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Keywords: AOP, mobile, tablet, international, publishers, technology

A benchmark for the digital publishing industry

Digital revenues predicted to grow 15 per cent

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Business Intelligence

AOP organization census 2013

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Abstract

The digital publishing industry will continue to innovate, according to the results of the latest AOP Organization Census 2013, and new product launches remain high on the agenda, with nine out of ten publishers expecting to have new products in the market this year, a growing number compared with the last two years. The appetite for acquisition remains strong, too, with one in three publishers expecting to acquire this year, a similar number to last year when the focus on acquisitions became much stronger than AOP has previously seen. *Journal of Direct, Data and Digital Marketing Practice* (2013) **14**, 334–337. doi:10.1057/dddmp.2013.21

Background and methodology

The survey, carried out in February this year by Association of Online Publishers (AOP)'s head of research and insight, Tim Cain, is now in its fifth year and has evolved over time to give a deeper view of the key drivers within the digital business of many of the UK's leading publishing companies. It acts as a benchmark for the digital publishing industry in terms of where publishers are currently at and also captures their intentions for development over the next 12 months. At its core, the Organization Census covers a number of areas including growth of products for the coming 12 months, people issues, investment in development and technology, revenue focus and future challenges for the forthcoming 12 months.

A total of 34 organizations, representing well over 700 respected publisher brands and publications from the AOP board, associate and affiliate membership, completed the survey this year. AOP members represent the broad range of newspaper and magazine publishing, TV and radio broadcasting and pure online media in the UK: producers of original, branded, premium and quality content. (AOP members can access the full report via <http://www.ukaop.org.uk/research/aopcensus20134085.html>.)

UK digital publishers focused on technology and data

The year 2013 sees a prediction of growth in digital revenues among the UK's leading digital publishers akin to the trend of the last two to three years. A healthy-looking 15 per cent is the average rate of digital revenue growth that publishers expect to see. Of course, we should always be aware of averages and it is true to say that in reality there is a mixed expectation in the market, with 60 per cent of publishers

expecting growth of less than the 15 per cent average, while 40 per cent are more bullish about their prospects and see growth in excess of 15 per cent this year.

**International audiences
— and revenues
— important to UK
publishers**

AOP has introduced a breakdown for the first time this year of growth prospects, between UK and international responses. Of course, the web is global and international audiences for UK publishers are in many cases becoming more and more significant. Almost two-thirds of publishers responding to the Census suggest that they see those international audiences either as of growing importance or already very significant in terms of traffic, while one in two feel the same about international revenues. That is clearly significant, as growing traffic and attracting new audiences is interesting, but actually being able to monetize those audiences — either by targeting with advertising or charging for access to content — is an increasingly key component of strategy, which is bearing fruit on a much greater scale. It also creates a new set of challenges and opportunities for digital publishers to grapple with.

In line with this growing internationalization, we are seeing almost one in two publishers expecting to launch new products into international markets, and one in eight publishers actively looking to make international acquisitions in the coming year (see Table 1).

**One in three site visits
now from mobile or
tablet**

Publishers are continuing to expand their digital businesses across multiple platforms to meet the increasingly diversified means of reaching audiences, where and how they want to consume media. Not surprisingly, mobile and tablet are continuing to become the priority areas of focus for development and output. That in itself is not new, of course, but with smartphone internet access now exceeding that of feature phones and tablet penetration of the UK market being in excess of 20 per cent, coupled with a recently reported decline in the sales of PCs for the first time, the need to move to mobile is gaining pace. Indeed, Comscore figures would suggest that one in three web visits in the UK is made from a mobile or tablet device currently and some brands are seeing much higher levels of non-PC access.

Against this backdrop, the Census reports that mobile sites and tablet apps are the priority areas of expansion for more than one in two publishers, while core websites will be priority for just under one in two (see Table 2). Smartphone apps and digital editions offered by direct distribution, that is, via the iTunes store or Amazon, then come next in terms of priority.

**Publishers pushing back
against free content**

Paid content has always been a hot potato, although it is been a while now since *The Times* bit the bullet and introduced its subscription

Table 1: Sources of growth in 2013

	UK (%)	International (%)
New product launches	79	44
Product acquisition	24	12
Core business	94	38

Table 2: Development challenges faced by publishers

Development of new revenue streams	44
External market forces/market changes	44
Maintaining/growing market share	50
People retention	53
Mobile site and apps development	56
Tablet apps and digital edition development	56

Consumers more willing to pay for usability

model and we have not seen other consumer-facing sites follow suit yet. Nevertheless, the recognition that good content cannot be created and distributed for free is growing in momentum among publishers. A number, particularly in the news sector, have gone public with their intentions to introduce some form of metered access to content, in some cases having already trialled successfully with audience segments, such as international consumers.

