Personalization friend or foe?

Personalization as a driver for innovative business models in the online news media market

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Abstract

Within the past years the online news media market is subject to rapid growth, with already 82% of Americans solely consuming their news online (Pew Research Center, 2012, p.2), the Internet has emerged into the main source of information. As new competitors are entering the online market news organizations are increasingly seeking ways to improve their strategic position in order to attract and retain customers. Especially personalization has been widely adopted by e-businesses as a driver for strategic concepts, which create increased value for users and thus foster the competitive advantage in the online market. Consequently it has gained growing attention by practitioners as well as academia. Although various personalization strategies have been implemented there are still major challenges in how to best design personalization concepts. This thesis aims at contributing to the current debate around personalization by investigating how it can function as a driver of innovating business models in the online news media market.

In order to examine in what ways personalization contributes to the strategic positioning of the online news media its implications for differentiation and lock-in are explored through conducting five best practice case studies paired with ten semi-structured expert interviews. The elaborated results were transformed into strategic solutions that can offer future perspectives on how to gain competitive advantage in the online news media market by personalizing content as well as online services. The results furthermore underline the growing potential of niche and participatory content as interlinking concepts complementing personalization and give insights into how this interplay of provisions can open up new pathways to monetizing on the readership of online news media platforms.

Key words: personalization, business model innovation, strategic positioning, differentiation, customer lock-in, recommendation systems, online news media

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I. INTRODUCTION

"The era of personalization has begun"*(Pariser, 2011, p.3)*

Since the so-called "digitization" (Picard, 2010) the publishing industry has been going through a period of turmoil. Resulting from current technological developments, new concepts and media platforms have emerged, which have drastically changed the competitive media landscape. Companies such as Google and Facebook have been able to profit from these developments. At the same time, traditional media providers have had difficulties adopting to the digitization and identifying ways to monetize their content.

Especially the newspaper industry faces a broad paradox, because the digital share is clearly growing, but still only providing a small part of the revenue, while the share that is shrinking, namely print, still provides most of the money (Greenslade, 2006). The industry has been struggling for years to meet the changes of the emergence of digital. Still current scholarship agrees that most online newspapers have yet to find a business strategy to successfully deliver their content online. Despite enormous efforts to classify business models, scholars have not been able to identify an applicable theoretical basis for innovating business models in the content industry. It has been argued that the business models of media are broken, because they were not able to "maintain their high revenues in the past years and new sources of income are needed" (Rothman, 2013, p.22).

On the contrary other scholars object this idea by emphasizing that the initial problem are not the revenue proportions of business models, but that the news industry is still "trying to sell 19th and 20th century products in the 21st century" (Collis, Olson & Furey, 2010, p.3). The initial fault seems to be that there is no change in the value provided or "in terms of the relationships within which they are provided" (Picard, 2010, p.10). As a potential solution to encounter the current changes of the industry, scholars have proposed that media companies need to ensure that they are providing "the central value that customers want" (Rothman, 2013, p.31), as well as their products and services in distinctive ways, which are "appropriate for the contemporary networked setting" (Rothman, 2013, p.31). Although the Internet provides great opportunities for online content, it has currently resulted in only limited monetization for news and general information providers so far. A main reason is that the online content tends to "disaggregate magazine and newspaper content, thus stripping it of the bundled value it creates in print" (Picard, 2010, p.10). To encounter these developments, a personalized content strategy that "doesn't diminish the value created by editors and journalists" (Picard, 2010, p.11) has been suggested as a possible solution by scholarship. Scholars like Pariser thus even proclaim that: "the era of personalization has begun" (Pariser, 2011, p.3). Consequently this Master thesis sets a focus on personalization and argues that personalization

is a potential solution to the occurring problems by offering great potential for market differentiation and customer lock-in, which are both strategies that can result in competitive advantage. It aims at investigating what kinds of personalization strategies could create real differentiating economic value for online news media and what potential pitfalls might be. Thus the main research question will explore:

> *How can the news media utilize personalization to strategically position itself in the online market to monetize on costumer segments?*

By referring to personalization as a potential solution, several challenges arise that are linked to the "consumption patterns of the online audience" (Thurman, 2011, p.13). Next to the challenge of creating unique and inimitable offers, a loyal readership is commonly acknowledged as being a key factor of the news industry (Picard, 2010). Thus the research in light of the Master thesis will focus on the customer and the creation of customer loyalty as a source for generating revenue. Studies have found online customers to be quite "promiscuous" (Pew Research Center, 2010, p.2), which transforms the building of loyalty on news websites into a complicated task. Several news media sites have already attempted the personalization of their content and services and started to collect user data. Famous examples for purely personalized website projects are the *New York Times*-sponsored "News.me" or the *Washignton Post's* "Trove". These websites "aggregate news and enables users to personalize their news stream based on their interests" (Lavrusik, 2011, para. 1).

By conducting case studies of current best practice examples knowledge about the various ways to encounter customer-based personalization will be gained. These cases will focus on best practices within the online news sphere, as well as other online businesses, that incorporate personalization such as Netflix and Spotify. In addition to initial case studies expert interviews give an estimation of the current situation as well as an outlook to the future. Both analyses are guided by a conceptual framework developed in section 2.8. It consists of a range of value drivers, which are part of selected building blocks that are expected to be found in the currently successful business models.

As already indicated in the above and deepened in the following theoretical framework, the developed research questions in section 2.7 support the underlying assumption of this research. It is assumed that personalization can be the trigger for innovating different parts of the online news media's business model, which can lead to a strengthened strategic position in the market. Furthermore it is suggested that personalization has implications for important value drivers incorporated in current business models, which can potentially contribute to the differentiation of the news platform or the lock-in of customers. Both concepts are presented as valuable tactics to gain competitive advantage, which can result in the attraction of new paying customers or foster the customer loyalty, which triggers the generation of revenue. Evolving from the literature presented in the following it is assumed that differentiation and lock-in function as two interlinking concepts. It is

furthermore suggested that differentiation can function as a specific driver to attract and retain customers, while strategic lock-in fosters customer loyalty, when innovating business models. The interplay between personalization and the strategic positioning of the news media in the online sphere will thus be investigated further in the realm of this research. The following chapter will give a more detailed outlook on the relevance of this research and the current issues the news and content industry faces.

1.1 Social Relevance

The rapid transformation of the news sector has impacted not only a whole industry, but also the function of news itself in society. The foremost biggest issue is that the audience is giving less time to the consumption of traditional news media (Pew Research Center, 2013, p. 21). Advocates of quality journalism point out that: "there will always remain a need for news organizations to carry out in-depth analysis of news and events" (Currah, 2009, p.51). But it is undeniable that the distribution channels and the consumption of news is undergoing a massive change. Online news media has emerged as one of the most promising distribution channels, but it remains unclear how the media industry can monetize on it and in the end ensure their survival. Another concern is the scholarly discussed loss of serendipity. As new filtering systems for content and information, i.e. social media networks, have emerged there is a common fear that these developments could result in a decrease of diversity and quality (Pariser, 2011). Personalization is thus highly debated as "reducing exposure to alternative points of view" (Sunstein, 2007, p.191), which can potentially lead to a "reduction in our ability to build productive social capital" (Pariser, 2011, p.16–17), and the "weakening of deliberative democracy" (Sunstein, 2007, p.144).

On the contrary it has been argued that personalization "is a natural step in the process of segmentation of content towards different target groups and interests" (Sunstein, 2007, p.144), that has been constantly moving forward in the past decades driven by "segmented channels and narrow cast" (Sunstein, 2007, p.144). Some scholars have emphasized two important conflicts that surround personalization: firstly the gap between "media providers' interests in controlling the brand experience via a specific mix of news and the idea of personalization" (Thurman, 2011, p.14) and secondly the differences between "the promise of personalisation and the economy of scale in news production" (Thurman, 2011, p.14). These conflicts illustrate the extensive consequences of personalizing online content platforms, as it will change the "power relationships in editorial gate-keeping" (Pariser, 2011, p.43) by giving more power to the readers. Personalization thus impacts the role and practices of future journalism and the way news and democratic processes are channeled and perceived.

Contrary to the negative implications in the course of this thesis it is argued that personalization can be a potential key to "building up audiences" (Thurman, 2011, p.3) and "shift revenues from search providers and content aggregators" (Thurman, 2011, p.3) back to high quality content producers, which contributes massively to democratic society by providing serendipity. This Master thesis will thus contribute to this debate by exploring new pathways for the news industry to regain leadership in providing serendipity to their readers.

1.2 Scientific Relevance

While personalization has been extensively discussed in marketing scholarship and celebrated as a potential solution for the problems, which mass marketing has faced in recent years (Schultz and Quiring, 2005), it has barely been subject to media or journalism scholarship so far (Thurman, 2011). Especially since the Internet induces new challenges to traditional companies, the development and evaluation of new business models is essential. Porter, as one of the most important scholars concerned with strategic positioning, concluded that the Internet has affected lots of business models, because of the "lowered barrier to entry" (Porter, 2001, p.11). In an attempt to develop a more personal relationship with their audience the news industry has increasingly picked up on the notion for personalization and started to expand their offerings to the online sphere and "constructed different segments that can be targeted with different content" (Ricci et al., 2011, p.113). Media personalization technologies have increasingly gained weight in scholarly discussions, but still their implications for current business models have not been emphasized adequately. Instead in media scholarship the majority of literature focuses more on "strategies for preserving the old model of the newspaper industry rather than pushing for radical changes" (Sterling 2008, p.112). Johnson, Christensen, et al. (2008) reason that this kind of mindset is "prohibiting firms from creating new processes" (p.42). Authors such as Ricci et al. (2011) criticize that especially the innovation concerning the content side "tends to revert back to the status quo" (p.22), thus not facing the current challenges by adapting digital business models.

This makes the revising and innovation of common theoretical assumptions about online news media business models a necessity for scholarship as well as business practice. The research of this Master thesis will try to address the scientific gap of identifying strategies to innovate business models in the content industry by assessing best practice examples and gaining expert opinions. The identification of relevant success factors will contribute to the current discourse around the transformation of the media industry and give perspectives for innovating online news media business models on the basis of personalization.

1.3 Thesis Layout

The research in the realm of this Master thesis aims at investigating the role of personalization when strategically positioning the news media in the online sphere. The thesis is organized as follows: firstly the theoretical framework will define personalization as a driver for innovation, strategic path dependence theory offers insights into current shifts within the news media industry leading to a current management lock-in, which strongly influences the strategic position of the news media. Following up on that the two interlinking strategic concepts differentiation and strategic lock-in are introduced under the umbrella of strategy scholarship, which builds the theoretical fundament of this research. These strategies will be translated into business model elements and value drivers, which allow the measurement and thus the identification of differentiation and lock-in strategies within the selected cases and assist the creation of semi-structured interview questions, as illustrated in the conceptual framework. Following up on that the resulting sub-questions which are based on business model buildings blocks in order to guide the investigation of how personalization can drive the strategic position of news media platforms in the online market will be introduced.

Chapter III. will provide the methodology section with a description of the chosen qualitative analytical methods, pattern matching and thematic analysis along with the selection criteria for the initial best practice cases and expert interview partners. The following result section will present the findings gained through case studies and expert interviews in order to enlighten, which provisions qualify to improve the strategic position of news media platforms in the online market. It will furthermore bear insights into a possible characterization of themes revealing their potential to function as value drivers for lock-in or differentiation strategies.

In a final step the gained results will be converged into overarching concepts, which will be interconnected to previous theoretical assumptions in order to answer the main research question guiding this Master thesis. Chapter VII. will thus deliver new insights by converting the research findings into valuable strategic solutions of how online news media business models can be innovated based on personalization.

II. THEORETICAL FRAMEWORK

In the following theoretical framework some of the most relevant theories relating to the initial research of this Master thesis will be briefly introduced. As already noted in the introduction the thesis will investigate how data-driven personalization can be utilized as a value creating strategy for the news media that can attract and retain users in the online market, the underlying argument being that differentiation and strategic lock-in are key factors in gaining competitive advantage.

Emanating from strategy scholarship the theoretical framework is thus built on two main pillars: strategic positioning and business model innovation. As the literature review will further attest, strategy and business modeling are two interlinking concepts, that combined can lead to the competitive advantage necessary for companies to succeed in their market, which generates revenues. Concerning strategy literature the theoretical framework in the realm of this Master thesis will investigate the potential of two important strategic concepts, namely differentiation and strategic lock-in. The following paragraphs will thus broadly introduce the underlying assumptions about the importance of differentiation, as well as the role of strategic lock-in, in order to create competitive advantage for a business and create value for customers.

Following up on that, business model innovation will be presented as a new practical approach endorsing the main principals of strategic positioning and it will be outlined how the innovation of selected building blocks of a business model can contribute to the initial goal of value creation. This Master thesis assumes that certain selected value factors drive the personalization of the content platform, which leads to a strong strategic position in terms of differentiation and strategic lock-in. These two concepts finally drive the generation of revenue streams and thus contribute to the long-term success of a business. The theoretical assumptions made are building the basis for the research incorporated in this Master thesis, which will finally investigate the implications of personalization for successful strategic positioning through business model innovation in the online news media. A link will be created as of how personalization can be utilized as a differentiation, as well as a successful lock-in strategy, when innovating business models in the online news media industry.

2.1 Defining Personalization

Current developments in information technologies have opened up new opportunities to "collect and analyze customer data and implement the personalization of products and services" (Vesanen & Raulas, 2006, p. 53). Nowadays personalization has become a widely used term not only in scholarship, but also in common marketing practices. Still although it has been declared as a "characteristic of digital networked media" (Thurman, 2011, p.24), definitions vary broadly and

remain rudimentary. Often it has been operationalized as a part of 'interactivity', which does not do the concept of personalization justice. The Master thesis will transfer the concept of personalization to the online news media, while employing the following definition throughout the initial research. In a general attempt by Roberts (2003), he defines personalization as: "The process of producing a product, service, or communication to the exact specifications/desires of the purchaser or recipient" (p. 462).

In addition to a general definition of personalization, scholarship has argued for a differentiation between personalization and customization. Cörner notes that: "Personalization is performed by the company and is based on a match of categorized content to profiled users. Customization is a form of personalization which is done by the customer." (Cörner, 2003, p.152). This differentiation bears some interesting implications, which relates to the difference between implicit and explicit personalization recommendation systems, which will be elucidated in section 2.6.3.1. Furthermore scholarship agrees that the urge to personalize has been largely driven by the advertising industry as especially marketers try to meet customer's expectations (Roman & Hernstein, 2004), because of "the expected benefits of one to one marketing and customer relationship management" (Roman & Hernstein, 2004, p.94). But increasingly personalized business models have paved their way into the content and news media industry. As theories on the media landscape have agreed: "mass news media are relatively homogeneous in their output" (McNair, 2009, p.4). Thus personalization bears the potential of a significant increase in content diversity by stripping away common gatekeeping mechanisms carried out by journalists. Considering the dynamics of the internet, personalization furthermore allows a development towards business models that align with the realms of a renewed advertising industry, which focuses on "cost-per-click (CPC) revenue models and puts content suppliers under pressure to maximize the relevance of content to individual users" (Thurman, 2011,p.3).

The research in the course of the Master thesis picks up on the current discussion about personalization by exploring different strategic pathways to innovate online news media business models through personalization.

2.2 Path dependence theory

The path dependence theory focuses on the strategic decisions made by companies on the management level and can offer valuable insights into why certain businesses fail or are a succeed by discovering "strategic activities and decisions made on certain strategic paths" (Rothman, 2013, p.11) when positioning a company in the market. Path dependence theory is strongly determined by the fact that the "choices in the future will be limited by investments today" (Shapiro & Varian, 1999, p.

32), thus it strongly links to a path dependent outlook on the process of strategic positioning. One of the main assumptions of path dependence theory is to regard the creation of strategic options as an "ongoing process", instead of being simply given. Consequently scholarship has attested that "the creation of strategic options is especially relevant to create a successful business, because re-creating options is considered to be a precondition for overcoming an unsuccessful strategic pattern" (Rothman, 2013, p.11).

The theory originated in an "economic context and initially explained why inferior and inefficient technological standards can persist despite available alternatives" (Rothman, 2013, p.11). Over the years it was transformed towards the conceptual lens of strategic management, which focuses on the scope of action and decisions by relevant actors. Path dependence theory tries to discover the stages that can potentially shape a company's strategic path and thus offers perspectives on the strategic level. In the context of this Master thesis, the theory thus helps to understand the implications of strategically positioning content products in order to achieve strategic goals like customer lock-in or differentiation. In addition it assists in locating the role of innovation in strategic positioning.

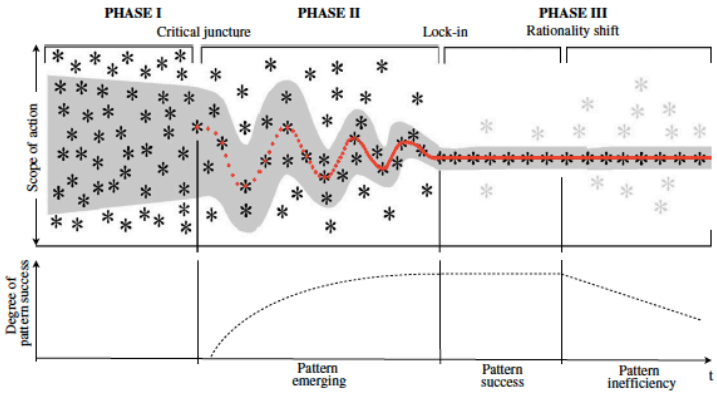

Fig. 1: Path dependence theory (Rothman, 2013,p.11)

The development of management lock-in is separated into three stages. The first stage is the so-called preformation phase, this indicates that an "organization's strategic scope of action is narrowed only slightly by historical imprints" (Blaabjerg, Thrane & Müller, 2010, p.11).
In the following phase—the formation phase—"the emergence of a specific strategic pattern becomes more probable due to the effects of self-reinforcing mechanisms" (Rothman, 2013, p.35). These mechanisms can occur in different forms such as "complementarity effects, learning effects, as well as network effects or economies of scale on the technological level" (Schreyög, Sydow, Koch, 2009, p. 111). The final stage of the initial process is the management lock-in. It is the point when an organization "depends on the strategic pattern that has evolved and is therefore locked into their strategic path" (Rothman, 2013, p.35). Rothman points out that increasingly studies have conceptualized "the lock-in phase for example to explain how paths become broken or could be extended" (Rothman, 2013, p.35). In light of this research the concept of management lock-in will be transferred to the news media. Scholarship has argued that the strategic path of the news media has

become broken, because of technological changes and new competitors entering their market, which leads to a vertical disintegration of the news value chain (Benton, 2011, para.5). Picking up on Gilbert and Ure (2005) this thesis reasons that: "the news industry, in the quest to save their old business model have failed to capture the growth opportunities created by disruption" (p.14). This failure of adopting to disruption has in return caused the decline of advertising revenues and an increased "reluctance of news consumers to pay for online content" (Thurman, 2011, p. 12). Thus scholarship around path dependence theory has argued for the need to innovate in order to "extend and change strategic paths" (Rothman, 2013, p.35), which can help to reverse current trends and restore success.

This Master thesis consequently mainly utilizes the concept of path dependence by focusing on the initial management lock-in phase and trying to explore new ways of how to extend the strategic path of online news media through innovation. By arguing for the reconstruction of paths through innovation, path dependence theory functions as a theoretical umbrella to guide the following research. To extend the given path of the news industry this thesis suggests innovation as a driving force of strategic positioning and path extension. In this context innovation is understood as an action, which potentially leads to "new product and processes" (Daneels, 2002, p. 1096). To achieve this goal strategies are required that allow to shape and reshape parts of the initial business model, through so-called business model innovation. A valuable path to exploring the potential of innovation in the context is the business model canvas, which will build a constructive basis for the conceptual framework created in the realm of this research and will thus help to guide the analysis. As stated in the introduction of this research the challenges for content and especially online news media providers consists in "creating new options for strategic action" (Rothman, 2013, p.35) through strategic positioning. To do so the two strategic pathways differentiation and customer lock-in are at focus of this research and will be elucidated in the following chapter.

2.3 STRATEGY

2.3.1 Understanding Strategic Positioning

The research in the realm of this Master thesis is rooted in strategy literature. Here scholars have advocated the importance of gaining competitive advantage through strategic positioning (Porter, 1980, 1996, 1998; Wen and Chen, 2011). Competition has been identified as being the source for creating and sustaining successful business models and has been given extensive attention by economic scholarship. Especially scholars of the so-called positioning school (Alipour et al., 2010; Ng et al., 2005) stress the importance of examining competitive advantage for strategy formulation

(Juga et al., 2008). It departs from the notion that "access to valuable, rare, inimitable, resources leads to a competitive advantage" (Newbert et al., 2008, p.22)

One of the most famous scholars in strategy is Michael E. Porter, who defined competitive advantage as being something "unique that is valuable to buyers beyond simply offering a low price" (Porter, 2008, p.1). To gain competitive advantage the strategic positioning of a company has been identified as being an essential driver for success. According to Porter "strategic positioning attempts to achieve sustainable competitive advantage by preserving what is distinctive about a company. It means performing different activities from rivals, or performing similar activities in different ways" (Porter, 2008, p.14). Other scholars have pointed out the importance of this long-term process that asks to identify its place in the industry "in relation to its vision, mission and core competencies" (Hooley, 2001, p.42).

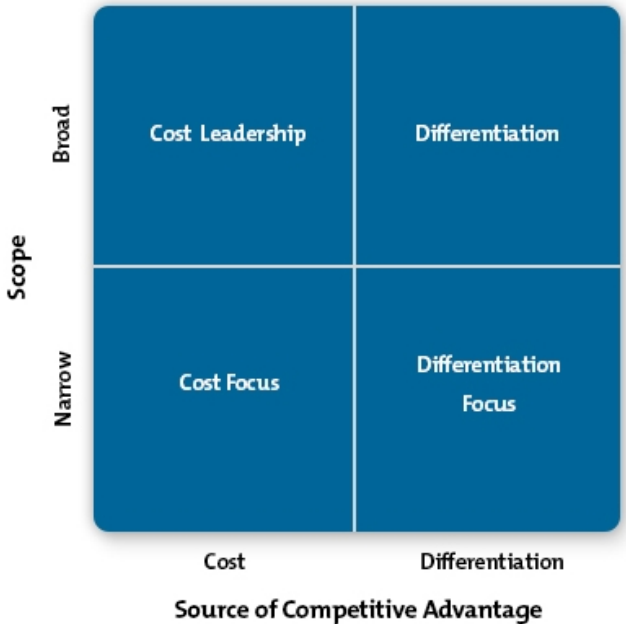

Fig. 2: Competitive Advantage (Treece, 2010, p. 152)

To approach strategic positioning, Porter introduced a valuable framework, distinguishing between cost leadership, focus and differentiation (Porter, 1998). While cost leadership is based on the achievement of the lowest price possible in the supply chain, focus suggests the introduction of a specific target group when offering products. The third factor influencing a substantial positioning strategy is differentiation, meaning the specialization on a unique value proposition (Porter, 1985). Value is defined as the "amount that consumers are willing to pay for the services of a company" (Porter, 1985, p.5). Along these lines a company is considered to be profitable only if the value is higher than the costs that are involved in creating the product (Porter, 1985).

Finally by delivering a unique value to the consumer "differentiation allows the firm to command a premium price, to sell more of its product at a given price, or to gain equivalent benefits such as greater buyer loyalty during cyclical or seasonal downturns" (Porter, 1998, p.32). Porter finally declared differentiation to be the most sustainable one of the three strategies, as it can sustain itself in dynamic environments, because of its underlying implications, such as pricing strategies and customer loyalty. (Porter, 2001)

Consequently strategy scholarship recommends organizations to work continually on identifying "new ways to differentiate themselves" (Smith & Sharif, 2007). To do so a company must

recognize “competitive advantage possibilities in a specific industry“, by gaining insights into “success factors that prevail in that industry“ (Barbiroli & Focacci, 2003, p. 1203). This Master thesis picks up on this notion by focusing on investigating success factors of currently successful content business models through case studies and exploring future success scenarios through expert interviews.

Next to differentiation a competitive advantage through strategic positioning “might accrue through customer value creation“ (Cooper, 2001, p. 19), which is mainly triggered by a mix of differentiation and customer lock-in. Scholarship has pointed out the immense complexity of the customer value construct, as it is very challenging to determine how customers value a particular product or service (Smith & Colgate, 2007). Still it emphasizes the important position of the customer, who is not only seeking a differentiated and unique product or service, but also one that is creating significant value for him. Following these assumptions it is necessary for an organization to differentiate itself from competitors, as well understanding the needs of the customer (O’Cass & Ngo, 2011).

In this sense Amit and Zott (2001) have especially pointed out the importance of differentiation strategies in an e-business environment, which can create value for customers and the organization for example through strategic lock-ins (Amit & Zott, 2001). Building up on these underlying assumptions about the advantages of differentiation and value creation, the research in the course of this Master thesis thus focuses on differentiation and strategic lock-in as two interlinking key elements driving a successful strategic positioning.

Drawing from the previous, strategy literature thus underlines that a superior strategic positioning is a key pathway towards generating revenues on the basis of gaining competitive advantage by creating value for the customer, which makes it an essential theory guiding the research in order to approach the main research question.

2.3.2 Differentiation in Strategic Positioning

With its lowered barrier to entry and switching costs the Internet has encouraged e-businesses of any kind to increasingly follow differentiation strategies instead of simply relying on strategies of cost leadership and price competition. While mediocore services and products have previously been tolerated “due to high switching costs“ (Poter, 2001, p.1), the digital environment has shifted significant power to the user. As emphasized by Porter (2001) consumers enjoy greater access to “information that was previously impossible to obtain or to compare, and can, with just a few mouse clicks, easily switch to firms that offer additional value through differentiated features“ (p.1). Departing from this notion, differentiation has thus been suggested by various strategy

scholars as an essential driver for a successful strategic positioning in the online sphere, which illustrates its relevance in the realm of this research.

Bruneel et al. (2012) point out the concept's ability to offer new possibilities for gaining competitive advantage and state that only " if offerings are successfully differentiated, then customers will not see other products as competing directly" (p.49). Differentiation is thus not only a strategy, which enables customer loyalty, but can contribute to gaining new significant customers. Clemons et al. (2003) address the advantages of differentiation by stating that: "as consumers' preferences for an individual product increase, differentiation will make products and services less interchangeable, reducing direct competition and increasing margins" (p.12). They argue that differentiation mostly triggers competitive advantage by offering "delight" to customers. The delight-based concept introduced by Clemons et al. (2003) relates in its core to the concept of customer value creation, as it focuses on the power and role of the customer. According to the authors delight can take various forms, but mostly it is about delivering "a perfect fit with the customer's expectations, desires and delivering an extra bit of service" (p.12). Scholars have stressed that the implementation of a delight-based strategy involves "developing customers' willingness to pay a premium for your product or service" (Armstrong & Kotler , 2006, p.235), which illustrates the potential of gaining new pathways to monetization.

Three different steps to delivering delight can be distinguished. A first approach is to focus on "premium products and a selected niche, whereas a second effort is to involve "customers as co-designers", which means that "customer is involved in specifying what is to be delivered" (Clemons et al. 2003, p.14). Finally a third approach to offering delight is described as "supporting multiple niches" (Clemons et al., 2003, p.14) or versioning (Kotler & Armstrong, 2006, p.235). Here each customer "finds a choice designed specifically for him" (Clemons et al., 2003, p.14). The multiple niche approach has gained popularity, especially among e-businesses (Bergemann & Bonatti, 2011), since modern information technology allows "automated provision of pseudo-intimacy, tracking customers' history so that the illusion of an equivalent level of intimacy can be created" (Clemons et al., 2003, p.15). With the aim to differentiate on the basis of creating value for the customer a delight-based differentiation strategy thus reveals valuable implications for the indentation of personalization and differentiation. These findings consequently suggest that the concept of differentiation functions as a key driver in strategy literature by assembling competitive advantage on the basis of creating delight. What role personalization plays and in what ways it can contribute to a differentiation strategy within online platforms will be elucidated in the following chapter.

2.3.2.1 Personalization & differentiation

Strategy scholars like Porter (2001) have increasingly argued for the difficulty of following a differentiation strategy in the online market, "since they lack many potential points of distinction such as showrooms, sales personnel, and service departments" (p.4). He furthermore stressed that this causes the necessity for online players to "demonstrate that they provide real benefits for customers" (Porter, 2001). Clay et al. (2002) accordingly suggest that e-platforms "should take advantage of the Internet's ability to support convenience, speed and interactive service" by employing the differentiation factors "reliability and convenience" (p.342). In addition they identify "trust, credibility, and brand recognition" as even more important drivers in the online sphere, as "there is often little or no physical contact between customers and the company" (Clay et al., 2002, p.342).

