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THE FUTURE OF NATIONAL NEWS AGENCIES IN EUROPE

Case study 4

Business model innovation
in media-owned national
news agencies

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Abstract

This study examines business model innovation in media-owned national news agencies through a case-study analysis of the Press Association (PA) (UK), TT News Agency (Sweden), and Austria Presse Agentur (APA). Responding to growing competition and technological changes, all these agencies have pursued a search for new business models. We argue here that these agencies have diversified their business in two key ways: by building new value-added products and services and by searching for new corporate and institutional customers. They have all adopted an innovative, diversified model that can be conceptualised as a multi-sided platform. The nature of this business model means that, while the subsidising of one side of the platform may be necessary, operating a news wire service at the core of the company, even with a negative margin, may be a financially viable business model.

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Introduction

In 2000, a UNESCO workshop raised concerns that the internet could spur the end of news agencies (Boyd-Barrett, 2008). Indeed, the real-time distribution of online news and social media, alongside technological developments, political change, and dynamic internal market forces, have profoundly disrupted today's media landscape (Boyd-Barrett & Rantanen, 2000). The decline in print newspapers, increasingly digital news consumption, and the disruption of digital advertising business amid the advent of social media have all been widely documented. However, nearly two decades later, there are still successful news agencies that thrive and grow. This raises the question: what have they done? what is their recipe for success?

This study sought to answer these critical questions, focusing on a select number of cases in order to identify the traditional business models of news agencies, the forces that have challenged these, and what they look like today. Specifically, we have explored the challenges faced by two key actors: the agencies themselves, and their primary clients (the news media).

Why these agencies?

There were four selection factors for the agencies included in this study:

- They are owned by several news media companies, and their original business model was a so-called co-operatively owned agency
- They have diversified their operations widely;
- They are highly profitable
- They were identified as role models by other agencies studied for the project on The Future of National News Agencies in Europe

The agencies selected, and which agreed to contribute to this study, were:

- PA Group Ltd., UK
- Tidningarnas Telegrambyrå (TT) Group, Sweden
- Austria Presse Agentur (APA) Group

Research questions and methodology

The research question for this case study was:

How have media-owned national news agencies developed their business models in order to thrive in the digital era?

To address this, we conducted 24 semi-structured interviews with managers of the three selected agencies.

The interviews were recorded, transcribed and analysed with nVivo software. To triangulate and investigate the claims made, we also conducted document analysis of the companies' income statements, balance sheets, annual reports, official sources and published articles.

All interviewees gave full, informed consent to participate and all those quoted here agreed to being named.

The methodology is limited in that it covers only expert views from within the agencies themselves, not from their clients.

Historical context: The invention of the internet as a news distribution platform

Before presenting our findings on how news agencies have innovated new business models, it is worth briefly exploring what triggered these decisions. In other words, what was the logic behind them, and the red flags that triggered a timely strategic overhaul for these agencies. The dramatic changes in the news ecosystem have been widely discussed, and provide an important context for the findings in this paper.

The most significant change in the news ecosystem has been the advent of the internet - and with it of online news. This has profoundly changed both the production and the distribution of news. Newspapers were once the main customers of news agencies, but the dramatic growth of the internet has encouraged the speedy decline of printed media, in relation to both newspaper circulation and advertising revenues. These developments have had a direct impact on agencies which had charged newspapers for their news services on the basis of their circulation and frequency of publication (C. Marshall, Personal interview, 29 May, 2018). 'One of the biggest driving forces for the diversification by news agencies has to be the decline of the newspaper sector, PA's Commercial Director, Marc Tucker, agreed (M. Tucker, Personal interview, 9 May 2018). PA's Managing Director, Tony Watson, also underlined that 'the print sector has lost a great deal of the print advertising that supported its journalism' (Watson, 2018).

The enormous range of content across so many platforms also challenges news agencies' role as the near-exclusive provider of news to its clients. 'Since the advent of the internet, news information, sports information, entertainment stories - all of the things which are the lifeblood of an agency - are constantly available in large

4 Business model innovation in media-owned national news agencies

volumes and almost instantly from many sources, Marc Tucker noted (2018).

Social media began another wave of disruption in the news ecosystem around ten years after the birth of the internet. This spread the offering of free news, meaning that agencies' services can be shared by anybody through social media networks, and anybody, including their potential clients, can access the information.

Another direct impact of social media has been the disintegration of news and advertising in the digital channels, monopolised by Google and Facebook. This again profoundly disrupted the business models of news media.

Theoretical framework: Making sense of the news business

To conceptualise why news agencies' innovate in their businesses, we introduced a new theoretical framework. We apply Michael Porter's five competitive forces theory (Porter, 2008) to the business of a news agency, analysing the competitive environment they operate in and their need to respond to this. We also draw on the concept of a multi-sided market.

