The futures of magazine publishing: Servitization and co-creation of customer value

Futures, 64, 19–28. Copyright 2014 Futures. Reprinted with permission from the publisher.
The futures of magazine publishing: Servitization and co-creation of customer value

Anna Viljakainen a,b,*, Marja Toivonen a

a VTT Technical Research Centre of Finland, P.O. Box 1000, 02044 VTT, Finland
b Cambridge Service Alliance, University of Cambridge, Institute for Manufacturing, 17 Charles Babbage Road, Cambridge, CB3 0FS, UK

1. Introduction

A central challenge in today's business strategy is the unpredictability of the operational environment. However, in order to recognize successful ways of doing business, market actors need anticipatory information on the development of their surroundings and on the consequences of their current actions. This paper aims to contribute to the accumulation of this information by analysing one topical phenomenon: an industrial change towards service business, with the magazine markets as the case context. It illustrates how the industry is adopting a new competitive strategy via services that are added to the total offering, and how it is simultaneously developing a deeper understanding of the service relationship as value co-creation. The work identifies seven trends in this context and analyses their impacts and discontinuities. Three trends are linked primarily to the business environment: a dispersing customer base, changes in media use habits, and erosion of product business. Four trends describe the behaviour of companies: the shifts from products to value-adding brands, from R&D to innovation, from autonomy to partnering and sharing in an ecosystem, and the changing resource and capability needs. The contributions of this work are twofold. First, studying media as service has been rare in scholarly literature. Second, applying the service perspective to the trend analysis in the media sector is topical due to the increasing competition and unpredictability of the business environment.

© 2014 The Authors. Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (http://creativecommons.org/licenses/by-nc-nd/3.0/).

* Corresponding author. Tel.: +358 50 5831338.
E-mail addresses: anna.viljakainen@vtt.fi (A. Viljakainen), marja.toivonen@vtt.fi (M. Toivonen).
Many successful cases reflect this development. In Europe, for example, Pearson (UK) and Sanoma (FIN) have established themselves as learning companies with the purpose to educate people. Bertelsmann (GER) too is expanding into the educational sector, as well as into B-2-B services. Axel Springer (GER) is expanding into the digital publishing sector with a corporate venturing strategy. Lagardère (FRA) operates in the retail and distribution services, and Reed Elsevier (UK) has become a B-2-B information solutions provider for both the public and private sectors.

**Media management** is a relatively new research area: it emerged along with the transformation of media firms into media conglomerates in the 1980s. Since then, the literature has focused on the industry structure and competition, internationalization, and business models and strategies (Picard, 2006). Central observations are, for instance, that media industries differ from other industries with respect to the perishable nature of the product; having a creative workforce as the key resource; the societal and cultural role of media; and the distinctive organizational structures of media firms (Lavine & Wackman, 1988). However, the scholarship is rather small and scattered (Küng, Picard, & Towe, 2008) and many studies are carried out as part of general organization studies. This is problematic because the distinctive characteristics of the media industry remain hidden in this context (Chan-Olmsted, 2006).

The perspective of media as service has been rare in media management studies. On the other hand, since the 1970s it has been highlighted that media products are actually ‘experience goods’ which can only be valued while being consumed (Nelson, 1970). Even though media products have both immaterial and material components (the content and the platform/medium), their central characteristic is the ability to satisfy specific client needs related to the product’s informative, persuasive, or entertaining value (Arrese Reca, 2006). The knowledge embodied in the content – not the medium – has always been the main source of competitive advantage for media companies. People do not experience media products as negatively, but interpret their value as tightly linked to their unique life situations. Thus, we can conclude that the service-orientation is inherent in the media sector in terms of its interest in the use context and in customer collaboration.

However, this orientation has not been explicit, which is an apparent hindrance for the analysis of topical phenomena in the sector. Applying the service and value perspectives is particularly important in the analysis of the futures of media. As a consequence of technological, economic and societal changes, the boundaries between the sectors of media, telecommunications, and information technology are converging (Küng et al., 2008). Together with technological opportunities, the changes in consumer behaviour have resulted in tightening competition for audiences and advertising revenue. A number of new competitors have entered the field from within and outside the business.

