From paper to platform: transforming the B2B publishing business model

Outlook for B2B publishing in the digital age
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Other PricewaterhouseCoopers Entertainment & Media publications
- Global Entertainment and Media Outlook
- PwC’s Media M&A Insights 2010

Other publications by the PwC Global Centre of Excellence for Publications
- The Medium is the Message: Outlook for Magazine Publishing in the Digital Age (2008)
Introduction

PricewaterhouseCoopers (PwC) established its Global Centre of Excellence (CoE) for Publishing in October 2007. The B2B publishing sector is the third publishing sub-sector to have been researched by the CoE, following the inaugural study into the magazine industry in 2008 and a report on the newspaper publishing industry in 2009.

This time, we set out to identify the outlook for the B2B publishing market in this period of unprecedented multimedia innovation and transformation. We examined how the behaviour of business professionals is changing in terms of how they go about meeting their needs for business information and how B2B publishers and advertisers are responding to these trends. In this study, we have examined the outlook for and current trends amongst B2B publishers, advertisers and business professionals as they adapt to the digital revolution while simultaneously dealing with a global economic slowdown.

Our conclusions are based on an online survey of more than 200 business professionals, as well as interviews with leading business publishers and advertisers in five countries: France, Germany, the Netherlands, the United Kingdom and the United States. We have supplemented these results with findings from industry reports, annual reports, analysts’ reviews and our own expertise. For details of our methodology, please refer to Appendix 1.

It is an exciting time to be part of the ever-evolving publishing industry. We are pleased to present our view on the outlook for the B2B publishing industry, and we look forward to sharing our thoughts with you further. If we can be of service to your business in any way, please contact one of the team members of the global CoE for Publishing in your region (see page 54) or visit our website www.pwc.com/e&m for details of the Entertainment & Media specialist in your territory.

Finally, we thank you for your support and hope you enjoy our publication.

Sincerely,

Marcel Fenez
Global Entertainment & Media Leader
PricewaterhouseCoopers (Hong Kong)

Marieke van der Donk
PwC Global Centre of Excellence for Publishing
PricewaterhouseCoopers (Netherlands)
The quest for relevance

These are challenging times for B2B publishers. In the past two years, ongoing digital transformation has converged with the most severe economic downturn in almost a century to dramatic effect. In the new operating environment, new business models are essential. And so is a new business mindset. The rules of engagement have changed and, especially for legacy organisations, the quest for relevance is now a top priority. Jostling for position with new competitors, from disruptive market entrants to tech-driven behemoths like Apple and Google, B2B publishers have to re-evaluate what it takes to survive and thrive.

In today’s operating environment, successful B2B publishers are adopting flexible strategies and new revenue models that let them leverage the strength of their content (still their core asset), while embracing the growth opportunities that flow from open, collaborative business models. This trend is accelerated by the surging popularity of new digital media platforms, such as social networking sites and ‘smart’ devices including iPhones, iPads, and e-readers. Recognising that the consumers of content are increasingly determining how that content should be delivered, the front-runners are focused on embedding customer-centricity at every level of the business.

The sub-text is clear enough: demands for ‘anytime, anywhere, anyhow’ access to content mean that B2B publishers must work much harder to stay relevant and be informative. The digital proposition is on the table. How publishers choose to react to it from now on will determine their future.

The changing role of B2B publishers

To provide a snapshot of these fast-changing developments, and the ways in which industry leaders are adapting operating strategies and revenue models to take advantage of them, we recently conducted in-depth research into the B2B publishing marketplace.

Based on an online survey of more than 200 business professionals, as well as interviews with leading business publishers and advertisers in five countries: France, Germany, the Netherlands, the United Kingdom and the United States, this report tracks marketplace trends and looks at how industry leaders are adapting to change.

Key findings in our research include:

- There is an overwhelming preference among business professionals to receive their information online, preferably with a combined product offering of news, research, support tools and/or in-depth information.

- Leading B2B publishers generate around 40% to 50% of their revenue online, but there is still a core demand for print. The shift to digital is prompting many publishers to ‘re-invent’ their print media, with a shift in content focus, for example from news to insight, or with a re-design.

- Over 60% of survey respondents visit a business portal on a weekly basis, the primary purpose being to stay up-to-date. Ease of use and availability of top-quality information are other important reasons for visiting portals. Only 6% buy products via portals.

- Reduced spending and fast-moving structural changes are driving the industry to focus on streamlining content production and delivery that meets the needs of users.
Leading organisations are identifying innovative ways of incorporating social networking and other UGC (User-Generated Content) sites into their business model, using these for lead generation and content development.

- The decline in advertising sales presents considerable challenges for B2B publishers’ business models, resulting in an increased focus on subscriptions. Tiered subscription and pricing models are becoming more standard, with companies focusing on expanding sales of additional subscriptions or services among current clients rather than expanding their advertising and/or customer base.

- B2B publishers have not solved the problem of content protection. The lack of protection of their intellectual property on the internet is seen as a huge threat to their business model. After all, unique content is their USP - it is why their customers are buying from them.

- B2B publishers are looking for fruitful partnerships with global digital players like Google, Apple and Amazon. The challenge is to find a secure way to protect and enlarge their business.

Three business-critical questions

Based on the findings of our research, we believe that B2B publishers today must find answers to three business-critical questions:

- How can we differentiate our business, and the products/services we provide, from the competition?
- Where do we want to operate in the content and digital advertising value-chain?
- Where do we need to improve our capabilities?

In other words, with new, agile competitors targeting flexible digital offerings at their market, legacy B2B publishers urgently need to ask themselves what it takes to succeed from now on. This means understanding where and how they can deliver added value to their customers.

The good news is that the major B2B brands have one enormously strong asset - the depth and quality of the content they already own. Much of this is impossible to source elsewhere, as well as being extremely labour-intensive to collect and process. The key to competitive edge lies in developing new business models and revenue models around this asset.

The way forward - from paper to platform

It is still the case that some B2B publishers are reluctant to move unreservedly into the digital era. Fear of lower revenues continues to be the principal obstacle. As well as posing a serious threat to their medium-term survival, this mindset overlooks the significant value that can be leveraged from effectively bundled print/digital offerings.

If they are to seize the digital opportunity and find answers to the business-critical questions outlined above, we believe that the following strategic imperatives should all be on the agenda:

1 Strengthening customer relationships

The industry has moved on from simply being an aggregator of business-specific news. The priority now is to take advantage of all channels to become established as a trusted source of informed content. To do this and maintain their relevance, B2B publishers should be leveraging social networking trends. This means positioning themselves at the centre of the online communities they serve (via portals, for example). The proliferation of free content online has increased pressure on publishers to produce high-value content not available elsewhere. Online communities can play a vital role by helping publishers to evaluate content relevance and credibility, as well as driving added value as an effective monetisation tool.

2 Adopting a flexible, collaborative mindset

“Walled gardens” are a redundant concept. Consumers want to access content across multiple platforms. Instead of viewing the other players in their industry solely as competitive threats, B2B publishers must start exploring the potential for collaboration and cooperation.
Strong capabilities in partnership structuring, mergers and acquisitions and integration are therefore all must-haves. As important, as they seek to maximise returns from their core content assets, many organisations will need to re-evaluate and liberalise their licensing models. Put bluntly, if they want to be successful integrators, they have to learn to share.

3 Enabling content to be monetised globally and online
Some publishers have found it hard to cope with the impact on their business models of globalisation and digital business. For many, restrictive release windows and geographical segmentation have become major obstacles to the flexibility and speed they need to compete. At the same time, poor online protection of their intellectual property has held back progress into digital markets.

4 Attracting and retaining the right talent
As they seek to redefine their role in the marketplace, B2B publishers have to ask themselves what capabilities they need to compete effectively. The shift from paper to platform will demand significant change in the overall make-up and skill-sets of the business. These may need to be addressed through multi-skill and/or ramping-up IT and online distribution personnel to complement the creative/editorial workforce of existing publications. Attracting and retaining key talent - from journalists to specialists in predictive analytics - will provide the platform for growth. This means aligning and incentivising individuals to deliver the new strategy through objective setting, rewards and active performance management.

As our report makes clear, B2B publishers can no longer postpone future-based transformations of their business models. If they doubted it before, the case for change is now irrefutable.

For some, this may sound like a daunting prospect. But provided they continue to focus on serving core customer needs, they will ensure that their relevance in a crowded and increasingly competitive marketplace is maintained and increased.

6 Outlook for B2B publishing in the digital age
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1 Key definitions used in our research
The B2B publishing market
We describe the B2B publishing market as the sale to business professionals and companies of business information, print and online directory advertising, print advertising in trade magazines, advertising on trade magazine websites, and trade magazine circulation spending. It also includes spending on print and electronic professional books.

