Doing Digital: An Assessment of the Top 25 U.S. Media Companies and their Digital Strategies

Everette E. Dennis
Stephen Warley
James Sheridan
Fordham University Graduate School of Business

ABSTRACT This study examines how major U.S. media companies are developing their digital strategies in the context of earlier work on convergence. Through rare interviews with media leaders and other sources, the ways that media corporations have coped with digital innovation following the dot-com crash are explored, including its delivery and the styles of leadership. The authors posit that media firms fall into three categories: leaders, learners and laggards.

KEY WORDS: technology, digital strategy, leadership, company organization

With the capabilities and limitations of digital technologies much debated in the four years following the dot-com collapse (Lowenstein 2004), the fortunes and failures of individual new media like Google and AOL have gotten considerable attention (Motavalli 2002), but there has been little systematic assessment of the digital strategies of established media companies. In the wake of failed aspirations and industry churn by insurgent dot-com entrepreneurs (Dennis 2001) as well as the departure of high profile media chieftains, terms like convergence and synergy were often scorned and all but abandoned by defensive business leaders—and their harsher critics in the business media (Dennis 2003).

By late 2003 and early 2004, however, any sense that the digital revolution was on hold or in decline was boldly challenged by News Corp.'s acquisition of DirecTV and Comcast's move to take over Disney.

Even before these dramatic developments, the *New York Times*, which had doubted the efficacy of convergence only months earlier, declared, that "the convergence of media and technology, long predicted but not yet fulfilled, is at last showing signs of happening—with high speed Internet access making much of it possible" (Lohr 2003). Subsequently, technology writer John Markoff witnessed the collapse of Disney-Pixar negotiations, a proposed distribution agreement, and saw signs of "the changing balance of power between conventional media giants and the entrepreneurs wielding digital technologies that are rapidly changing the way media content is made and distributed" (Markoff 2004). *Business Week* simply labeled the same story as "convergence" (Lowry 2004). By March 2004, *Financial Times* columnist Richard Tomkins warned consumers to "proceed with caution—everything is converging." (Tompkins 2004).

TAKING THE TEMPERATURE OF DIGITAL MEDIA

This study was initiated to assess convergence as the basis for business strategies and operations at the top 25 U.S. media companies based on 2004 net revenues. While the business dealings of most, though not all, attract attention in popular media and trade publications, there is no systematic research on their response to the collapse of the dot-com bubble and its effect, if any, on them. The study posits that a comprehensive overview of these firms that dominate the U.S. and global media industries would be useful in charting their post-dot-com business behavior. What follows is an attempt to look at the state of convergence by asking consistent questions at each of the firms, then relating the findings to a conceptual map of the industry using a multi-faceted concept of convergence[1]. Probing the digital strategies of 25 large, complex and multi-faceted firms, which account for as much as 90% of media revenues in the U.S., is a daunting task. We began by compiling available data and reports on each of the companies. We developed and pretested an interview schedule.[2]

---

[1] The term, we believe has been used and misused to describe limited aspects of the digital revolution and thus has often yielded imprecise results and a false picture of the digitization of media industries. Our definition of convergence includes cross-media ownership and organizational considerations, technology developments across different platforms, content and human capital convergence, all enabled by the regulatory relief that allows more collaboration and cooperation among heretofore different and distinct media functions and industries. (Dennis 2003)

[2] The interview schedule used to determine the nature and scope of their digital strategies, whether these strategies and business plans have been altered between 2000 and 2003, the role and specific placement of digital operations within the firm and its overall influence on personnel. Stepping back from individual strategies, we were interested in knowing how the principals conceptually described their digital operations, whether that involved use of the term "convergence" or some other moniker. Moving into operational concerns, the study specified the impact, if any, of digital technologies on sales and advertising, marketing and

Table 1: The Top 25 Media Companies by Revenue, 2004

1. AOL Time Warner	14. EchoStar Communications Corp.
2. Viacom	15. Hearst Corp.
3. Comcast Corp.	16. Adelphia Communications Corp.
4. Walt Disney Co.	17. Cablevision Systems Corp.
5. NBC-TV (General Electric Co.)	18. The New York Times Co.
6. Cox Enterprises	19. Knight Ridder
7. News Corp.	20. Bloomberg
8. DirecTV (General Motors Corp.)	21. The Washington Post Co.
9. Clear Channel Communications	22. Primedia
10. Gannett Co.	23. Dow Jones & Co.
11. Advance Publications	24. Belo
12. Tribune Co.	25. E.W. Scripps Co.
13. Charter Communications	

