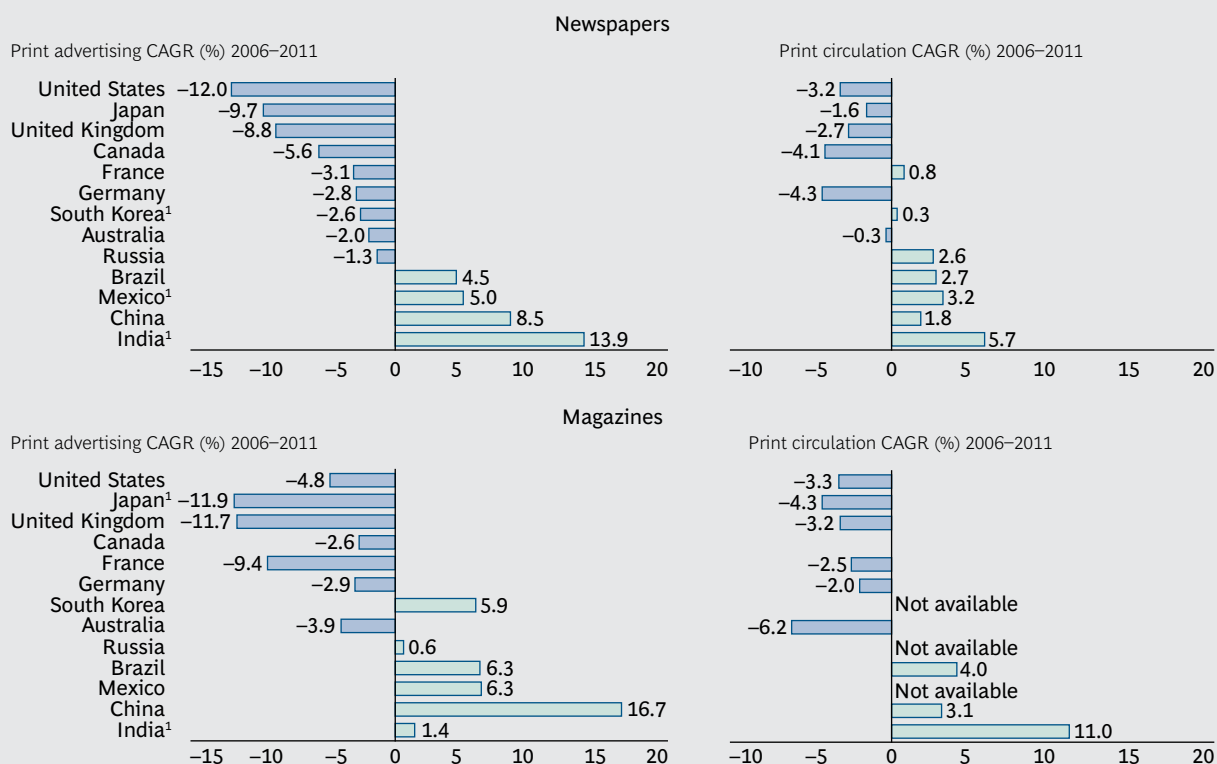
BUILDING THE NECESSARY TEAMS, ORGANIZATION, AND CULTURE

Successful transformation requires shifting the mindset throughout the entire organization. Few companies now have the needed capabilities in place.

CONVENTIONAL WISDOM SAYS NEWSPAPER and magazine publishing is a dying business. Based on our work with print media companies in North and South America, Europe, and Asia, we believe that the conventional wisdom is wrong.

In most countries, print media companies continue to have commanding brands and strong consumer relationships. In developing economies, they are still growing, as incomes and education levels rise. (See Exhibit 1.) Some print-media companies in developed countries continue to generate enviable cash flows. At the same time,

EXHIBIT 1 | Markets Are Evolving at Differing Speeds



Sources: ZenithOptimedia; *Editor & Publisher International Yearbook*; Japan Newspaper Publishing & Editors Association; U.K. ABC; Newspapers Canada; OJD; IVW Statista; Korea ABC; Australia ABC; Federal Agency for Print and Mass Communications of the Russian Federation; ANJ; IVM; National Bureau of Statistics of China; Information Broadcasting Ministry of India; U.S. ABC; MIAC Statistics Bureau; Magazines Canada; VDZ; IVC; FIPP; World Press Trends.

¹Includes 2005–2010 print circulation. 2011 CAGR circulation data have not been released yet.

Transformation for print media companies means a complete overhaul in how they think, plan, operate, and define success.

there is no question that demographic evolution, technological revolution, and changing preferences for how people consume media have made deep inroads into circulation and advertising.

Most companies have responded predictably and appropriately by cutting costs, but this is only a short-term and, ultimately, an inadequate fix. Some have attempted to transform their businesses and organizations for the digital age, but they have had a hard time hurdling a very high bar—managing short-term performance in order to meet shareholder expectations while also putting in place the longer-term initiatives that will generate growth in revenues and earnings for the future.

