



INDUSTRIES  
OF THE  
FUTURE

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# Digital News and Innovation: The Next Frontier

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## Key issues discussion paper

*Prepared by the Lisbon Council for the High-Level Roundtable on Media and Publishers  
Online: United in Diversity*

The world of news, news gathering and news delivery is changing. More than people realise, this is a golden age of journalism – with more citizens accessing more articles written by more people from more perspectives than ever before. On the other hand, it's a difficult moment for traditionally-structured newsrooms and publishers. Some global players, like Nikkei (owner of the *Financial Times*) and Hubert Burda Media (owner of *Focus* and *Bunte*), have responded ambitiously to change, launching innovative initiatives in the news distribution field and moving their content footprint firmly into the digital world. But for others, the economics of the digital age have meant painful cutbacks, as the cost of gathering news is challenged by **1)** the shrinking economics of digitally-distributed news (particularly for niche players that don't have the global reach of the *Financial Times* or *Focus*), **2)** the arrival of the citizen journalist (who creates as well as consumes content, and is omnipresent where news might or might not be made thanks to the ubiquity of smartphones), and **3)** the glut of readily available quality news, much of it free, and all of it available with a simple click on a device you probably carry in your pocket or purse.

*In 2014, newspapers generated an estimated €160 billion in circulation and advertising revenue*

*The use of mobile devices to access news has risen to 53% of respondents globally from 37% just two years ago*

But this is where the story gets interesting. The arrival of digital technology in the content field is not just a challenge; it's also an opportunity. And here a new generation of innovators has arisen to begin developing new ways of creating

and distributing news – novel techniques and new business models that will make content more accessible, more credible and ultimately better able to perform its vital function as the anchor of democracy and the well-informed citizenry behind it.

People like Boris van Hoytema, founder and managing director of New Atoms, are developing new systems for humans and algorithms to interact to deliver more and better news, offering greater scalability and increased personalisation (a project which Mr van Hoytema began as a researcher on the future of news at BBC). Others, like Duncan Hopper, editor in chief of digital platforms at

euronews, are working on ways that journalism can become an “immersive” experience, using cutting-edge artificial intelligence techniques to present information in 360 degree formats.

*While digital advertising represents a small part of overall newspaper revenue, it has grown 59% over five years*

Behind many of these projects is the Digital News Initiative (DNI), itself an innovative collaboration, led by Google and 11 European publishers and leading journalists associations. Among the founders are *Les Echos*, the European Journalism Centre, *Financial Times*, *Frankfurter Allgemeine Zeitung*, Global Editors Network, *The Guardian*, International News Media Association, NRC Group, *El País*, *La Stampa* and *Die Zeit*. The programme has three pillars: product, research/training and innovation. With the product pillar, the partners – now joined by more than 100 innovative organisations in the news gathering and distribution field – explore innovative ways of spreading news based on better use of digital technology, and encourage out-of-the-box thinking on a more vibrant news-gathering ecosystem for the digital age. But the heart of the programme – separate from the research and training – is the DNI Innovation Fund. Endowed by Google and overseen by an independent council of leading European publishers, this €150 million fund was set up “to support and stimulate innovation in digital news journalism” with funding for “projects that demonstrate new thinking in the practice of digital journalism.” In the last year, the DNI Fund has dispersed €27,302,816 to 128 cutting-edge projects in 23 countries. The grants are technology- and platform-neutral. And the disbursements are lead-managed by Ludovic Blecher, former digital editor of *Libération* and editor of *liberation.fr*.

At this high-level roundtable, we will look at the challenges and opportunities of news distribution in the digital age. Among the key facts driving change:

- In 2014, newspapers generated an estimated €160 billion in circulation and advertising revenue. €82 billion came from print and digital circulation, while €77.6 billion came from advertising.<sup>1</sup>
- In 2015, the online advertising market reached €36.2 billion, up 13% on the year before, meaning it overtook the €33.3 billion European television market for the first time.<sup>2</sup> While digital advertising represents a small part of overall newspaper revenue, it is the fastest growing sub-sector of content-driven publishing (up 59% over five years).

