

SUMMARY



**MEDIA
GATHERING
2011
DIGITAL
WALL OF DEATH**

Media Gathering 2011: Digital wall of death

I a Death Drome only the rider, who manages to balance the speed according to the law of gravity, remains on the motorcycle. Are tomorrow's business models in a similar way dependent on the integration of user needs with technology's rapid evolution? North Sea Screen Partnership, Roskilde University and Gylden-dal invited to the Media Gathering 2011, and took stock of trends in business models and the latest insights into the future and its consumers.

"Breaking up" is the title of the conference inspired report authored by Kontrabande with assistance from Eva Høeg and Henrik Danstrup Holst and a wide range of both Danish and international sources in combination with extensive desk research. The report identifies some key trends and cases of new income in a digital age. Flux is also the name that best encapsulates the dilemmas that are challenging the traditional way of doing business, across industries. Break-up consists of digital developments and the derived implications that follow in the slipstream of development. The new challenges are faced by most in the media business, but handled very differently - some with more consideration than others. As Lars Hermann from Film Fyn found in the final debate: "It's hard to see the writing on the wall when you stand with your back against the wall."

The report's recurring premise is that the break-up in business models will not be replaced by one but rather a myriad of new and different attempts to equip and develop a sustainable economic model. Simultaneously, consumers in the digital era should be seen and involved on a whole different level than before.



Perspectives on Development

Digital development

Digital services and offerings are an invasive species in industries which, in some cases, are several hundred years old. The newspaper is one of the most outstanding examples of industries that are constantly living with a doomsday prophecy over its head. According to Executive Director Mette Davidsen-Nielsen from Information, it can be stressful having to deal with the future of the "death industry" the whole time but there are basically two ways to deal with fear of death : either one accepts the realities, and thus one's foundation becomes robust, or else one shrinks and surrenders to fear. In opting out of the latter reaction, Information has chosen to experiment as part of the answer to the digital development. The newspaper has thus accepted that some experiments will fail. And if they do, that is OK, but the errors should preferably not cost anything. Fortunately, one of the positive aspects of digitalization is that it has never been so cheap to make mistakes, provided you just remember to stop in time.

Although Mette Davidsen-Nielsen points out that it can be relatively inexpensive to experiment in the digital world, more participants have a different perspective on the issue. Although digital publishing is much cheaper than traditional methods, there are massive costs associated with most other elements related to digital development.

The philosophy of Information is that as long as you manage to stop projects that no longer have potential, the development is a plus for a newspaper. The many cases in the inspiration report illustrate simultaneously that there are companies who have managed to land on their feet after the tornado hit the digital media industry. One of the greatest assets on Information is its devoted readership, which Mette Davidsen-Nielsen's newspaper wants to bring much closer. Knowing the users provide unique knowledge of the projects that might be tested, it's not necessarily about asking users for advice, but knowledge about their preferences can help to shape new ideas. It is hoped also that the experimentation on Information lures young talent into the workplace.

But is local development the way forward in a newspaper industry that is facing a global problem? The common feature of successful cases is precisely that they have global appeal. Blogger and entrepreneur Thomas Madsen Mygdal considers it problematic to develop products designed for the limited Danish language area. He believes that tomorrow's successful digital projects are characterized by a global audience. And the successes are created by creative talents who, among other things, have understood that decentralization is the way forward. This means that media companies should not think that they can secure the future by sitting in their big buildings and develop new products. The decisive breakthroughs do not happen anyway in DR-byen ('Danish Radio City') or in the refurbished offices of Berlingske.

And perhaps the media should also ask themselves the question whether it actually is necessary to think about development in this massive manner? When it takes ten years to develop a new car, partner of Red Associates Mikkel B. Rasmussen says, it is remarkable that the digital strategy of some media houses has been developed in just three months. There is a form of radicalism in the media business, where everything needs to change from one day to another. A word analysis of the U.S. magazine *Wired* showed, for example, that through a one-year term it proclaimed an electronic revolution every three months, on the average.

Mikkel B. Rasmussen believes that the large uncertainty results in a rumor of doom internally within the media industry. The rumor is repeated enough times for it eventually to manifest as an exaggerated certainty, which is unhealthy for the industry. It means that you quickly forget the rule of thumb that 80% of a company's income comes from products that are already in operation. When one also includes the notoriously poor success rate in innovation projects of the media industry in the equation, it becomes hard to see why the media would be interested in developing new products. Mikkel B. Rasmussen believes that the big difference between media companies and other commercial companies is that while the media are very identified with the myth of doom, the approach of other industries to innovation is characterized by curiosity, to a larger extent.

Media companies generally lack the structural and systematic approach to innovation, which other types of companies consider important. Innovation is a learning process where you gradually build upon ideas. The process occurs in several steps, where you finally have enough experience to potentially develop sustainable concepts, but media companies are too busy to follow this systematically. Therefore, only 6.5% of the innovation projects of the media industry succeed.

Trades in flux

Gyldendal will "be useful and entertain", as director Stig Anderson said, but if the newly developed app has only been downloaded four times, or you spend 400 million (D. Kr.) on writing the Great Danish Encyclopedia, now available free online, there is an obvious problem in the relationship between development and profit. This is neither useful nor entertaining. Firstly, the dilemma of Gyldendal illustrates that development in the digital age presents great challenges in the publishing industry whose core product is under serious pressure. At the same time, the experiences of Gyldendal prove how difficult it can be to produce popular services to a small customer- and linguistic area as the Danish.