This paper incorporates the futures studies perspective to magazine publishing by acknowledging that today’s decisions and actions influence future developments (de Jouvenel, 1967; Irvine & Martin, 1989; van der Duin & den Hartigh, 2009). The analysis of future prospects improves organizational responsiveness to the changing environment and improves the ability to update the strategy accordingly (Rohrbeck, 2012). Broad societal drivers impact on the industrial infrastructure, sources of competition, and the way in which firms create value to their customers (Castorena, Rivera, & González, 2013; Vecchiato & Roveda, 2010).

Since the 1980s the predictability of development has radically decreased because of globalization and digitalization. Hand in hand with futures studies, the approach of foresight has gained ground and highlights the need to explore multiple futures and ‘make the future’ rather than predict (Goedt, 1986; Irvine & Martin, 1989; Rohrbeck & Bade, 2012). Foresight is increasingly used in organizations and networks to anticipate changes, to respond to them (Day & Schoemaker, 2004), and to ‘make sense of the present’ (Liebl & Schwarz, 2010, p. 313). At the practical level, foresight can be used for identifying new business models and alternative business logics (Rohrbeck & Gemünden, 2011). Foresight studies can focus on either the actual interaction of the stakeholders creating their own futures (Daheim & Uerz, 2008), or on the detection of factors that encourage futures activities. We apply the latter approach: we explore the trends that characterize the futures of the publishing industry (Coates, 2004) and analyse the drivers behind them (Castorena et al., 2013). We hope that our findings support the reshaping of mental models which at present hinder the adaptability of actors to environmental changes in this industry (Prahalad, 2004; Rohrbeck, 2011; Vecchiato & Roveda, 2010).

Our study includes an empirical part which is a qualitative trend analysis based on expert interviews among magazine publishers in two Nordic countries (Finland and Norway). The following research questions guide our empirical study:

1. What kinds of trends in the development of magazine publishing indicate the emphasis on a new competitive strategy based on service offerings (servitization) and on the service-oriented mindset (value co-creation)?

2. What kinds of internal and external factors (drivers) support the future development of these trends and what are the potential sources of discontinuity?

From now on, we have structured the paper as follows. In the second section, we present our theoretical framework on the service-orientation. The case context and methodology of our empirical study are presented in the third section and the results in the fourth section. We finish our paper with a concluding discussion which includes some implications for the development of the industry and for managerial practice.

### 2. Theoretical background

In this section we first discuss the nature of servitization and why and how firms adopt it as a competitive strategy, and then move on to the adoption of a value-based perspective interpreted in terms of service orientation.
2.1. Servitization

Servitization is a phenomenon recognized in the industrial context over two decades ago as a way to create new value by adding services to products (Neely, 2008; Vandermerwe & Rada, 1988). Research on servitization usually assumes that industrial firms initially offer products, and start adding more and more advanced services to their total offering as they accumulate experience in service business (Oliva & Kallenberg, 2003). This research stream makes a clear distinction between products and services and assumes that firms can create value and then deliver it to customers. In the media context, servitization has meant for example the offering of web-based shops or actual events that encourage readers to purchase advertisers' products.

The literature has identified three general motives behind servitization: (1) economic reasons, (2) user needs, and (3) competitive motives (Baines et al., 2009; Neely, 2008; Oliva & Kallenberg, 2003; Raddats & Easingwood, 2010). The economic motives include the pursuit of higher profit margins and stability of income (Gebauer & Friedli, 2005; Wise & Baumgartner, 1999) due to the resilience of services to economic cycles (Oliva & Kallenberg, 2003). The changing user needs relates to the fact that customers increasingly demand a variety of services (Vandermerwe & Rada, 1988); in the B2B context, focusing on core competencies is an additional reason for the need for external services (Oliva & Kallenberg, 2003). As regards to the competitive advantage of servitization, one of the main arguments is that services are difficult to imitate due to their invisible and labour-dependent nature (Gebauer & Friedli, 2005; Oliva & Kallenberg, 2003). Services reduce the need to compete on the basis of cost (Neely, 2008).

