Relationships for survival – Changes in the media industry

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Abstract

This qualitative study of 35 firms reports on how relationships are used in the printing industry to relive the “threat” from new media as a means for marketing and the printing industry as an industry. The results show that there are both internal and external effects of the relationships and vertical, as well as horizontal relationships are of great importance to create a sustainable situation for the printing industry. Furthermore, it is illustrated that due to the new paradigm of value creation, the printing industry and print as a medium of communication have gradually drifted further and further away from the actual customer.

Introduction and Theoretical Framework

There have always been channels for spreading information and in the dawn of man, most messages were spread person to person, since mass communication was not really an option. Thus, it is no coincident that in an ancient tale, a Chinese rice merchant used, what we refer to as, relationship marketing to focus on customer value and the offer instead of the transaction (Grönroos, 1996). Other ways of spreading messages have been by writing them down. From cultures around the world, rock carvings have been important to document events and thoughts between generations. This can be seen on Norsemen’s runestones, petroglyphs at the Easter Island or ancient paintings at Uluru. However, these are not movable and, today, regarded as vital pieces of history. Other essential source of information has been documentation in books, or on paper, which was done, and copied, by hand mostly by monks. Even though these were not unique copies, the editions of these works were, or course, very limited. Since the invention of printing by Gutenberg in the 15th Century (yet, the movable type was used during the Song Dynasty in China), printed material has been a very important channel for spreading different messages to a broader public (Kipphan, 2001; Romano et al., 1999). Due to its ability to mass produce information, printing was (more or less) the only way mass communication until broadcast media, like radio and TV, were introduced in the early 1900s. Consequently, printing firms have been powerful in the media value system.

During the 1900s many media channels were invented and introduced. Ahonen (2008) mention print, recordings, cinema, radio, television, internet and mobile phones as the seven mass media channel. The differences between these should be noted as print, recordings, cinema, radio and TV being broadcast media that originally were analogue. The new digital channels that started to emerge with email in the late 1960s and got an incredible growth in the mid-1990s differ from these by being created directly for digital systems. The late addition of social media is worth mentioning, due to its ability to focus the power of the internet and “marketing managers should recognize the power and critical nature of the discussions being carried on by consumers using social media” (Mangold & Faulds, 2009, p. 360). Social media is a term coined in the era of Web 2.0 (Berners-Lee, 1999; O’Reilly, 2005) and represents media for social interaction. Simplified, websites originally allowed mostly one way communication, but following the dot-com collapse, development of new Web 2.0 technologies led to the possibility of sharing, communication, linking, collaboration and the integration of user generated content (e.g. Blackshaw & Nazzaro, 2006; Prahalad & Ramaswamy, 2000). Although defined in many different ways, social media are activities that
combine media technology with social interaction and user generated content in accessible and easily modified ways (Kaplan & Haenlein, 2010). Today social networks (e.g. Boyd & Ellison, 2008) like Facebook and YouTube are central parts of people’s lives.

How we assess the value of different media is of course subjective and, obviously, gradually changes. If we follow the ideas of value over time, it is possible to realise that the input of labour (e.g. Marx, 1867/1930) and value added in the industry (e.g. Ducker, 1973) were important when discussing manufacturing systems along with the value chain (e.g. Gluck, 1980; Porter, 1985). Nevertheless, the value chain also introduced the awareness that not all phases in the value creation process can, or have to, be performed by a single firm or organization and, hence, introduced thoughts on cooperation and different kind of relationships being an important path to success (e.g. Hagedoorn, 1995; Hergert & Morris, 1988; Mariti & Smiley, 1983). As the competitive environment is getting more clustered, it seems like “in many product groups where firms once competed in isolation, they now compete as allies in business communities” (Fombrun, 1993, p. 186). A common reason to cooperate is to gain access and, sometimes, control over complementary resources to the resources already under the firm’s control (e.g. Faulkner, 1995; Gulati et al., 2000; Jarillo, 1988; Todeva & Knocke, 2005). This is done to create or preserve competitive advantages against the surrounding and “expand the periphery’ of their value proposition to customers’ (Gulati, 2007, p. 196). The difference from a market transaction is the “high degree of (perceived) ‘opportunity for joint value creation’ between the two organizations” (Jarillo, 1988, p. 38) and this joint value creation is important for a successful relationship. Thus, when considering the framework of creation and delivery of perceived value, focus has shifted from production and objects to services and other more intangible concepts. This was touched upon by Kotler (1972, p. 48) in the 1970s as “the core concept of marketing is the transaction ... The things-of-values need not be limited to goods, services, and money; they include other resources such as time, energy, and feelings”. The 1980s servitization of many industries led to ideas of value not only being created within a firm’s boundaries and typical strategic networks, but also include the customer or consumer in a complex value constellation (Shostack, 1977; Vandermerwe & Rada, 1988). According to Normann & Ramírez (1993, p. 69), the goal is to “mobilize customers to create their own value from the company’s various offerings”. Co-creation (e.g. Howe, 2006; Payne et al., 2008; Prahalad & Ramaswamy, 2004) received attention in the early 2000s with a foundation in the development of the internet and the introductory ideas of Web 2.0 (as been mentioned above). In recent years, the design of services and the Service Dominant (S-D) logic of marketing have gained much attention and proposed that services are the fundamental basis of any exchange (e.g. Vargo & Lusch, 2004). Vargo & Lusch (2004, pp. 10-11) propose that “the customer is always a coproducer” and then value could be defined as “an interactive relativistic preference experience” (Holbrook, 1994, p. 27).

