

# eReading advertising and value creation best practices - Outlook 2010-2011

Leminen, S., Huhtala, J.-P., Helle, M., Hirvonen A., Kännö, H., Lindholm, J., Nousiainen, A., Sihvonen, A., Siuruainen, R., and Rajahonka, M.



## VALUE NETWORK – TAPPING INTO ENRICHED STORIES





Seppo Leminen and Juho-Petteri Huhtala (Eds.)

eReading  
advertising and  
value creation best  
practices - Outlook  
2010-2011

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# Executive summary

The eReading industry has developed tremendously during 2011 both globally and locally. After Apple launched its iPad 1 in Finland in late-2010, eReading as a phenomenon has rapidly emerged and created a burning platform for the development of the eReading industry in Finland. This has led to a central question being how the traditional publishing industry perceives the role of eReading, as only a new channel or as a new and distinct media form in its own right (i.e. a new digital service business model for a firm). While some Finnish companies have perceived it as a totally new opportunity, others have seen it as only a new channel to expand into (Huhtala et al. 2011a;b).

To disentangle this emerging phenomenon, we examined both internal and external aspects of eReading services under two main activities, new product concepts and value adding services and eReading advertising and interactivity, consisting of seven individual working group studies. Internally, we focused on how a business model evolves in the eReading business and what kind of sources of learning firms use in their new product/service development processes to create incremental and radical innovations in these emerging markets. Additionally, we uncovered the role of modularity in the eReading business. Externally, we evaluated and defined a strategic target state for Digital Space: a digital arena for writers and consumers to meet in and create new value, and examined what kinds of ad formats are being utilized in current tablet/eReading advertising media, what is the role of eReading advertising in integrated marketing communications and how to provide value for media users in the future. The key findings of each working group are highlighted in this executive summary.

## *Business model servitization process from traditional to digital*

In this study on the servitization process from traditional to digital, business model development is examined to uncover how business model dimensions change when the business model evolves. Overall, this research indicates that business model development is value proposition driven. Furthermore, two main findings were drawn. First, in the early stages of business model development, the orientation of the organization is more technology focused due to its lacking customer information but this orientation changes to become more customer driven in the later stages of development. Secondly, the servitization process is embedded in the business model development stages. Currently this process is ongoing. Managerially this study provides insight into how a new offering can be developed in a rapidly developing marketplace and how the stages and orientation during development could change.

### *Role of learning in eReading service development*

In this study on the role of learning in eReading service development, different learning configurations and their outcomes are examined. The study reveals that in order to create new-to-market innovations it is important to adopt a proactive stance in exploring new ways of doing things. In other words there is no single solution that might be implemented but instead companies have to assume either an exploratory or exploitative stance towards innovations in an emerging industry. Overall four different market creation strategies were found, each of which relied on differing configurations, constituting capabilities. Managerially this study provides alternative strategies with which to approach the emerging eReading market and provides insights into the capabilities required to operationalize each of the strategies.

### *Business model modularity: Why modular thinking is important?*

This study of business model modularity examines the usage and benefits of modular thinking in the Finnish publishing industry. This study describes two perspectives on modularity that are typical of the media industry – content and concept modularity. Modular principles are moderately used in the Finnish publishing industry today. However, a better understanding and greater use of modular and platform thinking would be beneficial in the eReading environment for many reasons: firstly, opportunities to achieve economies of scale and scope through re-usage of content are particularly rich in the media industry; secondly, full exploitation of the opportunities of the digital environment calls for development of new services for divergent customer groups, for divergent devices and platforms integrating modules produced by several partners, but also cost-efficient utilization of shared resources and processes, whenever possible; thirdly, modular thinking brings flexibility and adaptability to changes.

### *Future digital service space*

This study examines the future digital service space for book publishing. The existing value chain of the book industry can utilize the outcomes and service design thinking approach for the purposes of 1) redeveloping a strategic vision for the digital service business by reflecting on the co-existing storyteller, reader and content profiles, 2) enhancing processes by adding new modularity into story creation and lifecycle management or 3) creating new individual services for both authors and readers. In any case, new competences and partners are needed to support the Digital Space ecology and service model realization especially around innovating and enriching the reading experience. Managerially this study reveals possible opportunities to capitalize on story related total offerings (people, places and spaces) for the whole value chain.

### *Advertising form taxonomy in the tablet and eReading media*

In this study the current developments of the US eReading industry is examined with regards to the advertising forms used. The benchmark study found 12 distinctive advertising forms that are used in the US tablet/eReading advertising context. Most of these advertising forms are congruent with the forms of mass media and interactive media advertising. There is a distinct difference between newspapers and magazines in terms of advertising: Advertising in newspapers is somewhat homogeneous with the dominant ad form being banner advertising whereas magazines are more heterogeneous in the sense that they apply a variety of advertising solutions. Managerially this research provides insights and direction for the development of advertising concepts in the Finnish context. However, the different forms of advertising and their fit with the Finnish context warrant further examination in the future.

### *eReading advertising as a part of integrated marketing communications: The advertisers perspective*

In this study the current developments of the Finnish eReading industry are examined from the advertisers' perspective. This research shows that eReading advertising provides interesting opportunities but many details related to its utilization are undefined and dependent on the market maturing. In order to boost eReading advertising, media must provide information of the unique media environment and develop the guidelines that shape advertising in the eReading context. Managerially this research provides a foundation for the rapid adoption of advertising concepts by highlighting the possible hurdles that need to be overcome in the coming years.

### *Value for “Me and My life” value-added services in media*

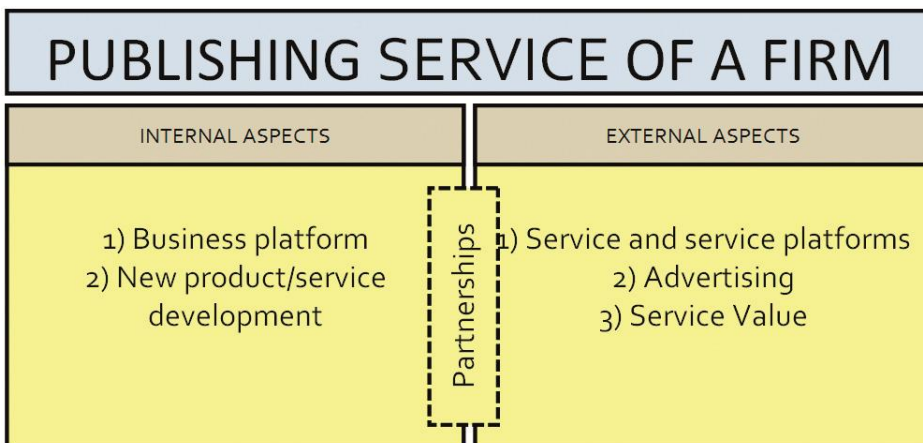
This study examines the value-added services in the media business. Media users are more fragmented and autonomous than ever before. Therefore, unless media products are useful and interesting for the users, the media business will not survive. The exchange value (profit) is only created from the use-value, how customers think they can benefit from media products. As a solution this study proposes the adoption of service logic: to conceptualize media content as service, which needs to be useful and interesting. It is crucial to gain a deep understanding of customer/media user needs, to be able to create services, which can be monetized.

# 1 Introduction

Juho-Petteri Huhtala, Antti Sihvonen and Seppo Leminen

The eReading industry has developed tremendously during 2011 both globally and locally. From a technology perspective, Apple launched its iPad 1 in Finland in late 2010 and iPad 2 globally in March 2011. In addition, Kindle Fire (released November 15, 2011) and other Android devices have started to emerge. Simultaneously Finnish companies such as Helsingin Sanomat, ePaper and Sanoma Magazines have developed their iPad applications. This has created a burning platform for the development of the eReading industry. An epiphenomenalist aspect is that academic research on the context has also started to emerge (Huhtala et al., 2011a;b).

Therefore a central question is how the traditional publishing industry perceives the role of eReading; *as only a new channel or as new and distinct media form in its own right (i.e. a new digital service business model for a firm)*. While some Finnish companies have perceived it as a totally new opportunity, others have seen it only as a new channel to expand into (Huhtala et al., 2011a;b). To clarify this emerging phenomenon, understanding of both internal processes and platforms, and also of the outward interface including advertising and interactivity have to be developed. Figure 1 depicts this dual approach.



**Figure 1** Dual approach to the publishing service of a firm

The internal aspects as they relate to the firm of the eReading development can be further separated into 1) Business platform development and 2) New product/service development and its management. In order to create services successfully, firms have to at least re-evaluate their current business platform, the business model that drives it and the strategy that operationalizes it. Simultaneously companies must resolve how to augment their product portfolio to cater to the new digital services. To do so, firms have to adjust their product development processes to comply with the needs of a fast moving digital service space.

A conundrum in new product/service development relates to whether reading will be viewed as a commerce of products, services or a service (i.e. will the industry servicitize its portfolio of offerings?). Servitization and service-dominant logic have predicted the evolution of offerings towards services (e.g. Vargo and Lusch, 2004) and this has also started to become apparent in industries such as the music industry and mobile communications. A central area of focus in the 2011 research was related to the development processes of eReading applications and servitization is embedded in these offerings.

Understanding the external dimensions relates to three major areas 1) the service platform for customer value delivery, 2) the advertising that relates to the industrial side and 3) the service-value to the customers. Simultaneously with the business platform development firms have to develop their service platform to interact with their customers and co-producers. Currently this is of utmost importance owing to the formative development stage of the eReading markets: customers lack experience and so companies are able define the customer experience. Furthermore, advertising plays a distinct role in the development of an actionable business model relying on diverse revenue streams. It is still unclear what the dominant forms of advertising in this new and emerging medium will be and how advertisers perceive this medium in relation to other forms of media. Finally, the development of eReading services enables the delivery of superior customer value. Therefore, it is of utmost importance to control and co-develop the customer experience with the users.

At the interface of the external and internal aspects are partnerships that play a central role in organizing both internal and external aspects at the firm level. This report does not assign a separate study to partnerships but issues pertaining to them are addressed in each existing study.

To disentangle this emerging phenomenon, we examined both internal and external aspects of eReading services under seven individual working group projects. Table 1 depicts these seven individual projects divided into two activities: 1) new product development and value adding services and 2) eReading advertising and interactivity.

Activity	Objective	Studies	Chapter
New product concepts and value adding services	Benchmark and research processes of servitization and gain understanding of value adding services in the eReading context	- Business model servitization process from traditional to digital	2
		- Role of learning in eReading service development	3
		- Business and service platform modularity: Why modular thinking is important?	4
		- Future digital service space	5
eReading advertising and interactivity	Examine and analyse current and future advertising solutions in eReading context	- Advertising form taxonomy in tablet and eReading medium	6
		- eReading advertising as a part of integrated marketing communications: Advertisers perspective	7
		- Value for “Me and My life” value-added services in media	8

**Table 1** Business model team - Activities and research in 2011

In the new product concept and value adding service activity we focused on benchmarking and researching the processes of servitization to gain understanding of the value adding services in the eReading context. These studies reveal how the business model evolves in eReading business (see Chapter 2) and what kind of sources of learning firms use in their new product/service development processes to create incremental and radical innovations in these emerging markets (see Chapter 3). Additionally, we uncovered the role of modularity in the eReading business (see



Chapter 4) and both evaluated and defined a strategic target state for Digital Space: a digital arena for writers and consumers to meet in and create new value (see Chapter 5)

In eReading advertising and interactivity activity our main objective was to examine and analyse future advertising solutions in the eReading context. These studies show what kinds of ad formats are being utilized in the current tablet/eReading advertising media (see Chapter 6); the role of eReading advertising in integrated marketing communications from the advertisers' perspective (see Chapter 7) and how to provide value for media users in the future (see Chapter 8). Finally, future directions and possible research areas are discussed (see Chapter 9).

# 2 The business model servitization process from traditional to digital

*Antti Hirvonen, Antti Sihvonen and Juho-Petteri Huhtala*

## 2.1 Introduction

Industries are not static but evolve over time (Klepper, 1996; Jonavick and McDonald, 1994; Gort and Kepper, 1982). Of late, the most changed industries are those related to information technologies and the internet, as the past ten years have witnessed ground-breaking technological advances. The sharp rise in cheap information technology, available bandwidth, and growth of communication options have made it more convenient for companies to work in online environments because coordination and transaction costs have reduced significantly (Tapscott et al., 2000; Amit and Zott, 2001). Publishing is amongst the most heavily influenced industries, and new technology has brought some substantial opportunities and already affected the business models of the actors in the industry.

The primary objective of this research is to understand how the emergence of eReading and the subsequent increase of servitization have affected the business models of the newspaper publishing industry. The first research question is:

1. How has the Business Model of newspaper publishers evolved because of eReading?

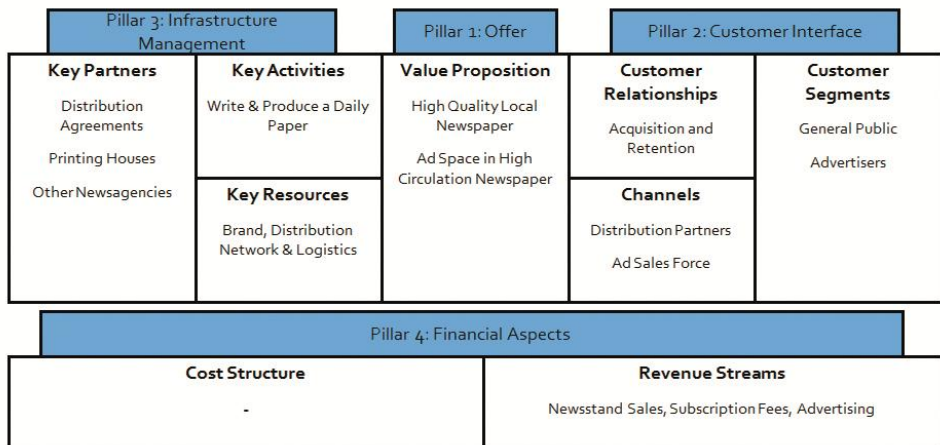
The second objective is to understand the effect of servitization with reference to the newspaper publishing industry. The aim is to study how and what parts of the business model have been affected by servitization. Thus, the second research question is:

2. How does servitization appear in the process of business model evolution?

Recent technological innovations have very rapidly altered the e-newspaper industry and it can be expected that development in the near future will offer further potential for the industry to transform even more substantially (Fetscherin and Knolmayer, 2004; Stahl et al., 2004). In addition, the preliminary work conducted for the current research topic indicated that extant literature lacks a longitudinal perspective on business model development as affected by an increased level of servitization. These two presented views, make this research topic very topical.

## 2.2 Research Method

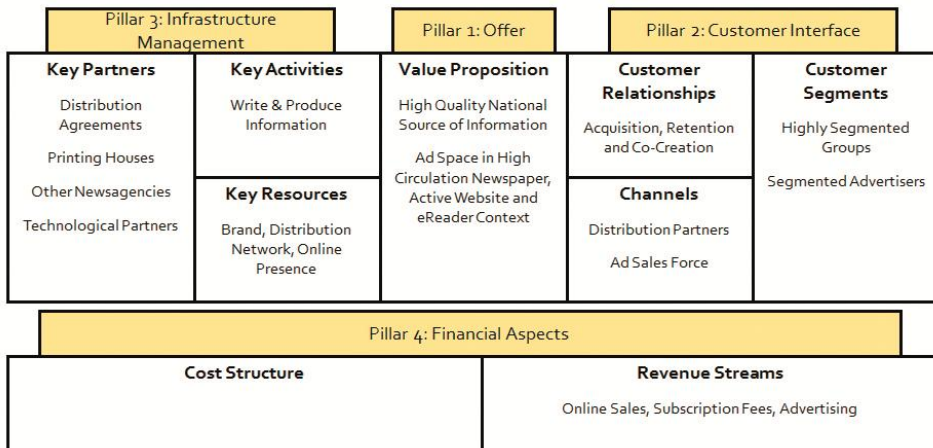
This research used case study analysis produced from a single case company Sanoma Media and was a subject to systematic combining. Research data consisted of a primary dataset of 1,400 pages of material including transcripts of a development group’s internal meetings, and a secondary dataset comprising interviews. This data was analysed by using Event Structure Analysis, which enabled analysis of causal patterns of events and meant that researchers could build on explanations. The Business Model Canvas by Osterwalder et al. (2004, 2005, 2010) was used as a tool for the analysis and the starting point is presented in Figure 2.



**Figure 2** Traditional business model architecture of newspaper publishing (adapted from Osterwalder et al. 2010)

## 2.3 Findings

The first research question considered the development process of the business model evolution of newspaper publishers with the emergence of eReading. Based on the analysis, the Business Model Canvas of the current phase is presented in Figure 3.



**Figure 3** Current business model architecture of newspaper publishing (adapted from Osterwalder et al. 2010)

The first conclusion is that the value proposition always drives the development process and is always the foundation and driving force for development. The second conclusion on this topic is that when there is no customer information made available when new technological innovations are ready for implementation, the first products need to be heavily based on estimations for such time as the amount of market based customer information is limited. When this customer based market knowledge increases, the business model development process begins to follow a traditional route where Customer Interface follows the development of the value proposition and only then is it followed by Infrastructure Management. The last part of the business model to be affected is the Cost Structure.

**A newspaper is no longer just a printed product – it is a source of information whereby its core product is consumed through services supporting the use of the product.**

The second research question addresses the effect of servitization on business model development. It is clear that servitization has a major impact on this development with its most obvious illustration being the reduced importance of a physical product. With reference to the “business model canvas”, the biggest changes have taken place in the value proposition and customer

relationships. A newspaper is no longer just a printed product – it is a source of information whereby its core product is consumed through services supporting the use of the product. Customer value is created in the process of consuming the product and therefore the customers themselves are now a more integral part of the user experience. A prime example of this happening already is the ability to express opinions; customers may now select from the content offered by the actors and to comment on it. This is in line with the concept of co-creation of value introduced by Vargo and Lusch (2004) and can be expected to advance in the near future. Table 2 illustrates the current stage in transition from goods-dominant logic towards service-dominant logic.