Source*: Advertising Age*

INTERVIEWS WITH INDUSTRY LEADERS

We decided to interview[3] the most senior executive available at each of the firms. Each was thought to be knowledgeable of company-wide and industry-wide trends. Working with acquaintances, public relations departments and others, we developed a list of appropriate individuals. Over several months through telephone, mail and e-mail persistence, interviews were arranged with 27 individuals, representing 21 companies, including three CEOs of the firms under study. The rest of the interviewees were at the senior vice president and vice president level, including persons in charge of digital and interactive operations as well as those involved in strategic planning and business development. Each was interviewed in person, if possible, or by phone, if necessary. The interviews were conducted between December 2003 and March 2004. Information gleaned was retrieved immediately after the session and checked with for accuracy. The four companies that did not participate

---

consumer/audience relations. Just how digital strategies and operations affected the core business of the firm, especially in terms of content creation, where relevant, was also probed. Other concerns included the uses of especially pertinent new technologies including broadband, wireless and video-on-demand as technologies that might have an impact on the firm's or field's business model over the next five to ten years. We also asked about return on investment (ROI) and other metrics for success. To gain comparative insight, those interviewed were asked to name other firms and industry leaders they either admired as leaders, or regarded as laggards.

[3] The interview schedule, previously mentioned, was developed and refined in autumn 2003 and was subsequently discussed in interviews with persons knowledgeable of media firms and their digital strategies. These included senior analysts at financial institutions, media industry analysts at research firms, media researchers and others. After this informal "pretest" an interview schedule was developed for use in the interviews.

(News Corporation, Adelphi, Bloomberg, and Echostar) were assessed using the firm's own sources (annual reports, corporate web sites) and independent sources (financial research services, news reports) to document strategies for digital technologies and convergence within their businesses.

SHAPING DIGITAL STRATEGIES

The executives were asked whether their firm had a comprehensive digital strategy, written or unwritten, across all divisions and departments, 14 said "yes" while nine said "no". Two others qualified their responses to cover variances such as one executive who described "a cumulative strategy with decentralized Internet operations across different divisions and infrastructure planning at the corporate level." Another referred to "more of a bottom-up rather than top-down approach that allows maximum flexibility and independence at the divisional levels." The execution of digital strategies typically took one of the following four forms:

1. <u>direct or de facto coordination</u> of all in-house Internet and other digital operations within the company at the senior management level (e.g. cable Multiple Systems Operators (MSO's)

2. <u>de-centralized Internet and other digital operations</u> with control of the properties at the divisional level (e.g. newspaper publishers and local television broadcasters);

3. <u>cooperative ventures</u> between two or more companies wherein they leverage both distribution and content advantages (e.g. entertainment conglomerates and major Internet portals); and

4. <u>external investments</u> in various entrepreneurial ventures to have a window on innovation without full responsibility for operations or to serve as an R&D platform to test out new technologies thus allowing the media company to focus on its core competence (e.g. equity investments in startup media and technology companies).

Reassessing Digital Strategies

When asked whether the firm's digital strategy had been reassessed in the three years since the collapse of the dot-com bubble, again, about half or 10 said, "yes," while seven said no and eight had another variation of the answer. As Patrick Donoghue, vice president for iTV development and operations at Cablevision said, "When we build things now it's because we really looked at what is successful, what works, what people want and whether or not a business is there to support it. It no longer can just be new or cool." Those who reported being cautious about change were generally successful with an incremental approach that had either paid off modestly—or at the very least was not responsible for significant losses.

Cox Enterprises once had a decentralized, even fragmented strategy for each property across its newspapers, TV, radio and cable properties, but eventually opted for integration to assure consistency—and business discipline. R. Scott Whiteside, vice president for business development at Cox Enterprises, said, "we worried about our national footprint and needed to create an integrated organization that drew on our institutional memory." He further explained, "Being tethered to the newspaper or radio station was too constraining. We wanted economies of scale."

By contrast, Time Warner, profoundly affected by the unfulfilled promise of the by the AOL deal, has embarked on decentralizing their digital operations. "Gerry Levin [the ex-CEO who consummated the deal] tried to centralize the digital activity within the company," said Terry Hershey, senior vice president of corporate strategy at Time Warner. Returning responsibility for digital strategy back to the individual operating units has led to new managerial challenges. "Each division has to do what is in their best interest; but they need to be careful when they rise to the level of Time Warner, because those issues need to be reconciled across the company to make sure everything is being done to help the company as a whole. Success of one division at the expense of another is not our goal," she said.

