From “the end of advertising as we know it” to “beyond content”? Changes in advertising and the impact on journalistic media

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From “the end of advertising as we know it” to “beyond content”?¹

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Keywords: interactive advertising, integrated advertising, personalized advertising, conversation and recommendation as ad objectives

1 Introduction

The advertising industry and the media industry were long bound together to reach their main objectives. On the one hand, the traditional revenue model of the media was highly dependent on advertising income. Media outlets needed advertising money to finance and subsidize their journalistic activities. On the other hand, the advertising industry needed the media to serve as a vehicle to embed and transport their advertising messages – in order to achieve the traditional objectives of advertising, such as gaining attention or interest.

¹ The title refers to two studies of the IBM Institute for Business Value (Berman/Battino/Shipnuck/Neus 2007 and Berman/Battino/Feldman 2010).
Of course both industries have always tried to meet their targets by using new and different measures. The advertising industry has tried to be successful by using direct marketing, below-the-line advertising, or program integrated advertising to reach their target groups. The media industry has tried to finance their products partly via fees paid by the audience or via income from other sources. Nevertheless to achieve their main objectives – attention and consumption in order to attract big audiences and big money – the advertising industry and the media industry were tied together. This mutual interdependence was addressed by media economists as two-sided-markets (e.g. Rochet/Tirole 2006). Is this mutual interdependence changing due to media convergence?

Starting from the assumption that the explained mutual interdependence is still the basis of media production, I will define the main underlying concepts, “journalistic media” and “media convergence,” in two short paragraphs. Thereafter I will explain the changes in advertising mainly along the dimensions objectives, messages, formats, and vehicles. I also refer to some issues, which Sebastian Turner and Jens Erichsen, both leading professionals in the German advertising agency industry, raised during the conference on which this book is based (see Russ-Mohl/Nienstedt/Wilczek in this book). Finally, I will discuss the impact of these changes on the media industry and try to answer the question “Where is advertising heading – and what is the future for journalistic media as an advertising vehicle, while media convergence progresses?”

2 Journalistic media

When discussing the impact of changes in advertising on the media, it is important to realize that we are not talking about the media or media performance in general. As the book title points out clearly, the problem is about journalistic media. The ongoing public discussion on the future of the media as a result of the financial crisis in 2008 and 2009 is also not dealing with media performance in general but with journalistic media. The funding of journalism is the problem that academia and parts of the public are concerned about. We are worried about journalistic media, more precisely, media outlets who make important contributions to the functioning of democratic societies. These media outlets serve an important role in their ability to convey accurate political information, attract public attention, and to a certain extent – exercise control over political, economic, and business issues and actors. Hence it is the journalistic media that is most important for society, and it is the journalistic media outlets who are most susceptible to changes in the way that advertising funds journalistic content.
The advertising income of the media in general is dependent on economic changes to the market – be it cyclical or structural changes. Past research has clearly shown that the advertising income of media outlets is dependent on cyclical fluctuations (e.g. Grimes/Rae/O’Donovan 2000; Picard 2001; Chang/Chan-Olmsted 2005; Lamey/Deleersnyder/Dekimpe/Steenkamp 2007; van der Wurff/Bakker/Picard 2008). There is also empirical evidence that not all media types react similarly to cyclical downturns. Media outlets that are active in journalism, particularly newspapers, seem to be more affected than others. Their advertising income reacts much stronger to cyclical downturns of the GDP, than for example, electronic media (Picard 2001 for the U.S. and Europe; Shaver/Shaver 2005 for Asia; van der Wurff/Bakker/Picard 2008; Deleersnyder/Dekimpe/Steenkamp/Leeflang 2009). Hence the journalistic media suffer more from recessions than other media.

A recently finished project on the structural change of advertising (Siegert/Kienzler/Lischka/Mellmann 2012) finds evidence that consumer spending on durable consumer goods (DCG) as well as advertising expenditures of DCG providers are more closely related to the business cycle than consumer spending on selected fast moving consumer goods (FMCG) and advertising expenditures of FMCG providers, respectively. In this respect, media companies should have an eye on their advertising customer because private consumption of DCG might serve as a feasible predictor for future advertising income. Additionally there is also evidence that print media is affected more by business cycles than other media (Lischka/Kienzler/Siegert 2012).

Additionally the advertising income of the media is dependent on structural changes in the advertising industry. Our previously mentioned project shows that the structural change of advertising is not a short-term, rapid change caused by economic downturns and recessions. Rather it has to be seen as a long-term, gradual process pushed but not caused by economic downturns and recessions. Again not all media types are affected in the same way – though it is not easy to prove empirically. There are however, arguments to support the thesis that journalistic media is affected at least as much as other media.

