

NEWSPAPERS IN THE DIGITAL MARKET PLACE

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This report summarises the presentations made at the WAN Telecom Conference held in June 1997 during the 50th World Newspaper Congress in Amsterdam, the Netherlands

INTRODUCTION

In spite of the Internet's rapid development, Electronic Data Interchange (EDI) remains a key tool in increasing newspaper efficiencies, both with regards to order processing and invoicing, and in the digital transmission of advertising materials. In fact, the two are increasingly related. As Ejvind Sandal, formerly Managing Director of the Danish newspaper Politiken, says, "for long, we've talked about EDI and electronic publishing as if these were two separate items. But really, it's about using networks, about using the same tools. Isn't it time to look at these two together? It would certainly lead to cost savings."

Of course, the use of networking technologies has opened the door not only to possibilities but also to a whole new set of constraints. While presentations made at the Telecom conference clearly indicated that progress is being made, certain issues still stand out:

- The widespread use of the Internet to disseminate information makes it necessary to implement an online copyright protection system. However, newspapers are not always the owners of the material they publish.
- "We have to convince agencies and newspaper managers that there is a 5% cost cut hidden somewhere in the EDI process. It's much easier to split a winning position and therefore argue that it's worth the cost and effort to promote it," says Ejvind Sandal, who moderated the conference. This, however, is bound to be complicated by the fact that where publishers are forecasting a 5% win, agencies believe they'll suffer a 3% loss. Hence, a persistent sense of distrust between media buying agencies and newspaper managers.
- Agencies are hesitant about electronic delivery. Who takes responsibility for the

quality of the end product? This remains a key and unresolved issue, complicated by the fact that there are still technical issues to be ironed out. Nonetheless, Bernard Fuchs, IFRA's Deputy Managing Director, believes that this is "more an organizational problem now. The technical standards will come. The process might last longer than expected, but they may also surprise you. You must be prepared."

PROTECTING MATERIAL IN THE DIGITAL WORLD

Who owns what? Once that determined, how does one go about protecting material that is distributed over the Internet?

There are two ways to look at copyright protection, says Jan Lamers, CEO of the Financieel Economische Tijd in Belgium. The first is a legal approach, the second, a business one.

Legally, there are two different types of creative protection systems: the French-based 'droit d'auteur', which gives a maximum of rights to the writer; and the anglo-saxon copyright laws, which are better for employers but still less than perfect.

"Under 'droit d'auteur', even when articles are written by your own staff, you don't own the material," explains Lamers. "You cannot sell it elsewhere."

Lamers had an example: In Belgium, newspapers combined to put all articles they published on a common platform; they then offered this platform throughout the country--something which made clipping services obsolete. "All was fine except that the journalists didn't agree and the law gave them reason," he says.

Trust adds value

"We need a system which will protect the creative and protect investments as well," he stresses. "This is especially important if you're trying to build an economy based on the information society. Wealth is built on private property."

Owning material on the Internet that has superior value is key to developing this wealth (though Lamers says that for the moment, the Internet is a cost, just like the telephone). With the reams of information available on-line, value in the digital world comes from the twin concepts of trust and authentication.

"What has value; what doesn't? Newspapers are brands and brands build trust," says Lamers. Indeed, "branding is more important in the digital world than in analog." Without clear identification of where information comes from, though, can users be sure that their information source is effectively that source?

A remedy will only come about if newspapers own what they sell and if mechanisms are in place to enable proper transactions. "If people want to pay for rights, they must know where, how much, to whom, etc.," explains Lamers. So now, the question is this: Who will organize and thus control this?

"Clearing is an absolute condition for electronic commerce; it has very important consequences for us, especially on the advertising side," says Lamers. "All transactions are carried out at different points of the same channel. On the net, you can place an order, do the fulfillment, and issue payment."

Taking control of the clearing process

For the time being, this clearing process is dominated by collecting companies. And yet, these people add no value, says Lamers; why should they manage the

business? In light of this, ENPA (European Newspaper Publishers' Association) undertook action to establish a mechanism for identifying content as copyrighted; and enabling interested buyers to acquire the appropriate rights. "We asked for four proposals, and retained BM Industries in Paris," says Lamers. "We're doing a pilot project, and we should have something in place by the end of the year."

The system is called Pressmark, and it features the 'P' label as an indication that the material is copyrighted. Then there is a code, which includes a non-visible publisher's control code, as well as a visible code, which includes year of production, production directory number, an author's code and a transactional code. Of course, this code is compatible with EDI.