DIGITAL STRATEGIES IN THE CORPORATE HIERARCHY

The role and status of digital communications in a firm is evidenced by its place in the table of organization. When asked whether digital media were operationally a separate function, such as having its own vice president or department head, rather than being integrated more pervasively within the company, 15 said "yes," while 10 said "no." In the midst of what most respondents called the greatest transformation in decades for media companies, we were eager to learn who is charged with charting a firm's digital future. Given the nature of the top 25 companies ranging from multi-media giants to those that mainly emphasize a particular industry segment, we identified three dominant leadership patterns, namely:

1. <u>The CEO or senior executive of an exclusively digital media company</u>. These included heads of direct broadcast satellite and cable operators as well as integrated satellite-cable operations. Firms like Comcast and DirecTV exemplify this model.

2. <u>Executives overseeing a separate or interactive division</u> within a traditional media company. This executive type was more typical

during the 1990s, when firms wanted to spin off digital businesses into separate companies. Today there are separate divisions such as Belo Interactive, Hearst Interactive and ABC Enhanced TV.

3. Executives who "inherit" the digital strategy by the traditional nature of their position and the culture of the company. Here corporate strategists, planning executives or content managers guide digital strategies—both internal and outside investments—as they would any other investment opportunity for the company. Primedia, Cox and Gannett fit this model.

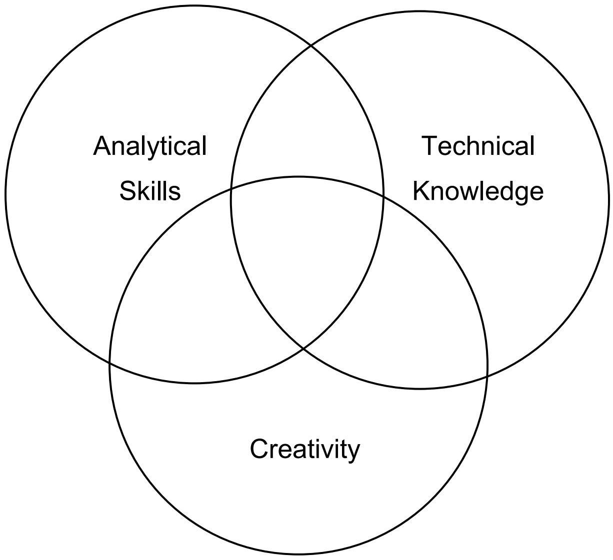
At the New York Times Company, New York Times Digital has its own CEO who reports to the CEO of the parent company, in a situation where a separate IPO was once contemplated. The Gannett Company's digital operations are highly decentralized with a vice president for planning and development coordinating strategies and technical assistance across the divide of newspaper and broadcast divisions, for example. In other instances, such as Viacom, a strong CEO directs units within the company to communicate and collaborate with each other.

Beyond Leadership—Hiring Patterns

We next wanted to look beyond strategic considerations to see how digital technologies are affecting the operational levels of these firms. Thus, we asked: How are digital strategies influencing hiring patterns? In some seven firms the impact was described as major while six said it was minor and 11 charted middle ground suggesting some intermediate changes. In follow-up questions the executives said skill sets such as technology, creativity and analytical capacity were emphasized (Figure 1), while traditional journalistic skills and values were downplayed. As the executives put it, the new skills that are a "must" in their minds are:

1. Knowledge of technological landscape—While most media managers and professionals will never have the expertise of a computer programmer, knowledge of the technological landscape was strongly urged. This means understanding the evolution and development of new technical platforms, the extent to which they are transitional and what they can do to advance traditional media functions or ultimately supplant them. As one executive put it, "knowing the history of radio has a lot to do with understanding the Internet as a business." The ability to build and organize data bases—a key structure in the management of all content and the maximization of sales and marketing –was also noted.

Figure 1: Hiring Criteria at Digital Firms



2. Creativity—Once associated with writers, producers and designers, creativity is now mentioned as an essential quality for managers and executives as well. Partly because some content producers are medium-centric and have little experience across platforms, business executives are increasingly asked to think creatively about integrating content, marketing strategies and audience data beyond decades old distribution channels as they seek new formats and communicative styles. Given the need for business models that exploit convergence, creativity is a critical skill set. As Jason Hirschhorn, chief digital officer of MTV pointed out there is still a competitive advantage in the media industries, "We like creative people and we like people who run with it. We have people from all different backgrounds here. Ultimately that diversity gives us an edge in the marketplace that nobody else has."

3. Analytics—Just as business staffers are advised to learn more about the creative process, content producers need a fundamental understanding of business plans, marketing, advertising and audiences in order to remain competitive. Increasingly a lack of analytical capacity among once math-phobic media professionals can bar them from senior management and other leadership roles.

