

An advertiser perspective from MediaCom Australia

INSIGHT

BY NIC HODGES 15 JAN 2014 8 min read

How should advertisers think about newspapers as they try to find a digital future? MediaCom Australia head of innovation and technology Nic Hodges outlines four possible futures.

The media moguls of the 20th century built their empires on the back of advertising. While some scenarios for the future of news organisations don't rely heavily (or at all) on ads, it is in the interest of advertisers that they remain a key revenue source, and in doing so retain the ability to communicate to mass audiences.

But if the future of the advertiser is tied to the future of news, what options are there?

Option one: No more mass

Both mass advertising and mass media may well become a cultural anomaly - a curious 100-year quirk where the publisher and advertiser found a symbiotic equilibrium that allows both to thrive. The mass audience and mass media business is protected by the cost of printing and distributing a newspaper - a bundle of content that most readers want only a small portion of.

The bundle is dead now, and with it the aggregated audience (the unspoken reality was that most of those 'eyeballs' the newspapers reported didn't really see your ad anyway).

In this future, our news - much like its more entertaining counterpart in film - needs to survive on quality alone. The challenge for news organisations is that in order to create value people will pay for, they have to create unique content that is not accessible anywhere else.

And so the mass audience is gone, replaced by thousands of granular audiences who are willing to pay for unique and high-quality content on their chosen topic - celebrity diets, local politics, or women's tennis.

Big business may still be able to aggregate fragmented sources, but ultimately our news diet will be made up of a dozen or so sources specific to our own tastes - and advertisers will need to identify and partner with these sources to create relevant communications to each specific audience.

Option two: Data-driven direct

In the data-driven future, advertising becomes more about partnerships, where revenue is traded for data. Subscriber data owned by the publisher is of value to individual advertisers who will create custom ads and offers for readers.

In this data-driven future, minority report will seem strangely prescient - users will see only ads relevant to them as advertisers bid in real time for the opportunity to communicate based on an ever-growing stack of data on each person.

While this future does make for good sci-fi movies and alarmist magazine articles, the reality of how advertising actually changes behaviour may be its biggest challenge. Direct, measured, granular and targeted advertising can be successful in advertising some products, but advertising is as much about what goes on between two people as what goes on between the ears of one.

Hyper-targeting ignores the importance of word-of-mouth and the role of brands in culture. This future seems less likely when you consider that it still relies on publishers actually obtaining accurate user data - which at some point would probably mean convincing readers to sign up for a paywall.

Option three: Going native

'Native' was a contender for 2013's advertising buzzword of the year. What was once known as advertorial has been transformed by media owners, who have suddenly realised that the resources they have gathered to create interactive and digital news content can also be put to good use to create interactive and digital advertising.

It's a compelling idea - revenue for the publishers, while advertisers get to feel like they're not just interrupting the reader, but are instead an integrated and critical part of the story.

The challenges for native are twofold. First is the economics - the reach and impact of native advertising is yet to prove compelling and valuable enough for advertisers to justify the price that a publisher would need to demand in order to make native profitable.

And if they can make the economics work, the damage to the publisher's brand may turn out to be greater than any potential revenue upside. As the New York Times' media commentator David Carr wrote: "Publishers might build a revenue ledge through innovation of the advertising format, but the confusion that makes it work often diminishes the host publication's credibility"

Option four: Micro audiences

The final option is the complete disintermediation of the publisher. Mastheads - whether a century old or only a few years - exist as a way to aggregate writers and drive economies of scale. In any aggregated model there are always elements that outperform the rest and those that are hitching a free ride.

The journalists and writers who were the high performers are now realising that the economies of scale are no more. They have become media brands in their own right.

Last year political journalist Andrew Sullivan left his publisher, The Daily Beast, and went out on his own. In his first six months, Sullivan gained over 27,000 subscribers for a total of \$715,000 in revenue. In the last few months, we've seen data journalist Nate Silver make headlines for jumping ship from the New York Times, and NSA-busting reporter Glenn Greenwald depart the Guardian to begin a new online venture.

If journalists are able to build up significant audiences, our news organisations could end up being replaced with a loose network of 'bloggers formerly known as journalists'. While some may be able to survive purely on subscription revenue, this future creates some interesting opportunities for advertisers.

If brands can understand which of these micro-audiences they best align with, a simple model such as sponsoring the site (or a section of the site) for a month or week would likely create positive outcomes for the journalist and the advertiser, without being too jarring for readers.

The end?

The future for news will be interesting. And in turn, so will the future for advertisers and readers. We are in a transitional state, and for advertisers at least, it's worth understanding and experimenting with all the options.

It's likely news organisation will become some sort of hybrid of the above scenarios - unbundled but still networked, paid content with deep user data, but also free content that offers native opportunities. As such there are challenges and opportunities for brands in each of the futures.

The challenge of efficiently aggregating fragmented audiences has existed for several years in digital. While the publishing world might not completely fragment, it's unquestionably valuable for brands to begin understanding how to achieve reach through fragmentation.

The data-driven future is also one that is a certainty for advertisers. After years of talk of big data, the reality is that brands should be getting a handle on the data they have - big or not - and understanding how it can be utilised and what value exists within it.

Native opportunities in 2014 will be driven primarily by publishers - a situation that offers opportunities and watch-outs for brands. This is an area where the publishing side needs a solution more than the advertisers, and while it's critical that brands work closely with publishers to find bespoke solutions for reaching audiences beyond display, native in its current form needs to evolve to prove its worth.

Most importantly, the pace of change is not going to slow down. We may currently be in a period of mass upheaval, but when the dust settles, we'll still be moving at a cracking pace.

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