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Newspapers Are Social Media

You may think you're in the information business, but you're actually in the far more lucrative business of connecting people.

By **JOSHUA GANS**
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Digitization exposes weak links. Then it breaks them. So much so that it makes you wonder what people were thinking in the first place. According to Bharat Anand, a professor at Harvard Business School, the weakest link is between producing content and everything else. Such connections "are at the heart of what shapes any digitally touched business today." He looks as the content assumptions behind various industries and shows the ways in which, over time, they can become an obstacle to success.

To see why, consider the news. By the end of the 20th century, the master plan for a newspaper in a major metropolitan area was something like this. Step 1: Produce great journalism. Step 2: Become a trusted news source (e.g., by winning acclaim such as Pulitzers). Step 3: Use that reputation to get subscribers. Step 4: Offer the readers up to advertisers. Step 5: Market the weekend edition to nonsubscribers. And, finally, Step 6: Use the virtuous circle (readers beget advertisers beget more advertisers) to charge high ad prices. With so many steps between content and returns, this reads like the master plan of a particularly ambitious movie villain. It worked—until it didn't.

It's easy for investors or observers to rail against media executives for not seeing weak links in their plan. But when the business has always emphasized steps 1 and 2 (the creation of good "content"), it is "perfectly natural," Mr. Anand writes, that the immediate reaction to a new set of market circumstances is to shore up the severed links. The problem, as Mr. Anand points out, is that, in the process of shoring up a collapsing business model, companies often fall into the "trap" of thinking that content is all that matters. To be sure, content is important. But what matters more is the connection between that content and the rest of the master plan.

