The future magazine

Transition from product to service

Anu Seisto | Aino Mensonen | Anna Viljakainen |
Maiju Aikala | Pertti Moilanen | Ulf Lindqvist

VTT

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Abstract

There are many simultaneous forces shaping the magazine market and changing the core business logic. On the one hand we experience media convergence, where the traditional media industry is integrating with the telecommunications industry and information technology. On the other hand the advertising market reacts to the changing economic climate and increasing amount of online media content. The Internet has had a tremendous effect on the media use habits of the consumers and the use of printed magazines is no exception.

Due to digitalization and the declining trend in the consumption of printed products, the forest industry is also facing the need to change. In the Fumaga project, we looked at the future of magazines from the viewpoint of the so-called service-dominant logic, which means that the customer value (value in use) is the starting point of the development. The readers of the magazine have a central role as the customers of the magazine service. The magazine service is available through several platforms, both printed and digital, including also user communities in which the users may act as co-creators of content. Development in any part of the magazine service has an effect on how the reader experiences the service. Therefore, from the paper makers' perspective it is important to know the other actors in the network of printed magazines and collaborate with them, but it is also very important to have knowledge on the other networks in the magazine service and especially on the final customers, the readers.

In the project, four case studies were carried out to find possibilities for new services from the paper maker to their customers: Hybrid media applications in magazines, New title launch, Brand experience and Service concepts for customers' processes. Turning the service possibilities pointed out during the project and in this publication into active services requires a close relationship between the paper producer and their customers in order to be able to co-create value. In some cases it may also be important to involve other players from the value chain or across networks to form strategic alliances for realizing a new service. Applying the service-dominant logic perspective would also mean that the role of the paper producer in the magazines' value chain would no longer be that of the raw material provider but also that of a consultant that offers knowledge and support into the customers' processes.

Tulevaisuuden aikakauslehti

Tiivistelmä

Monet muutokset vaikuttavat tällä hetkellä aikakauslehtimarkkinoiden tilanteeseen ja muokkaavat niiden bisneslogiikkaa. Yhtäältä markkinatilanteeseen vaikuttaa median konvergenssi eli perinteisen mediateollisuuden integroituminen tietoliikenteen ja informaatioteknologian kanssa. Toisaalta mainostajat reagoivat sekä taloudellisen tilanteen muuttumiseen että kasvavaan online-median määrään. Internetillä on ollut erittäin suuri merkitys kuluttajien mediankäyttötottumuksiin, painetun aikakauslehden käyttö mukaan lukien.

Digitalisoituminen ja painotuotteiden vähentynyt käyttö ovat kasvattaneet myös metsäteollisuuden muutospaineita. Fumaga-projektissa tulevaisuuden aikakauslehteä tarkasteltiin niin sanotun service-dominant-logiikan näkökulmasta. Tämä tarkoittaa sitä, että asiakkaan kokema arvo (value in use) on palvelukehityksen lähtökohta ja edellytys. Aikakauslehtien lukijoilla on keskeinen rooli aikakauslehtipalvelun asiakkaina. Palvelu on heidän käytettävissään useiden kanavien kautta, niin painettuna kuin digitaalisena, sisältäen myös lukijayhteisöt, joiden kautta palvelun käyttäjät voivat osallistua sisällön tuottamiseen. Minkä tahansa aikakauslehtipalvelun osan kehittäminen vaikuttaa siihen, miten lukija kokee palvelun. Paperinvalmistajan on tärkeää tuntea painotuotteen arvoverkon toimijat ja tehdä yhteistyötä heidän kanssaan. Lisäksi paperinvalmistajien on tärkeää tuntea muita aikakauslehtipalvelussa toimivia verkostoja sekä erityisesti palvelun loppukäyttäjiä, lukijoita.

Projektissa etsittiin uusia mahdollisia palvelukonsepteja neljän case-tutkimuksen kautta: hybridimediasovellukset, uuden nimikkeen lanseeraus, brändikokemus ja palvelukonseptien luominen asiakkaan prosesseihin. Projektin aikana ja tässä julkaisussa mainittujen palveluaihioiden työstäminen palveluiksi vaatii läheistä yhteistyötä paperinvalmistajilta ja heidän asiakkailtaan, jotta arvon yhteiskehittäminen (co-creation of value) on mahdollista. Joissain tapauksissa voi olla tarpeen ottaa palvelukehitykseen mukaan myös arvoverkon muita toimijoita tai toimijoita muista verkostoista ja muodostaa strategisia kumppanuuksia uuden palvelun mahdollistamiseksi. Service-dominant-logiikan näkökulmasta paperinvalmistajan rooli ei enää olisi pelkästään tuottaa raaka-ainetta painotuotteen arvoverkolle, vaan roolina olisi myös konsultinomainen toiminta tiedon ja tuen tarjoamiseksi asiakkaiden prosesseihin.

Preface

The research project "The Future Magazine" has been carried out by VTT Technical Research Centre of Finland and Aalto University/School of Science in cooperation during the years 2010–2012. The project is part of the Serve programme of Tekes – the Finnish Funding Agency for Technology and Innovation and it is linked to Theme 1 of the Tekes Serve program for public research, potential pioneers of future service business.

Contents

1. Introduction

1.1 Background

In many ways, media industry and especially print media is at crossroads. One important change occurring in the use of different media is that the younger generation, the so-called digital natives, reads less from print than the older ones. The digital natives have grown up in a world where the most central channel for media content is the internet. When considering the future of print media the media use habits of the consumers need to be taken into account. Even though consumers spend their leisure time increasingly with digital media, printed magazines still have their place as a relaxing and "slow" media. However, in the future magazines must be available through several channels and therefore printed magazines cannot be studied without paying attention towards all other possible magazine forms. These may include online or mobile forms as well as different hybrids utilising printed intelligent elements that enable seamless shifting between printed and digital contents.

The magazine and newspaper business is set to change dramatically over the next decade. Not only will the publishers of printed products meet increasing competition from other media (including user generated content), the demand to target content at specific reader groups and to offer advertisers a better reach to their customers will also force publishers to develop their products continuously. The Internet has already had a tremendous effect on media use habits of consumers. In addition, new digital gadgets arriving to the market also set completely new possibilities as well as threats to the publishers. According to a recent study by Bonnier (2011), touchscreen tablets completely change user expectations and behaviour around magazine content. In order for the printed magazines to remain competitive also in the future, it is important that the whole value network is involved in the process of innovating and testing new possibilities to provide better service for the different players in the magazines value network as well as better service for the readers.

1.2   Scope

The original scope of this project was to *develop service concepts for the value chain* of the future magazines. The so-called *Service Dominant Logic (SDL)* was chosen as main theoretical framework, which means that the customer value (value in use) is the starting point of the development. Based on workshops arranged in the beginning of the project two general case studies and two company pilots were chosen as concrete cases in which SDL was applied and from which new service concept ideas were searched for.

The two general case studies were:

- Hybrid media applications in magazines – what are the possibilities for developing interactive services combining print and digital from the viewpoint of consumers having the devices and the ability to use different hybrids?

- New magazine title launch – what are the specific needs that arise from the innovation and development of new magazine titles where the print product value chain would be able to collaborate?

The two industrial pilots were:

- Brand experience (SAPPI) – what kind of methodology can be applied to distinguish how user experiences different communication channels used by the brand owners?

- Service concepts for customers processes (UPM) – how can new service concepts for the customers processes be developed and tested?

As a part of the Serve programme "Potential pioneers of future service business" it is essential too, that the project should give methods, experience and recommendations for how traditional process industries can involve service innovation in their strategies and become service oriented.

1.3   Structure of the project

Figure 1 presents a traditional view of the value chain of the printed magazine. The baseline of the value chain starts from the production of paper, and continues through printing and the production of the content all the way to the reader. Other important players, like machine and ink suppliers and advertiser, are also linked to the value chain creating a network. This value network forms the framework and starting point within which we analyze the new, potential services that the actors may co-create. It also provides the framework for the analysis of the realization of the service-dominant logic: how different actors can secure that their business really provides value to the customers and particularly to the end customers – the readers of magazines.
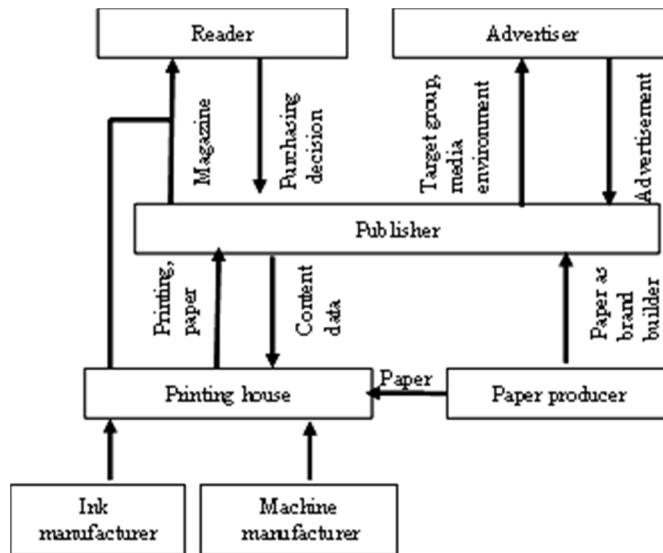
Figure 1. Current value network of the printed media. Adapted from Aikala (2009).

The value chain of magazines was examined in the project in order to find out where and how the customer-orientation can be strengthened. A theoretical approach was taken in the beginning of the project in order to analyse service innovation theories and their application to the value network of magazines. This was carried out by Aalto University and reported in the form of presentations during steering committee meetings and workshops.

   In this publication we are first discussing the changes taking place in the magazine business and consumers' media use habits and then move towards service business. The transfer from Goods Dominant Logic to Service Dominant Logic is discussed based on the theory of Vargo and Lusch (2004; 2008). After that, the Fumaga case studies are viewed from the Service Dominant Logic perspective. More detailed reports of the case studies can be found from the Appendices.

2. Changes in the business environment

2.1 Changes in magazine business

There are many simultaneous forces shaping the magazine markets and changing the core business logics. On one hand we experience media convergence, where the traditional media industry is integrating with the telecommunications industry and information technology. It is shaping consumers' media use habits and opening up the markets for new competitors. On the other hand the advertising markets react to the changing economic climate and increasing amount of online media content. As a consequence of all of this, the power is shifting from media companies to people. Consumers have an ever increasing selection of content which they can consume when and where they want.

In his report of the changing media market, Snellman (2011) states that the media industry has shifted from scarcity to an abundance era when looking at the supply of content. Thanks to the Internet, television content, radio programs, music and games are widely available. This challenges the traditional media business models built on scarcity and permanently alter the market setups.

The vast majority of media revenue is still based on traditional businesses, such as the printed newspaper and magazine subscriptions and advertising revenue (see e.g. Antikainen and Kuusisto, 2011; 2012). However, growing impact of the Internet seems inevitable. According to Snellman (2011), we probably have only seen the beginning of the change in the communications services and the most significant changes are yet to come. The field of competition, consumer trends, and technology are driving the continuous development of communication services to more and more individual service experiences and the new services will take advantage of diverse new possibilities, such as large masses of data, positioning and a variety of sensors.

Based on several sources and interviews in the publishing sector, Snellman (2011) summarizes the development in the publishing sector in the near future (2–5 year perspective) as follows:

- Major proportion of the revenue will still come from traditional print products.

- The diminishing trend of print product circulations will continue.

- Mobile use of news content and other media services will surpass content viewing from PC screens.

- Collaboration among the value chain and with new players will increase especially in the case of digital business.

- Advertising in print products will decrease.

- Large data masses and open data will become an essential part of the competition and provides new service possibilities.

- Tablet versions of newspapers and magazines may bring and important source of income for the publishers.

One of the most important challenges for the publishers is the disparity in the income and profitability in print and digital businesses. The profits from print business are multifold in comparison to digital business, even though they both reach nearly the same amount of readers. In addition, in the digital side, the consumption of content is divided between several services and channels out of which only a fraction is in the hands of traditional publishing houses. Large proportion of the digital content is available for free, which makes it very complicated to offer chargeable services.

At the same time also the advertising market is changing. The share of online advertising has increased on steady basis. In respect to media advertisement buying and selling activities, the discussion is shifting from talking about different media or channels into talking about media brands. Thus, there is a need for better understanding of how to reach and impact consumers with advertisements regardless of the platform from which it is consumed. In this development target group definitions are shifting from mere demographic portraits (such as age or sex) into something much deeper. Traditionally, the 'currency' for buying and selling media advertising space in print media has focused on media exposure – an estimated number of readers for an average issue of publication. Changes in the media landscape are, however, putting accountability pressures for all media. Not only is it important to understand how many people have been exposed to a certain media, but also who have been exposed to the advertising message, and more importantly, what was the response to the message. As the ultimate objective of all advertising is to increase sales, it is essential to have knowledge on the role of different media in consumers' lives and decision-making processes in order to reach the consumers effectively (Viljakainen et al., 2010; Viljakainen, 2013).

2.2   Changes in consumer behaviour

Advertisers expect their messages and advertisements to be planned and executed in the right media at the right moment in time and space to reach the target group in the right mood effectively and efficiently. However, having the right media mix is getting more and more complicated. Consumers are gaining more power because they are faced with more choices when it comes to the number of media

available and the channels available within each medium. The possibilities to affect the choices of consumers have diminished and consumers are less attentive to mass media vehicles. Newer alternatives compete for consumers' time – and thus for advertisers money – and new technologies are changing media consumption habits. There are increasingly those who no longer want to be passive media users. Social media services have made it easy for anyone to become a 'prosumer', an active consumer who also produces content.

According to Napoli (2011), the factors affecting audience evolution are about audiences having the opportunity to use media where ever, whenever and in any way they want to. The content can often be personalized and the audiences also produce content themselves. The two main phenomena affecting audience evolution are media and audience fragmentation and audience autonomy. In the case of fragmentation, a problem arises from traditional media industries having mainly been interested in audiences' exposure to media contents, and audiences being conceptualized on grounds of exposure. As fragmentation goes on, different contents gain less exposure from smaller audiences which makes it challenging to get reliable measurement of the effectiveness. Also with autonomy the traditional measurement systems that see a passive audience are unable to measure audiences' behaviour and media use.