Secondly, the problem of getting consumers to pay for content is made visible. Stig Andersen believes that Gyldendal has many journalistic hits, but only few commercial ones. In yet another ominous gaze into the future you can just listen to the stories of the music industry about a complete upheaval of the business from one day to another and a CD sale, which is reduced by 25% annually. The music industry was overrun by the digitalized products, and Stig Andersen also sees this as a threat to publishers, because as he says, "What does it help to put up a gate, when the fence already has been run down?"

New partnerships

Although the break-up in business models is experienced differently in different industries, partnerships are one of the common responses. In the absence of a central source of income,



partnerships are an obvious way to extend the front, thus making the interface with consumers wider. The music industry is a good example of the philosophy to capitalize on the product in many more ways than previously. Headphones, concert experiences and income streams are to make up for the big losses in market shares.

It also means that companies must open up to closer relations with other companies. Not just to work with each other, but to cooperate. External partnerships therefore also become a discipline that modern media companies need to master.

Focus on users

On the positive side, there are also clear advantages of digitalization. Firstly, there are numerous cases in the inspiration report, where creating sustainable business models have been successful. Because the Internet is also populated with users who can see the advantage in being able to access content anytime and anywhere - and they will gladly pay for that. On-demand products present a market in strong growth, by way of example.

Secondly, the value of a brand can be increased online, partly by creating emotional relationships to users. One of tomorrow's business models, for example, builds on a dedicated fan base who becomes engaged by various brand sites. The relation to dedicated fans or users is, in Thomas Madsen Mygdal's eyes, also crucial for a successful business model.

Thirdly, the contact to users via the Internet provides the possibility for a market where the preferences of users give a complete picture of the popularity of a product. Listening to both enthusiastic and less enthusiastic users will provide valuable information on where the product can be developed.

The tendency to see the situation from the users' perspective has resulted in innovative solutions for the pharmaceutical industry, where Coloplast among others have developed new aids for people with incontinence. Not so much by asking users questions, but more by observing and trying to get as close to users as possible.

This also reveals needs that users might not know they had. The analysis company Wilke A / S also uses a so-called 360-degree research, when they map the media consumers' product preferences. This enables them to typify specific segments, including related opportunities for marketing.

Stig Andersen sees precisely the knowledge of niche groups as part of the advantage of having a very close knowledge of the target group. Whether we are talking about parents of triplets or another narrow group. Among other things, Gyldendal will continue to exploit this kind of knowledge in future.



leness

From user involvement to finished product. How can we move towards an idea of what users want? It requires a curiosity about the needs of users. Therefore it is also important to regard them as users, rather than clients.

- ✓ Understand the users - they also have unconscious needs
- ✓ Apply knowledge
- ✓ The future comes, but slowly. Therefore, timing is crucial

Money & Passions

How to handle the schism between creative striving and fierce bottom-line thinking? The challenge is to get people with different approaches to the world to understand each other - for instance by building systematic approaches so talents can transfer their ideas into the commercial world.

- ✓ Cultivate talents and give them a direction
- ✓ Qualify their ideas and include the commercial angle

The business challenges of digitalization

If you hold on to an old business model, you lose your place on the market. Especially because new technology means that customers' willingness to pay has changed. The new models must necessarily take this change into account.

- ✓ Create relevant products
- ✓ Create fewer but better products
- ✓ The total media consumption is growing, we are moving into an exciting time

From One Night Stands to Marriages Made in Heaven

Are strategic partnerships across industries one of the ways to create new relationships with customers and users? The advantage of partnerships is that companies can capitalize on the visibility on more and new platforms. But it requires that one is willing to share of one's skills.

- ✓ Move out of your comfort zone
- ✓ Create consensus about an idea
- ✓ Be dedicated to cooperation

Brands Going Digital

Websites are brands. But research shows that not all brands are doing equally well on the web. The successful brands operate at the premises of the web and have been able to interact and create relationships with users on three levels:

- ✓ Concrete
- ✓ Symbolic
- ✓ Emotional

Show Me the Money

The music industry in particular has had to deal with the lack of recognition of artists' copyright from the Internet users. But the Internet has also strengthened the relationship between fan and idol, and this development has provided new business opportunities.

- ✓ More inputs for the product
- ✓ Be ready to take the role of curator
- ✓ Assess trends on the net and strike when there is a critical mass

Two sides of the coin

What is the best way to guide the company into the digital market for the board? The optimal mix is the combination of a driven director and a board that holds back. For small and creative businesses a board willing to work for free and act as a sparring partner is often the way forward.

- ✓ Boards have bad memories, so they must be kept constantly on their toes
- ✓ Old men on boards rarely understand the impacts of digital technology
- ✓ The executive needs to use energy to teach the board about the mysteries of the new world

A cinema ticket for 1500 D. kr.

The key word is experience. When creating a story that involves an artist, customers' willingness to pay is created at the same time. Therefore it is very much about getting the customer to fall in love with the artists.

- ✓ Focus on the event
- ✓ Focus on the potentials of various customer groups
- ✓ Focus on niches