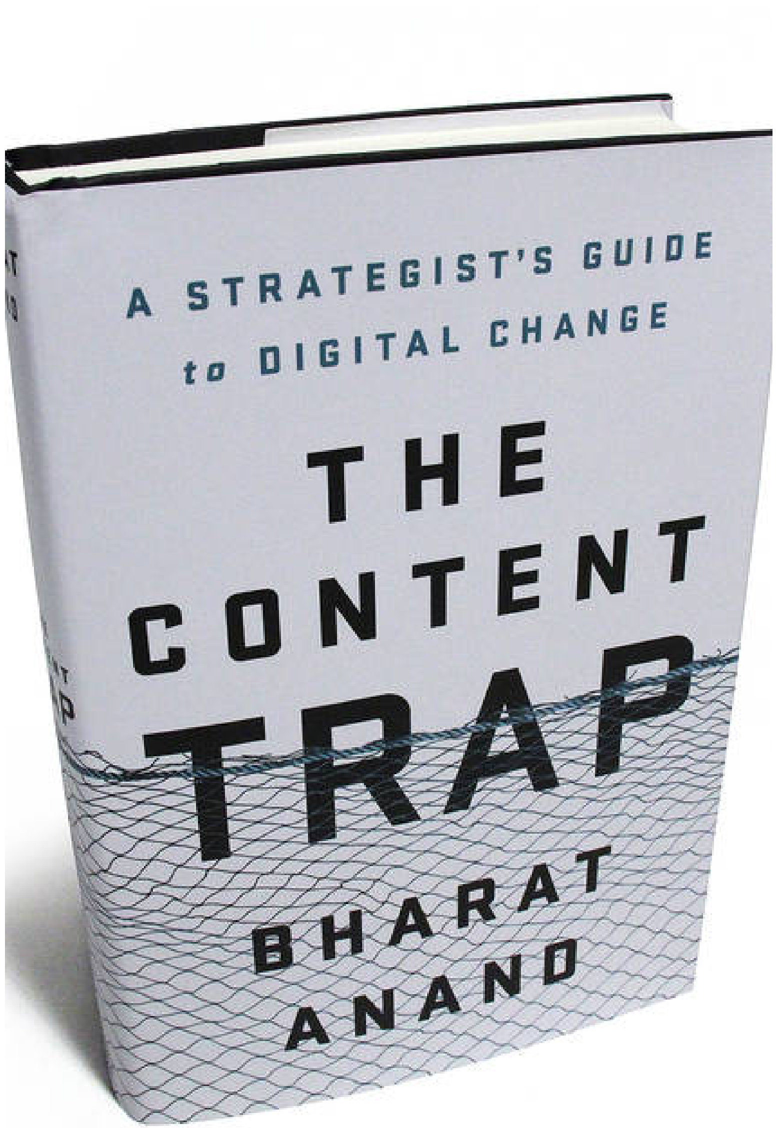

PHOTO: WSJ

THE CONTENT TRAP

By Bharat Anand
Random House, 423 pages, $28

Digital technologies break the plan somewhere between steps 3 and 4. In the case of newspapers, companies that made articles free on the internet stopped the subscriber flow; then other internet sites offered advertisers other ways to reach consumers. The firms that foresaw this disruption or were never relying on the same plan in the first place fared better. A case in point for Mr. Anand is Schibsted, a Norwegian-based media powerhouse that realized this weakness as early as 1999 and looked to delink the classified business brand from its newspaper brand, and did so prior to moving the classified business online. Importantly, Schibsted took its past virtuous circle, abandoned it, and moved to concentrate "down plan" on securing the newly decoupled virtuous circle that produced revenue (step 6).

Mr. Anand argues that concentrating on content—steps 1 and 2—can blind you to ways of getting to step 6. For instance, the mission of news outlets is to inform readers. But apart from financial news and the weather, this information does not seem to play a direct role in everyday life. At best, news is in the same category as entertainment. But Mr. Anand emphasizes that news is a social good. You want to know what is happening so you can socialize around the water cooler. This means that you cannot treat digital independent of print. As Mr. Anand writes, there are "connections between print subscribers and digital hard-cores . . . between readers willing to subscribe and ones who never would." This is why Facebook has found its entree into our lives and why apps such as the Skimm, which involve a light but regular daily news summary, are doing well with younger audiences. Information wants to be shared: Indeed, it is hard to find an area of news or entertainment where the real consumer value arises independent of a social element. If you believe you are in the business of information, you are blind to the fact that you are in the more lucrative business of socialization.

"The Content Trap" is a book filled with stories of businesses, from music companies to magazine publishers, that missed connections and could never escape the narrow views that had brought them past success. But it is also filled with stories of those who made strategic choices to strengthen the links between content and returns in their new master plans. The author shows that "winning strategies come from recognizing the context you operate in, not the content you make. . . . They come from setting priorities and saying no, rather than following the herd."

One company Mr. Anand praises for going its own way is the publisher Random House (now Penguin Random House). When other publishers were working with Apple to try to find ways to fight Amazon's push for lower e-book pricing, CEO Markus Dohle kept Random House out of any dealings (and thus out of the later antitrust tangles, too). To understand why, look at the old master plan for book publishing: Steps 1, 2 and 3 (creating content and finding readers) follow the newspaper model except with the goal of getting books into stores. But digitization hit the industry right between steps 3 and 4 (monetizing content) by bypassing stores and then bypassing shelves. The industry focused on Steps 1 and 2, thinking that providing books that people wanted to read would get them the rest. Often, however, books bought were not books read. They were, in part, meant to be displayed in homes or on desks as a signal that the person might have read them. For e-books, the situation is different. That's why the romance genre flourished under the digital onslaught. Random House, it turned out, had one of its biggest print successes of recent years when it acquired “Fifty Shades of Grey,” a book that people don’t claim to have read if they haven’t.

Mr. Anand deftly puts his arguments into a framework, but I suspect the framework itself cannot be easily used “off the shelf.” Instead, the book is a call to clear thinking and to reassessing why things are the way they are. Just because we tell ourselves that what we are producing is good and for a good purpose does not mean that it is. The connection between content and profits is always tenuous.

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