FT STRATEGIES

BUILDING RESILIENCE:

Diversification Strategies for the News Media Industry

CONTENTS

INTRODUCTION

In 1957, Igor Ansof — one of the fathers of strategic management — wrote a seminal piece called Strategies for Diversification. Although the world has changed immeasurably in the 67 years since Ansoff first wrote that work, the fundamentals of business remain the same: "*few companies that have stuck to their traditional products and methods have grown in stature*".

In this respect, the news media industry is lucky to have stayed on top for so long. Despite providing consumers with the same suite of products — print newspapers, TV broadcasts and radio news segments — for decades, incumbent organisations were able to maintain high margins and remain largely unchallenged until the turn of the 21st century.

The creation of the internet and the emergence of social media platforms completely upended the production and distribution of information, which are the foundations on which the entire news business was built. News organisations were forced in turn to respond by revisiting their value proposition, business model and internal operations. And as Ansoff indicated, those who managed to adapt to this new market context are the ones who have survived and thrived.

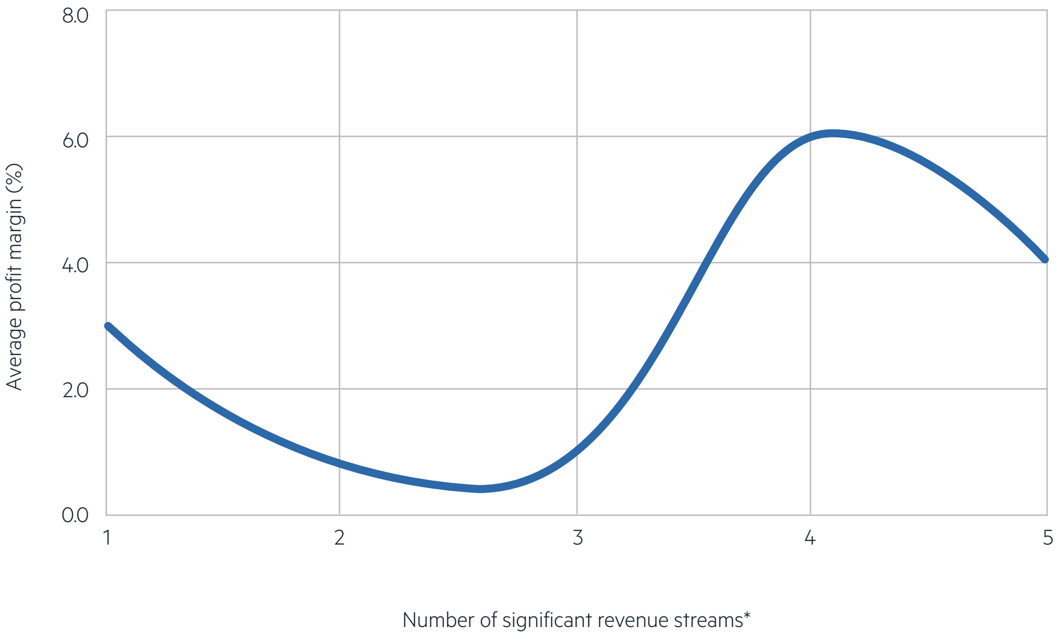
More recently, a series of concurrent challenges are present in the industry: dramatic drops in referral traffic, declining ad spend, slowing subscription growth, AI content generation and challenging macroeconomic conditions are all impacting news organisations to varying degrees, with providers of general news feeling the effects most acutely. If you are an executive, there is little benefit in resigning yourself to challenging market dynamics. Despite the difficulty of these challenges, there are still viable routes to building financially successful organisations in this space.

One route to financial success is diversification. By transitioning away from a single audience segment or single product, news organisations can mitigate the risk associated with 'revenue concentration', a situation where a significant portion of a company's revenue comes from a limited number of customers or a single product line. This bears out in the news media market, according to our recent study based on data from 400+ publishers: news organisations with four significant revenue streams (of 15%+) had higher profit margins and better overall sustainability scores.

In the same study, we found that news organisations are largely undiversified. The 400+ publishers included in our study recorded 84% of revenue from print consumer revenue, print advertising, digital subscriptions and digital advertising. Although publishers are anticipating growth in other verticals — specifically events and eCommerce, they are negligible and are unlikely to be a like-for-like replacement for to falling print and digital advertising revenue in most markets.

Four significant revenue streams

Significant revenue streams in relation to average profit margin



*Significant reflects 15% of overall revenue
Source: Based on 400+ publishers that took part in the News Sustainability Project

In principle, few would object to multiple revenue streams. In practice, however, it can prove difficult (and expensive) to execute, dilute your brand/value proposition and divert attention away from the core product or business unit. As you can see from the chart above, expanding beyond four significant revenue streams actually has the opposite of the desired effect — reducing profitability.

This is likely because these organisations are spreading their limited resources too thin or *'trying to be everything to everybody'* — a common pitfall when pursuing scale online. Morning Brew exemplifies a media organisation that has balanced expansion with focus.

Although Morning Brew has transformed from a single newsletter in 2015 to a suite of multimedia properties today, it has done so while continuing to focus on growing and perfecting its advertising business via new formats and serving the North American audience, according to CEO of Morning Brew Austin Rief.

Given this complexity, there are several questions that news and media executives should be asking themselves:

- What are the options for news and media organisations when it comes to diversification?
- What are the good examples within the news industry from which we can draw inspiration?
- What are the best practices to successfully execute a diversification strategy?

In this report, we will look to answer these questions and provide you with practical advice on how to pursue your very own diversification strategy. We hope that you find this information useful — if you have any questions or would like to discuss your strategy, please email: george.montagu@ft.com.

WHAT ARE THE OPTIONS FOR NEWS AND MEDIA ORGANISATIONS WHEN IT COMES TO DIVERSIFICATION?

Broadly speaking, there are two elements to diversification strategies: the product (the specific item or service that you are offering) and the market (the job that is being performed by the product).

Within the context of news and media, we can adapt these elements for ease of use. In general, news and media organisations can diversify their revenue in two ways:

- **New audiences:** Finding new groups of people (or companies) to pay for services by adapting the existing offering to suit their preferences
- **New products:** Creating products that meet new needs that people (or companies) are willing to pay for

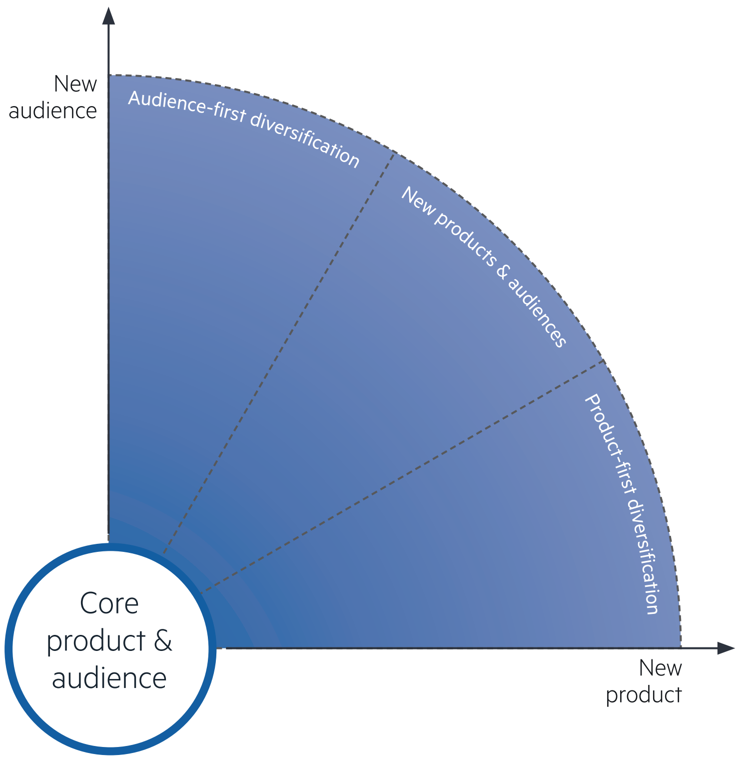
Historically, it has been argued that there are four distinct paths — combining those two elements — that a business can take toward diversifying its revenue:

1. **Market penetration:** existing audiences, existing products
2. **Market development:** new audiences, existing products
3. **Product development:** existing audiences, new products
4. **Full diversification:** new audiences, new products

Although this categorisation is conceptually helpful given its simplicity, the lines between these options are increasingly blurred. As a result, we find it more helpful to think of diversification on a spectrum, where there is a continuum of options for news organisations both in terms of the audience segments they can target and the products they can create. Organisations can (and often do) concurrently pursue multiple diversification initiatives, which can be plotted at different intersections on the spectrum.