Business Model Component	Goods-dominant Logic Concepts	Transitional Concepts	Service-dominant Logic Concepts
Key Activities	Goods	Services	Service
Value Proposition	Products	Offerings	Experiences
Key Resources	Feature/attribute	Benefits	Solution
Customer Relationships	Value-added	Co-production	Co-creation of value
Cost Structure	Profit maximization	Financial engineering	Financial Feedback/learning
Revenues Streams	Price	Value delivery	Value proposition
Cost Structure	Equilibrium systems	Dynamic systems	Complex adaptive systems
Channels	Supply chain	Value-chain	Value creation network
Key Activities & Key Partners	Promotion	Integrated marketing communication	Dialogue
Customer Segments	To market	Market to	Market with
Customer Relationships	Product orientation	Market orientation	Service orientation

Legend:

	Current
	Past
	Not Considered

**Table 2** Servitization after e-reader 2.0 (Adapted from Vargo et al. 2006 and Osterwalder et al. 2010)

The future will also be bringing some challenges alongside the new opportunities not possible before. The biggest challenge is associated with the extent of free content available online. Research conducted for the current report and experienced

by the case company has shown that consumers are willing to pay for the material if the quality of the content is high. Another important factor is convenience: if consumers trust the brand, they can have confidence that important information can be found packaged in, and available for selection from, one place. This increases convenience and saves time, as there is no need to search for information online. The greatest opportunity associated with servitization appears in the concept of the long-tail, introduced by Anderson (2006). Increased levels of customization can be offered now and that can lead to increased customer value. This is also in line with the theories of S-D logic and the co-creation of value in particular.

When a new innovation with reference to servitization is implemented, it is important that the change is radical enough to really set it apart from the prior situation. This view is in line with Oliva and Kallenberg (2003) who stated that the manufacturer will require new guiding principles, structures and processes for their production and support operations. After this initial stage, changes can be made incrementally. This is exactly how the case company in the current study has operated.

Finally, we offer some suggestions for further research. It would be strongly recommended that a similar type of case study be conducted on another operator within a similar field of industry. After this, the results could be compared and the capacity of the outcome would increase substantially. It should also be noted that the current research largely ignores cost structures and revenue streams. Accordingly, the results do not indicate whether the company generated any profits from the business areas that were analysed or when those business areas would begin generating solid income.

# 3 The role of learning in eReading service development

*Juho-Petteri Huhtala and Antti Sihvonen*

## 3.1 Introduction

During the last ten years, the development of the internet and the digitalization of content in industries such as TV and music have had a strong influence on the future outlook of the publishing industry (Fetschering and Knolmayer, 2004; Stahl, Schafer and Mass, 2004). As

the recent studies show, digital technologies provide multiple opportunities for publishing companies to expand their ways of conducting business (e.g. Huhtala, Sihvonen and Leminen, forthcoming 2011; Tian, Martin and Deng, 2009). Innovations have a central role in defining these emerging industries (Slater and Mohr, 2006).

**What kinds of sources of learning do firms use to create incremental and radical innovations in an emerging market?**

In order to innovate, firms strive to learn how to satisfy existing or latent customer needs (Drucker, 1954; Sinkula, 1994). Organizational learning has been identified as a vital antecedent of innovativeness (Brown and Duguid, 1991; Hurley and Hult, 1998; Simon, 1991). However extant literature largely focuses on the utilization and dissemination of information in the context of existing industries (e.g. Menon and Varadarajan, 1992; Moorman, 1995).

As the sources of learning and learning in emerging industries have received scant interest, the purpose of this research was to explore how different sources of learning affect product release outcomes in the emerging eReading industry. More specifically, *our research problem* can be stated as:

*What kinds of sources of learning do firms use to create incremental and radical innovations in an emerging market?*

This research is based on a multiple case study of 12 simultaneous product development process cases in the emerging eReading industry in Finland during 2010 and 2011. Essentially, this covers a period when the new eReading industry started to emerge.

## 3.2 Theoretical Approach

Innovations have been claimed to be central to firms' growth and competitive advantage (Drucker, 1954; Deshpandé, Farley and Webster, 1993; Hurley and Hult, 1998; Grinstein, 2008). Furthermore, Hurley and Hult (1998) have stressed the importance of organizational learning in innovations. This research aims to advance this perspective by focusing on how different sources of organizational learning are combined and what kind of outcomes the learning generates in emerging industries. More specifically we focus on two distinct kinds of learning, learning generated mainly within the firm (e.g. Harmancioglu, Grinstein and Goldman, 2010; Kolb, 1984; Sinkula, 1994) and learning that occurs in collaborative interaction with business network partners (e.g. Håkansson and Ford, 2002; Möller, Rajala and Svahn, 2005).

Learning generated within the firm itself is a result of the generation of market information (Jaworski and Kohli, 1993; Li and Calantone, 1998; Moorman, 1995). Three different sources of market information are adopted here. First, the use of external market information which can be defined as information generated by an external party and bought by the company (Sinkula, 1994). Second, internal market information aggregated from the company's own databases by recombining existing information as the basis for future action (Harmancioglu, Grinstein and Goldman, 2010). And finally, experiential market information gathered through experimentation with new ways of doing things (Kolb, 1984).

Learning that occurs in collaborative interaction results from participating in business networks and through joint learning with partners (Håkansson and Ford, 2002; Möller, Rajala and Svahn, 2005). For analytical purposes networks are divided into types consisting of either traditional companies operating in the publishing industry, new partners specialized in the digital realm or networks that are a combination of both. This division follows the distinction made by Möller, Rajala and Svahn (2005) on dividing business networks into stable and well defined value systems (using traditional companies), established value systems (using both traditional and new partners) and emerging value systems (using only new partners).



As outcomes of the learning, we utilize new to market and new to company innovations or no innovation at all. In this context, we conceive new to company innovation as a digitalized replica version of a traditional publishing product. Any product that deviates from this in terms of layout or content can be conceived as a new to market innovation.

### 3.3 Methodology

This research builds on a multiple case study of 12 simultaneous new product development process cases in the emerging eReading industry in Finland. A case study approach was chosen to gain in-depth understanding of currently unfolding phenomena in context (Eisenhardt, 1989; Stake, 1995; Yin, 2003).

Several data sources were used to collect data: [1] qualitative data from semi-structured interviews with key informants (26 taped interviews, ranging from 45–120 minutes and totalling 711 transcribed double-spaced pages), [2] informal interviews and meetings with key informants (a total of 16, ranging from one to eight hours each), [3] secondary data, including archival and industry report data. The data set was collected between May 2010 and May 2011. However, semi-structured interviews were chosen as the primary form of data (Arksey and Knight, 1999). These data were then supplemented with informal interviews and secondary data to give additional depth and to corroborate the data (Eisenhardt, 1989).

In order to discover possible patterns between the sources of learning and product release outcomes, and to gain deeper insight of the most common learning configurations, we conducted both within-case and cross-case analyses (Eisenhardt, 1989; Eisenhardt and Graebner, 2007). Analysis of the data unfolded in three stages. The first stage consisted of within-case analysis that was conducted to become familiar with the data and enable preliminary theory generation (Eisenhardt, 1989).

Second, between-case analysis was conducted using Qualitative Comparative Analysis (Fiss, 2007; Rihoux and Ragin, 2009) – possible owing to the in-depth understanding generated by the first stage. In the cross-case analysis phase, we systematically compared the cases via a set-theoretic Qualitative Comparative Analysis (QCA), essentially looking for patterns of necessity and sufficiency that held across the cases (Fiss, 2007; Rihoux and Ragin, 2009). More specifically, we employed crisp-set Qualitative Comparative Analysis (csQCA) by using the software program Tosmana (Cronqvist, 2007). Therefore, each condition and outcome was coded as being either of a high (1) or low (0) degree. Crisp-set QCA was chosen as new product development cases in this study are believed to be equifinal (i.e. all

cases lead to one of three possible outcomes). More advanced statistical techniques were not applied, as the number of cases is too low (n=12).

Finally, a within- and between-group analysis was conducted to aggregate patterns within and between the most common sets generated by the QCA (Eisenhardt, 1989). This was done using pattern matching and cross-case synthesis (Yin, 2003).

### 3.4 Findings and Discussion

On the basis of the crisp-set QCA, new product development routes were developed for the digital publishing industry (see Table 3). This enabled us to build configurations of the chosen variables (i.e. how different conditions were combined to produce outcomes).

Cases	Use of external market information	Use of internal market information	Experiential learning	Learning with traditional industry	Learning with digital partners	New to market product	New to company product	Strategy type
B <sub>1</sub> , N <sub>2</sub> , N <sub>6</sub>	High	High	Low	High	High	No	Yes	Market duplication
B <sub>2</sub>	Low	Low	Low	Low	High	No	Yes	Market duplication
B <sub>3</sub>	High	High	Low	Low	High	No	Yes	Market duplication
N <sub>5</sub>	Low	High	Low	Low	High	No	Yes	Market duplication
N <sub>1</sub>	High	Low	Low	Low	High	No	No	Strategic patience
N <sub>7</sub>	High	High	Low	Low	High	No	No	Strategic patience
N <sub>3</sub> , N <sub>4</sub> , M <sub>1</sub>	High	High	High	Low	High	Yes	No	New to market innovation
M <sub>2</sub>	High	Low	Low	Low	High	Yes	No	Innovation adaption

**Table 3** New product development routes to digital products in Finnish publishing industry

Based on the new product development routes, four different strategy types were identified. These are:

1. Market duplication strategy (incremental, proactive)
2. Strategic patience (incremental, reactive)
3. New to market innovation strategy (radical, proactive)
4. Innovation adaptation strategy (radical, reactive)

The market duplication strategy builds on copying the old industry logic into a new context. This, essentially, results in taking the traditional logic of the publishing industry into a new context (i.e. an incremental innovation). Market duplicators are, however, proactive players in the sense that they create markets while not being capable of disrupting them (creating something radically new). An example of a

market duplicator strategy could be the formation of internet banking in Finland where the core service was copied to a new context.

Strategic patience pertains to a strategy type that focuses on awaiting market developments (i.e. the emergence of a market) that present an opportunity to generate a similar offering to that of competitors, but at little risk. An example of strategic patience could be the generic medicine industry that capitalizes on the market generated by the original developers.

The new to market innovation strategy type tries to generate a wholly new offering for the market, independently of competitor activity. This can result in proactive and disruptive innovations that change the market altogether and create new dominant designs. An example of a new to market innovation strategy could be Nintendo with WII that generated a totally new gaming experience in the console gaming industry.

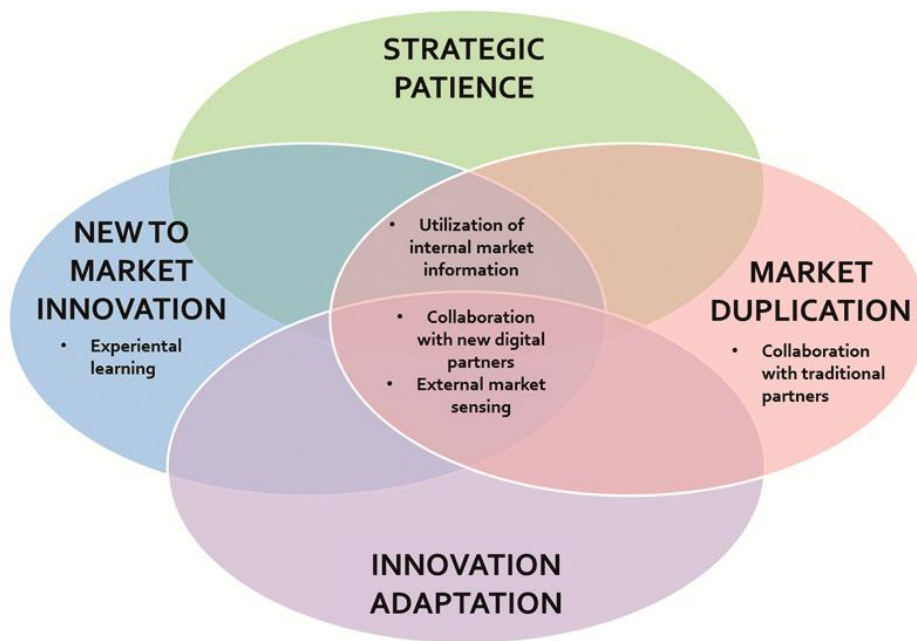
An innovation adaptation strategy type builds on the fast replication of a cutting edge innovative offering by capitalizing it to the company's own domain. An example of an innovation adaptation strategy could be Elisa by offering an IPTV solution immediately after a new to market IPTV innovation by TeliaSonera.

Based on the analysis, most of the companies employ a duplication strategy. However, based on our analysis, those companies that seek to create the opportunity themselves through experiential learning are able to realize radical innovations.

### 3.5 Critical Capabilities of Different Strategy Types

Each strategy type relies on a set of capabilities on an aggregate level. Figure 4 depicts the critical capabilities for each strategy.

All the strategy types rely on the capacity to form productive relationships with new digital partners. This in line with Grant's (1996) findings on fit between network partners in the domain of activity. Also external market sensing was manifested in each of the strategy types as a central capability due to the notion that being aware of opportunities and the current state of the market is crucial when markets and competitive positions evolve. However, external market sensing was most crucial to an innovation adaptation strategy as it focuses on sensing and seizing new to market innovations rapidly (Teece 2007).



**Figure 4** Critical capabilities by chosen digital landscape strategy

New to market innovations rely heavily on the exploration of new market opportunities rather than the exploitation of available external or internal information. It appears that trying new things enables companies to break the industry recipe (Spender 1989).

The market duplication strategy relies on collaboration with traditional partners that enables a safeguarded innovation strategy where nothing changes except the context. Essentially, this strategy type relies on network management capabilities to keep a coherent network operational when it is transformed into a new context.

To conclude, there is no single strategy for change but rather the impetus for change arises from the utilized strategy. Our research also revealed a set of organizational capabilities that are crucial for different strategy types.

# 4 Business model and service platform modularity: why modular thinking is important?

*Mervi Rajahonka, Seppo Leminen and Riikka Siuruainen*

## 4.1 Introduction

Many industries have moved into a business environment where new products or services have to be developed quickly and to meet diverse customer needs. In response to this challenge, a multi-product approach based on a platform strategy has proved to be successful in many sectors (Sanchez and Mahoney, 1996; Mahmoud-Jouini and Lenfle, 2010, Huhtala et al., 2011). This approach – building a platform (architecture) to which changeable modules can be attached in a standardized manner – can also be called “modularization”. Until recently the media industry has not been very keen on modular and platform thinking, although it could make it possible to mass customize services for different platforms, devices and users (Yoo et al. 2010), and especially in the media industry create economies of scale and scope through re-usage of content (Hess, 2006).

Our research questions are:

1. *How is modular thinking used in the media industry in general and in the Finnish publishing companies?*
2. *What are the perspectives of modularity in the media context?*
3. *What are the possible benefits of modular thinking in the Finnish publishing industry?*

According to the research literature, platform thinking and modularization produce many benefits, among others, they may reduce lead-times and costs in new product and new service development projects, allow mass customization of products or services, but also save costs and increase flexibility in production (van Liere et al., 2004; Jacobs et al., 2007; Mahmoud-Jouini and Lenfle, 2010). Platform and modular thinking in product/service and process levels combined with platform thinking of an organization also assure flexibility of business models. In other words, modularity may enhance the strategic flexibility of firms to respond to environmental change (Sanchez and Mahoney, 1996; van Liere et al., 2004).

In the eReading environment it is important to achieve flexibility and adaptability. Efficient exploitation of the opportunities brought by the digital environment calls for development of new services for divergent customer groups and for divergent devices integrating modules produced by several partners, but also cost-efficient utilization of shared resources and processes, whenever possible. All this increases system complexity. Consequently, a better understanding of how to apply platform and modularity principles is very useful in the media industry. In fact, even today there are examples of exploiting modular (platform) architecture in the Finnish publishing industry, for example a joint venture of local newspapers, where all other news content is produced jointly, but local news is produced separately. (Huhtala et al., 2011)

In this chapter we discuss the application of modular thinking in the Finnish publishing industry. We use three theoretical approaches. First we discuss the theory of modularity, in terms of modularity of products, processes, organizations and business models, and the application of modular thinking in the Finnish publishing industry. We develop and discuss two perspectives on modularity that are typical of the media industry – content and concept modularity. The second approach involves discussion of strategic alignment or fit (Venkatraman and Camillus, 1984; Henderson and Venkatraman, 1990) in the analysis of the attempts at organizational adaptation to change in the publishing industry. Third, as another example of how modular thinking is currently used in the industry, we present an analysis of new product and service development among Finnish publishers using a framework originally developed by Henderson and Clark (1990). Modular and architectural innovations are essential concepts for their framework. Finally, we sum up and present managerial implications.

## 4.2 Theoretical Approaches

In the research literature, modularity has often been separated into three categories: 1) product design or product modularity, 2) production or process modularity and 3) organizational or supply chain modularity (Salvador 2007;

Campagnolo and Camuffo, 2010; Bask et al. 2010). A fourth category has been presented too, being business model modularity (Bask et al. 2010). In addition to these, we have found two types of modularity that are relevant in the industry, namely content and concept modularity. Content modularity (modularity of editorial content and advertising) correspond to product or service modularity in other industries, and concept modularity can be described as part of business model modularity. We discuss the relationships of different types of modularity later in this chapter. We also discuss the benefits and challenges of applying modularity principles. The challenges include the challenge of achieving external and internal fit.

It has been argued that organizations should express alignment or fit both with their external environments and among their internal elements (structure, process etc.) (Venkatraman and Camillus, 1984; Miller, 1992). On one hand excess efficiency of internally consistent organizations can lead to tunnel vision causing them to ignore their environments, but on the other hand, internal consistency can be jeopardized by excess attempts to achieve fit with the environment. The third reason for inconsistencies can be “loose coupling” between organizational units. Organizations can be loosely coupled in relation to their environments but also internally, meaning that structures and activities in specific parts of an organization are weakly interconnected and can therefore vary independently (Miller, 1992). However, this kind of loose internal coupling can be very supportive of adaptation to changes, as it allows the effects of change to be isolated (Miller, 1992).

Henderson and Clark (1990) classify innovations into four types, namely radical, architectural, modular and incremental innovations. Modular innovations change the knowledge of the service component design, and architectural innovations the knowledge of the relationships between the components. Radical innovations are both modular and architectural and incremental innovations are of neither of these types.

### 4.3 Methodology

In order to gain in-depth understanding of currently unfolding innovativeness phenomena, the case study approach was chosen (Yin, 1989). Data was gathered by interviewing 15 managers, directors and other key decision makers from four magazine publishers, 7 newspaper publishers and four book publishers. In addition to exploiting the multiple case study approach, business platform development was studied in a single in-depth case study of a company that is in the middle of a transformation process towards a more digitalized business model. Several data sources were used to collect data, including interviews, informal discussions and company material.