Transformation means enduring change. Transformation for print media companies means a complete overhaul in how they think, plan, operate, and define success in virtually every aspect of their business. The critical question facing newspaper and magazine publishers, including those in countries where the transition to digital is still in its infancy, is this: how do they balance the twin goals of maintaining short-term performance while planning and executing a long-term vision for a very different future, given that legacy businesses still drive the majority of revenues? How do they buy time from investors as they adapt to the realities of a perpetually changing marketplace?

This report provides an answer. It is not a silver-bullet solution—there are none of those, of course. It is not easy, it is not quick, and, importantly, it is not about trading print dollars for digital pennies. The companies we have worked with have found transformation time consuming, complicated, and often frustrating, made all the more so in a world characterized by continuing uncertainty. Success depends more on execution than insight, and the time frame required is likely to be three to five years, although we also argue that it is essential to show measureable progress much more quickly than that.

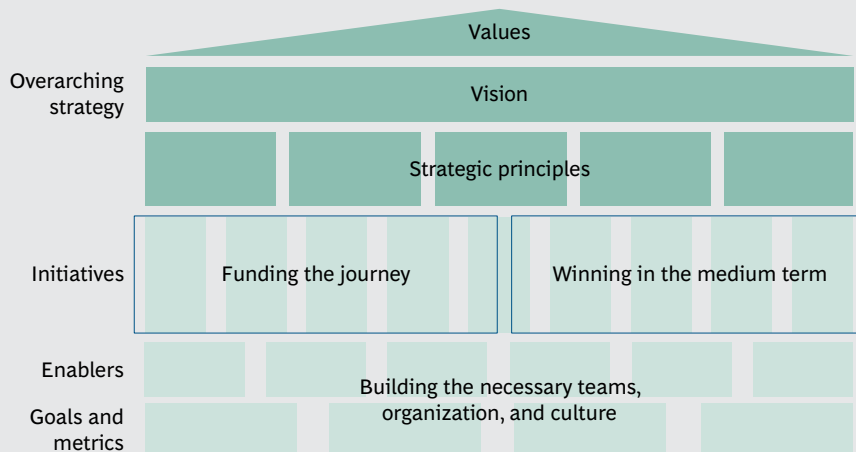
As our report on leading transformations and driving organizational change sets out, there are three interconnected steps: funding the journey, winning in the medium term, and building the right team, organization, and culture. (See *Leading Transformation: Conversations with Leaders on Driving Change*, BCG report, October 2011.) Success in each step depends on the others: you can't win without funding, and you are unlikely to get the time necessary to build the team and organization without notching some early wins. (See Exhibit 2.)

This report discusses how to execute each step of the transformation, including the importance of developing an overarching strategy to serve as its guide and demonstrating success at each stage—as well as maintaining the effort, energy, attention, sequencing, and focus on execution needed to pull it off.

Developing the Overarching Strategy

No one starts a journey without a road map. Similarly, transformation requires a clear strategy, understood by all involved—a one-time reset of direction to guide the company's actions and decision making that can also serve as a periodic reminder that transformations have multiple steps and take time. In a world of

EXHIBIT 2 | An Integrated Strategy Drives Transformation



Source: BCG analysis.

digital-driven change, the strategy will likely involve a shift away from, or a broadening of, the company's historical mission of creating content and distributing print products.

The strategy will have several intertwined components. Companies must first define (or affirm) their values and purpose—the company's reason for existence from which management needs to develop a vision for the future. This is both aspirational and attainable within three to five years. The vision leads to a set of strategic directives that frame where the company will and will not play and how it will win. Examples include achieving a given rate of sustainable organic growth or determining the need to acquire new capabilities or market access through M&A. These principles underpin choices for investment and action in the future.

The strategy will point to specific areas of action or investment, initiatives that collectively drive the organization toward tangible end-state outcomes that the business—or, as is often the case with media companies, the portfolio of individual businesses within the company—agree to achieve. It should include specific initiatives for each of the three stages of the transformation—funding the journey, winning in the medium term, and building the right team, organization, and culture—and make clear how each step relates to the others. It is essential that everyone, from investors to business unit publishers and editors to other employees, understand the importance of how operating performance will be improved in the near term. They must also understand where the investments will be made in order to generate growth over time—and how the capabilities necessary to make this growth happen will be built.

Clear road maps and milestones for progress should be laid out so that, first, the organization has interim goals to work toward, and second, the markers can serve as points for reporting back and demonstrating tangible headway. There are models and benchmarks that can be helpful. For example, investors often expect widening

profit margins as evidence that growth will not come at the expense of the health of the business. BCG's research into value creation among 1,600 companies, each with more than \$1 billion in annual revenues, showed that 68 percent of value-creating growth companies improved margins. And there are multiple avenues to longer-term growth. In the same study, among those companies generating growth over the medium and longer term, 18 percent did so by finding new growth sources in their core businesses, 36 percent moved into adjacent businesses, and another 36 percent grew by expanding into new frontiers.