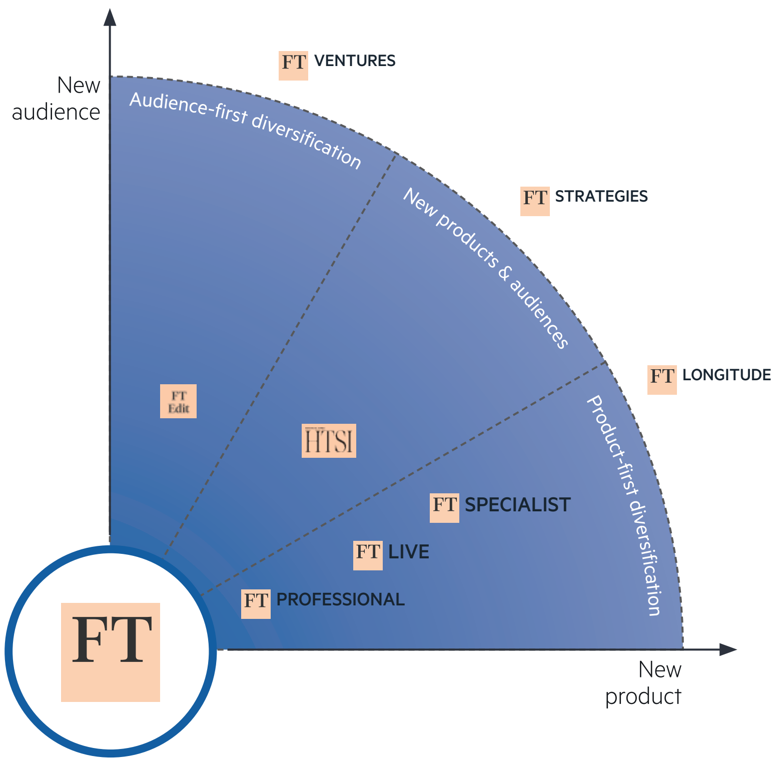
The FT Strategies Diversification Spectrum for news and media organisations

On the x-axis is a spectrum of product options. Furthest left on this axis are products that the organisation is most known for. For news organisations, these are typically products that fulfil the core news need: accurately informing people of what is going on in the world or their community in real time. These products include daily newspapers and news websites (such as ft.com). As you go further right across the x-axis, you expand to other products that meet other needs.



On the y-axis is a spectrum of audiences. At the bottom of the axis are core target audiences. For news organisations these are typically people who are deeply interested in knowing what is going on in the world on a regular basis. As you go up the y-axis, you expand into audiences that don't fit your existing or target audience demographic.

To showcase how this framework can be used in practice, we have plotted a selection of FT's diversification initiatives on the Diversification Spectrum.

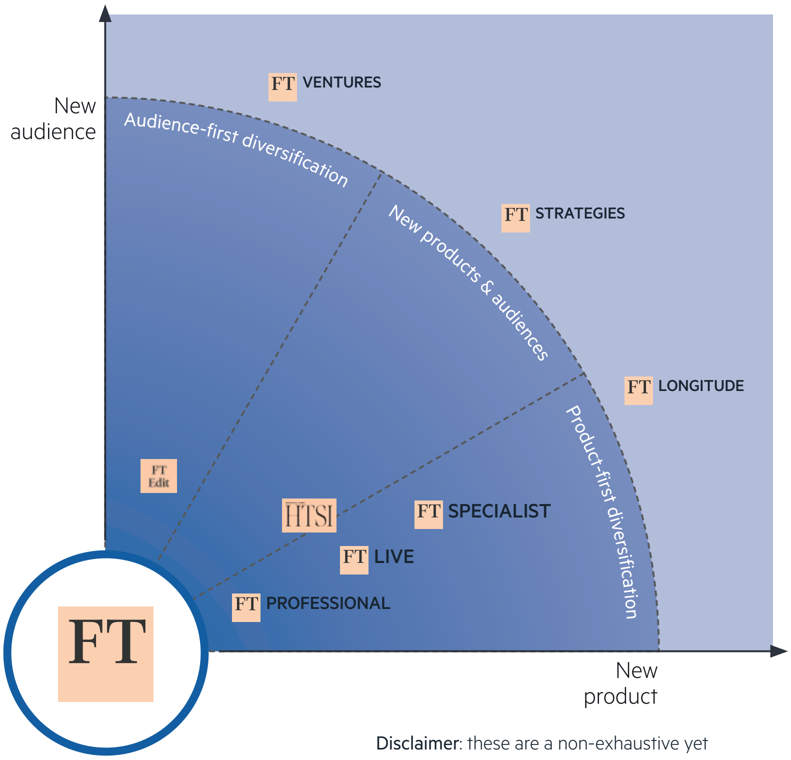


While researching for this paper, we observed that news organisations have become increasingly focused on expanding their products to fulfil adjacent needs for both new and existing audiences. For example, we have spoken to news organisations launching digital marketing agencies, hosting job boards and building corporate communication consultancies.

This expansion of the diversification 'frontier' (as we characterise it) represents an attempt from the industry and organisations to win back lost ground after many newspaper use cases (e.g. buying a car or knowing the weather) were disrupted by online businesses.

Although news organisations can break through their own diversification frontier, these initiatives are typically risky and should be approached with caution. Ultimately, success is often dependent on multiple criteria, such as experience of diversification, underlying capabilities and assets, brand alignment, available investment and suitable culture.

Nevertheless, companies which have an established track record of diversification are able to move into entirely new products and markets, such as the FT's recent expansion into corporate venturing and marketing and business services.



Disclaimer: these are a non-exhaustive yet representative selection of diversification initiative

History of FT diversification initiatives

Diversification initiative	Product	Audience
FT Professional Launched 2008	**Core |** A lightly adapted corporate product that offers ancillary benefits, e.g. additional features such as corporate article sharing and content annotation and tagging	**Core |** Developing direct relationships with corporates that pay on behalf of their employees (many of whom are already FT audiences)
FT Edit Launched 2023	**Core |** A lightly adapted product that offers eight FT articles per day in an app-only experience	**Adjacent |** Growing engagement among core readers and reaching some adjacent audiences, e.g. younger readers with lower brand recognition
How to Spend It Launched 1967 (online in 2009)	**Adjacent |** A luxury lifestyle magazine and website that explores fashion, architecture, wellbeing and fitness, the arts, food and drink, travel, etc.	**Adjacent / Core |** Building relationships with new and existing audience demographics by offering something "affirming, enriching and diverting"
FT Live Launched 2012	**Adjacent / New |** A global events business that organises professional conferences, awards and other events	**Adjacent / Core |** Developing new and existing relationships with professional audiences and FT readers in a new format
FT Specialist Continually growing	**Core |** A collection of 10 distinct communities of professionals (e.g. financial advisors and fund managers) with information and global insights that help people to do their jobs	**Adjacent / Core |** Building new or existing relationships with niche groups of professionals that fall within, or adjacent to, the financial services industry
FT Strategies Launched in 2019	**New |** A specialist media consultancy that provides strategic advice and support	**New |** Building new relationships with other news and media organisations who are looking to build sustainable business models
FT Longitude Acquired fully in 2022	**New |** A marketing and thought leadership agency that produces campaigns for other companies	**New |** Building new relationships with leading brands (e.g. Fujitsu and Siemens)
FT Ventures Launched in 2024	**New |** A corporate venture arm investing in high-growth, innovative companies	**New |** Acquiring stakes in high-growth, innovative companies operating in the global information industry