Kuula et al. (2005) carried out a study among young students in the Helsinki area of their attitudes towards print media. Three user groups were found – the Users, Refusers and Likers. The Users were active users of printed products, Refusers neither read nor valued printed products and Likers valued but did not actively use printed products. At the time of carrying out the study, it was assumed that *the Users* would most probably continue valuing and using print media in their future phases of life. On the other hand, most of *the Refusers* were not expected to start using print media. The most interesting people were in the group of *Likers* as it was very difficult to predict whether their print media use would be activated as they grow older. The same group of people were interviewed again in 2012 as part of the Next Media programme (Kuula, 2012). It turned out that the print media use of the Likers may, in fact, be activated, and the relationship that they once built with printed products has very long lasting effects on their media use. On the other hand, it cannot be taken for granted that the Users would remain as active users of print products in the future. The professional journalistic content does seem to play an important role for this group, but the platform will not necessarily remain the same. This group may be just as pleased with a tablet version of their favourite newspaper or magazine as they are with the printed version.

According to Snellman (2011), one of the main challenges for the publishers is to attract younger readers. In the case of magazines the situation is not as alarming as it is for newspapers but the trend is the same. In addition to the effect of new platforms and services on the media consumption habits, also the busy lifestyle on consumers is seen as one important factor from the publisher viewpoint. However, it may be argued whether being an offline and quiet media as well as tangible product that can be seen, touched and kept as a memento would at the same time also be a strength of printed products.

2.3 Implications for the value network

Due to the changing business environment, the value network for magazines has grown to include several actors who make it possible to provide magazine content in various platforms. Paper is one of the platforms, and the value network around printed magazines forms one part of the *magazine service.* When looking at magazines as a service, the traditional view of the magazine value chain as presented in Figure 1 changes quite drastically (Figure 2).
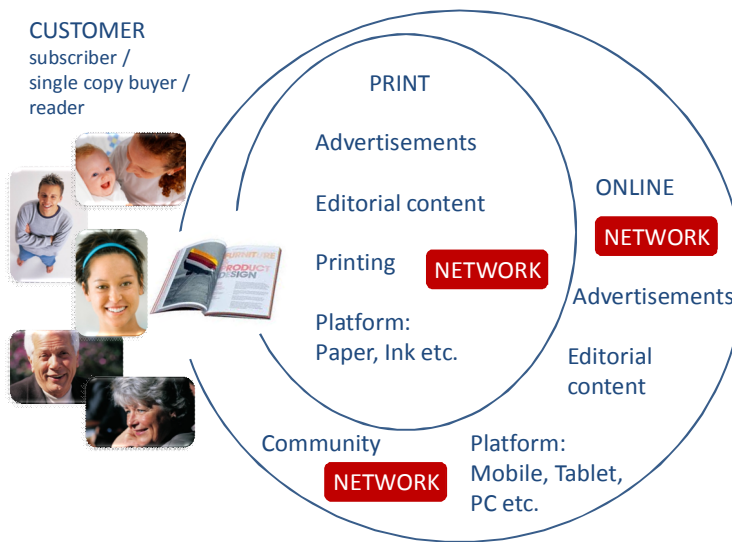
Figure 2. Printed magazine as a service.

The readers of the magazine take a central role as the customers of the magazine service, whereas the service providers form a network of networks. The magazine service is available through several platforms, both printed and digital, and the networks include user communities in which the users may also act as co-creators of content.

Development in any part of the magazine service has an effect on how the reader experiences the service. Therefore, from the paper makers perspective it is important to know the other actors in the network of printed magazines and collaborate with them, but it is also very important to know the final customers, the readers. In addition, the role of paper as the platform for the magazine service means that paper is not only raw material. It has a specific function in making the magazine service possible in printed form. Identifying the role of paper as one of the platforms in the magazine service requires a major shift in the mindset of paper producers from Goods-Dominant Logic to Service-Dominant Logic. This transition is discussed in the following chapter.

3. Service business approach

3.1 Service-Dominant Logic

As industries reach mature stage, commoditization tends to erode the competitive differential potential of product markets. For example, in the case of manufacturing firms, attempts to remain competitive and avoid a deteriorating financial position has led to the firms increasingly turning to the provision of industrial services and solutions such as "industrial product/service systems" (see e.g. Sakao and Lindahl, 2009; Tan et al., 2010; Ueda et al., 2009). Companies such as IBM, Toyota Industries and Xerox can be named as examples. The paper business may also be seen as a mature one, but when examining the future of printed reading products such as magazines, the main challenge arises from increasing digitalization and changing media consumption habits of the consumers. Hence, in addition to differentiating from the competitors, the paper companies also need to consider the changing business environment of their customers.

In this project, the overarching idea has been to look at the future of printed magazines through the theory of Service-Dominant Logic (SDL), first proposed by Vargo and Lusch (2004) and extended in subsequent works (Lusch and Vargo, 2006b; Vargo and Lusch, 2008). Traditionally, service business has played a minor role in the paper industry and very little research effort has been put to it. In addition, the services that paper producers provide to their customers have often been provided free of charge. Producing paper, developing the paper properties and selling the paper has been the main activity until recently with major changes in the business environment. Due to the changes, service business has become much more appealing also in the paper industry. This chapter aims at pointing out the distinct differences between a product-to-service transition and a transition from a Goods-Dominant Logic (GDL) to Service-Dominant Logic.

In SDL, customers are seen as the arbiters of co-created value and suppliers as resource integrators. Any interaction based on knowledge between buyer and a supplier is seen as a service, such as e.g. profound knowledge on the properties of paper used for printing magazines. Goods are seen as distribution mechanisms for service provision, and the value of goods is based on the value-in-use. Value has not only an economic dimension, but also functional and psychological dimensions

(Gupta and Lehman, 2005) which, if possible, should be measured in monetary terms. A comparison of GDL and SDL concepts is presented in Table 1.

Table 1. Goods-Dominant Logic, Service-Dominant Logic and transitional concepts based on Lusch and Vargo (2006b).

GDL concepts	Transitional concepts	SDL concepts
Goods	Services	Service
Products	Offerings	**Experiences**
Feature/Attribute	Benefit	Solution
Value-added	Coproduction	Co-creation of value
Supply chain	Value chain	Value-creation network
Promotion	Integrated marketing communications	Dialogue
Product orientation	Market orientation	Service orientation

Interacting with customers to co-create value involves improving a firm's value propositions, supported by supplier resource integration, knowledge, and skills, is something which Vargo and Lusch (2004) argue being very difficult for competitors to replicate. In this project *experiences*, both service experience and user experience from several viewpoints, is essential and lays the grounds for the methodology chosen for the case studies. Experience in service business is discussed separately in the following chapter and the methodology used in the case studies are described in the Appendices.

As a sector of process industry, paper producers cannot apply the stepwise servitization process, which is typical in the sectors where the installed base enables a 'natural' move to the maintaining and repairing of the products sold (Oliva and Kallenberg, 2003). Instead, paper manufacturers have to develop right from the start much more demanding services: to identify together with various value chain actors possibilities for innovative uses of paper, and facilitate the development and utilization of these new possibilities. In other words, paper manufacturers have to move from pure manufacturing to knowledge-intensive services (KIBS), in which mutual learning between the service provider and the client is a core characteristic (Miles, 1999). Another development direction is a move towards integrated solutions which are bundles of physical products, services and information, seamlessly combined to provide more value than the parts alone (Brax and Jonsson, 2009). Moving from a product (GDL) to service (SDL) focus includes transitional shifts as summarized in Table 2. According to Kowalkowski (2010), a transition to SDL implies much more than an increased emphasis on the firm's product-service systems: it implies a *reframing of the purpose of the firm and its collaborative role* in value co-creation.

Table 2. Transition from Goods Dominant Logic to Service Dominant Logic (Vargo and Lusch, 2008).

GDL	SDL
Making something (goods or services)	Assisting customers in their own value-creation process
Value as produced	Value as co-created
Customers as isolated entities	Customers in context of their own networks
Customers as targets	Customers as resources

The product-service transition and the transition from GDL to SDL can be seen as two district dimensions: the first reflecting a strategic repositioning of the firm in the marketplace through the addition of new services to its core offering, and a second reflecting a new perspective on value creation (Kowalkowski, 2010). This means that service infusion and a focus on SDL may or may not take place simultaneously. Hence, many firms in service industries may have a GDL perspective if they are producing services as goods. Similarly, a manufacturing firm that pursues advanced research and develops new products in close collaboration with key customers, suppliers and other partner firms may be regarded as a product firm rather than a service provider, yet the manufacturer can have an SDL perspective on value creation. The two transition paths are illustrated in Figure 3.

Figure 3 content:

Product-service transition

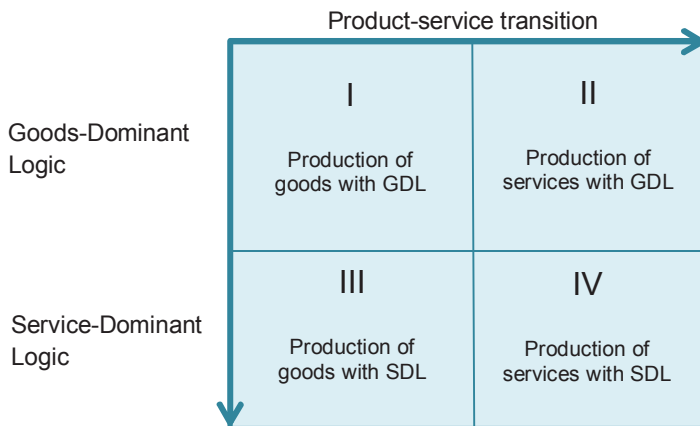|	I Production of goods with GDL	II Production of services with GDL
Goods-Dominant Logic		
Service-Dominant Logic	III Production of goods with SDL	IV Production of services with SDL

Figure 3. The two distinct service transitions (Kowalkowski, 2010).

According to Kowalkowski (2010), most traditional manufacturing firms can be seen in Cell I. As firms move along the product-service transition line, they eventually reposition themselves into Cell II. However, firms in Cell II still have their focus on "units of intangible output" rather than providing service for the

benefit of the customer. This means that although the firms operate in the so-called service sector, they have a GDL perspective on value and customers and services are sold as products. Paper companies provide services such as *technical customer service* and *sample service*, which most often position them in Cell II. This means that the services are an extension of selling paper, but they tend not to be aiming at cocreation of value. Their use makes it easier to buy and use paper, but they don't emphasize the role of the customer in the service.

Firms in Cells III and IV have an SDL perspective and have therefore shifted their focus from products and output to customer-centric value co-creation. As mentioned earlier, a stepwise shift from product to service orientation is very challenging or even impossible for paper producers. The shift directly from Cell I to Cell III is more natural but requires a large shift in the mindset of the firm and therefore it is a huge effort for the whole organization. The user studies conducted in co-operation with M-real and the Visual Science Group in the University of Helsinki, Jernström's (2000) and Aikala's (2009) studies on customer requirements for paper and paper development, and the development of tactile properties evaluation (Forsell et al., 2004) can be mentioned as examples of paper companies' efforts moving towards Cell III. However, these are merely individual cases represent ing the possibilities of production of goods with SDL.

Despite of being a mindset and perspective on value creation, some normative guidelines for practitioners have been mentioned (Lusch and Vargo, 2006a):

a) The firm should be transparent and make all information symmetric in the exchange process. Because the customer is someone to collaborate with, anything other than complete truthfulness will not work.

b) The firm should strive to develop relationships with customers and should take a long-term perspective.

c) The firm should view goods as transmitters of operant resources (embedded knowledge); the firm should focus on selling service flows.

d) The firm should support and make investments in the developments of specialized skills and knowledge that are the fountainhead of economic growth.

Kowalkowski (2010) discusses these guidelines in more detail. He mentions for example:

- Even if an ideal position would be that all information exchanges between firms were symmetric, clearly this is not the case in practice. Customers may be more or less willing to share information, and even within firms different functions and business units may be unwilling to share information. Politics and power plays can make the idea of symmetric information very challenging in reality. Kowalkowski suggests that for increasing transparency and information sharing with external customers (that is, the actual

customers) it is critical to define value metrics jointly with the customer and to be able to measure them systematically. In the case of internal customers, one way to overcome a problem with information sharing is to work to a greater extent in cross-functional teams, for example, by integrating product and service engineering.

– Firms need to apply a holistic perspective on value creation and customer relationships and not only view all product and service sales as separate and static. However, if the customers have a GD logic orientation it may not only be difficult but also unprofitable to engage in a close, long-term collaboration. Compared to GD Logic approaches in which the value emphasis is on value-in-exchange, the relative emphasis of the value propositions for customized solutions needs to be based on the customer-perceived value-in-use. Therefore, a genuine understanding of the customers' (and in the case of the magazine service also customers customers') unique usage contexts in which value is created. It also means that when demonstrating the value potential of the offering, the provider must have methods and tools in place to convincingly shoe the offering's potential value-in-use beforehand. Also, in order to develop long-term customer relationships, firms need to have thorough understanding of their customers' operations from both a technical perspective and a business perspective. In service development processes, product design and development skills need to be combined with service engineering methods and tools. For example, IBM and Volvo have utilized online brainstorming sessions with front-line employees for gaining new service ideas.

– Developing customer and supplier relationships also relate to being part of a co-innovation process. Not only active but also passive customers unwittingly co-design "patterns of behaviour" that supplier firms can use to improve their offering. GD logic tends to emphasize output such as production-ready, tangible products without recognizing opportunities for relationship value creation arising from the process itself. From an SDL perspective, customer input should be an integral part of each phase in service development and design. In order to integrate product and service design processes, the same syntax and semantics that are used to describe service attributes should be used for product attributes. Since a precise separation between products and services is not feasible during the development or during the delivery phase, similar project gates and phases may need to be adopted. According to Kindström and Kowalkowski (2009), it is vital that managers and engineering designers recognize both the differences between product and service design and the strategic linkages between the two areas.

– Despite the normative goal of emphasizing value-in-use and customers' long-term well-being, for most firms it is difficult to always emphasize value-in-use, for example, due to the customer focus on products and transactional

exchange value. If customers focus on a low purchase price, for example, managers in the supplier firm need to have the ability to understand why this is the case. Explanations may include not only the customer's financial directives or strong budgetary constraints but also the firm's own poor demonstration of the value potential of its product / service offerings and a lack of understanding of the customer's cost structures and lifecycle earnings (Kowalkowski, 2011). Even if a firm has the ability to propose a competitive value proposition and to convince the customer that the firm is committed to the offering, there is also a need for specialized skills to design and develop new offerings focusing on value-in-use (Day, 2004). Investments in specialized service-related skills and knowledge may become increasingly important in the future as well as the ability to handle flexible and result-oriented business models in order to cope with changing customer demands.