The roots of business model innovation: Value creation and value capture

First, it is important to outline the concept of value creation. This is central both to the strategic management literature and to studies of business model innovation. Value is created in a value chain if the price that customers are willing to pay is higher than the opportunity cost to suppliers of resources needed to produce the good or service. Who captures the value is dependent on the bargaining power of the participants; typically, prices are set so that the buyer pays less than they are willing to pay and producers pay more for resources than the opportunity cost. In this way, both the buyer and the supplier, as well as the seller, capture value in the transaction. The value captured is then the difference between revenue and cost retained by the firm (Bowman & Ambrosini, 2000; Brandenburger & Stuart Jr., 1996; Porter, 1985).

A business model is typically defined as the way in which a firm creates, delivers and captures value within its organisation and via its different stakeholders. A business model explains the logic by which it creates and delivers value at a price that is appropriate and then captures value (Massa & Tucci, 2014; Zott, Amit & Massa, 2011). In services, it is typically more difficult to separate the

different phases of value creation and value delivery than in the case of tangible goods, and there is often also an issue of inseparability of production and consumption (Ekelund, Mixon & Ressler, 1995).

Business model innovation is the process by which the business model of a firm is either wholly invented (for a newly established firm) or wholly transformed (in an existing firm) (Lindgardt, Reeves, Stalk & Deimler, 2009).

To analyse the changes in the universal usage of news that free internet distribution has caused in the marketplace and news agencies' ability to protect and capture the value these are creating, we use the basic economic concepts of public good, toll-good and private good to present conditions for news as a tradeable and monetisable good (Agrawal, 2003; Shmanske, 1986; Stiglitz, 1999).

In short, over the last twenty years the most profound change in the media marketplace has been the declining commercial value of news information. This has been caused by the increased supply of news enabled by free, real-time feeds from the internet, mobile devices and social media. While these technologies have strengthened the characterisation of news as a public good, news is at the same time also increasingly available as a toll-good, behind paywalls in specialist pay-tv channels and subscription-based online services. This means that for those willing to sell news as a toll-good there is a strong need to differentiate their product in order to gain a competitive advantage over those offering news free of charge and therefore as a public good (McDowell, 2011; Picard, 2000, 2005, 2006, 2010, 2014).

Porter's five forces theory

In order to sustain value creation, businesses must cement their competitive position in the marketplace. To explain the collective shift in news agencies' role in the news marketplace, it is useful to understand the five competitive forces as outlined by Porter (1979, 2008):

- Threat of new entry
- Power of suppliers
- Power of buyers
- Threat of substitutes
- Rivalry among existing competitors

According to Porter, the threat of new entry tends to be limited for businesses with economies of scale like news agencies. Companies that produce a large number of goods enjoy lower costs per unit, since fixed costs can be spread over more units and in extreme cases may result in a natural monopoly situation. The willingness to enter the market tends to be lower due to the extremely high

upfront cost, and incumbents enjoy key benefits over newcomers such as preferential access, brand identity and experience. The threat of new entry may be further reduced by the likelihood of a strong incumbent backlash. This is especially true if the industry has high fixed costs which motivate the dropping of prices in order to use capacity to full.

Powerful buyers can force down prices by demanding better quality or more services, at the expense of industry profitability. If buyers can threaten to produce the service themselves, their power increases.

The threat of substitutes is often hard to recognise and unpredictable in industry transformations. A substitute fulfils the function of the product by different means. Sometimes the substitute may replace the buyer industry's product, thus reducing the demand for supplies. Technological changes may have major impacts on industries.

Rivalry among existing competitors is especially hard when fixed costs are high and marginal costs are low. There may be high pressure on competitors to cut prices close to their marginal costs and to win new customers while still covering some fixed costs.

Multi-sided platforms

The terms 'multi-sided markets' or 'multi-sided platforms' emerged in the literature in the early 2000s (Armstrong, 2006; Caillaud & Jullien, 2001, 2003; Rochet & Tirole, 2003). Before that, these complex characteristics of media were known as self-subsidising or cross-financing markets, combining income from subscriptions with advertising revenue (Ludwig, 2000). Today's definition of multi-sided platforms remains disputed (Weyl, 2010), but typically covers those that:

- provide different services to two or more different sides of the market and define pricing on both sides differently, and
- create cross-network effects, meaning that the higher the number of users participating on one side of the market, the more valuable the offering on the other side of the market - and the marketplace as a whole - becomes geared to its customers (Eisenmann, Parker & Van Alstyne, 2006; Hagiu & Wright, 2015; Rysman, 2009).

Typically, multi-sided platforms also charge fixed membership fees and variable interaction fees. Optimising these prices is crucial to solving the chicken-and-egg problem faced by all new platforms: namely, how to become attractive to both buyers and sellers. Indeed, a market is attractive to sellers only if there are buyers, and

vice versa. Some features of the platform are often subsidised in order to make it attractive and to establish the virtuous cycle of network effects.