INDUSTRY CASE STUDIES

JAGRAN NEW MEDIA: ADAPTING THE PRODUCT TO REACH NEW ONLINE AUDIENCES

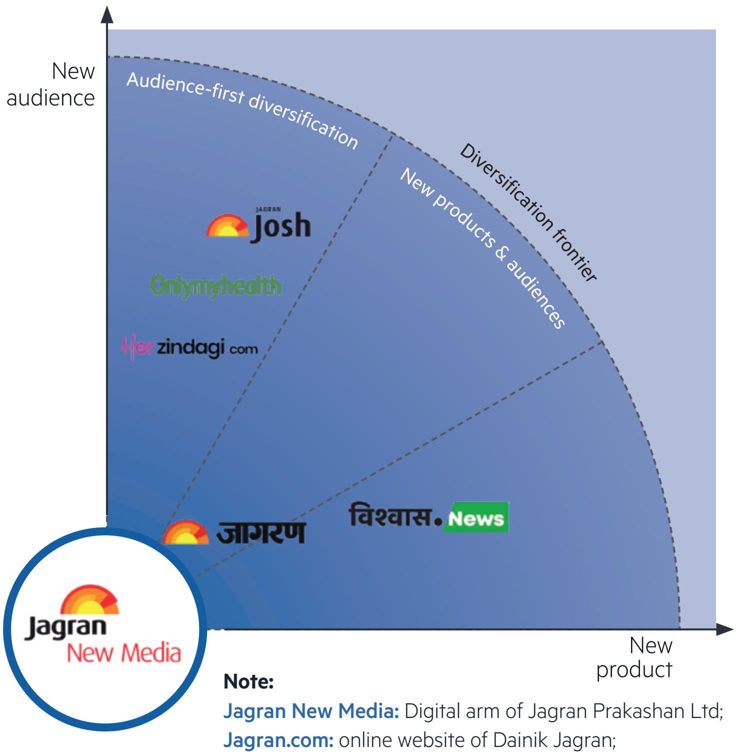
Dainik Jagran — India's leading Hindi language newspaper — has long been at the top when it comes to circulation in India and worldwide. Although newspaper circulation in India appears resolute compared to global trends, Dainik Jagran recognised the importance of adapting its content to reach new audiences online as early as the mid-2010s via Jagran New Media. Jagran New Media is the digital offshoot of the group and aims to serve the same mission as Dainik Jagran, albeit with online content: "we inform, educate and help users to make better life decisions". This represents the company expanding its product and audience while remaining within the frontier of diversification.

By adapting its journalism for an online audience — who have a unique set of needs compared to the print audience — Jagran New Media has consolidated its position as a market leader, offering greater audience scale along with effective monetisation opportunities. By segmenting audience cohorts, it has enabled advertisers to target relevant audience groups. Rather than simply digitising the print edition, Jagran New Media used audience segmentation to create new product offerings tailored to various content genres and language diversity.

While print is predominantly published in Hindi, the digital properties are published in Hindi, English, Punjabi, Marathi and Tamil. New content genres have seen significant growth, including automotive, technology, lifestyle, FMCG, health, fact-checking and gaming categories.

For example, in the health segment, Onlymyhealth.com reaches 15mn unique visitors and has registered an annual growth rate of 94% (March 2024 vs March 2023), simply by providing information within the Indian health category.

In September 2022, Jagran New Media took another step towards expanding its market by launching GujaratiJagran.com. The objective of the new website is to provide trusted and credible information in the Gujarati language to residents of the state of Gujarat and the Gujarati speaking diaspora.



Note:
Jagran New Media: Digital arm of Jagran Prakashan Ltd;
Jagran.com: online website of Dainik Jagran;
OnlyMyHealth: health & lifestyle information platform;
HerZindagi.com: bilingual women-centric lifestyle site;
JagranJosh.com: education and career platform;
Vishvas.news: information fact-check and verification portal.

Disclaimer: these are a non-exhaustive yet representative selection of diversification initiative

[1] medianews4u.com

By identifying and fulfilling the unmet needs of target audience segments, these diversification initiatives have allowed Jagran New Media to surpass one hundred million users globally (many of whom were never Dainik Jagran readers), strengthening its position as one of India's top ten news and information publishers.

So what's next?

Jagran New Media CEO Bharat Gupta has outlined ambitious plans to achieve $122mn total revenue by 2028 with a healthy EBITDA margin (likely higher than the 12% achieved in 2021).

Gupta suggests that the company's growth will be predicated on reaching Indian audiences when they come online: "The whole model is designed towards penetration growth. The Internet penetration in India is only 50%, with 750 million users.

Another 750 million users are yet to come online. India is the fifth largest economy and by 2027, we will be the third largest economy. There is enough headroom to grow the audience, marketing and advertising." To achieve greater market penetration, expect Jagran New Media to offer additional genres and a wider range of regional dialects. To fund this growth, Gupta explains that the company has developed diversified and growing revenue streams that now account for 45% of revenue growth, reducing reliance on a scale-based advertising model (before 2017, these diversified streams only made up 10% of revenue).

Jagran New Media has created a virtuous flywheel effect: market development has allowed it to transform its business model, which in turn allows it to reinvest to achieve greater in-market penetration.

What are our key takeaways from this case study?

- **Relatively simple product adaptation can contribute to audience diversification:** Typically when news organisations think of diversification, they think it has to be something radically different to what they offer today. Jagran teaches us that some simple product adaptations (going online, focusing on niche audience segments, creating dedicated content verticals) is enough to build a more resilient audience and business model.

- **Operational independence can be valuable:** Dainik Jagran tried, multiple times, to launch an online version from within the existing business and newsroom without success. By creating an operationally distinct business, Jagran New Media was able to experiment more effectively and adapt the product to meet evolving audience needs.

- **Diversification can create flywheels:** Jagran New Media was able to translate new audiences into new revenue streams which can then be reinvested into additional diversification initiatives.

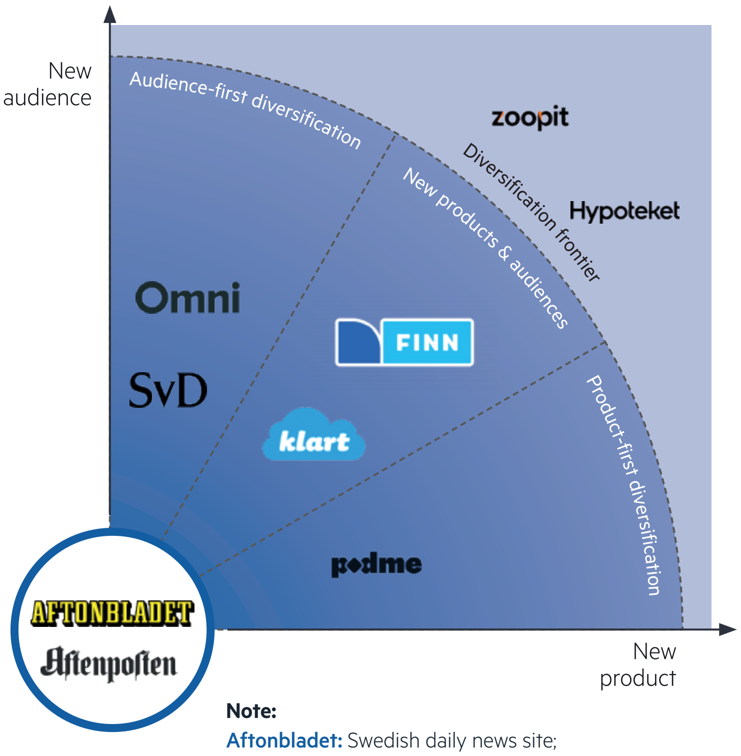
[2] afaqs.com

SCHIBSTED: DIVERSIFYING ITSELF INTO A DAILY COMPANION

Schibsted, the owner of titles such as Aftonbladet and Aftenposten, is often considered a poster child of the European news media industry. It describes itself as a "*family of strong, well-known consumer brands in digital marketplaces, media, eCommerce, financial services and technology ventures with a predominantly Nordic presence*".