Pressmark still has a few hurdles to counter, though. "Everyone using the Internet starts with the idea that everything is free," notes Lamers. Moreover, "most publishers are still not aware that the problem exists." There is also more competition: a spate of new information producers--Microsoft, banks, professional organizations--will no doubt encroach on publishers' traditional territory.

Finally, cost is an issue. Implementing the Pressmark system will cost newspapers 4000 Ecus plus the cost of technical integration. Newspapers will also have to make deals with their employees with regards to ownership.

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USING EDI TO IMPROVE SERVICES TO ADVERTISERS: STATUS REPORTS FROM WESTERN EUROPE AND NORTH AMERICA

The situation in Western Europe

IFRA, the international service association for newspaper and media technology, is actively pursuing EDI initiatives on two levels. First, as an accredited pan-European user group on the European Board for EDI Standardization, it contributes to the propagation of the ISO-approved EDIFACT standards in industries throughout the world. This is not an easy task, given the amount of money and training that is required to alter systems based on older standards, particularly X.12 in North America. "With America sticking to its standards and Europe going in another direction, we are counting on translation programs," says Bernard Fuchs, IFRA's Deputy Managing Director.

As part of its activities in this sector, IFRA has also been developing EDIFACT-based tools to help newspapers improve services to advertisers, in terms of both administration (ordering and invoicing) and digital transmission of the advertisements themselves.

The IFRA EDIFACT user group has developed two EDIFACT message subsets for ordering and invoicing newspaper advertisements through EDI--and this, in spite of the fact that EDI-based ordering and invoicing systems remain complicated by complex seller-buyer relationships. There are also three different barcode systems currently in use to identify goods. "These (the message subsets) can be obtained through IFRA, free of charge," says Fuchs. So far, however, "we've only gotten four requests from out of 1200 members."

Working towards digital transmission

IFRA's other area of intervention is digital transmission of ads. "There was much talk about transmitting both the administrative data and the advertising contents by the same transmission process, but this is not yet possible with EDIFACT," explains Fuchs. (There is however, the possibility of sending classified ads through.) IFRA has therefore given separate recommendations for the basic requirements of Artwork or Advertisement Transmission Systems (ATS) and even developed a prototype, which was shown at the IFRA 95 conference in Amsterdam. This prototype is currently available through a subsidiary of Publicitas, Servizi Italia in Milan. The ISO organization is currently looking at how to harmonize the different systems in use--a process which Fuchs believes will take several years.

Given the time and challenges involved, Fuchs asks a question on the minds of many: "Why not do it all over the Internet?" But even cyber-assisted business over the Internet requires an EDIFACT back-up as the level of information transmission requires increased security.

Although it's not necessary in the initial stages of electronic business--designing a home page, producing an online product catalogue--an EDIFACT gateway on the corporate server becomes necessary, for reasons of safety, if customers want to place their orders. Of course, automatic transmittal of EDI files as well as full business process integration are the next steps to what is called 'Open-EDI', where not only are electronic invoices automated, the payment instructions are as well. This offers proof that "the key part of EDI is not syntax rules but better business procedures," says Fuchs.

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The situation in the US

It was a major advertiser, Sears, which spurred the Newspaper Association of America (NAA) to carefully examine how EDI could be applied to newspaper advertising in the US. "We started in about 1989," says John Iobst, Director of Advanced Computer Science at NAA. Sears had approached the association and pointed out that they bought everything else through EDI--except their advertising.

Of course, NAA immediately set up a task force of industry experts to examine what kinds of information would be required in order to develop the appropriate transaction sets. Based on its findings, NAA established transaction subsets to support that information. These subsets were divided into four separate areas. With regards to advertising purchasing, for example, information was required on all stages of the transaction: the advertiser sending the purchase order to newspaper, the newspaper responding to the purchase order and changes submitted by the client. Another area was financial information. Indeed, for EDI to function, newspapers "need to have the ability to know when money comes into an account," says Iobst. "This cash flow control is essential." Indeed, it is so important that it provides reason enough to justify any capital expenditure in an EDI project, he adds.

Planning is the third area of subsets, and it is one where there is still a lot of discussion. Is it possible to create an electronic rate card when rate cards in the US range from one A4 sheet to sizeable notebooks? Yet retailers know when they expect to buy their advertising at least 6 to 9 months in advance, so NAA is actively seeking solutions that will allow for advertising planning, well in advance of actual bookings.

The final area of subsets concerns the materials handling themselves: when the actual physical product needs to be at the

printing plant.

Only once such issues had been ironed out could ads be sent electronically, says Iobst.

Changes since 1989

Solutions were quickly found for the electronic transmission of classified ads, but large display ads took several years to work out. And while it was not possible in 1989, NAA now has transaction packages to digitally transmit all sizes and forms of advertisement.