It is also critical to coordinate the business strategy with the investor and financial strategies. Too frequently, companies are focused on the first and ignore or underestimate the importance of the latter two. We all know that financial markets doubt the ability of print media companies to complete the transformation journey and that employees are often even more skeptical. Only five of the top-20 publicly traded print-media companies worldwide (with more than 50 percent of their revenues from publishing) have seen their share prices increase over the past ten years, and ten have experienced declines of 60 percent or more. Those that have outperformed have successfully built significant revenues from digital. For their part, employees have felt the harsh sting of cost cutting but remain unconvinced that the transformation is real. "We have been through three or four *transformations* already, and nothing has changed," is a common refrain. Meanwhile, none of this is easy when circulation rates and advertising revenues are plummeting.

With the strategy set, the first transformational step is to unlock cash that can both help pay for the journey and buy time with investors.

Funding the Journey

With the strategy set, the first transformational step is to unlock cash that can both help pay for the journey and buy time with investors. Print media companies need to take a fresh, outside-in look at their organizations and cost structures, akin to examining the company through the eyes of a private-equity buyer, especially with respect to costs and noncore activities. Action steps will fall into three areas: costs (from operating to structural), revenues (consumer and advertising), and maintaining near-term shareholder value. The mix of initiatives will differ, but collectively they can have a significant positive impact on earnings and cash flow.

RESTRUCTURING COSTS

Our work with multiple publishers has shown that cost-cutting opportunities range along a continuum. At one end are the kinds of moves that many companies have already taken: reducing or restructuring management layers, sharing support functions across business units, and rethinking publication size and/or frequency according to changing content needs and consumer demand. These steps can result in significant savings. Delaying at one U.S. publisher reduced management expenses by 15 to 20 percent.

Taking the exercise a level deeper leads to reassessing vendor relationships; streamlining editorial, content sharing, ad pricing, and production processes; and pooling advertising sales across titles or clusters. A restructuring at a major U.K. newspaper publisher resulted in cost savings of nearly 20 percent as well as a more agile organization and better alignment between talent and new priorities.

To maximize cash, time, and shareholder buy-in, publishers should go a big step further—applying that private-equity lens—and consider such actions as moving cost centers to lower-cost locations, potentially offshore; achieving the most efficient balance of freelance and on-staff reporting; and outsourcing corporate and nonstrategic functions (for example, travel and entertainment processing and consumer billing) to third parties. Outsourcing back-office operations at one newspaper company yielded a 10 percent reduction in the cost base. Magazine publishers in multiple countries have successfully sent print production offshore, achieving print cost savings of 5 to 9 percent.

The range of potential savings is wide and depends on each company's starting point, the extent of management's determination, and the organization's willingness to handle the change. In our experience, a 10 to 15 percent overall reduction is a reasonable target. Even savings of 20 percent are not out of range, if management is prepared to make and follow through with the tough decisions necessary to achieve them.

Printing and distribution have been key activities historically, but in a world of declining readership and print volumes, tying up capital in these functions may be more of a heavy millstone than a strategic asset. Companies ridding themselves of these fixed-cost activities gain both flexibility and a greater degree of insulation from falling circulations. This is easier said than done, of course: the printing business faces many of the same challenges as publishing, and there are not a lot of buyers for these assets. Solutions can be found, however. Some publications, including leading newspapers in North America and Europe, have reached printing deals with competitors, and newspaper and magazine publishers alike have outsourced or sold some or all of their distribution processes.

The solution for many companies may be more radical: a sale to a strategic or financial buyer, or a spinoff or consolidation of printing, distribution, and other captive businesses. A U.S. magazine publisher recently sold a circulation sales operation acquired years before to a nonpublishing direct-sales company. Such steps may not result in immediate cost savings, and, in the case of printing assets, can even increase costs per copy in the immediate future. They may also require a discounting of the assets from current book value in order to make the sale or consolidation into a new company feasible. However, as print volumes continue to drop, these structural alternatives provide an attractive means of freeing capital and cash for the future.

INCREASING REVENUES

As they cut costs, publishers may also have more room than they realize to raise additional revenues—even in the current economic and competitive environment. Newsstand sales and subscription rates, digital initiatives, and advertiser relationships all offer potential opportunities.

Price Increases. While conditions vary by market, research shows that consumers often overestimate what they pay at the newsstand for the daily paper or weekly and monthly magazines. Put another way, they perceive greater value in the product than the amount it is costing them. In the U.S., where subscription

Newsstand sales and subscription rates, digital initiatives, and advertiser relationships all offer potential revenue-growth opportunities.

Digital consumers are increasingly demonstrating a willingness to pay for the media content that they value.

sales dominate, subscribers report a similar gap between perceived value and actual price paid.

