

Heather Cavanaugh, Lauren Dillard, Ashley George, Elin Johnsson

NMDM 5303: “Media Management and Leadership”

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December 7, 2015

Case Study Analysis: Bonnier

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Summary

Bonnier was founded in 1804 and is the oldest publishing house in Scandinavia. In 2012, its businesses included a host of newspapers, television channels and movie theatres in Sweden as well as nearly 40 special interest and “action-sports” magazines such as *Popular Science* and *TransWorld Snowboarding*. As of 2012, Bonnier comprised 175 firms operating in 16 countries.

Though the rise of digital technologies through the 1990s did not have an immediate effect on print media, the emergence of “Web 2.0” in 2003 began to dramatically shift the customer relationship to content (Applegate 2). This shift, paired with recession and an industry-wide decision to post content online for free, caused newspaper and magazine companies like Bonnier to lose circulation numbers, subscription income and advertising revenue at prodigious rates. “Where the online services had all paid newspapers and other publishers for content, and had charged consumers for a combination of the ability to get online and to make use of that content when they did so, now the businesses of access and content diverged. And on the web, much of the content ... was offered without charge” (Tofel 49).

- **Traditional Publishing Faces Threat:** When Bonnier consultant Sara Öhrvall was hired by CEO Jonas Bonnier in 2008, her suggestion to merge the R&D activities of Bonnier’s six business units became a reality. However, this new organization lacked connection to problems and ideas within individual business units and did not approach R&D development with the organizational rigor necessary to succeed.
- **Failure to Capitalize on Success:** When the team did recognize a bit of success — first by releasing a viral prototype video in 2009 and again at an Apple event in 2010 — they generated a

springboard of hype and awareness for the Mag+ platform. However, the Mag+ platform was not ready for commercialization and would not be until 2011. This resulted in disappointing returns on what otherwise could have been a successful launch.

- **Mag+ Was Flawed, Narrow First Draft:** The goal — “to create a digital production that customers would pay for” — had officially been reached. However, the R&D solutions developed by Öhrvall and her team were “just digitizing ‘cow paths.’” Bonnier magazines featured on that platform were simply translations of existing content. The goal of Bonnier CEO Jonas Bonnier — to find entirely new types of digital businesses — had not been reached.
- **Next Steps for Innovation:** Looking forward, past the development of a centralized R&D team and the rollout of the Mag+ platform, Bonnier was faced with an uncertain future. We recommend that the company take this opportunity to review its financial statements, perform SWOT analysis, inventory the competitive landscape and, finally, place many bets in the market by piloting lots of innovative new products in the coming years.

Traditional Publishing Faces Threat

The emergence of the internet in the 1990s did not have an immediate impact on print media. It wasn't until 2003 and 2004 that the internet began take off in a whole new way with blogs and social media sites (Myspace, Facebook, and Twitter). This triggered print media to incorporate these features and crowdsource content on their websites. As the number of people turning to the internet for online sources grew, print media sales started to drop. This caused a “downwards spiral in circulation numbers, subscription income, and advertising revenue” (Applegate 2). It was not till 2009 and 2010 that magazine publications saw a significant decline, which threatened many of Bonnier's core businesses.

Bonnier had described itself as a “multi-channel media company” (Applegate 1) which owned Sweden's largest morning newspaper and second largest evening newspaper as well as the largest daily

business paper. In 2006, Bonnier acquired a large portion of World Publication Company, which owned around 20 special-interest action-sports magazines. In 2007, the company bought Time4Media from Time Inc., which owned about 18 specialized magazines including *Popular Science*, *TransWorld Snowboarding*, and *Skiing*.

In 2008, Bonnier hired Sara Öhrvall to run the R&D department. Öhrvall's team was tasked to "identify opportunities to develop and initiate new projects in a fast-changing media world" (Applegate 4). In response to the changing digital world, the R&D team released its first news commentary and debate site in September 2008, which was nominated for the Swedish annual award "The Swedish Grand Journalism Prize." In 2009, the R&D team started to work on a digital magazine in response to their magazines being in threat and their digital delivery not being satisfactory. The R&D's task was to "create a digital publishing product that customers would be willing to pay for" (Applegate 5). Which came the creation of Mag+ in 2011. Mag+ was a move from print magazine to a digital platform. Meanwhile, other publishing companies started to adopt multiple strategies in response to the new digital platforms, including social ventures such as wine clubs, web shops, as well as comment forums, and crowd sourcing content.