Business information
We classify business information into financial, marketing, and industry information categories. Financial information includes securities, economic, and credit data. Marketing information is used to sell products or services and to monitor sales. It includes survey research, mailing lists, and demographic databases. Industry information consists of data and content, such as market share information and competitive intelligence, focused on specific industry categories such as accounting, energy, healthcare, law, manufacturing, real estate, technology, and telecommunications.

Directories
Directories are systematically organised lists of individuals, businesses or associations that provide data such as addresses and telephone numbers.

Trade magazines
Trade magazines are defined as printed magazines or journals targeted at a specific industry or type of trade/business.

Professional books
Professional books are largely published for the medical, legal, scientific and technical sectors, and are business books intended for professionals in these industries.
**Global outlook figures**

The global business to business (B2B) publishing market has been significantly impacted by the economic downturn. Overall spending fell by 10.4% in 2009. Further minor decreases in spending are expected in 2010 and 2011. The market is forecast to show a modest recovery in 2012-2014. Total spending is projected to grow by a compound annual rate of 2.6% from 2010 to 2014 (see Figure 1).

### Market Description and Outlook

#### PricewaterhouseCoopers 11

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<tr>
<td>Business Information</td>
<td>(0.8)%</td>
<td>(5.2)%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

Directories are not in the scope of this research.

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**Figure 1: Global B2B publishing market by component**

Source: Global Entertainment & Media Outlook 2010-2014
Global B2B publishing growth is forecast to return from 2012 (see Figure 2).

Global outlook figures by segment
B2B publishing is characterised by a transition from print to digital, which particularly holds for directories and professional books. Leading B2B publishers already generate around 40% to 50% of their revenues online. The overall proportion, however, remains smaller because of the large number of small publishers globally that are still largely dependent on print and will therefore need to make heavy investments in the transition.

Print directory advertising will be hurt in the near term by the recession and over the longer run by the migration of advertising from print to the internet, falling at a 4.3% compound annual rate from US$26.9 billion to US$21.5 billion (see Figure 3). Revenues from online directories are expected to reach US$8.9 billion in 2014, from US$3.6 billion in 2009, a 20% compound annual increase. Total directory advertising will be virtually flat at US$30.5 billion. Online directories will comprise 29.3% of total directory advertising in 2014, from 11.8% in 2009.

Figure 2: Global B2B publishing market growth, 2006 - 2014
Source: Global Entertainment & Media Outlook 2010-2014

Figure 3: Global B2B publishing – directory advertising
Source: Global Entertainment & Media Outlook 2010-2014
Trade magazines have been adversely affected by the declining economy and falling employment but should improve as the economy strengthens. That said, total trade magazine spending is only expected to increase at a 1.0% compound annual rate, rising to US$24.1 billion in 2014 from US$22.9 billion in 2009 (see Figure 4). Growth will be mainly driven by digital advertising and circulation spending, with compound annual increases of 2.3% and 16.1% respectively over the forecast period.

A rebound in professional employment will boost professional books while electronic readers with colour and graphics capabilities will support growth in spending on electronic books (see Figure 5). Electronic books will total US$2.4 billion in 2014, growing at a 17.3% compound annual rate. The print professional book market is forecast to increase at a 0.5% annual compound rate to US$20.1 billion in 2014.

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**Figure 4: Global B2B publishing – trade magazines**
Source: Global Entertainment & Media Outlook 2010-2014

**Figure 5: Global B2B publishing – professional books**
Source: Global Entertainment & Media Outlook 2010-2014
The business information market has also been hurt by the financial collapse, which has led to particularly steep declines in the demand for financial information (see Figure 6). Reduced consumer spending has also impacted marketing information sales, and falling investment has depressed spending on industry information. A rebound in lending activity will boost demand for financial information. Growth in consumer spending will revitalise advertising and marketing and generate gains in spending on marketing information. Increased investment will drive spending on industry information. The overall business information market is expected to increase at a 1.5% compound annual rate to US$80.3 billion in 2014.

Regional and country outlooks
The impact of the crisis in 2008 and 2009 has been most severe in North America and the EMEA region. Slight improvements in both those markets will not be apparent before 2012 (see Figure 7).
Electronic books will augment the performance of the professional book segment, while website advertising, paid content, and a rebound in print will boost the trade magazine market once economic conditions improve. China will continue to be the main driver behind Asia Pacific market growth, with an increase in total spending from US$5.6 billion in 2009 to US$8.2 billion in 2014. B2B publishing in Latin America will total US$4.1 billion in 2014, rising from US$3.4 billion in 2009. Trade magazines will benefit from an improved economic environment. A pick-up in employment will lead to increased spending on professional books from 2011.

The B2B publishing market in the United States is the world’s largest by far (see Figure 8). The increase in total US spending over the forecast period will mainly be driven by the increase in demand for business information.

The United States is projected to experience high single-digit declines in 2010 and low single-digit declines in 2011, followed by low to medium single-digit growth during 2012-14. We expect that the US market will increase from US$66.8 billion in 2010 to US$73.8 billion in 2014, the business information segment showing the largest compound annual growth. Germany and the UK will have the largest B2B publishing markets in EMEA in 2010, at US$14.4 billion and US$9.5 billion, respectively. France is the third-largest B2B publishing market within the EMEA region, at US$6.6 billion. The business information segment is the main driver of growth in France, with a compound annual growth rate of 2.7%.
3 Business Professionals’ Perspective
Highlights
A survey carried out in the Netherlands targeted at the needs of business professionals gave us insight into their demand for and use of information:

- Small and medium-sized enterprises spend more each year on software than they do on research products.
- Professionals display ‘exclusive’ preferences for each information need (i.e. news, research tools, support tools and in-depth information). Internet is always the preferred medium.
- Professionals are interested in combined product offerings. Information is of approximately equal importance, and news is not always the main requirement.
- Professionals use portals often, generally as an extra source of information. Over 60% of survey respondents visit a business portal on a weekly basis, their primary purpose is to stay up-to-date. Few professionals pay for portal services.

In order to gain insight into the information needs of business professionals and the media they prefer to use, we conducted an online survey in the Netherlands as part of our research (see Figure 9). This survey looked at how professional services use B2B publishing and concentrated on their particular needs and usage patterns. More than 200 professionals responded to the survey, which was targeted at the professional services industry, at a small to medium-sized enterprise level (i.e. less than 50 employees).

The survey provides valuable insight into the respondents’ demands and interest, with respect to depth of information, use of medium and interest in online technology. There was a good balance amongst the respondents with respect to education and type of organisation, but it should be noted that as the survey was held online, the results might be slightly biased with respect to use of medium.

The respondents were asked to indicate what the average annual spend of the small and medium-sized enterprise was on B2B software and research products. The response was roughly evenly spread over the spending ranges, and revealed that SMEs spend more on software than on research products (see Figure 10).

Figure 9: The topics covered by our survey of Dutch business professionals
Source: PwC analysis

Figure 10: Annual B2B budget for SMEs (<10 employees)
Source: PwC analysis
The survey revealed an overwhelming preference amongst business professionals for receiving their information online (see Figure 11). The lowest demand for the internet as the medium for receiving information was for research, but even for this category more than 50% preferred it. Almost a quarter of the respondents said they preferred to receive research through print and excluded all other media. Other media are of interest, but only in combination. For example, some indicated that they preferred e-readers in combination with online information, or a total package of smart phone, e-reader and online information. Media preferences did not show any significant variance in terms of respondent characteristics. This is not shown in the graph.

**B2B product combinations**

Business professionals have varying information needs, and are interested in combined products. The survey tested their interest in combined product offerings by asking which products would be needed for a combined product offering to be of interest. The respondents’ information requirements were roughly equally important, but news was not a primary requirement. While news was of interest when combined with other products, it was never a requirement in a combined product offering. Other information requirements such as research tools, support tools and in-depth information are roughly equally important.

![Medium usage business professionals for information needs](image.png)

**Figure 11: Media used by business professionals for B2B information**

Source: PwC analysis
The top five possible combinations as reported by respondents are shown in Figure 12. The most favoured combination is ‘complete’ (ie combining product categories to meet all the information needs of business professionals). The survey also suggested other incentives, such as discounts, as a requirement for a combined product; but only 9% of respondents cited this as a requirement.

B2B portal websites
More than 50% of the business professionals in our survey said that they visit portal websites on at least a weekly basis and use them as an extra source of information (see Figure 13). The primary impetus for their portal visits is to remain up-to-date, often combined with product offering, service and quality of information. When asked to rank various types of websites, the respondents ranked the sites of important decision-makers such as governmental institutions as being of highest value to them, with portals ranked second highest.