In more recent years personalization has emerged into a key advantage of the online sphere, diverting most of these concerns as it bears growing implications of learning the user's individual needs, thus improving differentiating factors such as reliability and convenience. Assuming that personalization will lead to an increased creation of delight some of the benefits for the customer are quite obvious and include: "better preference match, better products, better service, better communication and better experience" (Allen et al., 2001; Cöner, 2003).

These benefits of personalization have already been employed successfully in the business models of various information industry branches evolving on the Internet, such as gaming, TV, education or the music industry. New platforms such as Netflix, Facebook or Flickr have changed and threatened the respective markets through their personalized business models suggesting the adaptability of personalization as a key driver within the online news media market. Still it has to be considered that personalization bears costs for the customer like "privacy risks, spam risks, spent time, extra fees and waiting time" (Bardaki & Whitelock, 2004, p.397). On the supplier side the value of personalization manifests itself in the margin between benefits and costs. This again stresses the necessity of benefits exceeding costs, because only then personalization can create value for customer (Simonson, 2005), which is the prerequisite for a successful personalization. Potential costs always have to be considered, such as "investments in technology, the risk of irritating customers, and brand conflict" (Roman & Hernstein, 2004, p.83). On the other hand personalization bears immense benefits for the supplier, which include a "higher price from the product/service, better response rates" (Bardaki & Whitelock, 2003, p.392) through the "increased knowledge on user's habits and interests" (Thurman, 2011, p. 24). In the course of the research conducted within this Master thesis, personalization is thus considered as a key factor in gaining competitive advantage through differentiation, which works in tandem with further processes such as the mentioned

strategic-lock in. As pointed out in the previous, this thesis will focus on the two strategic concepts of differentiation and strategic lock-in, as they both resemble two main pillars of strategic positioning. In the following section the concept of strategic lock-in will thus be introduced, accompanied by the underlying concepts

2.3.3 Strategic Lock-In

In order to gain an understanding of how strategic positioning can be performed strategic lock-in has to be considered as an interlinking concept that can compliment differentiation and also ensures the creation of value within a company. As this Master thesis focuses on how personalization influences the strategic concepts of differentiation and lock-in, the implications personalization has on lock-in will be briefly described in section 2.3.3.1.

Business scholarship has emphasized on the significance of creating value by motivating "customers to engage in repeat transactions" (Amit & Zott, p.15). One possibility to meet these needs is a so-called lock-in strategy. Gaining popularity in the 1990s, the concept of customer lock-in has been declared to be the emerging "norm in the information economy" (Shapiro & Varian, 1998, p. 11).

Shapiro and Varian (1998) characterize it as a successful business strategy, especially for e-businesses in the information economy. The authors point out that: "whenever the costs of switching from one brand of technology to another are substantial, users face lock-in" (p.105). Strategic lock-in is thus strongly linked to the concept of switching costs, which are said to occur "if a product becomes ubiquitous, so that it is very costly to switch to something new" (Shapiro & Varian, 1998, p. 47). More concretely it is the investment of time, money and effort that, in customers' perception, make it difficult to switch" (Aspinall, Nancarrow & Stone, 2001, p.2). By building up high switching costs for the customer the lock-in prevents "the migration of customers and strategic partners to competitors" (Amit & Zott, 2001, p.15). According to common scholarship "total switching costs include those borne by the consumer to switch suppliers and those borne by the new supplier to serve the new consumer" (Shapiro & Varian, 1998, p. 47). Furthermore the customer-base has been identified as the key asset for a successful lock-in, as "switching costs must be evaluated relative to revenues on a per- customer basis" (Shapiro & Varian, 1998, p. 105). Consequently strategic lock-in can be strongly determined by the customer relationships a company fosters and has often times been denominated as a tool to ensure customer loyalty. Customer loyalty is mostly defined as long-term "commitment" (Apinall, Nancarrow & Stone, 2001, p.2) of a customer towards a company. Scholars have thus attested the importance of satisfaction of the customers as a strong predictor of the emergence of customer loyalty. Fornell et al. (2006) have argued that only a satisfied customer "returns and tells other people about their experiences which leads to a stronger competitive

position, resulting in higher market share and profit“ (Fornell, Mithas, Forrest, Morgeson &Krishnan, 2006, p.27). Especially for e-service providers, customer loyalty has been “recognized as a key path to profitability“ (Srinivasan et al. 2002, p.12). Additionally scholarship has emphasized that: “switching barriers are also likely to influence retention“ (Apinall, Nancarrow & Stone, 2001, p.2). Scholars like Gremler and Brown (1996) even identified switching costs as a main “antecedent of customer loyalty“ (p. 55).

Thus Lock-in has been considered as a valuable strategy to build up switching barriers and switching costs for the customer. To achieve lock-in and consequently long-term customer loyalty, a business mainly has to offer benefits to the customer. Amit and Zott (2001) stressed that: “the higher the relative benefits offered to customers, the higher their incentives to stick with or join the network established by the business” (p.35). They have pointed out that: “switching costs are the norm, not the exception, in the information economy“ (Amit & Zott, 2001, p.42), as the variety of options to access services increases. The following chapter will elucidate how personalization can be intertwined with strategic lock-in and in what ways personalization can contribute to increase benefits for the customer, which foster the loyalty needed to lock-in users.

2.3.3.1 Personalization & lock-in

Shapiro and Varian (1999) state that to obtain an actual superior financial performance in the market through lock-in, the key still is “the same as in other markets: by coupling it with product differentiation“ (p.5). A distinct strategy that can assist to successfully create lock-in is adding value by establishing “trustful relationships with customers” (Treece, 2010, p.5) through their learning of i.e. websites. Smith, Bailey, and Brynjolfsson (1999) point out that once the learning of the customer has begun it “inhibits customers from switching to other sites” (p.112). This argument gains weight when possibilities of “personalization initiated by the e-business” (Amit & Zott, 2001, p.33) are considered. Amit & Zott (2001) have proofed the correlation between “enabling customers to customize products, services, or information to their individual needs in a variety of ways” (Amit & Zott, 2001, p.33) and the enhancement of lock-in. Although scholars like Ho (2006) have pointed out that: “personalization cannot attract new users from high-involvement sites such as network games and online chat rooms“ (p.135), findings by Tam and Ho (2006) emphasize the significance of personalization, to increase customer satisfaction. Following this approach studies concerned with customer satisfaction index (CSI) models, such as the European Customer Satisfaction Index (ECSI) underline that: “personalization and customization experience results in customer satisfaction, which is a factor of customer loyalty“ (Ball et al., 2006, p.401 contributing to the lock-in of users. This gives a first hint as of how personalization can be utilized to create value among online platforms, which facilitates the lock-in of users.

In addition to personalized relationships other ways of adding value have been identified, which can be connected to lock-in, such as complementarities. Complementary products and services "may serve to attract and retain customers and partners" (Treece, 2010, p. 5). Furthermore "when an e-business creates lock-in, this can also have positive effects"(Amit & Zott, 2001, p.33) on other propositions such as the efficiency of the platform. For instance auction sites can be considered as illustrative examples. They provide a platform for buyers to rate the initial sellers and consequently enhance the buyer's trust "in the fairness of transactions and therefore fosters stickiness" (Shapiro &Varian, 1999, p.62). In this case a lock-in cycle is activated, because strong "potential for lock-in provides an incentive for high-profile partners to contribute complementary products and services because of the promise of high-volume (repeat) business" (Shapiro and Varian, 1999, p.62). Here "an informational advantage in reaching or identifying customers based on customized sales of other products" (Amit & Zott, 2011, p.21) is build. Amit and Zott (2001) have consequently hypothesized that: "the potential value of an e-business depends on the combined effects of different value drivers" (p.35). More importantly the examples imply the growing potential and role of personalization in the initial lock-in process, which is investigated further within this research.

2.4 BUSINESS MODEL INNOVATION

The concept of business model innovation has been chosen as the second theoretical pillar that guides the research employed in this Master thesis. The concept of a business model is not a classic economic concept and "lacks theoretical grounding in economics or in business studies" (Treece, 2010, p.5). Literature around business models has only emerged in recent years, pointing out that this new approach is often "necessitated by technological innovation" (Treece, 2010, p.7, which results in the need for innovative business models and "the opportunity to satisfy unrequited customer needs" (Treece, 2010, p.7). A business model is commonly characterized as "defining how the enterprise creates and delivers value to customers, and then converts payments received to profits (Amit & Zott, 2001, p. 493). It is the business model that "outlines the business logic required to earn a profit" and also defines "the way the enterprise 'goes to market`'" (Treece, 2010, p.7).

Additionally scholars have attested that a firm's initial business model determines an organization's strategic path, but it is strongly dependent on "external forces" (Chesbrough, 2010, p.345). Thus because of their conceptual outlooks business models have been said to "function as the organizational glue" (Clemons, 2009,p. 18) between the path dependency of a company and its external environment. As the externalities of a company are constantly changing, "business models must be capable of redesign and adaption"(Chesbrough, 2010, p.345).

Consequently the development of a differentiated and efficient business model has been discussed to be a valuable key factor in producing actual profits and competitive advantage, especially "if the model is sufficiently differentiated and hard to replicate for incumbents and new entrants alike" (Treece, 2010, p.8). Still it has to be noted that a business model should not be equated with a strategy. According to Amit and Zott (2001) a good business model "will provide considerable value to the customer and collect a viable portion of this in revenues" (p. 502). Considering that a business model is said to be more "generic" than a business strategy, scholars have stressed the importance of "coupling strategy analysis with business model analysis in order to protect whatever competitive advantage results from the design and implementation of new business models." (Treece, 2010; p.15) To do so different steps emerging from strategy analysis, have to be combined such as market segmentation, the creation of value propositions and "setting up the apparatus to deliver that value" (Amit & Zott, 2001, p. 517).

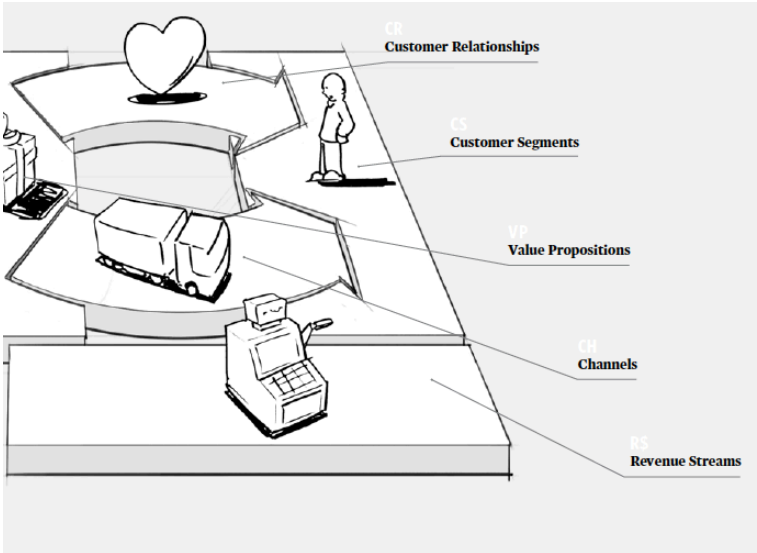

Fig.3: Business Model Canvas (Osterwalder & Pigneur, 2010, p.13)

Based on these new attempts concerning business model innovation, the business model canvas, developed by Osterwalder and Pigneur (2010) will be utilized to guide this research by delivering valuable research units that will help to construct sub- question, which allow to approximate the main research question. The canvas introduced by Osterwalder and Pigneur consists of nine building blocks that are meant to be used as "a template for designing business models" (Osterwalder and Pigneur, 2010, p. 24). These building blocks consist of "key- partners, -resources and activities, cost structure, customer segmentation, value propositions, distribution channels, customer relationships and revenue streams." (Osterwalder and Pigneur, 2010, p.24). Thus trying to explain the contributing factors of a successful business model.

To investigate the potential possibilities of new business models for the new media industry in the online market based on personalization, only four building blocks will be selected to operationalize a feasible methodological framework in the course of the Master thesis. Scholarship has widely advocated to put "the customer at the center of business model reinvention" (Best 2009, p.211). Thus this research mainly focuses on monetization through the customer and the

corresponding customer building blocks, which are: customer relationships, customer segments, value propositions and revenue streams. The following section 2.5 will identify corresponding value drivers, which relate to the selected business model building blocks and function as research dimensions contributing to the creation of a valuable conceptual framework guiding this research.

2.5 Selected value drivers and revenue models in the online news media

Drawing from Amit and Zott (2001) who stress that: "the potential value of an e-business depends on the combined effects of different value drivers" (p.35) the following chapter will allow an overview of potential value drivers within the news media industry, which in parts have already been indicated within chapter 2.3.21 and 2.3.3.1 as contributors to the value creation within e-businesses. Especially since the creation of value is a major part of strategic positioning (Amit & Zott, 2001), the identified elements will serve as guiding patterns in the realm of operationalization and the case study analysis of this Master thesis. Business literature increasingly advocates "putting the customer at the center of business model reinvention" (Best 2009; Johnson, Christensen and Kagermann 2008; Sterling 2008).

Thus this research focuses on the customer building block of the business model canvas by Osterwalder & Pigneur (2010). It will be investigated how the online news media can gain competitive advantage by innovating their business model based on personalizing their value propositions, customer segments, customer relationship and revenue streams with a special focus on monetizing on the customer. These four building blocks will guide the analysis by functioning as research units in order to transfer theoretical concepts. This contributes to the main assumption that personalization enables pathways to differentiate online news media platforms, as well as trigger the lock in of the customer, which consequently leads to higher return on investments. The value drivers have therefore been chosen according to their relevance within the selected building blocks.

As already elucidated, factors such as brand identity as well as complementarities play a key role as value propositions in the realm of strategic-lock (Shapiro & Varian, 1999, p.62), complemented by localization, which is currently emerging as a new proposition in the online news media market. Focusing on customer segments the role of data aggregation and the possibilities of processing this data will deliver insights into how personalization can shape the segmentation of customers and target them specifically. Investigating how personalization alters and affects customer relationships it will be discussed in what ways implicit and explicit personalization recommendation systems, as well as co-creation can function as forms of personalization. In a final step four relevant revenue models will allow the investigation of individual pricing strategies, which relates strongly to the given outlook of exploring ways of monetizing through the customer. Thus the elements bundled

to valuable research elements enable the investigation of various interlinking concepts, which contribute to the innovation of different building blocks within current e-business models in the online news sphere and can thus assist the news industry to adjust their strategic paths.

2.5.1 Innovation of Customer Segments

Within this business model building block it is defined for whom and how businesses can create value (Osterwalder & Pigneur, 2010). The aim is to investigate how customers can be divided into specific segments, based on common behavioral characteristics and needs.
Scholars have emphasized that the targeting of customer segments can significantly "improve effective value recognition by the customer" (Dubosson-Torbay et al., 2002, p.7), which leads to an increased necessity for businesses to create value for their key customer segments. With the possibilities to gather broad sets of data about users, digitization has enabled businesses to increasingly narrow down their customer segments and cater to smaller niches. This thesis thus argues that data aggregation is an important driver to segment customers in order to personalize their services.

2.5.1.1 Data Aggregation

The information economy inherently lives from gathering essential datasets about the customer and user. Data mining or data aggregation is defined as: "the process of using computers to identify hidden patterns in, and to build models from, large data sets" (Erdem, 2008, p.1111). The collected data makes it "possible to track the changes in behavior, preferences, demands, and desires of the customers" (Erdem, 2008, p.1111). By gathering targeted information about the customer the needs of the user cannot only be detected, but enable companies to design and shape their content accordingly to create value for the customer. Thus data aggregation allows to increase the accuracy of differentiating the initial product from competitors and is considered an essential factor of value creation. In accordance with these finding this Master thesis argues that the aggregation of data can be utilized to personalize online platforms, which if performed successfully can result in an increased differentiation to make the platform "less interchangeable and consequently increase margins" (Mobasher, 2007, p.17). Additionally Xia (2006) emphasized that analyzing data cannot only "help organizations to base their strategic decisions on tacit knowledge" (p.55), but helps to segment costumers into groups and "reduces marketing costs to obtain new customers" (p.55). All in all the patterns for data aggregation can thus be distinguished into data as a tool for segmentation, as well as data as a relationship building process, which creates value for customers. At this point of the initial research in the realm of this Master thesis, the use of data for

successful customer segmentation will be at focus. The types of data companies collect differ strongly, especially in the content industry. Scholarship mostly distinguishes between four different techniques of data mining: “collaborative, content-based and demographic data, as well as in some cases specialized datasets” (Adomavicius & Tuzhilin, 2005, p.84). While specialized data includes “credit histories to statistical estimates, demographic data focuses on data such as age, social class and gender” (Adomavicius & Tuzhilin, 2005, p.85). Especially among e-businesses the collection of behavioral datasets through content-based and collaborative filtering has gained popularity. Content-based filtering develops recommendations by “matching customer profiles (e.g. interests) with content’ s features“ (Zhang & Wedel, 2007, p.191). Collaborative filtering systems on the other hand present products “predicted to interest users by finding correlations among users “by tracking their navigational behavior on the website” (Jain & Singh, 2002, p.41). Consequently it is assumed that: “users with similar behavior have similar interests“ (Zhang & Wedel, 2007, p.192). Especially Amazon has introduced collaborative filters, where “user’s past shopping history is used to make recommendations for new products“ (Jain & Singh, 2002, p.41). This also relates back to the so-called customer lifetime analysis, which has gained popularity in segmenting customers in the online sphere. It mainly enables and assists customer segmentation, as it aims to identify “the present value of the likely future income stream generated by an individual purchaser“(Jain & Singh, 2002, p.43). In this manner businesses are able to understand the underlying temporal processes that determine the relationship with their customer and who to target. Because of the increasing strategic value of data in the network economy, this thesis will address how data influences the personalization in the content industry and what types of data are collected among successful e-businesses.

2.5.2 Innovation of Value Propositions

Another important business model element in the online news media market is the value propositions block, which emphasizes on how businesses can create value for their customers. Adding value for their users has been identified as an important element in order to gain a competitive strategic position in the online market (Amit & Zott, 2001).

Value propositions have to add up to fulfilling certain customer needs, while at the same time delivering something unique, which can in the end increase the competitive position of the platform (Porter & Kramer, 2006). In order to investigate how personalization can alter and affect common value propositions in the online news media market, the following will present four value propositions that have been identified as being significant value drivers in the online news media market.

2.5.2.1 Localization

An important factor to delivering value to online platform is the localization of content. Here content is adjusted to local audiences, which can mainly contribute to the personalization of the initial content platform. A specific model, which is frequently discussed in current business literature is the so-called "(hyper)local platform model" (van der Wurff, 2012, p. 244). This model consists of "the bundling of all kinds of locally relevant content – news, business information, blogs, opinions, user-generated content, advertisements – into one local platform, together with commercial services" (van der Wurff, 2012, p. 244). Several examples have already transformed into practice, such as commercial broadcaster STV in Scotland, who established several local web sites in 2010 or the German Hamburger Abendblatt, which launched "Mein Quartier" (van der Wurff, 2012, p. 244).

Next to the potential for commercial expansion, which allows the generation of new revenue streams, local platforms can also deliver a sense of community among the users. This bears the potential to foster the loyalty of certain local audiences. Still it has to be considered that some strong market positions are occupied by non-newspaper companies in the local market by companies such as Groupon. Scholarship has addressed the potential of localization especially, because it enables the content platform to differentiate itself from other competitors, which can additionally result in higher barriers to entry (van der Wurff, 2012). Because of its strategic value this Master thesis considers localization as an important factor for value creation. In the following analysis the implications of utilizing localization as a personalization strategy to create value in an organization will thus be investigated further.

2.5.2.2 Brand identity

Creating a strong brand identity accounts as one of the most traditional value proposition and has been discussed extensively in scholarly literature (Richter, 2011; Osterwalder, 2010). Its foundation is the ability to "build trust with the market through reputation, user experience, and carefully crafted messaging oft he brand promise" (Aaker, 2004, p, 108).

Rothman (2013) emphasizes the necessity for established players to "strengthen their brand in the digital business" (p.84) and successfully utilize brand identity to foster customer retention and "introduce their brands to younger target groups" (p.84). Scholars furthermore point out that "strong brands have the ability to retain and attract customers" (Bresciani & Eppler, 2010, p.362), because it results in "lower perceived risk, emotional attachment and the promise of quality" (Bresciani & Eppler, 2010, p.362).

Thus the extension of brand identity into the online sphere is providing a significant benefit for the entrant, as well as offering possibilities to strengthening strategic positions in the offline

market. Especially since news and content media are already characterized by their broad access to mass audiences. Establishing a strong brand identity through new branding strategies additionally helps to gain competitive advantage in the advertising market, as a strong brand identity contributes to offering "qualified consumer coverage by targeting specific groups with high purchasing power" (Weinstein, 2006, p. 117). A popular example has been the German newspaper "Die Zeit", which managed to transfer its offline brand identity as the Germany's most popular quality newspaper to the online sphere, while also gaining access to new and younger audiences. These successes can be attributed to the fact that brand identity initially "reflects the stakeholder's aspirations and self-images"(Weinstein, 2006, p. 117). Because of its initial characteristics brand identity is clearly influenced by and contributing to the personalization of content platforms, as the brand identity of the business has to match the profile of the customer or has to reflect on his aspirations. Thus branding strategies can be utilized to emphasize the relevance and utility of the platform for the customer. Prominent examples are platforms such as Netflix, which promote the continuous improvement of their customer experience (Netflix, 2014). This underlines that a strong brand identity implies a careful positioning according to "lifestyle, value, and features to appeal to a targeted audience" (Aaker, 2004, p.110). Aaker (2004) emphasizes that the key variable within brand identity is that: "customers will self-select based on the demographic of who they are currently or who they aspire to be in the future" (p.110).

Building and fostering a strong brand identity can thus be detected as a strong determinant for a successful business model and its role as a value proposition for the online news media will be investigated further in the realm of this Master thesis.

2.5.2.3 Relevance

One of the most important value propositions in the realm of e-businesses is the creation of relevance for the customer. No matter if it is an e-commerce site or a successful blog "relevance drives clicks, views, searches and ultimately revenue" (Kucera, 2013, para.2). Especially companies like Amazon, Google and Facebook account as the pioneers on the web and part of their success lies in their indefatigable focus on increasing the relevance they deliver to their customers. For example Amazon was one of the first e-businesses to suggest products of relevance to the user, based on their previous purchasing behavior, while Facebook offers "socially relevant interactions with their friends and family" (Ricci & Shapira, 2011, p.34). According to Kucera (2013) the "benefit of increasing relevance is obvious" (para.2) when taking a closer look at the revenues of the web giants. In 2013 Bloomberg issued a report stating that Amazon "is expected to have a 23.5% market share of the global e-commerce market by 2016" (Kucera, 2013, para.4). It is assumed that "the overarching goal is to create a personalized experience, an experience tailored explicitly and implicitly for the

individual user“ (Stanhope et al, 2013, p.33).

This implies a significant interconnection with data aggregation, as it “allows website owners to segment content displayed to users based on a variety of factors including online behavior, platform, referring site and geo-location“ (Zhang &Hurley, 2008, p.124). Additionally authors such as Zhang & Hurley (2008) recommend to employ “key performance indicators to investigate if the content displayed is more or less effective” (p.123) such as explicit user ratings.

Scholarship stresses that implicit and explicit personalization are complemented with socialization as an essential part of a successful relevance strategy. Socialization can especially improve the relevance of content, with the help of i.e. Facebook’s Social Graph (Zhang &Hurley, 2008). Increasingly e-businesses offer forms of social media integration to deliver relevance to their customers, a popular example is Spotify, which will also be addressed in the realm of the following case studies. Here the portfolio of the registered user is automatically integrated into an existing Facebook and Twitter account enabling users to access their friend’s playlist and share their personal music stories. Thus experts amongst others suggest to utilize Facebook’s login module to gain access to specific knowledge about the customer.

It has consequently been emphasized that socialization “is a powerful source of user data that can be blended with customization and personalization strategies to assist the segmentation of content in terms of relevancy“ (Zhang &Hurley, 2008, p.124). To complement the analysis of implicit and explicit personalization drivers, socialization qualifies as an important creator of relevance, which is expected to be found in successful e-business models and shall be investigated further in the realm of this thesis.

2.5.2.4 Complementarities – value added services

Scholarship has addressed complementarities as an important factor when creating value within online platforms. Complementarities are commonly defined as “bundles of goods, which provide more value than the total value of each of the separate goods” (Brandenburger and Nalebuff, 1996, p.18). Brandenburger and Nalebuff (1996) state that: “a player is your complementor if customers value your product more when they have the other player’s product than when they have your product alone” (p.18). Strategy literature has highlighted the “importance of providing complementary outputs to customers” (Porter, 1998, p.5). Scholars have argued that they can inherently increase revenues and thus enable value creation (Gulati, 1999). In recent years authors such as Treece (2010) suggested that especially e-businesses and platforms leverage the potential for value creation “by offering bundles of complementary products and services to their customers” (p.84). The complementarities offered often relate strongly to the core product of the business.

Travel websites for example enhance the value of their core product by providing customer access to various types of information, accompanying their initial booking, such as currency exchange rates, weather information or additional offers for rental cars and more (Herbert & Thurman, 2007).

Considering the current state of the publishing industry scholars have heavily discussed the general positioning of digital products. In most cases especially news media does not position the digital platform itself as a complement to the physical product. Authors like Varian (2003) have therefore criticized the potential risk of "cannibalizing the sales of their own physical product" (p.48). To encounter the notion of cannibalization between off- and online products scholars such as Godes et al. (2009) especially recommend news publisher to offer complementary services on their digital platform "that may not be directly related to the core transactions" (p.35). In the past quality news providers have commonly enriched their portfolio with various complementarities, which match their core business in order to "increase page visits, attract larger audiences and generate additional user payments" (Godes et al., 2009, p,35). Value has often times been added in the news sphere by offering access to archives or online dossiers, e-papers or news clipping services (Herbert & Thurman, 2007). Herbert and Thurman recommend to enhance online news media and other content platforms with complementarities that go further than just repackaging content to extend the initial brand (Herbert & Thurman, 2007). In the case of online news media platforms this can take the form of offering their own book series, selling wine or extending their content portfolio with additional offers such as restaurant reviews (Herbert & Thurman, 2007). According to scholarship brand extensive complementarities bear great potential to ensure new and growing revenue streams and are currently "contributing to as much as a third of the profits of some news companies" (Herbert & Thurman, 2007, p.55). It has further been hypothesized that complementarities can stimulate customer loyalty, as loyalty is strongly reinforced by positive experiences.

The value added through brand extensive complementarities can thus potentially develop into a "strategy of value exchange optimization" (Thurman, 2011). Scholars have defined it as a strategy "where providers identify their most loyal, profitable, and thus valuable customers, and build their business upon serving these customers as best and as long as they can with as many profitable products as possible" (Grant & Schlesinger, 1995, p.115). This results in companies and especially content providers to focus on the "quality rather than size of their audience and provide the content that attracts that audience" (Thurman, 2011, p.17). Personalization plays a growing role in transforming complementarities into an essential part of a strategy of value exchange optimization. The collection of user data enables the targeting of services and advertising "that interests rather than irritates the valuable, and valued, customer" (Thurman, 2011, p.17). Thus the following analyses will investigate the implications of personalization on the establishment and selection of complementarities.

2.5.3 Innovation of Customer Relationships

As a third relevant business model element the customer relationship building block defines what types of relationships can be established with customers and how this contributes to the unique experience of the user (Osterwalder & Pigneur, 2010). This thesis aims at investigating the implications of personalization for effective customer relationships. The authors Osterwalder and Pigneur (2010) have already distinguished various types of customer relationships, such as "personal assistance, automated services, communities and co-creation" (p.29).

Within the theoretical framework of this Master thesis especially recommendation systems as well as co-creation as drivers of personalized relationships will be investigated further. With the help of a taxonomy developed by Thurman (2012) this thesis tries to investigate the possibilities of implicit and explicit recommendation mechanisms and co-creation in order to deliver more personalized and unique customer relationships.

2.5.3.1 Explicit & Implicit recommendation systems

This Master thesis argues that personalization is a potential solution to adopt new business models in the online news media industry that monetize on the customer and thus help to contribute to the strategic positioning in the online news media market.