This short discussion further emphasise the difference between print and new media, such as social media. Professional print is still (even though digital printing has made it available for almost everyone) mainly controlled by the printing industry as a production process, whilst social media is a collaborative media where all parts of the value creation process can be part of the creation of the final product in real time. The aim of this paper is to discuss how relationships are used in the printing industry to relieve the “threat” from new media that faces old media, in this case print, as an information carrier and the printing industry as an industry.

**Methodology**

This paper is based on several inter-connected studies to capture the depth and complexity of the use of relationships. The results of this qualitative case study (e.g. Yin, 1994) are based on
six different interview series carried out in Sweden during 2007-2012. Parts of the results have been reported in Mejtoft & Nordin (2008; 2009a; 2009b), Mejtoft & Packmohr (2009) and Mejtoft (2010). In total, 35 printing firms have been part of the study. All firms were chosen to be representative for the industry. To analyse the results from the printing firms in contrast to the media industry, interviews with two media and advertising agencies were performed. All interviews were based on open-ended questions (e.g. Fontana & Frey, 2005) and carried out either at the respondent’s firm or by telephone. The respondents have all been top management (mainly managing directors or founders) due to their influence over the firm’s long-term strategy (e.g. Schein, 1983). The findings from the interviews were analysed using pattern matching technique (Campbell, 1975; Yin, 1994), where the firms were first analysed separately and then matching patterns between firms were identified.

Results and Discussion

The results show that all firms in the study had relationships with other firms, both inside the industry and with firms that cannot be classified as being printing firms. They were mostly non-structured relationships based on a high level of trust and commitment (cf. Morgan & Hunt, 1994) with (most often) a lack of contracts and other formal documents. This was, according to the respondents, an effect of most firms being smaller, which limited the need for formalization as long as trust and commitment were present. Furthermore, relationships were in general set up with local or regional partners. The local/regional connection is mainly a result of a majority of customers also being local and regional (Mejtoft & Viström, 2008). Out of the case firms, eight firms were also part of so-called organized alliances. These relationships include a more structured cooperation and have an organization as they are built on franchise or similar types of structures. The results indicate that relationships are important for firms in the printing industry. One of the major reasons is the shift in power from printing firms being a necessary part of the value chain of media and marketing to become a producer that is easily bypassed using other media channels. The respondents at the media agencies clearly indicate that even though print is important, “many customers try to avoid print due to the high cost of production compared to other channels, such as the internet”. Consequently the respondents are unanimous that the largest shift in media channels is from print to digital channels. The analysis of the data from the case study show indications on how different relationships become increasingly valuable for old technology for marketing communication to survive in an increasingly digitalised society. Summarized, the results indicate that there are both internal and external effects of the relationships and vertical, as well as horizontal relationships are of great importance to create a sustainable situation for the printing industry.

