

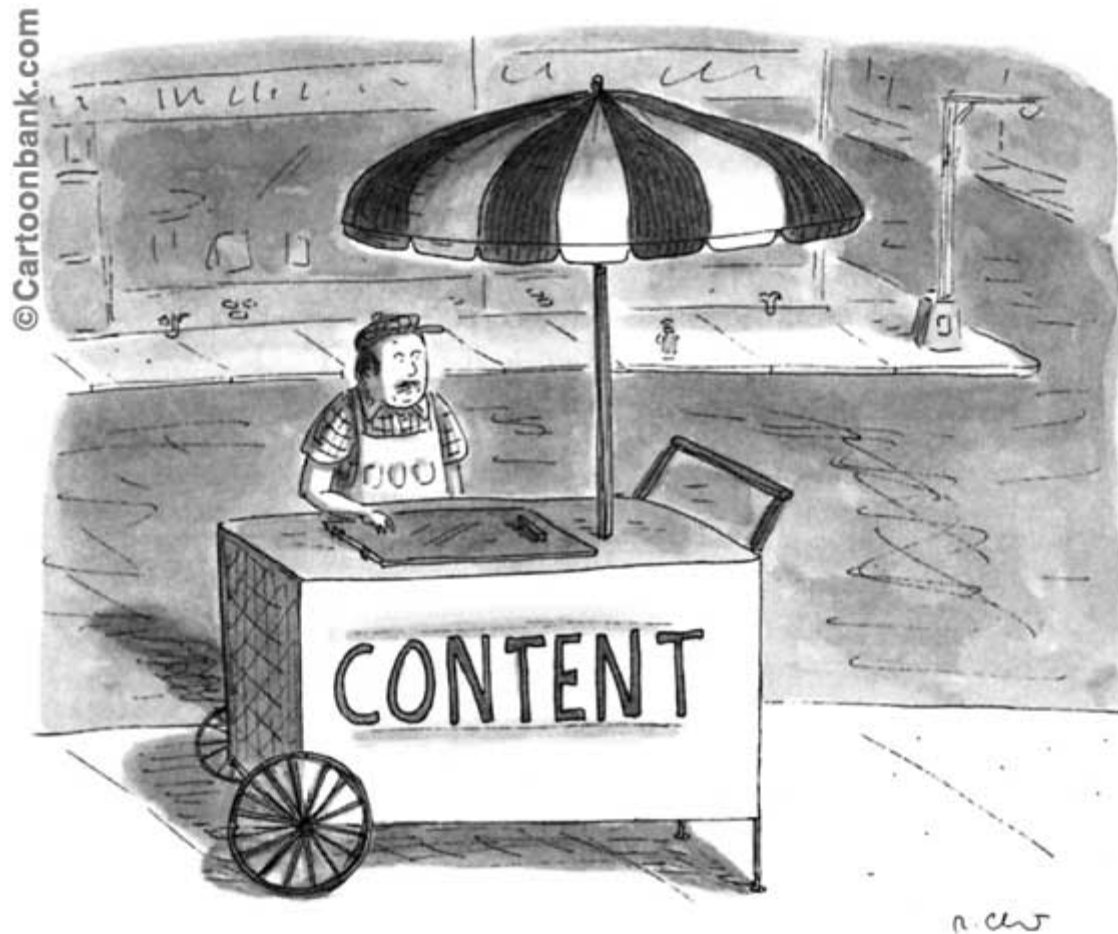
The Death of King Content

Are Publishers Being Relegated to a
Supporting Role?



August 2, 2007

If you believe the Web Pundits, there's not much future in Publishing



But the Publishing/Media sector is too broad to be making such generalizations

- Publishers are in the communications business
- Intermediary connecting the content supplier with the consumer
- Perform services for the supplier that the supplier can't or doesn't want to do
- A trusted source to the consumer
- Need to look at each segment individually to understand how each is changing

Publishing Industry Segments

- Consumer Trade
- B2B Trade
- Financial
- News Providers & Publishers
- Scientific, Technical & Medical
- Legal, Tax, Regulatory
- K-12 Education
- Higher Education
- Yellow Pages & Directories
- Business Research & Reports
- Search, Aggregation & Syndication

Need a consistent framework to analyze how each segment is changing across the industry