Especially recommendation systems have been identified as significant elements to personalize user experiences in the online sphere. Scholarship has characterized them as improving elements for customer relationships (Chan-Olmsted, 2003). Digitization implicates important changes in the consumption behavior of news media products, as they enable readers to choose and access articles anywhere and anytime instead of consuming the newspaper as a whole. With an increased utilization of user data online news media has started to recommend content to their readers, which can add substantial value to the user experience (Chan-Olmsted, 2002). Authors such as Kwon et al. (2010) further emphasize the importance of gathering various kinds of data to improve the recommendations made to the customer, as they give insights into their behavior and preferences. Thus scholarship distinguishes between data, which is implicitly collected by following the user's behavior and data that is explicitly mined by input gathered from the user itself, such as ratings or indication of preferences (Kwon, Cho & Park, 2010). This suggests the assumption that advanced

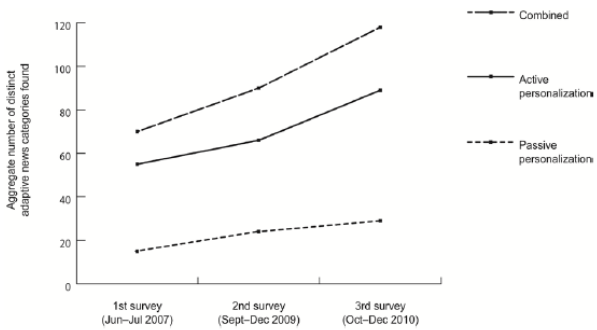

Fig.4:Development of personalization functionalities (Thurman, 2012, p.9)

personalized content recommendations bear the potential to enable online news media platforms to differentiate themselves from competitors as well as fostering the lock-in of customers by delivering increased satisfaction with the platform and "catering to the individual needs of the customer" (Tam & Ho, 2006, p.866). According to Tam and Ho (2006) recommendation systems can especially "help to deliver specific and specialized content to niche segments" (p.867).

To investigate how customer relationships can be altered by personalization a recent taxonomy of news personalization features (see Appendix table A2/A3) developed by Thurman (2012) will be employed and tested throughout the case analysis. Thurman (2012) developed the taxonomy at hand by summarizing personalization functionalities on news websites, distinguishing between explicit and implicit personalization.

Explicit personalization has therefore been characterized as collecting "direct user inputs", which lead to website functionalities such as "E-Mail Newsletters, Widgets, a personalized page or one to one collaborative filtering" (Thurman, 2012, p.2), while implicit personalization "infers preferences from data collected" leading to functionalities such as " aggregated collaborative filtering, contextual recommendations aggregations or geo-targeted editions" (Thurman, 2012, p.3). The taxonomy (see Appendix table A2/A3) will be utilized to perform the case study research employed in this Master thesis. Explicit personalization, especially in networked media always assumes the requirement of "time and effort from the users, to an extent that i.e. audience theories have even attested the power of the audience" (Williams, 2003, p.201). Based on user involvement theory Arora et al. (2008) argue that customers "would rather customize a site themselves than have it automatically personalized for them" (p.4). Scholars such as Meikle have questioned this power by stating that: "much of the evidence for this power comes from observations of how audiences actively interpret mass media messages rather than how they interact directly with the communications channel" (Meikle, 2009, p. 141). In current scholarship doubts about these common theories are emerging, especially taking the extent to which established "'passive' patterns of media consumption are changing" (Thurman & Hermida, 2010, p.102) into account. Especially computer science literature, advocates the passivity of the audience (Gauch et al., 2007). They are pleading that implicit personalization systems are "more likely to be used and, in practice, perform as well or better than those that require (…) explicit feedback to be collected'. (Gauch et al., 2007, p.57). According to Gauch et al. (2007) explicit personalization systems on the other hand bear negative implications for the customer such as the "requirement of time to use, inaccurate reporting of interests, and profiles remaining static despite users' interests often changing over time" (Gauch et al., 2007, p.57). Picking up on these findings a recent study by Thurman (2012) revealed a trend towards passive personalization, as it clearly exhibits a faster growth rate than active personalization (see Fig. 4).

Based on the findings presented in previous research, the research in the realm of this Master thesis aims at investigating in what ways implicit and explicit recommendation systems are employed within the selected case platforms and offer more insights into what types of recommendation system proof to be valuable in improving the strategic position in the online news market.

2.5.3.2 Co-creation

In today's digital environment content producers face the rise of the user, as the online sphere has enabled co-creational processes, which range from user generated content to crowdsourcing.

Especially in the news media new forms of journalism are emerging. "More diverse perspectives on the same news stories are being presented and new facts are being unearthed daily" (Meijer, 2007, p.131). Scholars have thus emphasized on the importance of adding participatory value for customers to "differentiate their service from competitors" (Singer, 2010, p.117) and offer a more personalized experience to the customer. Meijer (2007) points out that: "users may want to be enabled and invited to select topics, contribute content, judge the expedience of journalist decisions themselves, compile their own news stories, personally know the journalists they depend upon and hear about their personal experiences in gathering the news " (p.117). The digital shift implies that content production and especially journalism has evolved into a "networked practice" (Beckett & Mansell, 2008, p.332). The production of content is more and more dependent on co-creational processes, such as "commentaries, feedback, and networks of various professionals and citizens, who are collaborating, corroborating, correcting, and ultimately distilling the essence of the story that will be told" (Beckett & Mansell, 2008, p.333). It has been argued that this is foremost possible by crowdsourcing and utilizing user-generated content. It is mostly defined as referring to "photographs, video, textual comment, and other material provided to a news organization or news website by members of the public" (Grueskin, Seave & Graves, 2011, p.44).

Publishers and especially the news media can thus "make use of collective intelligence to gather and check information, tell stories, or make choices in news production" (Meyer, 2006, p.32).

A lot of news organizations already include user-generated content heavily in their business model. As indicated participation can take different forms and scholarship has thus recommended different pathways of encountering the current shifts towards co-creation. Building up community-driven content platforms delivers great opportunities to alter the content industry's business model. Content platforms should not only provide information, but additionally enable communication within and between communities to "offer access to like-minded people" (Beckett & Mansell, 2008, p.332). Community platforms can range from being "politically oriented to other social-cultural

groups" (Beckett & Mansell, 2008, p.332). Castells, Haak and Parks (2012) point out that community building can lead to an increased perception of value among users and that "they may be willing to pay more attention to, or even pay more money for, news services that offer this value" (p.2923).

Literature suggests that the value added by incorporating co-creational elements on content platforms strongly increases the potential for strategic lock-in of the customer, as he is instantly part of an interest community (Grueskin, Seave & Graves; 2011). This potentially raises switching costs and can lead to a long-term loyalty of the customer. Because of the current emergence of co-creational elements in the news online sphere, this Master thesis will further investigate the role of co-creation as a value-adding factor in prevalent business models. While the case studies will explore the different types of co-creational integration, the expert interviews will shed light on the future potential for customer lock-in.

2.5.4 Innovation of Revenue streams

Scholarship agrees that especially the information industry has been challenged with the invention of business models as information "is difficult to price, and consumers have many ways to obtain certain types without paying" (Treece, 2010, p.144). Assessing how to create revenue streams by offering information is thus one of the most challenging tasks in the news industry today. Especially since the news industry is dependent on a revenue model that is based on advertising sales, while providing the initial product at a nominal price (Treece, 2010).

As defined by Osterwalder and Pigneur (2010) a revenue model "refers to the specific modes in which a business model enables revenue generation" (p.21). Digitization has strongly impacted online pricing strategies, as it empowers customers to compare prices and switch between different offers (Kind, Nilssen & Sørgard, 2009). Because of the intangibility of content products, especially in the publishing industry a variety of revenue models currently exist.

The question which fraction of the offering "should be made available free or at cost and whether the digital content should be offered as complement to or substitute for the physical product" (Kind, Nilssen & Sørgard, 2009) is among the most controversial discussions concerning alternate business models for the publishing industry. While some publishers provide most of their content for free, others charge fees for full access to their content platform or employ a hybrid strategy by only offering parts of their content for free. Scholarship has distinguished between four revenue models, that mainly occur in the news industry. Revenues are often times secured through subscriptions, transaction based streams, freemium- or crowdfunding –models (Cheng & Tang, 2010 - see Appendix table A1)

These different revenue models have been debated extensively by practitioners as well as

scholars. Authors such as Godes et al. (2009) highlight the advantages of the so-called metered model "where publishers offer a number of articles for free and charge for access to the rest"(p.61). They emphasize that: "offering free content samples allows publishers to both disclose their content quality and to generate revenues from advertisements shown to online visitors" (Godes, Ofek & Sarvary, 2009, p.61).

A current study by the *Newspaper Association of America (*2012) underlined that in the U.S. "62% of the publishers employ a metered model, out of which 95% offer up to twenty free articles monthly" (p.16). The most prominent model is the *New York Times,* which mainly offers access to ten articles for free on its website each month. In this case the actual user chooses the initial sample size, as well as the sample content. But very prominently "advertising supported sampling"(Hotz & Xiao, 2013, p.865). has also gained popularity among distributors of music such as Spotify or Rhapsody (Hotz & Xiao, 2013). Some practitioners have strongly argued for the utilization of a freemium model, which is financed through advertising. A more traditional model, which transforms the classic print revenues into the online sphere is the subscription revenue model. Here "consumers need to pay a monthly or yearly fee in order to gain access to unlimited content" (Cheng & Tang, 2010, 437). Contrary to freemium and advertising based models it inherently offers a lock-in of the customer, as he is commits to and prepays the usage of the platform's services. Scholars have assumed that by offering different selections of subscription based revenue models the efficiency of the platform can be increased, but more importantly it can help to differentiate a provider from other competitors (Cheng & Tang, 2010). Another option is to employ a transaction based model, which charges per transaction and allows access to specific content for an individually priced fee. This strategy has especially been employed by platforms such as iTunes and has been indicated to facilitate differentiation, as prices are differentiated according to the customer (Gallaugher, Auger & Barnir, 2001).

The discussion around the optimal revenue model was currently complemented by the crowdsourcing model. Crowdsourcing includes the collection of money through a broad online community (Hotz & Xiao, 2013). Especially efforts by the Dutch digital newspaper "*De Correspondent*" has brought crowdsourcing in news publishing to the table.

The initial analysis in the framework of this Master thesis will address the potential possibilities as well as traps of incorporating and combining the introduced revenue models to investigate how they can contribute to a superior strategic position in the market.

2.6 Summary

Based on the shoulders of strategy scholarship the rich theoretical framework introduces the scientific basis of this Master thesis to get closer to investigating the main research question:

How can the news media utilize personalization to strategically position itself in the online market to monetize on costumer segments?

Within the theoretical framework path dependence theory with its emphasis on strategic lock-in on the management level, is introduced in a first step as an umbrella theory to guide the creation of valuable recommendations for the online news media. As enlightened in the introduction this thesis argues that the news and content industry is facing a strategic management lock-in, because of new entrants in the online market caused by increased digitization. Path dependence theory points out the necessity of utilizing innovation as a driving force to avoid a management lock-in and restructure and extend a given path within a business strategy.

Following up on this the main thoughts on strategic positioning, differentiation and strategic lock-in are introduced as two valuable concepts of strategic positioning, which can ensure the main goal of value creation for customers and companies by ensuring competitive advantage and thus the generation of revenue streams. Evolving from strategy literature these interlinking concepts have been identified as providing potential solutions to the main research question posed.

In section 2.3.2 differentiation is thus elucidated as a concept, which owes its success to its delight-based characteristics. The literature on differentiation furthermore develops three approaches to delight-building. Investigating the relationship between differentiation and personalization, the strategic advantages of personalization are stressed, among them higher response rates and customer loyalty. Building up on this assumption the Master thesis assumes that personalization can be utilized as a driver for differentiation a strategy, which can attract new customers, as well as making them more loyal. At the same time differentiation is coupled to strategic lock-in as a second strategic outlook.

Defining and characterizing strategic lock-in, the theoretical framework elaborates on the possibilities to ensure customer loyalty through successful lock-in. Pointing out the importance of data collection in the realm of strategically locking in customers, the relationship between personalization and strategic lock-in is explored in section 2.3.3. The findings of previous scholarship have enlightened the correlation between “enabling customers to customize products, services, or information to their individual needs and the enhancement of lock-in” (Amit & Zott, 2001, p.33), leading to the second main assumption drawn from the reviewed theoretical literature: Personalizing news media platforms can create strategic lock-in, which leads to value creation through competitive advantage in the online market. This thesis furthermore anticipates that, differentiation is mainly driving value creation in terms of attracting new customers, while strategic lock-in functions as a complementary concept, which mainly aims at creating customer loyalty and retention.

Based on this the second theoretical pillar Business Model Innovation is elucidated as a valuable model for executing strategy. Literature suggests to combine strategy and business model

analysis, while business modeling is mostly understood as a "translation of strategic concepts" (Osterwalder & Pigneur, 2010, p.18). The theoretical framework reveals business modeling as a pathway to "creating, delivering and sustaining value" (Osterwalder & Pigneur, 2010, p. 18) by translating the business strategy developed by a company into concrete units. The literature presented argues that business modeling can be utilized as a valuable analysis to "facilitate theory development" (Morris et al., 2005, p.727).

Drawing from the theoretical foundation on strategy, this Master thesis proposes that business models need to be designed in ways, which trigger a high level of differentiation, while strategically locking in customers to ensure the competitive advantage needed to succeed in a certain market. One of the key assumptions is thus that the strategic path of online news media needs to be restructured by innovating various blocks of their business model. In order to do so the business model canvas by Osterwalder and Pigneur (2010) has been chosen as a framework to guide the analysis within this research. Because of the initial customer focus, this Master thesis will investigate how to design and innovate individual building blocks of the online news media's business model on the basis of personalization in order to achieve differentiation and customer lock-in by focusing on the building blocks value propositions, customer segments, customer relationships and revenue streams. Deriving from this four substantial sub-questions have been created (see section 2.7) that contribute to the exploration of the main research question.

The literature conducted already identified and discussed certain value drivers for the online news media, such as localization, brand identity, complementarities and more, which can assist to innovate individual building blocks of news media business models. Following this suggestion, the conceptual framework visualizes in section 2.8 the interconnection of selected factors with the relevant bulilding blocks investigated within this research. The conceptual framework in section 2.8 will thus present an overview of the mechanisms, which build the basis for this research. In what ways the selected value drivers contribute to the innovation of the online news media's business models and the facilitation of competitive advantage through personalization will be illustrated through the case studies and expert interviews presented in chapter IV. and V. The following chapter will introduce the sub-questions formed throughout the presented theoretical framework.

2.7 Research Questions

As already mentioned in the introduction, the business models of the print news industry have been challenged, because of the major losses of advertising revenues. Drawing from the theories presented in the previous, this thesis argues that personalization bears implications to provide a potential solution to innovate business models in terms of generating revenue in the online

news media industry based on creating value for users as suggested by value creation theory (Cooper, 2001). Because of the current management lock-in the news media faces, the industry is forced to restructure their strategic path by gaining a new strategic position in the market. In order to strategically position the news media in the online sphere, this Master thesis stresses the necessity to utilize personalization as a driving force to innovate various parts of current business models. Thus the main research question is phrased as:

> *How can the news media utilize personalization to strategically position itself in the online news market to monetize costumer segments?*

To answer this question and investigate how the news media can strategically position itself based on personalization to monetize on online platforms through the attraction and assurance of customer segments this thesis has introduced various theoretical concepts, which have lead to the creation of a conceptual framework guiding the following analysis. As a potential solution to current management lock-ins arising in the news industry this thesis emphasizes on the two interlinking strategic concepts "differentiation" and "customer lock-in", which determine the strategic position of a company in a market by facilitating competitive advantage. To put these abstract concepts into practice it is argued on the shoulders of path dependence theory that the innovation of selected building blocks within the news media's online business models driven by personalization is a prerequisite to extending and restructuring the strategic paths taken by the news industry so far. While strategy literature has mainly contributed to the previously elucidated key argumentation that builds the basis of this research, business model innovation literature and the introduced business model canvas are leading the analysis within this thesis by translating the strategic concepts into concrete recommendations and thus delivering a foundation for the formulation of relevant sub-questions.

Scholarship has widely advocated to put "the customer at the center of business model reinvention" (Best 2009, p.211). Thus this thesis focuses on the four customer building blocks within the business model canvas by Osterwalder and Pigneur (2010): customer segments, value propositions, customer relationships and revenue streams. By utilizing the specified dimensions or so-called value drivers for each of the selected customer building blocks, these dimensions will assist the case study analysis and deliver to the operationalization of interview questions, which will be elaborated further in the methodology section

It has to be pointed out that in order to generate a broad spectrum of revenues, the management of content on multiple channels has also gained increasing importance for companies operating on the Internet (Weill & Vitale, 2001). Especially mobile channels enjoy increased popularity, but will not contribute to the focus of this research, instead the news media's online presence will be investigated as a single channel at hand. This is mainly due to the scope and outlook

of this research, as well as the utmost importance of the online readership of the news. Studies by the Pew Research Center (2012) for instance indicate that although mobile channels are gaining customers, the biggest share of current overall readership is still to be found in the online sphere.

To gain a deeper understanding as of how a new strategic position through business model innovation can be achieved, the sub-questions in the realm of this research are oriented towards the four selected customer building blocks of the business model canvas and are formulated as follows:

- *How can personalization assist to enable the online news media to target their customer segments?*
- *How can value propositions in the online news media be innovated through personalization to increase attractiveness for customers?*
- *How can personalization be utilized in the online news media market to improve the relationships with customers?*
- *How can personalization contribute to improving the news media's online revenue models?*

By answering the research questions through a comparative analysis of best practice cases and expert interviews, this research aims at offering valuable recommendations for innovating the news media's current business models based on personalization to gain a competitive strategic position in the online news media market.

2.8 CONCEPTUAL FRAMEWORK

Fig. 5 offers an overview of the conceptual framework, which derived from the theoretical propositions introduced throughout the previous chapter. As argued before the distribution of news has radically shifted towards the online market, which urges the news industry to restructure their strategic path by innovating their business models with the aim to gain a superior strategic position. With an initial focus on monetizing the online news media platforms by attracting and retaining readers, the conceptual framework unifies the presented value drivers, under the umbrella of the business model canvas introduced by Osterwalder & Pigneur (2010). This enables to transfer the strategic and theoretical concepts of differentiation and strategic lock-in into concrete recommendations, which illustrate how the news media can utilize personalization in order to gain a superior strategic position in the online market. In order to do so the introduced value drivers have been assigned to the four selected customer business model building blocks guiding the research as described in chapter 2.5. The conceptual framework thus illustrates the interplay between

differentiation and strategic lock-in as drivers of strategic positioning, as well as personalization as a driving force for innovation of the business model building blocks: customer segments, value propositions, customer relationship and revenue streams. In order to investigate how these building blocks can be innovated through personalization in order to procure competitive advantage in the online news media market, a qualitative multi method research design has been developed, which will be described in the following methodology chapter.

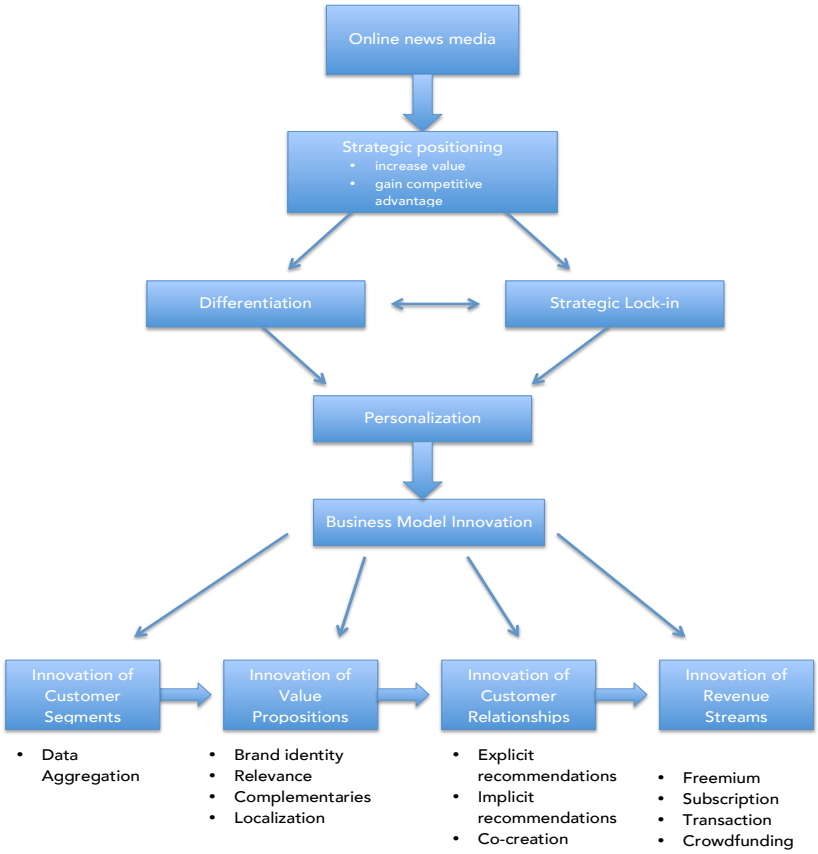

Fig. 5: Conceptual framework

III. METHODOLOGY

3.1 Qualitative Research

Qualitative research has been chosen as the main approach to investigate the prevalent research question and its sub-questions in the realm of this Master thesis. Silverman (2011) emphasizes that the main strength of qualitative research is its ability to "study phenomena", which are not ascertainable by quantitative data and thus add to scholarship by allowing to assess "areas of social reality which statistics cannot measure" (Silverman, 2011, p 55). As the research within this thesis is addressing a topic that has not been popularly established in journalism scholarship yet, qualitative analysis is offering the best option of analyzing personalization in the context of online news media. Qualitative research thus stands in contrast to quantitative research, whose strength lies in its attempt for generalization (Bryman, 2012). Qualitative research on the other hand bears possibilities to investigate new elements for research in a flexible and comprehensive way (Bryman, 2012). As this research contextualized the emerging patterns occurring in the course of the analysis, a qualitative analysis proves to be the most adequate method, because "qualitative methodology provides tools for researchers to study complex phenomena within their contexts" (Creswell, 2007, p.13). Furthermore it allows a flexible way of gaining in-depth research that can potentially add up to existing theories.

3.2 Research design

To investigate how personalization is successfully employed and can be adopted in the news media's business models to gain competitive advantage, a multiple method research design has been developed. The research is based on case studies and in-depth interviews with experts involved within the news industry. Literature indicates that experts can include "anyone with substantive knowledge and experience relevant to a particular problem" (Baxter, 2008, p.545).

The case studies mainly function as an indicator for the initial situation and will illustrate what kinds of best practice business models currently exist in the online market, while the expert interviews evaluate and assess current approaches and discuss possible pathways for the news industry's future in the digital age and the role personalization plays in shaping this future. The multiple method approach utilized within this research is accompanied by sub-questions, which enable the transformation into recommendations for the creation of future pathways that contribute to the departure from the current management lock-in in the news industry.

The utilized methodological triangulation significantly increases the validity and reliability of

this research. As Deniz (2005) has pointed out triangulation is: “the combination of methodologies in the study of the same phenomenon” (p.42) and can contribute to “superior explanations of the observed phenomena“ (p.42). The advantages are according to Deniz that it allows “researchers to be more confident of their results;(...) it can lead to thicker, richer data; and to the synthesis or integration of theories, as well as uncover contradictions“ (Deniz, 2005, p.42). Furthermore by combining case studies with expert interviews untapped knowledge usually unavailable to researchers can be accessed (Baxter, 2008).

The multiple case studies conducted are based on an extensive content analysis and are compared to the initial findings of the expert interviews. Especially by conducting multiple qualitative case studies a variety of data sources is used, which can also increase the validity of the research.

To assure a balanced acquisition of knowledge and to get a sense of competitive alternate business models five case studies were conducted, and 10 experts interviewed as the main units of analysis. The selection of experts consists of five interviewees from the Netherlands, two participants from Germany, as well as respectively an expert from the UK as well the US. While the case studies were conducted from publicly available information about the selected companies, the expert interviews were undertaken through personal, skype or E-mail assisted interviewing. Scholarship has argued that the identification of a concrete approach to qualitative data “increases the sophistication of the research design“ (Creswell, 2007, p.5). Thus to analyze the data collection compiled for the multiple case study and expert interviews, a qualitative content analysis has been selected as the main research approach. Qualitative content analysis is commonly defined as “the most prevalent approach to the qualitative analysis of documents” based on “comprising a searching-out of underlying themes in the materials being analyzed” (Bryman, 2012, p. 392). The aim of this research is to test and extend the assumptions suggested by current theory based the two qualitative methods pattern matching and thematic analysis, which refer to a self-developed conceptual framework.

Mayring (2000) argues that: “the object of qualitative content analysis can be all sorts of recorded communication (transcripts of interviews, discourses, protocols of observations, documents (...)” (p.402). The selected cases, as well as interviews were both analyzed and evaluated on the basis of comparing themes and patterns emerging from the collected data and theory (Yin, 2013). While the interviews were analyzed according to thematic analysis, the case studies were interpreted with the help of so-called pattern matching. Both analytical techniques utilize an inductive approach towards the collected data, which allows the researcher to explore patterns and causal connections between employing certain elements within current online business models and their results. In the following, the two main methods will be further explicated.

3.3 Case Studies

As the first methodological approach multiple case studies were conducted on the basis of a content analysis. The analysis has mainly investigated the determinants identified according to the business model building blocks as well as the use of the personalization dimensions gained through the personalization taxonomy mentioned in the theoretical framework (see Appendix table A3/A4). With help of a qualitative content analysis the cases were explored according to their relation to the set dimensions of the conceptual framework. The chosen multiple case studies mainly investigated successful business models of competitors in the online news market, but also incorporated successful personalization strategies of related industries to explore what types of personalization are out there and how they can be used as innovation drivers, as well as what types of other propositions contribute in which ways to the strategic positioning of the news media within the online sphere. Therefore the case studies mostly aim at investigating how the strategic positioning of the selected companies is advertised through material such as press releases, corporate reports and interviews, while comparing this to the presence of value creating propositions on the actual online platform.

According to Yin (2013) a case study design should be considered when: "(a) the focus of the study is to answer 'how' and 'why' questions; (b) you cannot manipulate the behavior of those involved in the study; (c) you want to cover contextual conditions because you believe they are relevant to the phenomenon under study" (p.45). Considering the initial focus of the research the use of case studies qualifies as adequate, because it focuses on a "how" question, which aims at covering contextual conditions. The conducted case studies are of exploratory nature. As claimed by Yin (2013) this type of case study is "used to explore those situations in which the intervention being evaluated has no clear, single set of outcomes" (p.46). Especially by conducting multiple qualitative case studies a variety of data sources was used. This ensures that: "the issue is not explored through one lens, but rather a variety of lenses which allows for multiple facets of the phenomenon to be revealed and understood" (Stake, 1995, p.105), while contributing to the reliability of the initial research. The following section will explain the selection criteria chosen to guide the choice of potential cases.

3.3.1 Selection criteria case studies

Because of this research's focus on investigating how the news media can improve their strategic position in the online market based on personalization, the selected cases were narrowed down to e-business models broadly engaged with content (i.e. music). While mostly featuring news media platforms the scope of selected cases was intentionally extended towards business models

unrelated to the news media industry in order to gain insights about common and deviant patterns of business model innovation spanning across various content industries.

The selection of the five case studies was made on their identification as best practice examples, which was based on predefined criteria. The cases were thus sampled on the basis of criterion sampling, which has been chosen as the most convenient method employed in the realm of this research. Following Patton (2001) criterion sampling "involves selecting cases that meet some predetermined criterion of importance" (p. 238). This type of sampling is a good fit within this research as it implies choosing cases that are "information-rich and that might reveal a major system weakness that could be improved" (Patton, 2011, p.238). Since the aim of this research is to identify possibilities of strategically re-positioning the news media in the online sphere through business model innovation, the case analysis contributes to the identification of strengths and weaknesses of current online business models. The aim was to gain a diverse set of cases, which can deliver valuable insights into business model innovation in the online sphere by embodying successful and innovative approaches. While the *New York Times* represents a successful traditional news media platform, the *Huffington Post* contributes a new perspective as a news aggregator site, *Vice* on the other hand resembles a youth platform that offers journalistic niche content, while Facebook and Spotify are news-unrelated content platforms who thrive from their ingenious technical capabilities. According to criterion sampling the given cases were selected by the following two given criteria:

3.3.1.1 Innovativeness of the business model

Especially the content industry faces great current changes, which increases the need for innovative business models. The initial case studies are focusing on exploring various business models in the online market, the prerequisite being that they personalize the platform and cater to their user's needs. As an essential selection criterion the innovativeness of the business model has been identified. Again innovation is defined in this context as a process that leads to "new product and processes" (Daneels, 2002, p. 1096). Thus the cases were selected based on their deliverance of a novel or distinct business model within their market. As an indicator for the innovativeness of the selected online platforms were corporate reports or press or statements emphasizing the uniqueness and innovativeness of the cases were utilized.