This description is a giveaway: Schibsted is a highly diversified media organisation that goes far beyond the news titles most commonly associated with its brand. Its strategy is underpinned by a wider mission — "*We empower people in their daily lives*" — whether that is finding out the latest news, finding a job or buying a new car.

But Schibsted hasn't always been that way. From 1839 to 1994, it was exclusively a newspaper organisation. It was only in 1995 that Schibsted began its transition to a fully fledged media conglomerate through the acquisition of Oslonett AS, an internet service provider in Norway. This transition was the result of "*changing markets, technology and licensing conditions*" which made it imperative to diversify away from a single distribution method (newspapers) into adjacent verticals and business models.



Note:
Aftonbladet: Swedish daily news site;
Aftenposten: Norwegian daily news site;
SvD: high-quality journalism on business, culture;
Omni: news aggregator service;
Klart: weather service;
Finn: online marketplace;
Podme: podcast platform;
Zoopit: logistics company in which Schibsted invests;
Hypoteket: fintech company for mortgage market.

Disclaimer: these are a non-exhaustive yet representative selection of diversification initiative

Schibsted subsequently launched and purchased the leading online classified sites in Norway and Sweden (Finn.no and Blocket.se, respectively) to penetrate the digital marketplace sector. These decisions continue to reap rewards: marketplaces now make up over 31% of group operating revenues with an EBITDA margin of 39% (by comparison, news media is 50% of group revenue with an EBITDA margin of 7%).

Schibsted's 2023 annual report gives a sense of the company's success in executing its diversification strategy:

- Overall revenue stands at $1.46bn and $230mn EBITDA across the 60 brands
- Revenue and profit are distributed across the portfolio: News Media (50% revenue and 7% EBITDA), Marketplaces (31% revenue and 39% EBITDA), Financial Services & Ventures (13% revenue and 14% EBITDA), eCommerce & Distribution (12% revenue) and Other Revenues (6% revenue).
- The business model is also well balanced with a large proportion of revenue from "Other" areas: Advertising (48% revenue), Subscriptions (22%), Casual Sales (7%), Other Revenues (23%).
- Although a strong reliance on advertising may be of concern during periods of economic downturn, digital classifieds are more resilient than standard display advertising, and Schibsted has doubled the contribution of its subscription business in the past 10 years (up from 11% in 2013).

Despite these wins, the Schibsted story is not one of linear growth and unfettered diversification success. In 2009, Schibsted pulled out of the film and TV production business by selling several businesses including Metronome Film & Television.

At the same time, the business decided to reinvest money from the sales and increase its exposure in the online classifieds business by acquiring France's third-largest site Leboncoin.fr in 2013 and Spain's largest Milanunscios in 2014. This strategic divestment and reinvestment has been a critical part of Scibsted's growth, focusing the business and its resources around a single, proven business model.

So what's next?

In December 2023, Schibsted announced that it plans to split the group into two independent companies: "*If finalised, the traditional media company would be fully owned by the Tinius Trust, while the other, owning online marketplaces such as classified ads and other ventures, would remain listed on the stock market*".[3]

According to Schibsted's announcement, the reason for the split is the diverging growth trajectory of the two areas. Specifically, the long-term strategy and investments required for the News Media business often compete with the more financially attractive opportunities relating to the Marketplace business – leading to underinvestment in their journalism. From an outside perspective, perhaps the move to split the two businesses also relates to maximising the share price of their listed entity.

Skipping ahead to March 2024, Schibsted announced the final signing on the agreement to sell the news media operations to the Tinius Trust, giving us a glimpse into the key strategic levers it is pulling to enhance both companies as completely separate operations:

- **On the News front,** a newly-created board of directors has been put in place, promising to set the stage "for the next phase for Schibsted Media". The announcement also mentioned that Schibsted's brands "will need focus and resources to adapt and evolve in an ever-changing media landscape," with digital niche products like Podme, E24, Shifter and Fri Flyt becoming particularly important in engaging new audiences in an evolving digital landscape.
- **On the Marketplace front,** a new CEO is being recruited to lead a review and development of the future strategy and organisational setup of Schibsted Marketplaces, with a strong focus on expanding current marketplaces FINN, Blocket, DBA, as well as continued investment in a portfolio of early-stage companies.

What are our key takeaways from this case study?

- **It is never too late to explore diversification:** Schibsted was a newspaper company for 155 years but now over 50% of its revenue comes from outside of the news media business. During our research, a leading news executive explained: "*There can be something new that is not something that you have always been... And that can be a good thing.*"
- **Legacy news organisations can leverage their experience in print classifieds as a distinctive edge:** Schibsted has decades of experience running a successful print classified business.
  This allows Schibsted to leverage existing capabilities and experience to enter digital marketplaces.
- **Divestment is as important as investment:** As important as it is to 'back winning horses', it is as (if not more) important to 'cut your losses'. Schibsted showed that it was willing to sell acquisitions at a discounted price if it is not contributing to its strategic vision or not meeting its financial objectives.

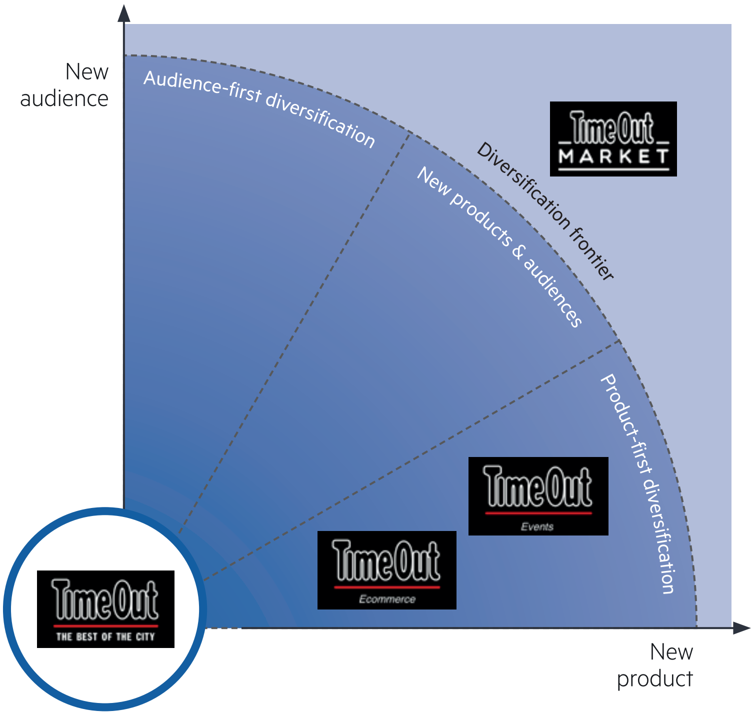
[3] reuters.com

TIME OUT: EXPANDING BEYOND THE DIVERSIFICATION FRONTIER

The 2010s were characterised by the decline of print media. In that era, Time Out magazine faced existential challenges as it struggled to transform digitally. Renowned for its cultural insights, city recommendations and 'Things to do' lists, the company was grappling with the pressures of a dwindling print circulation, which in turn was hitting its mostly print advertising revenues.