Research by multiple U.S. newspaper chains has led to changes in their subscription models, including subscription rate increases of 20 to 40 percent without appreciable volume loss, and the development of customized combinations of physical product and digital access that can serve the needs of different markets. Companies stand to reap substantial, immediate gains in subscription revenues, and they can start charging for digital content through digital-only or digital-plus-print delivery subscriptions. One goal, of course, is to shift subscribers' mindsets from paying for delivery to paying for content and paving the way for the transition to digital. In addition, a better understanding of the willingness of newspaper buyers to pay at the newsstand has shown that there is the ability to increase these prices by as much as 70 to 100 percent—realizing revenue increases of 10 to 20 percent on newsstand sales, even after accounting for resulting volume declines. With minimal adverse impact on advertising revenue, as well as savings on newsprint and ink, the overall profit impact can be significant.

In similar fashion, research by a magazine publisher in Europe showed that consumers' appreciation for its properties ranged up to 50 percent higher than those of the competition. It had room to raise subscription prices for its principal titles by 5 to 15 percent. The potential to raise prices depends on the competitive positioning of the brand or brands, of course, as well as on whether they are offering unique and differentiated content. In some markets, where there already have been frequent price increases, there is limited room to grow. Prices also can run up against seemingly symbolic barriers—£1 for a daily newspaper in the U.K., for example. But even in this country, consumer research shows that there may be room for further price increases, although implementation can be a challenge in a market in which newsstand sales predominate because of the risk of instant rejection.

Digital Initiatives. It's no easy feat overcoming the ethos that everything should be free online, but digital consumers are increasingly demonstrating a willingness to pay for the media content that they value. More and more publishers are experimenting—some quite successfully—with monetization models that combine print and digital subscriptions in some form. These include erecting “paywalls” or charging extra for premium, high-demand content and putting limits on free access by restricting either the number of visits allowed in a given period or how much free content the visitor has access to. The key in all cases is providing unique and differentiated content, which is easier in specific categories or niches and harder for commoditized national news that is readily accessible through online aggregators and other sources.

Advertiser Relationships. The big advertising news earlier this year was that the amount spent on online advertising in the U.S. in 2012 would surpass print for the first time. Globally, online advertising spending is expected to outpace print by 2014. Buried was the fact that U.S. print advertising is still a \$34 billion business and that global print advertising was expected to generate \$121 billion. Print advertising is still big business, and publishers can take steps in the near term to stem declines by demonstrating the value that the medium still delivers. These

include making use of their understanding of consumer behavior across both print and digital properties in order to improve ad targeting and increase efficiency (that is, the cost per 1,000 impressions), as was accomplished recently by a European publisher with multiple titles throughout various platforms. Publishers can also better align discounting to the size of advertiser spending in negotiating deals with advertisers, an approach successfully pursued by a European newspaper.

Publishers should consider steps to improve sales force performance with structures that emphasize—and incentives that promote—building advertiser relationships and outperforming peers. For example, one U.K. newspaper publisher is shifting its advertising-sales-force incentives in order to increase the individual component over team performance. In the past, a high team component of bonus targets left little incentive for incremental individual achievement. The new structure creates strong incentives for individual sales reps to outperform set targets.

MAINTAINING NEAR-TERM SHAREHOLDER VALUE

Despite myriad pressures, publishing remains a cash-rich business in many countries. Sophisticated investors recognize the substantial value in publishing brands built over decades and that this value is underappreciated in the current market. Some have gone so far as to acquire their way into the business. Turnaround stories attract attention, if they are credible and well told.

As we have argued before, many companies train their attention almost entirely on operations and strategy and lose sight of how they can generate shareholder returns in the near term. (See “Creating Shareholder Value at Media Companies,” BCG article, October 2012.) Companies need to invest in a strategy for the future, but they can also use free cash to pay down debt and reward investors in the coming quarters with share buyback programs and increased dividends. Research shows that as companies raise their earnings-payout ratios, investors award them substantially higher price-earnings ratios. Two U.S. publishers recently outperformed the S&P 500 by almost 20 to 30 percent in the 180 trading days after unveiling their new financial policies. (See Exhibit 3.) The right changes to financial policies—particularly to debt levels and ratios, dividends, and buybacks—can create a clear and compelling case for long-term health, can lift stock prices, and can attract more patient investors.