Most firms surveyed reported a high likelihood of filling their executive ranks with business school graduates instead of those with only liberal arts backgrounds. Breadth in understanding a company's portfolio of assets were preferred to "narrow silo" approaches. Mark Coblitz, senior vice president, strategic planning at Comcast said, "If you actually go underneath and look at all the system products it is clear they are all blurring, one into another. It is very difficult to use an old world, siloed approach. It just doesn't work anymore." Some firms, especially cable companies, mentioned engineering backgrounds and a penchant for sales. Sales, in fact, seems to be a major route into most media companies these days, though content professionals can make the transition to management and leadership if they acquire business knowledge and skills, even midway through their careers. One CEO bluntly said, "journalistic skills have marginal value," and worried that "news is difficult to sell on the web and has little commercial value." He continued, "we think of ourselves as database builders." Several mentioned that they recruit staff from non-media businesses such as IT, software companies and various technical fields. In instances where journalists did survive in the organization, they typically took a completely different career path, accentuating their expert knowledge of content to an advantage, sometimes opting for product management roles.

HOW EXECUTIVES SEE CONVERGENCE

While digital strategies typically add up to a wide range of integrated internal operations as well as external investments, the term "convergence," received mixed reviews from the executives. While a majority (17 interviewees) emphatically embraced it, eight said it was either rarely or never used. Some argued that that the term was meaningless to them. And convergence certainly means different things to different people. The radio giant Clear Channel, for an example, focuses on operational synergies within its radio empire, while MTV, a Viacom company, wants its audience to access its content in any way they choose, which makes sense for this youth-oriented brand. Although convergence has multiple meanings from a description of organizational arrangements to technological integration, most of the executives we interviewed described the concept in these terms:

1. <u>Operational Convergence</u>—this involves an upgrading of operational infrastructures making them conform to digital standards. This ranges from digital production at newspapers and magazines to transforming cable head ends from analog to digital. This process has generated value by creating synergies across different technological platforms and often lowers costs dramatically. William Suffa, senior vice president of capital management at Clear Channel said, "I think the cost savings have allowed us a range of possibilities. It has allowed us to take

some marginal stations and provide better programming for them, thus providing better services to the community."

2. Cross-Platform Marketing—Once the value from operational strategies have been extracted, companies begin to leverage their various platforms (sometimes acquired through a wave of mergers and acquisitions) by directing their audiences between each of these platforms and promoting their unique content—or interactive characteristics. This often involves "repurposing," or recycling old content for new purposes.

3. Delivering On-Demand Content—During the 1990's, most firms began the process of re-purposing their content in an attempt to leverage all of the platforms at their disposal, but without the necessary sensitivity to the unique characteristics of each medium. This study found most firms were still interested in re-purposing content, but producing it to conform to the characteristics of a specific platform. Satisfying the needs of consumers in an on-demand world cannot be accomplished through repurposing old material alone, but requires original and exclusive content made available to consumers when they want it. Multiple entry points are created so that content becomes a seamless part of the brand, and can be experienced in a way that is meaningful to both the firm and its audience.

At the Hearst Corporation, two vice presidents mused that the term "convergence" was more often "used in conference titles" than during strategic planning meetings. At cable giant Comcast, the term is in vogue, but Mark Coblitz cautioned "I use the word with some trepidation because it means so many different things to different people." He said the term takes on a more technical meaning covering the interconnections of the platforms in terms of transferring video, audio and data. Elsewhere, there were other variations on the term. "We see it as the cable triple play," said Jeff Jay, vice president of product development at Charter Communications, explaining, "the next convergence will interweave three separate products – TV, Voice-over-Internet-Protocol (VoIP), and Broadband."

Less enthusiastic about convergence as the right term for digital strategies was Dow Jones's Gordon Crovitz who argues that we are entering a period of "divergence." As he put it, "The objective is to extend the franchise across all platforms and not force the consumer to choose one platform over the other. Crovitz is president of Dow Jones' electronic publishing group. Convergence implies that all content will come through some web interface." Rick Mandler, vice president and general manager of ABC Enhanced TV concurred, "I would say that all three (TV, PC and mobile phones) are going to be part of the mix for quite sometime and frankly that's a good thing from my perspective. Each user can choose the pathway that is best for them and it allows us to create multiple touch points for advertisers to reach out and tap potential customers."

The bursting of the Internet bubble left many traditional media companies that pursued aggressive convergence strategies badly wounded and they discarded any thoughts of new online-based investments. David Zaslav, president of NBC Cable, recalled “We like a lot of people became real shy on the issue of the Internet. We over-reacted the same way the advertising community over-reacted and everyone walked away. In 1999, we launched NBC.com, where we put all of our dot com product into a public company, which went up to $80 per share and went down to nothing by 2001. After that for a year we wouldn’t entertain any Internet ideas.” Our interviews showed that media executives are now starting to seriously examine and invest in new digital media businesses, reinforcing their previous digital media investments with more human and financial resources due to the re-emergence of Internet advertising. In 2004, Zaslav noted, “In the last nine months, the dot com side of the business seems to be more meaningful again. There was a shake out and a lot of the bad businesses are gone.”

