How to ‘fight’ Amazon and Google: Business model innovation in the specialized publishing industry

Established publishing companies have to face up to multiple problems regarding the position in their industry, their business models and their future course of actions. Digitalization significantly disrupts traditional value chains regarding authors, publishers, distribution channels and readers. New competitors are entering the market by offering "self-service" publication channels to authors. Considering these developments it becomes essential to cope with such changes and adapt to the new situation, a matter for which dynamic capabilities and business model innovation can be seen as key factors.

Changing industry landscape

Due to an ongoing digitalization, changing customer and user needs, the specialized publishing industry faces severe structural upheavals (Steinröder & Pitz, 2009). With traditional business models becoming less efficient, new approaches are needed and specialized publishers have to undertake a transformation. This paper investigates these changes and the responses of traditional and new companies within the specialized publishing industry by using the theories of dynamic capabilities and business model innovation (Teece et al., 1997; Teece, 2010). The aim of the paper is to analyze and evaluate the potential of the participating firms to sustain a successful long-term performance in the field of specialized publishing. In-depth interviews with experts from specialized publishers were conducted to gain insights about the structure, actions, perceptions and business models of companies operating this industry. All interviewees were executives from established companies and new participants in the industry to gain insights about the structure, actions, perceptions and business models of companies operating this industry.

Dynamic capabilities, business model innovation and transformation

Specialized publishers nowadays often have to compete with global corporations as Google, Amazon or Apple as well as with small, innovative start-ups which offer new approaches for customers and users. With their experience and expertise about their content and their target groups, though, specialized publishers can provide unique and valuable products and services when they adapt their processes and structure. This applies particularly for very specific target groups, local information and complex, individualized solutions. In this context, specialized publishers have advantages over new entrants and can build their business models on these value propositions. However, they cannot effectively seize such business opportunities without adapting to the new situation in the industry and reconfiguring their own resource base. By analyzing the interviews it became clear that such a transformation process is extremely difficult and can be influenced by various factors, varying from structural inertia in a company to mental models from managers.

Recommendations for change

The findings show e.g. that specialized publishers have understood the importance of business model innovation. In contrast to start-ups and technological companies from other industries, however, it is not a vital issue. Moreover, it is problematic for specialized publishers to recruit people who are capable of business model innovation and are familiar with digitalization and its effects. Thus, it becomes essential to change organizational structures, to become more dynamic and innovative and to find new business models which are more suited to a digital industry and customer and user behavior in this environment.
It became apparent that companies need to know exactly what their customers and users want and apply effective feedback and exchange processes with customers and users. One element of achieving a constant feedback and exchange process could be the usage of tools like Google Analytics for digital products and services. Moreover, the identification of substantial trends by deploying a systematic innovation management is a crucial task. Such an innovation management can also test new business models.

Business model innovation has been named as one central aspect for sustaining success in the future and companies should dedicate sufficient resources to this topic. Here, the regular application of dynamic and iterative trial and error processes can be a central step to quickly test new products, services and business models. However, such trial and error processes have to be combined with fast feedback and decision processes. Similarly, another proposition states that one potential approach for companies within the specialized industry may be to actively look across industry boundaries. With the usage of cross industry innovation firms may find valuable business models which can be adapted to the specialized publishing industry.

Another critical issue is the modularity of content which describes the fact that print, digital and mobile content should not be treated as completely separate areas. Instead, companies should try to establish processes and structures to provide modular content for all channels and devices from one operational unit and by this use their resources more efficient. In this context, collaboration between different departments within a company or cooperation between companies can play an important role, since both forms enable firms to foster knowledge exchange and transfer and help to work with limited resources. Furthermore, it seems to become crucial to possess technological and digital resources and competencies in order to provide targeted products and services. Thus, companies have to build these resources and use them to move beyond their existing business models. Although transformation is a complex undertaking, it is necessary when traditional business models and approaches prove to be less and less effective.

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