3.2   Service from the experience viewpoint

Service researchers have repeatedly claimed that companies ought to understand their customers in order to be able to develop services that could create financial benefit. Several studies indicate that the most important single factor in the success of business is the understanding of the needs and circumstances of customers. The ability of industrial companies to add new innovative services to their offering is dependent on their client companies' acceptance of these new modes of doing business and willingness to purchase new services (Korhonen and Kaarela, 2011). Involving customers not only ensures the proper planning of offerings, but also enables systemic changes in value chains and increases the loyalty and commitment of customers.

Customer needs and wants are dynamic, changing over time, and therefore they are a driving force for innovation but also challenge companies' capability to create customer understanding (Korhonen et al., 2010). Value has at least two meanings: what customers perceive they receive in purchase or use situations, and what customers want to happen when interacting with suppliers or using their products and services (Flind et al., 2002). However, understanding value for corporate customers goes beyond the obvious needs and wants concerning operation, performance requirements and financial requirements into the less obvious criteria of valuation, and includes, e.g., how customer companies value and experience the relationship or what kind of emotional needs they have (Korhonen et al., 2010). Such customer insight helps companies anticipate the dynamics of changing customer needs (ibid.) and create innovations that break out of traditional conventions.

In recent studies, the significance of *customer experience* has been highlighted in particular. This perspective focuses on the lived experiences of the service and on social networks as the framework for experiences (e.g. Payne et al., 2008). Taking customer experience into account in service context aims at broader views of customers' emotional, contextual and dynamically evolving needs, and the impact of customers' previous experiences to the new experiences (Kaasinen et

al., 2010). In addition to the benefits that customer-orientation offers to everyday service practice, it also *facilitates the creation of genuine novelties*. It helps the service provider to break out of the conventional context, in which all seek a competitive advantage by means of minor improvements (Hoover et al., 2001). Helkkula and Holopainen (2011), among others, emphasize the importance of understanding user experience as a factor that is often crucial to the success of new services. They claim that the key point in collecting and analysing experimental data is the recognition that data on innovation experiences is multidimensional and relates to lived practices rather than to specific technical features or to the process between the user and the provider. Qualitative data on innovation experiences is often particularly beneficial in strategic service development projects (Helkkula and Holopainen, 2011).

4. Fumaga case studies

4.1 Hybrid media in magazines

The growing use of smart phones and tablets makes it possible for consumers to be more and more used to getting updated information based on their instant needs anywhere and anytime. This gives increased opportunities for sophisticated uses of technology in media applications. It also provides excellent opportunities for magazine related services into the B-to-C market as devices for using the services are not a hindrance. In this case study the main focus was in finding data on the proportion of smart phones in the mobile phone market, information on how the consumers use the smart phones as well as trends pointing out what kind of services could potentially be interesting for the consumers. Taking a SDL approach in the case study of hybrid media is illustrated in Figure 4.
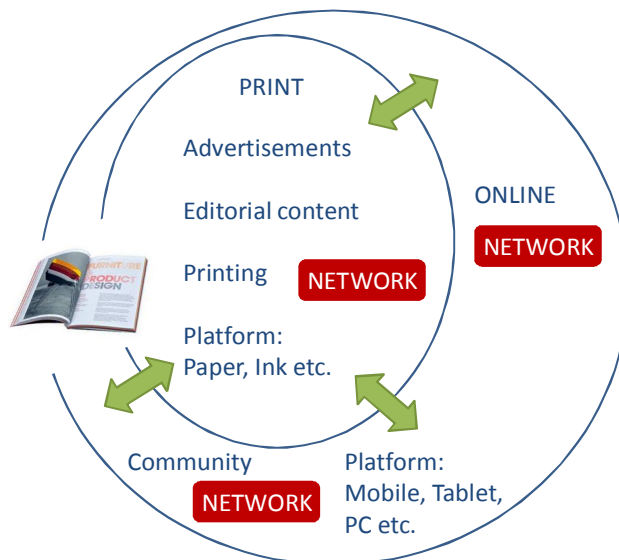
Figure 4. Magazine as a hybrid service resulting in collaboration between networks.

Technology for creating interactive elements in print products by combining print and digital has been available for several years, but only recently interesting applications have been presented (see for example http://www.youtube.com/watch?v=AjDjsmr0G14). The tremendous popularity of social media services such as Facebook as well as devices such as iPhones and iPads has had a clear impact on the consumers' interest to use mobile internet and to download applications into their smart phones and tablets. From the magazine publishers viewpoint this gives completely new possibilities to offer interactive elements in the printed magazines through e.g. the use of augmented reality, 2D code or NFC technologies.

In a Finnish study (Seisto et al., 2011; 2012), readers of three different magazines were interviewed of their interest in mobile applications and more specifically in the use of augmented reality (AR) technology in combination with printed magazines. Nearly all interviewees had sometimes used a mobile application and the ones that used mobile applications on a regular basis were clearly the ones with a busy and mobile lifestyle. The main motivation for the use of mobile applications was to ease the ordinary daily routines and to achieve some personal goals. In other words, usefulness was the primary reason leading to the use of mobile applications. Also a study carried out in France and Russia (Gauttier and Schubert, 2011) revealed that perceived usefulness is the main driver to use AR. In both countries it appeared that the younger the people are, the more likely they are to perceive AR positively and to include it into their lives.

Reflecting this to the SDL foundational premises it is inevitable that in order to become successful with hybrid media solutions *several actors need to be involved as resource integrators*. This means that when mixing content in the printed and digital forms, the traditional borders of value networks need to be crossed. This way it is possible to benefit from the positive features of both print and digital and provide experiences to the reader that would not be possible with one medium alone. Experience and information on how to use technology for the benefit of the reader (or advertiser) and making the printed magazine more interactive would be one possibility to bring valuable knowledge to the network and to the service innovation process.

Service development in this area requires paying attention to:

→ Benchmarking achievements

→ Knowledge on what is possible, what are the identified bottlenecks, who are the players

→ Activity in testing different possibilities to gain expertise in the area.

More details of this case study can be found in Appendix A.

4.2   New title launch

In the new title launch case study the aim was to take a Nordic perspective into the processes of launching new magazine titles in order to gain an understanding on publishers' service needs. Our findings suggest that in the core of launching new titles are strong magazine brands increasingly commercialized in different platforms – paper, online, offline, mobile and/or e-reading devices. At the same time audiences are fragmenting to smaller target groups (cf. Napoli, 2011), which emphasizes the importance of understanding how value is co-created with each customer segment. Figure 5 presents the new title launch case from the SDL viewpoint. When the magazine is seen as a service and SDL is used as a key theory, one of the most important issues to focus at is that *the customer / reader is always the primary co-creator of value*. In the magazine service, readers can also be members of a community and take an active role there to interact with the service providers. Also, *value is always uniquely and phenomenologically determined by the beneficiary,* meaning that value is very much experimental and contextual.

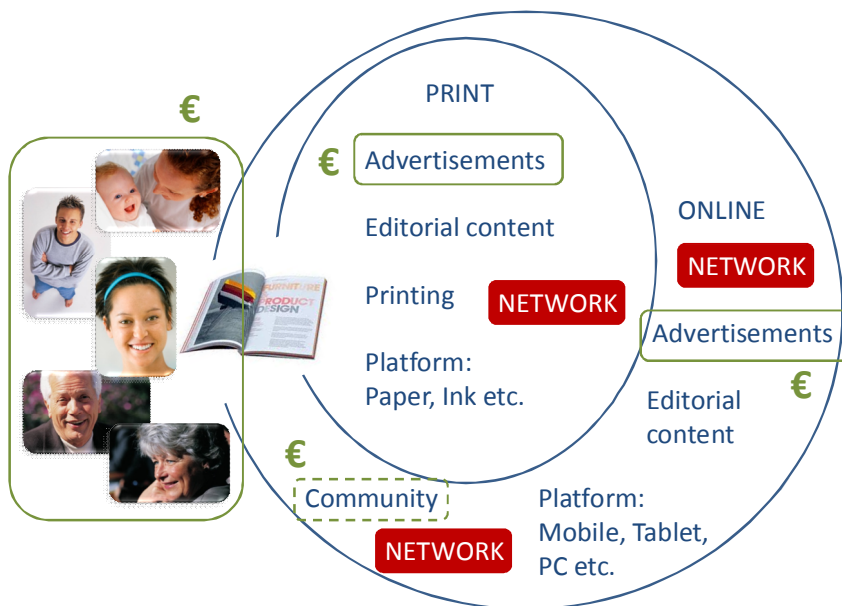**Figure 5.** New title development in the magazine service and the traditional revenue streams.

Developing a new magazine title in the business environment that the publishers are facing at the moment calls for some drastic changes. Until now, most of new title concepts have been created in the professional end, but it is something that will inevitably change. Publishers will have to increasingly become organizations

that look for signals from outside home markets and from consumers. More efficient use of the value networks should also be made.

Based on the findings of this study, a journal article (authors Anna Viljakainen, Marja Toivonen, Maiju Aikala) is to be published in 2013 on the business model changes of the magazine markets, with a particular focus on the change towards service business (Viljakainen, 2013). The business model constructed by Osterwalder and Pigneur (2009), and the service-dominant logic (SDL) approach by Vargo and Lusch (2004; 2008) will be integrated as the framework of analysis. The publication will become part of Anna Viljakainen's doctoral dissertation to Aalto University School of Science.

Service development in this area requires paying attention to:

→ The increasingly unpredictable nature of magazine business environment shifts the focus from finding opportunities based on historical data and market research into experimental development

→ More systematic approaches are needed for testing the new concept ideas

→ Partners in the publishing ecosystem can support the fundamental shift from goods-dominant logic to service-dominant logic and look for ways to enter publishers' innovation processes.

More details of this case study can be found in Appendix B.

4.3   Brand experience

The customer experience, or *value being uniquely and phenomenologically determined*, is one of the key foundational premises of SDL. This viewpoint in the brand experience case study is presented in Figure 6. In this case the main focus was in the way the consumer experiences the way that a brand is present in her life, including all possible communication forms, printed or digital. The approach chosen was tested with brand owners and customer magazine publishers.

The approach chosen makes it possible to look at print products and especially magazines as a part of a large media mix. As the consumers very rarely use only one medium, it is possible to have a better understanding of the actual role of printed magazines by looking at the big picture. Even though understanding *customer experience of value* with the brand is the very essence of this approach, from the SDL viewpoint it is also important to see that *the service provider cannot deliver value but only offer value propositions*. This means that a firm cannot create and/or deliver value independently as value is created collaboratively and interactively following acceptance of value propositions. Therefore, interacting with the customers makes it possible to compare how the message of the brand owner is received through vari-

ous channels, does it match with the brand owners expectations and find out whether action should be taken to fulfil the customers' expectations.
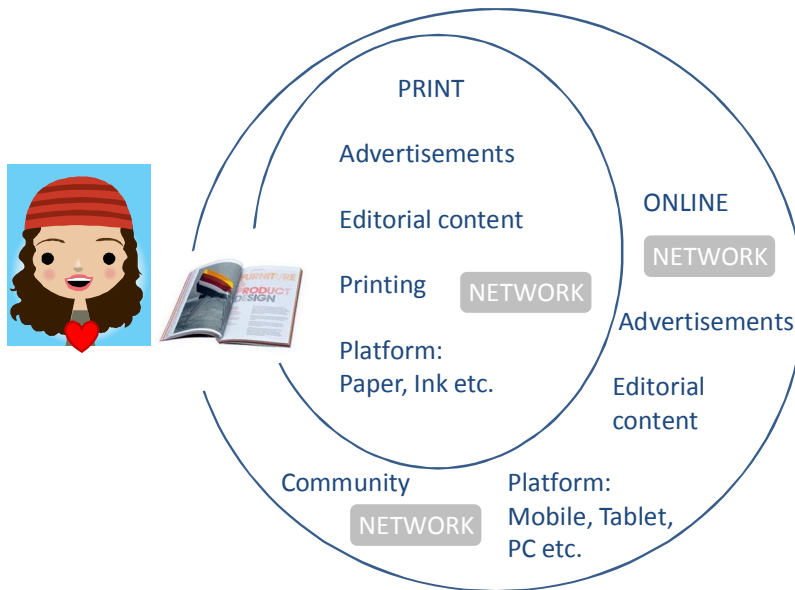
Figure 6. User experience of brand communication in the magazine service.

For the paper maker, this approach can be seen as an example of shifting from producing goods with GDL towards producing goods with SDL or even producing service with SDL (shifting from Cell I directly to Cell III or even Cell IV in Figure 3). It requires extensive knowledge of the customers and the networks creating the service in which several communication channels are used. In this project methodology for better understanding and knowledge of user (consumer) experience of various communication channels was created and tested. The next steps should be taken towards service design by using this knowledge as an important asset.

> Service development in this area requires paying attention to:
>
> → Printed communication as part of a wide media mix
> → Forming strategic alliances to combine different expertise.
>
> **More details of this case study can be found in Appendix C.**

4.4   Service concepts for customers processes

The aim in the Service concepts for the customers processes case was to look at the innovation of new services as a co-creation process, which is very much taking SDL as the starting point. According to the key foundational premises of SDL, *a service-centered view is inherently customer oriented and relational*. In this case study, the focus was mainly in the network of printed magazines and especially in looking at the publisher as the customer for paper producer (Figure 7). Based on the ideas in SDL, customers and suppliers are potentially part of the co-innovation process. Traditional GDL viewpoint tends to emphasize output such as production-ready, tangible components without recognizing opportunities for relationship value creation arising from the collaboration process. Taking a SDL viewpoint can, in the best cases, extend existing GDL views on product development and business innovation (Kowalkowski and Ballantyne, 2009).
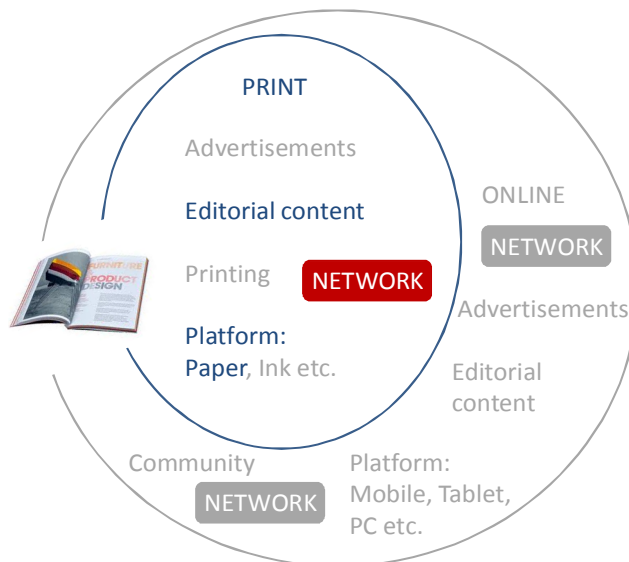
Figure 7. Service concepts for customers processes case study, co-innovation of new service concepts.

