Future of online advertising lies in collapse of print

By Matthew Buckland

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It may seem negative to define the growth of a medium against the collapse of another, but here's why.

For most media organisations, online advertising* currently accounts for less than 20% of the advertising pie, with print still taking the lion's share. My 20% estimate is high. A world-wide, median figure is more like 15% of ad revenue.

The question is: why are advertisers still choosing a medium that is under severe pressure as opposed to competing media that deliver a better service and (mostly) bigger reader numbers?

Here are some reasons:

1. **Institutional bias in media companies:** the company has been doing it that way for decades. Managers and employees have an innate bias to push the thing they know and push the thing that makes them revenue and meets their targets in the short term — even though it may not be in the company's long-term interest. It's where the revenue is, although not the profit.

2. **Institutional bias in advertising industry:** the same goes for advertisers and advertising agencies. You'll find the same institutional and arguably, cultural, bias directed towards certain media. You'll often hear excuses such as Internet penetration and low click-through rates as an excuse not to go online. You hear other excuses about mobile, like it's “too early”.

3. **Online advertising still crude:** Online advertising is by far superior to many other media in terms of measurability, targeting and flexibility, yet it's woefully crude. There's a lack of investment and innovation in the online advertising

model and industry. It would be investment that aims to transform online advertising into a medium that is creative, properly targeted, properly cross-platform, and intelligently geared for multimedia.

Why is this? Because traditional media networks, from the buyers to the sellers to the advertisers, are still pushing money through traditional channels — even though it may not necessarily translate into best value for the advertiser or good profit for the media owner.

Innovation is slow

So, innovation in the media sector is slow. Innovation is left to companies outside the traditional networks. Companies such as Google are left to innovate. (And we should be saying: "Thank goodness Google bought Double Click. Maybe we'll see a shakeup here.")

So how is this cycle going to be broken? Well, it lies in the cost structure[**] of a newspaper. Despite the gloom, many newspapers are still raking in advertising money and are seeing growing circulation numbers. Where they are actually suffering is cost.

The costs to produce a newspaper and to print advertising are out of control. When these costs point to bankruptcy — the institutional bias will be broken.

Imagine a print sales force of 30-strong being told one day: "You guys must only focus on selling on our (much bigger) website. Start hustling." Do you think that online advertising sales would remain a mere 10% of print sales? I think not.

Every little scrap of that website, from banners to sponsors to commercial features, would be exploited. New models, nooks and crannies would be found on which to place an advertiser. Creatives would blossom as agencies demand more. Sales agents would fight for the online property and they'd tell their clients that this is where things are headed, and this time they'd really believe what they say. They'd crow about how this is the future — and then say: sign on the dotted line.

Business is content

Media companies won't care whether its offline or online or in the great cloud. They're making a killing out of their content on a variety of platforms. Their business is content; their business is attracting an audience to that content, and monetising that content. It's just paper. Get over it.

[*]Desktop web, mobile phone or whatever digital device connected to the Internet.

[**]This differs from company to company. Newspapers playing in target markets of high Internet penetration will suffer more than those playing in emerging markets of low Internet penetration. In fact, emerging market papers should be excluded from these claims as they operate in a market that's still lucrative. Dailies will suffer more than weeklies. Weeklies have more sustainable cost structures.

• Adapted from original blog post published 30 April 2009.

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Matthew Buckland is GM of Publishing at 24.com. He's the former boss of the M&G Online and co-founder of blog aggregator Amatomu.com and group editorial blog Thought Leader. He has spoken locally and around the world on online media issues, including New York, London, Amsterdam, Germany, Dublin and Kenya. He's a prominent blogger, blogging regularly at www.matthewbuckland.com on new media, Web 2.0 and technology issues.

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