This was especially difficult after Time Out had pivoted to becoming a free print magazine in 2012 — after the internet disintermediated much of its coverage — in the hopes that more stable print circulation figures would help preserve the brand. By 2015, Time Out was a fraction of the size it had reached in the early 2000s.

By 2014, Time Out branched **into completely new product territory** by launching its first-ever Time Out Market in Lisbon in the historical Mercado da Ribeira. Time Out described the move as a "*physical representation of Time Out, bringing the best of the city's restaurants, bars and cultural experiences together under one roof, and pointing the way forward for a new era of expert curation*".



Note:
Time Out: culture, entertainment and events website;
Time Out Ecommerce: website with affiliate revenue products;
Time Out Events: proprietary hosted events;
Time Out Markets: physical food halls & markets across the world.

Disclaimer: these are a non-exhaustive yet representative selection of diversification initiative

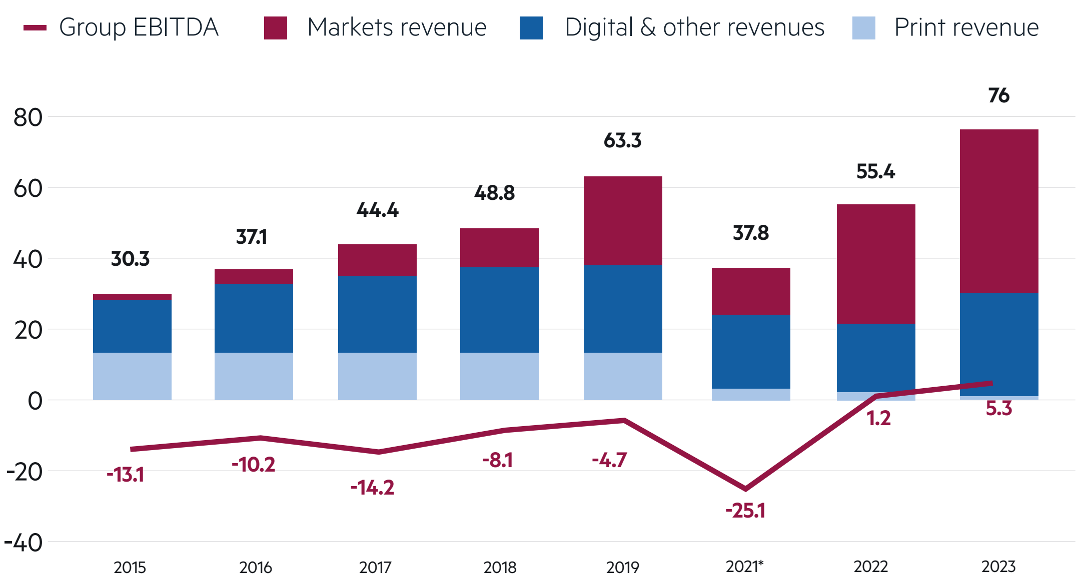
By 2019, it had opened in five new locations across North America. In an incredible turnaround, revenues from the markets outgrew its historical print product.

2020 represented another major crisis for the brand. With uncertainties around the viability of Time Out Markets in the face of travel halts, public gathering bans and initial fears that even once the pandemic was over the world wouldn't revert to old habits, many doubted its ability to re-pivot. But an early success came from its rebrand to TimeIn in 2020, focussing on what audiences could do at home. Time Out Markets also rebounded impressively, buoyed by a global resurgence in travel interest as countries lifted travel restrictions and the world adapted to new norms.

Finally, it was able to increasingly move into new digital revenue streams, including **eCommerce** through affiliate links and its own hosted **events**, as a result of a clearer digital-first approach.

Looking at the most recent full-year fiscal report from June 2023, we can see a successful example of diversification at play. Not only have revenues from Markets outgrown digital revenues, but in 2022 Time Out decided to halt its print activities following the success of its pivot to focus on digital-first. It has now added new editorial talent, covering 333 cities in 59 countries. As a result of all this work, EBITDA was positive in 2022 for the first time in almost a decade, all while over-doubling its revenues.

Turnaround strategy is working | Time Out Group revenues from 2015, in £m



*2021 Exceptional 18-month financial year due to Covid-19
Source: Time Out Group 2023 full year results

What's next?

Time Out has plans to continue growing the number of markets, focussing on the world's 50 biggest cities. It plans to double its markets to 15 by 2027, with new openings in Porto, Barcelona, Vancouver, Bahrain, Abu Dhabi, Osaka, Riyadh and Prague. Like with any diversification effort, there are potential risks. Even though the continued growth of Markets is unlikely to slow down in the short to medium term, Time Out does risk becoming too dependent on that revenue stream in the long term. In order to balance that, it is aiming to achieve greater sustainability by diversifying its digital and consumer revenues. More specifically, it is looking to double down on new advertising propositions for its business clients and also expand its portfolio of paid events for its consumers. One core lever it seeks to pull on the advertising front is leveraging its creative in-house marketing team to create multi-platform campaigns that highlight both its digital and physical real estates, in the hope that brands across the world (especially in the food & beverage sector) are seeking out innovative ways to reach consumers in a crowded digital advertising landscape, as the recent Time Out Foodmarks sponsored by Coca-Cola campaign showcases.

What are our key takeaways from this case study?

- **Market research is important:** The strategic placement of Time Out Markets in some of the world's most vibrant cities ensured that each location benefitted from the inherent economic and cultural dynamism of its host city. All this was further backed by Time Out's own deep knowledge of tourist hotspots given its unique ability to tap into the pulse of city life as 'the ultimate urban guide'.

- **Create a brand ecosystem:** The inception of Time Out Markets was a strategic move to translate Time Out's editorial prowess into physical, immersive experiences. This extension of the brand into the experiential realm not only offered new avenues for revenue generation but also deepened the brand's engagement with its audience — reaching roughly 136 million people across its website and social media accounts.[4]

- **Adapt through flexible partnerships:** The partnership model adopted by Time Out with landlords and developers showcased the brand's adaptability and innovative approach to market expansion. This model allowed Time Out to diversify its market formats (Flagship, Endorsed, Transit) to cater to different settings, from city centres to convenient transit locations. It has also enabled it to move beyond exclusively owned-and-operated markets into signed management agreements.