Effects of vertical and horizontal relationships

The need for acting as a full service firm within print media is strong among printing firms, independent of size. Cooperating with different firms to increase the capacity of resources is important to enhance a firm’s flexibility and become less dependent on one technology and, thus, less affected by business cycles. According to the respondents this is one of the main reasons for starting relationships, to be able to create this vertical organization. Vertical relationships within the value chain are needed to deliver a complete product to the end customers as well as enabling a closer relationship with the customer and, therefore, be less affected by the price pressure. The relationships are both backward and forward in the value system. The respondents emphasize cooperating forward with finishing and delivery firms to decrease the lead-time of the total production. The digitalization of media channels has resulted in an increased speed of communication. This has had a vast impact on print, which is slow compared to all-digital channels, and resulted in a need for providing shorter lead-times.
According to the respondents, creating backwards vertical relationships to get closer to the customers (and somehow to the consumers) is one of the main advantages that the printing firm is trying to achieve when cooperating. Even though print brokers are a major customer to printing firm and are vital for their survival as a producer, creating relationships and working close to other customers, such as advertising agencies and direct customers are important to form a tighter bond to the end users. As the content has become digital, the printing industry has become one step too far away from the customer and even farther away from the consumer of the end products. This affects not only how a printing firm can work with its customers, but also the profitability of the industry. The supplier position in the value system is also supported by the wide spread use of cost-based pricing in the printing industry (Hultén et al., 2009). This is also advocated by the respondents in the case study, as they believe that the price pressure on print makes it necessary to work with cost-based pricing to avoid negative margins. Furthermore, the respondents indicate that creating tight relationships with customers is one way of avoiding the fierce price competition in the industry.

In addition to having vertical relationships to increase the efficiency of the production chain, the need for horizontal relationships was also stressed by the respondents. These relationships were mainly to access more output channels and services that was not a natural part of their production. One thing that was mentioned by several of the respondents was cooperation regarding IT competence. Even though most respondents called attention to the need for basic and often used services to be integrated, most firms had created tight relationships with external, mostly small and local, IT firms. These relationships are crucial due to the high degree of digitalization in the industry, which has led to a need of creating different kind of solutions that are not only based on print but also solely internet based solutions of e.g. distribution of digital material. These kinds of relationships also boost the integration of print into digital channels, which has, according to some of the respondents, been a major success factor during the last couple of years. Consequently, different kind of IT-services have become increasingly important to control to be able to both create (for the user) simple online services and to simplify the production workflow.

Long-term effect of digital and the democratization of channels

A clear tendency can be noticed in how the power of the media industry has shifted. Just as the general view of how value is created, the value in the media industry is no longer, as clearly, created in production. Before the 1900s, printing firms were, more or less, the owners of the content and was influential in how marketing messages were spread. As the number of channels has increased during the 1900s, the value of the actual channels has decreased and the value of the content has increased. According to the media agency respondents, “the thing that matters the most is the content”. Furthermore, simplicity in the use of different channels is also important. This is another major reason for printing firms to create strong relationships with other partners in the print value chain. At the end of the day, trying to avoid becoming a supplier of cheap print and “just put some dirt on paper” is one of the reasons to cooperate with other firms to create an integrated media firm, according to one of the respondents.

As been discussed in the intro, the control of different channels is worth noticing. Most channels that are used for mass media are controlled by an industry; radio, TV and partly print being such channels. However, social media differ from this due to its openness. Even though pages on social networks, like Facebook, can be controlled and moderated by a firm, these channels are obviously much harder to control due to its reliance on word-to-mouth. One example of a (more) democratic channel is the hashtag (#) on twitter. Each hashtag can be regarded as a channel (Messina, 2007) and these cannot be controlled by an organization or
individual. This became apparent when Australian airline Qantas launched a campaign in the fall of 2011 and the hashtag proposed by Qantas, unintentionally, ended up with non-favourable tweets (Taylor, 2011). The media agency respondents indicate that the main reasons not to recommend social media campaigns is the lack of control in the campaign and the commitment needed by the client.

The way we create and perceive value is also one on the main reasons that old, and controlled, media channels are declining in value, whilst new channels, that support co-created material become more and more important in information spreading and marketing. Even though we live analogue lives, our communication has been digitalized to a large extent and this has led to a high level of noise in the digital channels. This is one of the reasons why print campaigns are mentioned, by the media agency respondents, as potentially successful, because of the “exclusivity that print might give when almost all other campaigns are digital” and the “ability to control the content”.

Concluding Remarks

The results from this study show that for an old industry to adapt to the new media landscape, both vertical and horizontal relationships are favourable for the securing an ability for long-term survival. From the results and the discussion above, it is clear that many of the relationships that printing firms have are used to increase the flexibility of the print media channel and, hence, make it a more attractive channel in “competition” with new digital channels. The other reason is to increase the possibility of regaining some of the power over the content and, consequently, increase the profits in the industry.

It is also indicated by the results that the printing industry gradually has drifted further and further away from the actual customer and end user. This has led to the industry being a supplier in the media value network, which is a situation that the industry is trying to avoid by cooperating and integrating to get closer to their customers.

Literature Cited