![Figure 12: Top five B2B product combinations](source: PwC analysis)

![Figure 13: B2B portals: primary use and visit frequency](source: PwC analysis)
The respondents told us that they used portals primarily as an extra information source, although feedback varied significantly depending on the industry and the aim of the portal. Portals often contain free content or paid content, and some offer a combination of both. They also often offer the opportunity to shop online. The respondents were asked if they had paid for extra access and if they had bought products through portals (see Figure 14).

Responses varied according to who was paying for the content, the company or the individual, but on the whole few indicated that they pay for further access on the portal. Those who did so reported that they pay to receive additional or more in-depth information. Respondents did not buy products through portals, and the main reason for not doing so followed from the fact that the main purpose of their portal visit was to stay up to date.

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**Figure 14: Use of paid services on B2B portals and reluctance to buy products**

Source: PwC analysis
4 Advertisers’ Perspective
Highlights

- While we expect the total global B2B advertising market to decline again in 2010, it should stabilise in 2011 and begin to show growth in 2012.
- New vehicles and channels are beginning to expand advertising sales opportunities for B2B publishers.
- Advertisers are selecting media strategies that use multiple platforms to reach their target audience. New digital platforms are creating more opportunities to reach specific target groups effectively.
- B2B publishers indicated that they thought their point of departure would change. Channel distribution choices would no longer be the starting point for their spending decisions.
- Technological developments have significantly increased the ‘power’ of consumers in the last decade. Social Media offer new revenue models to B2B publishers.
- Metrics and accountability are increasingly important for advertisers and there is a need for standards in this area.

The global B2B advertising market

While we expect the total global B2B advertising market to decline again in 2010, it should stabilise in 2011 and begin to show growth in 2012 (see Figure 15). The vast majority of B2B advertising still takes in printed trade magazines and directories. Print advertising will continue to decline, but we expect digital advertising to rebound in 2010 and return to double-digit growth after 2010, which will push the B2B advertising market into a modest year-on-year growth of close to 2%.

As we noted earlier in our discussion of technological developments, new vehicles and channels are beginning to expand advertising sales opportunities for B2B publishers. However, until now the global B2B advertising market essentially comprises directory advertising and trade magazine advertising in print and online formats. Print directory advertising will be hurt in the near term by the recession and over the longer term by migration of advertising from print to the internet. In 2009, the recession led to cutbacks across all forms of advertising, including B2B directory advertising. Improved economic circumstances will stimulate overall advertising and lead to a rebound in directory advertising. However, we do not expect print directories to participate in this recovery, as advertising is moving to online directories at a faster rate than the migration from traditional to digital in other advertising segments.
The declining economy and falling employment have adversely affected trade magazines. Print advertising in trade magazines fell significantly in 2009; the steepest decline of any B2B publishing category. This fall reflects the highly cyclical nature of trade magazine advertising compared with other advertising media. It will improve as the economy strengthens, however. Growth in digital advertising will offset stagnation in print advertising from 2012. The principal driver of the expected increase in overall global B2B advertising from that year will be growth in digital advertising, with an annual compound growth rate of 3.4% in the total trade magazine advertising market.

Advertising platforms and strategies
Advertisers select media strategies using multiple platforms to reach their target audience (see Figure 16). The number of media platform possibilities for advertisers has increased in the past few years, and the use of digital platforms, such as the internet, mobile devices and e-readers, is becoming more popular. As one leading European bank told us: “The allocation of our advertising budget has been moving towards online advertising at the expense of print advertisements. As a result of technological developments we are better capable of reaching specific target groups.”

New digital platforms are proving that they can offer more opportunities for reaching specific target groups effectively. “Large advertisers are rethinking their strategies for targeting professionals,” we were told by the Vice Chairman of a leading agency in North America. “TV rates haven’t changed much, but fewer and fewer professionals are watching TV, so you end up having to buy more to find more, and you’ve got no idea if you’re really getting the decision makers.” Nevertheless, advertisers are struggling with the effects of the new platforms on brands.

Some B2B publishers have worked with their advertising clients to develop innovative multiple platform campaigns as a way of leveraging the specific benefits of different print and online platforms. One example is a campaign that Reed Business developed in the Netherlands for VTL, an organisation that promotes education and training courses.

Figure 15: Global B2B advertising market
Source: PwC analysis
within the logistics sector. VTL was looking for a new way to promote one of these training courses. The successful campaign that resulted included an eye-catching pop-up on Reed Business’ logistics platform website combined with more traditional direct mailing (see Figure 17).

**Media spending trends**

A research study into ‘Trends in 2010-2011 Media Spending’ conducted by PricewaterhouseCoopers (Netherlands) on behalf of the Dutch B2B publishing association provided interesting insights into the platforms and strategies used by advertisers. The study shows that advertisers are cautious, waiting to see how the economy and market will develop in the coming two years. Advertising budgets shrank substantially in 2009. Labour market advertising budgets were almost halved. Online communication was expected to drive future advertising budget growth, at the expense of DM, for instance. This online growth was expected to be supported by community websites such as LinkedIn and Hyves.

B2B advertisers told us that they thought their point of departure would change. Channel distribution choices would no longer be the starting point for spending decisions. Advertisers want direct, meaningful, and effective interaction with their target audience. As a result, their demands on publishers would change significantly. They would now be asking publishers to provide them with insight into the ‘net result’ of each invested ‘marketing euro’. Requests for accountability have increased in the last few years and will only intensify.

Publishers are not only required to provide tangible results, but also to take responsibility for the outcome, which is requiring them to use new metrics. One conclusion from the research was that publishers would have to adjust their role, moving from suppliers of advertising space to strategists, from patrons of their own titles to advertisers’ preferred media advisers. The ultimate goal will not only be to ensure that an advert is found in a relevant context, but also that its effectiveness is measured. We examine the issues presented by metrics and accountability in B2B publishing advertising at the end of this section.

**Changing media platforms and changing roles**

As we have seen, due to consumers’ adoption of new media platforms, B2B advertising expenditure has been shifting towards digital, resulting in declining print advertising. As Terremark, the global supplier of IT infrastructure solutions, told us: “The main development we notice is that there are other parties in advertising. Many print titles do not exist anymore.” Print advertising has been becoming less
important over the last five years, and we expect this trend to continue. The relevance of print for young business professionals in particular has declined.

While media advertising expenditures are gradually transitioning online, they have not made up for the decline in print advertising spend. This has been due in part to economic recession, but also to the high online advertising inventory, which has driven CPM rates down. “Ink and paper businesses can survive if they’ve got great brands,” a leading agency in North America told us. “Then it is about convincing the consumer that you have to pay for quality insights - and fighting with the tech companies in the rest of the value chain to make sure you’re getting a deal that works for all.”

‘Centralising the customer’
Advertisers are now focusing more on specific customer needs, which they sometimes describe as ‘centralising the customer’. Their marketing strategy is aimed at reaching their target audiences at a relevant moment and place. Technological developments make it easier to reach specific target groups. As one European bank told us: “By using an online advertisement an advertiser can choose more precisely the time, place and receiver.” The opportunities presented by cross-media platforms are therefore enormous, but this also adds complexity, and the usage of these cross-media platforms will require new communication and marketing plans. As this bank added: “In practice publishers are still not capable of delivering tailor-made customer solutions.”

As they actively try to incorporate the behaviour of B2B consumers in their strategy, advertisers have broadened their media mix in recent years. Dutch bank ING, for example, has added mobile phone, website and e-book advertising to its traditional media spend in order to follow this changing behaviour (see Figure 18).

Technological developments have increased the ‘power’ of consumers significantly in the last decade. The new media landscape is not centred on the transmitter, but on the receiver, and the importance of relevance is growing. Advertisers find it difficult to establish a dialogue with clients/potential clients through media campaigns.

LinkedIn, Twitter and other social media
Our study indicates that B2B publishers will have to adjust their role – from being a supplier of advertising space to becoming a strategist and business partner, and from being a patron of their own titles to becoming the advertisers’ trusted media advisors. As ING told us: “We are looking for publishers who can partner with us to enhance our brand in reaching its target audience.” To take on this role as an effective and trusted business partner, they will need to combine their capabilities and strengths. Client portals and new media (the internet, e-readers, 3G and Wi-Fi devices) are now enabling advertisers to set up platforms themselves or to engage in partnerships with media companies (see Figure 19). B2B publishers often have a lot of in-depth knowledge of various industries. This should enable them to support these advertisers and facilitate these new developments.
Advertisers are looking for innovative concepts and channels that facilitate effective and direct communication with their target audiences, such as community and social networking websites. Our research shows that publishers should be more innovative and that they must increase their relevance. Providing inventory for commercials may have been sufficient in the past, but today it is important to work on relationships and to activate communities. Two examples are provided by advertisers using the popular professional networking site LinkedIn to place highly targeted advertisements (see Figure 20). While American Express promotes its credit cards via LinkedIn banner ads, Amazon facilitates a list with potentially interesting literature tuned to a professional’s LinkedIn profile, which can then be purchased directly at Amazon’s webstore.

