

Germany and US in B2B Publishing: A Comparison of Allies

I am honored by Deutsche Fachpresse's invitation to write on global trends and developments in B2B publishing for its annual *Jahrbuch der Deutschen Fachpresse* book. At IDG we publish more than 200 print titles, reaching more than 31 million readers worldwide, and have an online network that includes more than 460 global websites. Given the wide international reach of our organization, we do a lot of tracking, analyzing, and anticipating of global and regional media trends.

In some ways, the B2B publishing industries in the United States and Europe are not all that different. The Americas and EMEA dominate what industry analytics firm Outsell calls "Information Industry" revenues, with a combined 78% share. The regions respond similarly to global economic events, as demonstrated by their contractions of roughly 1% in the recession-heavy period of 2005-2010, while Asia Pacific continued to grow. The US and Europe are also leading innovations in media more broadly that impact the B2B segment: from the development of ad network technologies and new ad unit formats, to the rethinking of publishing business models and the re-invention of publications for mobile environments.

However, there are some interesting differences between the US and European markets worth noting. In the US, digital revenues are trumping print; whereas in Europe it is the opposite. We have seen this within our own organization, where digital is expected to comprise 60% of US publishing revenue but only 34% in Europe and 33% in Germany. Data from the larger media industry confirms these trends. A Jan 2011 report published by MagnaGlobal shows that in the US, online advertising revenues are second only to television advertising revenues; whereas in Germany and the rest of Europe they trail both television and newspaper revenues. That said, digital revenues are steadily climbing in Europe.

The strength of the paid content model in Germany and elsewhere in Europe presents another area of striking differentiation. In the United States, the market demands more free, albeit ad-supported, content. Whereas in Europe, consumers are more comfortable paying for content, resulting in stronger subscription and newsstand sales. It's unclear what accounts for this dichotomy, but it calls for different monetization strategies in each geography. By contrast, the lead generation revenue channel is equally robust in both the US and Germany.

Mobile presents an interesting area of similarities and differences between the US and Europe. In both regions mobile ad revenues are poised to experience explosive growth: 10x in Europe from a base of \$122M in 2010 (as reported by Smaato and mobileSQUARED), and 5X in the US from a base of \$877M (as reported by our sister company IDC). Moreover, handsets with an HTML browser are becoming the norm: comScore estimates that 48% of Americans and 61% of Western Europeans have handsets with an HTML browser. (The remainder have WAP browsers.)

That said, Europe has lagged the US in mobile *internet* penetration. The number of mobile users who access the mobile internet through browsers or applications was only 20% in the EU-5, but 34% in the US in 2010. eMarketer estimates that figure at 18% for Germany. However again, as a result of increased smartphone penetration and EU legislation that will make it less costly to consume data across European borders, mobile internet users are now growing faster in Europe than in the US. In fact, Germany is expected to lead the region in mobile internet users by 2013. Already mobile advertising campaigns grew tenfold in Germany between 2007 and 2009, and brands conducting mobile campaigns

grew fivefold between 2007 and 2009, according to a BVDW report published in Sept 2010. This will have significant implications for German marketers, publishers and developers.

As publishers, we have an opportunity embrace the unique character and form factor of the mobile environment to create experiences that delight and serve our readers in valuable ways. At the same time we grapple with how best to do this! Because of limited "real estate" on smartphone screens, tablets are proving to be perhaps the more intimidating of the two platforms for which to design. At IDG, we are carefully observing the industry's tablet publishing forays, noting both drivers of success and mediocrity. Through this process we have learned - as have many of our peers - that replication of print publications in tablet form fails to offer significant value-add for readers. This insight is prompting us to experiment with new publishing paradigms. It's very exciting, and very challenging!

On that note, I look forward to seeing what German engineering and innovation will continue to bring to the world of mobile utility! With one of the most highly skilled workforces in the world and a penchant for publishing excellence, German minds have much to contribute to the industry's collective product portfolio. IDG welcomes the opportunity to share ideas and collaborate with you.

Regards,
Bob Carrigan