The publisher as a customer was included in the innovation process in several ways:

1) Publisher representatives were invited to the first workshop of the case study to bring their views of the future and possibilities for collaboration into the discussion.

2) Publisher representatives were interviewed by the researchers.

3) UPM sales personnel was invited to the innovation workshop to bring their viewpoint and experience of customer relationships into the discussion.

Customer needs and inputs are essential elements already from the early stages of service development and design. In this case study, the publishers viewpoints and sales personnel experiences were combined and three different service concepts were created. These service concepts were based on identified customer needs. Stories (or narratives) were created to describe the publishers current situation and the new service concepts.

Based on the experiences obtained from this case study, it is possible to test potential new services with the customer already before they actually exist and get feedback for further development. The discussion also offers excellent grounds for building long-term relationships with the customers. In the future, it would also seem beneficial to broaden the discussion so that several actors in the network were included in the innovation process.

Service development in this area requires paying attention to:

→ Close co-operation with the publishing houses – good and confidential relationship with customers, good understanding of customers' business

→ Very different needs for service development based on the size of the publishing house and the resulting in-house expertise.

More details of this case study can be found in Appendix D.

5. Conclusions

The magazine business is set to change dramatically over the next decade. Not only will the publishers meet increasing competition from other media (including user-generated content); the demand for content that targets specific reader groups and for offering advertisers a better way of reaching their customers will force publishers to develop their products continuously. The Internet has already had a tremendous effect on consumers' media-use habits. In addition, new digital gadgets reaching the market create completely new possibilities along with threats to the publishers. At the moment, the profits from the print business are still many times those of digital business. However, in order for the printed magazine to remain competitive, it is important that the entire value network be involved in the process of innovating and testing new possibilities to provide better service for the various players in the magazine value network as well as better service for the readers.

In this project, development of new services was examined mainly from the angle of the paper producers' move away from their traditional goods-dominant-logic (GDL) based way of operating and toward service-dominant logic (SDL). In practice, this meant interacting with the customers and the customers' customers with the aim of generating services that would enable co-creation of value. As a process-industry sector, paper producers cannot apply a stepwise servitization process. Instead, these manufacturers have to develop services that respond to much more demanding requirements, right from the start: to identify, in collaboration with various actors in the value chain, possibilities for innovative uses of printed products and to facilitate the development and utilisation of these new possibilities. In other words, paper manufacturers have to move from pure manufacturing to knowledge-intensive business services (KIBS), of which mutual learning between the service provider and the client is a core characteristic (Miles, 1999). Another direction of development is a move toward integrated solutions that are bundles of physical products, services, and information, seamlessly combined to provide more value than these components do on their own (Brax and Jonsson, 2009). Case studies were used to gain experience and develop methodology with which new services can be created and tested.

In our research context, there are two important challenges linked to the use value: increasing the understanding of *customers' needs* throughout the value chain and identifying the best possible *value offering points* as regards B-to-B

clients. The first is the area in which experience is highlighted. Far too often companies carry out superficial customer surveys for needs mapping and neglect the deeper analysis of the lived experiences of customers (Helkkula, 2010). Today, there are however several effective tools to tackle the experiential world, including the ethnographic approach of interviewing used in this study. The second issue, the value offering point (Holmström et al., 1999), refers to the point where the supply and demand chains of the provider and the client meet. When a provider adds services or integrated solutions into its portfolio, it should also re-consider the point in the client's value chain in which the offering is most valuable both for the client and for the provider itself. This usually leads to a change of the value offering point either up-stream or down-stream.

The move from a product (GDL) to service (SDL) focus involves several transitional shifts. According to Kowalkowski (2010), a transition to SDL implies much more than increased emphasis on the firm's product–service systems: it implies *reframing of the purpose of the firm and its collaborative role* in value co-creation. With the case studies carried out in this project, we were able to uncover and highlight possibilities for collaboration within the value network of printed magazines. These can be used as a basis for future work in which the dialogue within the network continues and new services are designed.

Executive summary

There are many simultaneous forces shaping magazine markets and changing the core business logic applied. On one hand, we are experiencing media convergence, wherein the traditional media industry is becoming integrated with the telecommunications industry and information technology. This is shaping consumers' media-use habits and opening the markets to new competitors. At the same time, the advertising markets react to the changing economic climate and increasing amount of online media content. As a consequence of all of this, the power is shifting from media companies to people. Consumers have an ever increasing selection of content that they can consume when and where they want.

In his report on the changing media market, Snellman (2011) states that the media industry has shifted from scarcity to an era of abundance where the supply of content is concerned. Thanks to the Internet, television content, radio programmes, music, and games are widely available. This challenges the traditional media-business models built on scarcity and permanently alters the market set-up. The vast majority of media revenue still is grounded in traditional businesses, such as subscriptions to printed newspapers and magazines, and advertising revenue (Antikainen and Kuusisto, 2011; 2012). However, growing impact of the Internet seems inevitable. According to Snellman (2011), we probably have seen only the beginning of a major change in communications services, with the most significant changes being yet to come.

Printed magazines as part of the magazine service

With the changing business environment, the value network for magazines has grown to include several actors who enable provision of magazine content for various platforms. Paper is one of these platforms, and the value network around printed magazines forms one part of the *magazine service.* When magazines are seen as a service, the readers of the magazine take a central role as the customers of the magazine service, whereas the service providers form a network of networks. The magazine service is available via several platforms, both printed and digital, and the networks include user communities in which the users may also act as co-creators of content.

In this project, the overarching idea has been to look at the future of printed magazines through the theory of service-dominant logic (SDL), proposed by Vargo and Lusch (2004; 2008). This project was composed of four case studies examining possibilities for new services from very different standpoints. Common to the case studies was the aim of exploring the shift in mindset from traditional goods-dominant logic toward service-dominant logic by stressing i) the developing relationships with customers, ii) the view of goods as transmitters of operant resources (embedded knowledge), and iii) identification of specialist skills and knowledge that are needed for putting the learning from this project into practice. The case studies examined

- Hybrid media applications in magazines – what are the possibilities for developing interactive services combining print and digital elements from the standpoint of the consumers who have the devices and skills for using various hybrids?

- New magazines' launch – what specific needs arise from the innovation and development of new magazines in which the printed-product value chain can be part of the collaboration?

- Brand experience – what kind of methodology can be applied to distinguish how the user experiences different communication channels used by the brand-owners?

- Service concepts for customers' processes – how can new service concepts for the customers' processes be developed and tested?

Results

Several technologies, such as 2D barcodes and augmented reality, already offer excellent possibilities for interactive services around magazines, and many publishers have experience of using them. In addition, devices such as smartphones and the ability to use various mobile applications exist among a large percentage of consumers. However, in-depth knowledge of what the actual benefits are for the readers and for the value network is still absent. Current studies at VTT (e.g., in the Next Media and Nordic co-operation project 'Customer perception of augmented reality in media applications – possibilities for new service innovations') aim at pointing out benefits from both the user-experience and the business perspective. It is very important for the whole value network to be aware of the development, gather knowledge, and be involved in the discussion of future service possibilities in this area. It is inevitable that, for hybrid-media solutions to succeed, *several actors need to be involved as resource integrators*. This means that, in mixing of content in printed and digital form, the traditional borders of value networks need to be crossed. This way, it is possible to benefit from the positive features of both print and digital elements and to provide experiences to the reader that would not be possible with one medium alone.

In the new-title-launch case study, the aim was to take a Nordic perspective on the process that publishers employ for launching new magazine titles, in order to gain an understanding of their service needs. When the magazine is seen as a service and SDL is used as a key theoretical framework, one of the most important issues to focus on is that *the customers/readers are always the primary co-creator of value*. In the magazine service, readers can also be members of a community and take an active role there to interact with the service providers. Also, *value is always uniquely and phenomenologically determined by the beneficiary,* meaning that value is very much experiential and contextual. Having a close relationship with the customers/readers makes it possible for the networks creating the service to benefit from the knowledge. The operating environment of magazine publishers has seen radical change. Therefore, our findings suggest that the key activity has been to change the way in which products and services are developed. Increasingly, media brands with strong value propositions are being commercialised both online and offline. There is a fundamental change in mindset: media products and services are being co-created in collaboration with several market segments – both consumer- and business-oriented. Communities are formed around media brands, in which people create by engaging. Alliances are formed within and outside the publishing ecosystem, to create something new, which provides an opportunity that the printed-magazine value network can exploit. However, proactivity is required from all actors to build relationships that make it possible to create innovative services wherein printed products have a central role.

The case studies related to brand experience and service concepts for customers' processes were carried out in close collaboration with the paper companies involved in the project. The main focus in these was on the development of methodology that would be in line with the SDL mindset – i.e., aimed at co-creation of value and at service development alongside the customer. The approach chosen in the brand-experience case makes it possible to look at print products and, especially, consumer magazines as part of a large media mix. The objective of visualising brand experience from several communication channels was approached by way of further development of the multisensory experience map (Mensonen et al., 2010). Hence, all communication channels have been depicted in the same model as the impressions and experiences that consumers associate with them. Since consumers very rarely use only one medium, it is possible to gain a better understanding of the actual role of printed magazines by looking at the big picture. Even though understanding *consumer experience of value* with the brand is the very essence of this approach, from the SDL viewpoint it is also important to see that *the service provider cannot deliver value and only offers value propositions*. Therefore, interacting with the consumers makes it possible to compare how the message from the brand-owner is received through various channels, see whether it matches the brand-owner's expectations, and find out whether action should be taken to fulfil the consumers' expectations. Here the printed-customer-magazine value network can have an important role in providing knowledge of how to direct the print product toward bringing the desired user experience.

The aim with the service concepts for the customer-processes case was to look at the innovation of new services as a co-creation process. This very much took SDL as its starting point. Customer needs and inputs are essential elements already from the early stages of service development and design. The research approach was adapted from that used in user-centred product-concept development processes (ISO 9241 Part 210), entailing an iterative procedure in which the users (in this case, the publisher's representatives) are involved throughout the development process. Unlike product concepts, a service concept is intangible, and, accordingly, the service-concept pilots were narratives describing the current situation and the future solution making use of the service concept. From the experiences obtained in this case study, it has been shown to be possible to test potential new services with the customer even before they actually exist and receive feedback for further development. The discussion also offers an excellent foundation for building long-term relationships with the customers. For the future, it would also seem beneficial to broaden the discussion such that several actors in the network are included in the innovation process.

Conclusions

In SDL, customers are seen as the arbiters of co-created value and suppliers as resource integrators (Vargo and Lusch, 2004; 2008). Any interaction based on knowledge between buyer and a supplier is seen as a service, such as e.g. profound knowledge on the properties of paper used for printing magazines. Goods are seen as distribution mechanisms for service provision, and the value of goods is based on the value-in-use. In our research context, there are two important challenges linked to the use value:

1) increasing the understanding of *customers' needs* throughout the value chain and

2) identifying the best possible *value offering points* as regards B-to-B clients.

The case studies in this project provided four examples of how the shift from goods-dominant logic to service-dominant logic may be supported. However, the move from a product (GDL) to service (SDL) focus involves several transitional shifts. The opportunities pointed out in this project can be used as a basis for future work in which the dialogue within the network continues and new services are designed.

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Appendix A: Hybrid media

As several examples of connecting print with digital media are already on the market, this study outlines noticeable trends that have a clear effect to the media mix and presents some innovative approaches – especially in the case of magazines. This study concentrates especially on applications connecting magazines to other media and *mobile* terminals. Rapid development of technological devices makes way to new interesting mobile applications. At the same time publication of these new applications is easy through the net.

Mobile device trends

Mobile device producers are competing intensively with each other. Mobile device sales to end users in Finland are presented in Figure A1 (Gartner, 2011). The device types are divided into four device categories: low-cost, basic, premium communication (smartphone) cheaper than $300 and premium communication more expensive than $300. It is not a surprise that total volume of sales grows continuously. When the device categories are compared there is a clear trend: cheap smartphones interest the consumers the most. It should be noted that operators in Finland enhance people to buy smartphones by combining the sale of a phone and a data connection.
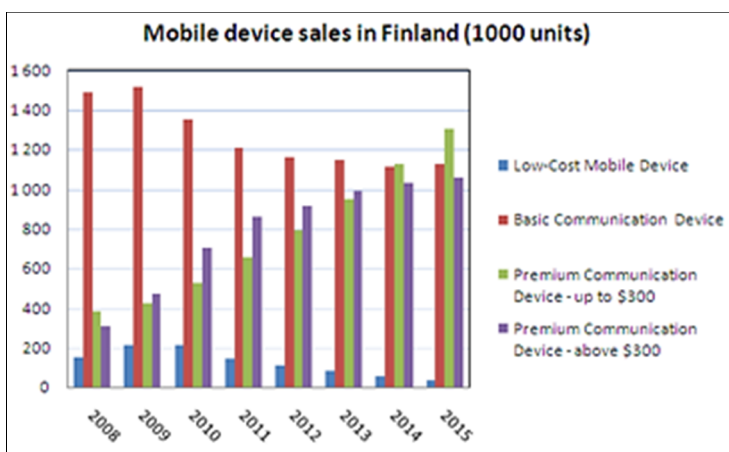

Figure A1. Forecast of mobile device sales in Finland (Gartner, 2011).

