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present:

THE STATE OF DIGITAL MEDIA

A Review & Forecast of New Media Activity Among Magazines & Other Media

11125

2007 EDITION

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Steve Smith writes the biweekly *Digital Media Report* e-letter and is *min/min's b2b* digital media editor. He is a longtime scholar and critic of emerging media. Starting as an apprentice advertiser (copy and commercial photography), he veered into scholarships, earning a Ph.D in American Studies at Brown University and teaching media history and criticism for seven years at University of Virginia. Further, his twice-weekly "Mobile Insider" columns at *Mediapost* have become some of the most widely read analysis on the mobile marketing and content industries.

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Rafat Ali is editor and publisher of paidContent.org, the award-winning digital media business news and analysis site . He is also the editor of Moco.News, a news site devoted to mobile content. Both of these sites form part of ContentNext, an independent media and information company covering the business of digital media. Prior to this, Rafat was managing editor of Manhattan-based *Silicon Alley Reporter,*" where he covered the Internet and tech sectors. Editor & Publisher has referred to Ali as, "journalism's poster boy for career independence from news companies," and CBS MarketWatch called him "a pioneer in using the Web for an almost real-time business news feed." He was the Knight Foundation Fellow in 1999-2000 at Indiana University, and lives in Santa Monica, CA.

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ABOUT MIN:

The *min* family of products is the most authoritative and trusted source on the consumer and b2b magazine business, reaching thousands of media executives through print, online and in-person events. For more than 60 years, min has been serving the magazine and media community with unparalleled coverage of this ever-changing industry.

Brands include *min*, *min's b2b*, *min's Advertising Report*, *min* magazine, *min's Digital Media Report*, Sales Executive of the Year Awards, Integrated Marketing Awards, Hottest Launches and more. Visit www.minonline.com.

ABOUT PAIDCONTENT:

paidContent.org is part of ContentNext, an independent media and information company covering the business of digital media. The company operates two award winning sites: paidContent.org and mocoNews.net covering the digital sectors where media and entertainment companies operate: online, wireless, desktop and off-desktop applications, products and services.

Areas of coverage include: online publishing, portals, content commerce technologies, digital music, digital movies, mobile content, digital sports, digital gaming, broadband content/IP-TV, RSS and XML Syndication, nanopublishing, B2B information industry where it is merging with B2C, venture investment, and mergers and acquisitions in the sector, and other related and emerging areas in digital media.

ABOUT THE JORDAN, EDMISTON GROUP, INC.

JEGI combines deep interactive expertise with broad relationships across major diversified media companies, resulting in a leading position in M&A transactions in Online Media & Technology. Online M&A has been driven by a competitive mix of interactive companies, major media groups, marketing services firms and private equity investors, which maximizes the value of JEGI's extensive media industry experience.

JEGI serves companies leading the many facets of the online marketplace, including content and publishing, online networks, lead generation, and the services that create and deliver advertising across the Web. JEGI maximizes value for online media and technology companies in sales to major media companies, larger technology groups, and private equity firms.

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THE STATE OF DIGITAL MEDIA

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THE STATE OF DIGITAL MEDIA 2007


Steve Smith

More than a decade after Playboy.com became one of the first major magazine brands online, and Time Warner launched the ambitious but doomed Pathfinder.com portal, it is time to take stock of the magazine industry's long, hard march into the digital era.

Magazines represent a unique opportunity and challenge in new media. The Web's early reliance on text and image seemed to favor the disciplines of print. And yet the real-time news cycles and interactivity of the new platform severely challenged the weekly and monthly editorial rhythms of magazines and their authoritative voice. Magazines offered readers and advertisers reliable, recognizable brands in print, but audiences online discovered the joys of cross-linking and poking holes in all those branded silos that media companies spent so many decades building so meticulously. Dotcom upstarts attracted venture capital, eyeballs, and PR in categories that many magazines should have owned…but didn't. And print brands had a ready-made business model for the Web: a time-tested hybrid of subscriber fees and advertiser support. But even as many publishing companies ratcheted up their dotcom spend before the great digital crash of 2000, neither advertisers or consumers were eager to pay for a medium that seemed to commoditize everything it touched.

In 2007, the digital terrain is radically different from 2000. At last, the advertising dollars started following the audiences, and this second wave of Internet enthusiasm is more firmly grounded in real revenue and sounder business models. Many print brands have learned to talk with rather than at their readers online, as blogs and community became de rigeur. And most publishers are learning to embrace the "webbiness" of the Web by mastering the portal partnerships, RSS feeds, blog relations and search engines that transformed the old newsstand into an evolving "content eco-system."

But all of those "new media strategies" are works in progress for most media companies, and they are joined by new challenges that tax magazine ingenuity and budgets. The new ubiquity of broadband and onliners' insatiable appetite for video and audio put many print brands in an entirely new business. The staggering popularity of peer-to-peer communications online, community and social networking threaten to leave formal media brands out of the most important conversation online – users talking among themselves. And the emergence of user-generated content, from pro-amateur blogs to uploaded video, leaves some users wondering whether their tried and true "old media" brands are even necessary in people-driven medium.