Share of market segment and market strength also play a role. As the Economist Group told us: “It is hard for B2B providers to go up against Monster - they are large and can already find a niche. We go after another area, such as academics.” An appropriate choice of vehicle can be as important as the choice of channel. “No professional ever clicks through on a display advert,” we were told by Ogilvy.

North America, “so there’s a perception that you’re really wasting your money there frankly. People will respond to relevant ‘push media’ - but by relevant I mean directly relevant to what I’m doing now. You need to find ways to get your message into that community in a way that it can be instantly shared by people doing the same job or who have some common need to connect with each other.”

**Owned and earned advertising space**
Brand development and online adverts are shifting from bought space to adverts via ‘owned’ and ‘earned’ space (see Figure 21). Due to the speed of digital developments, advertisers are increasingly able to reach their target audiences on their own. Previously they had to buy space on popular websites to make themselves visible, but now they can create their own platforms such as websites, events or consumer polls on which they are able to reach their target audience. As we heard from ING: “A good example of a new way to make contact with customers is the ING consumer poll.” Tennant Corp told us that it uses blogs as a vehicle on which consumers can start having a dialogue with its sales force. While the trend towards UGC and review sites is still more common in the B2C space, it is also applicable to B2B.
Advertisers can earn free publicity via these portals, but they need to remember that, as the users are in control, the publicity may be negative as well as positive.

The effects of online advertisements can be measured more effectively (cost per view, cost per click or cost per lead) and the target group can be determined more precisely.

The majority of online platforms settle on a cost per view basis, while some advertisers prefer a cost per click or cost per lead settlement. Google’s proven success in search means that its advertisers tend to be more willing to settle on a per click basis. Search marketing tends not to enhance the value of brands however, so additional marketing efforts are often still needed. Nevertheless, contrary to traditional media, digital media have not yet been able to present generally or widely accepted standard metrics (see Figure 22).

### Metrics and accountability

One US advertiser told us: “For the foreseeable future, there is still going to be this kind of fuzzy, qualitative sense that some ads just ‘work’ and others don’t, but it is getting easier to measure which ads actually have an impact on their targeted audiences.” In the light of the recession and particularly challenging market circumstances for banks, marketing budgets have been cut and all marketing has to be more cost-efficient.

Many advertisers feel that print campaigns are less cost efficient and have a low online conversion rate, while radio campaigns, for example, result in direct conversion to online. “It remains hard to quantify the benefits of every marketing euro,” Terremark explained to us. “An engagement resulting from a lead can take up to a year.”

The majority of online platforms settle on a cost per view basis, while some advertisers prefer a cost per click or cost per lead settlement. Google’s proven success in search means that its advertisers tend to be more willing to settle on a per click basis. Search marketing tends not to enhance the value of brands however, so additional marketing efforts are often still needed. Nevertheless, contrary to traditional media, digital media have not yet been able to present generally or widely accepted standard metrics (see Figure 22).

<table>
<thead>
<tr>
<th>Key indicator</th>
<th>Traditional media</th>
<th>Digital media</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Viewers</td>
<td># of views</td>
<td># of page views</td>
</tr>
<tr>
<td>Viewer demographics</td>
<td>Nielsen demographic ratings</td>
<td>Real-time, customer-specific demographic data</td>
</tr>
<tr>
<td>Effectiveness rating</td>
<td>N/A (difficult to measure how effective / impactful ads are relative to other ads)</td>
<td># of click-throughs, customer ‘hit’ rate</td>
</tr>
</tbody>
</table>

![Figure 21: The changing model for online brand development and advertising](image)

Source: PwC analysis

Some B2B publishers in Germany told us that they had developed internal systems for targeting their online audience. “One of the developments, the segmentation, is trying to capture the information about our customers early on in the process, when they become a lead, but before the purchase,” they explained. “Using that information has enabled us to better personalise and customise the messaging. In the past, you would have a magazine ad that tried to appeal to everybody. Now, we are better at collecting information about customers and serving up e-mails, for instance, that you can customise to a demographic.”
Highlights

Key trends

- Cyclical risks across B2B markets vary by media type. In the case of print media, it is circulation and advertising that are most impacted (particularly advertising), and event organisers see the effect most acutely when it comes to exhibitions and conferences.

- The more rich and executable the online content provided by B2B publishers, the more added value the customers will receive. The revenue it generates will therefore grow, becoming more exclusive and profitable.

- In the new online business model, the value chain becomes disaggregated and the value of pure reference content is undermined. As the information provided becomes increasingly rich and executable, pure content and packaging is losing its value. Navigation, analysis and execution have become the highest value-added areas, and have emerged as branded segments.

- B2B publishers are broadening and enhancing their offering for advertisers. The strategic rationale here is to respond to the demand for non-display advertising to generate clearer ROI, and so to add value for the advertisers’ customer base.

- There is an increasing diversity in the B2B publishing offering. The different types of B2B providers operating in the market are all finding the revenue model that best fits their business, not all of them focusing on an online offering.

Revenue models

- B2B publishers that have already transformed themselves into multimedia companies are competing against players like Google and Yahoo. Do these free sources represent a threat or an opportunity? Some publishers are forming alliances with these players, using the reach they already have. Others are capitalising on their navigation skills etc.

- Integrating content with software is increasingly important among business information providers. Customised software packages are providing company-specific information across a broad base of subjects, such as legal, financial or medical.

- Internet is allowing publishers greater access to knowledge of target groups. This information, which can be used for lead generation, is valuable for advertisers.

Operational excellence

- Costs are shifting from a variable cost model to a fixed cost model. The online environment demands more upfront investment and continuous improvement. This leads to higher depreciation costs and increased fixed costs.

- The traditional organisational structure of B2B publishers is in transition, moving from a channel-led distribution to one that is content-led.

- Traditional publishers are remaining profitable by not only developing digital products, but also by developing a growing range of services such as training, seminars and consultancy services.

Ownership and consolidation

- Publishers are benefiting from ownership structures that focus on the long-term and give room for innovation and diversification.

- PwC’s Media M&A Insights 2010 revealed that in both UK and Europe there was an increase in the number of deals in the second half of 2009 and optimism for 2010.
Current realities

B2B publishers and cyclical risks
The risks faced by B2B publishers across their various markets (in terms of their potential exposure to economic downturns) tend to vary by media type, and also depend upon whether they are selling to corporations or to individuals. In a downturn, corporations tend to cut budgets for all products. When using the online medium, subscriptions represent a relatively low risk. Subscription revenue is typically resilient to changes in GDP as relatively low price points mean that they are not the primary focus for cost-cutting measures. Online subscriptions also usually involve relatively low price points and business-critical data. The exposure rises to a medium level of risk when it comes to online display and classified advertising revenue, however, as both are driven by economic conditions and are therefore exposed to some cyclicality, offset somewhat by the shift from print to online.

Regarding print media, circulation revenue carries a comparatively low risk factor. As with online subscriptions, print circulation usually also involves relatively low price points and business-critical data. On the other hand, print advertising is very highly exposed to the risks of an economic downturn. Print advertising is driven by the state of the economy and consequently exposed to its cyclicality. It is also likely to suffer from any acceleration in the shift from print to online.

Publishers that focus on events are faced with different risks. Like online advertising, trade exhibitions are slightly less exposed to the downturn and carry a medium risk. Exhibitions represent a key sales channel that remains important in an economic downturn, meaning that any negative impact tends to be experienced later in the cycle. Conferences, while less high risk than print advertising, nonetheless appear highly susceptible to economic downturns. This is because corporates tend to view expenditure on conferences as discretionary.

Online challenges and opportunities
End users in all sectors are demanding increasingly rich and executable online content. The more of this type of content that B2B publishers can provide online, the more added value is provided to customers. This means the revenue it produces grows, while the online business becomes more exclusive and profitable (see Figure 23).

This entails moving from static content through more dynamic content and smart tools to integrated workflow solutions. Static content is the least rich and executable, consisting of such items as ‘traditional’ online reference materials, where the internet functions as a ‘super library’. Dynamic, multimedia online content is usually hyperlinked, navigable and ‘smart’, requiring live feeds and constant updating. Smart tools can include compliance and workflow tools, with integrated reference content. The richest and most executable content provides the greatest value for customers and consists of integrated workflow solutions. Here, software and content are fully integrated, providing end-to-end workflow / business solutions.