Adopting a service-based strategy requires amendments to organizational processes, strategies, and corporate culture (Oliva & Kallenberg, 2003). A clearly defined service strategy is critical for seizing opportunities, executing appropriate organizational arrangements (Gebauer, Fleisch, & Friedli, 2005), and recognizing financial potential (Mathieu, 2001; Oliva & Kallenberg, 2003). A corporate culture with emphasis on innovation, customization, and flexibility must be nurtured (Gebauer et al., 2005) to support the attitudinal change required to give a central role to user needs in service business (Gebauer & Friedli, 2005). Seeing services as value-adding, not as add-ons, is an ingredient of the service culture (Gebauer et al., 2005). On the other hand, managing the relationship with manufacturing values such as efficiency, economies of scale, and standardization is also important.

2.2. The value-based approach and the service-dominant logic (SDL)

In today's business, the focus is increasingly on use value, which highlights the role of customers. According to this view, companies obtain competitive advantage and profitable growth by offering clients new value that goes beyond the conventional context. The value offerings arise from redefining clients' problems and discovering hidden demand (Kim & Mauborgne, 1999; Matthyssens & Vandenberg, 2008). Supplementing own resources with resources from partner networks across industries is at the core of creating new customer-centric solutions (Normann & Ramirez, 1998).

The service-dominant logic (Vargo & Lusch, 2004, 2008) goes deeper in this direction: it highlights the value-creating nature of consumption. It points out that customers evaluate the value of goods and services not one by one, but holistically based on the combination of commodities: one commodity purchased from one provider is meaningful only when it is linked to other commodities. This process of resource integration finalises the value creation (started in the production process) and makes the customer a value co-creator in a fundamental sense. The creation of value during the consumption process may take place in direct interaction with the provider (e.g. creating content together with media professionals), but it can also take place indirectly (e.g. reading a printed magazine). Thus, SDL separates value co-creation from co-production: the actual interaction between providers and customers is not necessary from the value point of view.

In addition to this fundamental (theoretical) view, SDL can be applied as a managerial mind-set (Lusch & Vargo, 2008), which posits that sustainable competitive advantage is not obtained if the focus is on the delivery of individual products and services. Instead of that, both material and immaterial offerings should be understood as vehicles in a deeper process: service, which is actually another expression for value co-creation. Firms cannot unilaterally create value but value is always co-created in collaboration with customers – and increasingly with partners, which means that resource integration is important in the case of the provider too (Lusch, Vargo, & Tanniru, 2010). In the media sector, online communities are an illustrative example of the application of this thinking: the media firm does not work on behalf of customers but provides together with partners a context in which customers and media professionals engage and shape their own experiences.

SDL also stresses the ecosystem nature of the market and the firm (Lusch et al., 2010). A service ecosystem can be defined as 'relatively self-contained, self-adjusting systems of resource-integrating actors connected by shared institutional logics and mutual value creation through service exchange' (Lusch & Vargo, 2014, p. 161). An ecosystems perspective enables the investigation of the relationships and interdependencies between actors and the way in which actors adapt to, evolve, and collapse due to environmental changes (Frow et al., 2014).

3. Foresight approach, context and methodology

In this section we first discuss trend analysis as a foresight approach. Thereafter we briefly describe the general development in our empirical context: the magazine markets. This description is elaborated in more detail in the trend analysis. Finally we describe the data collected and the data analysis methods applied.
3.1. Trend analysis as a foresight approach

Our aim is to provide market actors with meaningful information that can be used for mirroring the firm-specific strategies and actions against the general development of the media industry. Our work depicts development trends that indicate magazine publishing becoming service-oriented; this is an approach referred to as *issue driven foresight* (Rohrbeck, 2011). As with all economic sectors, the media sector is tightly linked with general societal development. At the sector level, several *driving forces*—such as digitalisation, increasing global competition, and economic insecurity—impact on decision-making and important choices. They influence the *sector specific trends*, which can be defined as the general directions found in the long-term development of the sector (von Groddeck & Schwarz, 2013).