## 4.4 Findings and Discussion

### *Usage of modularity principles in the Finnish media industry*

The benefits of modularity mentioned in the earlier literature on other industries (Jacobs et al., 2007; Mahmoud-Jouini and Lenfle, 2010) seem to fit the Finnish media industry in the eReading environment too. At the product/service level, that is at the level of **content modularity**, more rapid new service development can be accomplished with combining both existing content (for example media content for traditional channels) and new content modules (for example specific new content for digital channels) (WSOY/ Taro at the Centre of the Earth on iPad). One example of enriching offerings to achieve better customer service is that in the digital environment it is possible to combine content produced by partners or other actors, for example databases offered by authorities, with a media company's own existing offerings (Kauppalehti-ePortti). Also mass-customized or even personalized offerings can be built by mixing and matching product and service modules according to specific customer needs; examples of this are news services that allow personalization (Ampparit.com). In summary, it can be argued that in the digital world media companies have new opportunities to create, bundle, unbundle and repackage content in innovative ways (O'Regan, 2011). Digitalization makes it possible to reach new customer groups too (for example the younger, smarter and wealthier) and to build customer loyalty through customized total solutions using multiple delivery channels.

Modularity principles also make it possible to attain efficiency and adaptability of **processes** by standardization of general or universal processes (a process platform) and combining them with specific process modules that are applicable for specific situations. One example used by the Finnish media industry is that a certain process platform can be common for all channels, but in addition there can be process modules that are specific only for specific (digital) channels (eReading pilot projects).

At the **organizational** level, modularity means exploiting the division of labour and specialization, both in-house and in partner relationships. One example of in-house modularity is that in many cases specialized resource teams now offer services for all company units, instead of having a specialist situated inside the units. In partner networks, joint offerings can be produced by specialized actors in production networks, thus shrinking the "footprint" of the firm's in-house activities. (Baldwin and Clark, 1997; 2006). One example of this in the Finnish media industry is that specialized new partners – usually tele-operators – are responsible for the delivery of digital content to end-customers. Based on our findings in our multiple and single case studies, digitalization development has continued for a some decades in the Finnish media companies, changing the processes and organization of the work.



That is why the publishing companies have built partner networks and they are accustomed to outsourcing process modules to their partner network; however, increasing digitalization and convergence of technologies widens the scope of possible service offerings, and consequently the range of possible network partners and the complexity of the network are increasing. Thus, new partners may be required for video production, converting and delivering offerings to multiple device platforms etc.<sup>1</sup>

**Concept modularity** is characteristic of the publishing industry, where concepts, for example book series, author, newspaper or magazine brands, are essential for success. Furthermore, these concepts can be – and typically are – built of modules with the help of aggregation (joining things together) and curation (selection) principles (Shatzkin, 2009). However, it has been maintained that in the physical world selections are typically horizontal to gain efficiencies in production and distribution (i.e. a newspaper offering news, sports, weather etc.), but in the digital world selections become vertical (a focus only on sports etc.). Concept modularity could also be described as “modularity of offerings”, but also including plans for how to implement them, that is, the process and organizational aspects. A business model usually consists of several media concepts, and thus concept modularity is a part of business model modularity. One example of employing modularization concerning concepts is “concept extension” – for example the same brand can be used in several “sister” magazines, channels, events etc. (O’Regan, 2011; Teknari). Concept extension is in use in the traditional media business as well (Gloria, Glorian Antiikki, Glorian ruoka and viini, Glorian koti, Gloria Design etc.). The crucial question related to extensions is, how to maintain the same brand experience in different contexts.

**Business model modularity** means defining a business (model) platform and combining the above mentioned business model modules (for example products, processes and organizational solutions) in innovative ways that ensure business models that are flexible and highly adaptable to both technological and market changes (Bask et al., 2010). In the Finnish media industry many companies are still missing the internal strategic fit between their traditional business and new business opportunities. This weakness concerns the whole business model, both content and concept issues, and including process and organizational issues. For example in the magazine industry the traditional offerings have essentially been based on branded products produced with specific processes by specialized

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<sup>1</sup> IBM has developed a concept of “component business models” which is relevant to our concept of modular business models (Component business models, 2005). Business components as defined by IBM are “individual business modules that play a specifically designed role within the enterprise ecosystem.”

organizational units. Typically eReading projects in publishing companies have been started with separate pilot projects organized as specific organizational units that are not integrated with the rest of the organization. The real challenge is to alter the state of mind of the rest of the organization and to build new competences. (Huhtala et al., 2011) The crucial question is also how to lead the change, people and knowledge and also how to motivate people through the change. This could be the one of the main challenges, as changing the mindset of individuals is usually the hardest to accomplish.

	Examples	Benefits	Challenges
Content modularity	<ul style="list-style-type: none"> <li>- Digital content using modules that are already in use in other channels (WSOY Taro); The same content can be used for more than one newspaper or magazine brand (Customer magazines)</li> <li>- Enriching offerings by combining content produced by for example authorities with media company's own offerings (Kauppalehti-ePortti)</li> <li>- News services that allow personalization (Ampparit.com)</li> <li>- Discussion forums: Readers can discuss the news, after that the journalists analyse the comments to support refining the content.</li> </ul>	<ul style="list-style-type: none"> <li>- Faster new service development by combining existing and new service modules</li> <li>- Mass-customized or personalized offerings by allowing mixing and matching of modules according to specific customer needs</li> <li>- Easier user participation in service development (by defining modules and interfaces for co-creation)</li> </ul>	<ul style="list-style-type: none"> <li>- Increase of complexity (content for several devices and divergent audience)</li> <li>- Defining standard modules and creating modules that are of special value for customers</li> <li>- Defining interfaces that best enable co-creation of value</li> </ul>
Process modularity	<ul style="list-style-type: none"> <li>- eReading pilot projects, which typically combine processes that are common for all channels, but in addition there are process modules that are specifically for eReading</li> </ul>	<ul style="list-style-type: none"> <li>- Efficiency and adaptability of processes</li> <li>- Economies of scale brought by general processes, but at the same time flexibility with specific process modules for example for specific brands or specific digital channels</li> </ul>	<ul style="list-style-type: none"> <li>- Creating/defining new platform processes that integrate work done for traditional and digital channels or for different brands</li> </ul>

Organizational modularity	<ul style="list-style-type: none"> <li>- In-house: specialized resource teams offer services for all company units</li> <li>- Using partners refining the content for specific channels or devices, for example tele-operators</li> </ul>	<ul style="list-style-type: none"> <li>- Efficiency by division of labour and specialization, both in-house and in partner relationships</li> </ul>	<ul style="list-style-type: none"> <li>- Managing in-house and partner relations by definition of tasks</li> </ul>
Concept modularity	<ul style="list-style-type: none"> <li>- Authorities as partners (Kauppalehti-ePortti)</li> <li>- Using the same brand in "sister" magazines, channels, events etc. (Teknari).</li> </ul>	<ul style="list-style-type: none"> <li>- New killer concepts when combining own content with content produced by partners</li> <li>- Concept extensions to new products/ services, new channels.</li> </ul>	<ul style="list-style-type: none"> <li>- Balancing focus and scope</li> <li>- "the more horizontal is the collection, the less likely it is to work in the digital world" (Shatzkin, 2009).</li> </ul>
Business model modularity	<ul style="list-style-type: none"> <li>- Amazon Books, Movies, Electronics, Home etc.;</li> <li>- Google Search, News, Maps, Scholar, Translator etc.</li> </ul>	<ul style="list-style-type: none"> <li>- Flexible business models that are highly adaptable to both technological and market changes</li> </ul>	<ul style="list-style-type: none"> <li>- strategic fit: between old and new models, that means, shifting in a controlled manner from piloting to the coherent new normal</li> </ul>

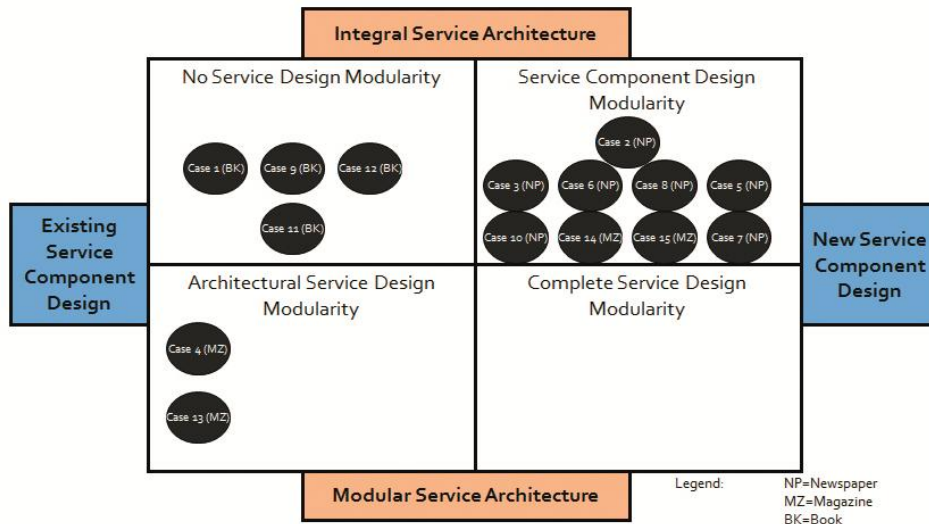
**Table 4** Summary - Benefits and challenges of applying platform and modularity principles in transforming the traditional media industry towards digital channels.

Table 4 summarizes the examples, possible benefits and challenges addressed through the application of platform and modularity principles in the media industry.

*Modular, architectural and radical innovations in the Finnish media industry*

Part of our multiple case study also examined, how case companies create product/service innovations, and whether they apply existing or new service component design and whether they have an integral service architecture or a modular service architecture. To give a few examples, case company 10 from the newspaper industry applies an integral service architecture and new component design (a webpage and a mobile application). If companies operate no service design modularity, they are able to produce only digital replica versions of traditional products, such as a PDF-version of traditional media. Moreover, as an outcome of service component design modularity, companies produce multiple digital replica variations, such as PDF, webpage and mobile applications. Among the case companies of this study, there are no companies that would exemplify the use of

complete service design modularity. An outcome of complete service design modularity would be total service offering modularity, such as offering a personalized bundle of stand-alone articles from multiple services. (Rajahonka et al., 2011)



**Figure 5** Digital service modularity for the publishing industry (Rajahonka et al., 2011)

According to our analysis, the choice of digital service offering in the Finnish media industry is largely moderated by the offline traditional service offering (See Figure 5). In the first stage of the digitalization process, all case companies from the book publishing industry are replicating their traditional offering in the digital landscape. In contrast, newspaper companies are providing their traditional service offering in multiple digital service forms, such as a webpage, mobile application content and a digital (PDF) replica. Only two companies from the magazine industry are planning to provide an offering in smaller sub-modules for the customers. (Rajahonka et al., 2011) These empirical findings suggest that modular thinking related to products and services is not fully applied in the Finnish publishing industry. Our research implies that to be able to derive full benefits from the digital environment, the offerings need to be transformed into modular designs. Even though some managers recognize the benefits of modular service design, the prevailing industry recipes tend to block innovations including real modular offerings when a traditional service offering is transformed into digital form (Spender, 1989).

### *Concluding remarks and managerial implications*

Our research shows that modular thinking is applied to some degree in the Finnish publishing industry today. However, a better understanding of modularity and platform concepts would be beneficial in the eReading environment as they enhance flexibility and adaptability and support obtaining the full benefits of digitalization.

Among the benefits that may be within reach with modular thinking, are

- faster new content development by using existing and new service modules
- mass-customizing or even personalizing of offerings by combining service modules into new packages according to customer needs
- economies of scale by defining platform processes, but at the same time adaptability by combining core process modules with specific process modules
- exploiting division of labour and specialization: joint offerings produced by specialized actors in-house or in production networks
- competitive advantages with new killer concepts and concept extensions
- flexible business models that adapt to market changes by making a distinction between those factors that build the core of the business model, and those factors that need dynamics.

# 5 Future digital service space

*Anu Nousiainen and Seppo Leminen*

## 5.1 Introduction

*The Digital Space and Digital Era Storytellers* projects contributes to the future vision of the book industry by identifying new business opportunities and new value (co-)creation services for the digital era. Therefore, the following chapters discuss what happens after eReading and Social reading concepts, offering a desired user experience have been successfully established in Finland.

The goals are to:

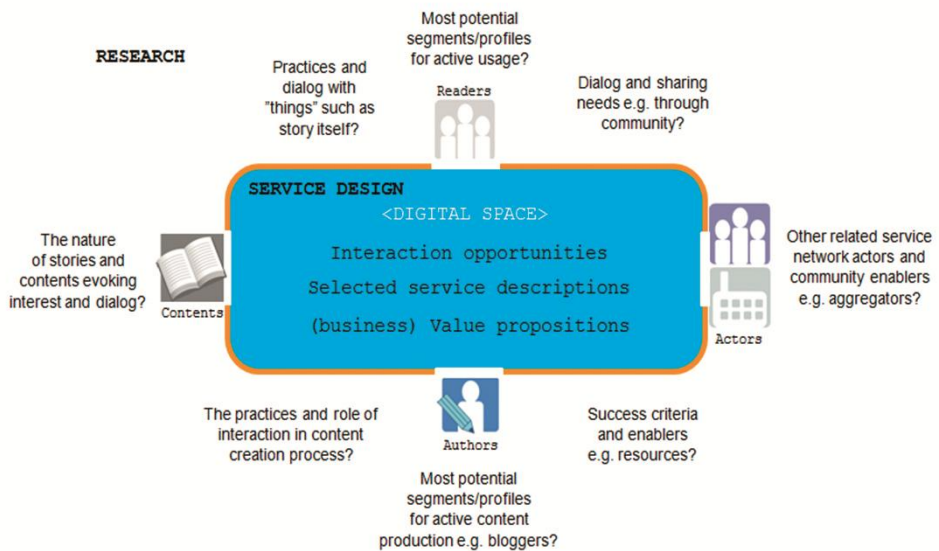
1. *Evaluate and define a strategic target state for Digital Space: a digital arena for writers and consumers to meet in and create new value*
2. *Ideate and describe the elements of Digital Space ecology and new services through its key users and contents.*

The project follows service innovation and design thinking principles and places a special focus on writers: existing local book authors in fiction and non-fiction categories, the increasing number of semi-professional writers and bloggers, as well as the new storytellers encouraged by the developments in technology and the new generation of readers.

The research scope has been narrowed to investigate the different practices and interactions throughout the story creation and reading processes. It was the motivators behind these interactions that proved to spark the most valuable service ideas for the Digital Space and for the Digital Era Storytellers (Figure 6).

The existing book industry value chain could utilize the outcomes and the service design thinking approach for the purposes of developing an overarching strategic vision, developing an existing service offering or developing new individual services. The research and its outcomes are terminal-independent and considers digital

services as something that can be realized for instance as mobile applications or as digital community features, following the principles of mobile internet and cloud computing.



**Figure 6** Project research concentrated on key profiles' and their interaction and dialogue needs

## 5.2 Theoretical Approach

The role of innovation is especially important when the business is in transition, as discussed in Chapter 3. A call for ideation and creativity has taken place in the Finnish book industry due to changes in value chain actors and technology enabled consumer participation, new digitally-literate browsing generation with different reading habits, expectations of a free economy in content digitalization and related piracy, new channels of distribution and increased local and global competition (Ekholm and Repo, 2010, p.12-16, 84, 102-103; Nybacka, 2011, p.78).

More and more business fields and public sectors are turning to design thinking methods in order to find new solutions for these changing operational contexts and to find new opportunities in the challenges (Miettinen, S. et al, 2011, 15, 25, 28). In the book "Creating desired futures. How design thinking innovates business." the design approach or design thinking has been described as "a highly participatory, dialogue-based and issue-driven approach whose iterative nature aims at continuous invention and learning rather than stability and control". Further, the most fundamental difference between invention and discovery is that design thinking revolves around what does not yet exist whereas scientists deal with explaining what is and why it is (Shamiyeh, 2011, p.273, 300).

Service design specifically helps to innovate; creating totally new or else improving existing services (Moritz, S., 2005, 6). In addition to the aforementioned design thinking approaches, the following principles relate closely to service design (Stickdorn, Schneider et al., 2010, p.30, 36, 38-39; Miettinen et al., 2011, p.21, 26-27, 31-32):

1. A user-centric approach where services are experienced through the customer's eyes and customer's vocabulary.
2. Sequenced service visualization with interrelated actions and a holistic approach where the entire environment of the service is considered (ecosystem).
3. Engagement with various stakeholders on creating, providing and consuming the service in order to both build insights and co-ownership.
4. By evidencing the intangibles in the process as physical artefacts the ideas are presented and tested quickly, iteratively and creatively.
5. Empathy is the most critical capability for design thinking. It is the starting point to see something that has not been seen before.

In other words, compared to the traditional product or service process, design thinking brings empathy, co-creation and engagement into the core of business development. Service design as a process, method and discipline focuses on understanding people's practices, interactions, contexts, needs, emotions and motives (Miettinen, 2011, p.13). Steve Jobs, former CEO of Apple, put it this way when he was asked what market research went into the iPad: 'None. It's not the consumers' job to know what they want' (New York Times, 2011).

Since services are heterogeneous in nature and they are simultaneously produced and consumed by customers (Zeithaml, Bitner, Gremler et al. 2009, p.20) Service design also encapsulates a comprehensive approach to development and innovation of augmented service offerings (Grönroos, 2010, p.187). This is especially applicable in digital services owing to the fact that value is created in networks of collaboration rather than in traditional silos of expertise (Stickdorn, Schneider et al., 2010, p.137). A concept of 'service ecology' (the system of actors and the relationships between them that form a service) emphasizes the same holistic approach: 'Service ecologies include all actors affected by a service, not only those directly involved in production or use. By analysing service ecologies, it is possible to reveal opportunities for new actors to join the ecology and new relationships between them' (Live I work, 2011).



Ultimately, ‘sustainable service ecologies depend on a balance where the actors involved exchange value in ways that is mutually beneficial over time’ (Live I work, 2011). Therefore, it is important to look at who needs to collaborate with whom to create truly compelling service experiences for customers and to understand the role of the customer as an active value producer. Bookonomy, a doctoral thesis produced in the faculty of Business Administration at Stockholm University (2011, p.78), regards ‘consumers becoming producers’ as one of the three main developments in the development of book consumption alongside ‘meeting the authors’ (celebrity) and ‘book groups’ (authentic voice). Reading, with its long history, seems to be in transition with the paradoxical existence of both fast and slow media as well as attempts to reclaim nostalgia and a yearning for innovation.

### 5.3 Methodology



**Figure 7** Service design activities (Moritz 2005, p.123) and steps realized in the Digital Era Storyteller project

The overall approach and the specific research conducted utilizes the service design principles discussed in the previous chapter. There are different process models available to realize service design thinking but one thing is always common: they all start by understanding both the challenge and the end-user, the customer. In both of the cases, the latent needs or unrealized problems are the ones that need to be understood – after that, it is about finding solutions. Hence, in order to investigate the potential of Digital Space and design new services the steps and related activities followed Stefan Moritz’s model (Figure 7).