- The *Four Trajectories of Industry Change* is a model to describe how industries change
 - By Anita McGahan, first published in October 2004 HBR
- Thesis is industries evolve as a result of two types of threats of obsolescence
 - 1) Threat to Core Activities
 - Activities that historically generate profits
 - Threatened when they become less relevant to suppliers & customers because of some new, outside alternative
 - 2) Threat to Core Assets
 - Resources, knowledge & brand capital that historically made the firm unique
 - Threatened when they fail to generate the value they once did

As a result of the combination of these threats, industries change along one of four trajectories

		Core Activities	
		Threatened	Not Threatened
Core Assets	Threatened	Radical Change <i>Everything is up in the air</i>	Creative Change <i>The industry is constantly redeveloping assets and resources</i>
	Not Threatened	Intermediating Change <i>Relationships are fragile</i>	Progressive Change <i>Companies implement incremental testing and adapt to feedback</i>

The trajectories set boundaries on what will generate profits in a business

- Firm's strategy cannot succeed unless its aligned with industry's change trajectory
- Industry change typically unfolds over decades
- Fighting industry change is almost always too costly to be worthwhile
- Only reasonable approach to radical change is to focus on the end game: a completely reconfigured—usually diminished—industry
- Intermediating change requires companies to simultaneously preserve their assets and restructure their key relationships
- Creative change is often mistaken for radical change; companies can overreact and neglect important relationships
- The goal under progressive change is to build resources and capabilities steadily and incrementally

Identifying an industry evolutionary trajectory is not easy—but the payoff is better decision making

- Easy to be distracted or confused by conventional wisdom, customer demands and competitors' moves
- Analysis takes the following steps:
 - 1) Define your industry
 - 2) Define industry's core assets and activities
 - 3) Determine whether core assets and activities are threatened with obsolescence
 - 4) Evaluate the phase of evolutionary trajectory
- Traditional activities of publishers are collecting, organizing, filtering and distributing
- In the networked world, new publishing activities are aggregate, integrate, associate and syndicate



Let's take a closer look at three publishing industry segments:

- Higher Education
- Legal, Tax, Regulatory
- News Providers & Publishers

Higher Education

Assets:

- Textbooks; Course Materials; Authors

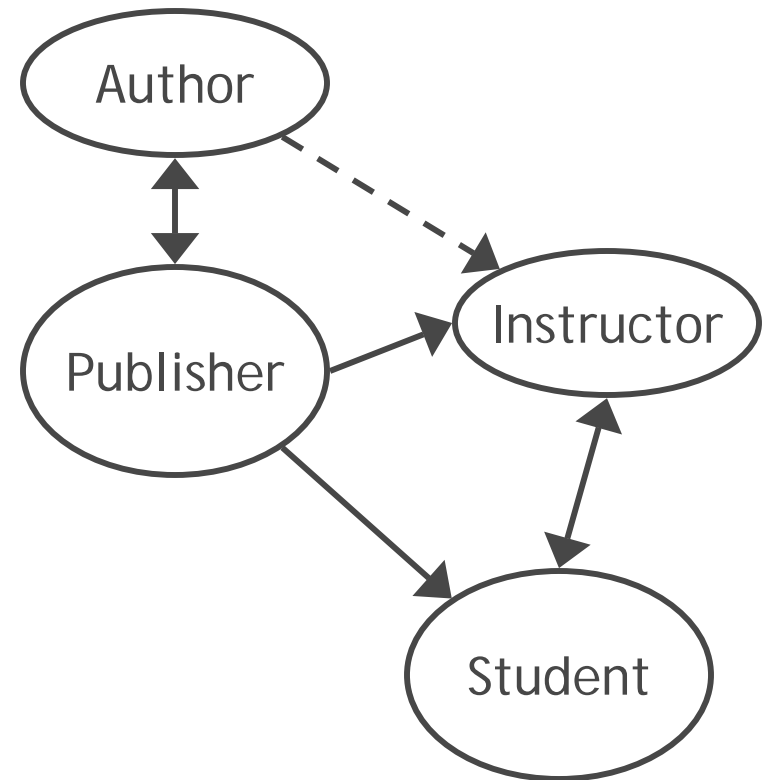
Activities:

- Collect, Organize, Filter, and Distribute

Threats:

- Textbooks turn over constantly because of used books
- Companies have neglected relationship with student
- Widespread changes to instructional models have failed to appear

Change Trajectory: Creative



Legal, Tax and Regulatory

Assets:

- Historical databases of legislation, regulations, case law and explanations; Relationship with governmental entities