Recommendation

Though the digital world may be unknown and ever-changing, business writers Jim Collins and Morten T. Hansen believe that 10X leaders don't let outside climate dictate the outcome of their company. Bonnier should adopt the characteristics of the the 10X Leadership pyramid to defend themselves against outside forces. The pyramid is made up of Fanatic Discipline ("10Xers display extreme consistency of action- consistency with values, goals, performance and methods" (Collins 36)), Empirical Creativity (10X leaders look towards empirical thinking when faced with uncertainty. "They rely upon direct observation, practical experimentation, and direct engagement with tangible evidence"

(Collins 36)), and Productive Paranoia (these leaders stay vigilant of threats and changes in their environment, even when there aren't any. When faced with impending threats "they channel their fears into actions, preparing, developing contingency plans, building buffers and maintaining large margins of safety" (Collins 37)).

To better help protect Bonnier from an environment it cannot control, Bonnier needs to look first toward the future, next what impacting the company now. Creating a 20-Mile March would help set the company on the right path. Companies utilizing a 20-Mile March framework are set up for success because of three reasons stated by Collins. First, the company can be confident in its ability to perform in difficult circumstances. Next, a 20-Mile March reduces the likelihood of catastrophe when hit by turbulent disruption. Lastly, a 20-Mile March helps the company stay in control an out-of-control environment.

As readers turned toward the internet for news, this not only affected subscription numbers for magazines and newspapers but also affected advertising sales. Bonnier created Mag+, which was a digital reprint of magazines. It was deemed still too static in a interactive media world. In order for Bonnier to succeed the company needs to get creative. According to Kevin Roberts from *Advertising Age*, "Old-world power, scale and money have been eclipsed by the velocity of ideas. Winning as a brand demands a climate where creativity can thrive, where diversity is standard, and where ideas fly in all directions all of the time." In order for the company to improve advertising sales, Bonnier needs to adopt dynamic ads for their digital platforms, something that the readers can interact with. These interactions could be anything from sharing the ads via social media or allowing the reader to on click the advertisement visit the client's webpage and buy the product.

Implication

Taking the advice of Collins and Hansen and installing the 10X Leadership pyramid would better prepare Bonnier for future threats as digital media grows to be more relevant. Though the internet might not have been a threat in the 1990s, the company should have developed a prep plan to hash out its worst fears. Today, Bonnier can implement these actions to help build out plans and strategies. Bonnier's R&D team had one set plan from 2009 to 2011, which was to create "a digital magazine of the future" (Applegate 1). Though this was a good project to focus on, they let other strategies fall to the wayside that other magazine companies were already implementing. Working with a Productive Paranoia skill set instead will allow them to not just work on one set plan for a long period of time but can help them build multiple strategies with contingency plans. If Bonnier implements this way of thinking now, the company can start to create strategies and plans. From 2006 to 2007, Bonnier made two major moves and bought large shares of World Publications Company and Time4Media from Time Inc. Through using Empirical Thinking and observation the company could have noticed the trend away from print media to digital media. Implementing empirical thinking will help expose Bonnier to a new way of thinking and using the digital media to their advantage.

Starting to build out a contingency plan is not only a strategy implemented by those who have Fanatic Discipline, but also helps set up the 20-Mile March. Setting up the 20-Mile March can help defend against outside circumstances as the company has already thought ahead of what some of those elements would be. One of the problems of setting up a 20-Mile March is making a march either too short or too long. Either of these will leave you vulnerable to the outside elements.

Creating a new advertising platform might have a financial impact on Bonnier. If the company is having a financially hard time, implementing this platform might actually set the company back. If Bonnier does not have enough engineers to support the roll-out, it would cost money to hire more. Also, if the advertising product takes too long to implement, it might not be something that the advertisers would want or need.