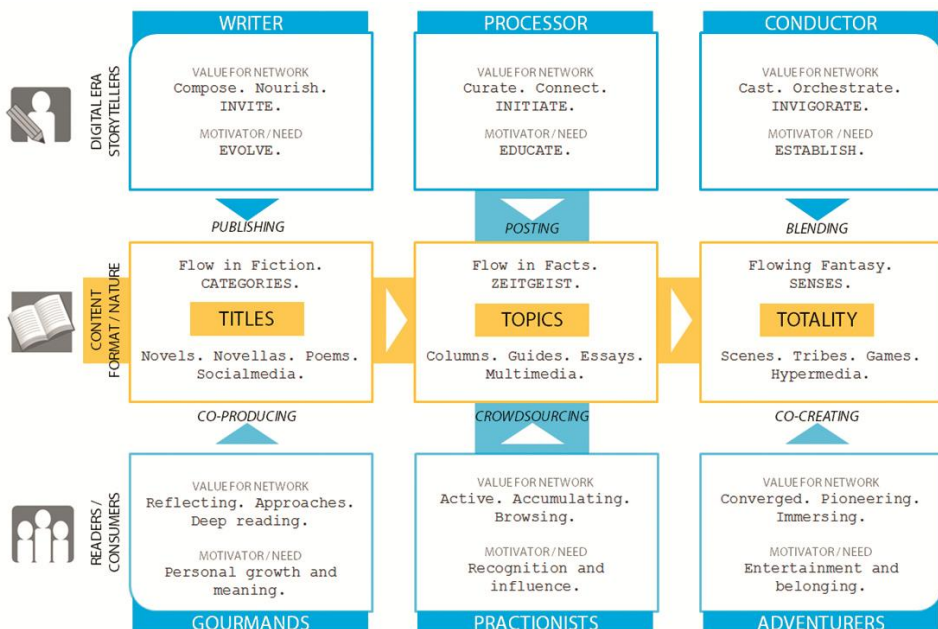
The first step of the process of “understanding” (See Figure 7) included both the business context and current actors in the value chain. For the purpose, desk research focused on research done in the areas of future trends, the Next Media programme, content digitalization, and local networking and reading practices. A series of structured interviews were conducted with 11 experts specializing in various insights and trend fields the future statements resulting from the desk research. The goal was to evaluate the idea and strategic direction of the Digital Space as well as to understand future readers and the development of value networks.

Interaction and dialogue-related practices and latent needs were investigated through cultural probes (Stickdorn, Schneider et al., 2010, p.168): a reading diary study invited a specific group of women (both active readers and active social media users, N=11) to analyse their own reading experience especially from the interaction point-of-view (both towards the story content and other people). The research revealed different reader types and highlighted specific topics and themes that evoke needs for dialogue and discussion from the readers’ points-of-view.

Authors (N=10) were invited to take part in the project through their publishers. A semi-structured interview agenda (Flick 2002, p.80-82) focused on the motives, meaning and success factors encapsulated in the writing process. In addition to the processes of story creation and delivery, the interviews quickly strengthen the assumptions of Digital Space benefits between different profiles for instance, fiction and non-fiction authors, beginners and professionals, as well as ambitious bloggers. Furthermore, the research supported the idea of combining the nature or theme of the story with a specific delivery and publishing format to reach its target audience, be that children’s books and fantasy or detective stories and romantic novels.

The research phase (“understanding”) was completed during May–August 2011 after which came the next phase “thinking” (See Figure 7). Data analysis was done by using a combination of thematic coding and qualitative content analysis (Flick 2002, 185-193; Goodwin, 2009, p.209). Thematic coding identifies the needs of new service ideas through creating taxonomies (Goodwin, 2009, p.214). An affinity wall (Goodwin, 2009, p.215), on the other hand, visualizes and connects important insights and themes that come through from the research. The “thinking” activities

resulted in three different storyteller profiles (Stickdorn, Schneider et al., 2010, p.178), three paths to deliver stories and three different audiences experiencing the stories (See Figure 8). The framework illustrated in Figure 8 is primarily a tool to spot different needs, targets and challenges with key actors of the Digital Space, and as a result, the collage of profiles does not represent user segments as such but user profiles through which the ideation and opportunities are being developed and evaluated (Goodwin, 2009, p.236).



**Figure 8** Framework - Digital Space Profiles (storytellers, content and readers)

Initial service ideas for the Digital Space were captured from the interviews, discussions, desk research, and as mentioned previously, from the data analysis. However, the “idea generating” phase (See Figure 7) culminated in a multidisciplinary service design workshop in early October 2011, where the 19 participants (experts of music, marketing, mobility, social media, books, technology, journalism, events, new entrepreneurs and facilitators) met (Stickdorn, Schneider et al. 2010, p.180). Basing their actions on the strategic target-state vision for Digital Space and by familiarizing themselves with the storyteller profiles, each participant group completed a set of exercises and cumulative insights, challenges and solutions for their own storyteller profile.

The “filtering” and “explaining” activities in the Digital Space project were carried out as far as Digital Space value propositions (See Figure 10) and new service illustrations through examples and storytelling (Stickdorn, Schneider et al., 2010,

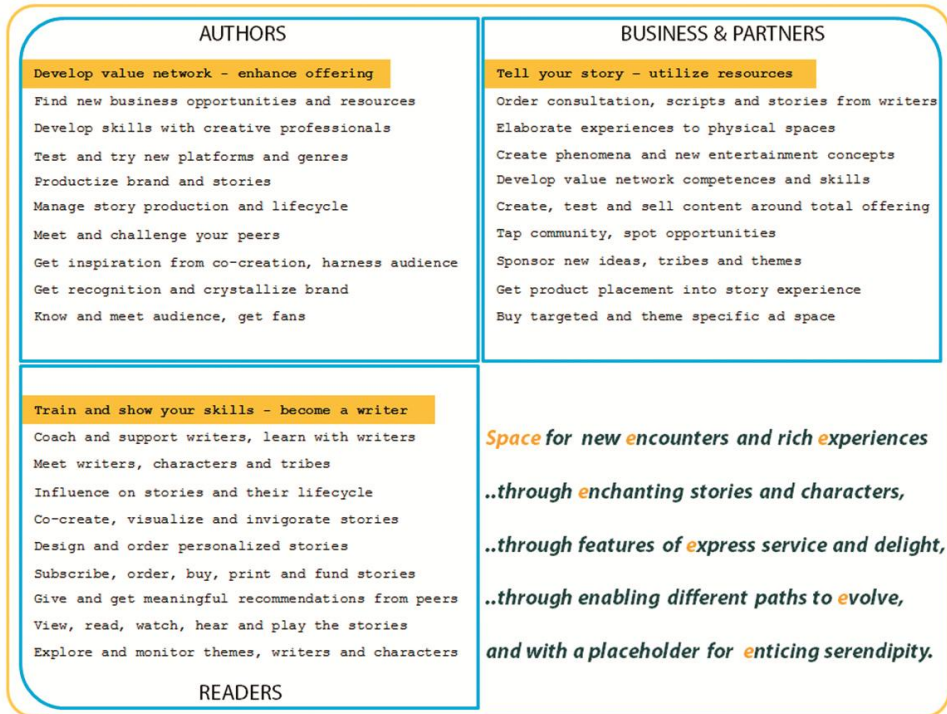
p.186, 202). The work before “realizing” (i.e. implementation of the strategy and selected services) was presented on 14th December, 2011 to a Next Media eReading audience. When service ideas acquire their shape through an iterative process, experts and stakeholders are again invited to evaluate and filter those with the greatest potential to be realized. A recommended next step to pursue in 2012 is to evaluate ideas so far (for instance, according to their value for end-users as well as according to their business potential and easiness to implement) and to select those with the most potential for further development.



**Figure 9** Summary of steps and methods taken in Digital Space research to capture primary data

## 5.4 Findings and Discussion

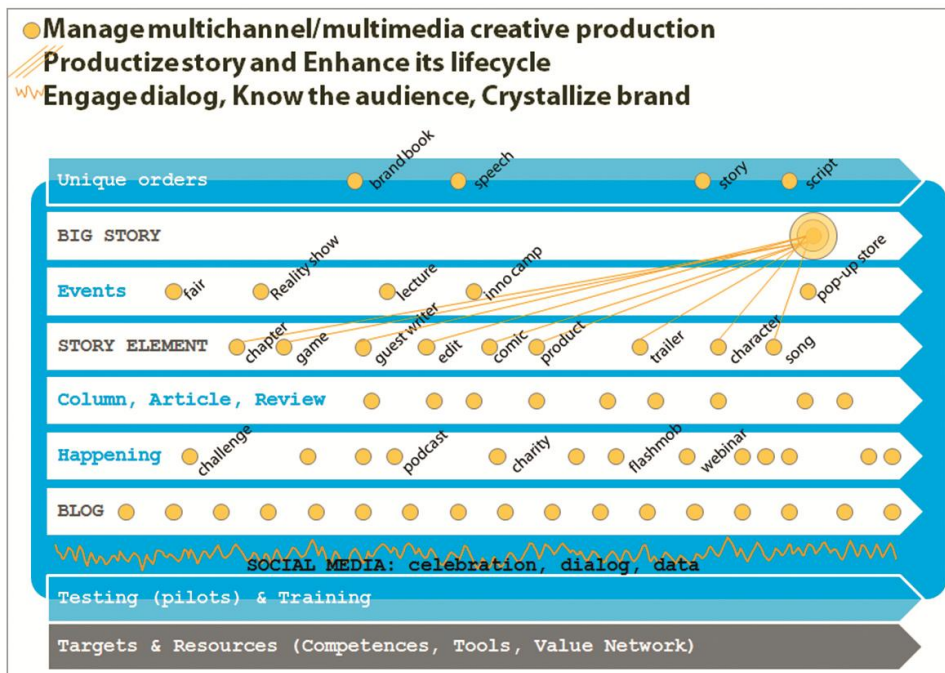
Based on the conducted research and service design process there are multiple opportunities for both existing book industry players and for future storytellers to create new value from the Digital Space. The summary of value propositions that Digital Space provides are listed below (See Figure 10).



**Figure 10** Summary – Digital Space Value Propositions

To highlight and concretize, the following examples of opportunities have been identified based on Digital Space value propositions:

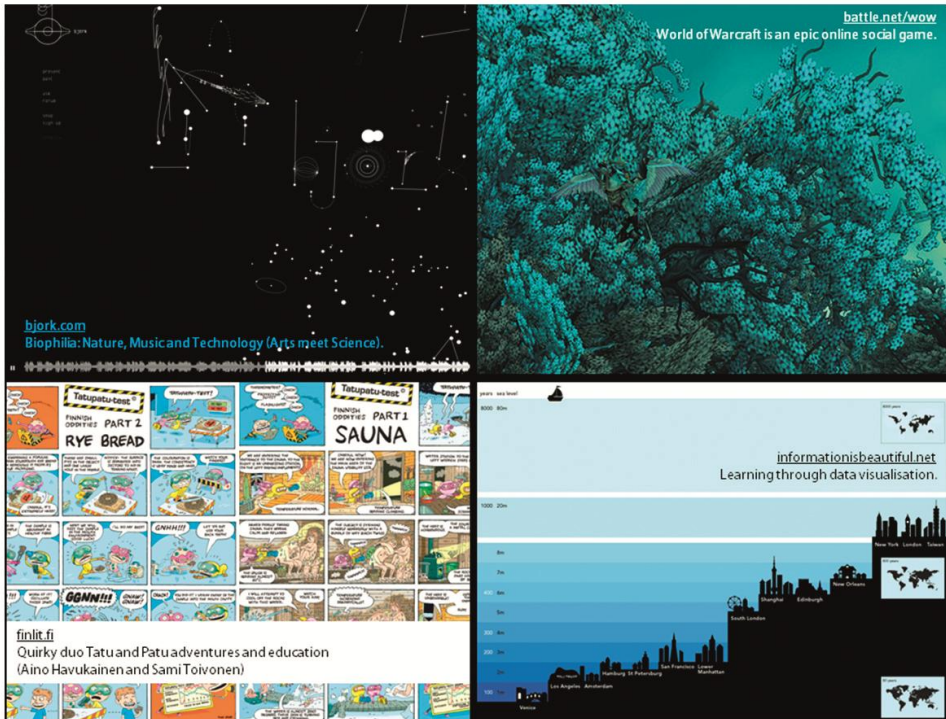
*For recognized authors:* Digital Space offers more ways in which to tell stories and productize the story lifecycle; a means to widen the traditional repertoire; ways to test ideas and pilot offerings; and in the end it offers co-creative processes to involve and acquire more readers. Further, authors and writers are able to promote and sell their brand with both niche and personal services through social media utilization and building their own portfolio. Figure 11 below presents various layers of content and channels that future storytellers both could and should manage throughout and between the creative processes or through story lifecycles.



**Figure 11** Storyteller value propositions

Digital technology and especially hypermedia will offer an interesting and promising field to harvest for future storytellers (See Figure 12). If stories are in the format of customizable and aggregated content elements, social e-books, and they are always available through mobile terminals, the new format for the stories can be a combination of music, arts, movies, science, gaming and yes, reading. Therefore, future storytellers create their own world for the story and for the human senses acting as directors themselves to build the scenes and let the audience choose their reading and experience path on the way.

The most beneficial content categories for future storytelling in the format of enriched e-books (multimedia and social elements are being built or linked in text oriented storytelling) or hypermedia books (where users are able to experience the story in multiple ways while reading – listening, playing and choosing their own path) are for instance fantasy and children’s books, educational books, detective stories and adventures.



**Figure 12** Hypermedia stories are envisioned to be a combination of gaming and movie scripts

For the readers the new dialogue and related services provide an opportunity to participate in story creation and storytelling activities both in terms of co-creation and crowdfunding. The resulting interaction and transparency encourages some readers to become storytellers themselves. Therefore, the interaction space is not only a social feedback channel and place for ideation – it trains those who want to become recognized authors and those who want to build or maintain their brand as experts on their own field.

Figure 13 presents a collection of ideas resulting from the service design process with short descriptions and references.

## Explore, Influence, DIY, Co-create, Meet, Grow

REF. [Bookcountry.com](http://Bookcountry.com), [bookish.com](http://bookish.com) (beta)

Design your own book from story, image and cover selection; Get print optimized stories (and eco-paper). REF. <a href="#">Create a photobook</a> , <a href="#">Mix your own music album</a>	PICK & MIX	STORY JUGGEBOX	Support and fund the best story DJs before time is running out.
Co-create stories with pro-authors and fellow readers; Produce multimedia elements to existing stories. REF. <a href="#">PIRUNMERI.fi/</a>	STORY POOL	DETECTIVE	Solve crimes to get keys to the next story chapters and enriched contents. Ref. <a href="#">TYKKIKIRJA.com/</a>
Vote the next book that will be printed/filmed; Vote author to next story script or series; Vote the most promising new character.	JURY	SATIRE NEWS	Read & create news as satire stories; Write and support pamphlets. REF. <a href="#">cheatingu.com/UITISSIRKUS/</a>
Explore pilot stories and fund your favorites; Participate in writer and inno camps to process stories. REF. <a href="#">crowdfunding</a> , <a href="#">UNBOUND.co.uk/</a> , <a href="#">FAVOR.org/</a>	CAMPFIRE	GET ME	Nearby eKiosks; Flashmobs, City games; Books talk; New offers, Subscriptions..
Process stories that writers have left behind; Share your own story for peers to process; Get pro-author mentoring.	PEARLS IN DRAWER	eXPLORE	Total offering / Content Hybrid, Search, Filters Ref. <a href="#">IMDB.com/</a> , <a href="#">Amazon</a> , <a href="#">Google</a>
Go to events, trips and happenings*; Augmented reality city game, Tribe meeting, Author backstage, Trip to the roots of the story, Pop-up store etc.	TIME & PLACE	dBSK	Create and self-publish stories REF. <a href="#">Do-It-Yourself, co-production, crowdfunding</a>
Reviews; Recommendations; Wishlists; Book loans from a friend... REF. <a href="#">LAST.fm/</a> , <a href="#">GOODREADS.com</a> , <a href="#">Washington Post Social Reader</a> Sharing reading experiences with selected group REF. <a href="#">SUBTEXT.com/</a> , <a href="#">FINDINGS.com/</a> , <a href="#">READMILL.com/</a>	BOOKSHELF	cIRCLE	Swap books you want to get rid of: services and happenings* <a href="#">BOOKINS.com/</a> , <a href="#">PAPERBACKSWAP.com/</a> , <a href="#">BOOKMOOCH.com/</a>

\*<http://www.guardian.co.uk/books/interactive/2011/sep/15/guardian-and-observer-book-swap-flickr-map>

**Figure 13** Display of reader services

*Business and partners* will find more and more opportunities to tap into enriching e-book contents and story lifecycles – either by developing those elements and experiences in different platforms (partners) or by utilizing the potential of interaction space for ads, sponsoring or product placements (See Figure 14).

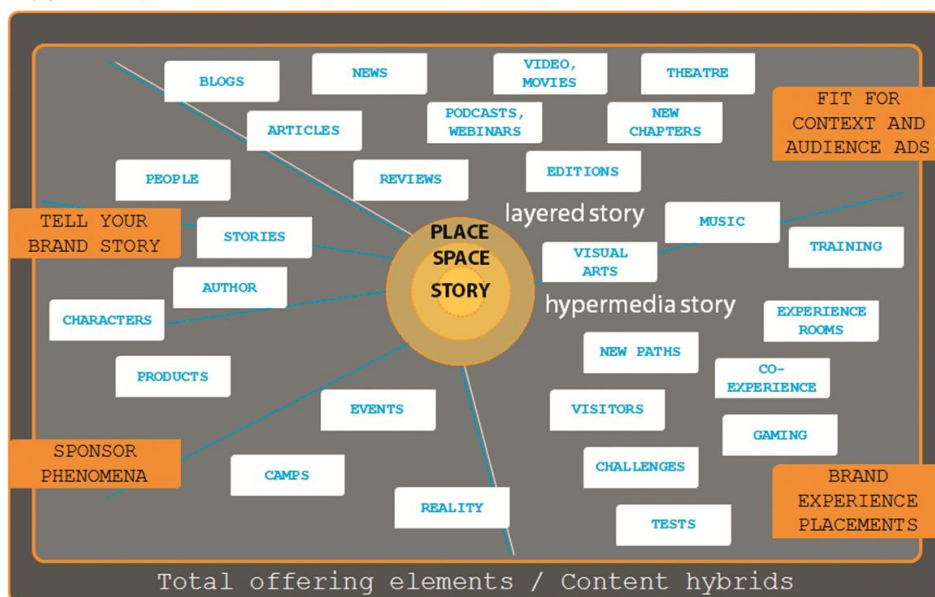
The placeholder and momentum for different kinds of advertising is likely to feel more natural especially in the multimedia and hypermedia experience. Dominant usage in this environment is about “browsing” and “immersing”, compared to the existing e-book reading experience where hypertext and advertisements are generally considered interruptions. Furthermore, not only the story environment but also its characteristics and content category will influence opportunities in advertising: in enriched e-books and in the hypermedia environment “facts in fiction” stories provide placeholders for product placements, brand experiences, solution ads and services ads too.

