

Digital disruption in print media: challenges of convergence and business models

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ABSTRACT: Disruption in information technology has caused newspapers experiencing a significant decline in revenue in terms of the number of customers and advertising. However, the efforts of print media companies in Indonesia to expand their customer base and revenue by expanding into online media platforms have not found the right business model because of a number of constraints on the media industry's business environment in the country. Characteristics of mass media products and consumers that are distinctive compared to other products make the management of media companies have to take a different strategic approach in maintaining the survival of their business in the future. The unpreparedness of human resources who are still strong in their "print" mindset and information technology infrastructure are obstacles. The character of media consumers who still view online information as a product that should not be paid is also an obstacle. Meanwhile, the cost of differentiating information production is high amid the offer of social media platforms that aggregate information in abundance and free of charge.

Keywords: media management, digital disruption, media convergence

1 INTRODUCTION

Online media has been pioneered in Indonesia since the 2000s. At that time, the Lippo Group created the *Satumedia* group online news site. However, at that time, the internet infrastructure and hardware that were not yet mature finally forced the Lippo Group as the first mover in the industry to stop. Between these periods, the 1998 reform era after the fall of former President Soeharto became euphoria for mass media businesses, especially print media.

Data from the Union of Newspaper Publishers (SPS), as quoted from the Annual Report of the Alliance of Independent Journalists (AJI) 2018, shows the beginning of a significant downward trend in 2015 with the number of print media publications reaching 1,218, down from 1,321 publications the previous year. This downward trend continued in the following two years when it reached 810 issuances in 2016 and 793 issuances in 2017 (Manan 2018).

The closure of dozens of print media in 2018 as they are seen no longer profitable confirmed this. For example, one of the oldest newspapers in Indonesia based in Jogjakarta, *Harian Bernas* (Bernas

Daily), decided to stop publishing after operating for 72 years and changing platforms to full online media. While in July 2017, *Koran Sindo* (Seputar Indonesia Daily) closed a number of bureau offices in the region to reduce its "bleeding" in the company's financial sector. While, the market leaders at the regional level, such as Kompas and Jawa Pos are reported to experience a significant decrease in circulation.

The phenomenon of disruptive innovation from digital media platforms clearly has caused serious disruption to the establishment of the print media business. In general, innovation can be distinguished into incremental (evolutionary) and revolutionary which is now known as disruptive innovation. Disruptive innovations will significantly transform mainstream market demand and needs (Becoming part of the new innovation paradigm: Enabling disruptive innovation 2006). Print media is clearly not possible to disaccord against this digital disruption wave. The only choice is to synergize their business strategies and editors by entering digital disruption itself.

Previous research on the selection of newspaper purchases by Wilkinson (1972) shows that there are indications that television can be a stimulus for someone reading a newspaper. Fleeting television mediums encourage readers to look for details from newspaper print media. However, for print media, it is still a question whether the survival of the newspaper can be triggered by running online platforms or in the form of expanding other information technology-based products.

There is a successful example of the transformation of the New York Times digital journalism. Inspired by the strategies of Netflix, Spotify, and HBO, the New York Times invested heavily in its core products (i.e. journalism) while continuing to add new online services and features (from fitness advice and interactive character to virtual reality-based movies) (Snyder 2017). However, the success of this strategy is still a big question mark when applied in Indonesia by mainstream print media.

2 LITERATURE REVIEW

In facing market disruption, Anthony et al. (2017) offer a Dual Transformation formula. Transformation A is aimed at repositioning the "core of traditional organizations" to find ways for companies to continue to operate profitably, at least in the next few years, when facing disruption. While Transformation B aims to create new businesses to take advantage of the disruptions that occur (Anthony et al. 2017). Print media can do both simultaneously and surf over digital disruption.

Research on consumer loyalty and willingness to pay for various digital channels carried out on digital content in Japan shows stronger loyalty to content delivered through mobile phone channels (Kim & Sugai 2008). This is related to a deeper connection to service quality in terms of the strength and the update frequency of the content. Mobile internet is also seen as more profitable and more influential for digital consumers compared to personal computers (PCs) or laptops.

Online content itself can refer to broad or narrow target markets (Van-Tassel & Poe-Howfield 2010). Basically, there are four types of online content: information, entertainment, service, and applications. Generally, it is difficult to separate one type of content from another, because it usually combines or becomes part of the package of content presented to the audience.

However, like other businesses, digital media and its convergence are strongly influenced by business and economic law. One problem with companies in the creative industry sector is the difficulty to accu-

rately predict business economic questions, such as how many units a product must be produced, how they produce it, and who will consume the product (Van Tassel & Poe-Howfield 2010).

3 DISCUSSIONS

The top newspaper companies in Indonesia try to do Transformation A and Transformation B at once. What was done by the New York Times and, in Indonesia, pioneered by Kompas.id (different management with Kompas.com) showed an effort to expand the benefits of core products in feature extensions. Kompas.id added Multimedia features with sub-features of Visual and Infographic. The Infographic sub-feature is then broken down into Static, Interactive, and Videography sections.

The company also carries out cost efficiency by reducing the number of pages printed. The Kompas and Jawa Pos daily decreased the number of pages printed from 40 pages to 32 pages per edition. By utilizing its market advantage in Surabaya, Jawa Pos even increased the subscription price in Greater Surabaya to IDR.120,000, preceding Kompas which temporarily persisted at a monthly subscription price of IDR. 98,000 in Greater Jakarta.

