

THE BUSINESS OF MEDIA – POST-EVENT THOUGHTS

Views from September's Business of Media breakfast discussion on News

To many in the wider media industry, high-quality, engaging news is a conundrum. From an editorial and political perspective, it represents media at its best – the pinnacle of a societally-important, topical and vibrant industry. On the other hand, its importance is not a universal guarantee of revenues – whether in the form of advertising, license fee justification, cover price or subscriptions.

Digital has been the catalyst for much of the unsettling of the news commercial ecology. But while it has certainly taken its toll (especially in the newspaper industry), does it offer sustainable new commercial channels for news? And does the nature of news and the way it is gathered and produced need to change?

As part of Alvarez & Marsal's quarterly breakfast series on the Business of Media, we asked five news executives to debate the issue in front of an invited audience of 60 of their peers and The Club at The Ivy members. The panelists, who all spoke in a personal capacity, were:

- Madhav Chinnappa, Director of Strategic Relations, News & Publishers at Google
- Dan Constanda, SVP and COO at CNN International Commercial
- Richard Dawkins, Chief Finance and Operating Officer at BBC News Group
- Janine Gibson, Editor-in-Chief at BuzzFeed UK
- Nicholas Wrenn, Head of News Partnerships, EMEA at Facebook

Behind closed doors and moderated by Krishnan Guru-Murthy, the debate was insightful and lively. For those who could not make it on the day, media journalist and commentator Kate Bulkley was at hand to record some of the highlights.



The Business of News

By Kate Bulkley, October 2016

An expert panel of news executives, brought together by Paul Naha-Biswas of Alvarez & Marsal and moderated by Krishnan Guru-Murthy, gathered for a breakfast panel at The Club at The Ivy in mid-September.

THE KEY TAKEAWAYS

1. Don't throw away what you've got, but creating a completely new digital news model may require a decoupling of your TV / print mindset from your new digital offerings.
2. Globally, news channels such as CNN are still commercially strong but for many news organisations the jury is out on the long-term commercial sense of riding on third-party digital platforms such as Facebook or Snapchat.
3. Online news is not only exploding watermelons (as seen on BuzzFeed) – there is a balance of news that triggers Facebook likes or / and covers harder news issues.
4. There's no silver bullet – only silver shrapnel. The digital platforms believe that they can be commercially sustainable environments for news players but a mixed model is likely the way forward, with digital advertising, native advertising, micropayments such as Blendle and subscription.
5. The news winners are likely to be the organisations that listen to the consumer and are lean and either strong or nimble enough to ride the waves and prosper.

HOW TO PRODUCE NEWS FOR THE DIGITAL ECOSYSTEM

BuzzFeed creates entertainment and news for its under 35 audience. Stories must have “emotional pull” and can take the form of a tweet, a gif, a video, a Facebook share, a list, an 800-word news story or a 4,000-word long investigation into tennis match fixing. The key is to be able to deploy all those tools immediately. **Legacy news operators should “de-couple” from their print or TV brand to create digital news that works,** says Janine Gibson from BuzzFeed. But Richard Dawkins from the BBC and Dan Constanda from CNN do successfully leverage their TV news coverage and tailor content on the different platforms.

OPPORTUNITIES AND TRADE-OFFS TO PUSHING YOUR NEWS CONTENT ONTO NON-OWNED PLATFORMS

Facebook Instant Articles and Facebook Live can be additive to traditional news providers by providing traffic and ad revenue but **the closed nature of the Facebook site can also be threatening.** “The digital landscape is littered with people who are both your friends and your enemies,” said Dan Constanda. “What does [being on Facebook] do for our bottom line in the future? I don’t think anyone knows that yet but we know if we are not there, that poses a risk for us.”

TV news channels are expensive to run so a **“healthy mix of revenue” from a multiplatform approach is key.** However, Dan Constanda believes that if consumers want in-depth coverage they will go to TV, be that on a big TV screen or a smart phone. **“We are not seeing any evidence today of any one of our news services being in terminal decline** or that we need to start closing things down,” said Richard Dawkins.

Google and **digital platforms have become better at explaining the value that Google and Facebook bring to news providers.** “We’ve moved from a news industry to a news ecosystem where people recognize that the parts are interconnected, where some things we provide are really great and others are trade-offs,” said Madhav Chinnappa from Google.

THERE IS A DIFFERENCE BETWEEN A NEWS ORGANISATION OF RECORD AND ONE THAT HAS THE MOST FACEBOOK SHARES

The **BBC relies on its editors to shape the news agenda** versus BuzzFeed, which hires young people and lets them get on with it.

What constitutes good journalism has not changed, said Richard Dawkins, but **understanding what the users want and story selection and presentation are more data-led and so fusing that with journalistic, softer, human skills is the “winning combination.”**

There are **evolving definitions of what constitutes news,** says BuzzFeed, which has featured both exploding watermelons and five hours of live reporting (using Facebook Live) on Brexit with senior politicians that attracted 8 million views over the weekend. “We do both because **entertainment gets young people in the door but it’s news that makes them stay,**” said Janine Gibson.

MONETIZATION IS COMPLEX BUT LISTENING TO WHAT THE AUDIENCE WANTS AND A MIXED MONETIZATION MODEL IS THE WAY FORWARD

The economics of digital distribution are getting better, but **what is the right size of a news organisation in the digital era?** Certainly it doesn’t need to be as big as the legacy news organisations, said Janine Gibson. Controversially, Nick Wrenn at Facebook believes that at some point it can become the primary distribution platform for all news providers because **it has better monetisation tools.**

Is there a “Netflix for news” on the horizon? The softness in the digital advertising market this year is driving some news organisations to look at **subscriptions** – such as the launch of Apple News – but Madhav Chinnappa warned against “false messiah syndromes” and said that digital advertising, native advertising, micropayments such as Blendle and subscription are all relevant. “To quote Jim Brady, there is no one silver bullet. It’s about silver shrapnel; we need to do a bit of all of them,” he said.

– *Kate Bulkley @KateComments*



About Alvarez & Marsal’s Business of Media breakfast series

Over the last decade, online technologies have transformed the way that people view, read, create and deliver media. However, while technology has leapt ahead, the business models underpinning the media industry have often not kept pace.

With an invited audience of media leaders and The Club at The Ivy members, a panel of senior commercial leaders discuss how the media industry is changing and what this means for the business of media.

Held every quarter, each session examines a different facet of the media industry with digital disruption remaining the constant factor. These sessions are designed to encourage cross-sharing of thoughts, ideas and models so that our industry continues to evolve and thrive over the years to come.

Future sessions in 2016-17 focus on the business of international television, print and publishing, big data and pay-TV.

Alvarez & Marsal

Privately-held since 1983, A&M is a global advisory firm with 2,600 professionals focused on delivering strategy, business performance improvement, turnaround and advisory services for businesses and organisations.

Uniquely, most of our professionals have held substantial roles in both industry and strategy boutiques / Big 4 consultancies. The combination of our consulting skills with industry perspective and know-how means that we can help business leaders turn disruption and change into strategic opportunities, growth and bottom-line results.

We work extensively with media and media technology companies including some of the world’s most dynamic content producer / distributors, public service and commercial broadcasters, pay-TV / free platforms, publishers and pure play digital challengers.

To find out more about our work in media and technology, please contact Paul Naha-Biswas at pbiswas@alvarezandmarsal.com or William Mellis at wmellis@alvarezandmarsal.com.