3.3.1.2 Success of the business model

The success of a business model was a relevant criterion for selecting the pool of investigated cases. Since this research focuses on the gain of a competitive position in the online market, success in the realm of this analysis is defined as the cases' ability to sustain a competitive position in the

online market. This thesis argues that differentiation and customer lock-in are two essential strategic concepts driving the competitive position in the online market. Thus the cases' differentiation value in the online sphere, as well as the fostering of customer lock-have been utilized as determinants of the abstract concept of success.

Following Clemons et al. (2003) the ability to differentiate is mainly characterized by delivering delight to customer, this can take various forms but is mostly accumulated in the deliverance of one or more concrete value propositions. Thus the cases' value propositions will function as indicators for the cases' success in terms of differentiation.

The concept of customer lock-in is on the other hand approached by the exhilaration of customer loyalty as described in the theoretical framework by Fornell (2006). As indicating factors for customer loyalty the performance indicators introduced by Garbi (2002) were utilized. This mostly comprises the amount of unique monthly visitors and if available the customer conversion rate of the cases were used, as they are "significantly correlated with measures of market value and growth" (p.16). Picking up on this It has to be noted that the cases do not have to facilitate both selection criteria simultaneously. The following case list offers a short description as of how the selected cases comply with the set selection criteria. A detailed description of the cases is available in the Appendix section C.

3.3.2 Case List

Case	Selection Criteria I: Innovativeness of business model	Selection Criteria II: Success of business model
Spotify	By setting up a business model that caters both to customers and the music industry, Spotify has revolutionized a whole industry that has been in fear to loose its customers. Especially known for its "innovative operating model" (Dredge, 2014, para.2) that allows users to listen to music without forcing customers to purchase it Spotify has disrupted the online market and thus qualifies as an innovative best practice in the realm of this research.	Differentiation: The combination of a strong branding strategy that is focusing on the exclusiveness of the platform as well as an innovative revenue model Spotify has gained a competitive position in a market that was dominated by players like iTunes and Google. Lock-in: Known for its advanced recommendation systems and personal playlists Spotify has become an frequently cited example of successful customer lock-in. With a current conversion rate of 15% to paying customers Spotify continuously demonstrates its success, which makes it an interesting case to observe.
Huffington Post	As one of the first successful news aggregator websites, which curates and collects quality news topped with famous bloggers and strong opinion pieces, the *Huffington Post* has introduced a new model to the online news media, which	Differentiation: By delivering exclusive access to opinions leaders the *Huffington Post* has created a substantial value propositions in being the host of prominent voices, which contributes to its differentiation in the market and thus

	manifests the innovativeness of its business model.	ensure its success. Lock-in: In addition the *Huffington Post* has claimed fame by becoming one of the most visited websites with about 1.2billion unique visitors per month. In just almost a decade the news aggregator has gained influence and popularity all over the world, which makes it a successful online news platform to assess in the realm of this research.
Vice	*Vice media* is especially known for its fearless niche journalism, which targets and attracts youngsters and specific interests community. Because of its innovative approach to bring marketers and quality journalism together experts such as Josh Sternberg have already proclaimed: "the future of publishing could be written, in part inside a converted warehouse in Williamsburg, Brooklyn" (Smith, 2013). Thus underlining the worthwhile perspective contributing to this research.	With its rapid growth to up to 220mm unique visitors per month *Vice media* has differentiated itself as the single "iconic global youth media company"(Quinn, 2013, para.2) by creating a clear value proposition through the specificity of its content and its domination in video, which contributes to its initial success in the past years.
The New York Times	Being one of the most established and traditional players in the news industry the New York Times has constantly put efforts into innovating its *business* model. After innovating their revenue streams by introducing a paywall to their website most American news websites followed a testament to its relevant role in the news media industry and its fearlessness to radically innovate the traditional news media	Differentiation: *The New York Times* still delivers most of its differentiating value in the online by being "the paragon of quality journalism" (Roberts, 2013, para.1) and delivering Pulitzer priced journalism. Lock-in: By locking-in 90% of their print subscribers to their online p*latform (NYT annual report, 2013,p.3) the New York Times* has proven its worldwide success in retaining customers, which makes it a valuable best practice example to investigate.
Facebook Newswire	Facebook accounts as the globally pioneering social network of the digital age. With its continuous business model innovation, Facebook has now paved its way into online journalism. The biggest assets being the content created by users. By innovating its personalized news feed Facebook is more and more turning into a common source for general information, which is channeled by the latest launches of Facebook Paper and Facebook Newswire. This case thus offers a new and innovative dimension indicating a shift in news consumption and creation, which makes it a worthwhile case to examine in the realm of this research.	Differentiation: Facebook has managed to differentiate itself in the online market by creating value by facilitating relevance and engagement, as well as a personalized social experience for users. Lock-in: With an estimated 684,478 pieces of content published every minute and 900.000.000 unique visitors per month (Facebook, 2014) Facebook has manifested its success as the most popular social networking site worldwide. By locking in users with an exceptionally high degree of engagement and a personalized news feed feature the platform has gained lots of its success, which qualifies Facebook Newswire and the general platform Facebook as an exceptional case for this research.

3.3.3 Operationalization: Case Studies

In order to assess and analyze the selected cases within this research the analysis followed the selected business model elements gained from the theoretical framework. Together with the business model building blocks, the selected value drivers functioned as initial criteria for the operationalization. The operationalization template (see Appendix table B1) has been created to describe what criteria had to be fulfilled and how the theoretical concepts were transferred into practical examination units within the case analysis. It thus indicates how the theoretical dimensions were transformed and applied in the realm of this research. This allows to conduct the cases in an objective manner and to enable the comparison of the selected cases with each other and emerging patterns of the expert interviews.

3.3.4 Analysis: Pattern Matching

As an adequate technique to analyze and compare the selected case studies, pattern matching has been chosen. Pattern matching still accounts as the most popular and frequent analytical technique among qualitative research that allows to investigate case studies. Scholarship has emphasized that in the realm of case study analysis "one of the most desirable techniques is to use a pattern-matching logic" (Yin, 2013, p. 51).

Following a similar scheme than thematic analysis, pattern matching has been defined as: "the core procedure of theory-testing" (Yin, 2013, p. 51). This explicit testing is executed by "matching an observed pattern with an expected pattern emerging from theories, and deciding whether these patterns match (resulting in a confirmation of the theoretical assumptions) or do not match (resulting in a disconfirmation)" (Yin, 2013, p.53).

This research employs an explorative, as well as explanative character by seeking explanations, which reflect the "theoretically significant propositions" (Yin, 2013, p. 51) gained within the conceptual and theoretical framework. For instance casual links were explored between the introduced value drivers and their relation to theoretical assumptions on strategic positioning through strategic lock-in and differentiation strategies, which lead to recommendations for business model innovation. The coinciding patterns between literature and the case study results "help to strengthen internal validity" (Yin, 2013, p. 51) of this research. On the other hand the external validity is assured by the creation of "a case study protocol", which assists in organizing data during the research process but can potentially ensure the transparency of the research. The case study protocol documenting the information collected from the case studies is available in the annex (see Annex C), accompanying this Master thesis.

Still it has to be emphasized that because of the "interpretive approach, the purpose in doing

so cannot fully guarantee that a second researcher will arrive at exactly the same conclusions" (Yin, 2013, p.57). The evaluation of the cases employed within this research is based on material available through websites and documents and required a few precedent steps.

The following content analysis was conducted in three steps: "summarizing, explication and structuring" (Fink, Kölling & Neyer, 2005, p. 23). Following a methodological approach introduced by Mayring (2000), the material was firstly reduced to the most relevant content, then explained and clarified, while finally structured according to the determined analytical dimensions of the conceptual framework. Structuring in this case entails "determining the units of analysis", while the emerging new patterns were compared to the analytical dimensions as well as scanned for new findings. Overall the initial patterns occurring in the analysis of case examples as well as interviews were examined according to their relation to theoretical assumptions, as well as their deviation from those.

3.4 Expert Interviews

As a second complimentary method expert interviews were utilized to gain further knowledge about the current possibilities of personalization as a driver for business model innovation in the online news media industry. The extension of this research towards expert opinions proves to be very useful, as the trend towards personalization of content has just emerged recently and is executed in different markets in a variety of ways. Furthermore qualitative interviewing is said to be "contributing to a body of knowledge that is conceptual and theoretical and is based on the meanings that life experiences hold for the interviewees" (DiCicco-Bloom & Crabtree ,2006, p. 314) These experiences of interviewees can thus be utilized to gain insights into valuable perceptions of people that function as constituents of an industry, as well as facilitate views from other contributing angles.

Consequently experts can provide a more "holistic view" (Stake, 1995) and especially contribute information that has not been considered in the context of scholarship. As opposed to surveys, "interviews allow participants to answer questions on their own terms" (May, 1993, p. 92), which allows the freedom to explore the expert's perceptions in-depth. Additionally the expert interviews have strong advantages over digital surveys, because they are unlikely to encounter problems such as "unclear answering instructions, lower response rates and an impersonal character" (Evans & Mathur, 2005, p.25). The following section will describe the chosen selection criteria of the initial interview partners.

3.4.1 Interviewee Selection

The selection of interview partners was made on the basis of their expertise and knowledge in a selected area relevant to this research. These areas of expertise were chosen according to the set dimensions of the conceptual framework, namely: Customer Segments (Data Aggregation), Value Propositions (Localization, Brand identity, Complementarities), Customer Relationships (Explicit/Implicit Recommendations, Co-Creation), and Revenue Models. The following list of interviewees in section 3.4.2 illustrates these dimensions more clearly. The aim of the initial selection was to gain a broad variety of expertise, which is focused on the news industry, while still enlightening the research topic from different angles and thus triangulate the data collection. Triangulation has been defined as: "essentially providing multiple measures of the same phenomenon" (Yin, 2013, p. 99). This enables the researcher to explore a phenomena from multiple perspectives. The collection and comparison of this data "enhances data quality based on the principles of idea convergence and the confirmation of findings" (Knafl & Breitmayer, 1989, p.194) and can thus add up to the validity of this research.

In order to triangulate the collected knowledge, experts were distinguished into four main categories: scholars, journalists, consultants and entrepreneurs. The sample of experts consists of two scholars, two consultants, four entrepreneurs and two journalists. A complete list can be found in the following. Within these fields each of the interview partners follows a certain field of expertise, which relates to the dimensions and building blocks introduced in the realm of the conceptual framework. By delivering deeper insights on the given topics they thus deliver value in the realm this research. Another important factor was to employ a cultural mix and addressing a variety of markets. The initial sample thus consists of a majority five experts from the Netherlands, two interviewees from Germany and respectively one interview partner from the US and the UK. The sample thus shows a dominance of players from the European market. This is mostly due to the fact that the interview partners were selected on the basis of so-called convenience sampling, which means: "the selection of the most accessible subjects and is the least costly for the researcher" (Marshall, 1996, p.523). Thus the experts were also chosen according to their availability for the researcher. In the following a short list tabulates the selected experts with a short description of their qualifications.

3.4.2 List of Expert Interviewees

Name	Description	Area of Specialization
Journalism		
Yvonne Zonderop (NL) *Skype Interview*	Ms. Zonderop is a former journalist and now works as a consultant on the board of NOS and the Dutch BBC.	Co-creation of online news media /Brand identity

Peter de Haas (NL) *Telephone interview*	Mr. de Haas is a digital strategist at the publishing house Elsevier. At Elsevier Mr. de Haas is mainly responsible for the extension of Elsevier's online and mobile strategy.	Explicit & implicit personalization
Start-ups		
Marten Blankensteijn (NL) *Skype Interview*	Mr. Bkankensteijn is co-founder of Blendle.nl, a magazine format software, enabling users to curate journalistic content from various newspapers. Blendle hit headlines as being the "iTunes for newspaper" enabling users per article.	Data aggregation/ Explicit/Implicit Personalization
Burt Herman (USA) *Skype Interview* *Telephone interview*	Mr. Herman is CEO and co-founder of the silicon valley based start-up "Storify", an innovative news platform to tell and curate stories using elements from social media.	Co-creation of online news media
Paul Bradshaw (UK)	Mr. Bradshaw is a visiting professor in online journalism at City University London. Publisher of Online Journalism Blog and founder of the investigative journalism crowd sourcing site 'Help Me Investigate'.	Co-creation of online news media
Bart Robben (NL) *Personal Interview*	Mr. Robben is a partner of the award-winning digital production company Elastique based in Hilversum. As a developer Mr. Robben was involved in launching the Altijd Wat Monitor a tool for investigative citizen journalism.	Data aggregation
Consultants		
Mirko Lorenz (DE) *E-Mail Interview*	Mr. Lorenz is a consultant and information architect as well as trainer for data journalism, based in Cologne, Germany. He is currently mainly working on innovation projects for the German broadcaster Deutsche Welle.	Explicit & implicit personalization
Martina Dopfer (DE) *Skype Interview*	Ms. Dopfer is working as a consultant at the 'Startup Clinic Business Model Innovation' a consultancy belonging to the Google funded Humboldt Institute for internet-based Innovation in Berlin.	Revenue Models/ Explicit & implicit personalization/Brand identity
Scholars		
Andra Leurdijk (NL) *Skype Interview*	Ms- Leurdijk is an independent consultant and researcher at her own consulting company FORALLMEDIA. Furthermore she is a scholar focused on entrepreneurial journalism at Hogeschool Zwolle.	Co-creation of online news media
Dr. Piet Bakker (NL) *Skype Interview*	Mr. Bakker is a lecturer in massmedia and digitization at the University of Utrecht mainly engaged with the so-	Explicit & implicit personalization

	called journalism lab, which offers advice in order to help journalism adapt to the digital age.	

3.4.3 Operationalization: Interview Questions

In order to assess and analyze the semi-structured expert interviews within this research the interview analysis was guided by the selected business model elements gained from the theoretical framework. The selected value drivers functioned as classifications that were further investigated towards their value of assisting the business model innovation in the online news media. On this basis themes guiding the creation of semi-structured interview questions were specified in the operationalization template (see Appendix table B2). The template has been created to operationalize the questions of expert interviews in an objective manner and in a further step enable the comparison with the selected best practice cases. The corresponding semi-structured interview guide available in Appendix D illustrates the sequence of the semi-structured interview with more detailed interview questions.

3.4.4 The Semi-Structured Interview

The interviews conducted in the realm of this Master thesis follow the approach of semi-structured interviews. Thus the interview partners were asked questions about how personalization can contribute to the strategic positioning of the online news media, which follow certain themes and topics emerging from the conceptual framework.

Researchers such as Yin (2013) have emphasized that "the interviews are guided by questions developed in relation to the research questions" (p.44), thus the interview questions were oriented around the topics determined by the dimensions gained from the conceptual framework and were distinguished into the four categories customer segments, value propositions, customer relationships and revenue models. Commonly semi-structured interviews are defined as being "organized around a set of predetermined open-ended questions, with other questions emerging from the dialogue between the interviewer and interviewee" (DiCicco-Bloom and Crabtree, 2006, p. 315). Building up on this, a semi-structured interview style has been chosen as a valuable pathway of conducting this research as it "allows for flexibility in the interview and for follow-up questions to be asked" (DiCicco-Bloom and Crabtree, 2006, p. 315).

Minichiello, Aroni, Timewell and Alexander (1990) have argued that: "semi-structured interviewing allows for a more complex and in-depth discussion of the interview topics" (p.110). Thus the interview questions were open-ended and each identified value dimension was enhanced

with open-ended sub-questions, which allowed the emergence of additional topics brought up by the interviewee himself during the interview process. This ensures not only the depth of the investigation, but the exploration of additional topics that were of relevance for the interview partner. The utilization of open-ended question thus allowed a greater complexity of answers and encouraged the creation of questions and additional information during the interview process, as the researcher "can't anticipate the various ways in which people are likely to respond to a question" (Dillman, 1978, p. 87). The corresponding semi-structured interview guide in the realm of this research is available in the appendix (see Appendix D).

Concerning the sequence of the interview each interview was started with a general introduction of the general research outlook, the topics of the interview and explanations concerning the confidentiality of responses, as well as asking permission to digitally record the interview. Ending the interview process the participant was asked, whether there were any additional suggestions for topics to discuss or changes to be made in the course of the interview.

Mainly it was aimed at conducting face-to-face interviews, as recommended by qualitative researchers (Sturges & Hanrahan, 2004), however because geo-location of the interviewees only one interview was conducted face-to-face, an additional one via E-Mail, two interviews were conducted by phone and six interviews were gained via Skype.

3.4.4 Analysis: Thematic Analysis

Thematic analysis has been introduced to scholarship as a qualitative method to analyze data, which goes beyond "counting explicit words or phrases" (Guest, MacQueen, & Namey, 2012). Instead it mostly focuses on "identifying and describing both implicit and explicit ideas within the data" (Corbin & Strauss, 2008) the so-called themes. The applied thematic analysis is therefore "a set of procedures constructed to identify and contemplate themes started from textual data in a way that is transparent and credible" (Guest et al., 2012). Because of the high involvement and interpretation required from the researcher, it is strongly related to grounded theory, as "both approaches carry similar methodological analytic frameworks" (Guest et al., 2012). While grounded theory aims at identifying categories and concepts within textual data to create theoretical models, applied thematic analysis "does not preclude a construction of theoretical models" (Guest et al., 2012). but tries to detect categories and concepts within the text by "applying a set of iterative and inductive techniques" (Howitt & Cramer, 2008). In a threefold process, consisting of open coding, axial- and selective coding the data is processed into valuable overarching categories. Because of its explorative character, its rigor as well as flexibility attested by scholarship, thematic analysis has been chosen to guide the analysis of the conducted in-depth expert interviews in the realm of this Master thesis. It has to be noted that reliability has often times been addressed as being harder to

implement within this method since “more interpretation goes into defining the data items (i.e., codes) as well as applying the codes to chunks of text” (Riessman, 2008, p.112). Despite challenges in terms of reliability, thematic analysis still accounts as the most “useful method to capture the complexities of meanings from a textual data set, and used as one of the most common analysis methods in qualitative research“ (Riessman, 2008). Thus it qualifies as an adequate method to explore the textual data gained from the initial expert interviews within this research. To conduct valuable insights the analysis was performed in three steps. After the interviews were recorded and transcribed through manual transcription, the data was fractured in the process of open coding. Here “conceptual categories implicit or explicit within the data“ were identified and labeled. The manual transcript of the 10 conducted interviews can be found in the Annex section A.

As a next step, the axial coding, the main categories “which have emerged from open coding were interconnected with each other” (Guest et al., 2012). This step mainly focused on the “interrelating the substantive categories that open coding has developed” (Guest et al., 2012). The connection of these categories was mostly performed by employing connecting concepts, such as “causes and consequence” or stages in a process” (Guest et al., 2012), which were of specific relevance in the realm of this research. For example the increased “value of content discovery” was a re-emerging theme throughout the interviews.

In a final step the so-called selective coding the researcher deliberately “selects the central aspect of the data as core categories and concentrates on this” (Howitt & Cramer, 2008). Here the objective is to ”integrate and pull together the developing analysis” (Howitt & Cramer, 2008) to move to a higher level of abstraction. In the selected coding process for instance the category “value of content discovery” and “the quick change of content” were merged to the main theme “novelty”. A documentation of the various steps performed in the course of the thematic analysis is available in the external annex accompanying this Master thesis (see Annex B).

IV. RESULTS: CASE STUDY ANALYSIS

This chapter will present and discuss the initial results gained from the case study analysis in the realm of this Master thesis. Five cases have been investigated within the dimensions set by the conceptual framework to answer the overarching research question: *How can the news media utilize personalization to strategically position itself in the online news market to monetize on costumer segments?*

The presentation of results will follow the order determined by the conceptual framework and the sub-questions of this research and is thus divided into the sub-sections: customer segments, value propositions, customer relationships and revenue models. It will be discussed in what ways the value-driven factors introduced in the theoretical framework, can be found in the business models of the selected cases and how they relate to the theoretical propositions introduced in the theoretical framework.

4.1 Customer Segments

4.1.1 Data aggregation

The first sub-question of this research addressed: *How can personalization assist to enable the online news media to target their customer segments?*

Following the business model building block "customer segments", the first part of the conceptual framework assumed that the aggregation of data is a relevant driving force to personalize platforms and can assist the segmentation of customers in order to deliver personalized experiences to users. Data aggregation was previously defined as a collection of relevant data, which enables businesses to track the changes in behavior, preferences, demands, and desires of the customers" (Erdem, 2008, p.1111), which can according to Mobasher (2007) result in making the platform "less interchangeable" (p.17) and thus help to create competitive advantage. The case analysis shows that all investigated platforms utilize similar ways of data mining. It is furthermore remarkable that in four of the five cases not only data is mined, but most of their business models are based on a wide range of data aggregation. All investigated cases commonly collect basic demographic data within their registration process such as: "e-mail address, date of birth, gender, postal code, and country" (Facebook Annual report, 2013), as well as more specific data such as mobile phone number, mobile service provider and payment data" (Vice Media Kit, 2014). In all prevalent cases the data is used to "provide, personalise, and improve your experience with the Service and services made available through the Service, for example by providing customised or localised content and advertising" (Spotify Privacy Policy, 2013)

This furthermore underlines how this data is used to segment customers according to their

gender, age and country to deliver more personalized experiences and offer them niche products and content. Additionally the vast mining of demographic data reveals the increased catering towards two-sided customer segments consisting of customers and advertisers, mentioned in the theoretical framework. According to Rochet (2006) the two-sided market has become a significant characteristic of e-business models today and companies are increasingly catering to advertisers by providing them with significant and specific information about their users to enable not only targeted content but moreover to enable targeted advertising. Picking up on this it has to be noted that all investigated cases generate significant parts of their revenue by offering targeted advertising, thus catering to advertisers in the same extent as to customers. With the use of so-called effective measure tools, *Vice media* is an illustrative example for this dual-targeting. Data is collected to allow the platform to cater to "client and agency needs with unique audience channels" that are tailored to their objectives" (Vice Media Kit, 2014). "Having an instinctive understanding of your audience is one thing, but being able to paint an empirical picture of our audience is now a mandatory" explains CEO Shane Smith (Bercovici, 2013, para.4).

Authors such as Fader (2013) though emphasize: "Despite the ways that companies delude themselves, demographics and other personal descriptors are rarely useful, data that captures customer behavior is much more important" (Simonite, 2013, para.3). In attempts to gain more insights into customer's behavior to segment them and offer targeted content, the selected businesses make use of cookies[1].

In addition to cookies four out of the five initial cases mine so-called usage data. Especially Spotify utilizes a wide collection of usage data to exhilarate their business model, here information about the interactions with the service are collected such as the songs the user is listening to, as well as the interactions with other users (Spotify privacy policy, 2013). This information is in all cases complemented by technical data "which may include the URL you are coming from, your IP address, unique device ID, network and computer performance, browser type, language and identifying information" (Huffington Post annual report, 2013, p.32). As declared by all selected companies these datasets are mostly used to enable automatic recommendation systems, as well as personalize the site to the geo-location of the user.

Next to these common datasets the *Huffington Post* as well as Facebook additionally track "the web pages you were visiting immediately before and after you came to the Site" (Huffington Post Privacy Policy, 2014) to gain a broader range of data that is not only limited to the preferences within the platform itself. As pointed out by Spotify the data is used to "develop new products and

[1] Cookies are commonly defined as "small text files that resides on any computer or other device" (Spotify, 2014), which allows the company as well as their business partners to recognize the used device when a customer returns to a service as well as track site usage and trends to deliver customized experiences.

services, and analyse your use of the Service“ (Spotify privacy policy, 2013). *Vice* and Facebook also make use of so-called web-beacons, which allow the mining of further statistical data about activity on the website, such as counting visitors, how many links or received E-Mails were opened. Again this data does not provide any advantages for the user of the platform, but targets the customer segment of advertisers, as it allows the business to collect information about the success of its operations and if it reaches the user in anticipated ways. Mining this specific data can help the business to differentiate its platform from other competitors by delivering indicators for the reach of their activities.

Overall all investigated cases emphasize on the importance of mining considerable amounts of data in order to personalize and improve their services according to the customer’s needs, especially demographic and usage data build a focus here. Drawing from the case analysis the collection of demographic, usage data and cookies can thus be defined as common drivers of customer segmentation. The segmentation performed by the investigated cases is consequently based on demographics, the recognition of the user as well as usage behavior. While all of these datasets contribute to the creation of a tailored platform, especially usage data assists in making recommendations to the customer and enables the constant improvement of the platform picking up on customer preferences. As already elucidated in the theoretical framework the cases confirm that data is used in the realm of the selected cases to “improve individual segmenting that causes a more personalised platform experience“ (Mobasher, 2007) as well as “segmenting consumer groups“ (Xia, 2006, p.11) for advertising purposes.

By providing the customer with a separate space, which is tailored to their needs and habits the investigated platforms foster the lock-in of the customer which in return affects the strategic position of the company and helps to gain competitive advantage in a saturated market.

4.2 Value Propositions

By asking: *How can value propositions in the online news media be innovated through personalization to increase attractiveness for customers?* the second sub-question addresses the utilization of value propositions, which contribute to a unique experience for the customer to help increase the attractiveness of the platform.

The theoretical framework has identified four value drivers constituting unique value propositions in the online news media, which are expected to be found in the business models of the selected cases. The cases were analyzed according to these given dimensions in the particular order.

4.2.1 Localization

The theoretical framework identified localization as an important value proposition, which serves as a driver for personalization. Scholars have furthermore argued for the strength of localization in helping to differentiate the platform and contributing to the lock-in of the customer at the same time. Authors such as Miller (2010) for example claim that local content bears potential to add value to a platform. As discussed in the theoretical framework Chan-Olmsted (2010) even emphasizes that localization can be identified as an initial form of personalization itself by creating relevance for the users in a local context. Thus the case analysis aims at elucidating in what ways the selected cases deliver tailored experiences, which take the localization of the platform into consideration.

Overall the investigation reveals that the use of the customer's location is processed in very diverse ways among the selected platforms. It has been prevalent that all selected cases facilitate increased targeted advertising towards the location of the customer. But furthermore the analysis revealed that three out of five platforms do not localize their initial content, but concentrate their efforts into delivering local recommendations to their users. Here especially the news-unrelated platforms Spotify and Facebook constrain the localization of their platform to automatic language adjustment, local advertisements and localized recommendations. For example the music streaming service Spotify mainly customizes the website language as well as delivering recommendations of related local events, such as automatic concert suggestions of artists followed by the user. Thus by personalizing the local experience of the customer, Spotify transfers its business model into the offline sphere. Additionally advertisements are targeted according to the location of the user enabling an increased relevance for the customer.

Similar to Spotify, Facebook detects the location of the user to identify new friend recommendations and places that are nearby. According to Lawrence et al. (2001) recommendation systems that explicitly address the location of the user have a higher probability to satisfy the customer. As stated by Fornell (2006) this on the other hand entails the loyalty of the customer. The case analysis thus suggests that localized recommendation systems are mainly used to retain customers and offering increased relevance to the user.

The news aggregator site *Huffington Post* and *Vice media*, employ different strategies by localizing their journalistic content. Specifically the *Huffington Post* has established a manifold hyperlocal project called "Local voices", which consists of local sub-categories with its content varying according to U.S. state. Since 2008 the news aggregator has additionally expanded Local

Voices from its first local version HuffPostChicago to 9 different local versions today. Arianna Huffington pointed out that the hyperlocal-project is about: “Aggregation of any news affecting these communities; and cross-posting and amplifying the work of local bloggers providing them an even more powerful platform for expressing their views“, while emphasizing that the project will bring “quality, comprehensive news coverage to places that need it most“ (Huffington, 2011, para.4). Especially considering van der Wurff’s findings (2013) *The Huffington Post’s* utilization of hyperlocal content indicates the attempt of retaining customers through community building provided by the localization of content.

Vice media on the other hand picks up on the location of the customer to employ a differentiation strategy by delivering exclusive content in every country. In the realm of this research *The New York Times* takes a special stance as an international newspaper by addressing the location of the customer only in limited ways. Regional content is provided solely for the New York region, while targeted advertisements complement the content with local offerings. Taking a pioneering position in 2009 in building up the hyperlocal-blogging platform called “Local” in collaboration with the New York University, the project was abandoned in 2012 and the paper has declared to be stepping away from this concept since it was “barely enough to create a ripple in a pond and not enough to be profitable” (LaFrance, 2012). The New York Time’s Jim Schlachter even pointed out in an interview: “Honestly, if hyperlocal is not core to a media organization’s business, then a media organization cannot possibly be fully engaged in it” (LaFrance, 2012, para.2).