3 Media convergence

Media convergence is said to be the overall change agent – for the media as well as for the advertising industry. Key-drivers of that change are interactivity (cues are: user-generated content, “produsers,” that is users of online texts, pictures, videos or music turning also into producers and distributors of texts, pictures,
videos or music, networks, transactions, communities, affiliate-marketing, long-tail), integration (cues are: infomercials, advertorials, placements, advertiser founded – not just funded – programming in terms of branded entertainment) and personalization (cues are: one-to-one-marketing, mass customization, behavioral targeting) (Siegert/Brecheis 2005; Berman/Battino/Shipnuck/Neus 2007; IAB-PWC 2009; Siegert 2010).

Although the basis of the media and advertising change is technological, what really makes a difference for the industries is the change in media and ICT usage. Unfortunately precise numbers of ICT users vary due to the applied source (Eurostat, Internet World Stats, comScore), but it is without doubt that the usage of the Internet and mobile services is rising rapidly worldwide. Amongst the 27 EU-member countries, the percentage of Internet users raised from 36 in the year 2004 to 65 in the year 2010.² Following Internet World Stats (March 2011) the penetration rate of the Internet (in percentage of the population) worldwide looks as follows: Africa 11.4 percent, Asia 23.8 percent, Europe 58.3 percent, Middle East 31.7 percent, North America 78.3 percent, Latin America/Caribbean 36.2 percent, Oceania/Australia 60.1 percent.³

In addition, Internet users increasingly use online content for information and orientation purposes. Online offers are therefore a new competitor for journalistic print media in the audience market. “Large percentages of Internet users in most of the WIP (World Internet Project, GS) countries and regions go online to seek local, national, or international news. In all of the reporting countries and regions other than Colombia, more than 25 percent of users go online to look for news at least daily, and more than half go online for news at least weekly” (World Internet Project 2010). Unfortunately this increasing usage is not in line with increasing revenues for content and news producers. This seems to be due to changes in the functioning of advertising, as well as changes to the way advertising is using online and mobile platforms.

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4 Changes in advertising

The way advertising works changes due to media convergence and modified media usage. In this regard the different dimensions of advertising change can be structured as follows:

- **Changes in advertising objectives:** Advertising was and still is persuasive communication particularly in its attempts to influence knowledge, attitudes and behavior. However, conversation and recommendations from third parties are new or at least additional advertising objectives in convergent times. Older models of mass media effects, such as the two-step-flow of communication (Lazarsfeld/Berelson/Gaudet 1948; Katz/Lazarsfeld 1955) take conversation and conversation networks into account. In recent years the topic became attractive again for communication science researchers (e.g. Southwell/Yzer 2007 and 2009; Yzer/Southwell 2008). Communication experts see democratization in brand management due to the possibilities of online communication (“produsers”). Advertisers hope for conversation about their advertisements without having knowledge on “who talks when where and why positively or negatively about advertising” (Wiencierz 2012). To involve the brand in conversations and to achieve recommendations, advertisers do not necessarily need journalistic services, because conversations and recommendations (word of mouth) are based on interpersonal and network communication. For interpersonal and network communication they need technologies, platforms or ecosystems, not journalistic media in the traditional sense of the meaning.

- **Changes in advertising messages:** Editorial thinking becomes crucial for the communication of brands, because irresistible ideas and content are drivers for any kind of conversation. Producing content, editorial thinking, and storytelling are core competences of traditional media – for both journalistic and entertainment media. In particular, media outlets that specialize in entertainment produce their content in close co-operation with the advertising industry. They develop magazines, stories, shows and series that can easily be combined with advertising messages from the corresponding industry. This type of collaborative communication enables companies to act as centers of competence concerning particular topics, be it media companies or companies from other industries. Therefore the connection between media and brand communication seems to be non-detachable. Unfortunately brands start to create their own content and thanks to new technologies they have ways to distribute it to desired target groups. What started decades ago
with corporate publishing is now a content creation of its own – viral videos are an example as well as magazines such as the *Red Bull Bulletin*.