HOW TO EXECUTE A REVENUE DIVERSIFICATION STRATEGY

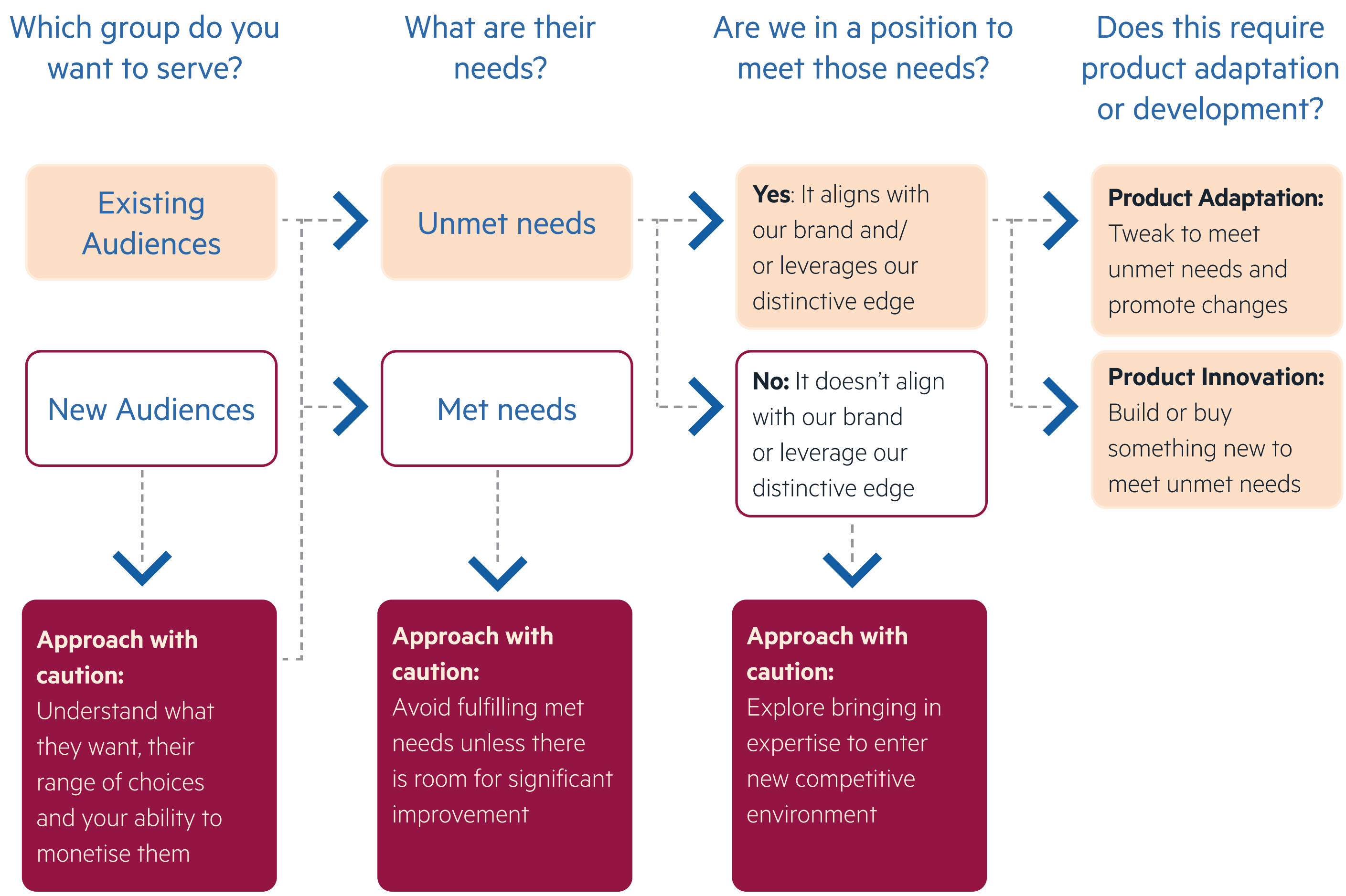
In the following chapter, we will explore some of the common principles and questions that organisations can follow to successfully ideate and launch diversification strategies, including our own Revenue Diversification Decision Tree.

In general, we have seen a reversal in recent years of how to execute a diversification strategy. In years gone by, senior executives made unilateral diversification decisions based on their own objectives — for example, “Let’s expand into America”; “Let’s build a new product”; or “Let’s create a subscription business”.

All too often, these attempts fail because the emphasis is on the company’s objectives as opposed to the actual needs of the customer, resulting in a lack of product–market fit in most cases. A recent example from the media industry is the first iteration of CNN+, a streaming service that shuttered after 18 months (at the cost of $300mn) because of a misguided attempt to enter into the streaming and subscription market (far beyond CNN’s diversification frontier), without evaluating customer demand.

The alternative approach, most common today, is starting from the point of the target audience and identifying their unmet needs to inform diversification and product strategies. We have shown this process in the decision tree.

Revenue Diversification Decision Tree



There is no single playbook of how to successfully execute a diversification strategy in the news media industry: success is dependent on the organisation, its current position within the market and the overall market context. Nonetheless, the success stories we have identified and discussed reveal some common principles that organisations can follow.

Speak to target audiences/ clients and understand their needs

Before launching a new product or attempting to reach a new audience, it is important to have a good understanding of the needs within the target audience segment. In practice, this should be a broad, open-minded exercise where you avoid limiting yourself to what you have always done, e.g. write articles about a given topic. For instance, Blick Gruppe (a Swiss daily newspaper) identified that its audience needed a reliable source for hiking routes during the Covid-19 lockdown: this led to the creation of 26 Summits, a website that gamifies the completion of hiking routes across Switzerland. Blick Gruppe leveraged its unique position as the largest news organisation in Switzerland to build an immediate audience for the new product.

However, it is also important to be wary of over-analysing new initiatives. It is difficult to predict the success of diversification efforts via desk research. What is more important is to test ideas in the real world and use audience feedback to pivot initiatives until product–market fit is found. For example, Industry Dive (recently acquired by Informa PLC for £323mn) successfully launched 27 editorial brands by adopting this ‘experiment and pivot’ principle, as opposed to investing in significant research or business case development before the launch of each brand.

Understand your distinctive edge

Your distinctive edge is something that you can provide your audiences or clients with that few or no other organisations can offer. A distinctive edge might be access to a leading journalist, knowledge of a specialist topic area, the ability to produce content in a particular style or format, being home to a difficult-to-reach audience, having a well-respected and trusted brand or something else.

Where possible, diversification and growth strategies should leverage those advantages to create something compelling, differentiated and defensible.

One example of leveraging a distinctive edge is FT Live, the FT's event business. FT Live calls upon FT journalists (to act as moderators and interviewers at events), deep industry knowledge (to create engaging agendas) and its world-renowned brand (to convene world leaders as speakers).

In 2022, "*Event revenue through the FT Live division was up 30% year-on-year to £29.6m, its best performance to date, with net profits up 17% to £8.74m. The FT's 270 events in 2022 included the FT Business of Football Summit, The Future of the Car Summit, The Global Boardroom, and the FT Weekend Festival which launched in the US as well as the UK*".[5]

Organisations often find that they can repeat diversification initiatives by continually leveraging the same distinctive edge. For example, Axios leveraged its distinctive "smart brevity" writing style to expand its newsletter portfolio and reach new audiences (see Axios Local and Axios Pro as two strong examples).

By repeating its diversification play book and expanding into local news and B2B information services, Axios was able to significantly increase their enterprise value. In August 2022, Axios was sold to Cox Enterprises in a deal worth $525mn — roughly a 5x revenue price.

[5]pressgazette.com

Acknowledge your diversification frontier

Every organisation has its own diversification frontier. We define a diversification frontier as the "comfortable limit" within which an organisation can credibly and effectively expand, based on its brand and internal capabilities.

Although companies can expand beyond their diversification frontier, these initiatives are risky and should be approached with caution. Not all news organisations have the brand, audience or resources to create a games division like the New York Times.

Our research has suggested that brands can incrementally expand their diversification frontiers over time via new initiatives (similar to the FT's initiatives as seen on page 9 of this report). This allows them to grow their experience and enter new markets gradually, thus reducing the likelihood of over-reaching or over-investment.

Ask yourself:
Do you have the in-house experience and capabilities required to execute your initiative?

- Does your brand support or undermine your ability to execute your initiative?
- Do you have positive demand signals (e.g. from your audience or clients) for your initiative?

Do you have support from your senior leadership team and available investment for your initiative?

The answers to these questions will help you to understand whether your initiative is within or beyond your diversification frontier.

Consider timing

When to pursue a diversification strategy is an important question for media executives. The answer to that question is analogous to a long-distance runner: they continuously drink water (even if they don't feel like they need it at the time) to ensure they do not become dehydrated later on in the race and "hit the wall".