INTERNAL OPERATIONS—MARKETING AND CONSUMER RELATIONSHIPS

Titles of executives and department designations aside, the real test of digital communications comes on the firing line where its economic value is operationalized. The executives were asked to assess the effect of digital strategies on marketing, sales and advertising, as well as their relationship with audiences. Here the results were strong and consistent, as the responses below indicate. With regard to sales and marketing strategies, 14 reported a major effect, while nine said it was moderate, one reported no effect, and for one it was not applicable. The Internet is becoming a viable new business opportunity for some of the traditional media heavyweights especially when trying to attract younger audiences. Dennis FitzSimons, CEO of Tribune, said, “young audiences are amenable to multimedia which gives us more options to engage them.” When asked about advertising, ten executives indicated a major influence, while nine said moderate; four said little influence, while two said none. Although its revenues are small at the moment compared to its television and newspaper properties, Eric Christensen of Belo Interactive noted “My strongest “day part” is daytime. It will outreach TV, radio or the newspaper. Online is where it’s at during the day.” He cautions that the sales process itself does not change. “As we say here, it has to be a philosophy to sell your position, it’s not just about technology.”

As for customer/audience relationships, ten suggested a major impact, 13 a moderate impact while two said little or no effect. Most of the executives interviewed understand that some of the control in programming their platforms will now pass to their audiences. Jason Hirschhorn described how the effect on programming for the MTV audience is changing dramatically: “In the future there will be three ways you can get programming-- the stuff we push to you, the on-demand aspect of our brand and the stuff based on your preferences, which will help us decide what program we suggest.” The new technology noted most affecting the audience’s interaction with video content is VOD. Patrick Donoghue of Cablevision said “It’s a much less passive experience. It’s a much more tailored or customized experience based on what you want.”

The most critical issue for those concerned with sales, advertising, marketing and customer relations ultimately is the bottom line, whether the digital enterprise can generate revenue worthy of its investment. Just how this is to be done has perplexed executives from the beginning as they integrated digital approaches into their highly profitable “old media” companies whether they produced newspaper, entertainment television or radio audiences. While the Internet culture is steeped in a passionate belief in free content, available by the click of a mouse, others believe that paid content is essential for the survival of digital media. Here the issue is what model works and persuades the consumer to pay for media content thus yielding demographically precise audiences.

The best example of paid Internet content is the *Wall Street Journal*, which has charged it’s on line subscribers since it began Internet publishing in 1995. By 2004, it has an audited, paid circulation of 690,000 unique WSJ.com subscribers for its on-line edition, which alone would make it the fifth largest circulation newspaper in the United States. The ink-on-paper *Journal* (which usually vies with *USA Today* for the top spot in print circulation) combined with its web success makes it the poster boy for paid content in the news world. As Gordon Crovitz of Dow Jones put it, “it just never occurred to us to offer our content free on the Web. People have been paying us for business content for over 100 years.” He adds, “our goal was always to make electronic publishing a third profit center—after the Dow Jones papers and magazines and the Ottaway newspapers.” While many covet a paid subscription Internet business, the more common model is free content supported by advertising. For example, the content delivered by search engines Google and Yahoo is free to anyone, while New York Times Digital offers free material on the day of publication but charges for archival content.

CONTENT AND DISTRIBUTION

In the midst of hype that “content is king” and that there is a “race for content” in media companies, the executives were asked whether their firm's approach to digital technologies either reinforced their core content business or stimulated new forms and approaches. Enthusiastically, eight claimed a major change in content creation and repurposing, while 14 charted only a moderate change and three responded, "no change."

Eddy Hartenstein, vice chairman of DirecTV, says that as a content distributor the satellite firm's core competency is not to provide new content choices, but to repackage existing content. "We sort of stay agnostic as to the content because we are a platform provider and we just show them the array of opportunities for them and then let them self select. It's like a cafeteria," he said.

As many of the companies surveyed have invested significant human and financial resources to expand platform choice and increased content options, there are still significant hurdles in programming all of these platforms in a profitable manner. Channing Dawson, senior vice president of new ventures at Scripps Networks said, "no one has learned how to program for those various platforms simultaneously." As a means of cutting through the clutter of numerous content options, he envisions video eventually being organized in searchable databases.