The research within the realm of the selected cases shows that localization can take manifold forms, which are not only limited to the offering of a selection of local content. While all platforms make use of localized advertising, there were big differences in how localization is performed by the selected companies. This extensiveness in localization forms furthermore emphasizes the important role of localization as an integral part of personalization, which can add substantial value to the platform. Additionally the case analysis indicates that irrespectively of the form of localization, most platforms employed the detection of the customer’s location as an important tool to foster customer loyalty. Especially localized recommendation systems and targeted advertisements, as well as local event and limited content suggestions present itself as frequent pathways to cater to the need for local relevance. Especially the *New York Times’s* strategic decision to move away from local content is an indicator that a hyperlocal content model has not scaled the expected success rate and local content might only on a specialized scale. Thus the expert interviews will further investigate what forms of localization can work in the digital sphere.

4.2.2 Brand identity

Brand identity serves as the second value proposition explored within the realm of this research. Rothman (2013) emphasizes the necessity for established players in the news market to "strengthen their brand in the digital business" (p.84). Based on the assumptions gained from the theoretical framework this thesis argues that band identity is a key contributor to the strategic position of the online news media, because it offers access to qualified consumer groups that share "lifestyle, value, and features" (Aaker, 2004, p.110) of the initial brand and thus provide the user with personal identification.

The selected cases offer a variety of different brand identities, which can mostly be distinguished by being migrants to the digital or being a native digital platform and the audiences they cater to. Three out of the five selected cases create a brand image that focuses on delivering customized and content or content that is created through the customer. The social network Facebook is for example leveraging its brand identity as a user-generated platform to create the newly established channel Facebook Newswire. Facebook has positioned itself as a unique brand that caters to the individual needs of its users by giving them access to friends, organizations and other people and places relevant to them. The company emphasizes that: "Each person's experience on Facebook is unique based on the content shared by his or her friends and connections" (Facebook annual report, 2013, p.12). The customization of content delivered to the user is thus an initial part of Facbeook's brand identity, as the user decides which people, organizations and brands to connect with and gives suggestions based on his profile to create a platform that "enables people to share their opinions, ideas, photos and videos, and activities and giving everyone a voice within the Facebook community" (Facebook annual report, 2013, p.12).

The news aggregator *Huffington Post* follows a similar strategy and strengthens its brand by emphasizing on the importance of the user. The platform presents itself as an "influential news, opinion and lifestyle website with moderated user comments"(Huffington Post Impressum,2014), which seeks to "connect with others" (Huffington Post Impressum, 2014) to make them engage with the delivered content**.** *The Huffington Post* thus emphasizes on the user and the co-creational aspects of using the platform. The third platform, which picks up on creating relevance for the customer and its co-creational role, is the streaming platform Spotify. According to Spotify, the service is created to "curate music together" (Spotify, 2014). By giving users the opportunity to create their own playlist and share them with other users, the customer itself builds a significant part of Spotify's brand.

The New York Times on the other hand accounts as one of the most established quality newspapers worldwide and has been fostering this traditional brand identity ever since. While

migrating to the web in the past years, *The New York Times* also attempted to alter its brand identity by transferring its motto: “all the news that fits to print” to “all the news that fits to click” (Blodget, 2007, para.3). Apart from that the *New York Times* has made attempts to further strengthen their identity as a high quality news source, which operates in various channels. The annual report manifests: “We are a global media organization focused on creating, collecting and distributing high-quality news and information. Our continued commitment to premium content and journalistic excellence makes *The New York Times* brand a trusted source of news and information for readers across various media.” (The New York Times annual report, 2013, p.2).

Furthermore *The New York Times* is purposely leveraging its brand identity to expand and innovate their presence in the digital sphere: “As we continue to look for ways to optimize and monetize our products and services, we remain committed to creating quality content and a quality user experience, regardless oxf the distribution model of news and information“ (The New York Times annual report, 2013). This brand commitment is underlined by the strategic decision to rebrand the International Herald Tribune as the International New York Timers to create “a single global media brand“ (The New York Times annual report, 2013, p. 14) in order to expand digital sales subscriptions outside the U.S. *The New York Times* thus tries to employ a broad and global brand, which creates opportunities for readers to follow. Similarly to *The New York Times*, *Vice media* puts significant efforts into the creation of a global quality brand, which emerged from catering to a younger niche audience to representing the “Voice of Global Youth culture” and establishing “premium digital media across platforms for 18-34 year olds“ (Vice Mediakit, 2014, p.5). Next to targeting a younger audience, *Vice* is positioning itself as a brand, which covers stories that other news organizations hesitate to cover. *Vice Media’s* Shane Smith pointed out in an interview: “We are getting a story that everyone is interested in seeing and nobody else could get. People call us 'adventure journalists' or 'daredevil journalists' or whatever. But in an insane world the mad way often works“ (Adams, 2013, para.7).

As presented in the theoretical framework the brand identity of a platform is a significant driver of a company’s strategic position in the digital sphere. The analysis illustrates that each selected organization leverages its brand identity in another individual way to differentiate itself from competitors. It has become apparent that especially the digital native platforms, such as Spotify, Facebook and the *Huffington Post* employ a brand identity, which is focused on providing a platform customized to the user’s needs and making him part of their brand. The established news brands *Vice* and *The New York Times* on the other hand use their brand by providing a promise to quality. The customer does not actively engage in the building of the brand, but identifies and follows the brand identity established throughout the years. Drawing from these findings it remains unclear which pathway is the most worthwhile to go when it comes to picking up on personalizing elements

within the brand identity of a news organization. The expert interviews will thus further investigate the advantages and disadvantages of personalized branding strategies in the online news media.

4.2.3 Relevance

A third value proposition investigated in the realm of this research is the role of providing relevance to the customer. Drawing from the theoretical framework it has been argued that especially socialization can significantly increase the relevance delivered to the user (Zhang & Hurley, 2008). This thesis assumes that establishing a significant link between the reader and its social environment is one valuable pathway to contribute to the retention of customers by providing them with topics that are relevant to them.

The analysis illustrates that all selected e-platforms connect their platform with other social networks. Facebook as the most popular global social network takes an extraordinary position as its business model is based on connecting people in the online sphere and delivering relevance to them by providing them with information that feeds into their interests and activities. It is remarkable though that the newly launched channel Facebook Newswire employs a connection with the microblogging-service Twitter to enable users to receive relevant information through diverse platforms. This indicates the increasing importance of establishing connections to various social platforms to increase relevance for the user. Also the online streaming service Spotify was one of the first e-businesses to foster a "deep social integration" (Spotify, About, 2014) by connecting its service to the social network Facebook. The integration of the social network adds substantial value to the streaming platform by giving users access to friend's playlists and telling them what their friends have been listening to. According to Spotfiy CEO Daniel Ek his successful business relies as well on the nature of how to create relevance for the music-lover: "Music isn't like news, where it's what happened five minutes ago or even 10 seconds ago that matters. With music, a song from the 1960s could be as relevant to someone today as the latest Ke$ha song" (Dredge, 2012, para.3).

The Huffington Post has established a similar system to its news-site and has integrated the social network Facebook to its platform. With a personalized HuffPost Social news page, the news aggregator has created a platform to "converse about news stories they have read, and in some cases add their relevant information for Facebook friends to read" (Huffington Post, Privacy Policy, 2014, para. 10). Like the streaming service Spotify this function allows the user to follow what his friends have been reading and offers users the possibility to interact and comment on stories to create a personalized experience on the website. Thus information, such as "profile picture, what stories are popular in your network, and what your friends are saying about certain articles or blog

posts" (Huffington Post, Privacy Policy, 2014, para.4) are constantly monitored and fed into the service. Furthermore the system tries to continuously create more automatic relationships by replicating relationships within other social networks "setting them to be fans, followers, or friends on our Site" (Huffington Post, Privacy Policy, 2014).

Vice media on the other hand focuses on video content that is constantly linked and released to YouTube. By establishing various channels, which target narrow interests such as Munchies, a channel dedicated solely to food, or thump, a channel focusing on electronic music, *Vice* is trying to cater to the topically narrow interests of its users. Still the site does not provide any deeper integration with social networks or other digital platforms to provide users with additional information about their friend's content preferences.

With the current launch of "Times People", *The New York Times* is encountering among others the increasing necessity of providing relevance to users through so-called "socialization" (Zhang &Hurley, 2008). The newspaper has introduced its own social network for Times readers that enables users to "discover what other readers find interesting on NYTimes.com" (New York Times annual report, 2014, p.15). Furthermore, the users "can share articles, videos, slideshows, blog posts, reader comments, and ratings and reviews of movies, restaurants and hotels" (New York Times annual report, 2014, p.15). With the launch of the new platform, *The New York Times* has also abandoned the Facebook connect feature, which required a log in via a Facebook account to comment on articles and posts.

Drawing from the analysis it becomes apparent that the integration of social platforms in order to create relevance has been used quite commonly among the selected platforms. It not only enables companies to collect extensive additional data, but gives the possibility to make the platform more interactive and create relevance by giving users access to information of what their social network is reading about. Still most of the selected companies have chosen one platform as their main supportive outlet, such as Spotify and *Huffington Post* who increasingly utilize Facebook, while *Vice* focuses on YouTube. Again the *New York Times* takes a unique position by establishing their own network called Times People. Thus the analysis indicates that the choice of a complementing social platform plays an important role, relating to the initial brand identity of the news media organization.

4.2.4 Complementarities

The last significant value proposition detected within the business models of the selected case companies is the utilization of brand extensive and complementary products. The theoretical framework suggests that by providing complementing products or platforms additional value can be created for the customer. Especially identifying "the most loyal, profitable, and thus valuable

customers" (Grant and Schlesinger, 1995, p.115) enables content platforms to personalize complementary offers, which has been identified by scholars as a valuable pathway to generate revenues. Thus this thesis hypothesizes that the selected case companies increasingly personalize their additional services in order to differentiate their platforms from competitors.
The analysis clearly elucidates that all investigated platforms utilize brand extensive products or partnerships to complement their own platform. Especially partnerships with other brands are very prevalent among the selected cases. The extent of personalizing the connected offers varies a lot among the platforms and is only employed by one of the five selected companies. The streaming service Spotify for example has built numerous types of partnerships, which assist in extending the brand as suggested by Aaker (2004). These partnerships either make their own platform accessible through other providers or transfer their business into the offline market.

To only name a few, Spotify for instance engages in similar partnerships with various telecommunication providers in different countries such as Telia, Virgin Mobile or Deutsche Telekom. Here a free trial version of Spotify's Premium account is offered for three to six months as a complement to certain contracts and mobile packages. This not only helps to increase the visibility of the streaming service, but also contributes to a significant lock-in of the customer. Additionally Spotify has followed strategic partnerships with the audio hardware producer Sonos, which also offers a premium free trial with the purchase of a Sonos audiosystem and thus transforms Spotify from a mobile application into the living room.

Facebook on the other hand does not set a focus on increasing collaborations. With the launch of Facebook Paper, a mobile application with a magazine-like texture, the company has made a significant step towards offering their customers a curation of relevant news, based on their newsfeed. Just shortly after the launch of Facebook Paper though a first content collaboration with TED was announced in march 2014, indicating the necessity to additionally incorporate complementary content.

The news aggregator site *Huffington Post* takes an exceptional position as the whole business model is based on the collaboration with other news media platforms to aggregate the most relevant content from various blogs and news sites. Still the *Huffington Post* has made substantial efforts to extend their brand through collaborations, on the content level the two brands "Oprah Winfrey" and TED obtain their own topic-related sections on the website, with the so-called Oprah Winfrey Network (OWN) and TED with its own TEDWeekends section. Though not initially related to delivering news, the *Huffington Post* picks up on its notion to provide opinion pieces and serving the topical interests of its users. Furthermore a collaboration with the IT giant HP enables the news aggregator to expand its efforts to live online video streams, which allow viewers to comment and engage in dialogues with the *Huffington Post's* community.

Vice and the *New York Times* on the other hand foster the most traditional forms of offering complementarities to their platform. Both companies offer book series that are produced from their own content. With the launch of its premier tier the *New York Times* has even launched a free e-bookstore in a partnership with the digital e-book platform Byliner, which offers a selection of *New York Times* articles.

Vice has taken an extraordinary position by partnering with well-known companies to vertically extend their set of stories. A collaboration with Intel, called the Creator's project has made headlines by delivering "articles, video and live events around themes of technology and creative activities such as music" (Vice media kit, 2014. P.3). After the success of Creator's Project, *Vice* now fosters extensive partnerships with the North Face, Warner Bros. and many more stating that: "That's testament to what branded content should look like. There's no reason why other talent in whatever area wouldn't be able to be portrayed and tell their story with a brand" (Jackson, 2013,para. 5). As one of the leading international newspapers *The New York Times* attempts a different strategy by leveraging on its brand trust by providing users with the NYT store, where various merchandise articles as well as home décor and a lot more is offered.

Overall the analysis indicates the common use of brand extensions via complementing products with other providers. The presented complementary products underline the basic assumption gained from the theoretical framework that complementarities are especially effective when extending the initial brand. Especially notable though are the increased attempts to form strategic partnerships to extend the content from news aggregation towards specific subject areas as demonstrated by Facebook Paper, *Huffington Post* or *Vice*. As suggested by Thurman (2011) the choice of extended content subject areas within each platform seems to target the most loyal and valuable users on the platform, thus indicating a strategy of value exchange optimization. An illustrative example is Facebook Paper, which is trying to cater to its young and innovation driven audience by collaborating with TED.. Drawing from the investigated cases, the assumption that a lot of complementarities are personalized and targeted towards a loyal userbase of the platform can be verified especially in terms of content collaborations and strategic partnerships. With its strong interlinking connection with the brand identity of the company there's a strong indication that complementarities can similarly contribute to the competitive differentiation of the platform.

4.3 Customer Relationships

In order to answer the research question: *How can personalization be utilized in the online news media market to improve the relationships with customers?* three different factors, which enhance the relationships with customer, have been indicated within the theoretical framework.

These include explicit and implicit personalization as well as the co-creation of the customer. The following will investigate in what ways customer relationships are personalized within the given dimensions.

4.3.1 Implicit and explicit content selection

The theoretical framework has already illustrated the scholarly debate around the best possible way to select and recommend content to users. While some authors argue that the involvement of the customer leads to an increased lock-in, others stress the advantages and efficiency of automated implicit recommendation systems. With the help of an advanced personalization taxonomy introduced by Thurman (2012) the selected cases will be analyzed according to their employment of specific personalization characteristics.

Explicit personalization has been defined as originating from an active selection process performed by the customer. Thurman (2012) accounts among others E-Mail Newsletters, Widgets, a customized section and one to one collaborative filtering as explicit functionalities on websites. The analysis of the prevalent cases elucidates that explicit personalization functionalities are only utilized in limited ways among the selected platforms. Four out of five platforms employ explicit personalization elements, still it becomes apparent that these functions are strongly limited to E-Mail newsletters and widgets. For example *The Huffington Post*, *Vice magazine* and the *New York Times* send out editorial updates to their subscribers. Especially the *New York Times* has recently launched a twice-weekly round up, called "what we are reading", which offers a selection of editor's picks. *Vice* on the other hand increasingly utilizes widgets that make it easier for users to indicate their interests i.e. food or electronic music. Deviant from Thurman's (2012) framework it is noticeable that four of the five platforms allow the user to follow certain topics or people of interest. The most prominent example is probably Facebook's like or follow option, which uncovers the users interest, Spotify on the other hand enables the user to follow certain artists. The two news media platforms *Huffington Post* and *New York Times* employ their own limited social network that provides possibilities to follow other readers and get access and promote their comments. In the case of the *New York Time's* platform TimesPeople users can not only follow the comments, but also the reading habits of their network.

In contrast to explicit personalization the selected platforms show a much greater amount of implicit personalization functions, which relates to the recent finding of Thurman (2012) pointing out the higher growth rate of implicit personalization tools. The most frequently used tool for implicit personalization within this case analysis is the so-called aggregated collaborative filtering. Spotify and Facebook employ the most advanced collaborative filtering systems. Facebook for instances uses an

Edgerank system to alter each user's news feed, which gives affinity scores to content and makes suggestions on the basis of affinity weight. With features like "trending topics" Facebook has paved its way towards being a social news media plugin, giving users access to conversations and content rated as relevant based on individual edgedrank scores. Another significant update on Facebook's news feed is a distinguished ranking between text and status updates by pages to increase the relevance for the customer. Complementing these changes Facebook has recently started contextual recommendation aggregations, which "begin recommending related articles to users who click on a link from their feed. These recommendations appear below the original post" (Facebook privacy policy, 2014, para.8). Similarly to Facebook, Spotfiy also employs collaborative filtering to make suggestions to the listener based on the previous listening behavior. Within all news-related platforms the *Huffington Post* clearly sets and example for collaborative filtering in the news media market. While its main homepage automatically recognizes the user and generates content of relevance to him the HuffPost Social platform offers even more extensive features of personalization. With a "Recommendations" plugin for registered users on its home page the *Huffington Post* gives extensive personalized recommendations. Especially within HuffPost social, a social media plugin created by the news aggregator automated recommendations are made based on the preferences of friends within the network and the ratings these stories and posts have received. Thus the user can see what stories are popular within his network and what friends are saying about an article or a story. Additionally the user can indicate specific areas of interest such as Tech and receives the most popular stories within this section.

With TimesPeople the *New York Times* is picking up on the *Huffington Post's* approach to build a network of readers to show what the user's networking is reading. Following a different approach than social network based recommendations, *The New York Times* and *Vice* make use of common content recommendation systems that offer the user an overview of articles that are in the case of the *New York Times* "most e-mailed, most viewed and recommended for you" (nyt.com, 2014). In a similar manner *Vice* gives automated recommendations which gives insights into what is 2popular the past 24-hours, popular this week" (Vice.com, 2014) as well as "featured editor's picks and featured series" (Vice.com, 2014).

In conclusion the case analysis has illustrated that recommendation systems are utilized extensively among the selected platforms. Because of their increased potential to strengthen the relationship between the user and the content platform, recommendation systems show a great probability to strengthen the lock-in of the customer. Underlining previous scholarly findings by Thurman (2012) especially implicit recommendation systems are increasingly used among the selected cases, mostly by employing collaborative filtering. Also the cases have shown that recommendations are either based on providing a selection of content based on what is trending on

the platform or basing it on the user's behavior. An important tendency among the analyzed platforms in terms of collaborative filtering is to take the behavior of the user's social network into account, which is mostly practiced by Facebook, Spotify, the *Huffington Post* and The *New York Times*.

Considering explicit personalization the analysis revealed that most platforms incorporate forms of explicit personalization in limited ways by constraining options towards "follow" options indicating who's content matters, thus orienting recommendations not only towards topics but opinion leaders. It is thus noticeable that while implicit recommendations are used more extensively, they are still complemented by a simple scheme of explicit preference indication. Thus within this case study mixing elements of explicit and implicit personalization functions proves as a valuable strategy to keep users engaged and interested, while still allowing them to discover content on their own.

4.3.2 Co-creation

In the realm of the theoretical framework it has been argued that co-creation has emerged into an important driver of personalized customer relationships, especially in the online news media market. Furthermore it has been hypothesized that by helping to build up a community driven relationship with its readership co-creational elements can foster increased engagement with the platform, which results in higher switching costs for the customer and thus a potential lock-in.

The analysis of cases constrains that co-creational elements have been employed commonly among all investigated platforms. The types of co-creational engagement show a great variation though. Especially the journalistic platforms *New York Times*, *Huffington Post* and *Vice* put an extensive focus on gathering different types of user-generated content and engage with their audience.

The news aggregator *Huffington Post* for example has introduced a complex commentator system, which is based on advanced reward mechanisms. Based on the frequency and quality of activity in commenting the user can earn badges for his contribution. So far *The Huffington Post* has awarded badges to users "for predicting the news, curating comments across the community, and insightful discussion" (The Huffington Post, Privacy Policy, 2014, para.22). Differences are made between the levels "networker, superuser and pundit". Additionally users can contribute by utilizing a "Fan and Favorite" (F&F) functions to help identify "users who are posting great content" (The Huffington Post, Privacy Policy, 2014, para.22). On the other hand users can also "flag a comment for review by a moderator" " (The Huffington Post, Privacy Policy, 2014, para.22). Recently *The New York Times* has also introduced a more extensive user platform called "Times People", which is supposed

to be a network of dedicated Times readers. Here people can recommend, comment and share articles as well as give ratings on restaurants, movies and hotels. Next to this extensive platform user can continue to engage by commenting or reviewing the content provided on the platform. The Time's digital strategist Jim Schlachter emphasized: "If you can lower the barriers to participation, you'll be more successful. (...) Sending in a photograph, answering a question, tweeting, taking notes for posting at a community board meeting — if all those are ways that people can participate, then you've broadened participation." (La France, 2012, para.6)

Two platforms that undoubtedly base their business model on the contribution of their users are the journalism-unrelated companies Facebook and Spotify. According to Spotify CEO Ek the co-creational effort of the user is part of Spotify's success. In an interview he pointed out that: "To a user, at first, Spotify is just music. Then it becomes music, plus their playlists, which they have taken a lot of time to put together. Once the "emotional connection" with the product is accomplished (or once Spotify has 'got you by the balls'...) it becomes much more compelling to pay up" (Gobry, 2011, para.7). Facebook on the other hand has brought user-generated content to another level. First providing a platform for exchanges among friends it has emerged to a platform that lives from its user-generated content. Especially the newly launched platform Facebook Newswire is build on bundling newsworthy content produced by Facebook users to cater to newsrooms. Thus the users build the basis for Facebook's business, while the engagement constructed through the sense of community ensures the lock-in of the users. As a counter example *Vice*'s online platform barely incorporates co-creational elements. Mostly *Vice* profits from an extensive comment section that accompanies the published articles on its websites. It is noticeable that this commenting section has been outsourced to the blog comment hosting service "Disqus", which provides features such as social integration as well as user profiles and moderation tools and underlines that co-creation does not contribute to *Vice's* strategic focus.

In conclusion the case analysis indicates that incorporating co-creational elements on online content platforms has been utilized by most selected cases as a valuable driver to foster the lock-in of users. Especially in the case of the natively digital platforms Facebook, Spotify and the *Huffington Post* the specific engagement concepts illustrate how user-generated content can be utilized as an advanced differentiation strategy, which offers extra value to the customer. Still the types of user-participation vary a lot, which also suggests a deep connection between co-creational elements and the brand identity of the company. Because of the diversity within the cases the expert interviews will pick up on these findings and identify further options of using co-creational content to gain a competitive strategic position in the online news media market.

4.4 Revenue Models

As a last business model building block this research focused on the revenue models employed by the five selected e-businesses. Four different models have been distinguished within the literature review, namely: subscriptions, transaction based streams, freemium- or crowdfunding –models (Cheng & Tang, 2010). The corresponding research question aimed at investigating what role personalization plays in shaping revenue models in the online sphere. As indicated by authors such as Hotz & Xiao (2013) the case analysis reveals that the variation of revenue models among the cases is rather low and the freemium approach clearly dominates. Three out of the five selected cases employ a freemium revenue model, which is based on advertising revenues, only the quality newspaper *The New York Times* and the streaming service Spotify are featuring a subscription-based approach. Especially the social network Facebook exploits the possibilities of third party advertising extensively by gaining a majority of their revenues from offering an advertising platform to marketers as well as developers. Facebook's annual report states that: "for 2013, 2012, and 2011, advertising accounted for 89%, 84% and 85%, respectively, of our revenue" (Facebook annual report, 2013, p.3). By collecting a variety of datasets Facebook has pioneered in providing targeted advertising that is personalized towards the user's preferences, which has become an example for a lot of e-businesses. Thus for example to news aggregator *Huffington Post* follows a similar strategy in relentlessly mining user data to ensure increased attractiveness to marketers to keep their content free.

Another interesting approach to targeted advertising is currently performed by *Vice media.* Discussed extensively by media experts, *Vice* offers its own in-house advertising agency focused on a customer segment of 18-34 year olds, which is "aggressively pursuing branding opportunities and other non-standard advertising opportunities" (Gobry, 2014, para.8). With is revolutionary approach to include branding into the narrative of the provided content, *Vice* has not only called up criticism, but also risen up hopes for a bright future of the media industry (Gobry, 2014). *Vice's* CEO Shane Smith has stressed that the increased focus on advertising revenues is part of their success, emphasizing that: "where we've definitely found the most success for brands and ourselves is understanding what their objectives are, and how we can use narrative story telling to effectively realise those objectives, such as shifting consumer behavior" (Gobry, 2014, para.9).

The New York Times employs a contrary model, as the news publisher has introduced a digital subscription model, which is complemented by a paywall. In April 2014 the quality paper has extended its digital tier towards three different options consisting of NYT Now, the full NYT subscription and a premium tier. While NYT Now is introduced as a entry product that offers a curated selection of articles changing according to the time of day, it additionally hosts paid post

units. The premium tier on the other hand provides full access to all content offered on the platform plus additional products such as the *New York Times* crosswords or archived video material. Although debated critically in the media industry at first, *The New York Times* CEO Mark Thompson announced last year: "[T]he launch of the pay model is the most important and most successful business decision made by *The New York Times* in many years. We have around 700,000 paid digital subscribers across the company's products so far and a new nine-figure revenue stream that is still growing" (Roberts, 2013, para.2).

Combining freemium and subscription approach at the same time, Spotify has incorporated a successful revenue model, which exhibits an enourmosly high conversion rate of 15% in 2013, out of 24 million users 6 million were paying a subscription fee. The customer is given a choice between using a free version, which displays extensive targeted advertising or choosing for a premium account, which is barely disrupted by advertising. This revenue strategy is strongly linked to the idea behind Spotify's personalized playlist structure since the initial value for the user increases over time so that the he gets hooked on the service and is in the end willing to pay a premium price.

Concluding from the analysis there is not a clear indication which revenue model can improve the strategic position in the online news media market. A variety of models is employed, while a freemium approach is the most dominant among the selected cases. Still the research shows that personalized efforts as employed by Spotify or the *New York Times* can influence the user's willingness to pay for premium products and there is substantial value in mixing a freemium with a subscription model. It also blends into assumptions made by Godes et al. (2009), which highlight the importance of offering free content to display the quality of the product first, enabling the customer to decide for a premium option at a later stage. The selected cases also illustrate quite well the differences between sites that produce their own content and platforms, which simply aggregate content. Facebook, Spotify and the *Huffington Post* do not base their business model on own produced content, which makes it easier for them to offer huge amounts of their content for free and pay off costs through advertising. Here personalization is thus mostly focused on catering to advertisers in terms of revenue. *Vice's* particular model on the other hand will prove its value over the next years, possibly being a role model for other media outlets.

V. RESULTS: EXPERT INTERVIEW ANALYSIS

The following chapter will analyze the data collected throughout the ten semi-structured expert interviews. As already elucidated in the methodological framework the interview questions were structured according to the four business model building blocks customer segments, value propositions, customer relationships and revenue models. These building blocks were enriched with eight value drivers of online media business models - namely data aggregation, localization, brand identity, relevance, complementarities, explicit & implicit recommendation systems, co-creation and revenue models- which function as relevant dimensions within the conceptual framework. By conducting a thematic analysis of the collected data additional themes emerged, which are complementing and refining the eight given dimensions. Thus these themes will be discussed in accordance and relation to the set main dimensions giving deeper insights into how online news media can utilize personalization to strategically position itself in order to attract and retain customer segments.

5.1 Customer Segments

How can personalization assist to enable the online news media to target their customer segments?

5.1.1. Data aggregation

This thesis thus argues that data aggregation is an important driver to segment customers in order to personalize their services. Within the customer segments block the theoretical framework identified data aggregation as an important driver in order to personalize online news media platforms. Within the analysis of the initial expert interviews, two refining themes emerged: data as a tool for segmentation and the increasing role of behavioral data.

5.1.1.1 Data as a tool for segmentation

The majority of experts agree that the segmentation of users is an essential driver of personalizing an online news media platform. 7 out of 10 experts explicitly state that the profiling of the reader through vast data collection has gained importance within the news media industry in order to deliver value to the user. The digital strategist Peter de Haas stressed that collecting data about customers enables the publishing house Elsevier to increasingly offer content *"that people would like to read and less of the content that nobody consumes*", which significantly increases the satisfaction of their readership. Thus the segmentation of users through data aggregation is perceived as a pathway to improve the offered content and tailor it to the interests of the users. The consultant Mr. Lorenz related the increased segmentation of users back to the emergence of so-

called “niche-media”, which functions as a facilitator of competitive advantage. He states: “I think online should focus on making a certain segment of readers really happy, not both reader groups just a little bit happy. There is too much competition for being mediocre”. Especially the industry experts identified a similar phenomenon, for instance Storify co-founder Burt Herman pointed out:

> Another trend in the online media that relates to that is that people are getting more specific. You can have new sites that cover very narrow topics more deeply that’s definitely a trend, covering certain topics in-depth and catering to niche audiences.

