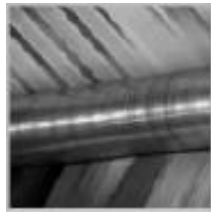


# Article



## **Where Does the Future of Media Lie: Printed or Electronic?**

*By: Ralf Schlözer*

Print is challenged from many sides, but sometimes I wonder whether we do not dismiss something prematurely without having an adequate substitute.

Media tycoon Robert Murdoch announced last year that he wants to charge for online content of his publications. The Times made the move to charge for site content a few weeks ago. Experian, a company tracking web hits recorded a decline of 66% after introducing the pay wall, as measured by the Times' share of Web hits of all media companies. Hits have seen further slight declines, but are starting to stabilise. The Guardian took the analysis a step further and found that all non-registered Web viewers were forwarded to a sign-in page and that only 25.6% signed up there and proceeded to the originally targeted Times page. Taking into account free pre-registration of subscribers of the printed issue, the Guardian concludes that the Times online lost overall 90% of its traffic. Actually, this is pretty much in the range of what was predicted by the Sunday Times' editor. It could even be worse in the future. Currently, the Times is running a low cost trial subscription of just £1.00 for 30 days, instead of £2.00 per week as planned. On top of that, there is a hefty reduction in online

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advertising revenues, as these are calculated by the actual views made by consumers. It does not help that Murdoch's newspaper titles did pull out of the voluntary page view auditing for news sites—stopping reporting numbers is usually not a good sign.

We already know, thanks to many surveys, that consumers are not exactly rushing to pay for online content. This is confirmed by a recent study of the Annenberg School's on online social networking, showing the most radical reaction so far is that none of the respondents were willing to pay for using Twitter. This is

despite the fact that 49% of the Internet users among the 1,981 survey respondents said they did use social networking sites like Twitter. It is seldom that consumers' views are that decisive and it underscores the difficulty of getting Internet users to pay for anything that they already receive for free.

Even if users are willing to pay, it can sometimes be a bumpy ride. The German newspaper taz pulled its offerings from the iBook store for the iPad. The taz admitted having a good start, climbing to the #1 spot in the German book charts within four days, but then problems and limitations started to pour in. Originally, the download should have been available from 10pm onwards, but Apple's internal approval and release processes for new iStore content meant that issues could be delayed by up to several days—not an option for a newspaper. The taz resorted to a loophole by simply updating content of issues they already sold, which is not affected by the approval process. The obvious problem with this strategy is that the Apple store does not allow charging for the update, as the original issue has been sold already. Apparently Apple was not helpful in solving these issues, so the taz opted to drop supporting the iPad (while still offering e-papers for open formats).

While much of the hopes and expectations of e-publishing are driven by reading device hardware providers (e.g., Amazon and Apple), an interesting development is driven by the Indian government. It wants to bring a \$25 tablet computer to the market, primarily for 25,000 Indian colleges, and linked to plans to get them all connected to broadband. The bill for hardware going into the proposed tablet PC stands at \$47 unfortunately, which does not even include labour, supply chain costs, or profit. Mass production could bring the costs down, although it still would not get close to the desired \$25 price point. Nevertheless, the main challenge is to get enough interest in a new device to even bring down the price. It remains a chicken and egg problem—how to sell enough tablets to bring the price down so that it is attractive enough to prospective buyers. In the end, it will not only be down to a low price level, but also to the content available on a tablet PC. Considering the device is being targeted at the budget segment, it would require having low priced if not free content. Not a good proposition for content providers to get enough return.

The future of e-media and printed media is not as clear cut as it sometimes seems. Print is the media consumers are most willing to pay for, and when the reason customers embrace e-media is to avoid spending money, then there is not a lot of business to be made. Otherwise, in cases where consumers are willing to pay for e-content, the profit is not necessarily made by the content creators, while publishers are struggling to comply with the limitations set forth. Print has a still convincing business proposition in the market, but it is worth keeping an eye on the developments. Time to remind us of an old proverb: In the short term we tend to overestimate developments, in the long term we underestimate the impact. Key features to remember include:

- After Rupert Murdoch made true his vow to charge for online news, the readership for the Times on-line dropped decisively—some suggest by up to 90%.
- Studies are confirming that consumers are very unwilling to pay for online content, especially if it has been received for free before.
- Even if users are willing to subscribe and pay for e-content, rules and regulation set by the e-store owners can prevent publishers from providing the service to consumers.
- The price of hardware that can be used as a reader is poised to fall further as devices become more widespread, but only sufficiently attractive content will bring enough users. The low willingness to pay for electronic content is a hurdle for publishers to deliver the content though.

***About the Author***

*As Director of the On Demand Printing & Publishing Consulting Service Europe, Ralf Schlözer is responsible for all service related publications and research in Europe. He is responsible for market trend analysis and forecasting, event or client driven research projects and creating presentations, newsletters and analysis reports. Mr. Schlözer has over 20 years of experience in the Graphic Arts and Graphic System Manufacturing industries. Before joining InfoTrends, Mr. Schlözer spent 5 years in the Research & Development and Digital Printing Business groups of MAN Roland in product planning and system integration for direct imaging presses and xerographic OEM printing systems. Mr. Schlözer has extensive knowledge of traditional and direct imaging presses as well as non-impact printing technologies. He is the author of several conference papers, trade press articles, and presentations. Mr. Schlözer graduated as Diplom Ingenieur in Printing Management and Technology in Berlin, Germany and also holds an M.S. Degree in Graphic Arts Systems from the Rochester Institute of Technology (R.I.T.) in the United States.*

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