



Media I Strategy

The iPad is coming, but many media companies ...

Commentary by Jens Meyer and Tim Schlenzig, 2nd March 2010

... are still not in the starting blocks. They now need to really make a move and finally get to grips with the new demands of the digital age. Whereas confusion and a lack of clarity often prevailed in the past, along with the issue of how to best make use of the internet, Apple has demonstrated with its latest creation that there are real opportunities for the content industry. The future is there in black and white - but no longer involves paper.

ipod, iPhone, iPad. Apple is remaining true to its basic strategy. Slick technology and convenient billing for customer acquisition, as well as closed standards (this time with regard to e-books) for customer retention. Steve Jobs and Co. have launched the iPad in anticipation of electronic books and newspapers becoming mainstream. Along with Amazon and its Kindle device, Apple are thereby making a significant contribution to developing a market that is still in its early stages but which offers great potential. Amazon, for instance, has announced that it already sells six e-books for every ten printed books in cases where both versions are offered alongside each other.

The iPad, like its musical predecessor the iPod, once again aims to promote legal consumption. And control. Control over users - who cannot read e-books from the Apple Store on any other device. But also control over the information products themselves, which can only be offered with Apple's authorisation, as is already the case with apps and music.

Despite these restrictions, consumers will for the first time be able to buy books and magazines en route using a relatively easy end device and with straightforward billing - and the books will also be easy to read and available in colour. The advent of electronic reading forecasted years ago is now ready to really happen. It brings with it the opportunity for publishing companies to sell more content in parallel with free-of-charge internet content and declining printed products. However, it will be particularly difficult for those who publish media on a daily basis to find their new roles and functions and to tap the full technical potential of the iPad. Scanning their printed publications each morning is hardly an adequate solution.

But what other options are there for publishing companies? For example, they could increase their range of products. As a new e-reader device, the iPad provides the opportunity to increase multimedia connections. Videos, music, blogs, commentary and communication functions can be integrated into daily life (as recommended by us back in July 09 in the commentary "New Business Models for Publishers") and thereby change the very nature of reading. Such measures may be possible for giants like the New York Times, which recently recruited several dozen new employees for its planned e-reader products and can offer a real prospect of differentiated added value, but may pose financing problems for medium sized and non-global companies.

In addition to the expense of the required additional personnel, sales revenues from printed material will soon be increasingly cannibalised by mobile end devices and the iPad in particular. Furthermore, it is currently unclear whether advertising

will bear up as an additional source of revenue. Intra-media competition will also increase, even though the iPad only allows one media product to be open at a time. Finally, another issue is that Apple retains 30% of the revenues made by publishing companies through the Apple Store, along with the customer data. In the case of Amazon, 70% of revenues are retained and Amazon is also permitted to influence the price.

For this reason, Bertelsmann is working together with the German Press Association (Deutsche Pressevertrieb) to develop an independent platform that is not affiliated to a specific end device. Deutsche Post is undertaking a similar venture in cooperation with Vodafone. Others, such as the WAZ Group, are going a step further by bringing their own e-reader to the market. In contrast, Springer and Burda are already working on new media products and remain open-minded about the channel of distribution.

However, German publishing companies do appear to have one thing in common: there is now a feeling of hope mixed with the fear experienced during recent years. Naturally, it remains to be seen whether and how quickly the expected uptake of the iPad takes off, and specific business models still need to be developed. However, those who can invest in the near future in the development of the necessary new skills such as user guidance as well as special design and programming, have a good chance of benefiting significantly from electronic reading. After all, this is not only the first time in history that e-readers will be available on the mass market, but could also hit a contemporary nerve, with people actually willing to pay for the service.