This makes the platform model distinctive from the traditional linear or 'pipeline' business model (Eisenmann et al., 2006; Hagiu & Wright, 2015; Rochet & Tirole, 2003; Rysman, 2009).

We aim to illustrate here how news agencies have moved from singular outsourcing operations to multi-faceted media content platforms. However, a central question is whether they are 'resellers' of media content and of corporate and institutional clients' attention, since this concept means they take full control of their sales to consumers (Hagiu, 2007).

Conceptualising a modern news agency as a multi-sided platform

By combining these elements, it is possible to conceptualise agencies as multi-sided platforms in which the agency provides the rules and the technology through which the different sides operate.

First, the data in our next section illustrates how some of Porter's five forces have been in play and driving the change in business model. These changes in competitive forces have forced the agencies to look for a more diversified business model in which they could serve customers other than the media, and also to serve media customers with services with more added value, and to ensure that they are better protected against usage without a licence of services like pictures, videos and graphics, and added-value specialist news services.

In the agencies surveyed, management's mandate from the agency owners has changed. The agencies have turned from cost-sharing co-operatives under media control into dynamic media service companies taking risks and aiming for profit in order to maintain important services for the media or to create a return on capital for owners. This has fundamentally changed the firm dynamics and capabilities needed. IT capabilities, change capabilities and management capabilities have been key resources in the change.

Secondly, we illustrate how agencies have adopted a multi-sided platform model, in which news media customers operate on one side of the platform as content- and attention-providers, and corporate and institutional customers operate on the other side. The special relationship with the media creates a competitive advantage for the agencies, enabling the network effects needed in order to successfully scale up and to operate these businesses as platforms.

6 Business model innovation in media-owned national news agencies

Most of the financially most successful business models of the featured agencies have followed the platform logic of selling the participating media's content to corporate and institutional customers and selling the media's attention to corporate and institutional customers.

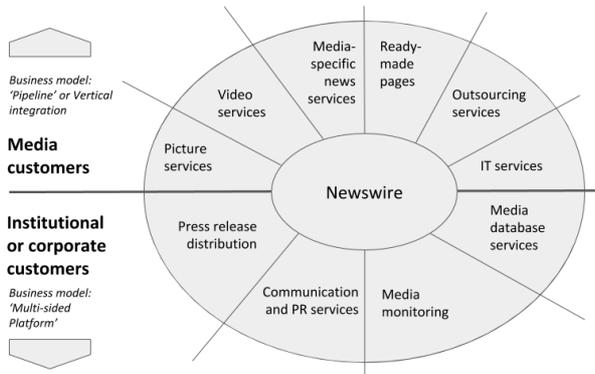


Figure 1: News agency services grouped according to customer segments and business models, simplified model

Finally, the features characterising a multi-sided platform can be seen in Figure 2 below, which conceptualises a news agency as a three-sided platform in which the news operations of an agency create network effects and support the other businesses of the agency.

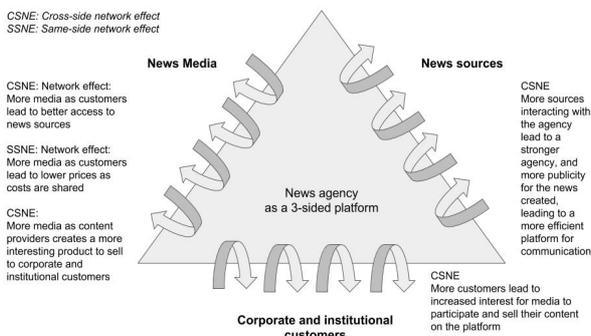


Figure 2: Concept of a news agency as a three-sided platform

Empirical findings: The rise of the distributed business model

This section illustrates how successful agencies have diversified their businesses. It deconstructs the core of the distributed model and each agency's version of it.

Identifying the need to 'respond' – and innovate – early

By the early 2000s, the three selected news agencies had all decided they needed to restructure their business

models. They all describe Porter's forces coming into play, particularly the threat of new entrants, observing that:

- Barriers to entry to the market have been lowered due to technological advances
- Benefits of economies of scale have become less, due to new distribution technologies, cloud computing and open source technologies
- Capital requirements have been lowered, due to declining costs of technology
- Natural monopoly logic strongly discourages direct competition in general news services

The emergence of a rival agency was a key trigger for the PA. In the UK, competition was created in the early to mid-1990s, when two key clients decided to set up their own agency because they considered this would be cheaper than paying for the PA. These clients thought they could produce a more tailored newswire at a lower cost. The PA lost about 40 per cent of regional newspapers as clients because these were owned by the two groups that launched the competing agency, UK News. This process was very challenging, but also quite an exciting time because while running the commercial team we were very active in trying to keep existing clients on board and win back defectors. Ultimately, we [PA] won the battle and developed some new products and commercial models in the process (Tucker, 2018).

