

White Paper:
Turning Readers into Online Revenues

Squiz.net

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Contact publishers@squiz.co.uk



Squiz UK Ltd.

Zetland House, 109-123 Clifton Street, London EC2A 4LD

T: +44 (0) 207 101 8300, F: +44 (0) 870 112 3394

www.squiz.co.uk, info@squiz.co.uk

 MySource Matrix

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Executive Summary....Online Publishing: Cannibalism, Suicide or Shangri-la?

The dot.com shake-out taught us all a lot. Amongst other things, we learned that eyeballs are what people see with, they're not what generates cash; and that there was to be no 'new economy' fuelled by magic beans rather than hard currency. Sadly, during this time many publishers backed the wrong horses and sank vast amounts of money into custom built web services that only served to drain their cash flow and divert their readers away from more important revenue streams.

Well, that was then.

Four years on much has changed. Firstly, broadband has arrived, enabling companies to publish more immersive and valuable content to their audiences. Secondly, the advertising pound has finally moved online. In addition, web users are now more comfortable than ever with parting with money on the web, and expect their staple media diet to have an online presence. What this means is that online publishing is now becoming a viable business model. It's possible to generate revenue through subscriptions, advertisers, and classifieds....much in the same way as old, only without cannibalising existing channels or committing financial suicide. In hindsight, there was no new economy, we just discovered a new medium to exploit.

At Squiz, we're helping some of the world's leading publishers – such as Future, NewsCorp and Infoconomy - to learn from the past and use the web to turn their audiences into cash. This white paper describes how we're helping them to do it and points out the main threats and opportunities when attempting to make the web profitable. It also discusses the best technical approaches to take when implementing an online publishing venture and ways to turn online readers into revenues.

Threats and Opportunities

Lesson number one: content, readership and scale matter!

The higher value in online publishing is not in 'Internet only' vanity publishing and garage operations. Blogs and smaller websites provide a necessary and fascinating outlet for many audiences, but only exceptional services (eg,

salon.com or Boing Boing) will grow to command premium subscriptions and the big advertising pound. Firstly, the average blog doesn't have the means to consistently publish quality content and it does not own a back catalogue. For this reason sites like these will not survive the 'Google effect' once traditional publishers enter the fray – they will be hamstrung by the scarcity of their text and will suffer in search engine rankings. Secondly, they lack the funding and infrastructure to properly manage critical revenue-based functions like subscriptions, classifieds and advertising.

As such, what matters is having a readership, a brand, established processes and a library of content. Traditional publishers hold all the cards.

Lesson number two: advertisers are now following the online audience

Every research organization will tell you that the web is rapidly gaining advertising market share. Parks state that [by 2010, Internet advertising will account for 10% of the total ad spend](#); Outsell claims that in 2006 [online marketing spending will increase 19% - eight times more than TV and radio's expected 2.4% rise](#). The widespread adoption of broadband is fueling this growth – and advertisers are wise to the fact that the Internet is now a de-facto part of everyone's media diet. Aligning your readership with an advertising need is now simple with the availability of measurement tools that are capable of slicing and dicing readership data in evermore sophisticated ways. So, if you have an audience and content then the opportunity is clear. The question is how best to exploit it?

Lesson number three: Content Management Systems now work

Content Management Systems (CMS') are not new. The new news is that, as a mature technology, they now tend to work. Today they are enabling all kinds of organisations to rapidly and cost-effectively publish content to the web. As a publisher, with an established business with established processes, the question is how to implement them and whose system to choose.

Lesson number four: avoid bespoke solutions

Things that look great on paper often turn ugly. A home-grown CMS may enable you to finely tune the technology to your specific editorial skills and publishing needs, but in reality many such plans never see the light of day. Yet this is not through want of funding. Dozens of high profile publishers have abandoned this route despite investing

large sums in in-house development teams to realise a specific vision. What tends to happen is that development times are so protracted that the expense cannot be justified, and time pressures and new innovations make them redundant. Whilst this can work for major publishing houses that have the cash and the will to succeed (such as the FT), clearly this not an attractive route for the rest of the market.

Lesson number five: avoid commercial, 'off the shelf' solutions

....at least not unless you have extremely deep pockets and a sharp eye for small print. Commercial CMS' offer a proven framework and service and support agreements that sooth many worries, but they can be prohibitively expensive and slow to respond to the dynamic needs of many publishing markets. A commercial application cannot be tinkered with outside of 'upgrade time' and, as such, offers you no real competitive advantage when it comes to the crunch. In addition, most such solutions are priced in arcane ways that require 'per-seat' and 'per-installation' licences which can soon take the wind out of an online publishing business plan – particularly if you are publishing multiple titles out of the same stable.

