Strategic alignment in the media industry

How Facebook, Twitter & Co shape media companies' perspectives on IT and strategy

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Hi, I am Thomas
I studied and worked in various places
I am a digital (media) addict
The (digital) media industry
The landscape is shifting.
Wow … what happened?
What do you need to participate in / consume digital media?

1. A (decently performing) device

2. A (decently performing) internet connection

3. Storage space (for photos, for messages etc.)

And all this at an affordable price
Compute Costs Declining = 33% Annually, 1990-2013...

Decreasing cost / performance curve enables computational power @ core of digital infrastructure...

Global Compute Cost Trends

$1,000.00 $527
$100.00
$10.00
$1.00
$0.10
$0.01

$0.05


Source: KPCB
Bandwidth Costs Declining = 27% Annually, 1999-2013...

Declining cost / performance of bandwidth enables faster collection & transfer of data to facilitate richer connections / interactions...

Global Bandwidth Cost Trends

Source: KPCB
Storage Costs Declining = 38% Annually, 1992-2013... 

Decreasing cost / performance of digital storage enables creation of more / richer digital information... 

Global Storage Cost Trends

Source: KPCB
...Smartphone Costs Declining = 5% Annually, 2008-2013

Smartphone prices continue to decline, increasing availability to masses...

Average Global Smartphone Pricing Trends

Source: KPCB
Internet trends

Source: KPCB
‘Digital Universe’ Information Growth = Robust... +50%, 2013

2/3rd's of Digital Universe Content = Consumed / Created by Consumers
...Video Watching, Social Media Usage, Image Sharing...

Source: KPCB
Ok this is us, what is the (media) business perspective on this?
Media companies live from advertising (mostly)
The 'biggies' are already doing pretty well

<table>
<thead>
<tr>
<th>Annualized Ad ARPU ($)</th>
<th>Q1:12</th>
<th>Q2:12</th>
<th>Q3:12</th>
<th>Q4:12</th>
<th>Q1:13</th>
<th>Q2:13</th>
<th>Q3:13</th>
<th>Q4:13</th>
<th>Q1:14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Google ($)</td>
<td>$37</td>
<td>$37</td>
<td>$38</td>
<td>$43</td>
<td>$42</td>
<td>$41</td>
<td>$41</td>
<td>$46</td>
<td>$45</td>
</tr>
<tr>
<td><strong>Y/Y Growth</strong></td>
<td>9%</td>
<td>6%</td>
<td>6%</td>
<td>14%</td>
<td>14%</td>
<td>11%</td>
<td>10%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Facebook ($)</td>
<td>$4.00</td>
<td>$4.28</td>
<td>$4.43</td>
<td>$5.15</td>
<td>$4.60</td>
<td>$5.65</td>
<td>$6.14</td>
<td>$7.76</td>
<td>$7.24</td>
</tr>
<tr>
<td><strong>Y/Y Growth</strong></td>
<td>1%</td>
<td>(2%)</td>
<td>7%</td>
<td>12%</td>
<td>15%</td>
<td>32%</td>
<td>39%</td>
<td>51%</td>
<td>57%</td>
</tr>
<tr>
<td><strong>Mobile % of MAU</strong></td>
<td>54%</td>
<td>57%</td>
<td>60%</td>
<td>64%</td>
<td>68%</td>
<td>71%</td>
<td>74%</td>
<td>77%</td>
<td>79%</td>
</tr>
<tr>
<td>Twitter ($)</td>
<td>$1.29</td>
<td>$1.50</td>
<td>$1.64</td>
<td>$2.15</td>
<td>$1.97</td>
<td>$2.22</td>
<td>$2.65</td>
<td>$3.65</td>
<td>$3.55</td>
</tr>
<tr>
<td><strong>Y/Y Growth</strong></td>
<td>90%</td>
<td>134%</td>
<td>108%</td>
<td>93%</td>
<td>52%</td>
<td>48%</td>
<td>61%</td>
<td>69%</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Mobile % of MAU</strong></td>
<td>--</td>
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<td>--</td>
<td>75%</td>
<td>76%</td>
<td>76%</td>
</tr>
</tbody>
</table>
However, ad budgets do not match time spent on digital media yet.
Great! Sounds like there is a chance to make some money!
So how do you get started?
Here comes your IT strategy
Move fast and break things. Unless you are breaking stuff, you are not moving fast enough.

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1 week

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Wait a minute!
Am I saying that you can run a digital media business with less than 50 € per months?
BUT: becoming a publisher is (in the first place)

1. NOT about technology
2. NOT about big budgets
3. NOT about a sophisticated IT strategy

BUT

What is it about?
Let’s have a look at the ‘rising stars‘ of the digital media industry

upworthy.com

buzzfeed.com
They rely on headlines and images to drive clicks
However, that is only half the truth

1. Nobody Knows Anything.

- **You** do not know how to make your video go totally viral.
- Also, **we** do not know how to make your video go totally viral.
- Unless you harness the magical powers of a unicorn horn, you will never know how to make all your stuff go totally viral.
The real deal is about (manual) curation and distribution
Upworthy’s Editorial Process

1. You HAVE to crap out 25 headlines for every piece of content
2. You WILL write some really stinky headlines.
3. Once you start getting desperate, you start thinking outside the box.
4. So you HAVE TO WRITE 25 HEADLINES.
5. #24 will suck. Then #25 will be a gift from the headline gods and will make you a legend.
6. Accept that not every headline will be perfect.
7. Then write 25 headlines.
8. With practice, you’ll be writing 25 in 15 minutes. Then I will give you permission to lower your limit.

SO PLEASE WRITE 25 HEADLINES
Optimize everything.

+3%
Optimize everything.

+28%
Optimize everything.

+69%
8. Facebook: If You Aren’t There, You Lose

Photo posts have 3-4x the engagement.

Links on photo posts to your content get 10-30% increase in clicks.

Tipping Point

Referral Traffic 2012 - 2013
(source: Buzzfeed)
So, becoming a successful publisher is about

1. great content
2. effective distribution (using the channels that exist)
3. constant testing

LET'S WRAP IT UP
YOU GUYS!!
Got it, but if it was so easy, why did Facebook build an entirely new campus for engineers?

Source: Business Insider
Internet unbundling requires variations of a product

First, multi-purpose web apps... ...then, multi-purpose mobile apps...

...now, single-purpose = ‘there’s an app for that...’

Media companies need a sophisticated IT strategy - On the long run
Even a media business needs real 'products'.

IT needs to know what the business side wants to sell.

The business side needs to know what the IT side is able to deliver.
Constant testing requires sophisticated analytics tools.

Beyond great content creators, media companies need creative data engineers.
Being successful in (digital) media requires aligning all functions.

Source: forbes.com
Succeeding in media requires constantly challenging the things you do

Growing an IT driven media business

1. Is a process that differs in focus over time

2. Is about creating and distributing content and building reach

3. Becomes a very technical- and data-driven venture, when 2. is well executed
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