The PA took this competition very seriously and it resulted in significant changes in the approach and mentality of the company: 'PA then started to become customer-focused, rather than deciding that it knew best what its customers wanted. So I think that was a critical point' (Marshall, 2018). While the PA was having to deal with the competition threat, revenues were hit, but the quality of its services improved. More importantly, there was a fundamental shift that changed the PA into a commercial, customer-focused agency.

As for TT, the agency similarly experienced a period of competition in the late 1990s, when regional and local newspapers were trying to challenge it, and many local newspapers cancelled their contract with TT. This was a significant alert for the agency, which came to the conclusion that it 'had to reorganise, to shut down stuff, head for new contracts with the media clients and some kind of reorganise or redevelop the whole company so the challenger went out of business and TT was restarted' (A. Broberg, Personal interview, 18 June 2018). The most significant lesson from TT's crisis was that the agency needed to review its relations with clients. TT's current management believe that the company had conducted itself poorly with customers in the 1990s. They consider that the competition with Förenade Landsortstidningar (FLT) helped TT to become

‘professionalised in a sense’ (D. Kjellberg, Personal interview, 18 June 2018).

In the Austrian case, for APA transformation was driven not by competition but by a difficult situation in a small newspaper market. With visionary leadership in the early stages of transformation, the Austrian agency started its diversification process even earlier.

Summarising through the framework of Porter’s five competitive forces observations from all our interviews with the managements of the agencies surveyed, we can say that there have been – as well as the increased threat of new entry already mentioned – major changes in terms of two additional major forces:

Increased *bargaining power of buyers*:

- The size of media groups has grown and their internal co-operation increased, creating an ability to produce content themselves and lowering the benefits of economies of scale for news agencies
- The value of exclusive content in digital distribution has increased, increasing the benefits of producing for themselves or of buying exclusive rights to publishing
- Buyers have themselves gained easier access to information
- News agencies are responding by adding value through super-efficiency and technological and service innovations

The *threat of substitute services* has increased:

- Pure information needs can be served by using freely available real-time sources;
- News agencies have strong brands that protect them and increase the value of their services as trusted sources for both the media and the audience;
- News agencies have been able to create new, better protected services that include other components of value than pure news information, such as editing, ease of use, and media with better copyright protection such as pictures and video.

All these opportunities are affecting news agencies’ ability to capture value in the marketplace.

The fundamentals of a distributed business model

The basic idea of a co-owned media agency involves cost-sharing and pooling. Within this, however, clients also seek better access to news, super-cost-efficiency, innovation and technology, and services with ease of use. There are four key variables that our data shows are inherent in a

distributed business model and help to hit clients’ selling points (or ‘value propositions’), i.e., saving them money and boosting sales.

The role of the newswire as a basis for diversification

Lowering the costs of their clients is the strongest argument in the hands of news agencies. A combination of a high level of productivity, being able to sell the results of their work to several customers, and even paying lower salaries, can give customers a significant cost benefit from using news-agency services.

We ensured that we were creating products that nobody else was currently creating or, if they were, not with the content that we could provide. We clearly identified how we could save time and money for customers because we identified that as a key metric (S. Robinson, Personal interview, 9 May 2018)

The agencies claim that they provide cost savings to their news media clients, on top of the traditional logic of cost-sharing and economies of scale, through super-efficiency.

[they] are providing the basic news service in a way that is fast and reliable and covers all editorial aspects and has enough staffing and enough editors that can work on this in a modern, efficient way with up-to-date channels and customisable output formats. (K. Ganner, Personal interview, 25 May 2018)

Efficiency in the production of services and products is a key asset for customers: ‘If you can reduce the amount of time that they need to spend producing their content, that is a great value to them, especially when their revenue is greatly diminishing year on year, mainly because most of them are ad-based (M. Machan, Personal interview, 9 May 2018).

The role of the newswire, editorial and brand are also key issues in diversification to other business. Almost all our interviewees agreed that the brand perceptions created by the newswire played the most crucial role in their development of new products and services, in the diversification of their business and in transforming their business models. Marshall described the role of editorial and newswire:

We don’t envisage a world without that core news service. That’s what we refer to as the beating heart of the business and then we build everything off that. So our strategy of diversifying through a mix of acquisition, organic growth and innovations – such as

8 Business model innovation in media-owned national news agencies

artificial intelligence – ultimately rests on the agency brand and our trusted journalism. (Marshall, 2018)

In the eyes of PA management, the editorial reputation the agency has built up over so many decades stand them in good stead when it comes to diversifying and talking to other companies because they have a reputation and a position in the media landscape that they think 'people know, admire, and trust'.