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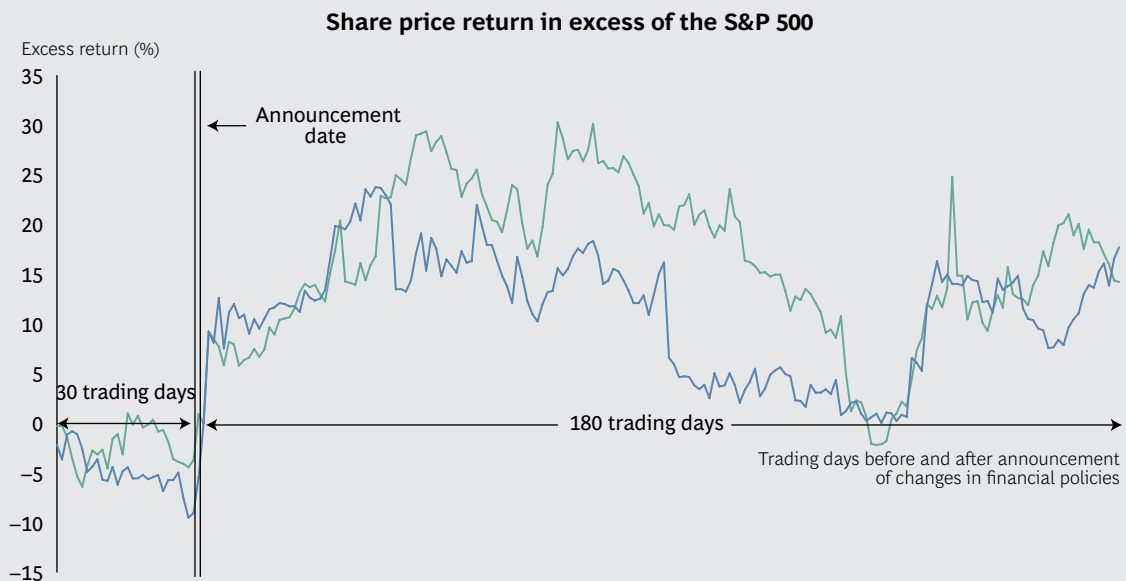
Winning in the Medium Term

The right mix of funding initiatives will unlock cash and buy time with investors, employees, and others. Progress needs to be succeeded by more progress, though. It has to happen in the medium term (one to three years) and in the form of a new, digitally aligned business model that racks up gains, demonstrating early headway against the milestones set out in the overarching strategy. Transformations are ultimately about establishing new sources of growth and profit. Management can take action in three areas.

FOCUSING THE PORTFOLIO FOR SUCCESS

During the decades of high growth and abundant cash flow, many media companies constructed large portfolios of businesses—in both publishing and related (often,

EXHIBIT 3 | Media Companies Outperform the Market After Changes Are Made in Financial Policies



Sources: Client examples; BCG analysis.

Note: Excess return is set to 0 percent at close of day prior to the announcement. Excess return is the percentage change in a company's share price minus the percentage change in the S&P 500 Index price over the same period.

but not always, supporting) fields. Individual publications and business units also acquired or built up assets to further their business goals. At the time, it may have all made sense: scale was one basis for success in the analog world—but that was then. This is now—and most print-media companies have yet to revisit their portfolios in the light of new strategic priorities to determine how each brand, title, or business fits—or does not—with a new strategy for a different, digital age.

This kind of review is complicated. Publication stables, especially in magazines in the U.S. and Europe, can range from a dozen to more than 60 brands and properties. More likely than not, the review needs to be carried out at both the corporate and business unit level, adding to complexity and time frame. It can also be difficult and emotional. No one likes to gut sacred cows, and some titles take on intangible attributes, as if they have become part of the organization's identity.

Nonetheless, failure to engage in setting strategic priorities—then undertaking the refocusing and realignment—leaves both management and the sales force stretched thin. Critical resources can be wasted on dwindling brands while the properties with real prospects, in both print and digital, do not receive the attention or capital that they need. Optimizing the portfolio can give the company much-needed focus for the future.

One U.K. publisher recently had more than 20 newspapers with widely varying competitive environments and operating margins, including a propensity for low-growth, low-margin titles. A smaller, refocused portfolio immediately improved profitability and freed cash for investing in the winning titles. Some titles were

shuttered while others moved content online and reduced publishing frequency and the distribution of their physical product. Those publications with loyal readerships, particular content expertise—or both—became candidates for new platforms on which innovative products could be based.

A similar lens should be applied to any portfolio of diversified businesses. For example, a European publisher divested a string of profitable adjacent businesses—including local kiosks, book retailing, and movie theaters—as part of an ongoing strategy to refocus its resources to media operations. It also shifted strategy from a multicountry approach rooted in geographical diversity to building cross-media offerings within each of its markets. The increased attention to, and altered focus on, its core operations enabled the company to execute a broad-based cross-media transformation in order to drive growth.

SCORING DIGITAL WINS IN THE CORE BUSINESS

Newspaper and magazine publishers have built their brands and consumer and advertiser relationships by creating relevant, rich news and vertically oriented content that they have printed and distributed on a daily, weekly, or monthly basis. Success in the digital world, however, depends on such abilities as creating and curating content in multiple media formats, including text, video, and audio—both live streams and in on-demand formats such as podcasts. Content can be both professionally created and edited as well as user generated through social media such as Facebook posts and Twitter feeds. All is delivered across a plethora of platforms (print, desktop, mobile, and tablet) in order to meet the expectation of users for up-to-the-minute currency. Critical to today's equation is the ability to monetize this content in an environment in which the digital consumer has been conditioned to expect much of it for free.