To extend the business potential to a global scale, using hypermedia and the related technology development to produce enriched content modules and story environments could fit with current developments in Finland. SaaS (Software as a Service), mobile applications and digital services are becoming easier to build for a growing number of start-up businesses and networks of creative competences. By combining these different enablers with established and pioneering businesses, new



playful and educational stories could be devised and produced to compete with global players.

REF. [bjork.com](http://bjork.com), [secrettechnology.com](http://secrettechnology.com)  
[pottermore.com](http://pottermore.com) (beta), [kirjalabyrintti.net](http://kirjalabyrintti.net) (hypermedia book),  
 Apple iPad, Amazon.com (enriched e-books)



**Figure 14** Businesses (and partners) tap into enriched stories

The Digital Space and Digital Era Storytellers project aimed to present both an innovative future vision for the book industry in terms of investigating and identifying new ecology elements through design thinking methods in addition to planting seeds for new services. Hence, the following design guidelines were created to support the strategic target state vision for the creation of the Digital Space ecology elements:

*From book production to story optimization:* The characteristics and nature of the story, its audience and its originator direct story production and the delivery format. The story lifecycle can be optimized through productizing/servitizing it into modular experience elements and total offering layers in both the digital and physical worlds. Hence, pricing of the story takes into account the estimated lifecycle and potential to productize or modularize the story into new elements.

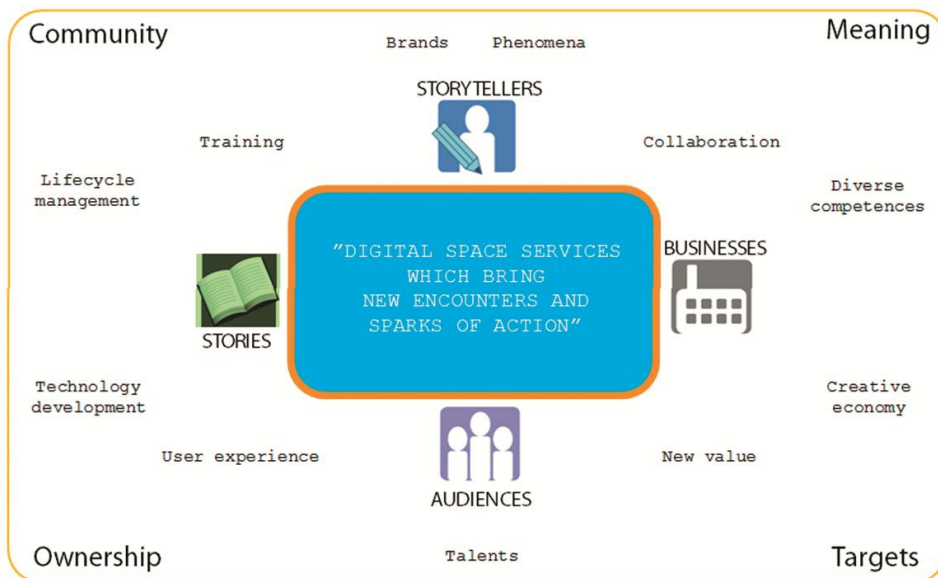
*From value chain to ecology of partners:* There is clearly a need to leap-frog from version 1.0 to version 3.0, in other words from transparency, dialogue and the “free economy” to co-creation and co-production of new value and related practices.

Agility and piloting with real end-users lead to innovations and sustainable solutions. Therefore, new skills and multidisciplinary teams should be engaged to co-design storytelling and experiencing.

*From service production to the higher vision of “nurturing local storytelling”:* Building a community (or sense) with meaning to nourish the Finnish writing and reading culture requires exactly that - building a community, in which members encounter the services as part of their daily practices both in physical and digital spaces.

*Digital Space is the meeting space  
for new encounters and rich experiences  
...through enchanting stories and characters,  
...through features of express service and delight,  
...through enabling different paths to evolve,  
and with a placeholder for enticing serendipity.*

To provide such a variety of value propositions through services and community features the realization of Digital Space is about careful roadmapping. It also needs specific drivers from developments in other fields, such as technology, creative economy and Digital Rights Management (DRM). In other words, Digital Space needs fuel and a push from existing value chain actors to build the ecology together. The following Figure 15 summarizes and highlights some of the key elements discussed here in order to both succeed with the new digital services as well as to understand needed business capabilities.



**Figure 15** Ecology elements for Digital Space

# 6 Advertising form taxonomy in the tablet and eReading medium

*Jerry Lindholm*

## 6.1 Introduction

The rapid expansion of the tablet and eReading medium has had an impact not only on media content consumption but also on advertising. As the major tipping point of eReading devices<sup>2</sup> and tablets<sup>3</sup> is still in the future and the usage level of this particular medium is far less than other mass media formats, the role of eReading advertising is somewhat unclear. Deeper understanding of the strengths and opportunities presented by eReading advertising and its forms is especially important for newspaper and magazine publishers whose business models are highly dependent on advertising revenues (e.g. Wirtz, Pelz, and Ullrich, 2011).

The purpose of this study is to explore and categorize different advertising forms that are currently being utilized in tablet and eReading media. In addition, this research compares the leading magazines and newspapers in the tablet/eReading field and strives to augment our current understanding of the utilization of advertising; meaning how different advertising means are being utilized in different magazines and whether there is some kind of consensus with regard to current advertising solutions. In this light, the research questions are as follows:

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<sup>2</sup> eReading devices are generally created for electronic reading purposes. Even if many eReading devices enable primitive computer-like functions, these devices are mainly intended for reading purposes. Distinctive examples of eReading devices would be Amazon's Kindle and Barnes and Noble's Nook.

<sup>3</sup> Tablets are more multifunctional devices than eReaders as their main use is not limited to reading but encompasses other activities, such as web surfing. Distinctive examples of tablets would be Apple's iPad and Samsung's Galaxy Tab.

1. What kinds of ad formats are being utilized in current tablet/eReading advertising media?
2. How do advertising solutions differ in major US newspapers?
3. How do advertising solutions differ in US magazines?

By benchmarking (e.g. Watson, 1993; Camp, 1995) US newspapers and magazines (i.e. newspapers and magazines in the world's leading tablet and eReading market), I was able to find 12 distinctive advertising forms that differ from each other in terms of media characteristics. Based on these findings, I will provide an extensive classification chart that explores the differences in newspapers and magazines more profoundly.

## 6.2 Literature Review

Generally, advertising has been considered as being a part of marketing that provides information about products, services, and other commercial objects (e.g. Park, Shenoy and Salvendy, 2008). The role of advertising media, in turn, is to deliver advertising messages to relevant audiences (e.g. AMA – Advertising Medium) and, hence, the characteristics of advertising media define how different advertising messages can be delivered to target audiences. Different advertising media carry different ad formats (Hoffman and Novak, 1996; Rodgers and Thorson, 2000) and each of these formats within an advertising medium possesses distinctive features (Burns and Lutz, 2006). In particular, when it comes to novel advertising media, it is not clear what kind of advertising formats may be utilized. This, in turn, is problematic from the seller's (i.e. publisher's) viewpoint because advertising solutions may not be effectively productized and, hence, sold to potential advertisers (cf. Wirtz, Pelz, and Ullrich, 2011).

Since the tablet/eReading medium is highly technological and interactive by nature, it entails the capability to utilize several ad formats that are known in other, somewhat similar, advertising media. Tablet/eReading advertising is not only associated with traditional, informational advertising but also, as a medium, enables various call-to-action solutions, such as lead generation and actual online sales. This is very promising for publishers since advertising not only aims at building the company image but also stimulates direct purchase (e.g. Park, Shenoy and Salvendy, 2008). Thus, the interactive tablet/eReading medium offers vast potential for both advertising purposes – that is, long-term image building and direct commercial functions, such as sales. This study uses the conceptual model of Hoffman and Novak (1996) as a fundamental framework. The model helps us to recognize and categorize different advertising forms based on their 'media characteristics'.

## 6.3 Data and Methodology

The benchmarking data was collected (04/2011–11/2011) from five major US newspapers and 20 US magazines (see Appendix 34). In terms of newspapers, the term "major" is based on the circulation figures of a physical newspaper, and the newspapers examined have the widest circulation in the United States (Audit Bureau of Circulation – US Newspapers) and/or popularity in the leading tablet/eReading medium (Apple iTunes Statistics). In terms of magazines, best selling US magazines, available from the second to the third quarter in 2011, were included in the benchmark research. It is important to note that not all magazines are yet available in the tablet/eReading context. Hence, circulation data was not the main underlying reason for choosing a particular magazine but, rather, the choice was driven by the availability of magazines in eReading format and how frequently they were downloaded.

## 6.4 Forms of Advertising in the Tablet and eReading Medium

Table 5 introduces the advertising forms found in the benchmark research. It shows us the ad format, origin, and description, where the origin is based on Hoffman and Novak's (1996) typology.

Ad Format	Origin (similar to)	Description
<b>1. Text Advertisements</b>	Computer-mediated communication: Mobile advertising	One of the most basic forms of advertising in the eReading medium is plain text advertisement (see Appendix 1). This form of advertising is different from other eReading advertising forms because it is not embedded into applications but rather into functions in an external space, such as into a tablet's desktop screen (see Appendix 1: Ad 1,2,3) or as a pop-up on top of other applications (see Appendix 1: Ad 4). This kind of advertising or, rather, notification may be a valuable tool for publishers to promote their own products, such as recently published magazine issues (see Appendix 1: Ad 1,2,3), or sell former issues at discount prices (see Appendix 1: Ad 4). Furthermore, newspaper publishers may persuade readers to return to the news application and, thereby, increase the frequency and impression rates of the advertisements in the application.

<p><b>2. Static Print Advertisements</b></p>	<p>Mass media: Print advertising</p>	<p>Print-like advertisements are static photo-based, pictorial advertisements that do not contain any interactivity, such as animated movements or clickable links to external landing pages (Appendix 2). From the advertisers' viewpoint, static print advertisements may not bring distinctive benefits when compared to other tablet/eReading advertising forms. Despite the fact that these advertisements are "printed" on high-resolution publishing platforms and the visual quality of the printing quality is not dependent on paper attributes, they still lack interactivity and engagement aspects that make the tablet/eReading medium a particularly effective advertising medium.</p>
<p><b>3. Extended Print Advertisements</b></p>	<p>Mass and Interactive media: Print advertising that contains online advertising elements</p>	<p>Extended print advertisements resemble static print advertisements in their visual layout but, unlike static print advertisement, they contain some interactivity, such as clickable links to external, online web pages (see Appendices 3 and 4). Basically these kinds of advertisements seem stagnant which may cause readers not to realize that the ad contains some interactivity.</p> <p>From the advertisers' viewpoint, the extended print advertisements offer more opportunities than mere static print ads. These advertisements contain a crucial "call-to-action" element meaning that advertisers can utilize several online advertising mechanisms in a 'print-like' context. An advertiser is able to, for example, collect potential leads (see Appendix 3) or generate direct sales to an external e-shop (see Appendix 4) through the advertisements. The present interactivity offers various possibilities for advertisers and enables publishers to take advantage of various direct performance-based advertising metrics that are usually not used in a print media context. Ultimately, the extended print advertisements can be priced according to online medium models, such as pay-per-click or even pay-per-action.</p>

<b>4. - 5. Videos</b>	Mass media: TV advertising	<p>Videos seem to be a relatively popular form of advertising in the US tablet/eReading advertising context. Based on observation, it becomes evident that the role and prominence of videos can be categorized as follows:</p> <ol style="list-style-type: none"> <li>1. Video only: the whole advertisement is designed according to a particular video, such as a TV commercial or movie trailer (see Appendix 5). When the video plays a central part in the ad, the video frame is embedded into an HTML5-based ad that usually covers the whole page. These ads do not offer much - if any - functionality, content, or links to other web pages but, rather, the main purpose of the ad is in the video. Hence, as the video itself offers all the essential information to consumers, any other kind of content is not necessary, as it would not bring added value to consumers. These kinds of stand-alone video ads do not contain any call-to-action elements. In other words, they do not aim for direct measurable results.</li> </ol>
		<ol style="list-style-type: none"> <li>2. Video as a part of a wider ad: video is just a secondary element in an advertisement (see Appendices 6 and 7). The video is not the sole idea of the ad but, rather, the video supports the other elements of the ad. The purpose of the ad may be to direct consumers to an e-commerce platform or the company's social media website for instance. In some circumstances, the video is embedded into an image ad meaning that the company's image is created through moving images instead of relying on a plain print ad. It is also possible that the entire ad consists of several videos, such as a set of TV commercials for a company (see Appendix 7).</li> </ol>
<b>6. Audio Advertisements</b>	Mass media: Radio advertising	<p>Even though audio-form advertising may not be fundamentally in the interests of newspaper or magazine publishers, it is noteworthy that companies may utilize these kinds of ads in tablet and eReading devices. One of the most remarkable media organizations in the US, that is distinctly utilizing audio advertising in the tablet/eReading context, is National Public Radio (NPR). In the case of NPR, audio-based content – that is, news, articles and music – is provided to tablet users via a distinct iPad application that is sponsored by a commercial party: spoken audio advertisements appear automatically when clicking on audio content (see Appendix 8).</p>
<b>7. Banners</b>	Interactive Media: Online advertising	<p>Banners usually exist in contexts that structurally resemble traditional web pages. Some major newspapers in the US, such as USA Today, The New York Times, and The Washington Post, have built their eReading applications so that they resemble the newspaper's online page rather than the physical newspaper. Therefore, the advertising in tablet/eReading applications is also congruent with other online advertising on the website (see Appendix 9).</p>

		<p>Traditional banners are an advertising form that is easy to implement in the tablet/eReading medium. This is owing to the fact that several publishers have more than two decades of experience of this type of advertising. However, even if traditional banners have the advantage of being rather simple to execute and easy to utilize, they do not optimize the visual and technical potential of tablet/eReading advertising. As in an online context, in the tablet/eReading context banners may be used for direct actions, such as online sales generation.</p>
<b>8. Embedded Campaign Sites</b>	Interactive Media: Online advertising	<p>Embedded campaign sites in the tablet/eReading context are website-like advertisements that are created around certain products or services and are embedded into electronic magazines and newspapers. There are distinct advertising elements inside these ads that are common both in print and online advertising. These elements include, for instance texts, photos (see Appendix 10), videos, touch-sensitive content (see Appendix 11), social media linking (see Appendices 10 and 12), user-generated content (see Appendix 13), e-commerce solutions (see Appendices 10, 11 and 13), and lead generation. Embedded campaign sites are implemented in two ways: 1) there is either a full-page advertisement (i.e. embedded campaign site) between editorial pages that the reader comes across while browsing the magazine, or 2) there is an ad banner among editorial content via which the layer-based campaign site opens.</p>
<b>9. Sponsored Content</b>	Mass and Interactive media: Print and Online advertising	<p>Generally, sponsored content advertising refers to commercial messages that have been embedded into a relevant, non-commercial context (cf. Rodgers and Thorson, 2000). Sponsored content aims to offer useful information for consumers; so offering companies a convenient way to become part of the community (Becker-Olsen, 2003). Since the tablet/eReading medium is inherently built around informational content sharing, sponsored content can be seen as offering new commercial opportunities for magazines and newspapers. Despite the notion that sponsored content is a highly relevant concept in the tablet/eReading medium, sponsoring has been utilized to only a small extent as an advertising form in tablets and eReading devices.</p>
<b>10. Free Ad-Funded Content</b>	Mass and Interactive media: Print and Online advertising	<p>The concept of 'free ad-funded content' is quite close to the concept of 'sponsored content' since in both cases the content is 'sponsored' by a commercial party. However, these concepts are not synonyms because in the case of free ad-funded content, the actual content is not initiated by the sponsoring (ad-funding) party. On the other hand, in the case of free ad-funded content, the content is freely produced by the publisher and the purpose of the sponsoring company is to sponsor the content for use free of charge by consumers (see Appendix 14).</p>



<b>11. Functional and Commercially-Orientated Content</b>	Interactive Media: Online advertising	The product review pages of newspapers and magazines, such as outlooks on fashion, are a clear sign of how direct e-commerce may be embedded into independent editorial content (see Appendix 15). In terms of tablets and some eReading devices, the advanced technological characteristics mean that it is possible to seamlessly move away from non-commercial, unbiased editorial content to a commercial e-commerce environment. As it is, commercial content in eReading and tablet media closely resembles the concept of 'affiliate marketing' where publishing parties direct consumers to a merchant environment (that is, e-commerce platforms) and receive commissions on every completed action, such as site visits or realized sales. In the tablet/eReading context, only Wired magazine announces on its product review page (a small vertical text at the bottom right) that "WIRED receives a commission on sales." (see Appendix 15).
<b>12. Engaging Advertisements</b>	Interactive Media: Online advertising	Engaging ads are very similar to online ads. These highly interactive ads contain many multimedia features and are often built around a certain engaging element, such as a game or other similar activity (see Appendix 16). In contrast to online advertising, engaging advertisements can utilize a haptic element. In order words, consumers may manipulate or manage the ad physically. The haptic elements, essentially, not only take advantage of the possible uses of touch screens but also utilize the tilt and shake recognition feature of tablets (see Appendix 16). Fundamentally, these kinds of engaging ads are a clever combination of entertainment and online gaming.

**Table 5** eReading advertising forms in the US

It is evident from Table 5 that the advertising formats in the eReading/tablet context do not resemble any ad forms from a specific antecedent advertising medium but, rather, the advertising in eReading/tablet medium, in general, is a wide combination of mass media advertising, interactive media advertising, and computer-mediated communication. No interpersonal communication, like (one-to-one) advertising solutions (cf. Hoffman and Novak 1996), was found.