The trend shown in Figure A1 appears to be quite typical in Western Europe as similar trends can be found in other countries as well, e.g. in the UK and Germany. The forecast for the US market is slightly different (Figure A2), as growth is predicted for all the other segments but the basic communication device. Premium communication devices show clearly larger growth rates in the US market than in Western Europe. On the other hand, when statistics from China (Figure A3) and

India are plotted the main interest there is still in low-cost and basic communication devices. This is quite obvious because many of the consumers are just buying their first mobile phones.
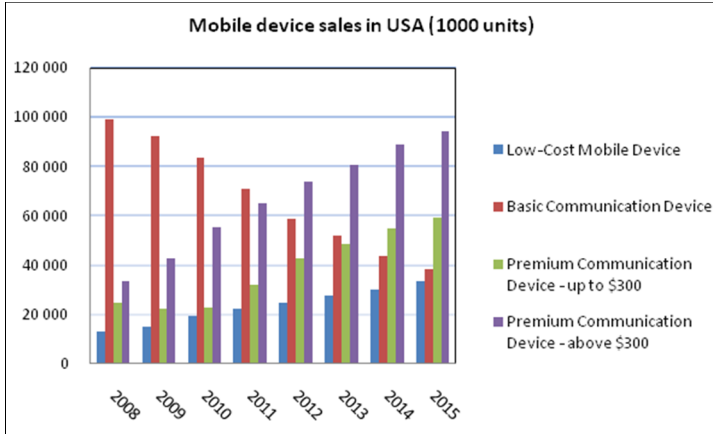

Figure A2. Forecast of mobile device sales in USA (Gartner, 2011).
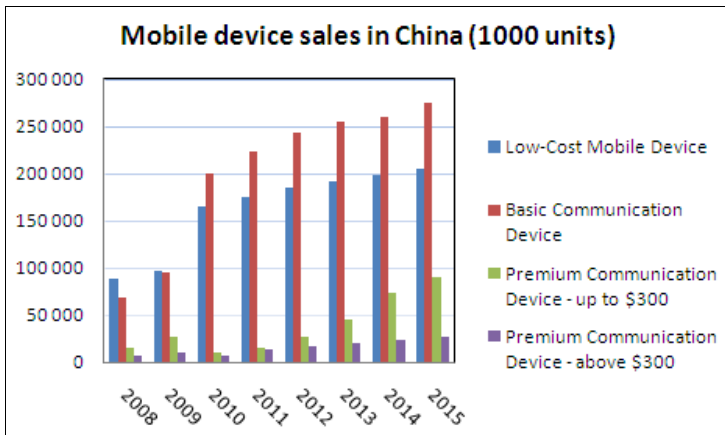
Figure A3. Forecast of mobile device sales in China (Gartner, 2011).

The smartphone needs an operating system. The competition is hard and everyone wants to have the biggest market share. Large distribution of a certain operating system gives great possibilities to application developers and is also easier for ordinary consumers. One presentation of available applications and their downloads can be found in Figure A4. According to the figure, an average iPhone user downloads more different apps than users of other systems, but there are also considerably more applications available for iPhones than the others.

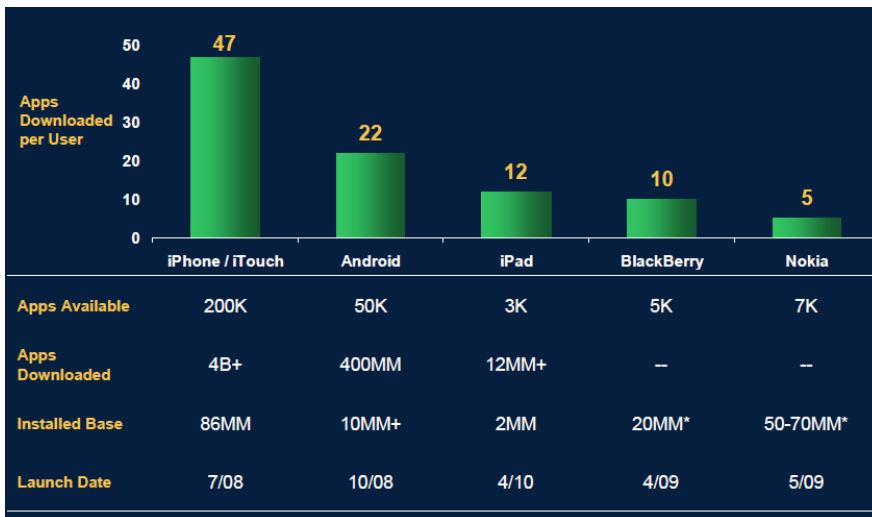|	iPhone / iTouch	Android	iPad	BlackBerry	Nokia
Apps Downloaded per User	47	22	12	10	5
Apps Available	200K	50K	3K	5K	7K
Apps Downloaded	4B+	400MM	12MM+	--	--
Installed Base	86MM	10MM+	2MM	20MM*	50-70MM*
Launch Date	7/08	10/08	4/10	4/09	5/09

Figure A4. Average number of applications downloaded per user (Morgan, 2010).

Regarding applications of Augmented reality (AR), there are five issues that make smartphone apps interesting, namely

- adequate screen size for light applications,
- multimedia functions,
- portability,
- interactivity and
- location services.

Tablet and laptop-PC have larger screen size which in some cases offers more convenient use. However, their camera has typically lower resolution than the camera of a smartphone.

According to the MPA study (MPA, 2011) E-reader is forecasted to be a loser in the competition, because tablet-PC offers all features as E-reader but at the same time tablet is also a light computer. But on the contrary it should be noted that many people buy E-readers just to read books, and do not need other features. At the time of writing this publication, a typical tablet owner is young and wealthy male, but in longer term tablets will become more ordinary devices also in other user groups. In addition, smartphones will be more widely used in the future. Comparison of different device characteristics is made in Table A1.

Table A1. Comparison of device characteristics (MPA, 2011).

	Screen size	Portability	Interactivity	Location awareness	Multimedia
Print magazine	small to large	medium	no	low	no
PC/Laptop	medium to large	low or no	yes	medium	yes
Tablet	medium	high	yes	high	yes
E-reader	medium to small	high	no	medium	no
Smartphone	small	very high	yes	very high	yes

Hybrid media as a service

What is common for all the portable terminals examples is that new output devices create possibilities. Several output channels create the need to have knowledge and technology to combine and edit all material for publication. Some innovations may not have a short payback period but they can strengthen the position of the magazine on the market.

Examples of innovations

It should be noted that a single innovation may not always turn into new business. However, a combination of new ideas in developing project may result as a totally new business concept. The International Federation of the Periodical Press (FIPP, 2010) has published a report called "Innovations in Magazines 2010". The following examples – which are related to interactive applications in magazines – are extracted from this report.

   Mobile phones. Publishers are keen to edit their content also to smaller screen and offer magazine apps for smartphone users.

   2D barcodes. Reading the tag by camera phone creates a link from printed material to information, game, video, etc.

   Magazine TV station. A TV magazine has an own channel in YouTube video service. Up-to-date-information and niche content is published every day.

   Augmented reality. Computer's web cam is pointed to square symbol on a magazine page. A plug-in software opens living content on the screen. This can be living addition to editorial material or an advertisement.

   Embedded video. A cheap video device consisting of thin monitor, a speaker and battery is inserted into a magazine. The "video in print" concept may contain editorial or advertising material.

Gaming. A magazine uses content-related games to extend its brand to readers. Access to the games is via the website of the magazine. Part of the games may be open for everyone but more sophisticated versions are only for subscribers.

Even though the technology is here for very different ways of combining printed and digital content, it is by no means easy and simple to be a pioneer in this field. All parts of a marketing campaign should, of course, be ready and tested before launching, but still there are attempts that just don't work. A typical bad example is like this: a campaign consisted of a printed catalog, which had a link to on-line shopping platform. A 2D barcode was printed on the catalog, and the user was instructed to use his or her smartphone for shopping. However, in real life the catalog was delivered before the data of the new products was put into the shopping system. Hence, in practice the consumers could not buy the items on-line. This led to diminished trust of the company. Several examples of failures can be found from http://mobilemarketingfail.com.

Consumers and new technology

Different commercial applications combining print with digital have been tested and used since the early 2000's. The applications designed with 2D barcodes, such as QR or Upcode, to be used with mobile phones to link physical products with digital content, have been very popular in Japan, but only recently have more and more applications emerged also in Europe and the US.

Mobile barcode activity is rapidly increasing. Graph in Figure A5 shows growth in mobile barcode usage globally. Based on situation in the third quarter of 2010, the usage is multiplied over five times during one year. Interactivity gives an important additional value to ADs. Besides advertisements 2D codes can be used also in editorial pictures.

Barcode usage varies by smartphone type (Figure A6). It seems that Android users are the most active barcode users. When studying advertisement equipped with for example QR code, it is quite common that the only instruction for the reader is: download a suitable software to your smartphone from Android Market or AppStore.
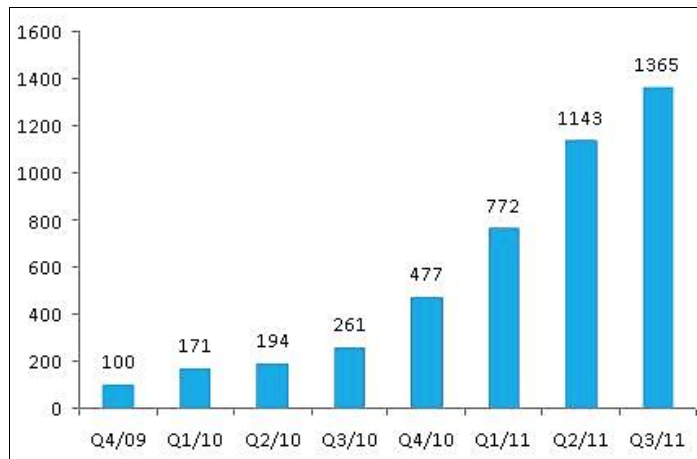
Figure A5. Global growth in mobile barcode usage Q4/2009–Q3/2011 (source: 3G Vision, basis: Q4/09 = 100).
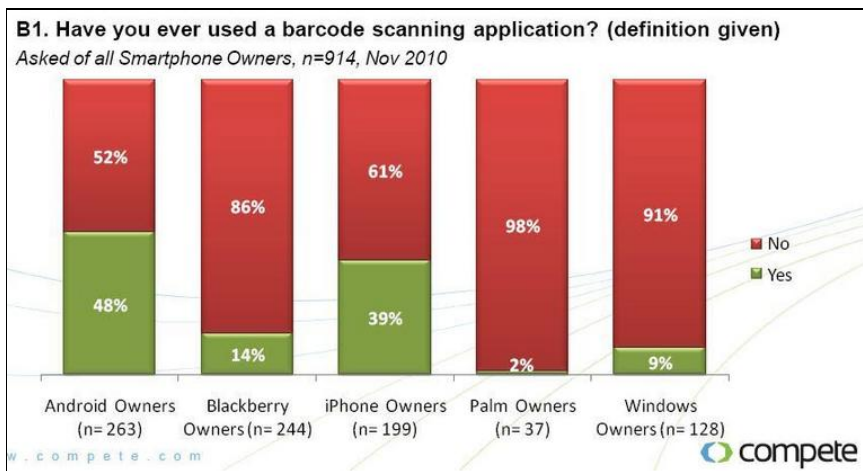

Figure A6. Use of barcode scanning application (source: Compete, 2011).

The first Nokia phone model with NFC (Near Field Communications) reader was already launched at year 2004. It was expected that at some point all Nokia smartphones would contain the reader but the change from Symbian to Windows halted this development. At the time of writing this publication (12/2011) Nokia announces that it has five NFC compatible phones. It should be noted that NFC offers far more possibilities than just reading information from a tag. For example two different devices can communicate via NFC: music from a smartphone may be played through a wireless loudspeaker. Google released its mobile payment system

Google Wallet in May 2011. This system works with Android phone equipped with NFC reader.

From business chain to value network

From the consumer point of view the important values are: information is real-time and accurate, applications are working smoothly and easy to use. One part of the consumers is addicted to new technology in order to utilize all new applications, but still the main part of consumers use only a couple of applications or not at all until it is "commonly accepted".

From the device and operating manufacturers point of view all competitors are trying to be the winner in a certain segment. But many examples from the history reveal the cold fact that the best technological solution is not always the market leader. Manufacturers ally with each other to constitute a group which can then dominate the market. This gives then a stable starting point for application developers.

From the publishers point of view publishing the content in several media is a way to strengthen his brand and bind the reader to this brand. Selling digital content can typically be done in three ways: digital content is sold separately to the magazine subscribers, digital content is sold to new readers or the whole package is sold to new readers.

From the advertisers point of view the situation is a golden opportunity. Advertisements in a magazine are typically related to the themes of the magazine (i.e. the advertisements are targeted to just this reader group). On the other hand the location characteristics of a mobile device give the possibility to direct the advertisement to the existing environment. By combining these two things – theme that interests the reader and location of the reading device – the advertiser has great potential to make the reader act as he wishes. Also combining mobile advertisement with a simple game or a competition is popular.

An obvious conclusion from all previous material is that the conventional value chain from material producers, publishers and printers to customers has changed. New players are on the market: device manufacturers, application developers and service providers, and together all these form several networks. In this network of networks all the players may benefit if they play an active role. Some player may turn his business towards controlling a certain part of the network.

Conclusions

The forecasts show that growth of digital media continues. It is clear that new kinds of service concepts are needed. One of the main questions is: What is the right service concept for each target group?

The printed magazine has many advantages but in the changing world these advantages should be combined with elements of digital media to offer advanced and attractive applications to the customer. The printed magazine or catalog could drive the consumer but a feedback channel for instant buying is needed. The

applications should be carefully planned because different target groups react in different ways when making a purchase decision.

Managerial implications

For the paper producers to be able to promote printed functionality and possibilities for interactivity gained with the latest technological achievements, they should have knowledge on what is possible, what is easy/difficult to do, what kind of drawbacks or bottlenecks have been identified, what kind of players are needed to produce different kind of content and what kind of successful examples can be found worldwide. Even though more and more examples of different combinations of print and digital can be found, very little is published of the results. One possibility is for the paper produces themselves being active in trying out the different possibilities to be able to share their experiences and expertise with their customers, using the knowledge as a way to promote discussion with the customers.