Thus the increased data collection in order to segment users, is seen as a process which entails the emergence of niche content on news platforms. The scholar Dr. Piet Bakker additionally emphasized on the advantages of narrow data driven segmentation in order to attract and cater to advertisers. Furthermore it is noticeable that the experts Herman, Robben, Lorenz and deHaas suggested that rather than segmenting readers according to demographics, the available data enables to segment users according to their common interest fields in order to recommend and deliver content to them. This strongly relates to findings by Xia (2006), who emphasized on the possibilities of utilizing data to segment users into groups, which contributes to the differentiation of the platform. Overall the analysis of the interviews shows that data-based user segmentation as a main driver of personalization enables further processes such as the tailoring and recommendation of content, the identification of common interests in order to develop niche media content as well as an increased attractiveness for advertisers.

5.1.1.2. The value of behavioral data

Half of the initial interview partners emphasized the importance of collecting data about how users behave on an online news media platform in order to successfully personalize it based on customer segmentation. As indicated in the previous, the experts notice a trend in the news media to personalize their platforms according to certain niches that go beyond the segments provided by simple demographic data. Peter de Haas stressed the need to gain insights into the “engagement” of the user with the website. Bart Robben pointed out: *“I think basic data is just interesting: how long is someone reading the article what’s the next step, second and third article and where they are coming from of course”*. According to a majority of the experts this data is not only necessary to make valuable recommendations to users, but to assess their needs and deliver more of the content preferred by the users. Bart Robben even suggested to take the data collection a step further by trying to assess the emotions of the reader. “You never hear the people who are satisfied” he noted during the interview, pointing out the possibilities of employing rating and recommendation system on online news media platforms in order to assess whether people liked the article they consumed. He emphasized that measuring how long an article is read has the potential of being an indicator, but

does not offer full insight into whether an article added value for a reader or not.

5.1.1.3. Comparison with the cases

There is a significant overlap between findings within the case analysis and the expert interviews. Both analysis sections reveal that the collection of behavioral data plays an increased role among online platforms. The expert interviews as well as case studies illustrate that behavioral data collection is considered an essential instrument in targeted customer segmentation that significantly contributes to the personalization of an online news media platform as suggested by Mobasber (2007). As assumed within the theoretical framework collaborative filters find increased use among the selected platforms and are recognized by experts as valuable sources for segmentation. Thus the analysis confirms the findings by Jain & Singh (2002) that the compiling of data in order to develop a customer lifetime analysis increasingly gains value as it allows platforms to cater to users and marketers at the same time. Complementary to this approach especially the experts emphasized on the strategic value of segmenting customers according to their interests and establishing topical niches as done through content based filtering methods mentioned by Thurman(2012). The case studies show less compliance here, but it is recognizable that especially the analyzed news media platforms such as *Vice* and the *Huffington Post* add segment their customers in topical niches adding to their news portfolio, indicating the limited emergence of content-based segmentation. Drawing from the expert interviews the establishment of data-drvien topical niches bears growing potential of differentiating a news platform from competitors, which is not exploited yet.

5.2. Value Propositions

How can value propositions in the online news media be innovated through personalization to increase attractiveness for customers?

In order to answer the second sub-question of this research, the value proposition block is engaged with investigating how personalization can influence the creation of significant value propositions within online news media platforms. Four value propositions have been identified as being especially relevant in the online news media market. The following analysis will address the results and themes gained from the expert interviews.

5.2.1 Localization

The theory presented within this Master thesis derived that localization can significantly contribute to the personalization of news media platforms by fostering the community building among e-platforms, which can in return positively affect the lock-in of customers.

7 out of 10 interviewees argued that offering local content can increase the value for the user by contributing specifications to the online news media market. Professor Andra Leurdijk pointed out that: " You have to consider offering different content for different people in different regions." In accordance with this assumption blendle co-founder Marten Blankensteijn announced that the platform is currently experimenting with algorithms to incorporate the location of the customer to make local recommendations. Furthermore stating that: "I don't believe it will bring us additional revenues, but we believe it matters to our users so it is just another way of catering to their needs". Still there was a lot of disagreement among the interviewees about how to employ the location of the customer. There was a clear divide between scholars and industry experts, while scholars mostly emphasized on localization on the content level and the dangers of disrupting existing national news media brands, industry experts rather saw potential in offering localized recommendations to users. Especially on the content level scholars like Yvonne Zonderop notice the potential to differentiate the platform from other competitors by incorporating local content, but see practical implications of making it "commercially attractive". Andra Leurdijk points out the challenge to balance the amount of incorporating local content on a national news media platform.

All in all scholars show a lot of skepticism of whether local content should be covered by online news media platforms or should rather be left to smaller local news aggregator sites that specialize on hyperlocal content. Industry experts such as Burt Herman, Paul Bradshaw, Marten Blankensteijn and Mirco Lorenz still emphasize on the value of localizing recommendations, especially those that complement the main share of news content. Accordingly Lorenz noted:

> New data-driven platforms should consider that most of the decisions affecting the life of people are done in a specific local area, which has an inner circle and a wider circle. Nobody else than focused local media could cover that.

Overall the experts attest the limited potential of localization to function as a significant value proposition that can contribute to the strategic position of the online news media. The extent to which localization can function as a differentiator in the online news market has furthermore been strongly related to the brand identity provided by the platform. Rather than incorporating hyperlocal content as suggested by van der Wurff (2012) within the theoretical framework, the analysis of the expert interviews constitutes the potential of localizing recommendations to deliver increased value to users.

5.2.1.1 Comparison to the cases

The differing opinions among the experts relate strongly to the findings of the case analysis, as it illustrates the variety of possibilities to utilize localization as a personalization tool. The challenge of incorporating local content on quality news media platforms has already been indicated

by the case studies suggesting that highly localized content only works on a specialized scale. Although the experts and cases recognize the value of localization especially in terms of creating customer lock-in, it becomes clear that incorporated on a bigger scale localization cannot sufficiently function as a value proposition that significantly contributes to the differentiation of a national online news media platform. Contrarily to the literature by van der Wurff (2012) localization rather qualifies as a driver for lock-in if applied to personalize functions on an online platform. Instead both analyses underline the potential of rather localizing recommendations as illustrated by platforms like Spotify and Facebook. Here localization is mainly utilized as a driver for customer satisfaction, rather than a source for additional revenues Thus localizing content recommendations is considered as the most suitable pathway within this research to create added value for the user.

5.2.2 Brand Identity

Based on the theories emerging from the theoretical framework this Master thesis argues that the brand identity of online news media platforms bears significant implications for the personalization of the platform, since it has to match the profile of the customer (Bresciani & Eppler, 2010). This high degree of identification in return is assumed to provide the potential of functioning as a differentiator, as well as increasing the lock-in of the user (Aaker, 2004).

Similarly to localization investigating the value proposition brand identity triggered diverse opinions among the experts. While most of them see an increased potential of fostering customer loyalty, the majority of them attest rare possibilities of altering brand identity through personalization. A theme that emerged throughout the discussion was if the brand identity of the online news media platform should function as an overarching concept determining the choice of generic content or if content should be tailored to the user's needs.

5.2.2.1 Tailored vs. Generic content

Again scholars and experts involved in the news media industry expressed contrary opinions as of whether content choice should be determined by the brand identity of the news publisher or tailored to the readers. Burt Herman for instance perceives brand identity as an essential facilitator of trust and points out: "I think people still follow certain brands, we shouldn't underestimate the importance of a news brand. I trust the *New York Times* for example, because I know they are the top quality newspaper in the United States". Contrary to that the media consultant Mirco Lorenz warns that:

> this relation is not as deep as traditional publishers might think: If there is a new, compelling offering that has all the elements of a typical news source, people will assume that this new entrant has the same values as the older one and might switch very quickly.

Three of the interviewed experts relate the strength of brand identity to the size and establishment of the news organization. They agree that especially quality news publishers have greater opportunities to differentiate themselves by sticking to their editorial guidelines. In order to solve the challenges arising within the interview, the experts offered different solutions. Bart Robben stressed that there is no other way then to adjust content to the user, as he stated: "I don't believe it is working when you just put news in and people absorb I believe it has to be really tailor-made." Andra Leurdijk offered a different point of view by suggesting that it is most valuable to brand certain sections of online news media platforms that are based on the expertise of journalists such as cooking, restaurant reviews etc., which feeds into the following emerging theme. Storify co-founder Burt Herman sees value in mixing generic branded news content with tailored solutions, such as employing recommendations based on the reader's social network. While there is still significant disagreement about the extent of tailoring content in order to facilitate a personalized brand identity, the expert analysis clearly indicates a compliance with Bresciani & Eppler (2010), who emphasize that a strong identification with a brand can potentially lead to an increased customer lock-in.

5.2.2.2 The journalist as a brand

Throughout the interviews another important theme arose, which puts the journalist itself at the center of an online news media platform's brand identity. Half of the respondents said that they detect an increased value in putting the journalists and their expertise at the center of the online news media's brand identity to add value, but also differentiate a platform from competitors. Experts like Andra Leurdijk and Paul Bradshaw emphasized on the increased need of building more personal relationships with the readership by profiling journalists and making them available for dialogues. Picking up on this Ms. Leurdijk stated: "I guess especially building a brand around a trusted journalist and try to organize more around him or her can be a valuable solution", while Bart Robben emphasized: "You see journalists have a strong opinion, so I believe it is coming back. So why don't you just marketer their journalists more? Just let them get more in the picture."

The analysis of the expert interviews elucidates that brand identity is considered as an important contributor to the differentiation of a news media platform. Still the strength of brand identity is rather linked to established quality brands, which add value through their trustworthiness and independence. The analysis further indicates that news media platforms should employ a mix of generic and tailored content, while especially marketing on their journalists to deliver specific expertise. Additionally the experts agree that due to the nature of news media content there is no added value in putting the user at the center of a brand as employed by Spotify or Facebook. The analysis thus shows that especially branding journalists and their expertise offers possibilities of

delivering selected and generic content, which is rather based on the "emotional attachment and the promise of quality" (Bresciani & Eppler, 2010, p.362) than a tailored bundle of content. This furthermore underlines the ability of utilizing branding efforts in order to differentiate a news media platform from competitors.

5.2.2.3 Comparison with the cases

Comparing case studies and the results gained by the expert interviews, the increased potential of utilizing brand identity as a differentiator among online news media platforms is illustrated. It has been assumed that its high level of identification as assumed by Aaker (2004) enables possibilities to provide a personal experience for the customer. Still the expert interviews revealed two corresponding factors determining the success of employing brand identity to strategically position the news media. Especially the establishment and tradition of a quality brand, as well as the specificity of provided content influence the success of a brand. The divided opinions about the extent of tailoring content or establishing an editorial branded line of content represent the indications made throughout the case analysis. The comparison indicates that the potential of employing a strong brand identity is subject to various factors, which cannot be generalized to a specific strategic path.

Furthermore the analysis of expert interviews revealed the potential of branding journalists, which was not represented within the case analysis and constitutes another valuable pathway to build up a more personalized brand identity.

5.2.3 Relevance

The research within this Master thesis also put a focus on investigating in what ways personalization has implications for the relevance delivered to the user. It is argued that an increased relevance for the user can significantly increase the potential to lock-in users. The theoretical framework assumed that especially the "socialization" of the online platform can deliver increased relevance to the user. 80% of the interviewees picked up on the concept of interlinking social media platforms to a news media platform in order to give the provided content more relevance, thus confirming the assumption gained by Ricci & Shapira (2011) introduced in the theoretical framework. Burt Herman emphasized that the connection of social media platforms especially contributes to the personalization of recommendation systems. He pointed out: "I still think the most effective systems kind of feed into what I was talking about earlier: what are my friends talking about? So I can talk to them about those topics too." Ms. Zonderop additional stated that: "the future will be what your friends recommend to you." Marten Blankensteijn also accounts the incorporation of social networks as a valuable solution to optimize automated recommendation systems by increasing relevance for

the user and stated: “I think those personal recommendations are very important and you can compare it with the real situation of your friend recommending something to you.” Most interviewees relate the relevance delivered by social media coupled recommendations to the high degree of trust accounted to the voice of friends. Additionally the nature of news media content were mentioned by three additional interviewees as additional reasons for the value of social network bases recommendations. To Burt Herman for instance online news media is a platform that enables the reader to stay informed and get specialized information. Receiving information that is relevant within a community of friends thus increases the relevance for the reader. During the interview he pointed out: “I guess there’s always that gap between yes I want to have specific information, but I also don’t want to be totally out of what’s going on around me. To have something to talk about with my community.” To balance receiving specific and socially relevant information he and Paul Bradshaw furthermore stressed the need to mix recommendations received through social networks with other types of recommendation systems in order to avoid a loss of serendipity.

5.2.3.1 Novelty

During the interviews three additional themes emerged, which were considered as valuable drivers of relevance, namely novelty, content curation and reading habits.
Two third of the interviewees emphasized the value of content discovery in the online news media sphere. Exclusiveness and ability to surprise were mentioned as substantial parts of delivering added value to online news media platforms. The experts share concerns about the loss of serendipity and emphasize that content discovery is among the most important characteristics of the news media. Martina Dopfer for instance stated: “Sometimes I don’t even see anything new anymore on the web, I don’t really get inspired and I don’t get surprised anymore”, while Paul Bradshaw stresses that the value to be surprised has always been among the most important traits of journalism. The comments collected throughout the interviews indicate that the extent of personalizing online news media platforms is reviewed critically by the experts and should be performed in ways that will not limit but rather assist the ability to discover new content on online news media platforms.

5.2.3.2 Content curation

Another theme that strongly emerged during the analysis is the value of content curation. Especially journalism scholars emphasize on the potential of content curation by journalists to ensure increased relevance for the reader. Most of the interviewees perceive the ability of journalists to provide a selection of relevant news as one of the main distinguishers of quality journalism. The media consultant Mirco Lorenz for instance argued for a model of so-called “peace of mind” media by stressing:

> I like to argue that there should be "peace of mind" media: I feel informed, I feel that I know about things I did not know before, I can share stories that are relevant, financially, politically or just based on human story where I can relate to the troubles or successes somebody experienced.

Additionally there was a broad agreement among interviewees that the editorial choices play an important role in contributing to a feeling of informed satisfaction among readers.

5.2.3.3 Reading habits

Although only mentioned subtly four out of ten interview partners addressed the importance of considering the reading habits of users in order to increase the relevance provided on an online news media platform. Paul Bradshaw pointed out: "online news media platforms also have to consider when readers consume content. There should be a quick overview in the morning, background around noon, longer reading pieces and videos in the evening". Andra Leurdijk and Yvonne Zonderop also emphasize that some reading habits are rather unpredictable and depend on the ever changing life circumstances and events, such as holidays, sicknesses etc. The remarks of the interviewees thus indicate the increasing challenges of employing personalized implicit recommendations, which struggle to accurately detect and adapt user's reading habits.

5.2.3.4 Comparison with the cases

As drawn from the theoretical framework both case analysis and expert interviews identify social media based recommendation systems as important value drivers within personalized business models in the online news media market. The research thus identified the recommendations gained from the user's social network as highly relevant, which confirms the theoretical assumption as introduced throughout the theoretical framework (Ricci & Shapira, 2011; Kucera, 2013; Zhang &Hurley, 2008). The case studies as well as expert interviews furthermore corresponded to a high degree with the consideration of the lock-in potential of providing relevance. Additionally three themes emerged from the expert interviews, which were not considered within the case studies. Novelty, content curation and reading habits were additional identified as drivers of relevance within online news media platforms that especially allude to the functionality of recommendation systems. This indicates the importance and variety of incorporating driving factors of relevance into the business models of online news media and stresses the role of recommendation systems as substantial contributors to increase relevance through personalization.

5.2.4 Complementarities

Drawing from the theoretical framework this Master thesis assumed that providing

complementary content or products can add substantial value to an online news media platform. It was assumed that a more personalized experience can be delivered to the user by making product suggestions relating to the content presented on the platform. The expert interviews revealed the diverse opinions on the subject, which also reflect the tendencies revealed within the case studies. While all respondents stressed the growing importance of including targeted advertising on online news media platforms, there was great insecurity as to whether a news media platform should offer brand extensive goods. While some industry experts saw great advantages of combining news content with targeted product offers, media scholars stressed the danger of loosing reporting independence and the reader's trust. Burt Herman for instance emphasized on the possibilities of catering to topical niche audience throughout the news media platform:

> I think it is necessary to take advantage of your readership. For example as the *Wall Street Journal* is having readers with high incomes and that should be valuable for advertisers too. So I think they should try to delude that it's like finding a go for a smaller audience in a certain niche.

Bart Robben on the contrary argued that he does not believe in the value of horizontal markets, advising online news media platforms to rather focus on the vertical integrations such as content collaborations demonstrated by *Vice media* than opening their platforms up to increased targeted advertising and product offerings. He explained: "I believe in the vertical markets, just do one thing right, because otherwise people start to distrust you again." The media consultant Mirco Lorenz offered another pathway of complementing online news media platforms, which relate strongly to suggestions by Treece (2010): "Report as usual about housing prices, development, etc. – but add a calculator similar to "Rent or buy" from the *New York Times* and help users compare, find opportunities, their very specific model and provide this information in a trustable manner." In this manner the content is complemented in a way that assists readers to solve and address related problems and issues. A tactic that he suggested to employ in a similar manner with useful products, stating that the there were practical issues to consider, which are subject to the limited resources of news media companies: "The problem is that Amazon and Google have automated their sales and will easily make more money in a day or two than what it takes to prepare such additional deals and sales". The analysis thus constituted the value of offering complementarities on online news media platforms, while emphasizing on the practical challenges emerging from such strategic attempts.

5.2.4.1 Advertiser driven vs. content driven platform

Throughout the thematic analysis an additional theme stood out from the material. 6 out of 10 respondents addressed the increased need to continuously cater to advertisers. The opinions were divided as of what role advertisers should play in delivering and creating news content. While

especially scholars criticized the growing influence of advertisers in the news media, all of them agreed that online news media platforms should set a focus on attracting more advertisers through their access to certain reader groups. 4 out of 10 experts still attest growing value to targeted advertising and believe that it can be useful to connect more of the product offers to the content delivered on the platform. On the contrary Paul Bradshaw and Bart Robben especially stressed the possibilities of combining content creation with advertising and referred to *Vice media* as a pioneering actor in this field. Bart Robben pointed out: "This is the next step of making good advertisement deals. Not just put a banner in my face and then you think oh no not again."
The majority of interviewees furthermore noted that specializing on certain reader groups and content sections helps to attract substantial advertising revenues. Still it has to be noted that there was disagreement on how online news media platforms can find the right balance of providing advertiser driven and their own content.

5.2.4.2 Comparison with the cases

The case analysis as well as expert interviews both illustrate the increased potential of offering valued added services on online news media platforms, thus confirming the assumptions introduced by Treece (2010) within the theoretical framework. Contrarily to the case analysis only a minority of experts addressed the potential of content collaborations. Instead the opinions were divided considering the role of advertisers in the online news media market. Still most experts recognized the possibilities of leveraging on a loyal readership, which strongly relates to the previous insights gained about customer segmentation and corresponds to the suggested employment of value exchange optimization strategies promoted by Thurman (2011). The difference of opinion among experts illustrates the limited potential of utilizing complementarities in order to add increased value to an online news media platform through differentiation. While the possibilities of using complementarities to gain a competitive and differentiated position in the market are perceived as limited, instead complementarities are characterized by experts as drivers of user lock-in, which strongly corresponds to the findings within the case studies. In line with this a tendency towards the growing role of offering additional services and content that are in line with the brand identity as well as needs of the user is revealed among the cases as well as expert interviews. This finding thus corresponds to the assumption by Godes et al. (2009), who recommend news publisher to offer complementary services on their digital platform "that may not be directly related to the core transactions" (p.35). It furthermore suggests the need to balance the relation of additional services and content to the content already offered on the platform and utilize it as a significant complementor to the news media platform.

5.3 Customer Relationships

- How can personalization be utilized in the online news media market to improve the relationships with customers?

Addressed by the third sub-question of this research the following chapter will analyze how the interviewed experts analyze the potential of improving and altering customer relationships through personalization. The theoretical framework has suggested two relevant factors: implicit and explicit recommendation systems, as well as co-creation, which will assist the structuring of the following analysis.

5.3.1 Implicit and Explicit Recommendation Systems

The literature proposed in the previous has identified recommendation systems as "improving elements for customer relationships" (Chan-Olmsted, 2003, p. 14). 90% of the interviewees agree that if employed adequately recommendation systems can help to improve customer relationships and foster the lock-in of the customer. Martina Dopfer argued that recommendation systems have even emerged into leading parts of online business models by stating: "it doesn't really matter if you talk about media consumption or a dating app in the end it's all about recommendations and algorithms." Marten Blankensteijn also followed this line of argument by emphasizing that blendle's recommendation algorithms are a substantial part of their whole business model. Still there was no clear consensus about how the news media can successfully employ recommendation systems to personalize their customer relationships.

5.3.1.1 User generated recommendations/Explicit recommendation systems

Similarly to the scholarly opinions presented within the theoretical framework, interviewees were also split between the advantages of employing forms of explicit recommendations, using the active user input (Arora, 2008; Meikle, 2009). Andra Leurdijk argued that active choices can positively influence the engagement of the user:

> I think it can help if you allow people to also indicate what kind of recommendations they value, so they have more control about what things they get recommended and that should of course happen in an easy and accessible way.

On the other hand digital strategist Mr. de Haas believes that especially active ratings by the user can significantly improve the accuracy of recommendations made to him, but assessed that this also implies "hazzles" for the user, which corresponds to the views by Gauch et al. (2007): "They have to respond and rate whatever they have been reading and no one is willing to do that and some just say just put it in I don't care and that's also because they don't really get anything back from it." This suggestion corresponded strongly to the Bart Robben's idea, who also stressed that there is a need

to collect data about "how people feel about an article they have just read." It furthermore confirms the theoretical suggestions by authors such as Zhang & Hurley (2008), who recommend to employ "key performance indicators to investigate if the content displayed is more or less effective" (p.124) such as explicit user ratings. Marten Blankensteijn on the other hand suggested a different viewpoint on explicit recommendations. He pointed out that instead of topics, people are interested in personal connections and want to identify. He suggested that the follow option of blendle is one of their biggest assets, which allows readers to explore a wide range of topics, while still targeting their interests. He stated that: "Right now it's more about who you follow and what your friends are saying." Thus the analysis reveals two potential types of explicit recommendations: ratings and follow options. Furthermore most of the interviewees agreed that the active choice for topics is a complicated approach, because as Dr. Bakker explained "the user might fear to miss out."

5.3.1.2 Data based recommendations/ Implicit recommendation systems

Considering implicit recommendation systems all interviewees agreed that automated systems bear great potential for online news media platforms, as it can enable users to stay engaged on the website. The interviewees acknowledged the possibilities of collecting engagement data and pointed out the potential of basing further recommendations on these vast data collections. Still all 10 participants associated various practical issues and complications with the employment of automated recommendations, which is thus considered one of the themes emerging within the thematic analysis. It is furthermore notable that three out of 10 interviewees mentioned that the utility of recommendations plays an important role influencing the engagement of users. Paul Bradshaw stressed that an extensive personalization is more useful when readers are visiting the platform to get basic information, rather than just "browsing for fun."

Most of the interviewees emphasized on the need to offer more specific or niche content in order to initiate a working implicit recommendation system. Peter deHaas extensively explained: "The problem is the less niche your website is the more problematic will your recommendations be. If you just stick to the news my statement always is: news is about everything and therefore about nothing." He furthermore suggested that:

> the only way to do that is to get to the next level of content, which explains a little bit more and if someone is really interested he will probably bear with us for a while longer so the better engagement on a certain topic probably the better you can do a recommendation for another piece of content.

Next to the possibility of gathering more sufficient data to adapt recommendations Mirco Lorenz sees the advantage of adding value for the customer by catering to his basic needs:

> The main and basic algorithms to be developed should focus on typical human shortcomings: Not being able to process too much information in a very short time frame, not able to calculate the costs, and often not able to remember the past beyond e.g. 3 years

Thus the experts mainly account the advantages to the ability to engage as well as balancing human shortcomings, which interlinks with the necessity to offer specific niche content.

Social network based recommendations

Already elucidated as a factor to increase relevance for users the media industry experts again mentioned the advantages of feeding implicit recommendation systems with recommendations made through the dominant social networks Facebook and Twitter. Storify founder Burt Herman sees an immense advantage in delivering a more personalized experience through the socialization of recommendation systems and explained:

> I just think there has to be a human aspect to it. These people who you trust read that, so maybe you want to talk and read about that too. I still think there is a human element that needs to be there I just don't trust a computer to recommend stuff to me.

This statement thus relates strongly to the findings within section 5.2.3, which attests the growing role of socializing recommendation systems in order to provide increased relevance to the user as emphasized by Ricci & Shapira (2011).

Editorial recommendations

Similarly to the worth of socialization, 60% of the experts again emphasized the value of editorial choice as mentioned in section 5.2.3. Bart Robben for instance explained that not all types of people value automated recommendations in the same ways as other and might require a mix of solutions. He summarized: "There is not always black and white, there is always a combination of people who want to just look at one news platform to trust them to give me the information and beside that I want to discover more and more and more." Following this approach two of the interviewees suggest that an automated section with editorial picks is an easy and accessible way to pick up on the user's need for curation.

5.3.1.3 The practical issues of in depth personalization

All of the interviewed experts expressed their doubts about the extensive utilization of recommendation systems and pointed towards practical problems arising from in-depth personalization. These issues can mainly be summarized as covering the inaccuracy of algorithms, the changing nature of interests and contradictory reading objectives. By addressing the practical issues

of in-depth personalization the theme at hand thus adds to the discussion around identifying the most adequate recommendation systems within online news media platforms, which has been illustrated in the theoretical framework (Arora, 2008; Gauch, 2007; Meikle, 2009). Especially industry experts mentioned the inaccuracy of algorithms. Martina Dopfer stated: "as far as I know the big issue is that a lot of algorithms just simply don't work the way they are supposed to", which make recommendations often times redundant leading to a loss of interest among the readers. Peter deHaas pointed out that one of the causes of the inaccuracy is the inability of the system to learn about the user's habits: "And what you see for instance with news websites is that the traffic will be very low compared to Google where they get millions of hits a day, which allows them to learn quickly." Similarly to Mr. deHaas, Marten Blankensteijn also pointed out some of the technical issues surrounding the employment of recommendation systems. He emphasized on the difficulty to assess the quality of the provided articles. "But the difficulty is that computers still have to learn how to recognize good articles. So we can recognize articles but you don't want to push an article of 100 words, so you can't just push any article."

Another important factor mentioned by the experts is the unpredictability of interests. While recommendation systems always assume a well-defined set of interests by the user, news consumption often times does not function in a linear manner. Paul Bradshaw mentioned: Especially news interests are complex or might simply change", while Yvonne Zonderop stated: "If I'm not interested in Turkey, but then something large is happening there I might be interested in Turkey after all." Thus the experts illustrate the need to distinguish between long-term and short-term interests. Thirdly the reading objectives by the user as elucidated above were picked up, as the experts addressed the different motivations to consume the news like finding more general information or gathering specific background information. All in all two third of the experts agreed that different recommendation systems should be combined in order to ensure long-term value for the platform and encounter the specified issues. Yvonne Zonderop: recapitulated: "I tend to warn against thinking that this is the only answer. I think it's a combination of things so yes it will be more personal and yes news media can work on that."

5.3.1.4 Comparison with the cases

Both cases and expert interviews illustrate the significant role of employing recommendation systems in order to personalize online news media platforms and create loyal customer relationships, which lead to a customer lock-in. A variety of types of recommendation systems was picked up on within the case studies as well as the expert interviews. While data based recommendation systems as well as social network based recommendation systems were at focus throughout the case analysis, the expert interviews were rather dominated by leveraging the possibilities of explicit

recommendation systems and disadvantages of implicit recommendations. Both analyses gave a clear indication that follow-options qualify as suitable elements of explicit recommendations, which adds to the theoretical implication by Thurman's (2012) personalization taxonomy. Considering the employment of implicit recommendation systems it becomes apparent that experts put as much focus on social network based recommendations as the cases studies. With the diversity of opinions presented, the expert interviews furthermore reflect the abeyance about the utilization of explicit or implicit recommendation systems as already presented within the theoretical framework (Arora, 2008; Gauch, 2007; Meikle, 2009).