Much else has changed since 1989. For starters, email and the Internet have taken over, undermining the interest in value-added networks, particularly with regards to investment. Iobst points out, however, that VANs can guarantee delivery times, whereas delivery on the Internet varies widely according to routing.

NAA undertook several other actions in addition to establishing its subsets. Several pilot projects with advertisers and publishers were established. Unfortunately, "Sears ran into financial problems so our project was put on hold. Our efforts were temporarily lost," says Iobst. Through the other pilot projects, NAA discovered that many advertisers who thought they were EDI-ready, were not: those who actually purchased advertising space were not prepared to do it through EDI.

Part of this was process-related. "Their ad systems only knew how to price advertising in order to pay for it," Iobst explains. For instance, an EDI purchase order could recognize a two-colour ad, but could not say which colours were in question. Similarly, the advertising department would place an order through EDI and then have to add positioning information by hand on paper. Clearly, says Iobst, "If companies want to buy ads electronically, then all information must be put through electronically."

Not quite EDI-ready

But there were other constraints as well. EDI, as an enabling technology, changed the way ad buyers worked, and affected the personal relationships they had with their counterparts at newspapers. "They saw it as a threat to the way they did business, even if their work was made simpler, more effective," explains Iobst. Of course, the people in question could be obliged to work with the system, but they did not go out of their way to make the process work effectively.

A final constraint was the EDI-readiness of the newspaper industry itself. "They asked us 'how many papers were EDI-ready?' We couldn't tell them," says Iobst.

Today, all implementations of the NAA pilot projects are on hold, though the association is still forging ahead with EDI. The NAA Digital Advertising Task Force is working with the National Standards Organization and the ISO CC130 to tailor the PDF file format--the underlying format for ACROBAT files--so that it can be used as a standard format for the digital transmission of ads. Much progress has been made over the past year and a half, says Iobst.

As for the X.12 vs EDIFACT conflict, Iobst says it is a red herring, a false area to get confused by. "They are just shells into which information is poured," he says. "The bottom line is that if X.12 and EDIFACT can contain exactly the same information, there will be at least some incentive to migrate to these standards and develop fully interchangeable translation facilities." After all, the installed base is very expensive to migrate.

Looking beyond EDI

NAA has now launched the NAA Project 2000 "to look at the level above EDI, which is where the big issues are," says Iobst. "Today, it's not just an EDI issue; it's a communications and infrastructure issue...We're looking at key issues now, helping pinpoint what information will help end users do their jobs better."

Some of these are internal communications issues. "The material is late? The ad sales rep better get on the phone. But, this is not an EDI issue," says Iobst. NAA is also looking at software prototypes to handle these 'softer' issues.

Finally, as an industry, we're looking at developing mechanisms that will give the appearance of 'instant EDI-readiness'. Advertisers will be able to electronically transmit their ads to, say, 75 newspapers, through an infrastructure based on the Internet and value added networks.

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EDI IN THE NETHERLANDS

As in the US, the impetus for electronic purchasing of advertisements came from one of the industry's largest customers: the media buying agencies. "In 1992, the media buying agencies came forward to three newspaper companies with a feasibility study," says Jelle Buizer, EDI manager for Cebuco, the Dutch newspaper industry marketing association. At the time, media ordering in the Netherlands was paper-based and inefficiently organized. "Media buying agencies are very big here. Their concentration is increasing, margins are under pressure and there is talk about bulk buying," he explains.

It made sense, then, to implement the EDI link between the last two players along the value chain (rather than between advertisers and newspapers themselves, or between agencies and newspapers. This relationship is fairly country-specific). As a result, they formed a joint committee, with four very big partners (since then, one newspaper has been bought out, and one media buying agency was bought out as well) on each side of the business.

Their task was facilitated by the fact that Dutch newspapers all have standard rate schemes; ie. all colour premiums are the same. Indeed, newspapers publish all their rates in a single book. Moreover, there was a common belief that newspapers, which get strong competition from other media, would improve their competitive position with EDI. To accomplish this, EDI would have to lower the threshold to newspapers.

Order and billing standardized

The joint committee has produced a number of achievements so far. "We've standardized the order and billing process," says Buizer. "We did a round table where we had to tell all about our processes, including things that go wrong. We also standardized all forms, and devised a message scenario," which is roughly the following: first, the agency puts in a request for an option (reservation order); secondly, there is a stage for cancellation or confirmation; and thirdly, the invoice is specified for payment.

"The system can also make a message for a contract," continues Buizer, though because newspapers can establish contracts up to four months after the first insertion, they don't always know the actual price of the ad when invoicing.