And so, it is time to take stock. In this first of a planned annual series of reports on digital media for the magazine industry, *min* and paidContent offer this broad, unprecedented look at the state of print brands online, their challenges and their strategies for future growth.

► See page 6 for a chapter preview of what is inside.

CHAPTER 1: RESEARCH FINDINGS/SURVEY

In this first-of-its-kind survey targeting magazine executives, min explores in detail the overall trends for digital investment among the print brands. How much unique content, dedicated staff, and technology innovation are being pointed at digital? Beyond Web sites, what else are magazines exploring on the digital frontier?

CHAPTER 2: BRAND BY BRAND: PROFILES

Every brand serves a different audience in its own way. The strategies and business models for magazine publishers varies widely, and in this section we offer the most comprehensive brand by brand breakdown of twenty major publishing companies and branded Web sites. Through in-depth interviews with chief digital officers, we explore the state of their digital footprint, their level of staffing, business and content models and their plans for the future.

CHAPTER 3: DIGITAL BOXSCORES

For over a decade Media Industry Newsletter has tracked month-to-month traffic at consumer and B2B magazine branded Web sites. In this chapter we take a unique look at year-over-year changes to site activity from the lens of a given month. From this perspective we can see overall the kinds of audience reach and ad inventory the print brands command and their general trending over the past year.

CHAPTER 4: DEALS, TRANSACTIONS & PARTNERSHIPS: FROM VENTURE CAPITAL TO INTRIGUING PARTNERSHIPS

Digital makes strange (and lucrative) bedfellows. A key growth strategy among the branded media in 2007 will be partnership and acquisition. This section outline the key deals in our space, the web of partnerships that lies behind the Web itself.

CHAPTER 5: SOCIAL MEDIA AND UGC: DEVELOPMENTS AND IMPLICATIONS

Users are not only in control online; they are providing much of the digital world's most popular content. This section explores how social networking and user-generated content is evolving throughout the Web. Where are the models for editorial and business? Who is doing what and how well?

CHAPTER 6: KEY CHALLENGES

Most magazines "get digital" now, but many hurdles remain. We conclude our report with an outline of the key challenges facing most print brands online: video, social media, and emerging platforms. Beyond diagnosing the issues at hand we also focus on magazine brands that are executing viable solutions.

2007 and 2008 promise to be years of tremendous experimentation with a multitude of digital platforms. This report will help magazine brands and other content providers locate their own businesses both within the universe of print brands and among the many media and tech companies that now comprise an expanding digital universe.

All the Best,
Steve Smith
Digital Media Editor, min

Rafat Ali

DEAR READER,

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity...Charles Dickens, A Tale of Two Cities."

For the magazine industry, online is finally coming into its own, as the companies understand how to creatively mix the print and native-Web content, and as online advertising has roared back, helping the revenue side move from being just a rounding error in overall revenues to a full fledged profit center. The buzz about magazine launches (and stories within magazines) has never been higher, amplified by the ever hungry blog-machinery, RSS feeds, widgets etc, looking for things to feed off. This is particularly true for a certain subsection of celebrity and lifestyle magazines.

But, at the same time, some inexorable trends against the magazine industry continue. If magazines cater to a niche, other online competitors in super-niches continually cut into the magazine's online readership. Competition comes both from big portals like Yahoo and AOL as well as from bloggers specializing in a specific subject. Online advertising is still primarily low value, and not enough to replace the economics of print advertising, at least not in conventionally measurable ways. Also, magazine brands work in silos within a company, and across media, while more nimble online companies are blurring the lines constantly, much to the delight of their advertisers.

Meanwhile, a growing issue is the shortage of talent for online media. The "State of Media" survey in this report shows that this exists on both the business and editorial sides. Ad sales people who have experience selling online and can think natively in the medium are hard to find, as Google and others gobble up all the sales talent in sight with, among other benefits, bigger salaries and stock options. The same is true for product and brand talent. On the editorial side, journalistic talent is harder to develop and hone, both among junior journalists, as well as the more seasoned journalists. Plus, they both have to learn new skills and unlearn older skills to adapt to the online medium.

And while all of these are the longer terms trends, some short and medium term trends bring in a lot of hope and advantage for the magazine industry. Developing extra and daily content online has never been cheaper and faster, with the tools becoming cheaper and easier. Magazines by definition have a loyal community, and with social media tools and services proliferating, they have a chance to experiment and expand in the communities like never before. You'll see more and more magazines become stewards of communities of interest in the coming years, and hybrid job descriptions as well as business models will come out of it.

Developing bigger audiences online also means investing, both in organic growth as well as M&A. The activity in the M&A market has never been hotter, as our report illustrates with the deals diary. Some of the representative deals in the online magazine space include the strategy of buying out other niche community and content sites to get to a bigger audience quickly. Of course, that also means more ad inventory to sell against. The deals volume will continue to rise over the next year or so, driven by online advertising and cheap money to finance the deals.

At the end of the day, magazines are about communities of interest, whether professional or lifestyle driven. If magazines keep that driving mantra in mind, and use the Web for all it is worth, things could begin to look brighter and bigger on the monetary side soon.

Sincerely,
Rafat Ali
Editor & Publisher, paidContent.org & MocoNews.net
Online M&A Review & Forecast