- **Changes in advertising formats**: Looking at the history of advertising, we find immense creativity in inventing new advertising forms and formats – an ongoing differentiation. This differentiation of advertising can only be roughly outlined with direct marketing, below-the-line advertising (ambient and ambush marketing), or program integrated advertising. PR and advertising are merging, and so are the formerly separate formats: “Just what is integrated marketing communications? ... it appears to be the natural evolution of traditional mass-media advertising, which has been changed, adjusted, and refined as a result of new technology” (Schultz 1999: 337). Additionally, advertising and entertainment are merging and are leading to new hybrid advertising formats such as product placement, advertorials or in game advertising. The new formats again are not necessarily connected to journalistic media – a lot of them can stand alone. Format and measures such as viral marketing, word-of-mouth, mobile advertising, promotion, sponsoring, direct marketing, and customization are used increasingly (Grimes/Rae/O’Donovan 2000; Perez-Latre 2007; Arora et al. 2008).

- **Changes in advertising vehicles**: In general, advertisers try to find the best mix of advertising vehicles to meet their objectives. Due to media convergence and the upcoming possibilities to reach the desired target groups, companies start to change their advertising investment behavior. The Internet experienced a considerable increase in advertising income in the past (e.g. Linnett 2002; Saksena/Hollifield 2002; Siegert 2010), in particular regarding classifieds (Picard 2008). Traditional media as paid advertising vehicles are beginning to be seen as old fashioned. The new forms and formats promise to reach a mass audience or specific target group without the high costs of media buying. The moment retailers begin looking for other advertising channels – which is currently taking place – traditional media will lose a substantial amount of advertising revenue. Even though retailers will continue to use traditional media in order to distribute promotion material directly to households, the practice is not necessarily connected to the production of journalistic content or the quality of that content.

The advertising-supported Internet is becoming the most important competitor of journalistic media, specifically regarding advertising money. This is not only due to the immense amount of advertising money directed towards the Internet already, it is also due to the fact that the Internet offers new possibilities that function without media content and therefore pose serious challenges to journalistic media as advertising vehicles.
The advertising-supported Internet refers broadly to all activity on the Web intended to promote marketplace exchange of products, services, or information. Paid online advertising is one component. In addition, most e-commerce websites perform a substantial information and promotional function, to encourage commerce. Therefore, e-commerce providers can be thought of as Internet advertisers. Many websites that do not conduct e-commerce also perform an informational advertising function. On behalf of both for-profit and not-for-profit enterprises, they take the place of magazine advertising, brochures, and direct marketing, educating the consumer on features and benefits of the organization’s offerings. Additionally, e-commerce sites and company websites collect data about customers and prospective customers. They perform an interactive advertising function analogous to sales forces. So, too, do e-mail solicitations, another form of interactive advertising on the Internet. Internet-enabled economic activity is a dynamic system. New advertising methods, such as the development of paid search in 2003, have expanded the amount advertising contributes to funding the Internet. (Hamilton Consultants/Deighton/Quelch 2009: 3 f.)

The communication process of advertising as a whole is modified due to key-drivers of media convergence – interactivity, integration and personalization. One-way communication is out of style. A brand’s task is to create programs of activity that allow customers to engage whenever they want – 365 days per year. Two-way communication and interactivity are not core competences of traditional journalistic media. Referring to Maletzke’s definition, mass communication is an indirect, one-way communication (Maletzke 1963: 32), which usually does not allow for participation and interaction. Although it is obvious that currently many companies are still unable to cope with the openness and the two-way communication of the Internet or critical online word of mouth, they will adjust to it sooner or later, and they will change their advertising investment behavior at the disadvantage of journalistic media.

Furthermore, rising mobile media usage is addressed by technologies, not by journalistic content. Location based news is predominately not the type of news defined in the beginning of this article. Without having empirical data on this issue it’s apparent that the average mobile media user is not particularly interested in journalistic content. For example a customer who is exposed to news about a war, while walking through the city and going shopping. Location based news is focused on a different kind of content – especially, when we think of the combination of advertising, content, commerce, social networks, and mobile communication. An example of the typical combination could be an online diet program with special recipes (content) that are automatically combined with a list of ingredients linked to a range of products (advertising) from a particular retailer, with an option for the customer to buy or order (commerce). The list could be either sent to the computer or to the mobile phone of the recipient (mobile communication). A diet blog and recipe section would serve as the area for recommendation and word of mouth – social networks would additionally allow
for improving the service. This combination of advertising, content, commerce, social networking, and mobility focuses on people’s real life and their everyday problems. Usually this kind of content does not match with the traditional issues journalism deals with.

In summary, the changing way advertising works and uses online and mobile technologies is affecting the traditional media altogether – most of all the journalistic media.