Failure to Capitalize on Success

To address the threat of declining circulation, lost subscriptions and flagging ad revenue, Öhrvall's R&D team began working on a digital magazine in 2009. "Based on the general understanding that Bonnier's magazine business was under threat and its digital delivery was not satisfactory, the task was to create a digital publishing product that customers would be willing to pay for" (Applegate 5). At that time, the future of tablets was unclear. The Kindle reader, released in 2007, saw some success but the iPad had not yet been unveiled. Having heard rumors that Apple was about to release a full-color, touchscreen tablet, Öhrvall doubled down on the opportunity to release magazines for that platform.

To test their idea with potential customers, the team decided to create and release a prototype video. It was posted on Dec. 16, 2009. As tech reporters and interested consumers were speculating about the iPad, this video captured imaginations. Influential media and tech bloggers picked up the story and, according to Applegate, the video went viral. Öhrvall was in the audience on January 27, 2010 when Steve Jobs unveiled the iPad. She instructed the team to download the software developer's kit (SDK) and get to work implementing the prototype immediately.

Bonnier published its own title, *Popular Science*, in April 2010 — just three months after the iPad was unveiled and the same month that the iPad became available for purchase. At an Apple event, Jobs called *Popular Science+* "the king of the hill' among magazine apps" (Applegate 7). In the first four months of the iPad and *Popular Science+*, digital edition sales averaged 12.7% of total circulation for the magazine. The Mag+ team had built an incredible springboard for success.

Recommendation

According to Jim Collins and Morten T. Hansen in their book *Great by Choice: Uncertainty, Chaos, and Luck — Why Some Thrive Despite Them All*, an event must meet three strict criteria to be

considered lucky. It must occur independent of the actors, the event must have a potentially significant consequence and, lastly, the event must be largely unpredictable (Collins 154).

After creating the prototype video, the Mag+ team contacted influential journalists and tech bloggers. They sought press coverage, were well-positioned to do so and had a flashy, newsworthy video. This was not luck. Öhrvall's decision to move forward by developing the Mag+ platform for the iPad was also not luck. However, no one predicted that Jobs would praise *Popular Science+* and recommend it to iPad users right as the iPad became available. This created incredible buzz (a huge short-term bump in circulation), but the Mag+ team was unable to convert on this luck.

The short-term decision to ensure the success of one title, *Popular Science+*, came at the expense of creating a diverse content ecosystem that could have catapulted the digital magazine into a touchstone feature for the iPad and other tablets like it. Though Job's announcement tacked on an average of 14,989 subscriptions through July, we hypothesize that some of the momentum slowed after the novelty of both *Popular Science+* and the iPad wore off. The Mag+ team found a product that sat perfectly at the intersection of its economic engine, passion and expertise and it accumulated visible results (hedgehog concept). If unable to find titles past *Popular Science+*, it's unlikely that customers would line up to help turn the flywheel and build momentum (Collins 187).

For these reasons, we recommend that in the days and weeks following Job's mention of *Popular Science+* on the Apple stage, that the team work tirelessly and scale quickly to manually onboard additional titles from Bonnier and outside publishers. "Getting a high return on luck requires throwing yourself at the luck event with ferocious intensity, disrupting your life, and not letting up," according to Collins and Hansen (Collins 166).

Implication

Because the content management system for Mag+ had not yet been built (it was made available to outside publishers in April 2011), quickly scaling the platform would have been an incredibly labor-intensive effort. To incentivize Bonnier’s magazine teams and external publishers to participate, it’s likely that Mag+ designers and developers would have had to onboard each issue of each publication while simultaneously developing the Mag+ platform. Without being assured of success, this would have been an incredibly risky endeavour for the small team. It’s possible that this rush to onboard additional titles would have caused Moving Media+ CEO Staffan Ekholm to miss a critical component of the product design — it needed to fit within existing workflows, e.g. use of Adobe InDesign (Applegate 8). It’s possible that subscriptions could have continued to flag or the revenue model would collapse.