Lesson number six: don't go where the cash don't flow

In many cases, where publishers have tried one or both such approaches, the cash has dried up quickly. As a result, the web has often been (wrongly) perceived as a cost centre instead of a revenue generator. Too often, publishers have been caught between a rock and a hard place, knowing that they must make a move to the web, but also knowing that profitability may be off the plan. Yet, the movement to the web is inevitable – readers expect your presence online and advertisers are now keen to follow them.

Furthermore, many magazines rely on advertising for profitability....and, as the ad spend moves online and diversifies into other media, many are finding that their ad 'pull' is decreasing. This of course is a major problem, because when publishers don't sell enough advertising, then the usual recourse is to reduce the page count. Over time, this devalues the title as it loses ground to competitors. From here, market forces tend to take over: readerships fall, and drops in ad revenue mean that they are hard to buy back.

So what's a publisher to do?

The Only Option

Given the conditions outlined above, there is really only one way to go – online.

Whilst many people will continue to prefer a hard copy paper or magazine, the reality is that your readers' habits and your basic publishing model have changed for good.

The debate about causes ('why have they gone!?) is therefore redundant – readerships and advertisers have already moved online. What needs to be established is the best way of following them, capturing them and turning an online relationship into revenues.

The Solution: Open Source Software

Open source software is free software. Not always 'free of charge,' but always 'freely distributed,' 'freely accessible' and 'freely modifiable' - and it's this freedom that makes it so valuable.

Open source has its roots in developer communities where programmers collaborate to identify and solve software problems from both a technical and commercial perspective. This approach has resulted in some of the most successful software projects of the past decade – for example, Linux, Apache and MySQL, which together power the majority of the world's web sites.

Compared to commercial software development, this approach delivers two key benefits that make open source software a sure choice for commercial web applications. Firstly, because development is 'open' and subject to validation by the wider development community and user base, the resulting products tend to be of higher quality – more eyeballs mean fewer bugs and better reliability (eg, Linux and Apache). Secondly, because development is often driven by the commercial needs of the developer/user base, then products tend to be more 'fit for purpose' and development cycles are more rapid and relevant to industry.

In the world of publishing this provides a number of advantages: open source CMS' can be more reliable than their commercial counterparts, they can be implemented faster (because they have already been deployed in similar environments), and, unlike commercial systems, future development is not tied to an arbitrary upgrade

cycle. And, of course, they do not carry the financial burdens of their commercial counterparts – they are free to use, and have more flexible licensing agreements.

There are two flavours of open source to choose from – community based programmes and commercially-led applications. It's worth explaining the difference...

- Community-based programmes: the best examples of these types of development are Linux and Apache. As mentioned, these systems already form the backbone of most of the world's web sites, and their success has proved beyond doubt the value of open source in the commercial world. They are exceptional projects – their development community has been managed expertly by strong leaders such as Linus Torvalds (Linux); they are well documented; they are supported by an extremely active global user base; they are focused and simple to use; and their release schedule has kept pace with the requirements of the commercial world.

Other smaller and less well organised community-based programmes do not fare so well. Lacking the vision (or inspiration) of commercially-minded development managers and/or a strong development support base, an average community-based programme can suffer from complexity, poor documentation and support, and a development roadmap that's out of step with commercial requirements. So, putting behemoths like Linux and Apache to one side, whilst community-based programmes may be a viable approach for businesses that operate on the bleeding edge, they're usually unsuitable for organisations that require sound commercial support.

- Commercially-led applications: by contrast, commercially-led open source programmes such as MySQL (from MySQL AB) and MySource Matrix (from Squiz.net) are developed and supported by commercial software organizations, and so are better tuned to the requirements of businesses. They are still free to acquire, modify and distribute, but their key difference is that their code base is maintained and controlled by a commercial entity. As such, the external community has an important role to play in ironing out bugs and introducing new features and innovations, but only developments that have undergone thorough testing are admitted to the product core, and usually in the context of a specific commercial requirement.

This kind of software development is funded by proper companies (whose business model is usually to offer professional support services around their product), and so it offers all of the best attributes of commercial software – such as strong and responsive support for business needs; well defined product roadmaps; high quality documentation; a strong focus on usability and product features; and professional quality control systems (such as architectural control, coding standards and unit-testing frameworks - all of which allows more rapid and stable deployment of new functionality). But it also offers the most compelling benefits of the open source approach, as outlined above: namely, better quality assurance and more rapid, commercially-relevant innovation.

As such, the commercially-led approach to open source is a sounder proposition for companies wishing to develop a 'fit for purpose' web application.