Overall the expert interviews revealed the additional theme of possible complications accompanying in-depth personalization. Mixing elements of implicit and explicit recommendation with editorial choices was perceived as the most valuable strategy among experts in order to establish more personalized customer relationship within online news media and prevent some of the mentioned complications.

5.3.2 Co-creation

This thesis argues that co-creation is an essential driver for creating more personalized customer relationships with the online news media's audience. Theory implies that co-creational elements can increase participation, which can lead to stronger community building triggering the lock-in of the user as suggested by Grueskin, Seave & Graves (2011), as well as the differentiation of an online platform as argued by Singer (2010). In line with the theoretical assumptions all experts acknowledged the potential to build stronger and sustainable relationships by including co-creational elements on news media platforms. The importance of building an emotional connection with the users was identified as a crucial benefit of allowing users to co-create and contribute to content delivered on the platform, which corresponds to findings by Beckett & Mansell (2008). Still the experts suggested different pathways of including the user. It is notable that 8 out 10 experts criticize the limited utility of user-generated content. Especially media scholars emphasized on the deficient abilities of users to actively contribute to stories as they lack journalistic rigor. Still Bart Robben remarked that there is some increased value in including users into the process of content creation. He sees a solution to limit their contribution to the deliverance of information:

> Make the process the product! I don't believe in people crowdsourcing into the article. I think audience can contribute on delivering the right information. There should be an insight into the process also on subjects, so that journalists also react to users.

Yvonne Zonderop recognizes the increased necessity to facilitate discussions among journalists and readers and believes that this increased engagement can in the end function as a strong differentiator. She stated: "I'm a very strong believer in communicating with your readers. And to

find out what's interesting to them." Media industry experts like Burt Herman, Paul Bradshaw and Marten Blankensteijn consider the interactivity of an online news platform as a given of the digital era and encourage the employment of discussion forums and forms of information exchange. Burt Herman explained:

> The web is truly social, all the Internet is social. I think you have to mix elements of being a platform for people to publish and create things. People don't want to be on the bottom they want to be part of the story.

The opinions expressed by the experts thus correspond strongly to the theoretical implications presented by Meijer (2007) who emphasized: "users may want to be enabled and invited to (…) contribute content, judge the expedience of journalist decisions themselves, compile their own news stories, personally know the journalists they depend upon and hear about their personal experiences in gathering the news " (p.117). Consequently the thematic analysis of the collected expert interviews confirms assumptions about the increased potential and strategic value of co-creation element on online news media platforms. Still it additionally reveals the insecurity of experts about finding pathways to include users on online news platforms in meaningful ways, without disturbing the quality process of advanced journalism. It is furthermore assumed that that the accessibility of journalists needs to be improved and online news media platforms should ensure the dialogue between users and journalists in order to facilitate to differentiate the platform from competitors.

5.3.4 Comparison with the cases

The analysis underlines that the stimulation of user co-creation bears great potential to foster customer relationships and enable customer lock-in as well as differentiate a platform from given competitors as suggested by the theoretical framework. The expert interviews illustrated the importance of providing elements of co-creation on news platforms to create engagement. Still there were concerns about how to incorporate the user in meaningful ways. This strongly relates to the findings of the case analysis, which attests a great variety of co-creational elements. Drawing from the analyses, especially comment and discussion functions take a superior position and prove to be the most frequent options that especially qualify as drivers of user lock-in as they foster the community building among readers, which has been pointed out by Castells et al. (2012). The gap between native digital and traditional news platforms was also reflected by the opinions of the experts. Especially experts active in the start up market considered the incorporation of the user as a given within online platforms and considered the possibility of dialogue and co-creation as self-evident. Only the emerging theme of utilizing communities on news media platforms in order to host conversations with journalists and opinion leaders builds a clear contrast. Because of its capability to

add the additional participatory value suggested by Singer (2011), which can function as an initial driver for differentiation it qualifies as a solution to create additional value for the user.

Although the analyses revealed some tendencies by confirming the potential of co-creational elements as a drivers for lock-in and differentiation, neither case studies nor expert interviews help to draw a clear picture of which co-creational measures are the most effective when strategically positioning online platforms in the news media market. The research thus underlines the challenge of incorporating co-creation on online news media platforms, in ways that go beyond simple commenter systems and enable increased engagement.

5.4 Revenue models

How can personalization contribute to improving the news media's online revenue models?

Addressing the fourth business model building block, this research is based on the assumption that personalization bears substantial impact on a news publisher's return on investment (ROI) by creating additional value for the user. Complementarily it is assumed that personalization also influences the creation and design of revenue models. The theoretical framework suggested four possible models, which are frequently employed by e-businesses based on literature by Cheng & Tang (2010). During the expert interviews various viewpoints on potential revenue models within the online news media market were illustrated. Overall the nature of the outlet market, the brand identity of the news media platform as well as the quality of the platform were characterized as distinguishing factors influencing the choice of revenue models. All experts expressed a similar view like Martina Dopfer who stated that: "there's never a one fits all solution". The experts thus stated that personalization only has limited practical implications for revenue models. The digital strategist de Haas stressed that the main advantage of personalization is the increased willingness to pay, which relates to the key argument by Godes et al. (2009).

Overall there was great disagreement among the experts which solutions would be most valuable to extract the potential of a personalized platform and transfer it to online revenue models. 6 out of 10 interviewees pointed out that subscription models can only work for quality platforms. Yvonne Zonderop explained: "I think there will always be a market for high end journalism, but it has to very very good and then people will pay." Especially Dr. Piet Bakker stressed that personalization increasingly allows to segment customers into different payment plans, which might only work for journalistic institutions like the *New York Times***.** "I'm always very worried when people talk about the NYT and the WSJ, because we are not those institutions", he stated. He furthermore attested an increased development towards premium content models, believing that freemium models are increasingly eroding: "What most new media is doing right now is going for premium content. The models where you give everything away they are almost gone."Bart Robben suggested that

personalized revenue models cannot work in Western-European context and pled for the employment of a free to fee model that only monetizes on restricted parts of the freemium platform: "I think you should just start with giving everyone everything and then you can say ok we have premium user or something." He attributed this to the fact that the Western-European market is too accustomed to "all you can eat models", which increases the barrier to pay. Burt Herman on the contrary saw most potential in including users into the creation of revenue models by increasingly employ crowdfunding models "I think this works because you can get people to be advocates for your cause. They get people invested in their products and they get rewards or recognition." Still he mentioned the complications accompanying the establishment of crowdfunding models, like finding a broad userbase. Furthermore most experts argued for the quality and exclusiveness as distinguishing factors. Herman argued: "People are not gonna pay, because you want them to but you need something that's exclusive. There are so many sites out there, I can just swap to another site so you need something unique." Marten Blankensteijn, Andra Leurdijk and Paul Bradshaw on the other hand commonly advocated for the possibilities of a transaction-based model. Offering a completely deviant insight Yvonne Zonderop even discussed the possibilities of establishing government funding, especially for smaller, local platforms as they still deliver content, which contributes to a functioning democratic system.

Overall the analysis illustrated that experts apprehend various forms of revenue models. Most of them stressed that the choice of revenue model depends on the characteristics and individual goal of an online news media platform. It was revealed that certain platform characteristics influence the choice of revenue models stronger than others. Although the impact of personalization on the strategic position of the platform was recognized, other factors such as quality and outlet market were perceived as being more crucial to the choice of revenue model.

5.4.1 Comparison with the cases

The case analysis as well as expert interviews confirm the theoretical assumption by Godes et al. (2009) that personalized news media platforms can significantly increase the willingness to pay for premium content. Still the results gained from the expert analysis do not fully coincide, as a freemium or metered approach was employed most frequently among the selected cases, while experts had divided opinions about various kinds of revenue models. Especially the case analysis implies that freemium-models show great potential of fostering customer lock-in, which corresponds to findings by Godes, Ofek & Sarvary (2009), who stress the ability to "disclose content quality and to generate revenues from advertisements shown to online visitors" (p.21), which is confirmed by the experts. Furthermore the case analysis revealed that there is substantial value in combining various

revenue models with each other to deliver different options to the user, a solution that has not been picked up by experts.

The discrepancies between case studies and expert interviews illustrate the current uncertainties concerning online revenue models. Still the analyses underline that the nature of the outlet market, the brand identity of the news media platform as well as the quality of the platform content can be identified as strong determinants of revenue models in the news media market. This finding also relates back to the experts' testament that there is not one single revenue model for the online news media market.

VII. DISCUSSION AND CONCLUSION

"At the heart of any great modern media company is an enlightened understanding of its audience" – Shane Smith *(*Bercovici, 2013, para.2*)*

By employing a multiple method research design of selected best practice cases and expert interviews the research in the realm of this Master thesis aimed at investigating the question:

How can the news media utilize personalization to strategically position itself in the online market to monetize on customer segments?

Based on path dependence theory it is argued that due to digitization new competitors are entering the news media market, which causes the strategic paths of news organization to break. On the shoulders of strategy literature and business model innovation theory this thesis assumes that personalization can function as a crucial driver of innovating business models in the online news media market to extend and restructure their strategic path and allow them to gain a superior strategic position. Furthermore this thesis suggests that the strategic position of an online news media platform is strongly determined by the two strategic concepts differentiation and customer lock-in, which indicate that a strategic position should be composed by those two interlinking paths. In order to answer the main research question a set of sub-questions was build, which allowed to investigate the implications of personalization on different factors and value drivers within the four business model building blocks customer segments, value propositions, customer relationships and revenue models. Thus they assisted in guiding the analyses by allowing to convert the theoretical concepts of differentiation and lock-in into concrete practical recommendations for business model innovation. Throughout the analyses significant patterns emerged indicating which factors can be utilized in order to monetize the platform by either attracting or retaining customer segments through differentiation and the lock-in of the user, which reflects on the initial return on investment (ROI). Thus one of the main findings is that different factors within the customer building block qualify better to innovate the online news media's business models on the basis of a differentiation strategy, while others are promising drivers of lock-in strategy. Since a high degree of differentiation can also lead to a successful lock-in, it still has to be considered that differentiation and lock-in are interlinking concepts as described by Amit and Zott (2001).

By centering these personalized efforts on customer segments, new possibilities to monetize the platform as suggested by value creation theory and strategy scholarship (Cooper, 20001; Porter, 1985, 1998, 2001) arise. In the following, the significant findings will be presented to answer how the news media can strategically position itself through different personalization driven factors in the online market. These personalization strategies can be divided into two main elements: the personalization of content and the personalization of services, which can be related and assigned to

the two selected strategic paths differentiation and lock-in. The Master thesis consequently suggests to base the strategic position of online news media on the two strategic pathways differentiation and lock-in, which can take the concrete shape of innovating platforms on the basis of personalizing content and services. The following chapter will illustrate the implications of the examined contributing factors to give a clearer outlook on how the strategic position of online news media platforms can be shaped.

7.1 Significant Findings

7.1.1 Strategic path I: Differentiation

Drawing from the theoretical framework differentiation has been identified as an important driver of delight, which creates the value needed to gain competitive advantage in the market. The analyses revealed that in accordance with the assumptions about the delight-based strategies introduced by Clemons et al. (2003) especially factors of personalizing content relate strongly to the differentiation of an online news media platform. Resembling a major building block of delight-strategy as introduced by Clemons et al. (2003) the analyses acknowledged that especially the niche segmenting of content contributes strongly to the differentiation of the platform. Thus it is suggested that personalized content significantly increases the delight experience of the user, which can facilitate a competitive strategic position in the online market. Throughout the analysis mainly four components became apparent as initial drivers of personalizing content: data aggregation, brand identity, co-creation and content complementarities.

7.1.1.1 Personalized content

As a first component the expert interviews as well as case studies attested the value of gathering extensive datasets about the users of online news media platforms. It became distinct that the data can be used in two ways, for one to improve the accuracy of recommendation systems, which will be elaborated in the following part of the discussion, but secondly data aggregation was also recognized as a tool to not only segment users, but to create niche content. While data aggregation within service personalization takes forms of hypersegmentation, as recommendations are created on the personal needs of every single reader, data aggregation also enables the segmentation of customers into broader interest groups. This can especially facilitate the creation of specific niche content as demonstrated by the best practice examples *Vice* and *Huffington Post*. This finding highly corresponds to the theories by Erdem (2008) and Mobasher (2007), which stress the

need to utilize extensive data aggregation to “shape content” (Erdem, 2008, p.1120) to the needs of the user. The findings within the analyses thus back this argument and illustrate the value of not only adapting recommendations to the preferences and behavior of users, but to shape the provided content itself to the needs of certain customer segments in order to create differentiating value for the reader. By providing niche content based on data-driven customer segmentation news organizations can thus expand their portfolio in order to differentiate themselves from strong competitors.

The second component influencing the personalization of content in order to differentiate online news media platforms is brand identity. As attested by Richter (2011) and Clay et al. (2002) in chapter 2.3.2.1 this research underlines that brand identity accounts as one of the most promising value propositions functioning as a differentiator in online business models. The analyses elucidates that personalization only has a limited impact on brand identity. Still interconnecting with the previous finding one of the prerequisites of innovating brand identities in the online news media sphere is the specificity of content provided. Thus online news media platforms should consider altering their brand identity to the specific niche content provided to gain a superior position in the market. This strongly related to the assumption by Aaker (2004), who emphasized that brands have to correspond to lifestyles and common values. Consequently it is suggested in the realm of this research to complement the overarching brand identity of a news platform with specialized branded niches. The branding of certain niche sections of the online news platform (i.e. restaurant reviews, arts and culture stories etc.) can thus be identified as a valuable strategy to differentiate, while still providing the possibility to cater to different customer segments and lifestyle groups at the same time. The analysis of expert interviews furthermore indicated the increased potential of branding journalists and their expertise, which can thus be utilized as a complementary tool to strengthen the brand identity of the provided niches on online news media platforms.

Drawing from the results of this research a third element, which should be considered when aiming for a differentiation strategy in the online news media market is to provide co-creational elements on the platform. In accordance with Beckett and Mandell (2008) the research revealed the importance of enabling communication “within and between communities to offer access to like-minded people” (p.332) in order to foster the differentiation of a news media platform. Thus to improve their strategic position news media platforms need to establish complementary topic community platforms, which empower dialogues between users as well as journalists. Especially experts highlighted the potential of leveraging on news media platform’s access to opinion leaders and important people. Thus community platforms should move away from anonymity and give access to friends, journalists and opinion leaders at the same time. Picking up on Clemons et al. (2003) this approach can thus make use of e-businesses’ ability to deliver delight by creating “the

illusion of an equivalent level of intimacy" (p.15). As already mentioned in the theoretical framework the community platforms can range from "politically oriented to other social-cultural groups" (Beckett & Mansell, 2008, p.332). Corresponding to Castells et al. (2012) this thesis suggests that incorporating the user into online community creates additional value "they may be willing to pay more attention to, or even pay more money for" (p.292).

Following the results of this research another contributor to the differentiation strategy of online news media platforms is the platform extension towards complementary content partnerships. While the literature within the theoretical framework in line with Treece (2010) only considered additional physical products and targeted advertising as complementarities, the analyses revealed that content partnerships are a valuable pathway to deliver differentiation value to online news media platforms. Corresponding to the previously mentioned possibility of providing niche content, these niches can be complemented and extended through targeted partnerships. Especially the success of *Vice* or the TED complements offered on Facebook Paper illustrate the potential of this strategy. The selected partnerships can be based on expertise that can be delivered by other specialized platforms or marketers, opening up new possibilities to gain additional revenues that extend the core business of news as suggested by Godes et al. (2009).

Overall the research elucidates that especially the personalization of content bears great potential of contributing to a differentiation strategy that enables online news media platforms to gain a competitive position in the market. As described in the previous the personalization of content mainly consists of creating more specific niche content. This can be significantly driven by aggregating data in order to segment customers into interest niches, creating a brand identity evolving around those offered niches, providing interest communities that enable the exchange among readers and journalists concerning the given niche topics and finally extending the provided content with extensive partnerships complementing the given niche content.

The niching of content is one strategic pathway gained from the research illustrating how personalization can significantly influence the differentiation strategy of online news media platforms. This also relates back to findings by Evans and Wurster (2000) introduced within the theoretical framework, who argue that this behavioral shift "enables companies to specialize and provide more value to users", as they can aim "for reach – that is, serving a mass audience – and richness – providing a tailor-made product –at the same time" (p.49). It furthermore bears implications and feeds into the second strategic path identified within this research.

7.1.2 Strategic Path II: Lock-In

As introduced in the realm of the theoretical framework customer lock-in significantly contributes to the strategic positioning of a business by ensuring the loyalty of the user. According to Tam and Ho (2006) the satisfaction is a key driver of ensuring the loyalty and thus the lock-in of a customer, which can be facilitated by personalization.

Picking up on this assumption the results within the research of this Master thesis confirm that personalization of services can significantly contribute to the satisfaction of users of online news media platforms thus raising the barriers to switch to competitors as suggested in chapter 2.3.3 by the lock-in theory of Shapiro &Varian (1998), which reflects significantly on the return on investment. It became apparent that the personalization of services among online news media platforms consists of three main components namely the offering of complementary services and goods, as well as delivering matching content recommendations to the reader and the choice of revenue model. Additionally the three complementing factors data aggregation, localization and relevance especially feed into the optimization of recommendation tools. The following section will describe how these features interconnect with each other in order to assist the strategic position of news media platforms in the online market.

7.1.2.1 Personalized services

Similarly to the personalization of content the analyses elucidated that data aggregation plays an important role in driving the personalization of services. Corresponding to the findings of Xia (2006), who emphasized on the importance of gaining data in order to segment customers and determine the tactic direction of a company, the analyses have shown that especially the collection of behavioral data can function as a driving force to segment customers in order to deliver matching services or improve the accuracy of recommendation systems. An extensive mining of specialized datasets thus builds the basis for personalizing the services offered on online news media platforms as suggested by Kwon et al. (2010). This ensures a comprehensive understanding of the user's needs and enables to detect correlations between content interest and reading behavior, which contributes to the efficiency of the news platform.

Relevance is an additional factor especially affecting the recommendations made to the user, which is significantly driving the personalization of platform services. Confirming Ricci and Shapira's (2011) assumption that "socially relevant interactions" (p.34) increase the relevance of content for the user, online news media platforms should thus consider social interactions within their recommendation systems. Additional novelty and reading habits emerged as important dimensions of relevance. Following these implications online news media platforms need to ensure to provide content recommendations in a timely manner that adapts to the reading habits of the user, while still

delivering novel content in order to foster the lock-in of the user.

In addition localization emerged as an important factor contributing to the design of recommendation systems. Contradictory to the expected value of differentiating platforms as implied by van der Wurff (2012), the analyses showed that localization bears great potential of locking-in users, when incorporated into content recommendation systems. Automated recommendation systems should thus include local suggestions, which can in return contribute to the relevance for the user, a component identified by this research as a major contributor to the lock-in of users.

Personalized Recommendations

In line with the theory presented in the theoretical framework of this research, one of the most important components influencing the personalization of online news media platform's services emerging from the research is the initialization of personalized recommendations. Aligning with the assumptions presented by Trecce (2010) in the realm of lock-in theory (see chapter 2.3.3), recommendation systems show the ability to strengthen customer relationships, which in return reflects on the potential to lock-in users. Corresponding to the previous findings, especially providing specialized content to niche segments has strong implications for the personalization of recommendations, as according to Anderson (2006) recommendation systems can assist in "surfacing specified content in smart ways to users" (p.14).

In the realm of this research three main types of implicit personalization systems emerged: data-based recommendation systems, social network based recommendations and editorial recommendations. The research has shown that in order to provide an ideal mix of items to the user, solely data-based recommendations only show limited potential. Drawing from the results especially gained from the expert interviews this Master thesis argues that data-based recommendations should be employed with care. While they are suitable to especially capture the reading habits of users, the research revealed that they still do not manage to draw a clear picture of the user's interests. It is hinted that employing a mix of collaborative and content-based filtering systems would significantly lead to the needed optimization of this tool.

Complementarily to an implicit approach the analyses highlighted that online news media platforms should put additional attention towards obtaining the possibilities of content discovery and the introduction of new content in a timely manner on their platform to gain a superior strategic position. The results clearly indicate that social media based recommendations and editorial suggestions can function as valuable solutions. By enabling users to discover content with the help of these tools news media platforms can significantly distinguish themselves from competitors as mentioned in 7.1.1.1. This can in return create the engagement needed to gain more data to

personalize platforms more adequately.

Since none of the investigated recommendation systems complies with these prerequisites this research reasons that a mix of different recommendation methods is most likely to satisfy customers, thus ensuring the optimization of lock-in. Furthermore this finding corresponds highly to the inconsistencies about the employment of explicit and implicit personalization among scholars as illustrated in the theoretical framework by Arora (2008) and Meikle.

For instance online news media platforms can complement their editorial picks and social recommendations with a follow-button, which was characterized as an emerging form of explicit content recommendation. Blending into the niching of content described in section 7.1.1.1. this form of personalization would offer users the possibility to receive relevant information through a variety of recommendation systems, while still enabling them to curate a personal news feeds.

Complementarities

As an additional pathway to follow a lock-in strategy the theoretical framework has suggested online news media platforms to offer "complementary products and services" (Treece, 2010, p.84). According to this research the increased potential of incorporating additional personalized complementary products on news media platforms can only be confirmed limitedly. There are clear indications that online news media platforms should focus on introducing related services rather than goods to their platform. In addition following the previous results the personalization of complementarities is not fully possible, since there is an increased importance to relate offers back to the content and brand identity provided on the platform. Contradictory to Thurman's (2011) theory about value exchange optimization the introduction of complementary services on news media platforms should be oriented more strongly to the content provided than the individual user, which again blends into the introduction of specific niches. In order to gain a superior strategic position in the market online news media platforms should consequently introduce services relating to the niche content presented. This can simultaneously increase the attractiveness of the platform for advertisers.

Revenue Models

Throughout the analysis and expert interviews a pattern emerged indicating that the choice of revenue model can increasingly influence the lock-in of users. In line with Godes et al. (2009) experts as well as the findings gained from the case studies indicate that metered models and paywalls increase the lock-in of users. Especially during the expert interviews it became apparent that this free to fee strategy can significantly influence the loyalty of user but has its limitation, which strongly

relate to the delivered quality. Following these findings this thesis suggests that a mix of advertising supported free content and premium subscription based content holds the biggest promise to successfully lock-in users. In order to achieve a lock-in of the user online news media platforms should thus, similarly to Spotify, offer basic news content for free, while charging additional fees for access to background stories and discussions. This again relates strongly to the personalization of content suggested, which allows to follow a differentiation strategy.

In conclusion this research underlines that the strategic position of online news media platforms can be improved by fostering a lock-in strategy that is characterized by the personalization of services. This can take the forms of content recommendations, which are driven by data aggregation, localization and relevance, as well as complementary services and the choice of revenue model. Blending into a differentiating niche content concept, according to this research a valuable pathway to innovate online news media business models is by aggregating more complex datasets, employing a mix of selected explicit and implicit recommendation systems and offering complementary services relating to the content offered on the online news media platform.

7.2 Summary

On the basis of scholarly literature the theoretical framework has assumed in section 2.5 that differentiation and customer lock-in are pathways that allow to create additional value for the user and the generation of new revenues. The research in the realm of this Master thesis has illustrated the interplay of personalization and strategic positioning as suggested in section 2.3.2.1 and 2.3.3.1 by Allen et al. (2001), Amit and Zott (2001) and Cörner (2003) through recommendations within this discussion. These recommendations were based on translating the concept of strategic positioning into practical implications through business model innovation. It has been assumed that certain value drivers have more influence on differentiation strategies, while others bear increased potential for lock-in. While the research has confirmed these assumption by identifying and assigning certain value drivers to each of the concepts, it is still underlined how differentiation and lock-in gear into each other as two interlinking concepts. By innovating their content based on personalization and building up specified niches online news media platforms can gain differentiating value. On the other hand it was substantiated that this differentiation strategy bears significant implications for the lock-in strategy. While the research has shown that lock-in on online news media platforms can be mainly based on providing a mix of personalized recommendations, content-related complementary services and the choice of revenue model it also becomes apparent how these processes can be combined with the provisions in the realm of the differentiation strategy. The implications of niching content in order to differentiate, significantly drive the possibilities to be connected to and improve

the recommendations of content as well the choice of offering complementary service. Thus it can be concluded that in order to strategically position itself in the online market and restructure their strategic path, the news media needs to transfer the theoretical concept of differentiation and lock-in into innovating their business model based on personalizing content, as well personalizing services as described in chapter 7.1.

7.3 Surprising results and Implications for theory

As discussed in the previous, this research is mainly contributing to scholarship by identifying relevant success factors, which can potentially assist the extension of strategic pathways in the news media industry. By offering theoretical recommendations of how to innovate online news media business models on the basis of personalization, this thesis delivers first insights into a topic that has barely been subject to journalism scholarship. By investigating personalization under the lens of business model innovation in the online news media, this thesis contributes a new point of view to the scholarly personalization debate. This research not only transfers the concept of personalization to the realm of business model innovation, but more importantly it suggests to understand personalization as an overarching concept. A concept, which is not only restricted to the utilization of recommendation systems but spans into different building blocks of news media business models. Complementing the main findings this research thus indicates some further implications for theory.

The previous section has illustrated that most of the findings correspond highly to the theories presented in the theoretical framework. Still some of the results exhibit deviant patterns indicating that not all value drivers bear strong implications for the strategic position of online news media platforms. Some of these deviant patterns can be attributed to the nature of news content, which is characterized by the bundling of “different types of content” (Sparks, 2003, p.4) and its dependence on recent events. For instance contrary to the assumption by van der Wurff (2012), who suggests that a hyperlocal strategy can increasingly contribute to the lock-in strategy of news businesses the analyses revealed that localization only has limited potential to function as value proposition in the online news media market. This mostly due to the fact that the niches of hyperlocal content are too specific to cater to the broad audiences targeted by especially the national news media on the Internet. Consequently this thesis suggests the necessity to regard the concept of localization in more differentiated ways within scholarship.

Especially notable was the majoritarian skepticism among all experts concerning automated and implicit recommendations in the online news media, which partly contradicts the findings gained within the case analysis. While some focused on practical issues of implementing automated recommendation systems and criticized the accuracy of current algorithms, most experts agreed that it bears negative implications for society. Again this social criticism can be related back to the nature

of content and its democratic function. As mentioned in section 1.1 journalistic content builds a main component of "deliberative democracy" (Sunstein, 2007, p.144), which distinguishes news from commercial products. This illustrates that not all schemes of successful online business models building blocks can be implemented and designed in the same ways for online news media as for other sectors of e-businesses. It additionally suggests the need to extend and tailor research on business model innovation for the news media industry. Furthermore it has to be noted that the reluctant opinions concerning automated recommendation systems among experts indicate the possibility of bias of the interviewees as most of them are actively involved or have been involved in the news industry. While interviewees directly involved in building digital strategies rather worry about the accuracy of automated systems, scholars seem to share a more idealistic view about the role and democratic function of journalism, which clearly prompts their skepticism.

In order to investigate different types of recommendations a taxonomy by Thurman (2012) was utilized. During the analyses some of the suggested functionalities did not fully apply. In terms of explicit recommendations the so-called "follow" option re-appeared among the analyses, similarly to that implicit social recommendation systems emerged as a prevalent pattern throughout the case and expert analysis. This indicates the potential of expanding Thurman's (2011) taxonomy towards these dimensions. It is remarkable that both functions enable the socialization of online platforms, which is indicator for the growing relevance of employing social tools within recommendation systems, an aspect that has been neglected by most theories addressing the possibilities of recommendation systems in the online news media. This can be explained by the growing role of interactivity and socialization of the web. Theory should thus pick up on this finding and investigate the implications of social collaborative filters within online news media platforms.

The most diverse results emerged from the analyses of the business model building block: revenue models. The variety of models presented and the disagreement among experts illustrate the challenge of identifying the most adequate revenue model in the online news media market and underline that there is not one single revenue model for the content industry. Picking up on this finding this thesis revealed that the nature of the outlet market, the brand identity of the news media platform as well as the quality of the platform content are crucial determinants of revenue models in the news media market. Thus it is suggested that theory building around revenue models in the online sphere needs to consider the specific characteristics of the news industries in order to explore the most valuable revenue model for online news media platforms.