As Reed Elsevier told us: “The real opportunity that we’re grasping now is to move up the value chain with customers. This involves leveraging sophisticated technology in terms of driving content-driven solutions, driving workflow solutions that are much more embedded in customer workflows. This gives us new revenue streams, pricing leverage, and longer-term relationships.”
Role of publishers
As the market evolves in this way, from the traditional print model with an integrated value chain to the new online model, the value chain becomes disaggregated and the value of pure reference content is undermined (see Figure 24). The print model represented a domain in which key layers of the value chain were ‘owned’ by publishers of paper-based products. Their established brands provided competitive advantage, and brand value was derived from quality content and packaging. The value chain of the online model is disaggregated, so partnerships and alliances have become vital to reach the market successfully. As the information provided has become increasingly rich and executable, pure content and packaging is losing its value. Navigation, analysis and execution have become the highest value-added areas, and have emerged as branded segments.

As third party vendors, and advertisers themselves, seek new ways to disintermediate B2B publishers, their traditional role in the value chain is now under threat. Historically, they played a crucial role as intermediary between advertisers and consumers or end-users. Now, because advertisers have a proliferation of routes for reaching their customers, B2B publishers will increasingly have to deal with the challenge of disintermediation.

Having recognised this threat, they are adopting a variety of strategies to create and maintain value online. One is to focus on building and maintaining loyal audiences. The rationale for this strategy is to leverage strong existing brands and captive audiences to add value for end-users and advertisers. Examples of sites created by B2B publishers as part of this strategy include the engineering search engine GlobalSpec.com and United Business Media’s Notilog. These and similar approaches create opportunities for building community sites and user-generated content, leveraging offline brands and activities to expand internationally, partner with other sites and establish online meeting spaces and webinars. Another strategy is to embed content in workflow solutions. Benefits of this strategy include increasing barriers to entry, providing additional subscription revenue channels and generating end-user ‘stickiness’.

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Figure 23: The added value of increasingly rich online content
Source: PwC analysis

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Publishers’ Perspective

"...The real opportunity that we’re grasping now is to move up the value chain with customers by leveraging sophisticated technology in terms of driving content-driven solutions, driving workflow solutions that are much more embedded in customer workflows, and, of course, give us new revenue streams, pricing leverage, and longer term relationships... ."
Example sites include Reed Construction Data’s ‘SmartBIM’, which offers building information modelling, Wolters Kluwer’s UpToDate and UBM’s eXalt Solutions. The opportunities that these and similar approaches create include providing computerised order sets for MDs, decision support tools, design or specification software and making data accessible on mobile devices.

A third approach is for B2B publishers to broaden and enhance their offering for advertisers. The strategic rationale in this case is to respond to the demand for non-display advertising to generate clearer ROI, and so to add value for the advertisers’ customer base. Sites that exemplify this strategy include the BILLION Network, run by a consortium of B2B publishers, and Nielsen Business Media’s IAG Research Inc. This strategy provides opportunities to offer vertical search options, lead generation, enhanced tracking capabilities, advertiser-generated content, improved customer analytics and targeting, and marketing services such as media buying.

**Wide range of business models**
Each of these online strategies has benefits and challenges. While the workflow model appears attractive, this is only true for the top one or two providers in the market, which makes it an ‘all-or-nothing’ model. Those who focus on workflow solutions concentrate on the provision of data and the value-added analysis of data, enabling them to raise their prices for their online workflow products. In practice, the different types of B2B providers operating in the market propose a wide range of revenue models, and not all of them focus on an online offering. A core demand for print media still exists, and some publishers continue to meet this with respected titles, some targeting high-value niche audiences. In order to maintain the freshness of their offering, many of these B2B publishers are ‘re-inventing’ their print publications. This can involve moving from weekly to monthly editions, a re-design or using higher-quality paper. It could involve changing the format of the print proposition, for example by focusing on more insight and less news, especially if those news elements are already available on the publisher’s websites.

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**Figure 24: The reduced value of pure reference content in the online value chain**
Source: PwC analysis

- **Integrated Value Chain (PAST/ PAPER)**
  - Content
  - Packaging
  - Distribution

- **Disaggregated Value Chain (PRESENT/ ON-LINE)**
  - Pure content domain
  - On-line Domain
  - Content
  - Packaging
  - Navigation, Analysis and Execution
  - Distribution

- **Paper Publishers’ Domain (With 3rd Party Partners)**
  - Paper publishers own key layers of value chain
  - Established brands provide competitive advantage
  - Brand value derived from quality content and packaging

- **Increasingly rich and executable information**
  - Pure content and packaging loses value
  - Navigation, analysis and execution become the highest value-added areas and emerge as branded segments
  - Value chain is disaggregated; partnerships and alliances become vital to successfully getting to market

---
Others are linking their online, print and conference offerings. Some B2B publishers have made their editors responsible for the full suite of print, online and conference products. United Business Media have taken the approach of focusing on the delivery of conferences while using online wherever it works well. Another model involves focusing on providing data that is highly valuable but difficult and/or expensive to collect. This process can be user-funded and the data might concern topics such as risk or energy usage. Two more models involve adding value by bringing people together. While most B2B publishers would not consider setting up their own networking sites to be worthwhile, they actively bring users together and fulfill the role of a curator. These publishers use professional and social networking sites such as LinkedIn and Facebook to create communities that can then be targeted with their services. Others are creating meeting places and communities. They may either develop and sell products and services directly to them, or act as an intermediary, introducing sellers to buyers and adapting their advertising sales approach to be more lead-generative.

**New product and service offerings**

The B2B publisher landscape is becoming more heterogeneous in some countries, as publishers start focusing on different product and service offerings and combinations. In the Netherlands, for example, major publishers we interviewed are moving from content to software and other services, and from a focus on subscriptions to a focus on advertising (see Figure 25). Some of them still approach the market in a traditional way, while others are far more innovative. Springer told us that it still considers itself to be a traditional print publisher, with about 90% of its revenue related to print. IDG told us it identifies itself as a service organisation, instead of a publisher.

![Figure 25: Dutch B2B publishers focusing on different offerings](source: PwC analysis)
Similarly, each of the five major publishers that dominate the French B2B media market – internationals Wolters Kluwer, Thomson Reuters and Pearson Education, together with local players InfoPro Communications and Groupe Moniteur – is present in different niches. Wolters Kluwer provides business information and a range of software tools and services such as seminars and training courses to professionals. Its revenue drivers in France are Health, Social, Tax, Accounting, Legal, and corporate services information. Thomson Reuters’ activities in France are closely linked to the international organisation, and they focus on Financial Services, Healthcare, Legal, Media, Science, Tax and Accounting. The segment focused on Pearson Education is self-explanatory.

Online is already becoming the common media format for B2B publishers in France, and for some of them a well-established one (see Figure 27). French publishers are still looking for ways to create an online offering that is distinct from print however.

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**Example: Business Model INFO PRO**

![InfoPro Communications' new business model](image)

**Figure 26: InfoPro Communications’ new business model**

*Source: PwC analysis*

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**Figure 27: Media formats used by top 5 French B2B publishers**

<table>
<thead>
<tr>
<th>Media Format</th>
<th>Online</th>
<th>Software</th>
<th>Services*</th>
<th>Print</th>
<th>Exhibitions/Workshops/Events</th>
<th>eBooks</th>
<th>Other**</th>
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<tr>
<td>Health, Social &amp; Public Sector</td>
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<tr>
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<td>Public Sector</td>
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<td>x</td>
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<td>Construction</td>
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<tr>
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<tr>
<td>Automotive</td>
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<tr>
<td>Financial Services</td>
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<td>Tourisms</td>
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<tr>
<td>Retail</td>
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</tbody>
</table>

*Source: PwC analysis*

(2): The trade magazine and B2B custom publishing business in France falls under Communication agencies more than with B2B publishers
* Services include white papers, webcasts, client consulting, training
** Other include Podcasts, WebTV, Apps
Innovation and the utilisation of new technologies have become vital for French B2B publishers to reach consumers, and they have needed to reorganise their teams to respond to the structural shift to digital. By transforming all-print editions into web platforms or multi-service platforms, B2B publishers have increased the focus on cost reduction. Not being able to rely on advertising sales, B2B publishers are focusing on subscription models and additional services to retain and attract customers. Impacted by the economic downturn, their customers are watching their spending more closely and putting more pressure on B2B information suppliers to provide added value and alternatives to basic subscriptions.

Revenue models

The threat of competition from free sources...