BECOMING DIGITAL: CHALLENGES IN INTEGRATING NEW TECHNOLOGIES

In some of our interviews, the term "digital technologies," and "digital strategies" required no explanation as interviewees mused about early cable and Internet operations that subsequently connected to movie, music, cable content, telecommunications and computing businesses. Others demurred and sought specific definitions, asking, "by digital, do you really mean Internet?" Still others, as was indicated earlier, talked about the integration of all forms of content, across various platforms, much of it spurred in 2004 by high-speed Internet connections. Some executives admitted that "becoming digital" (or "being digital," as Nicholas Negroponte put it), had been difficult in some quarters. "We had real Luddites here," said one publishing executive who noted the difficulty of transforming old magazine and newspaper publishing operations to embrace digital ideals and values. "This was the clash of two different world views, two different cultures," he said.

In considering new technologies the executives were asked to rank wireless, broadband and VOD (video on demand) as future growth drivers for their company, not the industry generally. Broadband was ranked first with 20 while VOD was rated second with three and wireless with two as third. "Today it doesn't make sense for us to run a lot of video on our web sites because they are bandwidth hogs, but it doesn't mean we shouldn't be getting our libraries ready today for the day when all American homes are wired for broadband," said Dawson. Comcast's Mark Coblitz added, "Numbers are now exploding in the use of VOD content."

As for technologies on the horizon, possible new media, or new approaches that are likely to be influential, the executives were cautious and rarely offered a laundry list of innovative systems or devices---or even an answer to “after the Internet what?” Instead they are focused on deriving more revenue from the investments they have made over the past 10 years. Some pointed to underused technologies and the potential of *paperless publishing* and the enormous impact it could have on everything from equipment for printing to transportation costs. Ken Bronfin, president of Hearst Interactive estimated that newspaper production costs could come down by a full 50% which could then be reinvested in new technologies or returned to stockholders in the form of dividends. At one time media technology leaders like Knight Ridder did their own R & D testing out videotext, flat panel delivery and other innovations. Today, Knight Ridder is more “off the shelf” and prefers partnerships with technology companies to mitigate their financial risks through its pioneering Mercury Center in San Jose, California.

Perhaps the boldest experimenters with new technologies among those interviewed was the Tribune Company. Dennis FitzSimons, president and CEO, noted that the company had invested $600 million in new capital ventures and start up costs over the last two years, which offers a window on new technologies and developments to watch. Such investments provide profits when they succeed and valuable lessons whether they do or not. Fitzsimons was direct about the company’s purposes—“this is not a science project,” he said, “spending half a billion dollars is a huge commitment,” as the company follows “eyeballs and consumer habits” to cope with convergence.

A cautionary example of investments as R & D was Primedia, the niche market publisher, which suffered greatly when it purchased About.com in 2000. In an effort to jump-start itself in the digital world, the firm lost $500 million in shareholder value, as result of strategic mistakes, bad market timing and the dot-com crash. In recent years, a more cautious Primedia, servicing a large debt load, has nevertheless kept a close eye on new technologies, hiring consultants to explore wireless, broadband and VOD. And while its expectations in the search engine business failed to materialize, Primedia nonetheless developed a targeted satellite network with its own software and even explored broadband possibilities, said Jajsa De Smedt, the firm’s former vice president for business development.

THREATS ON THE HORIZON

At one time conventional media companies described new media and digital applications as threats, but by 2004, the executives interviewed for this study more often saw digital technologies as business opportunities, either already being exploited or clearly on the agenda for future consideration. In times past, newspaper and broadcast industry groups viewed any change in electronic or digital media as a possible challenge to their survival. Now that is no longer true as Arthur Sulzberger, Jr., publisher of the *New York Times*, declares, “I am platform agnostic,” arguing that successful media and entertainment companies will adapt to or urge the creation of the best and most efficient distribution channels for their content. At the same time, while no generic platform was deemed a threat, digital outlets, like search engines, once seen as benign are now both admired and feared by executives interviewed in the study. Companies like Google, Yahoo and eBay are regarded as competitors. In these instances, some executives admitted that until recently their own complacency had not taken the search engines and other web sources seriously enough. Some traditional broadcasters were concerned about cable’s growth, VOD and even such newcomers as satellite radio.

Concurrently, the issue of technology overload was mentioned. Here the on- rush of new devices and gadgets confuse the public and divert attention. This is especially true with the cell phone revolution and other wireless devices or appliances. “These new vehicles could be a transport to real business opportunity—or disaster,” one network executive said. The greater threat, others advised, is the consumer’s time and capacity to absorb the many choices available. The market is clearly fragmented and several respondents admitted worries about their own ability to sufficiently distinguish their products for consumers. Blogs and various web sites compete for consumer attention and loyalty—and industry executives (especially in the publishing fields—newspapers, magazines and books) admit they do too little market research.