For most newspapers, this means a shift from the traditional daily news cycle to a “digital first” mindset that puts a real-time product, with the same level of quality, in front of the consumer throughout the day. Original content can be leveraged across multiple platforms, but doing so requires a distinct focus and new skills throughout the editorial process—from content creation and story planning to setting the editorial agenda and editorial management. Three models are emerging: dedicated print and digital editorial teams, integrated teams that operate throughout the print and digital platforms, and full editorial integration.

The choice of model depends on the positioning of the titles, and publishers may have one or more models for different sets of titles—one for hard news, for example, and another for general interest topics. The circulation size, current state of digital skills and the ability to acquire them (either in-house or from third parties), and the interaction among various national and local properties (where applicable) are also key determinants. One publisher moved from a standalone digital division for each of its local newspapers to an integrated national print and digital model with a special unit to drive new product and platform development. The company also created category divisions, with combined print and digital capabilities, for verticals such as cars, careers, real estate, food, parenting, and sports, in order to develop and manage these products nationally.

Newspapers need to shift from the traditional daily news cycle to a “digital first” mindset that puts a real-time product in front of the consumer.

Publishers that have highly engaged and loyal audiences have been able to shift the focus away from charging for delivery to charging for content.

As noted above, publishers that have highly engaged and loyal audiences have been able to shift the focus from charging for delivery to charging for content. In addition to paywalls and limiting free access, the leaders recognize the need—and opportunity—to develop models for the post-PC, as well as the digital, world. There are already numerous smartphone and tablet apps that simulate the experience of reading a print newspaper or magazine—and go beyond that with rich interactive tools that are only possible in new-media formats.

Our research last year into tablet usage showed that consumers view tablets quite differently from PCs or laptops. (See “The Tablet Market: Not Carved in Stone,” BCG article, January 2012.) Tablets are their personal windows onto the Internet. Consumers use them in the evening at home for personal activities. More than 60 percent of U.S. consumers and 58 percent of consumers worldwide already use tablets for reading e-books and magazines. Of those expecting to buy a tablet or e-reader within the next three years, nearly three-quarters or more of consumers in the U.S., France, Spain, Italy, Japan, and China, among other countries, expect to use them to read magazines. Nearly two-thirds or more expect to use them to read newspapers.

The willingness to pay varies substantially among countries, but it is significant. Consumers are willing to put up an average of \$3 to \$5 for a monthly digital magazine subscription in the U.S., \$3 to \$7 in Japan, \$6 to \$9 in Spain, \$5 to \$12 in Germany, and \$6 to \$13 in Italy. The willingness to pay for a monthly digital-only newspaper subscription ranges, on average, from \$4 to \$9 in the U.S. to \$6 to \$14 in the U.K. to \$10 to \$14 in Japan to \$12 to \$20 in Italy.

PURSUING GROWTH IN ADJACENT LINES OF BUSINESS

While creating relevant content and reframing the consumer’s experience of digital formats is essential, it is unlikely on its own to produce significant revenue increases and improve profitability in the medium term. As indicated above, our research into value-creating companies shows that growth will very often come from new sectors and lines of business.

National and regional or local publishers should consider four factors: constraints on capital; management expertise; limits on management’s time and attention, especially as the company executes a core transformation program; and the need to show near-term results while making longer-term bets, particularly if the company is publicly held. These considerations inevitably lead to a series of hard choices about the degree of diversification that publishers can realistically undertake.

Publishers can leverage the strength of their brands, the strength of coverage in certain verticals, their access to consumers in particular demographic segments, the strong relationships that they have with advertisers and consumers, and winning technology or cost positions that lead to attractive adjacencies. Magazines can seek to build on strong brand names, access to consumer data, and national advertiser relationships. Likewise, newspapers can take advantage of strong local consumer and advertiser relationships as well as content expertise in order to position themselves as the go-to sources of information in specific communities or subject areas. (See Exhibit 4 and the sidebar “Seeking Adjacency Opportunities.”)