I think that, however much we diversify – and obviously it's very important that we do – the editorial services that PA produces are the bedrock of what we are known for and stand for, and a lot of the things that we do rely, at least in part, on our reputation as a long-standing, highly reputable editorial operation. (P. Clifton, Personal interview, 29 May 2018)

Trust is considered a crucial and valuable asset, enabling and building the agencies' role in a value chain that can be monetised. All senior management agreed on the importance of being highly reputable and trustworthy, both editorially and as a company, and that this helps the agency in the diversification of services and in modelling its new businesses. Clifton said:

I think that the editorial reputation we've built up over so many decades stands us in good stead when it comes to diversifying and talking to other companies because we have a reputation and a position in the media landscape that I think people know, admire, and trust. (Clifton, 2018)

The reputation of the newswire is a major asset and has become more important over time for APA as well. The newswire has helped in creating new businesses around the brand. Clemens Prerovsky (Personal interview, 24 May 2018) said 'just being an IT company without the content would not work without any changes – we would need a different approach', while Ganner explained this as follows:

It is very obvious and very clear that we profit a lot. We profit from the image of the APA brand as being independent and being objective and a successful information company and news agency... The brand is, of course, a big help. That's a door-opener. (Ganner, 2018)

Traditionally, the newswire has been the main source of income for news agencies. However, the managers of agencies reported that this service is not as significant as it was in the past, and that the agencies have been losing revenues from this. Westin of TT said: 'The newswire is unfortunately declining. We don't get as much money for it as we used to, because the print publication is going

down, and their will to pay much for digital is not so good (G. Westin, Personal interview, 18 June 2018).

Role of technology platform and distribution network

Innovation and technology play a crucial role in adding or creating value by developing new products and services for media clients. Services that are easy to use are a significant aspect of innovation and technology. In providing value, the key issue is all about how the agencies package content, the way they put it together and how they distribute it. Simplifying and bringing all assets together has a big impact on clients and allows for more cost savings.

The agencies have been and are looking at ways to update their technology platforms. Watson of PA highlighted the paramount role of technology and product development in the future development of news agencies. He said: 'I think technology is playing a much, much more important role. It's playing a lead role now in a way that it wasn't in the past' (Watson, 2018). The senior management of PA thinks that 'the business is moving more and more to a platform base' (Marshall, 2018). Technology and platforms are also very helpful for the agencies because they provide a means of obtaining comprehensive feedback on audience and news consumption habits.

Pig of APA asked 'how do you deliver innovation to them if you don't have the platforms, the tech services, the microservices?' to highlight the crucial role of platforms for the agency. He believes that the agency must integrate editorial and tech services, since it offers extremely tech-orientated 'news-tech' services (C. Pig, Personal interview, 24 May 2018). IT services have been growing for the past years for APA. Prerovsky says "APA is turning into a technology company. It is, and it will always be the combination of content and technology" (Prerovsky, 2018).

Role of double-layered customer orientation: Understanding the needs of client's clients

The needs of the news industry have dramatically changed in the last decade. Understanding the needs of clients, and clients' clients, has therefore become more important in order to be able to update and improve products and services in line with the changing needs of media customers. The news agencies have paid a lot of attention to relations with their customers, whose feedback is beneficial.

The agencies often have meetings and discussions with their customers. They need information from different

levels in order to understand how their clients work, and they would benefit strongly from being able to analyse usage data from their customers' portals and from tailoring their products to these. Hebein explained the big difference compared to ten or twenty years ago:

We didn't have to look at how our customers do things, how the media houses are working with our material and product. When our content was ready, we didn't have to think about it; we didn't have to understand in detail how they use our content and make products and make new business models. Nowadays – and this is the very big change now – we have to understand much more the concept and the business models and the products of the media houses. (M. Hebein, Personal interview, 24 May 2018)

PA has also started to become more customer-focused: 'Being alert to their needs, and being open, flexible and prepared to try things, has helped PA an awful lot' (Clifton, 2018). The change towards customer orientation is clear in TT, too. The interviewees explained that understanding customers' needs is a priority of the company.

Protection of exclusivity as a critical challenge in capturing value

Swift access to news and unique content is another vital component of value. To illustrate, the PA considers that it brings something to the party that a pure production house would not be able to deliver. Machan (2018) said: "We ensured that we were creating products that nobody else was currently creating or, if they were, not with the content that we could provide'.

The dependency of media clients on the news agency services, which can be defined as "lock-in", is a strong element for the agencies in the capturing of value, and strengthening their position in the value chain. All interviewees of this case study agree that it would be very difficult or almost impossible that their media clients continue to operate without the services of the news agencies. This contrasts with the findings of our main study, which shows that media clients have increasingly cancelled their general news services (Rantanen et al., 2019).