Beyond intellectual property, a few respondents saw regulation as a continuing problem, especially concerns about decency on the Internet and over television. Similarly the regulatory seesaw on ownership rules was deemed troubling as firms sought to maximize their mix of print and broadcast properties. “After years of deregulation, there is a lot of uncertainly out there,” said one strategic planning VP. There was also a reference to “garage bands,” start up media and technologies that could change the dynamics as dramatically were as Napster did in the music business.

Other threats mentioned were intellectual property rights laws not keeping pace with changing the media landscape. The intellectual/copyright threat was seen in the practice of illegal downloads and street sales of CD’s and DVD’s. For example, as David Zaslav of NBC said, “the reason you don’t see anything good on VOD is because most of it isn’t cleared—and it doesn’t make sense to clear it if you’re not getting paid for it.” The need for new advertising models was also mentioned by several executives, especially the traditional broadcasters. Betsy Morgan, senior vice president of CBSNews.com, said “we are definitely cognizant that the 30-second spot will have a much different value in two to five years.” She said this change is forcing broadcasters to change—“we don’t know how any of these technologies are going to affect our long term business and we are worried about that, but we are going to be right there in the game, learning. We are not going to wait until it's too late."

Some executives felt the biggest threat to digital platforms becoming viable businesses were the poor business practices of some of their competitors. "When they first launched their own web sites, at the dawn of the Internet, publishers really sold themselves short. They undersold advertising", said Gordon Crovitz of Dow Jones, "and to this day there is still a great gap between the value of Internet ads versus what advertisers are paying for it."

LEADERS, LEARNERS AND LAGGARDS

Faced with the lessons of the 1990s and the uncertainties and market challenges that followed, each of the leading media companies does, in fact, have a unique strategy for coping with or transitioning into the digital world. Some are bold, others are cautious. In our interviews we identified three distinct strategic styles:

> **Leaders** These firms want to be on the cutting edge either to create market share in the new digital landscape or to influence the new rules of the game yet to be played. They typically have teams within their companies akin to research and development, deciding which businesses have a future and which don't. Being players isn't enough—they want to set the course for digital change and reap its benefits. Most of these firms have a long track record with new technologies dating to the early 1990s, if not before. Some clearly benefited from others' failures and even corrected their course to avoid pitfalls.

> **Learners** More cautious than leaders, they have accepted the realities of digital technologies and the change accompanying them. They take ownership of projects that meet the demands of today's consumers with a strong desire to improve and learn from their digital initiatives. They require new projects to break even and are uncomfortable with losses, even if future advantages are evident. Some even have a rigid "up or out" policy that gives digital experiments a short leash to break even or to reach profitability. They keep a careful eye on leaders, so as not to be too far behind, but they are rarely bold. Some risk-averse companies are still smarting from recent experience with former executives, who were once regarded as visionaries and later sacked.

> **Laggards** Still skeptical about digital technologies vis a vis traditional media operations, these firms pursue digital initiatives only when they are "forced" to by the marketplace; even then they have no problem outsourcing the project, rather than executing it

themselves. They tend to be defensive and still regard digital initiatives as secondary to their conventional core businesses. Some are "sadder but wiser" refuges from the dot-com bust where they saw the value of their company evaporate due to high-risk ventures. Still others are still smarting from losses that resulted in massive debt service that continues to stall company growth.

These terms are not meant to be denigrating—or congratulatory for that matter. Some firms that were early leaders and took great risks like AOL Time Warner or Primedia, are necessarily more cautious in 2004 while some who once thought themselves bypassed by the digital revolution (News Corp. and Viacom) had moved into the leadership ranks as this study was conducted. Still others like New York Times Digital have been bold players while changing their strategies as market conditions shifted.

NEW STRATEGIC QUESTIONS

With the emergence of two-way communication between the media company and its audience, the process of convergence brings new strategic questions, including:

Who are my competitors? Elizabeth Furst Frank, vice president, corporate strategic planning at Time Warner remarked on that giant firm's "relationship" with another giant, News Corporation, "Because of the breadth of businesses we have and because of the breadth of businesses they have, they are both a key competitor and a key customer," she said.

Do newspapers simply compete against each other or against other media delivering news? With the emergence of Google News, blogging, and niche genre online newsletters, consumers who traditionally pick up the morning newspaper now surf the web or use their Blackberry to access content.

Is competition still linked to specific platforms, or is it now defined by content genres? Tribune Company, for example, has partnerships within the Tribune family between newspapers and television stations, but also outside in cities where they own a print property, but not a broadcast property.