In the same way, media organisations shouldn't wait until the point that they need additional revenue engines before pursuing a diversification strategy. Having said that, there are several symptoms which, if identified, indicate that an organisation needs to take proactive steps now to explore alternative revenue sources:

- **High revenue concentration:** If over 40% of your revenue is from a single source (e.g. advertising, print circulation) or a single organisation (e.g. a large grantee or donor), then it is imperative to minimise exposure to this single point of failure.
- **Systemic market decline:** If a large portion of your revenue is coming from a market that is in or at risk of systemic decline (e.g. the print newspaper business in EMEA or cable news in the US) either as a result of changing audience behaviour or increasing market competition, then it is important to explore different markets that are either experiencing growth (e.g. digital subscriptions) or have healthy margins (e.g. in-person events).

In practice, diversification initiatives can either be planned (i.e. budget allocated in next year's capex) or opportunistic (i.e. an organisation is for sale that could contribute towards your business strategy). Both can work in practice, although they require equivalent levels of due diligence.

The Independent is a good example of a well-timed diversification initiative in the face of declining print revenues and increasing production and distribution costs. In 2016, the Independent unilaterally decided to close its print operation to become a digitally-focused business as the print business was no longer economically viable. Since executing that digital-only strategy, The Independent has seen six years of growing revenue and stable levels of profitability even after significant investment in other diversification initiatives (such as eCommerce, US expansion and Independent TV).

Its acquisition in March 2024 of Buzzfeed UK (which includes the UK and Ireland sites of three brands: Buzzfeed, Tasty, and Seasoned) is testament to the Independent's next phase of growth: investing in targeted brand buyouts to grow its advertising portfolio. Combining the publishing, data and advertising platforms of these brands will, as CEO of the Independent Christian Broughton explained on Flash & Flames, "allow commercial partners to seamlessly buy across all the sites", making the Independent "Britain's biggest publisher for Gen Z and millennial audiences" — a particularly sought out demographic for advertisers.

Start small, iterate, gate investment and track key performance indicators

Not all diversification initiatives are going to work. It is important that news organisations avoid exposing themselves to unnecessary risk as a result of overconfidence or overinvestment. Instead, news organisations should run experiments to test new products or their ability to serve new audiences.

Gating investment, creating independent advisory boards and setting and measuring performance against key performance indicators are all established ways of ensuring this in practice. News organisations have to be willing to shut down initiatives that are not achieving the desired outcomes: time, money and effort are valuable resource that can be reallocated to other experiments (or the core product).

Vogue Business is a great example of how to do this successfully. In 2019, Vogue hypothesised that it could adapt its existing product (the B2C magazine) to a B2B audience by conducting industry insights and analysis on the global fashion industry. To validate this, Vogue allowed two team members to create an unbranded newsletter that showcased the type of content it ultimately wanted to produce.

That newsletter experiment helped to validate demand for the product (without having to spin up an entire editorial and product team) and build a list of early adopters. Since then, Vogue Business has expanded to over 100 employees and has become an indispensable part of the Condé Nast International portfolio.

Underwrite new initiatives via upfront payments if possible

Often the best ideas can garner financial support at the concept stage, helping to underwrite the cost of the new initiative, reduce the upfront investment/risk and reveal demand. In practice, this involves reaching out to the most engaged audience members or most loyal advertising clients and asking them to support a new concept.

These arrangements need to be designed with a win-win scenario in mind: for example, anyone that supports the concept gets additional benefits that are not available to everyone (e.g. access to journalists) and a discounted price for the proof-on-concept period.

There are many examples of media organisations using this technique to explore new revenue streams, for example:

- **Events:** Many news organisations underwrite conferences or events by agreeing advertising sponsorship prior to incurring any fixed or variable costs (e.g. venue hire, catering, speakers). Our favourite example of this is AgriMedia launching the National Goat Event in the Netherlands, covering the costs by enlisting existing advertisers to sponsor the event at the concept stage.

- **Merchandise:** A number of news organisations have successfully sold their own branded merchandise or partnered with other brands (e.g. local producers or businesses) to create merchandise. Given the high production costs associated with the first run, media organisations can pre-emptively sell merchandise via supporter networks to mitigate the risk of unsold inventory. Block Club Chicago, a local non-profit newsroom in Chicago, successfully sold over $100,000 in merchandise in 2019 after a rare alligator sighting in the city.

- **Crowdfunding/pledging:** Some platforms have allowed media organisations to experiment with new revenue streams (e.g. membership or subscription) without cannibalising other forms of revenue such as advertising. For example, Substack has introduced "Pledges", a tool for newsletter creators designed to secure future financial pledges if they decide to change to a paid subscription model. This allows more considered decisions relating to revenue diversification based on actuals, as opposed to projections.

Manage the wider business and be more than the sum of your parts

Once a diversified business model is achieved, the work does not stop there. In fact, successfully managing a revenue portfolio that is equal to more than the sum of its parts is very challenging. There are a number of important considerations and decisions that need to be made by such executives:

- **Brand uniformity:** Should we use a "masthead" brand or allow for brand divergence amongst portfolio companies?
- **Centralised vs. federated operating models:** What should we centralise (e.g. systems, support functions, customer data), and what should we federate (e.g. strategy, marketing)?
- **Organisation design:** How should we organise disparate divisions and teams, and how can we ensure visibility and incentivise collaboration across the group?
- **Culture management:** Are there aspects of our culture that need to be consistent across the group, or should we empower divisions to create their own culture?
- **Incentives and reward:** Which areas of the business should we aggressively incentivise (e.g. performance-related rewards), and should reward schemes be the same across the whole business to foster cohesion or deliberately differentiated to recognise different business dynamics?
- **Investment and financing:** Should all areas of the business be competing for the same pool of financing and for it to be objectively allocated? Are there areas of the business that are candidates for divestment?

Unfortunately, the answers to these questions are a classic case of: "it depends". The FT Group has experienced firsthand the tradeoffs that need to be made across complex revenue portfolios.

There is no single formula for success and, at least from our experience, some parts of the portfolio are often left dissatisfied. That being said, it doesn't mean that working on the answers to these questions shouldn't be a priority.

How we approach revenue diversification at FT Strategies

At FT Strategies, we have a well-established way of supporting businesses in their diversification strategy:

1. Context & Opportunities

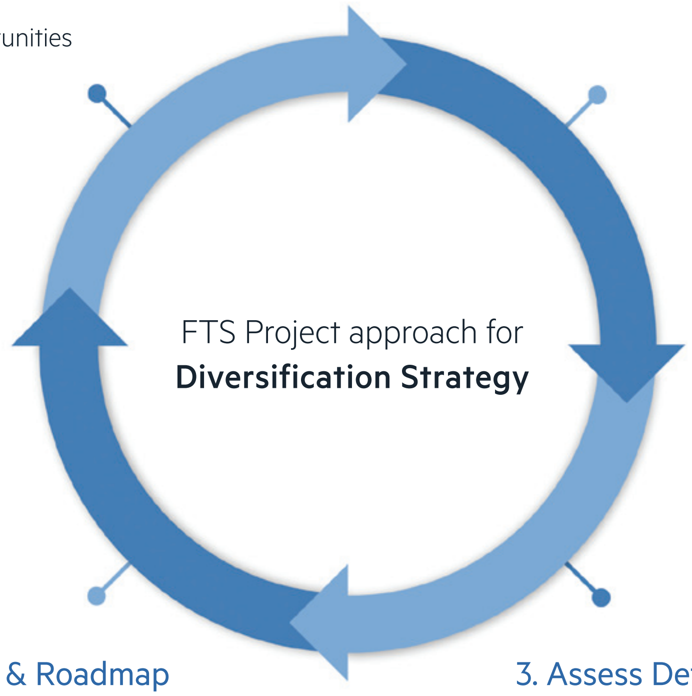
- Identify your target audience (new or existing) and their existing unmet needs
- Identify your 'distinctive edge' — what differentiates you organisation
- Analyse market trends (tech, advertising, channels, user behaviour, business models)
- Review similar case studies within segment to understand potential approaches