However, as hindsight is 20/20, it’s clear that taking this risk could have benefitted Mag+ in a number of ways. First, it could have captured market share over competitors Adobe, Zinio, WoodWing and Quark. With platform market share, competing titles become less of a threat. Bonnier would have earned some revenue by hosting titles like *Wired* and even offered recommendations to readers for its own titles. Additionally, by earning a more significant return on its luck, Mag+ could have vaulted itself into a partnership with Apple or other tablet makers. This could have expanded the reach and ubiquity of digital magazines. “Despite the giant leaps in digital circulation for some publications, the results still fall far short of the gap created by the heavy decline in print circulation,” according to a 2013 report in *The Guardian* (Sedghi 1).

Mag+ Was Flawed

As mentioned, the changes in the print media landscape led to big challenges for the media industry generally. Bonnier’s goal was to increase sales that were lagging due to the disruptive effect of digitizing printed media and to create a new product that customers would pay for. Bonnier’s response

was to focus on new inventions and product development and that is how their successful flagship project Mag+ was invented.

The idea behind Mag+ was to create something new that could capture both the old traditional media and new digital media audiences. Bonnier's greatest advantage was their timing — right in the beginning of the technology revolution. Mag+ was a great and surprising success because the release of the prototype video was actually not to launch a real platform, but to receive feedback to obtain ideas and wait for a template that could be used for implementation. Mag+ kept on surprising with big successes. One of Bonnier's goals was reached; to create a digital product that customers would pay for. However, the goal to increase sales was not reached because the total revenue for Mag+ was only two percent of the company's total revenue (Applegate 23). Bonnier had find a way to increase sales without asking for a higher price.

Recommendation

The best way for Bonnier to better understand its future — specifically, what the company should do and not to do — is to outline their specific, methodical and consistent operating strategies (SMaC). Mag+ has an early advantage. We recommend that Bonnier focus their efforts on expansion of this product as well as address its problems.

A good start would be to find a way to increase sales because Mag+ comprises only two percent of the company's revenue (Applegate 23). A cross-promotion between the printed and digital magazines would be a solution. An example would be to encourage consumers to purchase a printed magazine by offering exclusive interactive content online. Another great way to increase sales would be to offer price promotion. For example, Bonnier could offer a subscription for the printed magazine for a specific price and also offer access to the online version. Alternatively, Bonnier could offer a one-year subscription at a lower price than the monthly subscription. Furthermore, Bonner could promote the digital magazine as a

“forever title” that a subscriber would have access to forever. The “forever title” would always have fresh content compared to a printed magazine.

We also recommend that Bonnier focus on continued expansion and development the Mag+ platform to address its flaws. First, for example, there was no search functionality within the app. Adding search functionality would make the product more user friendly. Additionally, the app was a closed network. There was no functionality that allowed users to communicate or to reach out to others. Creating a microblog within the app or as a separate interactive app — where consumers could get involved in a social media platform to discuss, comment and to get updates on topics they were interested in — would be a great benefit for both the consumer and the company. These types feature addition would improve the experience for the consumer and Bonnier would receive valuable information and feedback.

Implication

A cross-promotion between the print and digital magazines and the adoption of new pricing structures could increase sales for Bonnier, which was always the goal. On the other hand, it is risky for the company to invest in something like this and to promote the printed magazine when sales are declining. Additionally, the future of social media and blogging are unclear at this point. There is risk in investing in resources, time and momentum into developing a microblog or social media site. However, it would increase the awareness of the digital and “forever title” and platform. At this point, Bonnier had already predicted that the online industry would to be the future (Appelgate 5) and blogs and social media sites were only growing bigger and bigger (Appelgate 11).

Next Steps for Innovation

At inception, Mag+ was iPad-centric and fully implemented via the Apple iOS SDK. Considering the iPad’s capabilities in app development, it is understandable why Bonnier went that route. However, the

availability of other top tablets in 2010 — such as Samsung Galaxy and Inspiron Duo — provide opportunities to branch out development and extend prototype design to operate on a wider array of technology. Bonnier's adjustment to a central R&D initiative also proved challenging for the organization. The company's lack of a central focus negatively affected morale as the multiple divisions ended up competing with one another due to the lack of high-level communication and cross-coordination. While separated divisions rolled out their own products that ended up competing with one another, core values for the organization as a solid unit would have otherwise allowed leaders to engage in a conversation of how to most effectively obtain goals and focus on the specific strengths that each area could contribute. Taking a step back prior to rolling out such a large change within the organization would have been easier had they performed a deep dive into their universal core values and purpose as a professional entity. Considering the tide of change happening around the world surrounding technology and content delivery, the state of technology and need for certain products provides Bonnier with an opportunity to truly examine how they plan to play a part in the future as an organization and a player in new media and communications. By focusing on new product development and restructuring their motive and purpose as major players in the communications industry, Bonnier can solve their internal culture issues while remaining relevant and powerful as content creators in the digital age.