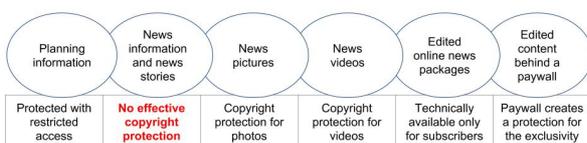


Figure 2: Example of news services portfolio in a modern news agency, with different means of protection of value

Broberg of TT said:

The national Swedish radio says: "Then we don't miss anything which is important during the day". We are doing all the boring stuff. We are checking the agenda. We don't miss anything from the government, or from politics, or from the business side, and so on. They feel safe if they have TT on their side because then they don't miss anything on the agendas. (2018)

Detailed study of APA shows that the news media widely use its stories and other products. Karin Thiller stated that 20 to 45 per cent of the stories in Austrian newspapers are originally based on news from APA. She underlined how the news media is extremely dependent on its services. When asked 'Is it possible for them to operate without APA's content?', she replied: 'No, it's not. Not in the short term' (Personal interview, 25 May 2018).

The management of PA also think that its media clients are still dependent on it. They need the services of PA because if they did not have these they would have to increase their staff in order to be able to cover the things that the agency covers for them (Watson, 2018). Marshall put it very clearly:

It is often the case that our customers would imply, prior to the negotiations for each new contract, that they don't need our services at all. And the day after they've signed their new contracts, they then say that they couldn't live without them. (Marshall, 2018)

The model in practice – three ways

Each agency has developed a structure that combines news content with service value and exclusive technology. Content production and IT are connected or dependent on each other. New services are also being developed around content and information.

APA

The APA Group consists of three main strategic business units: editorial, technology (APA IT), and media database and communication services (APA DeFacto). These are well balanced, as each has about 150 employees and about 20 million euros in turnover (APA, 2018). Ganner explained the structure as follows:

The diversification of APA group, the launch of the brands as subsidiaries, was very successful. Each company acted relatively independently in their market, with their own marketing team, their own product development, some had their own sales team, and everybody was looking to their own profits and their own products. This was quite successful at that

time and each of the companies, APA-IT, APA-OTS and APA-DeFacto, was growing and growing. (2018)

In APA, also, the business model evolved on the basis of market needs. The management believes that there is not a lot of room for business model innovation in the wire services. Therefore the agency entered the IT, media database services and PR services markets. The company seeks new opportunities and roles within the new news ecosystem. It is dedicated to building its services on both news and technology (V. Krawarik, Personal interview, 24 May 2018). To illustrate, media database and monitoring services began 20 years ago, when Der Standard asked APA about the possibility of buying its archive as an APA service. Starting with Der Standard, the agency began to gather more publishers and offer them archive services, and then the database business started, and the media monitoring business followed. Ganner said 'it evolved' (2018).

APA DeFacto specialises in media monitoring and media database management. The business model is based on reselling the content of publishers, media houses and owners. Each year the company distributes revenue shares to its publishers. The core product is the media monitoring service. The company has around one thousand clients. The second biggest product in APA DeFacto is the media database, with hundreds of millions of documents, all the Austrian newspapers, magazines, radio and TV stations. A share of the revenue coming from each article bought by the consumer or by the user goes back to the publishing houses.

TT

At TT, as well as the diverse range of services for media clients run by TT-branded companies, media monitoring is organised in a separately run subsidiary, Retriever, of which Norwegian news agency NTB is a co-owner. The subsidiary operates in three Nordic markets, also including Finland, where it bought a 51 per cent majority share of the media monitoring business now co-owned with Finnish News Agency STT (SST, 2016; 'TT Nyhetsbyrå Ab', 2018).

PA

As for the PA, it is very diverse at the group level. PA is, in some ways, a number of different businesses that have come together over the years in various formal and informal ways. The group diversified in a classic way through acquisitions and organic growth: 'I think if you look at our business model, we have many different customer sets so it's quite varied (A. Dowsett, Personal interview, 9 May 2018).

The news agency is the core, and there is a ring of businesses around it that are there to support it. These have varying degrees of symbiotic relationship with the core. Ethelston of PA explained: 'At one level, we are a multitude of businesses, and each goes and has their different markets they operate in' (E. Ethelston, Personal interview, 9 May 2018)

PA also started to diversify and make investments in businesses, including through acquisitions, which have played a significant role. The strategy for diversification was aimed at lessening exposure to the media sector. The agency has also developed products and services that take its content into the public and private sectors for a range of different uses and is looking for new destinations for the content. Management believes that the market is large and there are many opportunities. Watson highlighted the role of acquisitions:

...complementary acquisitions that are based on some aspects of the gathering, processing, distribution of content, not necessarily just within the media sector. We've made a number of these acquisitions over the years and it continues to be part of our outlook going forward because I think our strategy has been very much around how we can diversify the business so that we lessen the exposure to the media sector which is so reliant on advertising. (Watson, 2018)

Why this model?

The prerequisite for business model innovation in the agencies surveyed was the mandate that management received from the owners to search for new business models as a result of the crisis in the industry. Our interviewees indicated that it was management that led this change process, with the owners playing a supporting role.