*Revenue from digital circulation is growing steadily, amounting now to more than 20% of newspapers' overall digital revenues*

1 World Press Trends Database. <http://www.wptdatabase.org/>

2 Interactive Advertising Bureau (IAB) Europe, *European Online Advertising Surpasses TV to Record Annual Spend of €36.2 billion*, Press Release, 11 May 2016. <http://www.iabeurope.eu/research-thought-leadership/press-release-european-online-advertising-surpasses-tv-to-record-annual-spend-of-e36-2bn/>

- Revenue from digital circulation is also growing steadily, amounting to more than 20% of newspapers' overall digital revenues. In 2014, paid digital circulation revenues increased 45%. Globally, more than 93% of all newspaper revenue still comes from print.<sup>3</sup>
- Today, fully 68% of Europeans read or watch the news online.<sup>4</sup> These viewers are used to the comfort of ambient digital devices, expect 24/7 non-stop news coverage and analytics and increasingly consume news on the go. The smartphone has become the dominant device for news distribution; substantially more traffic is generated from mobile and tablet. Over the 2014-2015 period, news accessed from smartphones jumped significantly, particularly in the United Kingdom and Japan. Two-thirds of smartphone users (66%) are using the devices for news every week. The key trend is omnichannel access to news – not the replacement of one device with another; rather, more people are using two or three devices to access the news.<sup>5</sup>
- The Reuters Institute for the Study of Journalism conducted an online survey of more than 50,000 consumers of digital content in 26 countries.<sup>6</sup> It found that while more and more people are reading news online, only nine percent of readers in English-speaking countries were paying for the content they consumed. By contrast, the highest number (27%) of people who are paying for online news was recorded in Norway, followed by Poland and Sweden (both 20%). The share was lowest in Austria, the Czech Republic, Greece and the United Kingdom (7% each). If one looks at the average (median) amount people say they have paid in each country, the picture was very different though. In countries where paying for access to online news is relatively common – such as Italy and Poland – the average amount paid is comparatively low. By contrast in the UK, where fewer people pay for news, the average amount paid when people do pay is relatively higher – around €91 per user per year.
- Social media is a game changer. On the “demand” side, social media are a way of getting access to journalism and news; on the “supply” side, everyone can be “news reporter” today, sharing news in real time from virtually any place in the world. According to Reuters Institute’s Digital News Report 2016, 51% of over 50,000 online news consumers surveyed in 26 countries say they use social media as a source of news each week. Around one in ten (12%) say it is their main source, with Facebook being by far the most important network for news. This trend is even more pronounced among “the millennials” – with 28% saying social media news reading is their main source of news outstripping the proportion who cited television (24%) as their top source the first time.<sup>7</sup> Responding to this new consumer behaviour, most publishers adopt social media dissemination strategy, breaking

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*51% of news consumers say they use social media as a source of news each week*

3 World Press Trends Database. <http://www.wptdatabase.org/>

4 European Commission, Factsheet on Telecoms, 14 September 2016. <https://ec.europa.eu/digital-single-market/en/news/factsheet-telecoms>

5 Nic Newman, David A.L. Levy and Rasmus Kleis Nielsen, *Reuters Institute Digital News Report 2015* (Oxford: Reuters Institute for the Study of Journalism, 2015).

6 Nic Newman, Richard Fletcher, David A. L. Levy and Rasmus Kleis Nielsen, *Reuters Institute Digital News Report 2016* (Oxford: Reuters Institute for the Study of Journalism, 2016). <http://www.digitalnewsreport.org>

7 Ibid.

news on social media channels, such as Twitter. The downside though is the syndrome of “brief glimpses” – only few people really read through online publications.