5 Impact on the media industry – an outlook

I will try to answer the question about the future for journalistic media as an advertising vehicle by referring to Ian R. Bruce (1999: 473). He points out that advertising decisions are most often founded on the question “Will this sell?”, whereas public relations decisions are often founded on the question “Will this help establish beneficial relationships?”

However the questions advertising decisions are founded on will change in the following way:

1) Advertising is still designed “to sell”: When the traditional role of media as a vehicle for advertising is addressed, it is due to the distribution capacity of traditional media outlets, and to their reach of a mass audience or particular target groups. Some brands will no longer need journalistic media to reach their desired target groups, but there will still be many products – from low fat yogurt to beer – which need to reach an audience that is not continuously online. Although people increase their online and mobile usage, media consumption as a whole is not changing so dramatically. In many countries, TV is still the advertising vehicle with the highest reach. Therefore it still makes sense to advertise low fat yogurt in the context of “Desperate Housewives” and beer during the “Champions League” final.

2) Advertising is no longer used only “to sell,” but also “to entertain”: Brand communication needs new ideas, original views of the world, and interesting stories. It wants not only to inform and persuade it also wants to entertain. When it comes to storytelling and entertaining, traditional media still plays an important role. Brands need the media to embed or to integrate their story and their ideas in an advertising-friendly content. In this regard, entertainment media is more important for brand communication than journalistic media. But all traditional media will suffer from the fact that increasingly
brands create their own stories, their own content, and are able to distribute it to desired target groups by using new channels.

3) Advertising is no longer used only “to sell,” but also “to talk about”: New advertising objectives such as conversation and recommendation make the advertising industry prefer new technologies and platforms beyond journalistic content. However, in many countries traditional media monopolizes the process in order to promote public conversation. Online activity might initiate the process – but without the engagement of journalistic media it will stay online and not reach the general public. If advertisers want a broader target group (including not only the young urban people who are continuously online) or the public as a whole to talk about a brand or an issue, they need traditional media, including journalistic media – at least to pick up the idea.

4) Advertising is no longer used only “to sell,” but also “to interact and participate”: Traditional media as producers of journalistic content are not meant to be direct and interactive, neither concerning the underlying and preferred technology nor concerning the production process or the producers, the journalists. Especially when it comes to direct connection of content with commerce, online and mobile technologies are the better and more efficient choice. Online and mobile technologies might be combined with content, but what content would that be? There is more than one reason that this would be entertaining content or “news you can use” instead of in-depth “stressful” news about politics or the economy.

What is the future for journalistic media as an advertising vehicle then? In the past, the differentiation of advertising vehicles and advertising possibilities has already reduced advertising income for traditional media. The upcoming changes in advertising due to media convergence will certainly continue this process for all traditional media. In 2007, the IBM Institute of Business Value saw the role of traditional media in the advertising value chain already shrinking. Although they concentrate on broadcasters and the United States, their arguments are convincing:

Arguably, broadcasters that rely on linear television advertising to fund operational and content costs are at risk in a world of increasing consumer control, niche content and fragmented attention. And yet, broadcasters have the opportunity to leverage their current mindshare with customers, while transforming their operations to embrace the plethora of new digital content distribution opportunities. By delivering integrated, crossplatform advertising programs tied to their programming assets, they can migrate into a successful future model. (Berman/Battino/Shipnuck/Neus 2007: 16)
Therefore the IBM Institute of Business Value named their study with reference to the foreseeable structural change “The end of advertising as we know it.” As journalistic media is affected by cyclical downturns more than other media types, recessions could accelerate this structural change. Altogether, the structural change of the media industry is closely connected to the structural change of the advertising industry (see Figure 1).

![Figure 1: Structural change of advertising and journalistic media. (Source: own Figure).](image)

Meaning that in the future, there will be some advertising investments in journalistic media the question is whether this spending, this piece of advertising money, will be big enough to finance the type of journalistic media that informs, controls as watchdogs, and acts as a forum for political debates. Serious doubts are shown because advertising-supported journalistic media is facing extensive changes due to media convergence. As a result of the mutual interdependence between advertising and the media industry, “the end of advertising as we know it,” means “the end of the revenue model of journalistic media as we know it.”

Hopefully journalistic media will never develop according to the title of the 2010 IBM study “Beyond content” (Berman/Battino/Feldman 2010), because democratic media and information societies depend on the “journalism” as an institution. Democracy cannot get away with the decline of journalistic media – just because advertisers might find better distributors for their messages.
References