Marshall described how:

Obviously, the confidence of the PA board in management was very high and the board were very supportive of the executive. Over the last eight or nine years I cannot think of any opportunities we wished to pursue that did not receive the support of the board. (2018)

Another significant question is whether the pursuit of a new business model has been a strategic decision or a gradual reaction to the rapidly changing news industry. Our interviews mainly suggested that it was both. A visionary perspective and/or a strategic decision as a result of reading major developments in the industry is certainly needed. The cases in our research show a strategic intention, but the agencies are inevitably subject

to the constant impact of technological influences as well as of changes in the marketplace.

So that I think [this] is a really good example of how we had communicated in a way that we've never communicated to that customer set before, and it was important to execute this at that level of change with that market. Really, really important. (Dowsett, 2018).

APA has the most carefully planned change process that backs to 1980s. The diversification of APA started before the advent of internet news services, already in the 1980s. Pig of APA describes this phenomenon: "The system already broke up in the late '80s, by Wolfgang then, to say we have to go into the diversification. This was the solid base for all other steps further." (C. Pig, Personal interview, May 24, 2018). Prerovsky also highlights the crucial role of the former CEO: "There was a very conscious decision by a former CEO, Wolfgang Vyslozil. It was a decision that he made. And I think a good one at that. Because I feel back, then it put us way ahead of the game." (C. Prerovsky, Personal interview, May 24, 2018).

As to the PA, the agency describes the beginning of the process more pragmatic and an evolution. While the strategy is very significant in PA, the British agency also quickly responded to the challenges and opportunities. The steps that the PA has taken in recent years have been strategic (Marshall, 2018). Tucker describes constant evolution phenomenon as follows:

For me, it's felt like constant evolution at a measured pace. But actually, if you analyse in more detail, that constant evolution is created by the sort of spikes that you're talking about. It's just that nothing changes immediately, so the catalysts will have been things like competitors in the market or development of digital technology and distribution platforms resulting in what looks like a very slow, measured – in my view – migration, evolution over time. (Tucker, 2018)

The PA had already started moving up the value chain 15 or 20 years ago, from pure content feeds from the wire to providing packaged products and fully page-ready products so that the customers of these services could start to remove that cost and that process from their business by outsourcing to the agency.

In the case of TT, the first new management after the crisis explored the possibilities of entering the consumer news market, but after 2003 it was decided to focus on serving the media with a diverse set of services and graphics, photo and edited news services were purchased and established. This was also a test for the agency's governance because, in order to succeed, TT had first to start competing with the photo operations of its new

major owners (R. Grünthal, Personal interview, 27 August 2018)

The reason for the decision was, according to the CEO of that time, Raoul Grünthal, that he did not believe a news agency was able to compete in a consumer market:

I thought we would never become best in the world at that part and that it would be a huge journey to build up that kind of capability, and as we all know the competition is crazy. [...] If you run a company like a business, you must really try to find your role in the value chain, and I think that that was the obvious role. (Grünthal, 2018)

The impact of clients was very important in the transformation of news agencies. They played a key role after competition intensified and in response to this the agencies began to talk more to customers in order to meet their expectations. The agencies have become more successful at being alert to how the market is changing and at listening to customers far more than they have ever done (Clifton, 2018). Andrew Dowsett of PA also pointed out that:

When executing change in your products and services, you must listen to your customers. Ensuring that you are not just evolving your content and data but also delivering it to them in a way that they can use. For the customers this is really important. (Dowsett, 2018)

Opportunities and threats in the present and future media environment

The agencies studied showed a clear understanding that in the present media environment they have to adapt to swift and continuous change, both in media consumption habits and in technology, which is both enabling and needed to provide a valuable service for their clients.

The agencies describe their environment as a competitive one in which new entrants are causing disruption, especially to media customers. The relation of social media platforms with news customers is considered a challenge: new platforms are affecting the business models of the news media and therefore indirectly affecting news agencies' ability to get paid for their services.

It was also mentioned by our interviewees that the changing strategies of newspapers are a challenge. Some regional publishers leave national and international news to their national media counterparts and do not use news agency services in a digital environment. The changes in customers' strategies may also have a significant effect

on their need for an outsourcer: the paywall strategy demands content that is considered worth paying for and therefore different from the content offered free of charge, typically news agency content.

Media clients' dependence on high-value-added news agency services is considered an opportunity, as is the news media's need to further cut and share their costs. Artificial intelligence was also seen as an opportunity. However, the trusted brand of a news agency, shared by all three agencies, was considered the most significant opportunity in the present media environment of declining trust in media and institutions.

Need to restructure company and staff

Due to the constant evolution in the media industry, news agencies are also required to restructure their companies and staff. The agencies need a skilled staff who can combine editorial services and technology as IT departments increasingly become significant for them. Prerovskiy of APA made this point:

I think the biggest challenge that I see from an internal perspective is restructuring the company in a way that units work together. Because if we do not want only to produce content, but we want to enrich the content with technological services, then we can't separate content creation and technology. (Prerovskiy, 2018)

The biggest challenges or difficulties that the agencies expect to face in the future are in getting the right staff: 'I think it's getting the right people for tech services. It's like all tech companies have problems to get the right people – the coders, the tech architects, to handle all those new tech services, to anticipate them, not to do it always on our own' (Pig, 2018).