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Appendix B: New title launch

Background

The magazine business is changing dramatically during the next decade. It is generally accepted in the Finnish and Norwegian magazine markets that as magazine circulations and readerships are yet at a high level, there are still years to come to produce printed products. However, the markets will experience gradual erosion in printed magazine readerships and subscriptions, when magazine publishers meet increasing competition from other media, and publications are being targeted to smaller audiences, on niche segments. Advertisers need editorial content to a lesser degree, since the online environment offers them new cost-effective channels to reach target audiences – both new media vehicles (e.g. social media services and search engines) and non-media vehicles (e.g. blogs) (World Federation of Advertisers WFA, 2008). Online media has brought about short-term focus and accountability pressures for all media; marketers have increased expectations for marketing ROI (return-on-investment). At the same time the printed product heavy-users are ageing and the younger generation reads less printed media. (See e.g. Norsk Mediabarometer, 2010; Finnish Mass Media 2011, 2012.) Magazine publishers are facing the unknown, as described in the following quote:

> *"We are in a situation right now that everyone knows that we have to do a lot of different things to evolve into something that is sustainable for the future. But that sustainability, we don't know the exact recipe for it."* (Director of R&D, interviewed in Norway, August 2011)

The future success of magazines is of importance for the whole publishing ecosystem. The aim of this part of the study was to gain understanding on the processes, bottlenecks, and opportunities in launching new magazine titles. This area of research was conducted to promote the development of new service concepts for future magazines.

Method

In this study a qualitative research approach was chosen to study the subject in depth and across many organisations to find patterns in data (Gephart, 2004). Companies interviewed for this study are ten (10) largest Finnish and Norwegian publishers of consumer magazines in terms of number of copies and titles, and they represent both highly horizontally integrated media conglomerates as well as small- and medium-sized enterprises (SME's) focusing on magazine publishing. The number of interviewees was altogether eleven (11), mostly professionals from the top management level. A focused interview method was used. Focused interview is a semi-structured method, which means that some of the features of the

interview, for example the focus and the themes that are of interest, are decided beforehand by the interviewer (Fontana and Frey, 2005). In a semi-structured interview process interviewees are asked to respond to fairly specific topics, but at the same time are given a great deal of freedom to respond (Bryman and Bell, 2011). To complement interview data, archival and statistical data as well as existing studies on the magazine industry were used for the basis of in-depth analysis on the industrial changes.

The magazine markets of the north

The Finnish and Norwegian media markets both are relatively small in size (population of Finland 5.4 million, and Norway 4.9 million[1]), have distinctive language areas, and strong traditions in reading. In 2009 Norway and Finland held the leading positions in the world in the respect to newspaper circulations in proportion to population size (Finnish Newspaper Association, 2012; World Press Trends, 2010). However, it seems that the position of magazines is somewhat stronger in Finland. In respect to magazine consumption, Finland is one of the leading countries in the world. The amount of magazine subscriptions is very high (90 per cent of magazines are subscribed and home delivered) giving stability to operations publishers having to rely less on advertising revenue (Antikainen and Kuusisto, 2011). In 2010 altogether 3 056 magazine titles were published in Finland (Antikainen and Kuusisto, 2012). Over the past ten years magazine readerships have been declining both in Finland and Norway (Finnish Mass Media 2006, 2007; Finnish Mass Media 2011, 2012; Norsk Mediebarometer, 2010). The slightly weaker position of magazines in Norway is reflected in a lower share of total annual advertising spending. In 2010[2] the share of magazine advertising in total advertising spending was 6 per cent in Norway, and over 11 per cent in Finland (TNS Media Intelligence & Finnish Advertising Council, 2010; Statistics Norway, 2011[3]). The share of magazine advertising in total advertising spending in Finland has declined for the past ten years; it has decreased from EUR 192 million in 2000 to EUR 154 million in 2010 (The Finnish Advertising Council, 2010).

Competition in the magazine markets both in Norway and in Finland is fierce, and publishers must work constantly on maintaining and increasing magazine

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[1] Accessed in March 2012 from Statistics Finland and Statistics Norway.

[2] Figures are not strictly comparable, since unlike in Finland, Norway adds direct mail investments into the total advertising expenditure figures (a.k.a. the 'small ad cake'). In 2010 the total advertising expenditure in Norway was approximately € 2.5 billion, direct mail accounting for approximately € 307 million, and magazine advertising (incl. consumer magazines, trade and business magazines) for approximately € 150 million. In Finland the total advertising expenditure in 2010 was € 1.4 billion, magazine advertising (consumer magazines, trade and business magazines, customer magazines) accounting for € 154 million. Expenditures on direct mail in the same year were € 430 million.

[3] Statistics Norway 2011, IRM (Institutet för Reklam- och Mediestatistik), INMA, Mediebeiftenes Landsforening MBL.

circulations. There are increasing pressures to innovate new sources of income alongside magazine subscriptions, single copy sales, and advertising. The big question remains: what are the other ways to connect consumers to media brands?

Findings

Based on the interviews carried out in this study, launch of a new magazine title has been very much influenced by the old traditions of the industry, which means that products have been created by the firm and distributed to the consumer. This is to be changed, as commented by an interviewee:

> *"We are obviously too weak in listening to consumers […] Until this day, every single new concept has been created here, at the professional end. This is something that has to change […] A strong vision that we have is that we start from the other end, with the consumer. The power of consumers is much greater, therefore we need to know a lot more about their behaviour, their needs and wants and preferences […] What they read about, what is the tone of voice they recognise, what kind of pictures are they comfortable with."* (Director of R&D, interviewed in Norway, August 2011)

To understand the underlying decision-making process behind launching new magazine titles, one has to look at the revenue stream of an average magazine: a bit less than one third of revenue comes from advertisements, and over two thirds are subscription revenues (Finnish Mass Media 2006, 2007). Based on our findings, the development activities of magazines have to a large extent concentrated on these two areas of interest: how to boost single copy and subscription sales to augment circulation, and how to maintain advertisement income. There is however a gradual erosion in readerships as new titles are targeted to smaller and smaller target audiences. The 'cash cows', i.e. the big circulation magazines, have had a major role in financing the more experimental titles, but their share in total revenue will gradually decrease.

In some of the interviewed organisations, allocated resources for systematically developing new concepts and titles were said to have diminished, or even vanished. The development activities have been left to editors-in-chief and journalists, on top of their other duties. This has led to the situation that there are often too few new title concept ideas available in-house. Compared to services introduced in digital media, launching a printed product is a much longer process with greater financial risks. Based on our findings, launching a new magazine title has in some cases previously taken from 1,5 to 2 years, and between 1,5 and 2 MEUR investments before it breaks-even. A new concept idea has had to go through several steps from idea to realisation with many rounds of iteration, making it a long, expensive, and heavy process (Figure B1). Such a long development process has meant many lost opportunities.
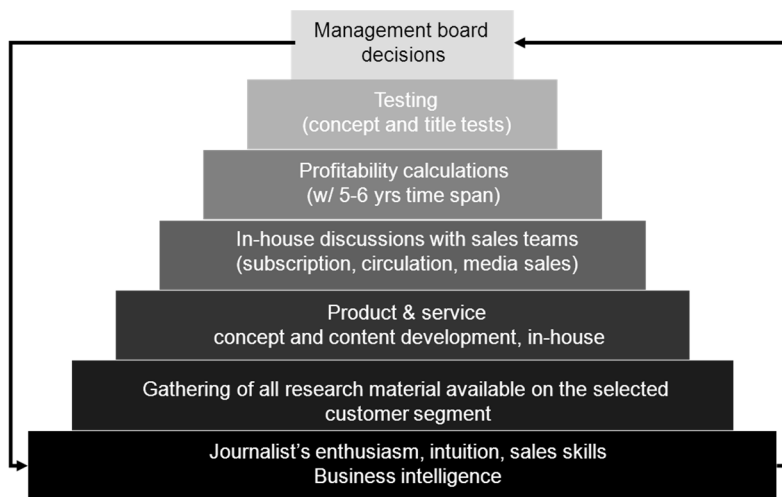
Figure B1. The old process of magazine title launch.

The operating environment of magazine publishers has radically changed. Thus, our findings suggest that the key activity has been to change the way products and services are developed. Increasingly, media brands with strong value propositions are being commercialized in by-products and services (printed products, mobile apps, online communities, and offline services) that support the value proposition of a strong magazine brand. In effect, there is a fundamental change in mindset: media products and services are being co-created together with different customers segments – both consumers and business partners. Magazine publishers are increasingly striving to become media communities that offer the social context for consumer participation and engagement. Communities around media-brands are formed, where people create by engaging. Alliances are formed within and outside the publishing ecosystem to create something new. There are increasingly new sources of revenue sought to replace the dualistic model. A key success factor will be the implementation of a strategy that allows publishers the shift in focus, as suggested in the following quotation:

> *"Strategy will be the key in the future. Not how big you have been, but how flexible you are, how well you know your target audiences, how you respond to their needs, and make them commit. Survivors are the ones that have strong enough brands around which new revenue sources can be built."* (CEO, SME, Finland)

The product launch processes and expectations have changed. In Finland the ground rule in the past has been that a magazine should be profitable in three to four years. Today, profitability is expected in the first year, or no later than the second year. In Norway the profitability pressures seem even stronger. The general attitude is that it is fairly easy to start a magazine, but also fairly easy to shut it

down. Time-span for launching new magazine titles has become radically shorter, even six months, and titles are expected to be profitable almost immediately. Shutting down a non-profitable magazine has become considerably easier. Magazines can be shut down even after three months. Compared to online media, magazine publishers have large investments tied in infrastructure and editorial staff[4], where cost cutting in currently implemented. Cost-efficiency is sought in all business relations. Thus, based on our findings, magazine publishers must increasingly focus on both minimizing cost and delivering premium value.

Managerial implications

Generating new business in a radically changed business environment calls for some drastic changes. For publishers the pressure is high for finding the next 'killer concepts' that attract audiences, advertisers, and business partners. In this we can look forward to a real change in paradigm. The increasingly unpredictable nature of business environment shifts the focus from finding opportunities based on historical data and market research into experimental development . At the same time, idea generation has to be done in an environment of increased cost-efficiency. Top management has the responsibility to create an environment and offer inducements that inspires employees to innovate new ideas, and bring them forward. More systematic approaches are to be created for testing the new concept ideas with consumers and businesses cost-efficiently and fast. Publishers will have to increasingly become organizations that look for signals from outside home markets, from consumers, and business partners. The challenge is that customer needs and the current strategies and cost structures to some extent still seem incompatible. However, the lack of sufficient short-term financial returns from business-to-consumer and business-to-business services should not hinder the development of new business.

Partners in the publishing ecosystem have increasingly opportunities to support magazine publishers' fundamental shift from goods-dominant to service-dominant logic. Just as magazine publishers must better command the value propositions for each of their customers, their business partners must command their needs, and also the needs of their customers. Business opportunities may arise from farther off the value network. More specifically, we recommend key partners to try to look for ways to enter publishers' innovation processes. In essence, in many cases the current development involves changes in the core logic of magazine publishing increasing mortality hazards (cf. Dobrev, 1999). Thus, all proactive support that enable publishers to better serve their fragmenting customer base is welcomed. For example, the global paper companies can use economies in scale and scope in gathering and processing business intelligence and market research

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[4] For example, 63 percent of costs in an average customer magazines incur from content production, 28 percent from printing, and 18 percent from distribution (Finnish Periodical Publishers' Association FPPA, 2009).

data for the benefit of the global publishing sector that is struggling with insufficient development funds due to focus on cost-cutting. As suggested by a CEO from a multinational magazine publisher in Finland: *'What is possible that we haven't realized to ask?'*

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Appendix C: Brand experience

The aim of the brand experience study was to develop a service concept, which would emphasize the role of the user/reader experience with printed products. Sappi has a strong background in understanding consumer habits and thus the service concept was aimed at providing this kind of information to their customers.

The first step of the research was focusing on reading experience. Top experts in different disciplines were interviewed. The interviewees represented the research areas of cognitive science, media culture, sociology, brain research, psychology and journalism. The interviews were taped, transcribed and analysed, and the first model of reading experience was developed. This model was presented to experts at APA, The Association of Publishing Agencies. Based on the feedback, the research was re-focused on brand experience to meet the needs of the brand owner.

The pilot study of the brand experience was carried out as a case study with Novita. Novita is a family business in yarn industry and their customer focus is based on home knitters. They provide yarn, patterns, help-line, magazine and an internet community to their customers. They also send weekly emails to their customers and meet them in fairs, at their own deli-shop and communicate via Facebook. The paper binder that holds the skein of the yarn (the packaging) has also an important role in the communication strategy. Figure C1 presents Novita's tools for the brand communication.

Figure C1. Novita's tools for the brand communication.

Method

The study was conducted in five phases (Figure C2). The study began with deep-interviews with the top management of Novita and five end-users. The aim was to gather information of the Novita brand – how Novita sees the brand and which values they desire to communicate to their customers, and how the customers find the Novita brand. The interviews were taped and the attributes describing the brand were collected out of the transcriptions. The attributes were grouped and in the end 16 attributes were chosen to be studied further.

The perceived strengths of attribute associations with the brand were tested in the second phase of the study, in which 40 club members of Novita were interviewed by phone. The attributes were presented as statements. The first statement covered the company brand as a whole. In addition, six communication channels were studied in detail. The selection of the communication channels was based on the interviews with Novita and it included magazine, internet community, email, fairs, Facebook, and paper binder around the skein. All the comments from the interviewees during the interview were also collected. In the end of the interviews, the interviewees were asked to judge, which of the communication channels is the most important to them.

In the third phase, principal component analysis (PCA) was used in the interpretation and visualization of the results. The company brand and the communication channels were considered as samples. Jackson (2003) describes principal component analysis in detail. The model for examining brand experience in multiple channels was created based on the results in the fourth phase of the study.

The new service concepts were ideated based on the results of the piloting in the workshop with Novita and Sappi. The ideas were further developed together with service and modeling researchers. Vargo's theory of Service dominant logic (Vargo and Lusch, 2004; 2008) were also used as a guide line for the development. The discussion with Sappi led to final service concept which was evaluated in the last phase of the study. Evaluations were made by company representatives from Innvolve, Omnipress, Mcipress, Volkswagen, Lumene and SOK . Innvolve is company dedicated to develop, support and commercialize new ideas. Omnipress and Mcipress are customer magazine publishers. Volkswagen was chosen as a brand owner who uses customer magazine in brand building. Lumene is a brand owner in cosmetics. SOK is in the retail and service trade business.
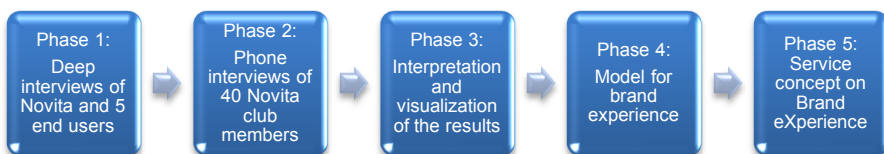

Figure C2. Phases of the brand experience study.