Does it make sense for each media brand to produce content to cross every available platform or to specialize in a few? Here the question centers on whether to have a separate digital staff, which invariably has a different culture, or simply to use the digital platform as a distribution channel.

Does the shift from core platform, change the traditional target audience? Are all industry consumers the same? For example, does the consumer who buys a CD have the same profile as one who is downloading MP3's? What about the *Wall Street Journal's* ink-on-paper subscribers vs. paid on-line users? These and other questions challenge and perplex media companies coping with convergence, as they struggle to manage change while avoiding unnecessary risks. While some of these questions will be answered within individual companies, others suggest the need for industry-wide R&D and cooperative ventures. Terry Hershey of Time Warner said, "Philosophically we do not believe in centralized R&D when it comes to technology because then you are only looking at things in the abstract, but what you need is to understand what it means to the business." Given loss of value after the dot-com crash, one executive said, "we're a risk-averse crowd just now and won't bet the ranch on new ventures." Another said, "this is death for innovation in some places and certainly a deterrent to the kinds of visionary activity we saw in the late years of the 20th Century when risk-takers like Ted Turner and Al Neuharth created CNN and *USA Today* and sustained losses for a long, long time, but eventually achieved great success."

DIGITAL EXEMPLARS AND LEADERS

Open-ended questions probed for examples of firms that are "exemplars of leadership in leveraging digital media opportunities," as well as specific "media executives or managers" who are "the most successful innovators." While some of those interviewed demurred, most answered (while asking not to be quoted directly). Responses were a mixture of "apples and fruit," including major media and entertainment firms, hardware and software purveyors, search engines and divisions or departments of media companies.

Those named with greatest frequency were:

Apple	eBay	Pixar
BSkyB	ESPN	E.W. Scripps
Market Watch	Google	Time Warner
Comcast	Media General	Wall Street Journal
Discovery	News Corp.	Yahoo!
Disney	NY Times Digital	

SUMMARY AND CONCLUSION

This study attests that convergence is alive and well in leading U.S. media companies whose executives are highly sensitive to the changing demands of the digital era and for the most part acting decisively to take advantage of the new digital environment, which is affecting businesses of all kinds. After confusion and indecision at the end of the dot-com era, media companies are again investing in Internet-based businesses and other digital operations. While mostly embracing the concept of convergence and its operational influence on technology platforms, internal operations and content, most media companies either have an explicit or defacto digital strategy. Few of these are comprehensive written statements, however. Digitization has led to new organizational patterns and management strategies. New strategic questions have been raised about audiences and competitors while convergence has had a marked impact on advertising, marketing and consumer service.

Media companies are redefining their roles in the information society and in identifying their core businesses. More often than not, they see themselves as audience brokers and content providers, rather than technology companies. They have all but abandoned a direct R&D function, opting for creative investments in outside hardware, software and distribution purveyors. They see major threats coming from legal and regulatory issues, including intellectual property, consumer technology overload and audience fragmentation as well as what they deem “the terrible business practices” of their competitors as well as complacency in execution. While not yet a seamless part of media firms, digital operations are increasingly important in future developments. Media firms have learned from their new media competitors, benefiting from the shake out that followed the burst of the dot com bubble. Media firms that were innovators during that period benefited less than those who held back and began their digital investments later. One thing is clear though, media leadership knows that its future will involve embracing and fully integrating digital strategies.

REFERENCES

Dennis, Everette E. and James Ash. 2001 “Toward a Taxonomy of New Media—Management Views of an Evolving Industry,” *International Journal on Media Management*, Vol. 3, No. 1, pp. 26-32.

Dennis, Everette E. 2003. “Prospects for a Big Idea—Is There a Future for Convergence? *International Journal on Media Management*, Vol. 5, No. 1 (7-14).

Lowenstein, Roger. 2004. *Origins of the Crash*, The Great Internet Bubble and Its Undoing. New York: Penguin.

Lohr, Steve. 2003. “In the Age of the Internet, Whatever Will Be Free, *New York Times*, Sept. 14, Sect. 4 (1,5)

Lowry, Tom, et. al. 2004. “Convergence—Mega Media Mergers: How Dangerous?,” *Business Week*, Feb. 23, 34.

Markoff, John. 2004. "Hollywood Mogul Plays By Hollywood's Rules," *New York Times*, Feb. 3, 2004, C1.

Motavalli, John. 2002. *Bamboozled at the Revolution*, How Big Media Lost Billions in the Battle for the Internet. New York: Viking.

Tompkins, Richard. 2004. "Proceed With Caution—Everything is Converging," *Financial Times*, March 19, 8.

Note: The authors are grateful to Tom Wolzein of Sanford J. Bernstein Co. and John Carey of Greystone Communications for useful interviews as the study was being conducted.