Tucker described this as follows:

I think that's the big challenge internally for structuring the business and running it well. One of the things that keeps me excited is the constant innovation to keep producing new products for new clients in emerging sectors, but also keep the mainstream media clients on board or bring them with us and continue to try and satisfy them. (Tucker, 2018)

Opportunities to find new clients and create value for them

There are also some high-level managers who think that the changes in the news industry may be positive for the agencies if they can make use of them. This is certainly the position of PA management:

While we expect revenue from traditional media to continue to decline, the combination of selling our services to new media platforms and the corporate sector, and our diversification strategy, has resulted in PA being probably more profitable than at any time in our history. (Marshall, 2018)

Watson of PA was optimistic:

I think we've got a really exciting future if we can successfully harness technology to create content products which meet a market need – both within media and corporate sectors. (Watson, 2018)

Technologies: AI, robot journalism, production systems

One of the main areas that the news agencies can focus on is around new technologies, namely artificial intelligence, robot journalism and production systems. Dowsett stated:

I believe the impact that new technologies will have on news agencies will be significant. So, how can we use AI technology to make ourselves more efficient, possibly to create content that we would never have contemplated before? The more automated we become with our processes, the more we can invest in bespoke content [...] and on the distribution side, we now have opportunities to integrate our content with digital platforms and services. This in turn opens up multiple markets and geographies. (Dowsett, 2018)

The news agency of the future

The vast majority of our interviewees agreed that the role of news agencies is much more critical than before because independent and unbiased news is more necessary than ever. Especially PA and APA have an optimistic approach regarding the future of news agencies, while Ganner of APA described how:

I think the whole culture within APA made it always more of an opportunity than a challenge. The whole way that management is run and that people are working within APA is an approach to saying, "Okay, how can we adapt, how can we use, how can we get better with this technology, how can we make innovation work for us and our business and our products?" It has never been the culture of APA to be afraid of something or to say, "This is challenging or has the potential to destroy a relevant business". (Ganner, 2018)

Another crucial point that the management of new agencies have stressed is the constant evolution in the news ecosystem. Therefore, the agencies have emphasised that they must carefully follow the changes in the news industry and in consumption habits. Then they need to innovate and provide contemporary products, services and distribution means. More importantly, since reacting to change and new demands needs time, the agencies need to predict future challenges and shifts in order to adjust in good time. The agencies see it as vital to find their role in the new ecosystem.

Conclusion

News agencies' role in the value and supply chain of the news industry has changed. The internet ended the era of news agencies' monopoly over the real-time supply of news information. News agencies now have to compete in a completely different environment with new competitors and services that diminish the value that newswire services once offered, and also to defend themselves against the declining exchange value of their service in the outsourcing market of news. The key problem for news agencies is how to protect the value they create for their paying customers and capture value.

We conclude that the new and successful diversified business models of agencies are typically built on their unique role and on close relationship with the news media.

Although the business of their traditionally major customers – printed newspapers – is in dramatic decline, the media market still provides lots of opportunities if the agencies can understand and respond to change, for example by helping customers to cut their costs and sharing the costs of investing in new technologies. In the long run, the still strong dependence on news media customers may become a threat, if other significant customer segments have not been found.

News can still be a business, but not easily or very successfully in the outsourcing market as a single separate service in a pipeline business model, because of the unique characteristics of news in a marketplace in which news has become more a public good than a monetisable toll-good.

Some of the most successful business models have features by which they can be defined as examples of multi-sided platforms. Finally, there is a business logic even to operating a news service with a negative margin. This is because there are high margins in other fields of the business due to the brand value the news service builds, the economies of scale created with the same technology, and the capabilities developed. Trust and relationships with relevant news media are distinctive

features that act as competitive advantages for the agencies in building platform business models.

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Appendix: Financial performance in 2017 of the three agencies selected

	APA Group	PA Group	TT Group
Group sales (000s)	76 346 EUR	70 106 EUR <i>62 267 GBP</i>	65 096 EUR <i>639 453 SEK</i>
Group EBITDA (000s)	5 926 EUR	9 474 EUR <i>8 145 GBP</i>	7 506 EUR <i>73 736 SEK</i>
Group operating profit EBIT (000s)	1 901 EUR	3 302 EUR <i>2 933 GBP</i>	5 318 EUR <i>52 238 SEK</i>
Personnel (average 2017)	576	839	393

Sources: APA, 2018; PA, 2018; TT Nyhetsbyrån AB, 2018.

Exchange rates used for conversion were from 31 December 2017: 1.1259 EUR/GBP and 0.1018 EUR/SEK



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