Results

The chosen attributes and an example of a statement, based on Phase 1 of the study, are described in Table C1.

Table C1. Chosen attributes for the Novita case study, and an example of the statements.

Attributes
Close, Trustworthy, Pleasant, High quality, Finnish, Traditional, Trendy, Visible, Big, Honest, Ethical, Availability, Expensive, Skillful, Inspiring, Joy of success
Example of the statement
Novita is close to you, the closeness of Novita comes up in the magazine/ on the packaging / at the fairs/ on the Facebook/ on the internet community/ through the email

According to the results of Phase 2, *the Novita magazine* was highly appreciated. It's inspirational and the club members save almost all issues. The lacquered cover was found fancy as well as the pictures inside the magazine. The magazine and the community were the most important channels of communication for the club members.

The internet community Neulomo is where the club members seek for direct communication with Novita. The members expect that Novita takes into account their opinions and replies to their questions and comments fast enough. They also use the community to communicate with other knitters. They share photos of their own hand made knitting and comment on other people's knitting. The community is not for discussing knitting only, as the members often come there to also discuss various matters in their ordinary, daily life.

During the phone interview, the Neulomo members commented the web-shops of different yarn companies. According to them, the threshold to buy yarn though a web-shop is lower, when the user has read comments from other users about a certain yarn. Blogs play an important role in recommending products.

The Neulomo members were asked whether they feel that they are *loyal* to the Novita brand. Most of the members felt they are loyal and they also spontaneously explained why they feel so. They commented their relationship with the magazine, yarn, community, patterns, Finnish origin, quality, price and availability. The communication with the customers seems to strengthen the loyalty, as the members felt that unlike with other yarn brands, with Novita they have the opportunity to express their wishes and be in regular contact with the Novita people. Figure C3 presents the number of comments regarding the importance of the different factors on the loyalty of the Neulomo members.

The profiles of chosen mental attributes and the brand experience maps are presented in Figures C4–C7. In the brand experience maps the multivariate ob-

servations of different media platforms on different mental attribute scales have been mapped, using a linear combination of original scale values calculated by principal component analysis, to a two-dimensional graph that visualizes the main differences between the customer perceptions of communications on different media platforms. The square mark in the Figures stands for the company or the media platform at issue, the stars inside the clouds represent the attributes that are emphasized on the platform in question and the circles represent attributes that were not emphasized. The grey circles stands for the attributes, which the company is unable to communicate through any media platform.
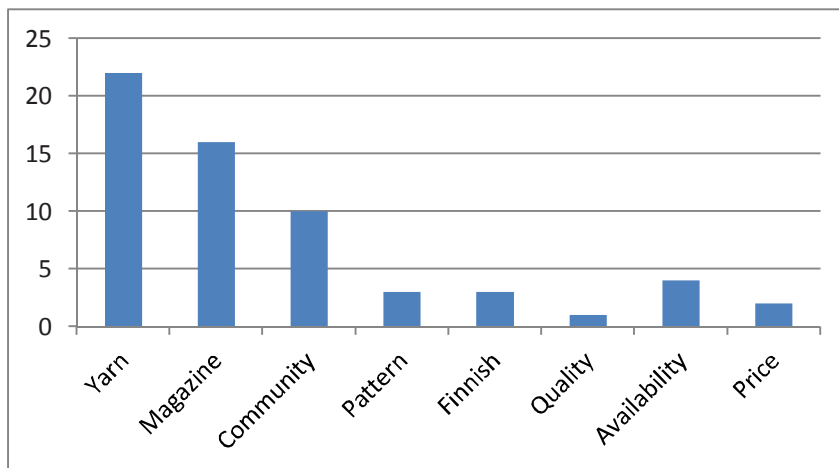

Figure C3. Factors affecting the loyalty of the Neulomo members in order of importance.

According to Figure C4, Novita is unable to communicate ethical values and honesty through any media platform, even though the company sees them as important issues. The Novita-brand is found to be quite positive, but the Neulomo members don't connect the attributes pleasant and high quality to the company brand. It was also found that the communication messages don't address the club members through Facebook and emails.. In general, the Neulomo members find the different communication channels of the Novita-brand very positive. Club members gave the highest values to the Novita magazine for each attribute with the exception of availability (Figure C5). The highest rating in availability was given to the community (Figure C6). One explanation for that could be that the members use the community as a channel to sell yarns to each other, especially the yarns that are out of production and can no longer be found from shops. They also share the information of best yarn sales through the community. The attributes high quality and pleasant were emphasised by the magazine. The packaging, i.e. the paper around the yarn was described as visible, skilful, trustworthy and high quality. There were many comments of how few mistakes there are on this piece of paper.

On the other hand, the attributes big, visible, trustworthy and pleasant are connected with Novita's work at fairs.
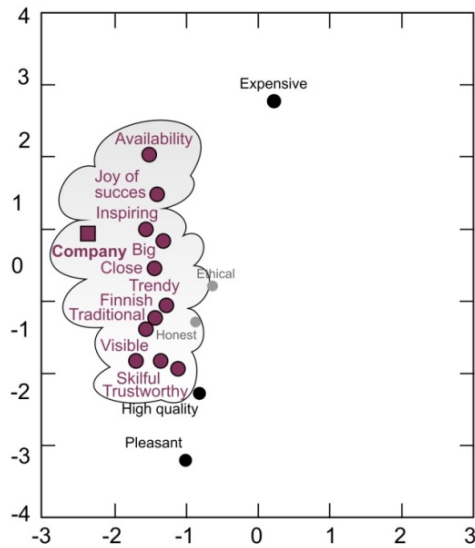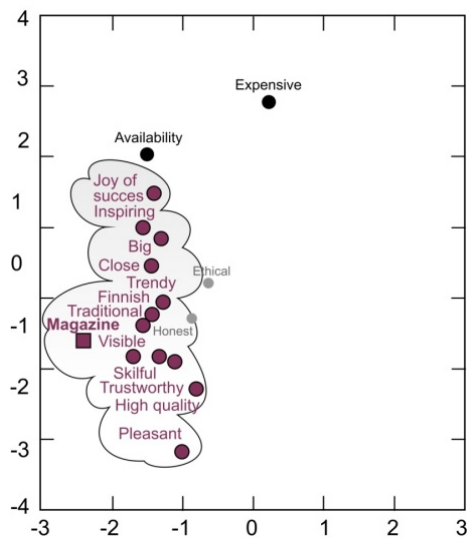

Figure C4. The brand experience map of the company.

Figure C5. The brand experience map of the magazine as a tool of brand communication.
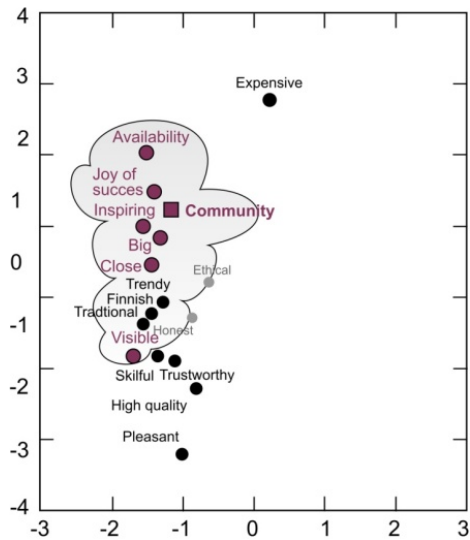
Figure C6. The brand experience map of the community as a tool of brand communication.

Discussion

The results indicate that the magazine and the Neulomo community were in this case study the most important tools of brand building for the Novita-brand. To please the customers, it's also important for Novita to be present at fairs. It was shown, that Novita succeeds well in brand communication, but Facebook and emails don't have role in brand building, at least as they are used at the time of carrying out this case study.

The brand experience map indicates which attributes are and are not emphasized in the customers' minds. As the Novita Company was involved in the first part of the study where important attributes were collected, it can be used to compare how successful the company is in communicating different values. Thus, it shows the direction for better communication between brand owner and customer. According to this case study, Novita should pay more attention to the attributes honest and ethical, and consider how these attributes could be expressed in a better way in their communication.

The results also indicate that loyalty has very much to do with the product itself, the yarn, in addition to communication. The most important communication channels, magazine and the Neulomo community, have a very important impact on loyalty. Other channels, emails, Facebook, Lanka-deli, fairs or packaging, were not mentioned by the consumers although Novita sees them as important parts of the brand building.

It is important for the brand owner to understand which issues have an effect on loyalty. The Neulomo members rave over the importance of the internet community

– they spend a lot of time there. However, if there was another similar community available, would the members leave this one? Based on the observations from this study, the interaction with the members is the key issue. That is, keeping the Neulomo community satisfied in a way that they feel that Novita Company listens to them and appreciates their opinions and activities is of major importance. This has made it possible for Novita to obtain such loyal customers and it is also a way to maintain loyalty.

As this case study was carried out in a project that aims at taking a look into the future of printed magazines, it was of specific interest to consider what the role of the magazine in brand building is. It was quite obvious, that the magazine itself as an artefact is important for the Neulomo members. This is very well in accordance with the studies of Luomanen (2010) and Peteri (2006). From company point of view, also the magazine has an important role in building customer loyalty. Brand communication was strongly connected to the magazine. However, the magazine today is not used for interactive communication with the Neulomo members as the internet community is. It is very important to take into account that as interactivity with the Neulomo members is one of the key elements in building and maintaining loyalty, this should most certainly also be considered from the viewpoint of the printed magazine. Interactivity could also be utilized to attract new customers to buy the magazine and bring them to the Neulomo community.

Service concept on Brand experience

The results were presented to Novita and Sappi. The ideas of service concepts were ideated with them and the ideas were further developed as stories of service concepts. Sappi chose one of the concepts to be further developed and to be evaluated by the chosen companies (Omnipress, MCI press, Volkswagen and Lumene). The concept is presented in Figure C8.

The service includes five steps:

1. Pre-mapping; company representatives responsible for communication and a few customers are interviewed. The answers to questions below will be searched:

    a. What kinds of mental impressions the brand owner desires to communicate

    b. What kinds of mental impressions the communication messages evokes in customers' minds

    c. What are the communication channels used in brand communication

    d. The situations when the customers meet the brand

    The brand experience of present situation is drawn.

2. Innovation workshop; Brand owner together with Sappi alliance will innovate new ways to communicate with customers. The people responsible for

communication from brand owner side and facilator will take part into the workshop together with Sappi alliance which consist of all platform providers and a creative partner.

3. Creative work; Creative partner of the alliance produces scenarios, presentations of new innovations on different platforms, of which one is customer magazine.

4. Testing; New scenarios are tested with users on Owela and the feedback from users will be used in the development. Owela is easy and engaging for consumers, consist of popular social media tools. It can be used where ever, whenever and professional facilitators activate and analyse the discussion.

5. Brand experience map; new ways of communication are tested among users and brand experience map is drawn.

Based on the evaluation of the service model, it is recommended to build up an alliance in which all platform providers are represented equally.
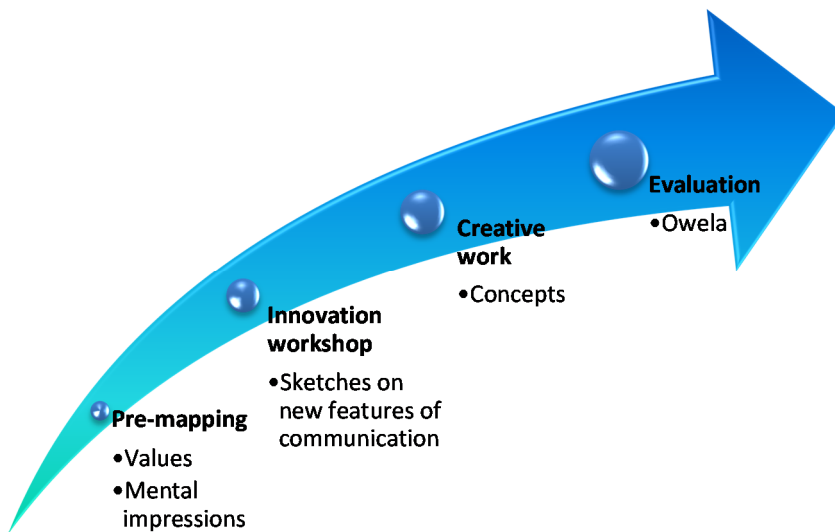

Figure C8. Service concept on brand experience.

Conclusions

The study aimed at developing a service concept for Sappi in the field of customer magazine. The process started with understanding different aspect affecting the users' reading experience. The study was refocused on brand experience and the customer communication of small Finnish company Novita was used as a case study. The brand experience as a tool for brand communication in multiple ways of

customer communication was developed. In addition a service model for better brand experience through improved communication was sketched.

Based on the experiences from this case study with Novita it can be concluded that the brand experience map suits well for research purposes. With the use of the map we are able to visualize the viewpoints of the brand owner and its customers in the same figure, and present the current situation of how the customers find the brand. Interpreting the brand experience map gives important information for improving the brand communication and stressing which are the attributes the brand owner should pay attention to in order to change or strengthen the experience the brand evokes in the customers' minds. By repeating the measurements after the brand owner has made an attempt to change or strengthen the experience and drawing a new version of the experience map, we are able to show how the situation has changed.

In the media environment we live at today, the channels people use for communication are ever increasing and therefore also very challenging to study. In addition, very few studies take into account the strengths of printed products in the media mix. However, printed magazines can still have an important role, and this role may very well be taken into account as one channel among others with an approach as presented in this study. As the roles of different channels are not static, and new ones come along, the results of this study may also change over time, even if no action is taken from the brand owners' side. Hence, in cases where the brand experience map is used, its role can be active as presented above in showing how to affect the brand experience of the customers or passive in assisting in the observation of the customers and giving the brand owner information of the direction into which its customer's values are moving.