Technological developments and decreasing advertising revenues are forcing B2B publishers to transform their print-oriented businesses into multimedia companies focusing on generating revenues from online channels. Digital media is undoubtedly the main driver of new business models. Publishers must be prepared to meet the growing demand from companies and business professionals for reading, hearing and watching what they want, whenever and wherever they choose.

One challenge for those B2B publishers that have already transformed themselves into multimedia companies is that they now have to compete against players like Google and Yahoo. Many see a continued market for their products, however, even when competing against free alternatives. “This is the major threat that every publisher is facing right now,” the Director of Corporate Strategy at Wolters Kluwer told us. “I think the key here is the editorial vetting. Professionals need to have trust and confidence in what they’re reading and you simply can’t get that with free information sometimes, even when it’s good. We sell the editorial vetting - that’s our value proposition to our customers and that’s what we’re liable for (not legally liable necessarily). Our reputation and our brand is at stake so everything’s vetted so that it meets a certain standard.”

… or is it an opportunity?

Nevertheless, competition from these free sources is only likely to get tougher, and is already putting publishers under pressure to ensure the value of their paid content is much higher. Online, free sources of data and information, often provided by governments and non-profits, can now be easily accessed through search engines such as Google and Yahoo. Google launched a free online legal research tool as part of its Google Scholar service, providing competition for Reed Elsevier’s LexisNexis and Thomson Reuters’ Westlaw products. Open-source medical journals, such as the Public Library of Science (PLoS), have been launched as an alternative to the subscription-based models of medical journals published by Wiley and Elsevier. However, publishers also acknowledge the current power of these established internet players and are forming alliances with them, utilising the substantial reach they already have amongst their target audiences. Rather than seeing them as a threat, since they do not compete on a reader’s level, they are also seeing them as future partners.

One such alliance that is already proving successful is between Springer, the leading global scientific and technical publisher, and Google Books. Springer has always been an early adopter of new technologies and marketing methods and was interested in the new readership it believed it could reach through Google Books, which allows users to search, discover and purchase books from local booksellers, online retailers or the publisher itself. Google scans the full text of participating publishers’ titles so that Google users can see books that match the topic they are searching on. These pages also contain multiple ‘Buy This Book’ links, allowing users to purchase the book from online retailers. Publishers also receive a share of the revenue generated from ads appearing on their content. Last year, Springer’s US book sales topped a record high and it attributes this partly to greater online visibility through programmes such as Google Books. It has also helped its conversations with vendors, helping them capitalise on trends they are seeing and the ‘Buy the Book’ link drives additional traffic to the publisher’s own online platform, as well as to alternative online retailers. Partnerships that could well be forged in the future include those between publishers and booksellers, who could make a publisher’s content available on e-readers.
Customised software packages
Essential to providing added value, the seamless integration of content with software is a vital area for business information providers. In this respect, a number of issues arise. Customised software packages are becoming increasingly important, providing company-specific information on a wide variety of subjects, such as legal, financial or medical. Companies must advertise their software in order to be presented in the top results of the most popular online search engines. B2B publishers that provide business information software must meet their target audiences’ demands for customised software solutions. They also need to take a cross-media approach, by linking their software with other products. Similarly, with search engines becoming more important, it may be useful to cluster information and services. Another issue is that the software has to be compatible with the different media platforms, for example on mobile phones and computers, in order to be successful.

Online communities and social networks, especially business-oriented social networking sites such as LinkedIn, can help to evaluate the relevance and credibility of content and are driving opportunities for new revenue models. As a result of the phenomenal growth in the popularity of such sites, the traditional publisher’s position is changing, demanding a more interactive approach to its target audience. By finding innovative ways to incorporate social networking and other UGC sites into their business model, publishers can use them for lead generation and content development. Some publishers are reluctant to go down this path since the market is not well developed. However, for corporates and advertisers, professional networking sites are a very attractive channel for customising marketing to specific business user groups. LinkedIn, for example, generates income mainly through premium services such as the sale of data of special user groups to headhunters. European publishers SDU told us that it sees UGC as more of a marketing tool than a ‘stand alone’ business model, and recognises its potential for lead generation and content development.

Advertising and lead generation
The measurement metrics of online advertisements, however, are broader and more effective (cost per view, cost per click and cost per lead). Subscription-based digital trade magazines, published in combination with other media such as videos, chats and polls, are countering the declining trend in circulation and advertisement revenues (electronic print and distribution is less expensive than traditional sales channels). However, due to the declining circulation of print trade magazines, revenue streams are under pressure. So far, digital advertising only partly offsets the decline in print advertising revenues, although revenues from online advertising are expected to grow rapidly. A big advantage of online advertising is that the target group can be defined more sharply. Internet allows publishers greater access to insight into these groups - insight that can be used for lead generation (which is valuable to advertisers). As one European bank told us, “Measurement becomes more and more important, while the requirements with regard to the effectiveness and relevance of marketing campaigns have increased.” By shifting from an advertisement-driven model towards an online subscription model, one of the publishers we interviewed, SDU of the Netherlands, managed to stop the decline in revenue (see Figure 29).

Figure 28: Combining knowledge to serve professionals and advertisers
Source: PwC analysis

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Service organisations
Another shift inherent in the move from print to digital is the way in which B2B publishers are morphing from business information providers to service organisations. As traditional publishers increasingly move into a multimedia environment, they are remaining profitable by not only developing digital products, but also by developing a growing range of services such as training, seminars and consultancy services. Wolters Kluwer currently generates some 15% of its revenues through products not directly related to publishing. “We developed from a content provider to a solutions provider, largely through innovations and strategic acquisitions. By integrating content and software we are able to provide total workflow solutions.”

This expansion, away from the realm of traditional media into adjacent services, demands a move in mindset too. It is no longer only about creating unique content, but also increasingly about supporting clients with tailored service offerings. This demands investment, as well as being up-to-date with products and opinions. Because publishers have to ‘know’ their customers, many are using CRM tools as a launchpad for ‘smart publishing’. It became clear from our research that CRM plays an important role in the future of publishers’ marketing strategies, and investment in this area is key to future success. “CRM allows us to track the behaviour of customers, which enables us to sell additional services,” said a spokesperson for Wolters Kluwer. One publisher gave the example of giving newsletter subscribers the opportunity to state their interests, a potential channel for lead generation.

As we mentioned earlier, the B2B publishing market in many countries is fragmented: while large publishing houses such as Germany’s Vogel Business Media are already transforming into multimedia companies adding additional services such as software and events (see Figure 30), the smaller publishers still focus on the print segment. Traditional business models are in flux, with many B2B publishers working on digital models to gain additional revenue sources.

Figure 29: Dutch B2B publisher SDU halts revenue decline by moving online
Source: PwC analysis

Figure 30: German B2B publisher Vogel Business Media is becoming a multimedia company
Source: PwC analysis
Adding value online
According to our research, B2B publishers that are successfully adding value online include the engineering search engine GlobalSpec and integrated technology media publisher TechTarget. GlobalSpec offers vertical search for the engineering, industrial and technical communities, and its website aggregates and distributes data and content (see Figure 31). It has extensive online catalogues of products and parts, as well as services. Engineering News and over 60 different e-newsletters provide up-to-date industry information and news about recent developments. GlobalSpec also maintains an extensive library of searchable technical articles that are available for free to registered users. CR4, its online community, offers news and discussion groups focused on technical topics, while ‘Dice’ is the career and job postings portion of GlobalSpec. The site offers job listings, career advice, resume writing tips, and other specific industry-related information.

Media publisher TechTarget provides detailed content in the form of training guides, industry white papers, webinars, news and newsletters. Content is grouped by narrowly defined sub-sectors, enabling advertisers to more effectively reach the professionals they want to target. TechTarget also has several websites dedicated to vertical B2B search, providing targeted access to archived magazine and news articles, learning guides, white papers and a variety of multimedia, all helping to provide in-depth industry information. Site visitors can also request product demos and selection assistance services that function as lead generation opportunities for market alliances.

Some examples of successful alliances in this area include a vacancy site for health professionals and IT executives – an alliance between a Wolters Kluwer business and Computer Profile, geared to reaching decision-makers within companies. Another website, set up by McGraw-Hill Construction, connects people, projects and products across the design and construction industries. It pulls up-to-date industry news from multiple sources, provides data on potential business opportunities searchable by geography, building type and project type and includes industry trends, career pages, feature articles, blogs and discussion forums.

Figure 31: GlobalSpec’s ‘engineering search engine’
Source: PwC analysis
We also discovered that the sheer amount of information now available has pushed B2B information providers to create new products utilising new technology. One of France’s leading B2B information and service providers, InfoPro Communications, launched a virtual trade show in 2007, and its usinenouvelle.com has become the foremost French service web-platform for business professionals. Also in France, Wolters Kluver told us that they “need to get to the point where our web offer is different from our print offer. And to get there efficiently we need to be vigilant about added production costs.”