Fit for Online Publishing: MySource Matrix

MySource Matrix is a commercially-led open source CMS, developed by Squiz and rated by Gartner Group as amongst the best in its class. It's being used today by market-leading publishers such as Future Publishing, NewsCorp and Infoconomy to fuel a new generation of online revenues. MySource Matrix is an enterprise class system, proven in a range of industries for mass market applications.

For publishers, MySource Matrix is an out-of-the-box solution for getting content online quickly and cost effectively. It enables content authors to publish web pages with zero technical know-how and comes pre-built with key publishing tools such as workflows, version controls, metadata authoring, knowledge management, and subscriber management tools. And, through its ground-breaking work with companies like Future publishing, Squiz has been able to further develop the system for the most demanding online publishing environments.

In its initial development phase (in 2005), Future Publishing used MySource Matrix to launch two of its leading titles, Computer Arts and T3, onto the web in under six months. This experience provided them an extensible 'template' that has since allowed them to introduce additional sites in under three week timescales. Today, Future has published a number of titles to the web using the MySource Matrix platform. And, unlike a commercial CMS, the system will not carry incremental license costs as the number of sites grow. Because it's licensed under an open

source scheme, Future owns the solution and will not need to pay additional costs as new users or new servers are added to the infrastructure.

Crossing the Revenue Chasm

OK, so the move towards online publishing is in full swing, and open source CMS' like MySource Matrix are providing the most cost-effective and flexible solutions for exploiting this trend. But what about the revenue?

In essence, the system choice is the easy part. The hard part is in taking the leap and placing revenue responsibilities onto your web-based titles.

In our experience, there are a number of common questions that prevent publishers from crossing this chasm. Here are our top five, along with the best answers for taking the leap!

Question one: Why should I give away my content for free?

Good question! After all, the notion of giving stuff away for free undermines the standard publishing model. Surely some serious re-thinking needs to be done?

Well, not exactly. Not all websites give their content away for free – look at the Economist and the Financial Times. If you have a strong readership, a strong brand and a focused niche, then people will always pay for quality.

There are also great reasons to give *some* of your content for away free. For example, many publishers have a huge back catalogue of archived material that is usually gathering dust on a shelf. This can be 'revived' and repurposed for the web without too much trouble. This can provide prospective readers with a taste of what's to follow should they enter into a subscription relationship with you. Titles such as The Wall Street Journal have exploited this 'partially free' tactic to great effect. They publish a number of 'satellite' titles around their main property, www.wsj.com, such as jobs listings, industry- and job-specific news sites and more – all with a view to capturing a specific readership and then converting them into www.wsj.com subscribers. Often, this 'free' content can be funded by tie-ins with advertisers or sponsors – particularly if it is targeted at a niche sub-set of your main readership. Remember, these people are valuable to advertisers, and you may be able to attract them with comparative ease.

In addition, you should think about publishing all of your news, reviews and discussion forums online, free of charge. Basically, anything that's time sensitive will create more value for you online than offline, because your readership now looks to the web first when they need timely information. And whilst this may not create instant revenue, it certainly adds a lot of value and credibility to your online brand.

In sum, publishing free content will provide a strong route towards making real money from your site. How you exploit this opportunity will depend on your audience and the type of content you deliver, but your options include:

...with readers, you can charge on a per article basis or sell a subscription to your site. And don't forget that the web also plays a critical role in increasing your offline subscriptions. Today, most potential magazine subscribers will check what's on offer on your site before signing on the dotted line. As such, your publishing strategy should be integrated: online subscribers should get content that's relevant to their specific needs; offline readers and subscribers should also find complimentary value in the 'free' content you deliver online

...with advertisers, you can create additional (and often more sophisticated) revenue streams by charging for online ads, supplier directory inserts, email insertions and even sponsorship and branding of micro-sites and specific content areas within your main online property. The key to this point is that when it becomes web-based, your publication becomes infinitely measurable. No more vague readership research – instead you will be able to know exactly who your audience is, what jobs they do, and what gender and age they are. And as you know, advertisers will pay a premium for targeted audiences.

Question two: If I put my content online this will affect my offline sales?

Well, in terms of advertising revenues, putting your content online will immediately extend your reach and allow you to capture far more information about your subscribers than ever before – and both of these benefits are ABC certifiable.

But what's more likely to have an impact on your offline sales are the actions of your competitors. In every market, publications are quickly making the move to the web (in fact we already work with many of them!). As they

continue to enhance their offline offering with online content and subscriber services, they will grab your advertisers and readers. As such, the 'cannibal' effect of moving some (or all) of your content online will have a much lesser impact than the threat of being left behind by your competitors.