Trends have a past, present, and future which make it possible to use a foresight approach in their analysis (von Groddeck & Schwarz, 2013). In the managerial context, *trend analysis* enables the identification of business opportunities and factors that influence a firm’s development activities (Castorena et al., 2013; Daheim & Uerz, 2008). It is used for identifying, predicting, and interpreting change (Rohrbeck, 2011). Focusing on future trends is particularly appropriate when the aim is to understand the shift to a new contextual phenomenon (von Groddeck & Schwarz, 2013) – the situation characterizing our case.

3.2. Case context: magazine markets

Several on-going phenomena are changing the magazine markets: media convergence, changing customer needs and media use habits, and the volatility of the advertising markets. Media convergence has challenged the traditional magazine publishing business (Küng et al., 2008) putting pressures to build strategic networks among organizations that have previously operated autonomously (Gulati, Nohria, & Zaheer, 2000). Publishers are entering into partnerships within and outside the traditional media sector in order to regain their competitiveness (Küng et al., 2008).

The media field is becoming fragmented with tightening global competition (Napoli, 2011). Media are faced with new competitors and new technologies, which take an increasing share of consumers’ time and advertisers’ money (Picard, 2011). These changes and the volatility of the advertising markets have essential impacts on the viability of the magazine publishers who have traditionally operated on a dualistic revenue model with subscription/single copy sales and advertising income. At the same time there is gradual erosion in print magazine readerships and circulations, as the content and advertising are progressively transferring to online media (Finnish Mass Media, 2012). Publishers are increasingly looking for new sources of revenue and ways to create value for their customers.

3.3. Data collection and data analysis

Qualitative research approach was chosen to study in depth our subject that is evolving and changing (Gephart, 2004). We carried out a multiple case study which is particularly suitable in this kind of research setting, where the aim is to find patterns across organizations (Eisenhardt, 1989; Yin, 1994). Each organization has been considered as a case that represents a unit of analysis. The organizations were selected on the basis of their distinctive properties to bring new insights. The organizations selected (10) are publishers of consumer magazines in the Finnish and Norwegian markets, which represent both horizontally integrated media conglomerates and small- and medium-sized enterprises (SME’s), and their lobbying organizations (2).

The main data consists of interviews with publishing professionals mainly from the top management level. A semi-structured interview method was used where the focus and the themes of interest were decided beforehand by the interviewer (Fontana & Frey, 2005). Interviewees were asked to respond to quite specific topics, but at the same time they were given a great deal of freedom to respond (Bryman & Bell, 2011). The number of interviewees was altogether 13, nine from Finland and four from Norway. Each interview lasted from 60 to 90 min, and interviews were recorded and transcribed.

A qualitative trend analysis (Coates, 1996) was carried out as a dialogue between empirical results and literature. Our analysis began with identifying the main trends in magazine publishing. The criteria for a main trend were that *all interviewees raised same or similar observations, and that the trend has been discussed in literature* (Albarran, Chan-Olmsted, & Wirth, 2006; Küng et al., 2008; Napoli, 2011; Picard, 2011). After the identification, we examined the possible impact of the trends on service development and on the firm, and finally their potential source of discontinuity. In these topics, the detailed opinions of the respondents varied. Table 1 summarizes the trends and also includes the number of respondents who mentioned each specific observation.