There is a tendency to forge ‘open model’ partnerships with third-party content providers, the value not coming so much from the content, but from pulling together (through powerful search tools) different content types, such as archives, photos and news wires. But for all publishers, perhaps the biggest market change lies in consumer habits. As Thomson Reuters Healthcare and Science pointed out, “People are used to having direct access to information… to keep up with our clients, we need to develop Google-like search engines.” It is clear from our research that publishers are finding ways to transform their traditionally print-oriented businesses into multimedia companies focusing on generating revenues from online channels.

Operational excellence

Embracing and delivering a shift in infrastructure

The publishers we interviewed all appeared to agree that while margins remain unchanged by the transition from print to online, costs shift from a variable-cost model to a fixed-cost model. SDU told us that “the online environment requires more upfront investments and continuous improvement which result in increased depreciation costs, hence increased fixed costs.” It is also true that many new entrants to the market focus only on digital. Springer is prepared for the new generation of digital natives at its helm: “We expect that in the coming years the impact of digital media will impact our business as older professionals retire and a new generation takes over.” Dutch publishers felt that investments in technology carried higher risk premiums, but also the potential for higher margins. One risk is that customers will demand more and more features, while being unwilling to pay for them.

Content-led distribution

The traditional organisational structure of B2B publishers is also in transition, moving from a channel-led to a content-led model. The Economist Group called it “one of the biggest issues B2B companies have… not content itself, but how our content is delivered”. In response to this shift, InfoPro Communications reorganised the editorial of its Industry Pole around four services. These include the Industry Institute, which regroups content from different titles to be available across all supports (paper, web, mobile etc). The support used depends on the subject matter, for example at Thomson Reuters Scientific, where the majority of clients and information are corporate, there is no ‘real time’ need, so mobile channels are not exploited. However, for its healthcare division, mobile is used for relaying time-sensitive information and applications.

Publishers are intensifying their focus on information-enabled solutions and process management that together improve professionals’ expertise, lower costs and increase productivity. Many publishing houses face a challenge in terms of mentality and culture, especially those with a strong focus on books. These are not always flexible in adapting to new business structures. But the answer to the question of whether employees will adapt to the new world seems to be: “They have to!” One German publisher however did admit that “Connected thinking is not always easy.” Still, the majority of publishers are already some way into the transition from channel to content distribution. Wolters Kluwer told us that, “You’ve got to get to that point where you’ve got a meaningful penetration of devices in people’s working lives - whether that is by iPods, smart phones, tablet computers or whatever,” admitting that several of their segments had not yet reached that point.

Investment in IT infrastructure

Business information providers are focusing more of their attention on building cross-media websites and how best to generate traffic to attract advertisers. Traffic depends on the position of the website in the results of search engines. So investments in IT infrastructure are needed to facilitate the use of B2B websites on various platforms, from mobile phones through e-readers to multifunctional tablet computers such as the iPad. Interaction with business professionals enables publishers to fine-tune content to their specific needs. Specific online tools such as ‘did-you-mean-search’,
‘dynamic clustering’ or terms suggestion, ‘dynamic summary’ and ‘key word in context’ can be used to assist users in finding the information they need.

An escalating trend we discovered amongst trade magazines and B2B websites is the addition of affiliated / sponsored content. Content provided by advertisers is often presented as regular content with a small caveat at the bottom. Are publishers worried by this? Apparently not: while some believe that it might be an issue for trade magazines, most are convinced that the vast majority of its readers are able to determine the difference between advertising and editorial content. In the professional book segment, the decline in revenues is expected to be offset by an increase in revenues from e-books before long. One of the biggest issues in electronic versions of professional books is the protection of copyright, so Digital Rights Management (DRM) is a hot topic and arrangements with authors to protect copyright need to be made.

Online channels are increasingly important for lead generation. IDG for example, gives companies the opportunity to submit white papers, case studies and webcasts through a database, displaying them via a site library. TechTarget publishes a variety of specialised media allowing information technology marketers to reach targeted communities of IT professionals, and providing links to independent and vendor content across various sub-sectors of interest to IT professionals. It also offers conferences and live events as a marketing channel.

New service offerings
“As long as you are making a penny on the print, why get rid of it?” This attitude explains why some media companies still own their printing presses, despite having an increasing market share in electronic products. It also highlights the reluctance among some publishers to move wholeheartedly into the digital era for fear of lower revenues.

But the need for cost-cutting has been accelerated by the economic downturn. Critical success factors are improving efficiency, focusing on core competence, outsourcing and eliminating unsuccessful business models. Wolters Kluwer put in place a big cost-saving programme in response to the downturn, focusing on outsourcing.

Part of the new service offering has to do with the business model. Clients want more control over the information they purchase/use, along with more visibility so that they can control their spending and choose the right subscription model. This requires companies to be more flexible in their pricing and packaging. For the big players, it was clear that opportunities lie in new bundled offers.

**DRM and access control**
A major issue that B2B publishers are wrestling with in the move from print to online concerns copyright and access control. While they have always had this problem to some extent (sharing of magazines in offices, sharing of data products bought online), the shift to digital has made it more acute. Controlled circulation titles are not greatly threatened, but many publishers of workflow and data-heavy material fear that their interests could be damaged in a similar way to those of the film and music industries by the illegal copying and distribution of their content. Digital Rights Management (DRM) is the overall term for access control technologies that prohibit or restrain the usage (legitimate or otherwise) of digital content in a way that is not desired by the author or publisher. All DRM technologies attempt to control the use of digital media by preventing access, copying or conversion to other formats. E-books, whether read on a personal computer or an e-reader, typically use DRM restrictions to limit copying, printing, and sharing of e-books and the number of reading devices on which they can be viewed by the purchaser. Downsides of using DRM are that it tends to make the e-book publishing process more complex and that it impacts the popularity of e-books and e-readers. One of the challenges faced by B2B publishers is that, for e-books to succeed in the future, they will need to be made as compatible as possible with all reading devices without violating copyrights.
Some large European publishers want to introduce the ‘automated content access protocol’ (ACAP) as the new internet publication standard. ACAP is a metadata protocol that indicates what search engines and other aggregators can do with published content. For example, it could limit the extent to which Google is allowed to show publishers’ content on their search results. The publishers behind the ACAP initiative believe that copyrights are violated on a massive scale without any financial compensation. They feel that independent journalism is in danger under the current circumstances. A group of European publishers recently released a declaration of principles, the ‘Hamburg Declaration’, in which they demanded the adoption of ACAP for EU countries. Publishers expect to derive more revenues via this new protocol, but its critics fear that it already has too much influence and is not in the consumers’ interest. Underlying concerns include the fact that it can suppress the publication of certain comments or tags and prevent translations.

Technological developments are changing the business environment in which B2B publishers have traditionally operated. They need to adjust their strategies to survive in this new age of publishing. Audio and video both play a critical role in opening up online markets; publishers can add both of them to online platforms to facilitate interactivity between themselves and the user, and between users. The introduction of new products and tools can also be used to target information more effectively. The B2B publishing business model is evolving from the traditional one (where the producers were in charge), to an emerging model in which consumers are taking the lead by determining the content they want to access. Subscribers want and expect more interaction with authors and editors. The new online infrastructures must be flexible to accommodate the addition of new channels (such as mobile), new types of subscriptions and access restrictions. Online communities of consumers are becoming increasingly important to publishers, as they help evaluate content relevance and credibility.

User-generated content and its relevance to B2B publishers
The majority of the large B2B publishers already generate significant revenue from online content, the supply of software and various additional online services. Significant innovative developments are expected in the field of mobile services, e-readers and user-generated content (UGC), with services such as LinkedIn already providing exciting potential for some B2B publishers. The production, and
especially the distribution, of digital content is becoming less expensive. Business professionals can buy a subscription and easily acquire the information they need, whether in the form of software, business information, books or magazines. They can also easily add relevant content to online communities where they are themselves subscribers.

New technological developments are enabling B2B publishers to expand their service and product ranges, and to adapt them to the varying needs and work patterns of their audiences. Print publications, for instance, have a high value for employees who have almost no desk work and therefore only limited time to use the internet. Instead they have time to flip through printed media during breaks. Online services including archives, downloads etc are meanwhile relevant to all audience groups working at office desks with internet access. In the UK we found that some of the more academic B2B publications were more appreciated in print format since many professionals regard them as equivalent to books. E-readers will become increasingly important for all mobile professionals. The new generations of e-readers, and more sophisticated devices that incorporate e-reading as a facility, such as Apple's iPad, will prevail due to the additional features they offer, such as Wi-Fi, 3G, office applications, gaming, audio and video.

