How Datafication Drives Legacy Newspapers to Change Their Advertising Model for Business Survival: The Case of elmundo.es

Luis Sangil, University of Navarra, Pamplona, Spain

ABSTRACT

Technological advances have introduced changes in digital media business and funding models. Traditional “legacy” newspapers are reacting to the superior business performance of digital intermediaries such as Google and Facebook, which capture a big part of total digital advertising revenues. This work describes the change of focus of the Unidad Editorial, publisher of a set of leading digital newspapers in Spain, including elmundo.es. The company ceased perceiving other digital newspapers as its competitor and tried to learn from the advertising revenue models of major players in the digital arena. This study argues that the management of big data is deeply transforming legacy newspapers’ advertising regime. Their advertising model is increasingly based on more sophisticated segmentation tools and programmatic advertising techniques. It finds that a strategy to attract revenue based on learning from competitive models of big platforms is efficient and logical. Hence, the ability to market the value of individual users in real-time is a key factor in the success of this model.

KEYWORDS

Advertising, Big Data, Business Models, Case Study Analysis, Funding Models, Programmatic Advertising, Technological Advances, Technology, Unidad Editorial, User Advertising Value

INTRODUCTION AND METHODOLOGY

Scholarly research has paid increasing attention to how competitive advantages achieved by the use of superior technology effects the profitability of media companies in the digital domain. Previous research has documented the superior performance of digital platforms that are not considered traditional media such as Google or Facebook in the advertising domain (Athey, Calvano, & Gans, 2013; Athey & Gans, 2010) and, for this same reason, attract a relevant part of that digital advertising investment (Pew Research Center State of Media, 2016). The volume of digital advertising revenue that traditional “legacy” newspapers has been able to gain is low: online newspapers attracted less than 5% of digital advertising investment (PwC, 2018; WAN-IFRA, 2017).

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Driven by this disparity, two of the deepest changes that have taken place regarding media management research in recent years are related to shifts in focus in financing or revenue model (Lehtisaari, Villi, Grönlund, Lindén, Mierzejewska, Picard, & Roepnack, 2018). First, online newspapers try to adapt their advertising funding model to that of these major players (Mierzejewska & Shaver, 2014), precisely because of the higher performance they generate and, consequently, the market share they reach.

And second, attention has also been paid to the possibilities offered by big data in the media industry (Mayer-Schönberger & Cukier, 2013; Evens & Van-Damme, 2016; Stone, 2014). The ability to collect and analyze large amounts of information is perceived as a source of competitive advantage (Arsenault, 2017). Some media companies have found new sources of income in the exploitation of users’ information (Verhoef, Kooge, & Walk, 2016). However, big data are deeply transforming how advertising is marketed itself based on more sophisticated segmentation tools (Mulhern, 2016) and programmatic advertising, which is increasingly relevant (Napoli & Roepnack, 2018; eMarketer, April 2017).

This study presents a best-practice example to study the changes implemented by a Spanish publishing group, Unidad Editorial, editor of a set of leading digital publications including the daily mainstream newspaper elmundo.es. The board of managers fostered a new advertising revenue model when it perceived that conventional advertising had stopped growing and new display investments were channeled to those that offered more efficacies in return. This approach was seen as being key in the group’s future growth and competitive differentiation.

By the end of the decade, Unidad Editorial reached 75% of unique Internet users in Spain. Users in digital sites of the group accounted for 2% of page views by Spanish users. In return, it was able to transform that 2% of page views into 4% of the digital advertising investment, without taking into consideration the volume of investment that the search engines captured. Management pointed out that the goal was either surpassing the 2% mark or achieving such quality that this share would not be lost in the context of a growing market.

As a case study, this work is based on nine in-depth, semi-structured interviews with senior company executives, ranging from members of the board to the sales team, including some intermediate positions. Case study analysis has been proven as a useful tool in the field of news companies (Artero, Herrero, & Sánchez-Tabernero, 2011). The main goal of this work is to determine how advantages in technology affect Internet revenue models for online newspapers and examines the best way to survive in an ever-changing and more competitive environment.

The purpose of this research is answering the following questions:

**RQ_1:** How the market share of players such as Google or Facebook has affected the advertising revenue model of “legacy” newspapers?

**RQ_2:** What applications does big data management have on the main source of income for online newspapers?

**RQ_3:** Is there a future for the assimilation of legacy online media’s advertising models with the models developed by the greatest online platforms?

The work is structured in four parts. First, the context of competition of legacy media is described. Second, the changes that have occurred in the advertising commercialization are studied. Third, Unidad Editorial case and its transformation, based on the big players model in the digital field: advertising exploitation of individual users. Finally, some results that the group managed after the deployment of adopted measures are presented.

**THE IMPACT OF TECHNOLOGY ON NEWSPAPER REVENUE MODELS**

Over the past ten years, a series of phenomena in the fields of economy, technology, globalization, the role of social media (especially Facebook, Twitter, LinkedIn, Instagram, and Pinterest) have helped