Question three: Selling advertising on websites simply doesn't work

Well, if there's nothing there for people to read or keep them interested, then you're right. The ability to sell advertising doesn't change – whether it's online or offline. You can only sell ad space if you have an audience and a property that they're interested in. Nowadays even boxers sell it on the soles of their shoes in anticipation of a knock-out. And if they can do it, then so can you! So, if you have a quality product, a good readership and a sales team that understands the rules of online advertising then you will succeed.

Question four: People don't like to read websites, they prefer magazines

This is indisputable. So, if you're thinking about simply replicating your magazine online and presenting the same stuff in an electronic format, then forget about it - stick to hard copy. However, if you look at your website as an opportunity to support and enhance your offline brand with valuable new content and services, then this shouldn't be a concern. If your product is good then your readership will continue to want it in hard copy, but they will also expect it to be enhanced by your online offering.

Question five: I'm already very profitable thank you. Why bother with the web?

In short, the web gives you a whole new level of control over your relationship with readers. How do you know them today? You may know your subscribers fairly well, because they get to fill out nice forms when they send you a cheque. But your news stand readers? Forget it. They're just numbers in a spreadsheet.

On the web, your relationship is different. You own people in a different way – email addresses for example. And subscription processes for various website services (eg, password protected, paid-for content zones) enable you to extract deeper levels of knowledge about your audience: beyond who they are, you can begin to learn about their content likes and dislikes....and adjust your editorial policies accordingly. Audience-specific subscriber 'zones' for services such as forums, premium content and event-based publications also enable you to develop more sophisticated advertising strategies, since you'll be able to deliver a very targeted audience with very tangible

interests around a specific set of content. And this goes further than simple sponsorship deals: because your users can be profiled, it's very easy to serve them personalized ads, based on their interests.

The web also allows unlimited scope for feedback – meaning you can now allow your readership to respond to your content, which should ultimately improve its quality. You can also encourage them to make a contribution towards the editorial process (much like the Guardian and the BBC is doing right now). Breaking news? Get your readers to submit 'on the spot' images from their mobile phones. This type of content is invaluable. It's also free.

Having a stronger relationship with your readers also enables you to introduce new sales and marketing channels. How about a weekly or daily newsletter bulletin to cement your relationship? And how about offering this newsletter to advertisers for sponsorship? And, whilst we're at it, why not ask readers to opt in to receiving content from your advertising partners – stuff that's relevant to them and that they're happy to receive. Advertisers will pay well for this type of marketing list.

OK – So How About My Production Costs?!

Aside from helping to create all-important revenue generating schemes, MySource Matrix also provides a variety of operational features that can reduce your ongoing production costs and improve the bottom line profitability of an online publishing venture.

These can be listed as follows:

Improved editorial efficiency: because MySource Matrix is a dynamic system, content can be authored once at source and re-used many times throughout multiple sites with no-need for re-entry

Self-service: publishers can open up certain parts of their sites to enable readers to administrate their own services – for example, email bulletin preferences, subscription levels, contact information, and general profiles

Reader-generated content: in addition, publishers can extend the value of their websites by enabling users to author specific content for themselves, adding unique value to the overall site experience. For example: user reviews, discussion boards and topic polls

System consolidation: because MySource Matrix enables a 'hub and spoke' production model, publishers can collapse a variety of disparate systems into a single, powerful online publishing platform. This provides obvious cost benefits such as streamlined publishing processes, reduced editorial training and simplified system administration

Real time reporting: built into MySource Matrix is a variety of customizable reports, developed specifically for the publishing market. These allow business decisions to be based on accurate and current information, and to be introduced into publications in faster timescales

Internal workflows: MySource Matrix's unique system workflow tools enable editorial teams (both large and small) to communicate more rapidly and effectively. In practice, this means that publishing sub-routines can be automated and content can be published with fewer human errors.

Conclusion

MySource Matrix is a proven, low risk solution for helping traditional publishers turn their readerships into online revenues. Because it's open source, it provides unique levels of control, flexibility, speed and cost management.

The benefit of open source is best described by Future Publishings Head of New Media Operations, Julie Stuckes: "We decided that we wanted to control and own our sites beyond their launch, for the benefit of Future. It was critical that the ability to develop stayed with us for the long term.....so we made a choice not to tie ourselves to a vendor that would take it away with them when the project was over."

With Squiz's proven record in developing winning solutions for some of the publishing industry's leading players, MySource Matrix now enables publishers to embark on new web projects with confidence, and with the benefit of inheriting many tried and tested revenue generating features that are already proven in the real world.

For further information about how Squiz and MySource Matrix can help you make a profitable transition into online publishing, please contact publishers@squiz.co.uk, or call Squiz directly on +44 (0)207 101 8300.