## 6.5 Occurrence of Advertising Formats in US Newspapers and Magazines

The second part of the research analyses the occurrence of different advertising formats in the newspapers and magazines studied. Appendix 34 portrays the relative occurrence of different advertising forms both in newspapers and magazines. With regard to newspapers, advertising is by its nature closer to interactive online advertising than mass media print advertising. Particularly *USA Today*, *the New York Times*, *the Wall Street Journal*, and *the Los Angeles Times* have been, in a fundamental

manner, built around banner advertising. *The Daily* also utilizes banner advertising but the number of banners is clearly less (one or two per issue) than in other newspapers where banners are being utilized to a much greater extent. An extreme example is the free, ad-funded, Los Angeles Times where there are banner advertisements on every page of the newspaper.

Besides banners, various embedded website-like ads are also very popular. These ads take advantage of various types of functionality, content, and interactivity. They often entail a certain, distinct, measurable goal; they can, for instance, direct the consumer to the website of an advertiser. In addition, static print ads aim to produce a similar call-to-action effect, and are extremely popular with newspapers. If we consider the differences between embedded campaign sites and extended print ads, it is noticeable that embedded campaign sites to a great extent resemble online sites as they are often tailored for the tablet/eReading medium; extended print ads, in contrast, resemble traditional print advertising more but contain a certain functionality and interactivity. Additionally, video ads are being utilized in every newspaper.

According to the research data, it appears that only *The Daily* utilizes functional and commercial content. This means that only *The Daily* publishes direct links to e-shops selling certain displayed products or services. Furthermore, *The Daily* is the only newspaper that sometimes contains content (i.e. static, mass media like print ads) that is not interactive in any way.

Both in terms of newspapers and magazines, text advertisements (i.e. push notifications) are widely utilized. The content of these messages is, however, attached solely to the activity of a certain newspaper or magazine. In other words, the messages inform readers only about new articles or available magazine issues of the particular newspaper or magazine. Text advertisements are therefore, not used for the advertising purposes of external partners.

In terms of magazines, the advertising differs greatly from the advertising in newspapers. Even if nearly every one of the studied magazines utilizes extended print ads, there are still vast differences with regard to other advertising forms (see Appendix 34). Perhaps one of the most striking differences relates to the fundamental decision about utilizing functional and commercial content. Most magazines have started utilizing e-commerce solutions and, therefore, it is possible for the readers to purchase products and services that are being displayed amidst the editorial content of the magazine. This solution allows for the magazines to generate sales and, thus, receive commissions on generated sales. The research data shows that magazines, such as *Reader's Digest*, *Elle*, *Better Homes and Garden*, *Martha Stewart Everyday Food*, *Martha Stewart Living*, and *Oprah Magazine*, have taken advantage of e-commercialism to a considerable degree.

With regard to magazines, it is especially worthwhile considering that only 35 percent of the magazines analysed utilize static print ads (i.e. static print ad replicas). This finding implies that the majority of magazines utilize the interactive opportunities of tablet/eReading media instead of relying on the effectiveness of static print ads. However, Newsweek is a surprising exception among major magazines; it still relies on a mere static print replica of the physical magazine, so totally ignoring the interactivity of the tablet/eReading medium. Moreover, surprisingly, banner advertisements, widely used in newspapers, are not generally being used in magazines. An exception is Entrepreneur magazine that features pop-up banners.

## 6.6 Discussion

***Tablet/eReading advertising greatly resembles online advertising where different interactive elements are being utilized.***

This research explored five different newspapers and 20 different magazines. Data collection and analysis took eight months. Based on the findings, it has been possible to augment the understanding of the contemporary tablet/eReading solutions. Specifically, the study addressed the types and forms of advertising that newspapers and magazines currently utilize in the tablet/eReading medium (cf. Hoffman and Novak, 1996). In terms of newspapers, it appears that tablet/eReading advertising greatly resembles online advertising where different interactive elements are being utilized. The research data also makes it apparent that banners are the main advertising form in newspapers and they are being supported with various full-page extended print ads and/or embedded campaign sites. Additionally, the advanced technological capabilities of tablet/eReading devices enable companies to utilize video content to a great degree. Eventually, the most popular advertising forms in newspapers will surely be interactive.

Magazines, in turn, are rather different in an advertising sense. Yet, there are some noticeable similarities. First of all, most magazines are built mainly on extended print ads that are interactive by nature. Secondly, magazines utilize functional and commercial content that enables a whole new way of utilizing the result-based revenue model. Thirdly, magazines utilize embedded campaign sites, which bring online websites inside the magazines. All of these three popular ad forms are, as with newspapers, very interactive and take advantage of the novel possibilities of the tablet/eReading medium.

# 7 eReading advertising as a part of integrated marketing communications – an advertiser’s perspective

*Hanna Kännö, Jerry Lindholm, Antti Sihvonen, Juho-Petteri Huhtala and Seppo Leminen*

## 7.1 Introduction

***What is the role of eReading advertising in integrated marketing communications?***

In the last three decades, the marketing environment has undergone substantial changes, which have strongly influenced the field of marketing communications (see e.g. Kitchen and Schultz, 2009). Marketers have an expanding number of ways to communicate with consumers as in recent years the array of media outlets and advertising formats has grown rapidly and aggressively due to the development of technology (see e.g. Cheong et al., 2010). Consumers are increasingly adopting highly fragmented and interactive digital channels which correspond to their diverse interests and lifestyles (Enoch and Johnson, 2011). In response to these changes in media-consumption patterns, advertisers have followed consumers into the online space. (Reynar et al., 2010). Online media accounts for an expanding share of the total media advertising spend in Finland. Consequently newspapers and magazines have experienced a period of change as they have lost a part of their advertising revenues to other media. (TNS Gallup, 2010).

Changes in media consumption have increased publishers' interest in providing their content in digital format, hence journalism has experienced a major growth in the electronic medium in recent years (Flavián and Gurrea, 2006). The latest phenomenon is electronic reading (eReading), which is a rising trend affecting the newspaper and magazine industry. The recent launches of advanced tablet devices have boosted the electronic publishing market. Today the world of eReading is still novel but growing rapidly and it is predicted that eReading will become more prevalent in the near future. Unavoidably it has an influence on the publishing business – both on content production and advertising. Advertising revenues are an important source of revenue for the newspaper and magazine publishing business (Orchard, 2011; Wirtz et al., 2011). Consequently newspaper and magazine publishers' prime interest is not only to present their eReading content in a well performing format but also to contribute to the success of eReading advertising.

Multifunctional tablet devices offer newspapers and magazines an opportunity to create creative, interactive and engaging multimedia content and a context for advertising that can exploit many of the same features. Several publishing companies in Finland released their first tablet newspapers and magazines in late 2010 to test the waters after the launch of the iPad, which was the first tablet device that gained significant popularity among consumers. The new media has attracted advertisers, however, many details of eReading advertising are still far from defined. Advertising in the eReading context it has all the potential to expand rapidly and become a competitive market.

This study examines the current state of eReading advertising in the Finnish media market and the major challenges and opportunities related to its utilization as a means of marketing communication. The research question is stated as follows:

*What is the role of eReading advertising in integrated marketing communications?*

In this study eReading advertising refers to tablet in-application advertising in newspaper and magazine contexts. There are also other platforms that can be used to access eReading content, but they are not examined in this research.

## 7.2 Theoretical Approach

The theoretical approach of the study is based on academic literature in the field of integrated marketing communications (e.g. Duncan and Everett, 1993; Schultz and Kitchen, 1997; Keller, 2001; Kitchen et al., 2004; Kliatchko, 2005, 2008; Kitchen et al., 2008). Recently, there has been an increasing interest in media planning within this field (Kliatchko, 2008). The topic has been given more attention lately as

competitive pressures and expanding media choices increase the need for media selection efficiency (e.g. Kliatchko, 2008; Pilotta and Schultz, 2005; Smith et al., 2010). Above all, using integrated marketing communications is a strategic approach to marketing communications planning, which is expected to result in greater effectiveness and efficiency in all marketing communications activities (e.g. Eagle and Kitchen, 2000; Kitchen and Schultz, 2009; Kliatchko, 2005). Strategic media planning should be executed in line with the overall business objectives shaped by the principles of zero based planning and media neutrality.

Media planning consists of a series of decisions designed to assess the best means of delivering an advertising communication to the target audience. Media selection is an important decision due to the fact that the majority of advertising funds are invested in media space and time. (Gensch, 1970). However, the economic importance of media selection is not the only thing that makes it challenging. Coulter and Sarkis (2005) argue that the wide and expanding range of media alternatives, each of which has certain advantages and disadvantages, makes the decision more demanding. The emergence of new media challenges forces the advertising industry to consider how media can be compared (Harvey, 1997). Consequently, there have been various attempts at evaluating media selection. Discussion has concerned both quantitative and qualitative characteristics of media, such as cost-effectiveness (e.g. Smith et al., 2010) or media environment (e.g. Dahlén, 2005; Dahlén et al., 2008a; Dahlén et al., 2008b; Hornik, 1980, Gensch, 1970). Newspapers and magazines in eReading format represent new advertising media, thus it is relevant to examine the factors that influence the interest to integrate them into marketing communications plans.

### 7.3 Methodology

For the empirical part of the study, a qualitative approach was adopted, because the aim was to form an in-depth understanding of eReading advertising as a phenomenon. Interviewing provided a means to explore other people's thoughts feelings and experiences and absorb their perspectives (Patton, 2002). We chose to use the semi-structured interviewing technique to conduct eight in-depth interviews with digital marketing professionals.

Due to the novelty of the phenomenon ,interviewees were chosen using sampling, which provides a means to include only information rich cases in the sample (Patton, 2002). Potential interviewees were identified partly on the advice of key informants in the research project and partly on the determination of the researcher. Interviews were targeted at media agencies, as they were indirect advertisers obliged to compare and analyse the merits of different media options. The role of a media agency is to help advertisers to reach their business objectives by allocating the

advertising budget to the best possible media mix. In addition, advertisers are increasingly using media agency services as the fragmentation of the media landscape makes media planning more complex than it once was. Hence, media agencies serve as an important intermediary between media and advertisers.

The interviews were conducted in the late autumn of 2011 between October 21st and November 15th. They lasted from 60 to 91 minutes and produced 632 minutes of interview data. It was noted that the field of media agencies is quite homogenous and the collection of data was suspended after the eighth interview owing to data saturation (Patton, 2002). In this research the analysis is based on the thematic analysis technique, which makes it possible to break the data into patterns according to specific themes relevant to the research question (Miles and Huberman, 1984).

## 7.4 Findings and Discussion

The research describes the role of eReading advertising in integrated marketing communications and examines the major challenges and opportunities related to its utilization. It is important to note that advertising in the eReading context is *experimental* at this point. It is still *far from being a mature advertising medium* and is still finding its place in the field of advertising, hence it's potential is not greatly emphasised in the success of a campaign. Advertisers adopt eReading advertising *due to the same principles that shape media planning in general*. Furthermore, while for some having a presence in an innovative and novel medium provides an opportunity to build a reputation as a forerunner, for the majority of advertisers it is an unknown area.

Some media agencies have more experience with this advertising medium, but all follow its evolution with interest. In a media agency, eReading advertising tends to fall into the sphere of responsibility of digital planners, but it cannot be strictly categorized. Because of its ability to carry any type of content it breaches the traditional norms of task division in a media agency. Its utilization demands for co-operation among planners from many fields and so it should be considered as an interdisciplinary advertising medium. Media channel managers should note this aspect when planning their sales efforts. Most often eReading advertising is integrated with print and online campaigns. However, our informants argued that it can serve as a part of any kind of media mix if it provides a means to reach certain target groups.

Whereas media agencies are *naturally interested* in new media, direct advertisers *can be more suspicious*. For the majority of them the media environment that eReading advertising accesses is obscure, which might result in agencies being reluctant to use

it. In the end it is the advertiser who approves or rejects the agency's recommendation of the advertising media. Unfortunately eReading advertising is the *most vulnerable to being cut from the media plan if it has to be trimmed*, because evidence of its effectiveness is still only weak.

The principles of integrated marketing communications demand open-minded thinking that goes beyond any single medium (e.g. Mitchell, 2003). The circumstances of media planning also evolve due to the dynamic marketing environment, and a wide range of media channels can be compared based on their pros and cons (e.g. Coulter and Sarkis, 2005). It stems from the interviews that the major challenges of eReading advertising concern low reach, high costs, measurement issues and very limited know-how, whereas the dynamic media environment and diverse advertising opportunities are considered as the main advantages. These are examined below.

Advertising in the eReading context *provides a means to reach niche markets, but extensive utilization demands larger audiences*. Adoption of eReading is *highly dependent on situations in the marketplace and is likely to grow with the proliferation of tablet devices*. Competition in the device market will push prices down to make them affordable for more people. The role of media is to provide interesting content that attracts readers. This is likely to challenge media to consider the relationship between printed and tablet editions. The interviews we conducted confirm that both offer different user experiences and are likely to have their own roles in consumer media consumption. In order to facilitate the adoption of eReading, the media can also aim to create user experiences. This might be achieved by offering lower-priced content or a free trial period. Furthermore, user experiences can be created in co-operation with advertisers, for example in terms of sponsorship.

*The cost of advertising space has proved negotiable, but production costs that follow are high*. Advertisers rarely have ready-made tablet-compatible materials and so must produce advertisements to serve that particular purpose and the small target group they want to reach. Planning costs are relatively high due to the novelty of the medium. Advertisements for the eReading context are often edited versions of material used in other media channels, such as print, TV or online variants. Consequently, the look of creative choice is likely to be integrated with other campaign materials. Media agencies can ease the production problems, for example by providing services that help an advertiser to produce the required materials. This can mean converting print ads to tablet format or commissioning subcontractors. Any means that reduce the costs provide added value for advertiser and lower barriers to use eReading advertising.

In the online media environment the pressure of measurement is increased, because in principle almost everything is measurable. The fact that the majority of



advertisers are taking their initial steps in the utilization of eReading advertising makes it extremely important to provide information about the effectiveness of advertising. The lack of such information can reduce interest in investing in this eReading medium. Interviewees indicate that media planners can be unwilling to recommend the use of media if they do not get data on advertising performance. Without any tracking, there is no information about the success or failure of advertising efforts. Consequently it is difficult to assess whether this advertising concept should be utilized in future. Some media have overcome measurement issues, but for many it is still a challenge and advertisers are not provided with sufficient reports on advertising performance.

*Measuring issues concern both the commissioning media and the media agency.* The commissioning media representatives must be able to give information about advertising effectiveness in the relevant medium. Media agencies also traditionally have their own tracking systems that measure the performance of advertising across different media. It is relevant to advance the discussion on how advertising effectiveness should be measured and how people react to advertising in the eReading context. It must be borne in mind that advertising should always be assessed in accordance with the objectives set for it. Advertisers have different goals, even though generally the ultimate objective is to sell a product or a service. Indicators similar to those used to measure advertising performance in other forms of online advertising are also relevant in the eReading context. Those indicators include basic information such as the number of clicks and impressions. Furthermore, it is relevant to measure the exposure an ad obtained, usually in terms of interaction time, number of leads, generated sales or WOM. In this early phase of testing eReading advertising not all the advertisers had yet demanded such information, but this situation will probably not last long.

The novelty of the medium brings challenges related to know-how and concerns all the actors involved in the advertising process. *The media environment is somewhat obscure and there is a need for more information concerning the ways to utilize its unique potential – what can and what cannot be done.* Media should approach all relevant interest groups with case examples illustrating different creative choices, utilization of special elements and their performance in the eReading context. The media do not need to do the job of advertising agencies, but rather to inspire and offer ideas. This issue would benefit the whole publishing industry, thus it could be of interest at national level (e.g. for the Finnish Newspaper Association, Finnish Periodical Publishers' Association). In addition to reference cases, media should provide technical specifications and guidelines which shape creative planning. Today, these might vary from one medium to another, which demands advertisers make adjustments in order to accommodate their advertisements across multiple media. Standards that would serve as a basic guideline for planning would be most welcome. This is an issue that requires co-operation among the media.

Despite the current challenges, *eReading advertising has a lot of potential, which is closely related to the qualitative aspects of the media environment.* It combines the benefits of multiple media that were previously separate offering an interesting context for advertising. The main advantage of eReading advertising is to provide detailed information about the advertised product or service in an engaging and interactive way. Consequently the time spent with the advertised brand may increase, which should positively affect brand preference. Interactivity makes the user experience more intensive and thus may have a more profound impact on the consumer. Online activation can directly generate sales. Furthermore marketing communications can be highly targeted and location-based marketing is seen as a future trend of eReading advertising. In addition to these features it is possible to measure all the actions taken with the advertisement.

*Only creativity limits the number of ways to integrate advertising in the eReading context.* Interviewees are unanimous that advertising in the electronic reading context should utilize the special characters of tablet devices. However, it must be noted that their utilization cannot be considered as intrinsic value. The use of fancy elements does not make an advertisement good, if they do not produce the desired objectives. Thus, each element in an ad must be justified and have a meaning.

To conclude, *eReading advertising is going through a critical period in the Finnish media market.* At the moment it is *experimental and requires co-operation between media and advertisers, who are both in a testing phase and looking for the best ways to utilize the unique potential this channel.* It provides a means to reach niche markets, but more extensive utilization demands larger audiences. As the device market matures this challenge is likely to disappear. *Media should now focus efforts on developing the guidelines that shape advertising in the eReading context and, ideally, apply across media channels.* Our informants have a positive feeling about the development of eReading advertising and agree that it is likely to establish its position in the Finnish media market in the near future.

# 8 Value for “me and my life” value-added services in media

*Merja Helle*

## 8.1 Value as a service to the customer

To understand what value-added services in the media business are, one first has to define what is meant by value, and also what does service mean.

Value is a difficult entity to describe; it appears in many meanings and circumstances (Bolin, 2011; Picard, 2010). It is mostly discussed (including in the media and the culture industries) in connection with economics; as in creating value (profits) for the companies. Bolin (2011), who has researched the issues of value and the media, points out how hard it is to escape the economic dimensions of value. He would like more emphasis placed on the dynamic relationship between aesthetic social and cultural value, and how they are positioned against market value. This discussion goes to the core of media organizations, and especially what constitutes the value they provide for readers and users.

Media industries are unlike many other industries because they operate in a “dual product marketplace”. They seek to manufacture and sell content to the audiences and audiences to the advertisers. However, these two are highly interrelated and affect each other (Napoli, 2003, 2010; Picard, 2011). The competition for readers’ or users’ time and money has made it necessary to focus more on how to get people to use media products, so that the users can be sold to advertisers. This means a radical re-thinking of the basic premises of many media business models, which still often assume that a mass audience exists out there, and do not pay attention to audience fragmentation and the increasing autonomy of media users.

