

Chapter 4.16

An Online Success Story: The Role of an Online Service in a Magazine Publisher's Business Model

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ABSTRACT

The aim of this article is to provide a holistic exploration of the development of the business model of a magazine Web site, and of the factors behind its success. The discussion is based on an explorative case study of a successful Finnish magazine publisher and its Web site. We use triangulated data (interviews, observation, statistical data, customer feedback, newspaper articles) to describe and analyze the development of the Web site and the subsequent changes in the e-business model of the magazine from the Web site foundation in 1998 to the situation in fall 2004. Our case illustrates that a magazine's Web site is linked to all of its functions (editorial, circula-

tion, and advertising), and to the business-model elements that are vital to its success. We suggest that the discussion forums in question, one type of virtual community, benefited from the positive feedback that resulted in positive network effects, and led to the adoption of the service. Moreover, community activities have enhanced customer loyalty and added a more lifelike dimension to the magazine concept. As such, the Web site now complements rather than substitutes the print magazine. Interestingly, although it does not independently fulfill the requirements of a successful business model (e.g., Magretta, 2002), it enhances the customer experience and adds new dimensions to the magazine's business model.

INTRODUCTION

The role and the effect of the Internet has been a hot topic within the media sector for some time. The Internet could be seen as one of the biggest challenges ever to the publishing industry as Internet-only publications incur virtually no paper, printing, or distribution costs. Web sites also compete with the two revenue streams that are essential to publishers, that is, readers' and advertisers' time and money. Correspondingly, one of the dominant areas of research within the publishing sector has been the business model and its evolution in the age of digitalization (e.g., Fetcherin & Knolmayer, 2004; Gallagher, Auger & BarNir, 2001; Stahl, Schafer & Mass, 2004; Vasisht & Gutierrez, 2004).

Consultants and practitioners have often used the term "business model" loosely to describe a unique aspect of a particular Internet business venture, resulting in considerable confusion in the end (Mahadevan, 2000). Similarly, it is evident that the link between the Internet and the business model is not always clear: the Internet as such is not automatically an enabler of new models, and its role may be just that of a medium, or a new distribution channel, for example. In fact, we believe that its role in most companies with functions outside of it cannot be separated from the business model as a whole. We agree with Porter (2001), who states that the Internet often complements the traditional activities of companies. Accordingly, it is not enough to examine just the "e-business model" without trying to comprehend the links to other activities.

This article thus examines the role of a magazine Web site in the publisher's business model, and depicts the strategic changes in that role. The aim is to provide a holistic exploration of the motives behind the development of the model, and of the subsequent success factors of the Web site. The discussion is based on an explorative case study of a successful Finnish magazine Web site. The case

magazine, called BAP (the Baby and Pregnancy magazine) here, is a clear long-term market leader in its Internet services in Finland.

The next section of the article provides the conceptual background, and then the focus turns to business models within the magazine publishing industry. We then explain our research strategy, and introduce the case study: we describe and analyze the development of the Web site from its start in 1998 to the situation in fall 2004 using triangulated data (interviews, observation, statistical data, customer feedback, and newspaper articles). Finally, we suggest some implications for researchers and practitioners alike.

A REVIEW OF THE LITERATURE ON BUSINESS MODELS

For many companies, the Internet has provided a platform for various business activities. It could be seen as a new marketplace, and in order to find out how to compete in such an arena many people have found the business-model concept useful (Lumpkin & Dess, 2004).

The extant literature on business models is extensive (e.g., Boulton, Libert & Samek, 2000; Chesbrough & Rosenbloom, 2002; Dickinson, 2000; Hamel, 2000; Mahadevan, 2000; Rajala, Rossi, Tuunainen & Korri, 2001; Rappa, 2000; Slywotzky, 1996; Timmers, 2000). Correspondingly, definitions of the concept abound, each depending on the purpose and the theoretical background of the examiner. However, the basic idea appears to be the same: it concerns what is produced and sold, how, and to whom. How is the value of the product or service derived? What is the earnings logic behind the profit making? The business model is a representation of management thinking and practice that helps companies to see, understand, and run their activities in a distinct and specific way (Chararbaghi, Fendt & Willis, 2003).

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