Outcome: Long list of opportunities

2. Define core competencies & vision

- Conduct SWOT analysis, assess synergies between products / initiatives, and review current workflows
- Assess options by internal (execution risk, fit with brand) and external criterias (demand, willingness to pay, competition)

Outcome: Prioritised shortlist of opportunities



3. Assess Detailed Propositions

- Business plan for new proposition(s) including: EBITDA contribution, organisational requirements, partnership opportunities, investment estimates
- Go/No-Go decision

Outcome: Guidelines for implementation

4. Implement Strategy & Roadmap

- Detailed roadmap including: roles and responsibilities, Systems, Processes
- Support in experimentation and hypothesis testing

Outcome: Implementation plan

EMPOWERING MEDIA TRANSFORMATION: THE STORY OF FT STRATEGIES

In 2023, the Financial Times celebrated 130 years of printing on pink paper. Although the pink paper is now an iconic part of the FT's brand, originally it was used because it was cheaper to print on unbleached paper (unfortunately the same cannot be said today!). The Financial Times is proud of its history and continues to be a trusted source of world-class journalism for business leaders.

Our aspiration in FT Strategies is to emulate that success in a new vertical – by delivering world-class consulting and advisory to leaders of media organisations. In this article, I want to reflect on the origination story of FT Strategies before my arrival, what makes us different and explain how I want to continue in the pursuit of a financially sustainable media industry and a new model for consulting.

Our story

In early 2018, the Financial Times board decided to leap into the unknown — commissioning internal research into how the FT might commercialise its own technology, data, or intellectual property.

After speaking to industry leaders, potential clients, and FT employees, the conclusion was that the FT's experience and expertise are our most valuable asset. For many, this came as no great surprise — the FT was one of the first to break conventional wisdom in 2001 and charge for online content, it pioneered the metered paywall in 2007 and continues to be a leader in enterprise subscriptions. Also, advising other media organisations was not new — for years the FT had hosted other news organisations (including the New York Times) as they looked for support in their pivot to digital and launching subscription-based models.

So in late 2018, we put together a small experimental consulting team and ran our first project with a leading Nordic publisher. Soon we realised the uniqueness of our offering - we were able to draw upon the experiences of the FT and put FT employees (subject matter experts) in front of clients — allowing us to be practical and empathetic when providing advice.

In 2019, "FT Consulting" (as we were known then) started to make strong inroads as we won a number of clients in adjacent sectors - including the Tate and Penguin Books. We found that clients particularly valued our advice around long-term strategic planning and specifically the FT's "North Star" Methodology. This methodology — still used today — was fundamental in the FT achieving one million subscribers and has proven core in helping our clients set and meet ambitious goals and improve internal alignment.

"As an editorially-led business who has embraced digital, we have found FT Strategies to be a highly credible partner bringing affinity, ambition and expertise." — Managing Director of Audiences, Penguin Books

By the end of 2019, we were confident in our hypothesis that the FT could offer meaningful consulting services to the media industry. As a result, we formalised the business — creating the FT Strategies brand and hiring a scaled-up full-time team of consultants and media experts. This formalisation coincided with an opportunity to partner with the International News Media Association (INMA) and the Google News Initiative to launch the "GNI Subscriptions Lab" in Europe (a nine-month programme to help eight different publishers from Europe strengthen digital subscription capabilities and grow reader revenue).

Fast forward to 2024 and FT Strategies has become a leading specialist media consultancy:

- We have worked with over 700 media organisations from around the world (including El Pais, Corriere della Sera, Nation Media Group, Singapore Press Holdings, the National Theatre) in over 70 countries.
- We have helped our clients to achieve remarkable outcomes, helping to secure the future of news — either through our work with GNI Subscription Lab participants (we helped one acquire over 100,000 new subscribers and reduce churn by 6%) or helping a leading media organisation in Europe halve their churn rate and reach 500,000 subscribers.
- We have supported clients with a wide range of services — launching AI experiments (including a propensity to churn model), increasing conversion rates of marketing campaigns by 10x and growing known visitors to a site by 58%.
- We have partnered with the Google News Initiative to significantly expand a programme that supports publishers in their business and digital transformation — reaching over 500 publishers over a 3-year period.

Irrespective of these achievements, what makes us most proud is the feedback from our clients and the recurring projects that act as a stamp of approval.

> How committed FT Strategies is to this transformation means a lot to us. Knowing you're in this with us and committed to our success keeps us going.
>
> CEO of a leading Kenyan Media group

What makes us different

Although I have touched on a number of factors, I want to summarise what (I feel) makes FT Strategies different:

1. We have deeply valuable lived experience and expertise from the FT as an institution, FT employees, and our team from across the industry — we know the key players, partners, and challenges within the ecosystem

2. We have worked with a large, diverse pool of media clients: 700+ media clients globally

3. We ground all our work in the use of data, analytics and artificial intelligence

4. We have a unique delivery model, capable of providing tailored engagements for clients or cohort-based consulting that multiplies impact across multiple brands at once

5. We enable our clients to get outstanding results, showing empathy and maintaining integrity

What comes next?

As we look forward to scaling the business further, we believe in the relevance of driving sustainable growth in news publishing across the wider media business and beyond. Specifically, we'll be looking to:

1. **Continue our industry leadership,** known as the media's trusted partner to navigate change sustainably

2. **Be more than the sum of the FT's parts** — ramp up our combined experience with the rest of the FT to bring even more value to our clients

3. **Maintain and deepen our relationship with our existing clients;** providing high value services from strategy into implementation

4. **Extend our sectors served more widely across media,** relating our experience to a wider range of media challenges

5. **Expand our offering,** enabling us to support a wider range of clients across a bigger range of problems

> It's a very exciting time to be taking over as Managing Director of FT Strategies — I cannot wait to meet as many of you as possible and continue the business's remarkable story.

Joanna Levesque, **Managing Director at FT Strategies**

George Montagu, Head of Insights
George leads our research at FT Strategies. Before joining FT Strategies, George worked in various strategy roles within FT — specialising in the intersection between data, subscriptions and marketing strategy. George has led numerous industry research initiatives including the News Sustainability Project (an industry research effort, involving 450 publishers from around the world to more deeply understand the financial sustainability of the industry) and Next Gen News (a project to more deeply understand future news consumption trends).

Jim Egan, Principal
Jim has worked as a news business leader, investor and regulator. Prior to joining FTS Jim was Chief Investment Officer at Media Development Investment Fund (MDIF), a specialist fund which provides debt and equity investments for news companies in countries where press freedom is under threat. Between 2012-20 Jim was Chief Executive Officer of BBC World News and bbc.com — the BBC's commercially-funded TV and online news services for audiences outside the UK.

Alexandra Terizakis, Manager
Alexandra has over six years of strategy and operations experience. She previously worked as an operational transformation consultant at Deloitte, as well as an Operations and Strategy manager for two fast-growing start-ups, Deliveroo and Pollen. Alexandra specialises in strategic transformation, operational improvement and change management.

Lamberto Lambertini, Senior Insights Consultant
Lamberto supports our practice's ongoing building of media and subscriptions expertise. Prior to joining, Lamberto worked as a Research Analyst at Enders Analysis, a boutique TMT consulting and research firm, where he focused on the Publishing Industry and the need for radical digital transformation towards reader-first models.

Chloe Tsang, Senior Consultant
Chloe has over five years of experience in digital transformation and media. She joins from Deloitte Digital, where she specialised in content design and content strategy within the firm's experience design studio. Prior to this, Chloe was a journalist at NBC News in the US.