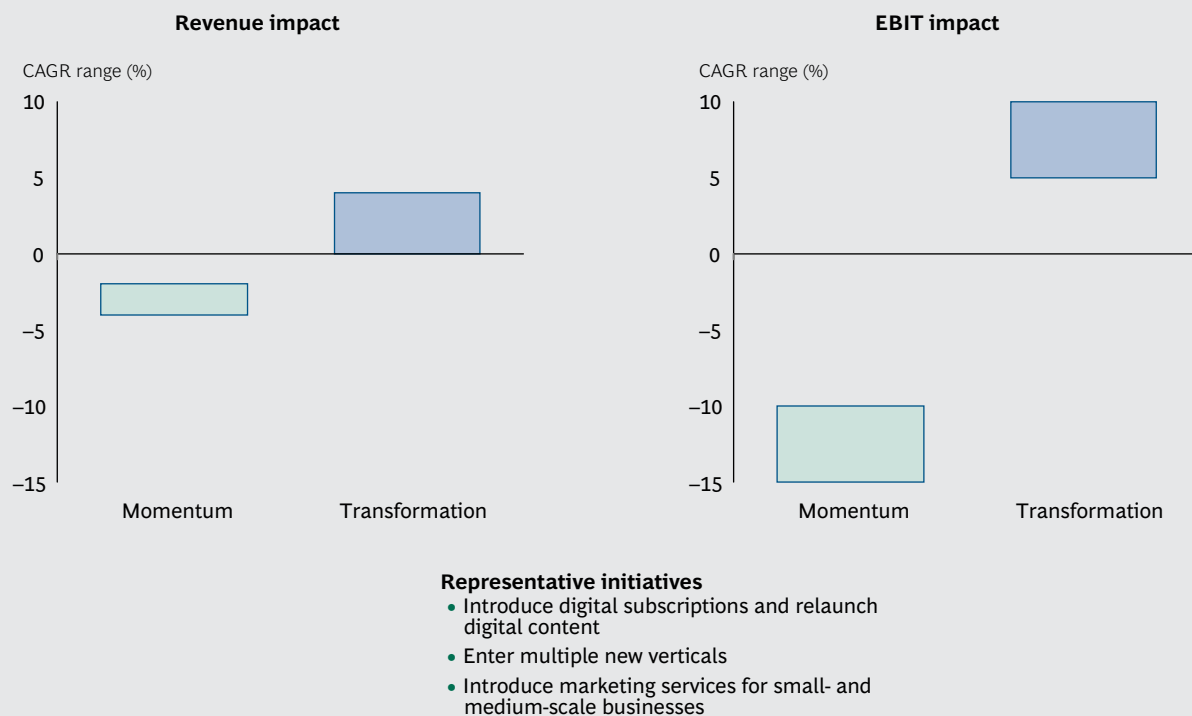
Building the Necessary Teams, Organization, and Culture

Few companies have the needed capabilities in place—people, organization, culture—to embark on a successful transformation. While there are always exceptions, executives, editors, publishers, and others who have grown up in the print world generally possess limited digital skills. Their instinct is to attempt short-term and incremental improvements rather than take a long-term, disruptive, growth-oriented perspective.

Moreover, print media companies have long pursued classical strategies—building strong, profitable positions in a particular market niche or geography. These worked well in the stable, relatively predictable environment of the last half-century, when companies were protected by high barriers of entry, among other factors. The digital revolution has brought down those barriers, and today, when it is difficult to either predict the future or alter it, companies must reinvent themselves and their strategies at a rate matching that of the external change they face. They need an *adaptive strategy* that responds to whatever may happen. (See “Why Strategy Needs a Strategy,” BCG article, January 2012.) This means running a dynamic portfolio of experiments—scaling up the initiatives that work and terminating those that do not—while continuing to launch new experiments. It also means a shift from an annual planning cycle to an ongoing pipeline of idea generation, development, and experimentation.

EXHIBIT 4 | Publishers Can Win in the Medium Term

Client Experiences



Source: BCG case experience.

Note: CAGR is calculated over the time it takes to reach steady state (3 to 4 years); momentum is defined as the estimated revenue/EBIT without initiatives in the same time period.

SEEKING ADJACENCY OPPORTUNITIES

Print media companies seeking to create long-term value will find ways to expand into adjacent markets, where there may be less uncertainty and better margins—and opportunities to leverage their current assets and capabilities. All of these benefits may not be available in every market, and big players have already staked out strong positions in some. Adjacent opportunities include leveraging some or all of the following assets:

- *Take advantage of leading brands and the relationships they have with target groups of consumers.* These allow for new offerings such as entry into new verticals or e-commerce. Magazine publishers with strong content in verticals such as fashion and home decor have started e-commerce initiatives that meld content curation with product curation, giving readers an opportunity to buy items that they have read about or those that have been recommended by the editors.
- *Make use of strength in existing verticals in which content is unique,*

of high value, and differentiated.

Publishers have the opportunity to build category-focused-content ecosystems—for example, in sports, real estate, travel, or health and beauty. Some are already well staked out in some markets, but the digital world allows for near limitless segmentation. One publisher is pooling existing assets and capabilities to create a cross-platform ecosystem in a vertical in which it has a strong presence, differentiated content, and tens of millions of readers. The fast-growing, consolidated offering is expected to triple revenues in the next three years.

- *Provide access to consumers, especially in a given demographic segment.* This is crucial when the brand can offer targeted content and additional services. A publisher with a large share of business travelers in the U.S. is offering new content and tools for this group of consumers. A European media company is

Successful transformation requires changing the culture and shifting the mindset, starting at the top but rapidly permeating the entire organization—moving strategy from the C-suite to the cubicle. Transformation needs to be put at the core of the executive agenda, and agility, flexibility, tolerance to risk, and embracing of experimentation must be encouraged and rewarded throughout the organization. Companies need not—and should not—wait for the tide to turn. Even those in markets still enjoying print media growth can benefit from enabling a digitally minded organization and culture. One South American magazine publisher has developed a playbook to institutionalize an adaptive strategic planning process.