We did not use a coding tool, but aimed at a holistic understanding via several systematic and thorough analysis rounds of interviewees’ responses. The quotations in the results section illustrate the level at which extracts were picked from the material. We applied a technique which is a modification of a matrix format (Huberman & Miles, 1994), whose purpose is to derive meanings from data and reduce the amount of data. Here, constructs are placed on one axis, and occurrences on another, to enable the analysis of complex qualitative data. The trends table (Table 1) formed the basis for data analysis: trends formed the constructs and their impacts and discontinuities formed the occurrences. To increase the reliability and validity of the results, data collection and analysis were executed by two researchers (cf. Bryman & Bell, 2011).
4. Results and discussion

In the interpretation of the results, we have operationalized servitization and value co-creation/service-oriented mind-set as follows. Servitization is identified as concrete production of service offerings and as related reformations taking place in magazine publishers’ processes, strategies, and corporate cultures. The adoption of a value- and service-oriented mind-set is identified in phenomena that highlight customer value, customer collaboration, and knowledge as a main resource in value creation. Among the trends that we have identified, the first three trends reflect mainly the developments in the business environment, while the latter four trends are mainly linked to intra-firm managerial issues. However, these two aspects are interlinked – in the integration of resources in particular. Thus, the detailed trend-by-trend analysis includes both business behaviour of the companies and external factors that drive this behaviour. The following sub-sections have been organized according to the identified seven trends (Table 1).

4.1. Dispersing customer base

Our findings confirm that technological development is causing media fragmentation (an increasing amount of platforms and contents) and audience fragmentation (dispersion of attention across the options). It is also causing audience autonomy (increased ability to choose the time and place of media use), leading to a dispersing customer base (cf. Napoli, 2011). Consequently, value propositions differ from one customer segment to the next and a better understanding is needed on how value is co-created with each segment.

Fully capitalizing the changing needs of smaller audiences with new concepts is a great challenge. In line with the SDL mind-set, our interviewees highlighted that success is not achieved by producing and delivering content for target groups, but by co-creating value with customers via the right offering, at the right time, on the right platform. Technological development enables reaching new consumer segments. New business can also be generated from Business to Business (B-2-B) relationships. In a number of interviewed organizations, servitization is used as an opportunity: separate event production and partnership units are being established to yield increased profits and revenues from services (cf. Albarran et al., 2006; Oliva & Kallenberg, 2003). These include brand licensing, online magazine shops, special advertising and marketing solutions, and the sales of media content and information, to name a few. However, our findings suggest that the lack of sufficient financial returns from B-2-B services and the inability to recognize their financial potential (cf. Mathieu, 2001; Oliva & Kallenberg, 2003) still hinder the development of new business, as elaborated in the following quote:

‘We constantly think about how much effort and resources should be put to our partnerships unit to develop these added value services that everyone is asking for [. . .] The unit should constantly come up with ideas here, there, and everywhere. In principle we could do that much more, if only we would make money. We can’t do it for free!’ (Director of R&D, MNE, listed company, Finland)

4.2. New media use habits

Differing consumer needs and media-use habits came clearly out in our interviews (cf. Napoli, 2011). The online world is changing the way people access information, and makes users more critical towards ready-made content. The companies seek consumer understanding for service development and sales. The SDL mind-set is visible in questioning the tradition of measuring media products in terms of value-in-exchange. Less obvious criteria of success are coming to the fore. Emotional needs and experiences (cf. Payne, Storbacka, & Frow, 2008; Ulaga & Reinartz, 2011) are now used to evaluate the offering’s effectiveness in the use context.

Both SDL and servitization researchers emphasize the need for a deep understanding of customer needs and circumstances (cf. Gebauer et al., 2005; Raddats & Easingwood, 2010; Vargo & Lusch, 2004, 2008). Based on our findings, the achievement of this goal is challenging because of the dynamic nature of customer wants and demands. Decision-making is still very much based on intuition, and the gathering and analysis of relevant data are in its infancy. The following quote illustrates that magazine publishers are aware of the need to move ahead in this respect:

‘We are obviously too weak in listening to consumers [. . .] We need to know a lot more about their behaviour, their needs and wants [. . .] What they read about, what is the tone of voice they recognize what kind of pictures are they comfortable with.’