The EDI messages devised by the joint committee are based on EDIFACT, while the infrastructure is based on X.400 mailboxes from Unisource.

The software includes an EDI gateway, MS-DOS, WIN 95, and WIN- NT. The EDI workstation is a standalone solution.

Publishers, media buying agencies and end users, through the BVA advertisers' association, established a management organization, which they called 'MEDIUM', to oversee the changes. They also lobbied the government, since the Netherlands has fiscal rules for paperless billing. "In the Netherlands, it is not legal to invoice without paper. So government made rules which are not quite legal yet, but give us dispensation. We still send bills on paper, but why bother if all the information is available electronically?" says Buizer.

The process was not an entirely smooth one. "There is a distrust between media buying agencies and publishers, and that is the main impediment," he explains. "It makes it difficult to get things off the ground and to have open discussions."

Inhibitors to the process

Curiously, improving the accuracy in the billing process also proved to be an inhibitor. "Media buying agencies said they would lose some of their income (income that had previously come from bills that newspapers had sent in too low), and they didn't want to tell us how many bills they'd sent in that were too low." What is done to overcome inhibitors? "You need commitment of management, but you also need open discussions, away from management levels, to discuss processes that may not be very effective."

An EDI ad order system is also a complex process to automate. "There is more than one order system, or all small newspapers are in one company," explains Buizer. Implementation also costs a lot, as it requires a lot of manhours, plus the cost of technology. Small orders, for their part, are going through the Internet.

Nonetheless, all tests on the system have been carried out, and it should be ready

for operation on August 1, 1997. Cebuco is providing agencies with PCs and workstation software.

Cebuco and its partners are now looking at future developments. "We didn't integrate the artwork delivery in our discussions, because it's not the same people involved. But also, it is politically difficult to get things off the ground. There would have been too many people involved." However, it will be the next step.

"This is also a crossborder issue," adds Buizer. "We get ads from abroad, so we have to integrate systems." And as some large advertisers do their own media buying, there will be an interest in expanding the EDI ad buying process to other media.

Buizer concluded his presentation with advice to those embarking on similar projects:

- be very open about costs and benefits
- create trust
- get commitment at all levels
- involve all departments: IT, sales, ordering, marketing, accounts and control
- involve the whole business chain ("we didn't involve ad agencies, yet some do their own buying")
- and finally, treat your software supplier as a partner.

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LESSONS FROM PERSCOMBINATIE

If Percombinatie, one of the Netherlands' largest publishing groups, is actively pursuing the EDI option, it is for two reasons: "We hope to achieve significant savings, and enhance the level of service to our major clients," says Rob Veneboer, Information Manager for the Advertising Department of the group.

Indeed, Perscombinatie hopes to save some 200,000 guilders (c. 100,000 US\$) per year for the three newspapers it represents. These should result from an expected 30% decrease in the level of complaints and time savings of 75% in order processing--equivalent to 6 full-time employees.

"We receive some 100,000 display ads, 60% of them from media buying agencies. This represents some 116,000 invoices. The three agencies involved in the project represent some 10% of 12 million guilders per year," Veneboer explains. Fifteen percent of the group's orders involve one or more changes. These changes concern format, placement date, or even worse, cancellations.

"Fifty percent of the complaints we get result from the faulty recording of data, due to poorly structured communication between the agency and the order department," he adds. It stands to reason, then, that EDI would improve internal efficiency by standardizing the order and invoicing process. This greater reliability should then lead to fewer errors and complaints, fewer free ad placements for clients, less time spent on complaint resolution, and less loss of turnover.

Other advantages of EDI are that it is time independent--orders can come in at all hours. Faster and more reliable communications also means less time spent on planning ads, "especially for some of the 'hot' spots like page 3," he adds. He is, however, guarded about complete transparency in the process,

ADVANTAGES AND DISADVANTAGES OF EDI:

where clients have access to current availabilities in the papers. "We do not want to open the door to a situation where customers can say, 'hey, page 3 is empty. We'll give you 50% for it.'"

EDI also creates a positive image of the company, "because the process led us to sit down with our customers, away from management, for intensive discussions about our internal processes," he continues.

Distrust remains an issue

Does Veneboer see any disadvantages? "Relationships with agencies are changing, there is distrust," he says. Existing agreements change, particularly with regards to matters such as order confirmation and inserting corrections. Some actions take less time, while others disappear (order checking, for example). Of course, this leads to changes to the internal process.

Nonetheless, "EDI is a joint development to which we are mutually committed," says Veneboer. It does lead to extra investments in existing systems. The through-linkages of messages to the order and invoicing system costs time and money, and is a time-consuming problem for larger publishers still on mainframe platforms, he concludes.

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