Although faxing may now seem a largely redundant technology, headline information provided via fax services is still highly valued by some craftspeople, and daily fax or email newsletters are often posted on billboards at the workplace. That said, daily fax sheets are frequently now being replaced by e-mail notifications (although because these are still posted on notice-boards, they serve much the same function). Books-on-demand is another service option. De Gruyter recently started printing more than 60,000 titles - some of which are more than 300 years old - as books on demand. In order to promote their e-books, De Gruyter offers this service at the same price per page for both print and digital formats.

E-readers
A number of revenue models exist for e-readers. Some manufacturers, which only provide the hardware component (such as the Sony Reader and the BeBook), still provide portals through which e-books can be purchased. Others not only provide the hardware, but also focus on marketing books, newspapers and magazines via their websites. While these types of services/devices may not be of equal interest throughout the B2B market - workflow products sold to large corporations may not be an area of interest - they might be a promising channel for B2B magazines and online platforms sold to individual professionals.

![Image](image_url)

Figure 32: Apple provides new product opportunities and sales channels for B2B publishers
Source: PwC analysis
New generation e-readers are moving from single-purpose black-and-white display devices towards multi-purpose colour display devices which combine video, Internet and e-book functionality. This will make them particularly attractive for B2B publishers, enabling them to open up new revenue models involving multi-channel services and advertising. These developments open up new potential revenue streams for B2B publishers to sell subscriptions for trade magazines and journals.

The Apple community

Apple may be considered a special case. Its products, such as the iPad and iPhone, not only allow people to read business information when and where they want, but also offer B2B publishers the opportunity to reach a new target group in the form of the ‘Apple community’ (see Figure 32), people who use exclusively Apple products. Apple is perceived as ‘cool’, and incorporating B2B distribution channels can broaden the B2B publishers’ client base.

Mobility is becoming a more and more important factor, especially now that wireless internet is becoming more widespread. In the Netherlands, for example, Nederlandse Spoorwegen, the Dutch railway organisation, has started to introduce free wireless internet on trains, and plans to equip all intercity trains with Wi-Fi by the beginning of 2013.

Apps are another feature of mobile devices that hold out considerable promise for B2B publishers. Apps can be sold or offered free of charge. They could for instance allow subscribers to view the latest business news, watch videos and search for data. B2B publishers could also introduce an app that allows their subscribers to listen to study material (for example in the form of an audio book) on their mobile.

Ownership and consolidation

Since the credit crunch, some publishers have been divesting their non-core activities enabling them to shift their focus to online acquisitions and development. Our research has shown that, in the last five years, publishers have gained added value through the acquisition of software and website companies. They have also developed new digital products and companies and come up with their own integrated internet sites providing news, content, opinion and UGC. SDU’s activities in this area can be seen in Figure 33.

PwC’s Media M&A Insights 2010 revealed that in Europe, including the UK, there was an increase in the number of deals in the second half of 2009 and M&A activity levels appear to be increasing in 2010. Last year saw a rise in the numbers of restructurings and refinancings, with banks opting to refinance debt rather than force a sale of assets. Banks are now effectively the owners of a number of assets in the sector and will provide a flow of deals in 2010. As the leveraged lending markets slowly open up, we expect to see greater levels of activity from private equity, which was largely absent in 2009. News Corporation told us that after acquiring Dow Jones it created News Hub, pooling the resources of news wires and Wall Street Journal journalists, to deliver live broadcasts, reports and videos on a daily basis. Publishers are benefiting from ownership structures that focus on the long term and give room for innovation and diversification. SDU said its private equity structure gave it the advantage of “bringing focus to the organisation” while IDG considered its private company status to have protected it from the impact of the credit crunch. Private equity houses have specific expertise that can be relevant for publishers and help them accomplish strategic goals. However, many PE-financed organisations face the problem of managing leverage levels that were set before the recession.

Figure 33: SDU’s shift to online acquisition is typical of recent trends in the Netherlands
Source: PwC analysis
This chart covers M&A transactions completed between 2001 - 2009, involving stakes greater than 10%, where the target was from Europe (excluding the UK) and the deal value was disclosed and greater than €10 million.

Source: Dealogic, Mergermarket

Figure 34: European deal activity since 2001
Source: PwC analysis
The German B2B media market is extremely fragmented, with many family-run publishing houses operated by senior-aged management. In March this year, the European Professional Group bought the German B2B publishing unit Reed Business Information GmbH from the Anglo-Dutch publishing house Reed Elsevier. German publishers, in line with European trends, expect several consolidation initiatives, but there is uncertainty regarding time frame and investors.

One thing is clear: the changing environment for B2B publishers is driving a trend for consolidation, in part at least because for some players, the shift from print to online requires additional investment. There is an argument for stating that with less advertising revenue being generated, it is the strong brands that will have the upper hand. Or, as PDG Wolters Kluwer France puts it: “You need to be in the top three today to survive. For the small companies, it’s a case of consolidation or death.” But that said, consolidation will never be the only option. It looks likely that there will always be a place in the B2B publishing industry for small and/or niche players and, for them, the priority will be to continue to ensure relevance to core customers, while targeting greater efficiencies in their operating models.
Appendix
Appendix 1
Methodology

The survey we conducted to gain insight into trends and preferences amongst business professionals involved 200 respondents. As the survey was conducted online, we note that the results are likely to be positively biased towards a preference for online information. Our findings are representative of the prevailing situation in the Netherlands. Nevertheless, we feel it is reasonable to assume that the results may point to future trends in media usage in other countries. The results of this analysis are based on the responses of the 200 professionals who answered every question in the survey.

The survey provides valuable insight into the respondents’ demands and interest, with respect to depth of information, use of medium and interest in online technology. There was a good balance amongst the respondents with respect to education and type of organisation.

We also conducted interviews with 25 leading B2B publishers and ten leading advertisers in five countries: the Netherlands, UK, France, Germany and the US. We supplemented this qualitative research with industry reports, annual reports and analysts’ reviews, as well as drawing on our extensive experience of advising clients in the B2B publishing industry.

Interviewees (Netherlands)

B2B publishers
- SDU Uitgevers
- Wolters Kluwer
- IDG
- Reed Business
- Springer

Advertisers
- ING
- PricewaterhouseCoopers (Netherlands)
- Terremark

Associations
- Nederlands Uitgevers Verbond

Interviewees (Germany)

B2B publishers
- Vogel Business Media
- Walter de Gruyter
- Deutscher Fachverlag
- Wolters Kluwer Deutschland
- Springer Science+Business Media

Associations
- Verein Deutsche Fachpresse

Interviewees (US)

B2B publishers
- The Economist Group
- Wolters Kluwer
- Hearst Business Media
- Dow Jones
- Nielsen
Advertisers
- Ogilvy North America
- HUGE
- Tennant Corporation

Interviewees (UK)
- Euromoney
- Trader Media
- Incisive Media
- Reed Business
- UBM
- Guardian Media Group
- PricewaterhouseCoopers (United Kingdom)
The electronic environment is changing rapidly. As part of the whirlwind of technological development, new mobile devices and media platforms are emerging all the time. A new generation of ‘digital natives’, completely at ease with the new technology, are demanding online information on ‘smart’ devices anytime and anywhere. And they are demonstrating a willingness to pay for specific professional applications (apps).

These developments create enormous opportunities for far-sighted B2B publishers. For example, German publisher De Gruyter has reacted by developing an app for the iPhone and iPod Touch for its publication Pschyrembel, one of the leading medical reference books.

New opportunities will flow from the recent launch of Apple’s iPad, a tablet device incorporating Wi-Fi, and 3G, with a colour multi-touch screen. Enabling users to run office applications, browse the internet, send and receive e-mails, watch films and read e-books, this is set to be an exciting platform for profession-specific information.

In addition to representing another channel through which they can market B2B e-books and e-magazines by using iBooks, the iPad, and to a lesser extent the iPhone, offer B2B publishers the opportunity to introduce new products and tools. They can provide e-books and e-magazines with videos, interactive material and links to websites. They will be able to inform their subscribers immediately and in a highly targeted way about new business information on e-books and e-magazines. They can offer online business information archives with search tools. A chat function can be incorporated, allowing their subscribers to discuss business issues related to their particular interests with other users, as well as authors, online.

The next version of the operating system for the iPhone and iPad will incorporate a built-in mobile advertising platform called iAd. Through iAd, apps can feature rich media ads that can combine TV-like ads with the interactivity of the web. For advertisers, it creates a new media channel that sends highly targeted and localised information to consumers, including business professionals. To B2B publishers, it therefore represents a new and easy to implement source of revenue.
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