(Director of R&D, large family-owned Nordic media company, Norway)

4.3. Gradual erosion of product business

Several interviewees pointed out that printed magazines will experience gradual erosion in the years to come. This pushes the sector towards servitization and is due to both general and sector-specific drivers. In addition to tightening competition and the fragmentation of audiences mentioned above, the heavy-users of printed products are ageing and the younger generation appreciates less print media (cf. Küng et al., 2008). The big circulation magazines have had a major role in financing the more experimental titles, but their share in total revenue will decrease. The focus is shifted from targeting general magazine titles to mass markets into serving niche markets around special interests.
4. From product development to service innovation

Challenges to recognize the financial potential in service business. Lack of development processes critical in product business. Large extent put on product development. Services support the product business that now brings the majority of turnover. Changing key relationships. Corporate culture and structure, human resources, and sales commission practices still highly enable but also hinder innovation. Values and sales skills and capabilities still bring the majority of turnover.

Changing the logic of magazine publishing from product to innovation and accelerating the pace of development. Resource channels and channels provided by key partners. Establishment of B-2-B customer base. Departs from a dualistic offering: goods, services, information, and advertising. The introduction of 'service journalism' which adds value to the reader. Bloggers and corporate culture are very hard to change. B2C strategies, organizational processes, and management are disconnected people together to work.

Key trends and issues of publishing companies based on an increasing service-orientation (figures refer to the numbers of respondents who mentioned each category). Changes in the way people think and decide to work. Increasing experimental development to new business opportunities. Resource needs, and make them commit. Competitors are the ones that have strong enough brands around which new revenue sources can be updated and managed at different channels and in the right form, to the right consumer. Established network of partnerships and partnerships with media companies, industry, and consumers.

Table 1
Following these developments, the editorial content is becoming less attractive to marketers who to a large extent focus on value-in-exchange, the reach and price of contact, and accountability of delivery. At the same time publishers are seeking for more stable sources of revenue, and the dualistic revenue structure is being replaced with a number of smaller income sources that are based on collaboration with a number of partners in the business ecosystem – a phenomenon highlighted by SDL.

Our findings indicate that there are incompatibilities between customer needs, expected returns, and cost structures. The publishing industry that was previously less concerned with cost is inevitably shifting towards a cost-driven model, because of diminishing circulations and advertising revenues and rising paper and distribution costs. Large investments are tied in infrastructure and editorial staff, where cost cutting in currently implemented. Also, we identified the reuse of old material, outsourcing, and physical reorganizations to increase efficiency and cut costs. Our study showed that organizational flexibility and agile processes are not only sought internally, but in all network relations: with paper producers, printing houses, and logistics.

4.4. From printed products to value-adding cross-media brands

Publishers are increasingly developing and commercializing value-adding cross-media brands. Our interviews revealed that the focus has shifted from printed products to solutions – a typical development in advanced servitization. This implies an increase in the importance of brands (cf. Normann & Ramirez, 1998). The objective is to create stronger identities and new revenue sources. A magazine brand is a strong value proposition: based on it, customers can expect that their needs become satisfied. Magazine brands are developed to be present in their readers’ life and co-created with customers – both viewpoints highlighted by SDL. Consequently, the readers are increasingly committed to selected media brands. The following exemplifies the importance of strong brands:

‘Strategy will be the key in the future […] how flexible you are, how well you know your target audiences, respond to their needs, and make them commit. Survivors are the ones that have strong enough brands around which new revenue sources can be built.’ (CEO, SME, part of Nordic media enterprise, Finland)

Our interviewees also described how magazine publishers are adopting service-dominant offerings (cf. Grönroos, 2008) by including value propositions in goods, services, information and interactions. In goods, this development is manifested in printed ‘sister’ publications to online magazines in specific niche areas to new target audiences. In services, it includes brand licensing within and outside the publishing business, online magazine shops, B-2-B sales of low cost bulk subscriptions, special advertising solutions, and smartphone apps, among others. In information, it means that content is distributed and cached in partners’ channels. In interactions, it can be found in online communities and offline services. Online communities enable people’s participation in content production, engagement and building their personalized media experiences. Offline services are often co-produced with partners and wrapped around strong brands (e.g. medical services offered to health magazine subscribers). Here, the SDL perspective is apparent: service is an input to the value creation activity of the customer.