Several other facts also differentiate the media industry (Chan-Olmstedt, 2006). The two above mentioned product lines need to be addressed differently as new media technology is likely to affect them differently. Secondly most media products

are non-excludable and non-depletable public goods. New readers/users add to the scale economies in production. Media companies need hybrid business models that generate sufficient revenue from both lines – advertisers and audiences.

Viewing value and services from the point of strategy and business models, the approach taken in this chapter is a service strategy perspective (Grönroos, 2010; Korkman, 2006; Normann and Ramirez, 2001), which looks at value creation based on user value – value in the customers' everyday life. Instead of looking at value being created mainly in the production process, value for the firm can only be created if users find the products useful or worthwhile. Grönroos emphasizes that whatever products customers buy, they should function as a service to users (ibid. 4).

Issues of value creation are of great concern to media industries in the competitive media environment, and to diminishing profits. Bolin (2011) also reminds us that value is not an essence, but always a result of, activity. Value is not something abstract or easily identifiable, as it is realized in the daily activity of individual people. Grönroos, in describing the strategic service perspective, asserts "The value of goods and services is not produced in factories or back offices ... Instead value is created in customers' value-generating processes" (Grönroos, 2010, p. 4). According to him customers do not buy just goods or services, but they buy the benefits that goods and services provide. This may mean that a customer is relieved of some tasks, or able to do something otherwise not possible, or hard to accomplish (Normann and Ramirez, 2001).

The emerging service perspective is quite different from the old-fashioned way of thinking of services as something provided by certain kinds of organization. According to Grönroos (2010). service should be looked at as a business logic, and means to create a competitive advantage. Services are not something added to products that do not produce much value. In strategic service thinking service is at the core of business models, which focus on producing a total service offering, that is valuable (useful and important) in the customer's everyday life.

The service perspective is one of four strategic perspectives; the other three are a core product perspective, a price perspective, and an image perspective. A service perspective means that a total service offering is provided for the customer. It may be based on a physical product, but all the elements of the offering must be combined to offer a value-generating service.

However, creating value for the customer is not always an easy task, as value is not necessarily an outcome of rational processes, but is most often "the result of irrational processes, of unforeseen circumstances, and of relations between various wills in social practice" (Bolin, 2011, p.4). This holds true especially of new kinds of digital services.

The service argument challenges the traditional idea that exchange value is created only in the production of artefacts. On the contrary: only the use-value of a product, created in a customer's everyday practice, can turn into exchange value for a company (Grönroos and Ravald, 2009).

However, the service logic should not assume that customers are always sole co-creators of value, but under certain circumstances the service provider gets the opportunity to co-create value with their customers (Grönroos, 2009). But what is the role of firms in value creation? They facilitate customers' value creation, answers Grönroos; the firm is a value facilitator. This in turn means that there must be interaction between the customer and the firm.

Korkman (2006) suggests that the customer should be taken into account as a practitioner in a holistic fashion, instead of emphasizing the voice of the customer as a source of insight. The customer, the context, and the interactions between the customer and his context, should be the unit of analysis. The role of the service providers becomes merely that of a supporter of customer value, and not the source of it. This means placing knowledge of the customers, and their daily practices at the centre of the research agenda. There are several examples such as in technological (incremental) design which examine the customer in practical terms, and adopts them as partners in development (contextual design, Bayer and Holzblatt, 1998).

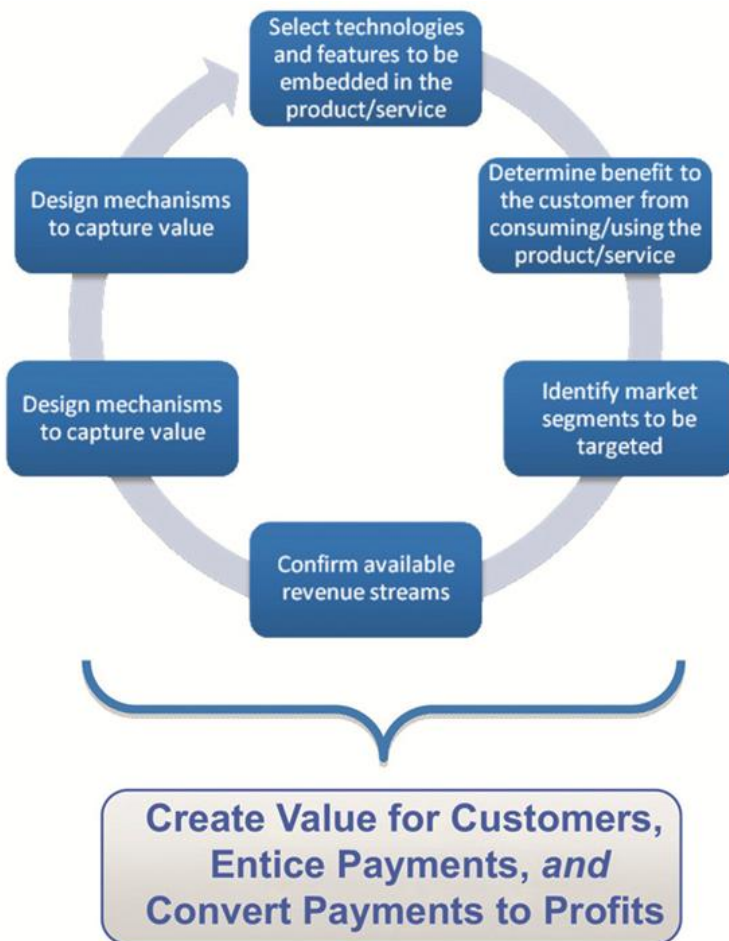
The service marketing approach has been interested in the production of services, and not in the consumption of them. The focus is on provider-centred issues and interactions between the provider and customer, and their management is of central importance. However, Korkman (ibid) views services as deeply embedded in the customer's life, so the consumption practice should also be at the centre of service marketing and management research. Most market researchers think that customers can rationally describe their needs, and what is important to them. So methods like measuring time used with media, interviews, focus groups, questionnaires are used, but Korkman (ibid) favours cultural and ethnographic research suggesting it provides a deeper understanding about media use and its meaning.

## 8.2 Services in the media business

Customer needs are also a central point in Teece's business model thinking. He points out that customers don't want products, they want solutions to their perceived needs (Teece, 2010).

Teece has applied his value-creation model (Figure 16) to the information business sector, which includes newspapers, books, magazines and the internet. He

emphasizes that a business model is a conceptual, not a financial, model. He focuses on three interrelated issues in his model: Value for the customer, enticement of payments, and converting these into profit.



**Figure 16** Business model (Teece 2010, pp. 173)

According to Teece (ibid p.178) the Internet has raised fundamental questions about how businesses deliver value to the customer, and how they can capture value from delivering new information services, that users often expect to receive without charge. The internet has allowed individuals and businesses to access vast amounts of data and information. Also, the power of customers has increased as comparison shopping has been made easier.

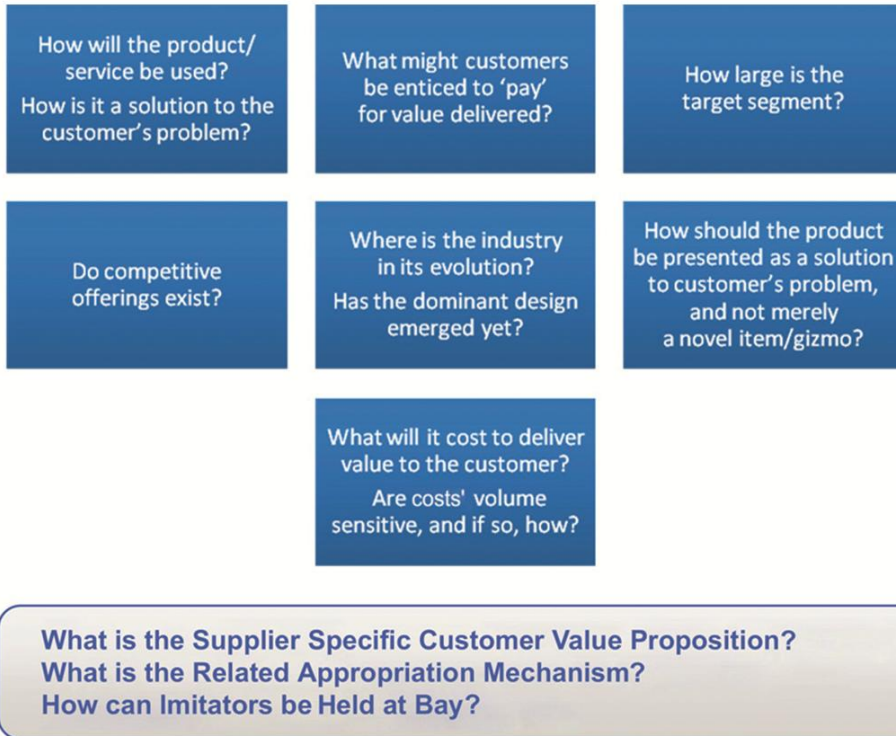
Newspapers have been subsidized by advertising since the rise of the consumer society. They are sold relatively cheaply, and the cover price has not even covered

production costs. However, this model is not feasible in the longer term, as advertising in print has been diminishing rapidly (Picard, 2010). Classified advertising has largely moved to the net in especially the United States with websites like Craig's List or eBay, and the same movement is affecting ad sales in Finland.

However, technological development can also reduce printing and delivery costs, and generate new channels for delivery, as well as help to generate new kinds of media services.

Figuring out how to deliver value to the customer, and to capture value, are the key issues in designing a business model – and both aspects are necessary. “This involves some of the trickiest and most frustrating issues that entrepreneurs and managers must address” (Teece, 2010, p.184).

To be able to build new and successful media business models they should be based on “some ‘deep truth’ about the fundamental needs of consumers, how competitors are or are not satisfying those needs, and of the technological and organizational possibilities (and trajectories) for improvement.” One should also remember, that “in almost every case, however, a new business model is successfully pioneered only after considerable trial and error” (Teece, 2010, p. 189).



**Figure 17** Questions to ask about a provisional business model (Teece, 2010, p. 190)

### 8.3 Value creation in news organizations

The issues of customer value and the impact of digitalization have been taken up in the field of media economics too by Picard (2010). He uses the newspaper business an example of how to create value in the rapidly changing media business environment. Many of his findings and suggestions can be extrapolated to magazines and books.

Picard (2010) starts by questioning the two tier business model of media business because it focuses too much on selling audiences to advertisers (see also Napoli, 2010). Picard also emphasizes understanding media users and their needs for useful media content. He points out that traditional plain news is not the most useful content, even though it still seems to be in focus in discussions about moving newspapers into the web or tablets: "We must avoid fooling ourselves about the importance of news in the lives of citizens/audiences. The reality is that the average person is not now – and never has been – deeply interested in news" (ibid. pp. 11-12). People just scan the news to see if there have been any major news events.



Instead people look for interesting and useful content, to be used as part of their everyday lives.

According to Picard the idea of creating value for the customer is fairly new in media businesses, and has not been implemented properly. He is very critical of the quality and speed of major changes with the traditional news media publishers: In news organizations “the changes induced have been highly limited, cosmetic, and weak efforts to preserve a gilded age of journalism, or have been designed to soothe investors and give the impression of active managerial responses to the changing environment” (ibid. p. 13). Picard (ibid. p. 15) claims that “contemporary history of news organizations has primarily involved value destruction by delivering the excessively same content with other news providers” (ibid. 18).

The only way to succeed in the media business in the 21st century is to fulfil customer needs and wants, Picard emphasizes. He mentions free delivery Metro newspapers and CNN as examples of creating new value for media users and for companies. CNN was established in 1980 on cable television and started running news 24/7, allowing viewers to turn to news whenever they wanted. Metro is a free, totally ad supported newspaper concept published in major cities in almost 40 countries. It targets young urban professionals, who often do not regularly buy any major newspaper. It is conveniently available when using public transport and the stories are short and easily readable. In the 15–30 minutes it takes to commute, the reader can get an overview of key local and national events.

There are two streams of value creation for media companies for Picard (2010, p. 21):

1. Actual content creation by journalists and other professionals for print or web.
2. Selection, organization, and packaging, and processing of self created content and content from other sources.

The selection and analysis of information and news is the core service to media users that media organizations can offer. Also adding information from other sources, for example by users, or adding links to other sources, are useful services for readers or users. Content producers need to tailor their offerings to the heterogeneous needs of media users, and the time and place of media use.

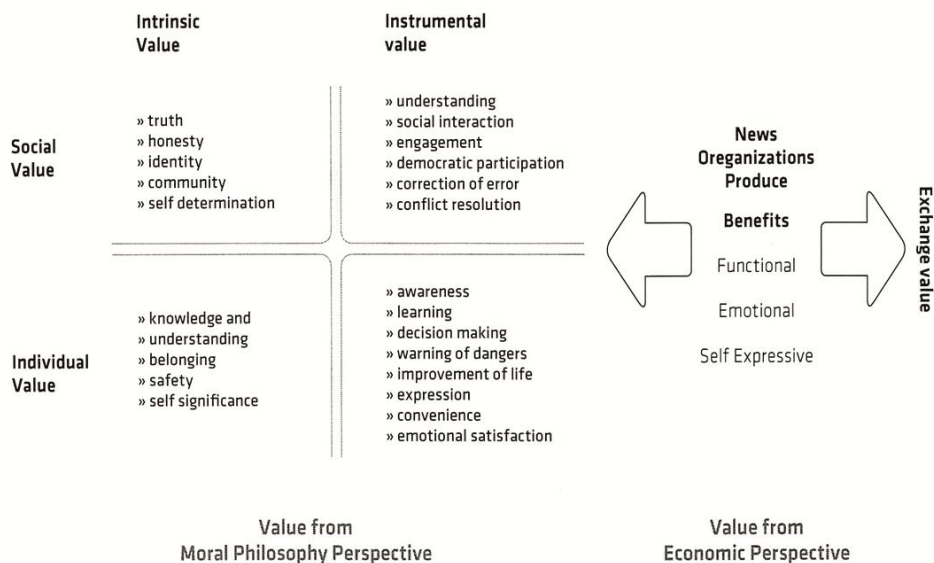
Picard sees the future for media organizations in the second stream, because the large, homogeneous mass audience no longer exists as a basis for a viable, and monetizable media business model focusing only on describing news events.

Picard also takes up the issue of what value means for newspaper organizations, and the question of value for whom. Value can be divided into social and individual values in two main categories:

**Intrinsic:** values for the common good. Truth and individual safety are examples of intrinsic values.

**Instrumental:** what is useful for the individual media user. In the latter category user experience and engagement are central as they give meaning to objects and events.

According to Picard news organizations produce benefits for readers and users, and the benefits create exchange value. The main benefits are functional, emotional and self-expressive.

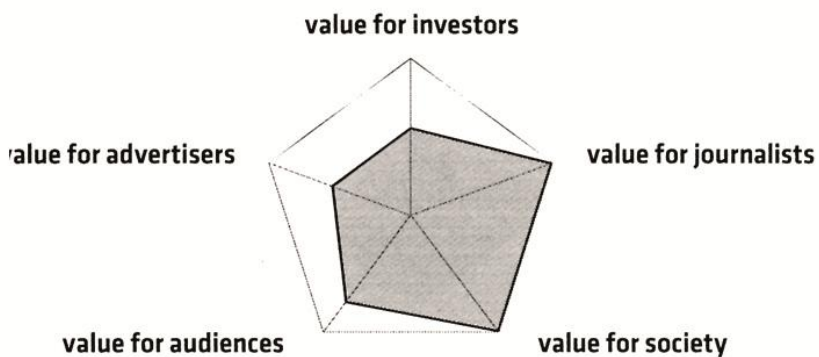


**Figure 18** Selected values and outcomes on the conceptual value grid (Picard, 2010, pp. 50)

Picard emphasizes that value varies over time and between different stakeholders. Therefore media companies should be constantly vigilant in monitoring and understanding user needs. The basic user needs are to find answers, to reduce uncertainty and to make sense of the world – mostly in their personal and local surroundings. According to him increasing attention by news media companies should also be paid to right side of the figure above the exchange value and benefits for the media users.

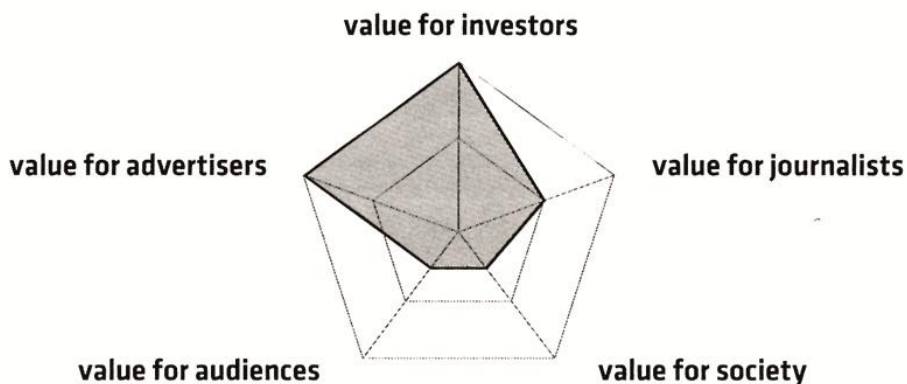
Value in the media business has changed since the golden age of journalism in the 1960s and 1970s from meaning value for journalists and to society to emphasizing value for audiences, without forgetting the other stakeholders like owners and advertisers (Picard, 2010, pp. 71-73).

In the aforementioned golden age of the 1960s and 1970s, value for society and value for journalists were in the spotlight in news media. The watchdog function and the fourth estate became catchwords in that era. Journalists determined what was important content and what topics should become part of the public discussion. As seen in Figure 19a, value for investors, advertisers or audiences were deemed less important .



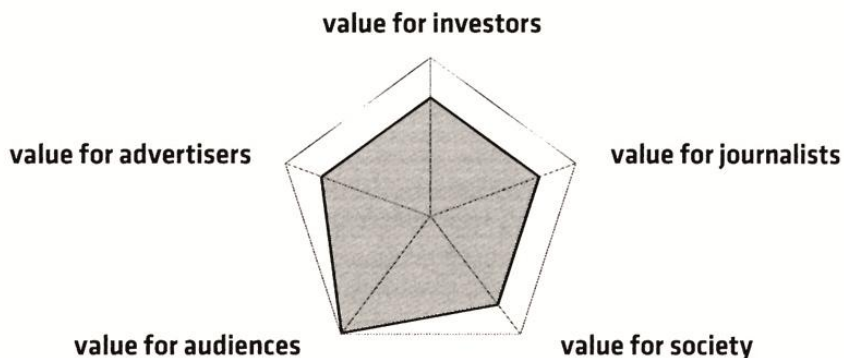
**Figure 19a** Changes in the meaning of value for different stakeholders (Picard, 2010, pp. 71-3)

After the recession of the 1990s, value for investors and advertisers were dominant values in media organizations (See Figure 19b). Streamlining production, cutting costs and increasing shareholder profits were the most important goals and values.