It is not surprising, then, to see the Census reporting that only 12 per cent of publishers are unlikely to increase paid-for elements somewhere in their portfolio in 2013. This may not mean publishers are racing to embrace subscription models, of course, but it is about recognizing that there is a value exchange that consumers are increasingly realizing is part of the relationship with the brands that they want to consume. It might be that paid-for elements reflect a degree of usability as well as the content itself, as mobile apps and digital editions become more widespread, providing consumers with access in more convenient modes versus the traditional core website.

Mobile traffic still higher than revenues

Despite the move towards more paid access to content and services, advertising is still seen as the revenue growth priority for majority of publishers, with one in two suggesting that display formats or creative solutions are a key source of growth. That said, just under one in two have subscriptions revenue as a key priority and the same number have mobile up there, too — clearly there is still a gap between the aspiration and the actuality, as the ratio of traffic to revenue on mobile is stacked towards the former. To complete the focus on top streams of revenue, data and sponsorship are recognized by 41 per cent and 34 per cent, respectively, as key areas of revenue growth in the coming year.

Technology challenges facing publishers

The main challenges for publishers in 2013 are inevitably led by developing a publishing strategy that allows the seamless delivery of content and that enables conversations (engagement) on multiple devices and platforms. Device proliferation and multi-channel usage increasingly require publishers to deliver consistent, high-quality user experience, content and engagement, yet the commercial model for each individual channel does not necessarily provide a return on the required investment. The single biggest challenge for many is moving quickly enough from a technology perspective to execute on ideas in the face of agile competitors.

Increasingly, publishers are becoming technology businesses as well as media businesses as distribution via multiple platforms pushes user experience to the forefront of challenges. This poses two big

challenges: one around acquiring and developing the necessary skills to increase proficiency with technology, and the other around the degree of investment required in technological development, either in-house or in partnership with external providers.

Recruitment rising at two-thirds of publishers

For the fourth consecutive year, we can expect to see a growing number of publishers increasing their recruitment of new staff, with 62 per cent of publishers expecting to grow numbers this year. One in two of those publishers is looking to recruit developers and a similar number will recruit into analytics roles. This move increasingly puts publishers in competition with non-media businesses for skills to take their businesses forward. It is likely that recruitment costs will be higher and there is a challenge to attract key staff to media against the perceived dynamic opportunity offered by pure play digital and tech companies.

Nine out of ten will increase technology investment

Over the last 12 months, we have seen the growth of product staff in publishers' businesses, while mobile and apps development and ad operations roles have grown, too. Building technical teams in-house has led to development budgets likely to be increasingly spent within the business rather than externally, although overall there are more publishers — nine out of ten, in fact — suggesting that they will increase their investment in technology in 2013. Most partnerships for technology development will be on mobile and tablet site and app development, data management and video, similar to last year.

Publishers hiring analytics skills

Measurement is the area that stands out where publishers are more likely year-on-year to increase partnerships, with one in three publishers expecting to do so now versus one in four last year. The increasing focus on analytics roles is driven by the need to understand usage and audience in greater depth, and investments in technology in this area are expected from two-thirds of publishers, again a growing number year-on-year.

Opportunities to collaborate on development?

Is there an opportunity for publishers to collaborate to drive technology development faster and more efficiently? Last year, almost three-quarters of publishers thought so and now in 2013 that number has risen to 85 per cent. As one publisher poignantly noted, 'the industry is plagued by duplication of effort in digital platform development — very unlike the print supply chain, which is largely shared. Publishers should be talking to each other about collaboration for core functionality'.

Consumers moving to tablet and mobile content

In summary, this year's Organization Census presents another bullish view of growth by digital publishers in 2013. The challenge will increasingly be technology-led, and publishers are consequently moving to change the shape of their organizations to manage the twin challenges of delivering great content with great user experience. We will see more new skill sets entering the business and we will see a device-led strategy at the forefront of publishers' thinking as we move towards mobile and tablet-focused output rapidly becoming the preferred method of access by consumers.