For most companies, managing the transformation requires a change in the underlying organization structure and makeup of the executive team, and the addition or realignment of some key roles. These include a chief digital officer to support the development and management of digital initiatives, a chief marketing

looking to aggregate consumer audiences for particular brands throughout its newspapers, magazines, and television and digital properties. These cross-media synergies are expected to yield a 15 to 20 percent improvement in EBIT through cross-promotion, digital traffic generation, and reduced cost of shared functions, among other factors.

- *Provide access to local and national advertisers.* Target advertisers to which new services can be offered (such as marketing services, data services, ad networks, and industry-specific business-to-business services), often based on the wealth of data about consumer preferences and interests that publishers are in an unmatched position to collect. Marketing services for small and medium-sized enterprises are potentially most effective in a large homogeneous market, but companies in smaller markets have focused on specific areas of online-marketing services such as website building,

digital business-to-business information services, and online-advertising networks. A U.K. newspaper publisher introduced rich online business listings leveraging its relationships with local small and medium-scale businesses.

- *Develop low-cost or winning technology positions that can be scaled up to create new barriers to entry.* Part of the refocused digital mindset is identifying new ways to gain scale and block potential competitors, based on starting position, market dynamics, and assets to leverage. A Japanese classifieds publisher took advantage of the KPI management framework that it developed for one vertical to move into others and gained a price-advantaged position by creating multiplatform offerings. The company has the leading share of site-to-store conversion in many vertical markets.

officer to market the company's suite of brands and products (which publishers have not historically focused on), and a chief information officer, who focuses on analytics, provides horizontal support, and adds requisite skills and focus on digital and growth initiatives.

Allowing overlapping responsibility—with clearly established decision rights, KPIs, and incentives—among new and existing roles can help ensure that current leadership gets the support and knowledge it needs from top executives with digital expertise and can establish strong executive accountability and ownership of the transformation. Redesigned talent management and retention programs will likely be necessary to attract, develop, and retain individuals with required skills.

Many companies will also need to invest in new organizational capabilities. These may include expertise in consumer insights (similar to consumer-packaged-goods

Redesigned talent management and retention programs will be necessary to attract, develop, and retain individuals with required skills.

companies), digital product development and management, technology and platforms, design and user experience, digital marketing and selling, data mining and analytics, and M&A. An Australian newspaper publisher created a “digital academy” curriculum in order to increase “digital-mindedness” and keep executives up-to-date on the latest technology developments. A U.S. publisher established a central research and consumer-insights function so that it could ensure that the voice of the consumer is integrated into all stages of strategy development.

Lastly, publishers the world over are faced with the challenges of breathing new life into tired or down-spirited organizations and mobilizing their workforces to believe that, this time, the transformation is real and has a good opportunity for success.

Management cohesion is key but not necessarily easy to establish, especially in an organization where divisional and business leaders are used to operating autonomously. Success cannot be achieved without building enthusiasm and momentum among the employees—and sustaining it over time. A skeptical staff needs to understand the vision and strategy for the company and how the various transformational initiatives link to them. Quick and visible decisions, frequent communications about initiative progress, and celebrations of early wins are essential in order to motivate and energize the troops.

New skills and assignment of responsibilities can help. A U.S. publisher established a project management office with responsibility for overseeing its change management program, including initiative planning, tracking and reporting of execution progress, assessment and alignment of talent with those initiatives, regular employee pulse-check surveys, and regular communication with the top-50 leaders in the organization. Beyond these, the project management office is also instituting an ongoing adaptive process to maintain a continuous idea pipeline for the next generation of initiatives.

If Not Now...

Before embarking on a transformation journey, senior executives should assess their starting position, asking themselves a series of simple questions:

- Where is the business now headed—and how quickly?
- How far along the digital curve is the market?
- On which assets can the company build winning positions and create competitive advantage in the new world?
- How aware is the organization of the need for change? What are the potential roadblocks?
- Does the business have the right skill set, culture, and organization in place to sustain a long-term transformation?

The assessment and planning necessary for a comprehensive transformation represent a major commitment of management time and effort, and they are only the first steps down a much longer, daunting, and difficult road. Top management is effectively signing on to two jobs—running the business and managing the change, including ensuring that the organization maintains a sustainable pace, moves from early wins to bigger successes, refreshes its thinking on the fly, and keeps investors and employees on board.

This is a formidable challenge for any management team in any industry. In print media, there is little choice as there is no slowing down or turning back the paradigm shift already well underway. For those who want to maintain their companies' health, and return to growth and creating value, the time to start the transformation is now.

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