**Figure 19b** Changes in the meaning of value for different stakeholders (Picard 2010, pp. 71-3)

With diminishing circulation and readership figures, especially in printed news media, attention has turned to how to create value for audiences, because the value of media for other stakeholders depends on how useful and engaging media is for them in their everyday lives.



**Figure 19c** Changes in the meaning of value for different stakeholders (Picard, 2010, pp. 71-3)

However, mainstream news journalism and news journalists often occupy a space between news and everyday life, according to Picard. They do not provide enough understanding about events, they do not engage readers or users, nor do they bolster a sense of belonging to a community or group.

Picard, like so many other media researches, is still focused on news media organizations, even though he acknowledges that the traditional understanding of

news as dealing with political and economic events is not enough to engage readers or often useful for improving people's everyday lives. He does not include magazines in his discussion, even though he points out the increasing emphasis, even in quality newspapers, on "softer" topics like culture, sports, celebrities, food, home making, gardening, gadgets, devices and so on.

## 8.4 How can news organizations survive?

Picard (ibid. p.114) thinks that if newspapers cannot increase their value for readers and users they will face extinction. A newspaper must become a trusted advisor, one that sorts, reduces, analyses and provides valued interpretation of information. Journalism should be about storytelling, not be treated as a mass media conduit of information. "News organizations focus now on telling audiences things, rather than engaging them in conversations or facilitating interactions" (ibid. p. 115).

Newspapers should focus more on local news, and how politics and economics influence people's lives. The focus should be on creating knowledge and understanding as well as on providing solutions to everyday problems. The way that information is packaged is of utmost importance. The aim should be to provide readers and users with compelling experiences – those being engaging, pleasing and memorable (Picard, 2010).

Value for media users can also be created by letting readers and users participate in the creation of content by way of comments and especially by submitting their own stories, letting them choose what they want to read by allowing personalization of content, letting them share and recommend stories that interest them, and to create opportunities for increased interaction with the content and other readers and users.

***A newspaper must become a trusted advisor, one that sorts, reduces, analyses and provides valued interpretation of information.***

## 8.5 Summary

Summary of main points to think about when envisaging new value-added and interactive media products as services:

- There is no magic bullet or a golden goose any more
- There is an urgent need find audiences and sell to them
- Exchange value is only created from the use-value, or how customers benefit from media products. Only use-value creates exchange value for companies
- Need to adopt a service logic – content needs to be thought of as service
- There is no mass audience anymore
- Audiences are fragmented and autonomous
- Media users need to be thought of as individuals, with their own needs and wants
- It is crucial to gain a firm understanding of customer/media user needs to be able to create useful services, which can be monetized
- Advertising can no longer subsidize print media
- New concepts are needed for content related services, we need to move away from an emphasis on plain news
- What are the needs for media services at different times and places in the everyday lives of people?
- Media users should be involved in production, sharing, commenting, personalization, interactivity and community building
- There are no easy answers: experiment, try and fail, co-design with users
- Don't be afraid or greedy. It takes time and money

# 9 Concluding words

*Antti Sihvonen, Juho-Petteri Huhtala and Seppo Leminen*

Building on the seven eReading business model and service studies conducted during 2010–2011, the eReading market appears to be in a formative stage where few stable practices have been established. This creates challenges in multiple arenas such as advertising, customer experience management and service development. While such challenges are prevalent, they simultaneously enable rapid eReading market development and the establishment of new standards for the eReading industry.

Building on the business model studies, no single business model appears to be appropriate for either the whole publishing industry or one specific industry (i.e. newspaper, book or magazine industries). On the contrary, business models are dependent on the current state of development in the industry and the digital strategy of the company.

It appears that experiential learning drives rapid development of new service concepts accompanied by the generation of customer information, and enables companies to provide value-added services for their existing customers and to generate new business models for the industry. Thus, pushing the industry forward through learning by doing enables having a balance between technology and customer orientation.

Advertising in the eReading service platform is very much at a formative stage from the perspective of possible advertising concepts that could be adopted. In other words companies still have a large influence on how different advertising forms will be utilized in this medium and what kind of role it will assume in the field of possible advertising media. In future research both customer and industry perspectives will be essential in order to define emerging standards for the industry.

Specifically, future studies could focus on how the perceptions of advertisers, media buyers and advertising agencies differ in perceiving ad space in an application and how should advertisements be positioned in the eReading content. Furthermore, in

order to develop efficient and flexible business models in the eReading environment, gaining a wider understanding of modular and platform thinking would be beneficial.

To draw this report together, we can conclude by stating that the simultaneous strategizing and cohesion between actors in the industry creates new opportunities, be they new forms of advertising, new products or new ways of organizing business. A challenge for the future is how can these offshoots be drawn together to form a unified business model that different actors in the industry can absorb or develop further. At the present stage formulation of a unified business model is not possible due to the formative stage of the new industry. This should be embraced due to the reason that from these episodes rise the media business models of the future.



# Key terminology

To understand the plethora of concepts utilized in this report, a short glossary is presented in this section. We hope this helps in breaking through the jargon used in some of the chapters and increase the readability of this report. For ease of use, the key concepts are presented in alphabetical order.

<i>business platform</i>	The internal structure of organizing, of which business model is a representation
<i>business model</i>	The value logics, infrastucture, customer management and revenue logic of the organization
<i>business model canvas</i>	Descptive tool to depict different dimensions of the business model
<i>capability</i>	A capacity for an organization to do a particular task, function or activity (Helfat et al. 2007)
<i>digital service space</i>	Digital service space is platform for interaction between authors, customers, digital service provides and content where contents and interactions are negotiated
<i>eReading</i>	Reading or otherwise utilizing digital service content on a portable device such as tablets, smartphones and ebook readers e.g. books, newspaper, magazines, or modularized digital service content and applications in platforms
<i>eReading device</i>	eReading device can be defined either as a single purpose device such as a Kindle or a multipurpose device such as an iPad
<i>incremental innovation</i>	New product development for existing markets that uses existing organizational resources (Jacobs & Snijders 2008)
<i>integrated marketing communications</i>	Coordination and integration of all marketing communication tools, avenues, functions to maximize the impact of marketing (Clow and Baack 2008)

<i>radical innovation</i>	New product development for new (or existing) markets that require new combinations of organizational resources (Jacobs & Snijders 2008)
<i>servitization strategy</i>	<p>The process of transforming tangible offerings into services</p> <p>Strategy is a plan, a "how," a means of getting from here to there</p> <p>Strategy is a pattern of actions over time</p> <p>Strategy is position; that is, it reflects decisions to offer particular products or services in particular markets</p> <p>Strategy is perspective, that is, vision and direction (Mintzberg 1994)</p>
<i>value</i>	<p>"Value is perceived and determined by the consumer on the basis of "value in use."" (Vargo &amp; Lusch 2004, pp.7), see also a value theory (value-in-use, use value, value-in-exchange, exchange value, and the interrelations between them) Gordon (1964), and value co-creation (Grönroos &amp; Helle 2011)</p>

While glossary is not intended to be exhaustive, we hope this amount of defining key concepts can help in understanding the report. Thus, we hope this serves the purpose of being a short introduction to the key concepts utilized in this report.

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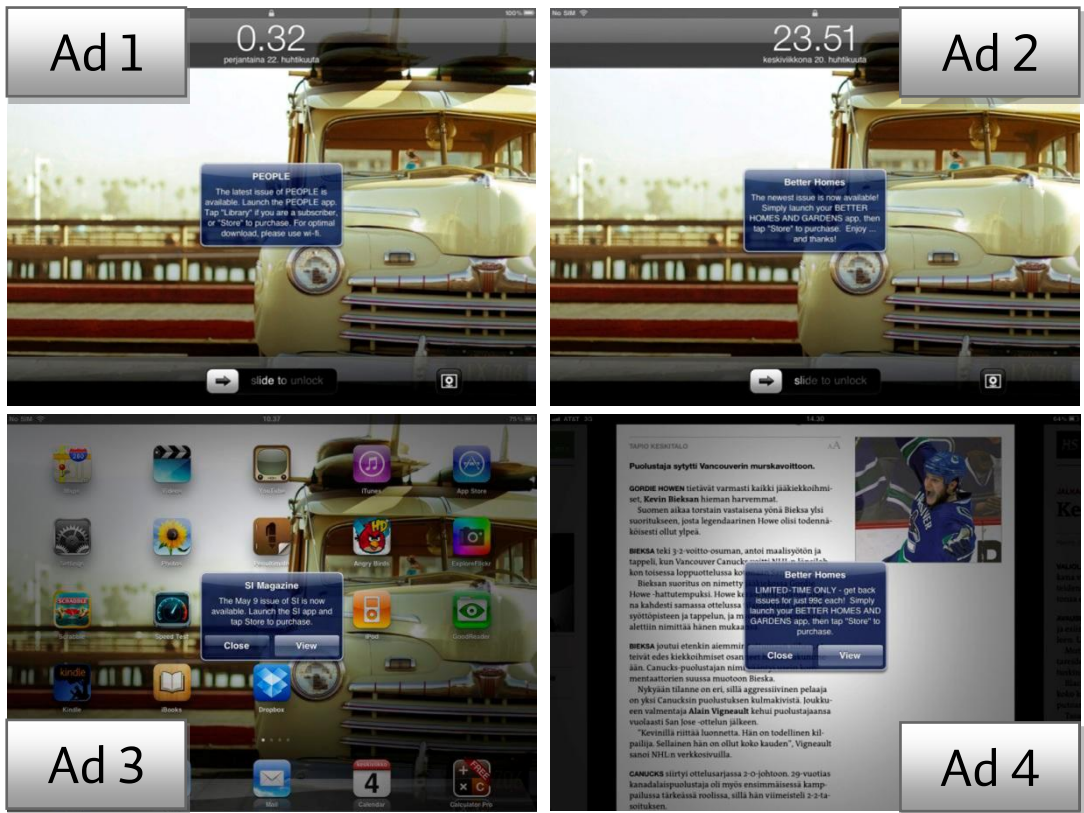
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# Appendix

## Appendix 1: Text Advertisements 1,2,3 and 4

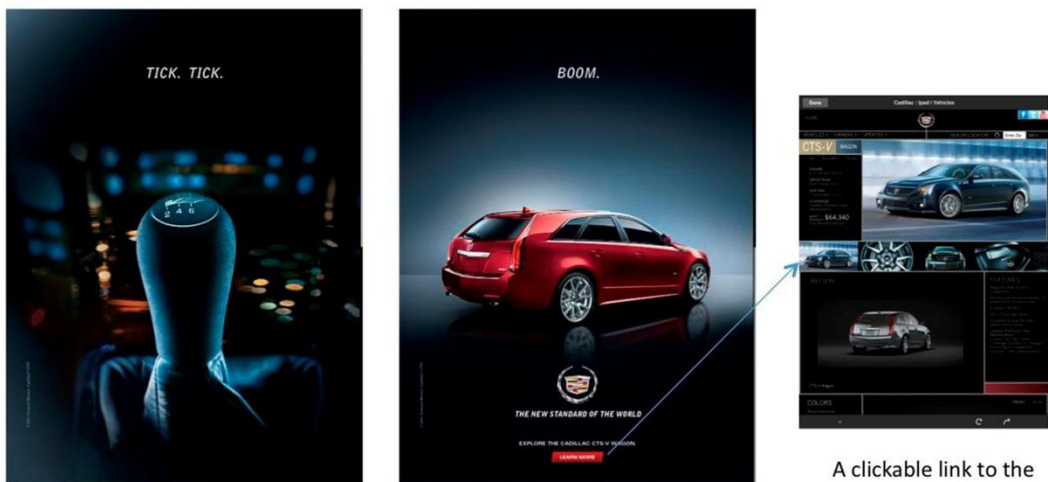


## Appendix 2: Static Print Advertisements



## Appendix 3: Extended Print Advertisements 1: Website attached

A print-like double page advertisement in a magazine



## Appendix 4: Extended Print Advertisements 2: e-shop attached

A print-like advertisement in a magazine



A clickable link to the company's e-shop platform

## Appendix 5: Video Only Advertisement

A video advertisement for Fox Saturday Baseball. The video player interface shows "THE DAILY" at the top left and navigation tabs for "News", "Business", "Gossip", "Opinion", "Arts &amp; Life", "Apps &amp; Games", and "Sports". The main content is a large blue "THIS WEEK" text. Below it is a video thumbnail showing a baseball field with "NEW YORK YANKEES" and a "Yankees" logo. To the right of the thumbnail is a "FOX SATURDAY" logo with the MLB logo below it. At the bottom, the text "PRIMETIME" and "7 PM ET" is displayed. The video player controls show a play button, a progress bar at 0:12, and a full screen icon.

# Appendix 6: Video As a Part Of Wider Advertisement 1

The main ad  
(copy text and video)



Three informative sub-pages



# Appendix 7: Video As a Part Of Wider Advertisement 2

CAN A SUPERCAR BE AN EVERYDAY CAR?

What's the best business?

Performance

Reliability

Affordability

Performance

Reliability

Affordability

The Everyday Machine

Properly: Turnkey on wheels in the history of the world

Video 1

Video 2

Video 3

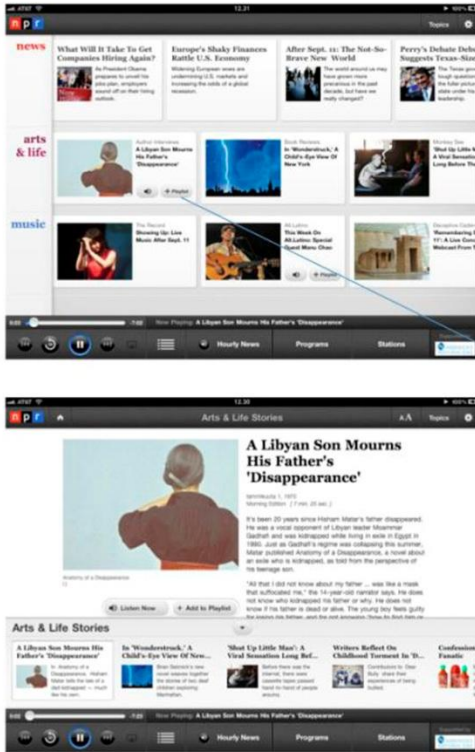
Video 4

Video 5

Campaign page

Scrollable print ad, 5 videos, and links to an external campaign page

# Appendix 8: Audio Advertisement



Audio advertisement appears when content is clicked

# Appendix 9: Banner Advertisement

The screenshot shows a mobile news article titled "After Bin Laden, U.S. Reassesses Afghan Strategy". The article text discusses the debate in Congress regarding military force authorization and the Obama administration's interpretation of the enemy. An ExxonMobil banner advertisement is overlaid on the right side of the article, featuring a grid of images (a man in a suit, a tree, an American flag, and a person working) and the text: "Energy security and economic growth from natural gas." Below the text is a "Learn More" button and the ExxonMobil logo with the tagline "Taking on the world's toughest energy challenges."

# Appendix 10: Embedded Campaign Sites 1 and 2: Text, Photos, Social Media & e-Shop



# Appendix 11: Embedded Campaign Site 3: Videos & Touch-sensitive Content



The main page



Scrollable 360 degree product photo



External, browser-based product page (e-commerce)

A link to the promotional video

# Appendix 12: Embedded Campaign Site 4: Pure Social Media Linking



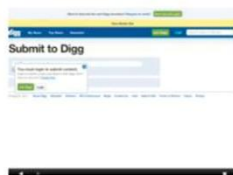
The main page



Movie trailer



Photo gallery



Several social media linkages: Facebook, Twitter, MySpace, Delicious, Digg, and StumbleUpon

# Appendix 13: Embedded Campaign Site 5: User Forums As A Part Of Advertisement



# Appendix 14: Free Ad-Funded Content 1 and 2

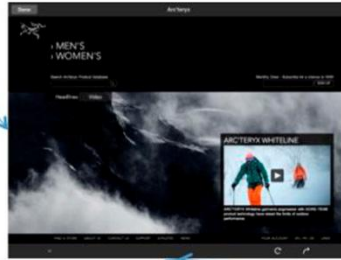


Ad 1

A sponsored iPad version of the Backpacker magazine's "Editor's Choice 2011" special issue



The sponsor tag appears on every editorial page



Both sponsor tags and extended print ads are linked to the brand's webpage (layer-based pop-up)



In addition to the sponsor tag on editorial pages, the special issue carries sponsor's extended print ads (no other ads in the sponsored special issue)



Ad 2

Free content (i.e. free e-magazine issues) is sponsored by a certain company



Sponsor's layer based campaign page opens when the banner is clicked

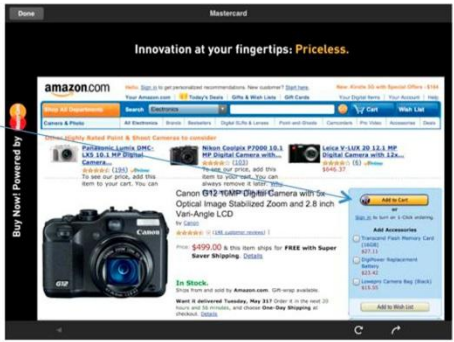
# Appendix 15: Functional And Commercially Orientated Content



Editorial content; a product review page in a magazine



Editorial pop-up layer on the page, linkage to an external e-commerce site



A layer-based external e-commerce site where the actual product can be purchased

# Appendix 16: Engaging Advertisements







***This research was operated as a part of Next Media's eReading Services Business Models and Concepts research program. The eReading industry has developed tremendously during 2011 both globally and locally. After Apple launched its iPad 1 in Finland in late-2010, eReading as a phenomenon has rapidly emerged and created a burning platform for the development of the eReading industry in Finland.***

To disentangle this emerging phenomenon, we examined both internal and external aspects of eReading services under two main activities, new product concepts and value adding services and eReading advertising and interactivity, consisting of seven individual working group studies.

Internal aspects:

- Business model evolution in the eReading business
- Learning in eReading service development
- Modularity in the eReading business

External aspects:

- Future digital service space for writers and consumers
- Ad formats in tablet/eReading advertising media
- eReading advertising in integrated marketing communications
- Value for "me and my life" value-added services in media

Key findings of each working group are depicted in this report.

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