In addition the research accumulated a general problematic of personalization in the realm of online business models, which further impacts theory. Especially during the expert interviews it became apparent that there is a general contradiction between the factors novelty and personalization. As already elucidated in the previous the creation of news content is in many cases

subject to the anticipation of novelty, personalization on the other hand can only reflect on past interest, which bears implications for the depth of personalization. This also corresponds to the findings within this research that personalization can only contribute to a differentiation strategy by creating and repackaging content into niche segments. Theories on personalization systems should thus increasingly address the depth of personalization to find solutions to cater to the need of presenting users with what they want, while still offering possibilities for content discovery.

7.4 Limitations and future research

The research conducted in the realm of this Master thesis was constrained by two major factors. Firstly it took a solely strategic perspective by conducting expert interviews paired with case analyses and secondly the research was limited to a customer perspective, investigating what creates value for customers and thus allowing to successfully monetize on certain customer segments. This research consequently created customer focused recommendations of how to improve the news media's strategic position in the online market. Drawing from the results gained within this Master thesis some possibilities arise for further research. This future research should mainly focus on testing some on the recommendations made in this strategic paper on the actual user, since new perspectives can emerge that have not been considered in the realm of this thesis. Especially the user's perception could deliver an identification of variables that determine the expectations of personalized content and services and its impact on the satisfaction of the customers.

As described in the previous this research revealed further implications concerning the depth of personalization and the discrepant relationship between novelty and relationship. In order to draw a clearer picture of which parts of online news media platforms to personalize to what extent, a better understanding of the user's perception of news topics is needed in order to adequately niche content. The motivation for the reader's interest in articles about politics and finance, which are driven by day to day events, might differ strongly from the motivation to consume articles about cultural topics or health. Thus further studies on user perception can shed light on niching and personalizing more accurately. For instance an experimental setting combined with participant surveys can examine the user's perception of niche and news content, as well as in-depth personalization mechanisms.

In addition this thesis suggested that increased engagement by the user creates more opportunities to personalize online news media platforms more effectively. While this thesis recommended to create topic-related discussion platforms in order to increase participation there are most probably other forms of engagement that also qualify. Thus additional research should investigate in an experimental setting what kinds of content or forms of co-creation inspire the users

to interact longer on a news platform and why. This can help news organization to anticipate the needs more deeply than just basing personalization one-dimensionally on user behavior.

Drawing from the customer-based perspective of this study it has been suggested that niche content bears the potential to increasingly attract advertisers next to generating new customers. Thus research can be extended towards online news media's second source of revenue: the advertising industry. It can correspondingly explore more deeply how online news media platforms can create value for marketers.

As explained in section 3.2 the initial customer perspective of this research also determined the selected focus on the online representation of news media outlets and the accompanying four selected business model building blocks. Due to the scope of this Master thesis this research excluded the various options of distributing online content. Still with their usage growth to 58% in the U.S. (Pew Research Center, 2014, para.1) mobile and tablet applications bear increased potential for personalized information delivery. In a next step strategic research on online news media can expand the insight gained in the realm of this research to a perspective on different channels. Future research should thus provide further knowledge on how the choice of distribution channels influences personalization strategies in the news media industry and in what ways they might differ for mobile or tablet platforms.

Independently from the set customer focus, the conducted expert interviews within this research were limited to four different markets: Germany, USA, UK and the Netherlands in order to gain a broader research perspective. Still it can be assumed that cultural preconditions determine the values apprehended by users. Thus further research should be conducted within the individual markets to gain a clearer perspective of how a strategic position can be gained in a particular market.

7.5 Societal Implications

As already described in the introductory section 1.1 personalization is always accompanied by concerns of endangering the fundamental democratic function of the news media by "reducing exposure to alternative points of view" (Sunstein, 2007, p.191), which can potentially lead to a "reduction in our ability to build productive social capital" (Pariser, 2011, p.16–17). These concerns have been especially shared by the interviewed experts, which reveal the need to consider and further discuss the depth of personalization on news media platforms within scholarship. However the increased use of implicit recommendation systems and its interconnection with social networks as attested throughout this research illustrates the evident change of power relations in "editorial gatekeeping" (Thurman, 2011). While many still believe that the journalist functions as the paradigm for qualitative selection and serendipity, the research shows that personalization will affect the professional identity of journalists. Not only brings personalization implications for the diversity of

content, but it affects the way in which news are consumed as well as the economic coherences of journalism. With a shift towards replacing the editorial role of the journalist through i.e. algorithms and user-generated content, the reader is gaining growing importance in the process of filtering information. In consequence this thesis suggests to regard personalization as another natural step towards a networked society, which needs to debate the democratic potential, as well as disadvantages of individually targeted media content.

7.6 Conclusion

The research in the realm of this Master thesis has illustrated that in order to improve the strategic position in the online news media market, personalization bears great potential of creating value for the user. Because of its ability to increase the stickiness of online news media platforms by maximizing the relevance of content, the research herewith underlines the capabilities of personalization and illustrated pathways to design an online business model for the news media that "doesn't diminish the value created by editors and journalists" (Picard, 2010, p.11). However it was also highlighted that new challenges arise with the growing need to balance relevance and serendipity in the online news market. Furthermore this thesis emphasized that especially differentiation and lock-in strategies can increase the potential to monetize on news media platforms by attracting and retaining customer segments. By adjusting their content and services through personalization to the needs of their readership news organizations can thus create long-term value for users, which can contribute to a superior strategic position in the online market, reflecting on the return on investment. Thus this thesis attests the growing potential of innovating online news media business models in favor of creating additional value for the reader, which reveals strategic options that span a lot further than advertiser driven cost-per-click business models might suggest. Only if content and services are created in a way to make users stay and engage with the platform long-term revenues can be generated, which will also reflect on their interaction with ads, opening up new avenues to attract advertisers again.

Additionally the research has shown that due to the nature of news content online news media is in need for highly specified strategies that allow them to expand their portfolio. While some suggestions have been made, more research has to be conducted on how news media platforms can create the engagement needed to foster personalization. This corresponds to another major finding dissolving from the research. One of the most prevalent flaws in online news media strategies is that news platforms do not position themselves as digital media platforms. As one of the interviewees Storify co-founder Burt Herman pointed out: "the web is truly social", a fact that should and will increasingly shape the future of the news industry.

VIII. References

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IX. APPENDIX

Appendix A: Tables

Table A!: Overview revenue models

1. The subscription model	"in which the consumer pays incrementally for access to content" (Cheng & Tang, 2010, p.437).
2. The freemium model	"where a service is offered for free, and revenue is created from advertisements or additional charged-for content" (Cheng & Tang, 2010, p.437).
3. The crowdfunding model	"where the vast pool for resources of the user group is harnessed for funding" (Cheng & Tang, 2010, p.437).
4.Transaction based	"charging for the individual product / employing diverse pricing" (Cheng & Tang, 2010, p.437).

Table A2: Taxonomy Implicit Personalization functionalities (Thurman 2012, p.22)

Table 1. Taxonomy of implicit personalization functionality at news websites

Category	Definition
'Aggregated Collaborative Filtering'	Selections of news stories or other content (such as readers' comments) automatically filtered by popularity. Variables include most: read / watched / searched / emailed. Selections may be further refined by content category (e.g. 'Politics'), user location (e.g. 'South America'), or time (e.g. 'Last 24 hours').
'Contextual Recommendations'	Links to contextually-related content (including textual stories, blogs, videos, and photo galleries). Links may be to internal or external content. Recommendations – and aggregated 'topic pages' those recommendations may lead to – may be generated by software written, owned, and hosted by other organizations.
'Geo-targeted Editions'	Content adaptation, most commonly on the homepage and key index pages, based on the geo-location of the user, determined by IP address or other means.
'Profile-based recommendations'	Content recommendations that use implicitly determined preferences based on user profiles. Profiles may be generated internally from registration data and / or records of user behaviour; or imported from other organizations, such as social networking sites.

Table A3: Taxonomy Explicit Personalization functionalities (Thurman, 2012, p.23)

Table 2. Taxonomy of explicit personalization functionality at news websites

Category	Definition
'Email Newsletters'	Registration of individual users' email newsletter preferences. Variables include: format (HTML / plain text); delivery schedule (daily, weekly, event-triggered, etc); and choice of predetermined content categories and / or keyword / stock-symbol triggers.
'Homepage Customization'	Registration of content and / or layout preferences on the homepage. Differs from 'Homepage Editions' in the complexity of preferences that can be registered.
'Homepage Editions'	Registration of preference for an alternative version of site's homepage. The choice is usually binary. For example, between a national and regional edition.
'Mobile Editions'	Preference registration on sites' mobile editions. Variables include: availability of external RSS feeds; customization by user-determined location and / or keywords or stock symbols; number of internal content modules offered; implicit preference registration and adaptation; and possibility to save stories for repeated reading.
'My Page'	Registration of content preferences for a personalized page (other than the homepage). Variables include: number of internal content modules and / or stock portfolios offered; layout customization; and inclusion of external content / RSS feeds.
'My Stories'	Ability to save stories to a personalized 'clippings' page for repeated viewing.
'Non-linear Interactives'	Embedded applications that immediately adapt their content and presentation to users' input at a level deeper than navigational control. Usually associated with, or relevant to, a specific news event, and authored using Adobe Flash. Audio-visual slide shows and other forms of non-linear information presentation that only provide temporal and / or navigational control are excluded.
'One-to-one Collaborative Filtering'	Registration of preferences for content recommendations from individual journalists or other users.
'Other Explicit'	System adaptation – for individual users – of content, its delivery or arrangement, based on explicitly registered preferences, not recorded elsewhere in this table.
'RSS Feeds' *	RSS-feed availability. Variables include: number offered; format (text, video / audio); length restrictions (full and / or limited to headline and standfirst); and customization (based on user-defined keywords or combinations of predetermined categories).
'SMS Alerts'	Registration of individual users' preference of content category and or keyword trigger for text message delivery.
'Widgets'	Applications for users' desktops or for third-party sites. Examples range from the provision of specific content feeds (e.g. personalized sports results) to truly adaptive applications that allow users to locate an apartment for rent using a number of variables.†

Appendix B: Operationalization

Table B1: Operationalization: Case Studies

Customer Segments	
Data Aggregation	**Case Study** • Platform research: Measured by identifying the types of data collected about the customer on the platform (i.e. register info, cookies etc.) • Desk research: Measured by additional research on the types of data collected and their success rates (i.e. increased visitor rates and cost per click revenues) through material such as press releases, interviews and corporate reports.
Value Propositions	
Localization	**Case Study** • Platform research: Measured by the presence of locally relevant content in the form of: "specific news, business information, blogs, opinions, user-generated content and local advertisements" (van der Wurff, 2012, p. 244). • Desk research: Additional research on localization as a strategic outlook through press releases, interviews and corporate reports.
Brand identity	**Case Study** • Platform research: Measured by investigating the branding activities on the platform • Desk research: Measured by additional research on material, which indicates the initial branding strategy, especially concerning the promotion of creating relevance for the customer through press releases, interviews and corporate reports or mission statements.
Relevance	**Case Study** • Platform research: Measured by investigating the socialization activities on the platform, such as social media login, automatic integration of social media platforms. • Desk research: Measured by additional research on material, which indicates the initial relevance strategy through press releases, interviews and corporate reports or mission statements.
Complementarities	**Case study**

	• Platform research: Measured by exploring complementarities presented on the platform. In the form of: hyperlinks, mobile services, online dossiers, archives or offline assets and cross-selling activities. • Desk research: Measured by additional research on the promotion of brand extensive complementarities material through press releases, interviews and corporate reports. How can complementarities assist in attracting new customers to a content platform.
Customer Relationships	
Explicit Personalization	**Case Study** • Platform research: Measured by utilizing the taxonomy of news personalization features introduced in the conceptual framework (i.e. widgets, myPage function, newsletter etc.). • Desk research: Measured by collecting information on the strategic use of explicit personalization functions through material such as press releases, interviews and corporate reports.
Implicit Personalization	**Case Study** • Platform research: Measured by investigating the personalization techniques through utilizing the taxonomy of news personalization features introduced in the conceptual framework (i.e. Contextual recommendations, Geo-targeted editions etc.). • Desk research: Measured by collecting information on the strategic use of implicit personalization functions through material such as press releases, interviews and corporate reports.
Co-creation	**Case Study** • Platform research: Measured by investigating co-creational elements on the platform (comment sections, blogs, iReport elements). • Desk research: Measured by collecting information on the implementation of co-creational functions of through material such as press releases, interviews and corporate reports
Revenue Streams	
Revenue Streams	**Case Study** Platform research: Measured by investigating the payments options on the platform • Subscription based: Possibility to pay a monthly or yearly subscription in order to access the platform. • Crowdfunding: Possibility to donate and pay as much as much for a product as considered adequate. • Freemium: Possibilities to access all content for free with premium options for advanced functions. • Transaction based: Possibility to pay for each service or

	product accessed. Desk research: Measured by collecting information on the implementation of utilizing certain revenue models through material such as press releases, interviews and corporate reports.

Table B2: Operationalization: Interview questions

Introductory Question	What trends have you been observing within current online business models in the media industry? Do you believe that personalization and customization play a big role here and why?
Customer Segments	
Data Aggregation	How can data be used as a tool to segment customers? In the case of news media: what types of data are relevant to improve the content offered on the platform and why? How can personalization assist to enable the online news media to target their customer segments?
Value Propositions	
Localization	How can localization as a form of content personalization contribute to the differentiation of the news media's online platform? In what ways can localization assist in actually retaining customers?
Brand identity	How important is brand identity still in the online market to attract and retain customers? Do you believe that brand identity is related or can be related to personalization? Is this still a strategy to differentiate a news media platform from competitors?
Relevance	How can the news media make their online content more relevant to the customer? → *If not brought up during the previous question:* To what extent do you think can the connection of an online platform with a social media platform help to attract new customers? Can it help to make existing customers more loyal?
Complementarities	How can online news media platforms complement their platform with product offers? Should it relate to the content that is offered? How can offering complementarities contribute to the lock-in / attraction of customers? And why? → *If not brought up during the previous question:* Should complementarities be personalized towards the customer?

	Why?
Customer Relationships	
Explicit Personalization	How can explicit personalization be used to differentiate a content platform from its competitors/does it help to retain customers? What are the advantages of utilizing explicit personalization, especially considering content platforms?
Implicit Personalization	How can implicit personalization be used to differentiate a content platform from its competitors? What are the advantages of utilizing implicit personalization in the online sphere? How can a mix of implicit and explicit personalization be implemented for the online news media? → *If not brought up during the previous question:* What is the role of content discovery in the online news media today?
Customer retention	How can personalization create a more loyal customer? Why? How does customer retention reflect on the creation of online revenue models?
Co-creation	How can user-generated content help to offer a more personalized experience for the user? → *If not brought up during the previous question:* How can the inclusion of co-creational content contribute to retain customers? → *If not brought up during the previous question:* How can the inclusion of co-creational content attract new customers?
Revenue Streams	
Revenue Streams	How does personalizing the news media's online platform influence current revenue models? What can a successful revenue model of the future for the content industry look like? → *If not brought up during the previous question:* Do you believe free content is the future of the content industry? And why/why not? → *If not brought up during the previous question:* To what extent can a *subscription-based/crowdfunding* revenue

	model constitute a valuable strategy to ensure the generation of long-term revenue streams?
Closing question	Summing up what would you describe as potential the most important success factors to innovate business models in online news market?

Appendix C: Extended Case introduction

Case I: Spotify

Founded in 2008, the streaming service Spotify is now the fastest growing streaming music service company worldwide with currently 24 million users, including 6-million who have successfully been transformed into loyal customers and pay a $10 subscription fee. Well cited for its incredible success especially the music industry has celebrated Spotify's business model. Mark Dennis – the head of digital innovation at Sony Music Sweden even pointed out that: "Spotify seized nearly a decade of continuous revenue drop of music industry in Sweden and in 2011 Swedish music industry finally achieved the first growth in recent years. 50% of the total sales were contributed by Spotify" (Bertoni, 2012, para.5)

Its success not only consists of its large user base and high customer retention rate, but its global expansion into 55 countries worldwide, which will probably continue to grow (Spotify, 2014). Mainly its rapid growth has made Spotify's business model one of the most prominent e-business models in 2013 (Dredge, 2014). However its success has been accounted to the innovative "operating model created by Spotify" (Dredge, 2014, para.3), which allows users to stream music on a subscription basis "instantly and legally" (Spotify, 2014) without requiring a purchase of the music listened to. While this innovative approach has lead to a clear differentiation from competitors, it has also gained popularity by engaging with its customers through playlist creation and personalized approaches to music recommendation. Thus Spotify accounts as one of the most innovative business models in the digital media industry and has been chosen as a valuable case investigated in the realm of this research

Case II: The Huffington Post

The American news aggregator was launched in 2005 and has been a success story ever since. Acquired in 2011 by AOL it not only offers an aggregation of current news released on different

online platforms, it also delivers blog and opinion pieces by well-known authors and celebrities. While the *Huffington Post* was mostly known as a popular political blog in the beginning, it quickly emerged into one of the most popular news websites in the USA and now covers more than 68 sections and three international editions. In march 2014 *The Huffington Post* has long overtaken strong competitors such as the New York Times and is #2 of the most popular news website in the U.S. ranked by *eBizMBA Rank*, which is based on the Alexa Global Traffic Rank. Moreover its success has been manifested by an estimate of 1.2 billion monthly page views and 54 million comments in 2013 alone (Comscore, 2014), basically "surpassing the traffic of all the nation's established news organizations" (Shapiro, 2013) and a Pulitzer Price awarded in 2012, "a first for a completely web-based publication and proof that in terms of content quality, the news media outlet can compete with print giants" (Berschidsky, 2013, para.3).

But not only its immense success qualifies the Huffington Post as a valuable case in the realm of this Master thesis, the Huffington Post has been widely followed and cited as one of the news media's "most disruptive entrants" (Blodget, 2010, para.2). This disruption has mostly originated from the innovativeness in terms of search-engine optimization, social media integration and recommendation systems (Bershidsky, 2013) the news aggregator has been praised for. Thanks to its innovativeness the Huffington Post has created a business model, which has successfully moved from a niche to a mass market (Bershidsky, 2013) and thus delivers valuable insights for this research.

Case III: Vice

It was only two weeks after media mogul Rupert Murdoch tweeted in 2013: "Who's heard of *VICE media*? Wild, interesting effort to interest millennials who don't read or watch established media. Global success." (Quinn, 2013), that his company 21st Century Fox bought off 5% stake of *Vice* media placing it up to a value of $1.4 billion (Bercovici, 2013). This deal put *Vice* on the radar of the media industry and advertisers alike. Already established in 1994 in Montreal Canada*, Vice* was mainly known for its freeware magazine funded by the Canadian government, which is focused on independent arts and pop culture. In recent years *Vice* has expanded through increasing acquisitions into *Vice Media*, including a record label, a film production company, the advertising agency ADVICE, as well as a website and its initial magazine. *Vice'*s success has catapulted the former magazine to an "iconic global youth media company" (Quinn, 2013), with 220mm unique visitors per month on its website. Especially *Vice news,* with his alternate topics has gained popularity among youngsters and has raised the interest of a broad set of marketers. Because of its innovative "multipronged business strategy that allows it to play the dual role of publisher and agency" (Smith, 2013, para. 3), experts

such as Josh Sternberg have already proclaimed: “the future of publishing could be written, in part, inside a converted warehouse in Williamsburg, Brooklyn” (Smith, 2013, para.4).

Because of its unique approach to monetize content the website *Vice*.com and targeting younger audiences it will be subject to this Master thesis, delivering new ideas to innovate business models in the content industry. Chief executive of *Vice*, Shane Smith pointed out in an interview with The Telegraph: “we can monetize, we have long time on site, we’re great at engagement, we do experiential (...) then we can achieve the dream of mine (...) of being the next CNN, the next ESPN or the next MTV with the largest audience in the world“ (Bercovici, 2013, para.6).

The New York Times Case IV: New York Times

The New York Times is known to be one of the most established newspapers in the US. Founded in 1851, it looks back on a long story of success among others 112 Pulitzer Prices and has been denominated as the national “newspaper of record“ (Roberts, 2013, para.1), the paragon of quality journalism (Roberts, 2013, para.1). Within this research it has mostly been chosen as a valuable case study because of its successful digital strategy as an established quality newspaper. Since 2011 www.nyt.com accounts as one of the most popular news websites within the US with about 20 million unique visitors per month (NYT annual report, 2013). Even more relevant than its success in bare numbers is its fast expanding digital portfolio and its ability to lock-in 90% of their print subscribers to their online platform (NYT annual report, 2013), which has set examples for the whole media industry. With its debated and innovative paywall- based business model the *New York Times* is celebrating first successes and is dismissing a broad range of “skeptics who say media outlets can’t reinvent themselves“ (Roberts, 2013, para.2). Following up on this Times CEO Mark Thompson has noted that: “in modern media, you could make the case that the best way forward is to listen carefully to what the industry has to say and then do the exact opposite“ (Roberts, 2013 para.2). Because of its fearless attempts to innovate their business model and their position as a role model for the news media industry, *The New York Times* has been chosen as one significant case to investigate during this research. Especially in light of the introduction of three new digital products in 2014, which is part of their strategy to expand the digital product portfolio the case can deliver new insights towards the topic of personalization as a driving force for business model innovation.

Case V: Facebook Newswire

Facebook has gained global attention as the pioneering and most successful social network, with about 1 billion users globally. Well know for monetizing successfully on its users by providing targeted advertising Facebook has become a strong player in the advertising market. By recently redesigning its well known news feed, as well as launching the two new products Facebook Paper and Facebook newswire, Facebook is taking fast steps towards its new dedicated goal to become "the best personalized newspaper in the world" (Shontell, 2013, para.2).
"I think there's a special place in the world for a personalized newspaper that can span the whole gamut" CEO Mark Zuckerberg already announced in 2013 explaining to aim for a "design-and-content mix that plays up a wide array of high-quality stories and photos" (Shontell, 2013). A study by the Pew Research institute indicated that already: "30% of U.S adults get news on Facebook"(Pew Research, 2014, p.4).

But not only is Facebook targeting everyday users and trying to disrupt their consumption of news, with Facebook newswire, a collaboration with Storyful, it is trying to cater to journalists and newsrooms providing them with real time and worthy content gathered from their users. This innovative angle of collecting a mix of user-generated data and providing journalistic content from outside sources makes Facebook a worthwhile case to investigate in the realm of this Master thesis. Especially its role as a social network contributes to the diversity of the selected cases and allows exciting insights into a new form of news aggregation.

Appendix D: Semi-Structured Interview Guide

Topic 1: Introduction/Background information for the interviewee

Introduction: I'm Lina Janezic, and I'm a Master student in Media and Business at Erasmus University Rotterdam. First of all thanks a lot for agreeing to participate in this interview. In the realm of my Master thesis I am investigating the role of personalization as a driving force to innovate current business models in the online news market. The questions I will ask follow 6 thematic sections. The first two being introductory and closing topics, the interview is further structured according to four main parts that address the customer building block of a business model: customer segmentation, value propositions, customer relationships and revenue models. The possibilities of monetizing on the customer thus build the focus and will at least for now not address channels and channeling.

The questions are phrased really broadly to give you the possibility to focus on your expertise and to explore subjects that you consider relevant in this context. Just before we begin: if you feel like you cannot answer a question or do not want to answer feel free to leave these questions out.

Q1: With your XY you focus on XY to innovate current business models. Maybe to start off you can give us a brief and broad insight: From your point of view what trends have you been observing within current online business models in the media industry?

Q2**:** Do you believe that personalization and customization play a big role here and why?

Topic 2: Customer Segments

Data Aggregation

Q1: *A lot of marketers are seeking alternate ways to reach their customers online and segment them and so is the online news media*. In your opinion: How can data be used as a tool to segment customers?

Q2: . *Scholars claim that demand has become individualized and even talk about the phenomenon hypersegmentation or the so-called "audience of one" as a result. Some e-businesses increasingly base their business models on implementing recommendation systems i.e. Amazon etc., thus personalizing the experience for the customer.*

In what ways is personalization part of hypersegmentation? Can hypersegmentation be a formular for success?

Q4: In the case of news media: what types of data do you think are relevant to improve the content offered on the platform and why?

Topic 3: Value Propositions

Localization

Introduction: Scholarship has argued for the potential of considering the location of the customer when creating valuable online platforms for users. In the online news media market the Huffington Post is a good example as they offer local versions on their platform, such as HuffPost Chicago etc.

Q1: How important is it to offer local content to enable a personalized experience for the customer?

Q2: How do you think localization of content contributes to the differentiation of a news media's online platform?

Brand Identity

Introduction: Some and especially traditional media outlets already have a strong brand identity, i.e. the New York Times as the quality newspaper of the US with 112 Pulitzer Prices.

Q1: How important is brand identity in the online market to attract and retain customers?

Q2: Do you believe that brand identity is related or can be related to personalization? Is this still a

strategy to differentiate yourself: i.e. presenting the e-business as specifically offering the content the customer wants?

Relevance

Q1: How can personalization make content more relevant to the customer? Are there any indicators?

(*If not brought up during the previous question)* Why is it important to deliver tailored content to customers? Or should the news media stick to generic content?

Q2: *A lot of media platforms, if news media or not feature certain linkages with social media platforms. For example the Huffington Post is connected to your Facebook account, so your friends can see what you are reading at the moment.*

In what ways do you believe can this help to give a more personalized experience to the user?

Complementarities

Especially in the realm of the online news media there have been a lot of discussions concerning a possible risk of cannibalization of the print and digital content. This means that the print product is at one point obsolete.

Q1: To what extent should a digital platform present additional/ complementary content to the print product? What can it look like?

Q2: Increasingly online platforms and also online news media platforms offer products that are not necessarily related to their actual business. *The Wall Street Journal* is for example offering and selling wine on their platform.

How important is it for online news media to make customized suggestions of brand extensive-goods that are not related to their core business? And how can it help to monetize? (does it help to attract new customers or make them more loyal?)

Q4: *The increasing role of marketers has been debated controversially in the case of the news media. Some news media platforms such as Vice collaborate with advertisers in their production of content and even offer investigative projects with them, such as the creators project in collaboration with Intel. Spencer Baim, who is head of Virtue says: "The insight I had is that inside every great brand is an idea and that idea used to be solely translated to commercials or print ads. We take that idea and turn that into content." (Sternberg, 2013)*

What role should advertisers play when creating content in the online news media? Is Vice's concept for example a valuable pathway to monetize on its content and why?

Topic 4: Customer Relationships

In your case now again back to a topic that you are more possibly acquainted with. There has been

considerable debate about how to personalize online platforms in the best possible way. There is mostly a difference between explicit personalization, where the users chooses his preferences or implicit personalization, which includes automatic recommendation systems, such as collaborative filtering.

Explicit Personalization

Q1: How do you believe can an explicit personalization through the customer help to make the customer more loyal? Or does it help at all? What should it look like in your opinion?

Q2: *Some argue that the personalization of the customer himself is more successful, since he is actively engaged on the platform, while others say that this is just driving him away.* What do you believe are the advantages of utilizing explicit personalization, especially when it comes to content? Are there any specific parts of a content platform where it can be wise to choose explicit personalization functions instead of implicit personalization functions?

Implicit Personalization

Q1: On the other hand how can implicit personalization be used to differentiate a content platform from its competitors? What could be valuable recommendations made to the customer in the online news market (should we just be lead from article to article then)?

Q2: What do you believe are the advantages of utilizing implicit personalization, especially when it comes to content?

Q3: Platforms such as Spotify urge their users to create their own playlists and for example follow the artists they like, while also making automated recommendations. Do you believe this model can be transferred to the news media? How?

Co-creation

Some content platforms, also news media online platform are increasingly utilizing user-generated content. They provide forums for people to review the articles, discuss or even give them the chance to report on news themselves. Facebook has launched Facebook Newswire just recently, which consists of content generated by users only through their Facebook posts.

Q1: How can user-generated content assist to deliver a more personalized experience for the customer?

Q2: What kind of user-generated content can really help to make users more loyal?

Topic 5: Revenue Models

E-Businesses and especially content platforms have experimented with various revenue models. While some offer their content for free others still rely online subscriptions or paywalls or DeCorrespondent has even introduced a form of crowdfunding.

Q1: How do you think can revenue models be innovated? How does personalization play a role here? (i.e. some scholars argue that customers are willing to pay a premium price for customized content)

Q2: So in your opinion what can a successful revenue model of the future for the content industry look like?

Topic 6: Closing question

Q1: Summing up what would you describe as potential the most important factors of adding value to the news media's online platform? Maybe something that we have not addressed yet?