Recommendation

The difficulties faced for Mag+ in early concept development were simplified by the iPad's digital touch screen and the tablet's resemblance to the shape and size of standard print publications. Following the successful launch of *Popular Science* on the Mag+ platform, the hard work put into designing the prototype paid off. However, the possibilities of continually evolving design can motivate the organization to push harder toward open accessibility across platforms. Increasing the company's user and client reach by developing digital products that are both structurally sound yet flexible enough to be

deployed on multiple operating systems will help Bonnier continue to break ground as universal digital creators.

In addition to focusing on new product development, Bonnier can drive success by creating an internal culture that incorporates knowledge from all aspects of the organization and then implements change according to this wider input base. Coordinating launches with Bonnier in mind, not only as their specific division unit, will prevent a culture of cliques and be rewarding for the company as a whole while preventing miscommunications and unintentioned conflicts. Using feedback from subscribers and increasing content production from outside organizations can erase the isolated experience that the earlier prototypes provided their user base. This more open version of crowdsourcing content and feedback may seem like an overwhelming venture but having a team that can focus on sifting through feedback and capturing the most plausible solutions can help their product(s) be more desirable and valuable for wider audiences. Jonas Bonnier has shown an awareness of innovation being a primary area of development for the organization and by incorporating feedback at a higher level and allowing divisions to inject feedback as they see fit can aid brainstorming ways to drive the business and prevent simply “digitizing the ‘cow paths’” (Applegate 9).

Bonnier should improve their stance in the digital marketplace by continuously developing product design and deeply examining their strengths, weaknesses, opportunities and threats (SWOT) as a forward-focused entity in the digital sphere. Performing a SWOT analysis supports the company’s goal of obtaining relevancy and stability in the marketplace as they dissect their core values and ideologies.

In addition to analyzing SWOT, we recommend Bonnier focus efforts to move away from analog models and fully focus on digital. The core business in print media has been yo-yoing since the early 2000s. Bonnier must adjust and continue developing Mag+ while the R&D team continues dissecting technical advances that can help them implement groundbreaking product.

Finally, Bonnier is well aware of the impact social media has had on digital readership. As Öhrvall mentioned at her Bonnier R&D Keynote at Umea University, consumers drive change and a wonderful way to hone in on their desires is to engage in problem solving and listen to them on social media platforms. (IT Management Group, 2011) Her mention of how Spotify handled consumer input about their “What’s New” section’s lack of living artists is a great example of how Bonnier can improve their own consumer interactions. Looking at the company’s current Facebook and Twitter feeds, they have a sparse body of content for consumers to engage with.

Implications

Not only would a central initiative (post-SWOT Analysis) give Bonnier a stronger foundation and structure, the elements of team building and effective people management would allow for a much better use of talent. Devoting talent to social media will provide a positive presence online. Most successful organizations have a strong public presence and Bonnier’s current presence is sparse. Incorporating a social media element to their organization will help them be more accessible and positively drive their brand and image. Bonnier must engage with consumers and not only be constantly available to support clients but constantly listening and self-aware. Transparency and openness to feedback is crucial.

Innovation is a term that has been completely redefined by the past decade’s demonstration of swift agility in building new technology according to consumer demand. Once the company has a firm understanding of what it’s really trying to do, Bonnier can propel its future while the company continuously searches for bright talent in engineering and development, product design, sales and marketing. Continuing to drive innovation based on core values and an expanding talent base will help the company push forward and be proactive. This new structure can improve the company’s initiatives with minimal distraction to its other businesses.

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