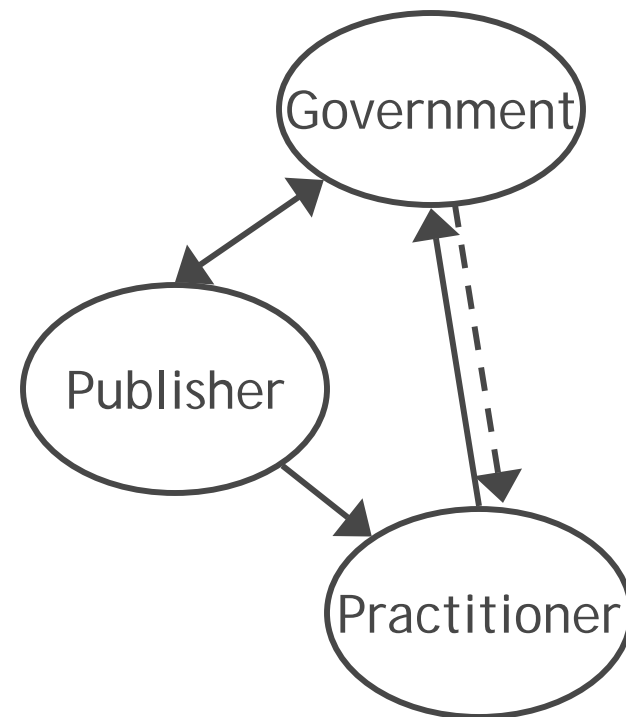
Activities:

- Collect, Organize, Filter, Aggregate, Integrate, Associate, Syndicate and Distribute

Threats:

- Governments offer free content
- More than “what”; Customers want to know “how”
- Customers expect best-of-breed experience

Change Trajectory: Progressive



News Providers & Publishers (Newspapers)

Assets:

- Brand ("All the News fit to Print");
Subscribers

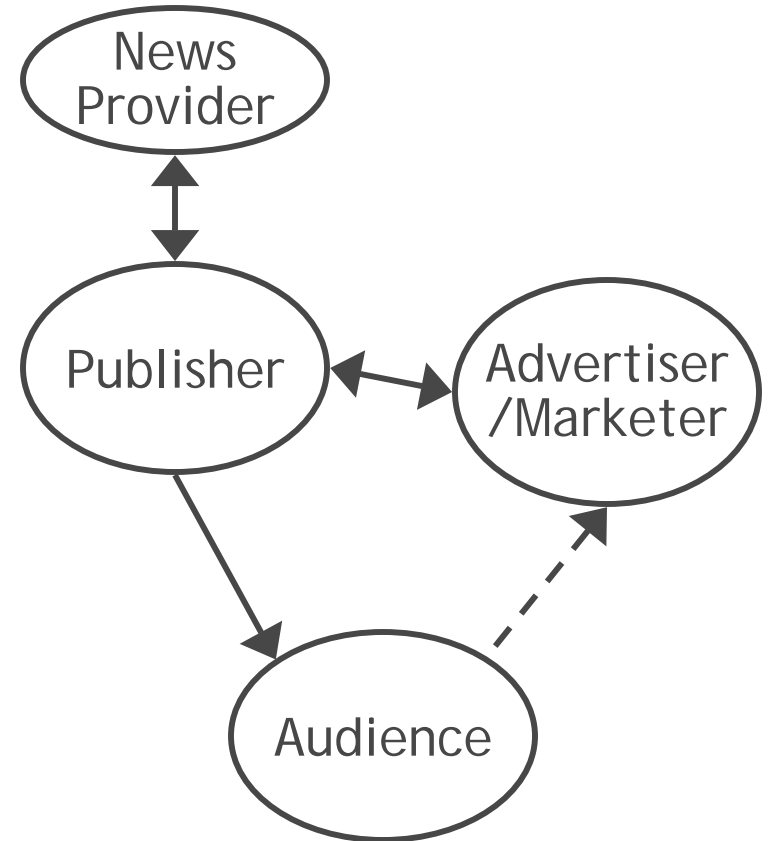
Activities:

- Collect (Reporting), Organize, Filter
and Distribute

Threats:

- Readership in decline
- Advertising business model moving
to Web (Classifieds)

Change Trajectory: Radical



So is King Content really dead?

- It depends upon the market and its change trajectory
- Where content is a commodity, experience is the value-add differentiator
- Even when content is unique, experience is increasingly important
- Search platforms are the distributors of attention; search is how content and audience is found
- In those markets where activities are threatened by the Web, media is no longer ruled by distributors, but by attention