However, more serious efforts to enter into media convergence are demonstrated by the Kompas Group. Kompas.id combines various media platforms and tries to gain leverage from the digital disruption that the market is increasingly growing among the millennial generation.

Media convergence and product transformation through the addition of features beyond core product journalism are not easy in the Indonesian context, at least, due to several things according to the author's observation and experience: organizational barriers, HR readiness and corporate culture, willingness to pay, the readiness of information technology infrastructure and management information systems, and product adaptation for active audiences

Organizational Barriers. In the media industry, there is a traditional separation between management and content creation, creative aspects. This happens in almost all media businesses, ranging from the movie industry, news agencies, advertising to video games. (Van-Tassel & Poe-Howfield 2010). Journalistic theory recognizes it as a firewall theory which is the separation of editors from non-editors (advertising and business). Until now, almost all of the observed print media organizational structures still use these traditional structures. There are separate editors and business sections. If the company is in a conglomerate group, its business entity will also be in a different limited liability company. This con-

cept is considered ideal, especially to purify the editorial from non-editorial interference which can reduce product quality and attractiveness in heterogeneous public spaces. However, in fact, in a multiplatform digital organization, this has the potential to hinder the flow of information and business processes of the company. Companies are required to be lean and flexible to exchange information/content and business opportunities between digital media and conventional media business units.

HR Readiness and Corporate Culture. When print media companies developed multimedia digital products with journalistic cores in them, some editorial crew still used the conventional work style of becoming a specialist editor in one field with a daily work rhythm. While, digital multimedia media requires editors to be versatile or multitasking, ranging from writing news in print and online style to making video reports. The variety of content is then shared with various media platforms and business units. No more exclusive. Not to mention that the features used are augmented reality or virtual reality that naturally requires different technical expertise. Some print editorial crew also still see online media as second-class media, especially in terms of the quality of journalistic products. Media companies must be able to change to workplace culture and manage these changes so that they are aligned with strategies to deal with disruption. One effort for this is to implement a convergence strategy. The word "convergence" does not only refer to the integration of various platforms (print, audio-visual, and online) that are technical-materialistic. But further, it also includes the unification of the system, work culture, and human resources (Jenkins 2006). From a management perspective, this is certainly a challenge in itself. As Tapsell (2014, 2017) explains, from a media economy perspective, convergence in terms of utilizing multiplatform, multichannel, and multimedia technologies (3M) has been at least used as a way to survive for media companies in Indonesia to strengthen oligopolistic digital media conglomerates and full of political interests. However, because it ignores integration that is more abstract in nature, such as culture in terms of organizational culture and complex human resource competencies, it is not surprising that many media companies are stagnant and still "stutter" facing the rapid dynamics of communication technology for their business.

Willingness to Pay. The newspaper business model to digital is generally freemium. Readers can see the initial appearance of the media, but when they want to explore further content, paid options are given. In Indonesia, most netizens are accustomed to free news content through social media platforms. Thus, making readers willing to pay for intangible

digital content is a challenge. If there are not many customers, the advertising will stop. In fact, advertising is the main source of income for media companies. Generally, print media with a digital paid version will reveal the depth of the news and aspects of locality as a factor for readers willing to subscribe. This reason can be irrelevant. Some audiences with limited time to access the media may no longer care about the depth of coverage. Meanwhile, the locality of the news has been covered by social media.

The Readiness of Information Technology Infrastructure and Management Information Systems. Adequate information technology infrastructure is very important for multimedia-based digital media products starting from server reliability, the speed of data access to the website, a backup system to the integration of information systems of the mass media. Many print media in Indonesia does not yet have an information system for pooling databases from editors or non-editors. If it already exists, the information system is generally not yet comprehensively integrated. In fact, integrated information systems or enterprise-wide systems are needed if print media companies intend to expand their business into the realm of multimedia convergence. Without it, the efficiency and effectiveness of the business process of digital multimedia-based journalism will not be achieved. Media companies will not be able to operate businesses profitably, sustainably, and achieve competitive advantage over various types of free media and vehicle media that compete without being limited to platforms.

Product Adaptation for Active Audiences. One other important thing that media companies must respond to is product adaptation for audiences who are consumers of the media packaging they produce. One of the important things from the digital media era today is the change in the character of an audience that is no longer an end-user. The existence of social media-based communication technology and user-generated content, inevitably makes media companies have to change the format of story-telling from media product packaging to no longer be based on one-to-many. As Castells (2009) explains, technology has changed the new communication mode, so-called, "mass self-communication". It is called "mass communication" because new media technology makes it possible to reach audiences globally in the context of internet technology. While called "self-communication" because message production (in this context is a media product) is "self-generated" (the media is not the only content producer), the definition of potential audiences as message recipients is also self-directed (audiences have many options in interacting with various content)

and the way the audience takes or obtains information is also "self-selected" (audiences can choose content and time to consume content according to their wishes).

4 CONCLUSION

Therefore, packaging of mass media products now, according to the author's argument, must refer to the three characteristics of digital journalism presented by Usher (2014): Immediacy, Interactivity, and Participation. Immediacy means that the speed of delivery of media products to reach consumers is important, especially the device platform such as mobile phones, becoming the main means of the audience accessing media products. Furthermore, interactivity means that consumers (audience) must be provided with technological means to interact in terms of access to various media products (content). The latter, participation signifies that media companies must be able to provide a platform that enables collaboration of media products with audiences (engagement) by generating user-generated content.

For media companies, the effort to implement this is certainly not easy. Experimentation and innovation with the use of existing communication technology to compile products become an option that media companies must run to reach consumers and also have implications for advertisers.

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