Simultaneously with the advancement of the brand based business, we also recognized obstacles in the progress because of the past record of stable and high revenue from product sales. Also the small market size in our case countries turned out to be a problem. Finally, our interviews suggested that the transition into service business is slowed down by the lack of a service mind-set among the buyers.

4.5. From product development to service innovation

The increasingly unpredictable nature of the business environment favours the shift from R&D to a broader view of innovation: the utilization of experimentation instead of extrapolation based on historical data and market research (cf. Moorman & Miner, 1998). This change is also a reasonable answer to the problem of diminishing resources: personal enthusiasm, as well as trial and error, is needed more than before. Also changes in the competitive environment are forcing publishers to radically shorten the time-span for new title launches, which typically require a longer process in the case of printed products than in digital media. One interviewee described the new challenges as follows:

‘Our problem in the magazine business is that we make memos, not demos […] Online media and TV make demos in a pilot trial mentality […] but here, we polish a concept idea for so long that a trend will pass us by.’ (CEO, large family-owned Nordic media company, Finland)

Our findings indicate that much emphasis is put on processes and corporate culture that support innovation. Idea generation has to be done in an environment of increased risk-aversion. Ideas have to be tested in a shorter time span and terminated sooner if they do not work. In this kind of milieu, a large number of ideas are needed to generate new innovations. Ideas that previously would have been ignored as too small are now being scrutinized. Here again, we can identify the adoption of the SDL mind-set: ideas are co-created in communities together with readers and major advertisers, and the change of attitudes is sought in the partner relations to promote genuine innovation.

Our interviewees described examples of tools developed for spotting trends and taking good ideas forward. In some of the case companies, specific time is reserved for innovation, disconnected people are put together to generate ideas (e.g. by rotating people across editorial rooms), task forces are established to commercialize good ideas, and hiring policies that
emphasize flexibility are introduced. However, the progress is not straightforward: a great deal of development work is still exercised ‘behind closed doors’ for fear of leaking ideas to competitors. Many times services are also considered as ‘add-ons’, and publishers try to avoid risk by investing resources on the development of products whose outcomes are more easily calculable (cf. Gebauer et al., 2005).

4.6. Alliances across borders

Magazine markets are opening up, and new service offerings are increasingly co-developed (cf. Agarwal & Selen, 2009; Windahl & Lakemond, 2006). In our interview responses, this trend was manifested in the business partnerships that publishers are forming with collaborators and competitors across industrial borders. For instance, brand owners organize shopping events or beauty consultation to fashion magazine subscribers, or city runs to health magazine subscribers. Relevant in this development is the mobilization and integration of resources from the media ecosystem to create new value – a phenomenon that SDL considers being of crucial importance. The opinion expressed in the following quote illustrates the development:

‘We’re extending our service concepts. For example the subscribers of [a health magazine] get discount on doctoral services–from home visits and counselling over the phone. So we’ve partnered with [a private medical clinic]. We also offer nutrition counselling within 24-hours. So we have nutrition professionals working for us.’ (Marketing and Market Research Director, large family-owned media company, Finland)

Our findings, however, indicate that resource integration in the ecosystem is challenging because media organizations are accustomed to operating autonomously in a silo manner: each medium has had its own dominant recipes and procedures (cf. Gulati et al., 2000). Further, entering into cooperative relationships with competitors may be forced by media buyers and around strategic core areas that may lead to zero-sum relationships (cf. Payne et al., 2008).

4.7. Changing key resources and capabilities

A stronger market orientation and customer focus in publishing has led to changing requirements with respect to competencies, corporate culture, management, and hierarchies. Dynamic capabilities – the ability to sense/seize opportunities and reconfigure assets – have increased in importance (cf. Coates, 1996). Our respondents highlighted that publishers experience the need to step down from their attitudes of traditional journalist authority and embrace new forms of reader engagement, such as crowdsourcing and amateur professionalism. Customers are understood to be co-creators of value (a central point in SDL) and co-producers of service (an essential phenomenon in servitization). The following quote illustrates the development:

‘Magazine concepts live from conversations and connections between people. Concepts are the result of what people have achieved together.’ (CEO, SME, part of Nordic media enterprise, Finland)

As regards the need for new knowledge resources, our interviews highlighted openness and transparency in communication and work practices. Reducing managerial hierarchies was seen as promoting openness. Uncertainty tolerance and an inspiring environment were considered important in encouraging innovativeness among employees. Fostering a culture where mistakes are allowed and leaders are responsive to new ideas was seen as essential. Today’s reality is contradictory here, like in the case of many other trends. In some companies, the corporate culture and practical processes are still highly product-centred. Transfer to service-orientation requires attention to multiple organizational capabilities: knowledge, skills, systems, values, and norms. Our interviewees also remarked that it is crucial to take into account the intensity of efforts needed when existing values and corporate culture are changed (cf. Gebauer et al., 2005; Leonard-Barton, 1992).

5. Conclusions and managerial implications

This paper has analysed the change of magazine markets towards service-oriented business. We have used the approaches of futures studies and foresight to produce scientifically grounded and applicable insights into the prospects of the sector. Our empirical findings, based on a multiple case study, suggest that a change towards value-based and service-oriented thinking is apparent in publishing. The industry is also servitizing (Vandermerwe & Rada, 1988), i.e. companies provide service offerings in addition to material products.

We have analysed these two developments in more detail through the identification of seven main trends. Three trends are linked primarily to the business environment: the dispersing customer base, the changes in media use habits and the erosion of product business. Four trends describe the behaviour of companies: the shifts from products to value-adding brands, from R&D to innovation, from autonomy to partnering and sharing in an ecosystem, and the changing resource and capability needs. Behind the trends we have found several supporting drivers that include both pull factors (the general increase in the variety of customers’ desires and needs) and push factors (tightening competition and diminishing revenue from product sales).
From the managerial viewpoint, a crucial issue is the extent to which the publishers are responsive to changes and to what extent they are able to take concrete actions in response. A genuine service orientation requires several new practices in different areas of business. The value creation process should be understood more broadly than before: the use context should be seen as an essential part. This means that pioneers in the media sector are those actors who engage customers and aim to increase understanding of their everyday life. A primary insight linked to these practices is that value-in-use cannot be first produced and then sold, but the consuming process is an indispensable part of value creation. Another important area is the understanding of customers as members of their networks instead of handling them as isolated entities. Here, pioneering practices are platform services that encourage customers to form communities and work together with professionals in these communities. An ecosystems view that also includes business partners is a natural extension of this practice (cf. Vargo & Lusch, 2004, 2008).

Industrial renewal is closely linked with innovation. Thus, an interesting question is how service-based strategies are related to innovation strategies in media companies. Our empirical findings indicate both a growing need for individual innovativeness and a change in the nature of the innovation processes. In the service context, R&D type processes are rare and usually replaced by broader empowerment of employees (Sundbo, 1996). SDL suggests that instead of linear R&D processes, intra-firm entrepreneurship with gradually broadening resources (effectuation) is a better comparison point when innovation is pursued for value co-creation (Read, Dew, Sarasvathy, Song, & Wiltbank, 2009). Interestingly, we found both of these innovation practices – broad empowerment and effectuation – in our case companies.

As three trends in our study are linked to the business environment of media companies, the broader societal and economic developments have also to be taken into account. Researchers have pointed out that the advancement of individual companies in a specific sector may be buried under the inflexible and old-fashioned practices of the majority in that sector (Dator, 1999). This phenomenon highlights the importance of networking and the rapid dissemination of novel practices.

Because our study followed the case study approach, it does not allow generalization in a statistical sense. However, an analytical generalization is possible, and means that linkages and patterns identified across phenomena can be used as an indicator for what might take place in other settings (Kvale, 1996; Yin, 1994). Thus, the increasing service-orientation in the magazine publishing sector may indicate a change in the entire traditional media sector and media markets. In order to validate this hypothesis, further studies are needed with bigger samples from the media industry and material from different countries.

References