- Digital technologies mean much more than simply a change from print to screens. Video and new visual formats are taking off. On the negative side, digital technologies propel a rise in “infotainment” – the media providing a combination of information and entertainment. But digital media also makes possible active engagement with users, through various forms of feedback.
- These changes have already altered the underlying nature of competition in news delivery: the race has moved from being the first to bring the news to being first to provide tailor-made content, insight and analysis.
- Digital technologies in the media sector create new business opportunities for startups such as Flipboard, a news aggregator. Launched in July 2010 as the world’s first social magazine, it allows access to content from social networks, publishers, online sources and photo sharing sites in one place.
- This fast-moving sector is regulated by slow-moving political institutions. European and national policymakers have long struggled to modernise the copyright regime inherited from the industrial age and make it fit for the digital age. On 14 September 2016, the European Commission presented a proposal for a directive on copyright in the digital single market. The proposal considers digital technologies and “includes several exceptions that aim at facilitating the use of copyright-protected content via new technologies.” As the European Commission claims, “it ensures a balanced bargaining position between all actors in the digital environment.”<sup>8</sup> The proposal has received mixed reaction, particularly with the appeal for a new ancillary copyright, or “snippet tax,” through which digital platforms would be taxed for displaying small amounts of text available in search and news aggregation. Similar initiatives in Germany and Spain either failed or substantially delayed innovation in the nascent sector.

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### **Discussion Points for Upcoming Industries of the Future Roundtable**

- How quick will the sector see radical new innovation? How can we make that happen even faster, especially if the objective is more accessible journalism?
- Just like other sectors (transport, hospitality, financial services), the transformative power of digital technologies has opened up new opportunities, both for incumbents and newcomers. Examples like the Digital News Initiative point to a huge potential for constructive collaboration between players. How will the relations between incumbents and newcomers be constructed? Is it competition, cooperation, or “co-opetition?”
- How will news publishers and other news organisations win and maintain their readers’ trust? How can readers be “educated” to be “positively critical” towards the media and news reporting, to form good judgments in today’s information overload?

8 European Commission, *Proposal for a Directive of the European Parliament and of the Council on Copyright in the Digital Single Market*, COM(2016) 593 final, Brussels, 14 September 2016. [http://ec.europa.eu/newsroom/dae/document.cfm?doc\\_id=17200](http://ec.europa.eu/newsroom/dae/document.cfm?doc_id=17200)

- The Digital News Report 2016, published by the Reuters Institute for the Study of Journalism, voiced strong concerns that the more technology-enabled tailor-made selection of news could mean missing out on important information or challenging viewpoints. Is there a problem with a lopsided algorithmic selection of news items according to the user's preferences and views? If so, how can it be fixed in a way that doesn't amount to censorship or even greater interference in the free flow of information?
- The European Commission has put forth a proposal for a directive on copyright in the digital single market. The document will become subject to amendments by co-legislators in the coming months. Having been passed, the directive will have a two-year transposition period for EU member states. How will the legal framework governing copyright in the digital age evolve, and what core principles and key provisions should it encompass? How can policymakers best respond?
- What are the best and brightest innovators doing to make the news-gathering and news-distribution sectors more relevant? What are the key challenges on the path to greater innovation in the news-gathering and news-distribution business?

*The European digital advertising market reached €36.2 billion, up 13% on the year before, overtaking the €33.3 billion European television market in 2015*

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## About Industries of the Future

The Industries of the Future initiative brings unique, multi-disciplinary collaboration to one of the key questions of our time: how will digital technology transform and revitalise industry itself, bringing new models to the fore and posing new challenges for policymakers and society alike? In a multi-stakeholder environment informed by an advanced think tank perspective, participants examine the opportunities and dilemmas of tomorrow – and the steps we should be taking today. The initiative is led by FTI Consulting, Google and the Lisbon Council.



### About FTI Consulting

FTI Consulting combines deep financial, forensic, economic, technology and communications experience with extensive industry expertise throughout the world. Its website is [www.fticonsulting.com](http://www.fticonsulting.com).

### About Google

Google's mission is to organise the world's information and make it universally accessible and useful. Its website is [www.google.com](http://www.google.com).

### About the Lisbon Council

The Lisbon Council is a Brussels-based think tank and policy network committed to engaging political leaders and the public at large in a constructive dialogue about 21<sup>st</sup> century economic and social challenges. Its website is [www.lisboncouncil.net](http://www.lisboncouncil.net).

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