Managerial implications

A service in which experience, be it reading or brand experience, is examined and the strengths of paper as a platform for printed communication are searched for seems realistic only when also other communication channels are simultaneously taken into account. As the consumers use both print and digital channels, neither one should be excluded from the service. Hence, the most logical solution for a paper producer at the moment would be to form a strategic alliance of different parties with expertise complementing each other. In a strategic alliance, the partners combine their resources and expertise to reach mutual benefit as well as goals of their own. As printed customer magazines play an important role as one of the channels used for communication, there would be an opportunity for paper producers to be active in this area and promote their specific knowledge as an important part of the alliance. The brand owners and publishers needs for knowledge of consumer experience in the different channels may vary largely. Therefore, flexibility in the service that the alliance provides is essential. The partners in the alliance should have as strong background in their own field of expertise as the paper producer already has in order to gain high credibility for the service.

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Appendix D: Service concepts for customers offered by a paper manufacturer

The aim of the case study 'Service for customers' was to identify and develop service concepts that paper manufacturer can offer to magazine publishers. In addition to the service concepts, the acceptance of larger role of paper manufacturer in magazine's value chain was of interest.

Method

The research approach was adapted from User-Centred Product Concept Development process (ISO 9241-210:2010), which is an iterative procedure and the users are involved throughout the development process. The applied process is depicted in Figure D1. The main differences in service concept development and product concept development were in the starting point of the process, i.e. the definition of the case study, and in the prototyping step.
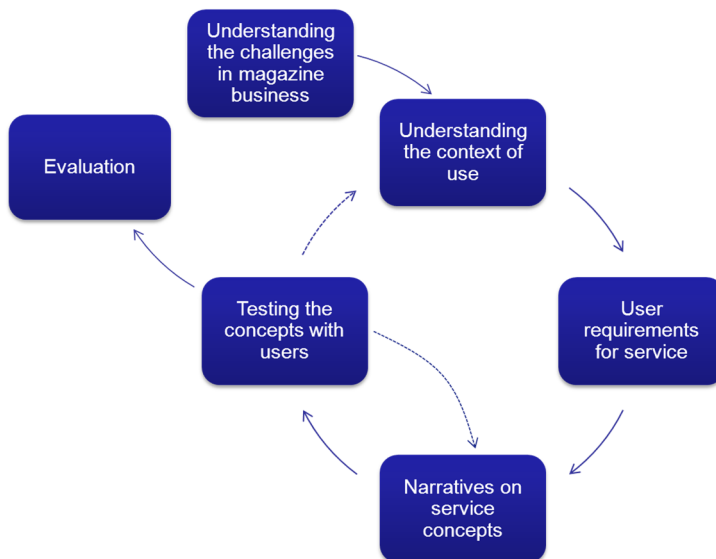

Figure D1. User-Centred Service Concept Development process applied from ISO 9241-210:2010.

The definition of the case study was based on gathering information on customer's business, that is magazine publishing business, and the estimated changes in it. The data was collected from literature and interviewing magazine publishers both in Finland and in Norway. The data was utilized for creating the understanding of the context of use and user requirements for service concepts.

Unlike product concepts, a service concept is intangible, and thus, the service concept pilots were narratives describing the current situation and the future solution utilizing the service concept. The contents of the narratives were planned together with the representatives in paper company who work in customer interface. The aim was to describe the service concepts in a way that the users would be able to evaluate their expected values in use. The service concepts were presented to the magazine publishers both in Finland (1 publisher) and in Denmark (2 publishers), and for one retailing company in Finland. Thus, the customer was given a possibility to effect the concept, and also to give feed-back already at the early stage of the development process.

Challenges in magazine business

Media business environment have gone through changes, which are assumed to affect and guide changes in magazine business. The fundamental topics are related to changing media use habits and the effects on print media, media selection habits, and changing customer expectations. (Bilton, 2005; Miles, 2009; Crumby, 2010.) The changes have lead to decline in advertising expenditure on print media and magazines, and the decline is still going on (Anon., 2012).

The revenue model of print magazines is based on advertising, subscriptions and newsstand sales. The shares of each source are not equal, and they also depend on the market. One of the major challenges in magazine business is the distribution to readers regardless of the way the magazine is supplied.

The economical downturn has decreased the consumption in shops, which has influenced the magazine newsstand sales as well. In the US in addition to, or probably due to, the downturn, distributing companies planned extra fees for magazine distribution through wholesalers, which lead to changes in wholesaler field. As a result, magazine newsstand sales has almost collapsed. (Harrington, 2009.) On the other hand, the rising postage costs reduce the contribution margin of the subscriptions sales. In the US, industry associations and the postal service are developing the infrastructure and guiding the publishers to use cost-effective solutions. (Sturdivant, 2008.) In Finland, a nine percent value-added-tax (VAT) on magazine and newspaper subscriptions has been imposed from the beginning of 2012.

In addition to the changes in media use habits, the challenges in magazines' distribution to readers either as subscriptions or as single copies have increased the interest to utilize digital channels also in magazine publishing. Especially tablets and the possibilities they bring along have been of interest lately. For example, tablet editions combine print's ability to engross readers with digital media's interactivity. (Ives, 2011; Kaplan, 2011; Crumby, 2010.)

The interviewees in the publishing sector confirm the challenges identified from the literature. In Finland, a specialty is found in the distribution of magazines, where both single – copy sales and postal services are managed by a monopol company. In addition to challenges derived from the changing media use habits, economical downturn and magazine distribution, the publishers in Finland found the high circulations as a problem. the magazine titles are not targeted very pre-

cisely, and thus, the advertisers are not convinced that they will reach their target group with magazine campaigns.

Narratives on service concepts and their evaluation

Based on the results derived from the literature survey, from interviews, and discussions with representatives in paper company who work in customer interface, three narratives of service concepts that can be offered to magazine publisher were formed. Each narrative included a description of the current situation and a new solution utilizing the service concept. The topics of the narratives were:

- Tools for helping the paper selecting process
- New ways to communicate sustainability and social responsibility
- Enhancing the magazine production process.

The interviewees evaluated the narratives describing the service concepts. With magazine publishers, the descriptions of current situation were very much in line with the real world. The only exception was the narrative about enhancing the production process, in which the new solution mainly described the real situation. The marketing material production in retailing company differs from the publishers' everyday magazine production process, and thus, the descriptions of the current situation didn't suit very well to a retailing company.

The comments on the new solutions utilizing new kind of service concepts are summarized in Table D1.

Table D1. The summary of the comments on the service concepts.

Narratives	Comments
Tools for helping the paper selecting process	New tools could be suitable for developing magazine concepts, role in selecting paper questionable – Old tools (e.g. sample service) are familiar and support the tangibility of paper. Who should provide the tools: – Paper manufacturer: extending the role in value chain – Printing house: partnerships already formed with retailers – Publisher: reader studies.
New ways to communicate sustainability and social responsibility	It is important to think the whole value chain, not only the own narrow part of it. More information and publicity for the ecological work done in forest industry. A channel for paper company to get in touch with consumers. Challenge is to avoid green washing.
Enhancing the production process	The production process already fine-tuned: outsourced or centralized. – Partnerships with printing houses bring flexibility to the process. – Production process slow with magazines that have large circulations and are technically challenging → new actor in the value chain is not the solution for speeding up the process. Competition in distribution most welcome.

Discussion and conclusions

The interviewees found the narrative-based methodology valuable. They commented that the narratives helped them to understand and to get an overview on the service concepts. Thus, the narratives in service concept development correspond the prototypes in product development. The challenge is to keep the narratives, and the service concepts they describe, simple enough. If the concept has several features, it can be difficult to focus the comments on a particular feature. In addition, detailed examples about the features can lead the interviewees away from the core of the service concept.

The results indicate that there are needs to find new ways of action and new players in magazine publishing. The narratives described the outcome of the service concept for the magazine publisher as well as the new roles that paper company could take in the magazine value chain. In many cases the interviewed publisher representatives were pleased with the service concept idea and its outcome but they had doubts on who should provide the service. Thus, if paper company is willing to enlarge its role in magazine supply chain, it will require strategic, or even cultural, changes of mind set in both the customer companies and the paper company.

Some of the interviewees commented that there is nothing new in the service concept ideas. The comments indicate that the magazine production process is already fine-tuned especially with the big magazine publishers, which makes the identification of new service concepts challenging. The production process is either centralized or outsourced, which means that there are already players and competition in the field.

The conclusions of the case study are

- The target of a service is to help the customers cope with their everyday actions, thus, the customer involvement is essential already at the early stage of the service development process. The customer involvement can be enhanced by describing the service concept ideas in pragmatic ways utilizing for example narratives and visualizations.

- The magazine production process is already fine-tuned, it is either outsourced or centralized. Conventional technical customer service from paper companies is valued.

- Magazine publishers and retailers are willing to build partnerships with their suppliers. Partnership requires personal relationships and increases, as an example, flexibility.

- Partnerships can be utilized when common communication interests are identified, for example in environmental issues.

Managerial implications

Successful service business requires good and confidential relationship with customers, and understanding of customers' business. Especially large publishers are

already willing to build partnerships with their suppliers. Thus, paper companies should invest a lot of effort in close co-operation with magazine publishers. Personal relationships are prerequisite for fruitful co-operation and partnership.

The magazine publishing is a mature business and with the large publishers, the processes are already fine-tuned. However, based on the results some stages can be identified, for example in new title launch, where new solutions could open up new possibilities for increased collaboration within the network. The challenge for paper companies is that they are not considered as trusted partners, when the solution is beyond the paper production and delivery process. The partnership with magazine publishers could bring along mutual trust, which can be expected to help the paper company to enter into new business areas.

Small publishers could benefit from more technical services which target is to smoothen the production process. Opposite to large publishers, the small ones don't have the expertise in-house and they need to subcontract it elsewhere. This would offer considerably more possibilities from the papermakers' side to start designing new services in collaboration with the customers than in the case of the large publishers.

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Title	**The future magazine**
	Transition from product to service
Author(s)	Anu Seisto, Aino Mensonen, Anna Viljakainen, Maiju Aikala, Pertti Moilanen & Ulf Lindqvist

Abstract	There are many simultaneous forces shaping the magazine market and changing the core business logic. On the one hand we experience media convergence, where the traditional media industry is integrating with the telecommunications industry and information technology. On the other hand the advertising market reacts to the changing economic climate and increasing amount of online media content. The Internet has had a tremendous effect on the media use habits of the consumers and the use of printed magazines is no exception.
	Due to digitalization and the declining trend in the consumption of printed products, the forest industry is also facing the need to change. In the Fumaga project, we looked at the future of magazines from the viewpoint of the so-called service-dominant logic, which means that the customer value (value in use) is the starting point of the development. The readers of the magazine have a central role as the customers of the magazine service. The magazine service is available through several platforms, both printed and digital, including also user communities in which the users may act as co-creators of content. Development in any part of the magazine service has an effect on how the reader experiences the service. Therefore, from the paper makers' perspective it is important to know the other actors in the network of printed magazines and collaborate with them, but it is also very important to have knowledge on the other networks in the magazine service and especially on the final customers, the readers.
	In the project, four case studies were carried out to find possibilities for new services from the paper maker to their customers: Hybrid media applications in magazines, New title launch, Brand experience and Service concepts for customers' processes. Turning the service possibilities pointed out during the project and in this publication into active services requires a close relationship between the paper producer and their customers in order to be able to co-create value. In some cases it may also be important to involve other players from the value chain or across networks to form strategic alliances for realizing a new service. Applying the service-dominant logic perspective would also mean that the role of the paper producer in the magazines' value chain would no longer be that of the raw material provider but also that of a consultant that offers knowledge and support into the customers' processes.

Nimeke	**Tulevaisuuden aikakauslehti**
Tekijä(t)	Anu Seisto, Aino Mensonen, Anna Viljakainen, Maiju Aikala, Pertti Moilanen & Ulf Lindqvist
Tiivistelmä	Monet muutokset vaikuttavat tällä hetkellä aikakauslehtimarkkinoiden tilanteeseen ja muokkaavat niiden bisneslogiikkaa. Yhtäältä markkinatilanteeseen vaikuttaa median konvergenssi eli perinteisen mediateollisuuden integroituminen tietoliikenteen ja informaatioteknologian kanssa. Toisaalta mainostajat reagoivat sekä taloudellisen tilanteen muuttumiseen että kasvavaan online-median määrään. Internetillä on ollut erittäin suuri merkitys kuluttajien mediankäyttötottumuksiin, painetun aikakauslehden käyttö mukaan lukien. Digitalisoituminen ja painotuotteiden vähentynyt käyttö ovat kasvattaneet myös metsäteollisuuden muutospaineita. Fumaga-projektissa tulevaisuuden aikakauslehteä tarkasteltiin niin sanotun service-dominant-logiikan näkökulmasta. Tämä tarkoittaa sitä, että asiakkaan kokema arvo (value in use) on palvelukehityksen lähtökohta ja edellytys. Aikakauslehtien lukijoilla on keskeinen rooli aikakauslehtipalvelun asiakkaina. Palvelu on heidän käytettävissään useiden kanavien kautta, niin painettuna kuin digitaalisena, sisältäen myös lukijayhteisöt, joiden kautta palvelun käyttäjät voivat osallistua sisällön tuottamiseen. Minkä tahansa aikakauslehtipalvelun osan kehittäminen vaikuttaa siihen, miten lukija kokee palvelun. Paperinvalmistajan on tärkeää tuntea painotuotteen arvoverkon toimijat ja tehdä yhteistyötä heidän kanssaan. Lisäksi paperinvalmistajien on tärkeää tuntea muita aikakauslehtipalvelussa toimivia verkostoja sekä erityisesti palvelun loppukäyttäjiä, lukijoita. Projektissa etsittiin uusia mahdollisia palvelukonsepteja neljän case-tutkimuksen kautta: hybridimediasovellukset, uuden nimikkeen lanseeraus, brändikokemus ja palvelukonseptien luominen asiakkaan prosesseihin. Projektin aikana ja tässä julkaisussa mainittujen palveluaihioiden työstäminen palveluiksi vaatii läheistä yhteistyötä paperinvalmistajilta ja heidän asiakkailtaan, jotta arvon yhteiskehittäminen (co-creation of value) on mahdollista. Joissain tapauksissa voi olla tarpeen ottaa palvelukehitykseen mukaan myös arvoverkon muita toimijoita tai toimijoita muista verkostoista ja muodostaa strategisia kumppanuuksia uuden palvelun mahdollistamiseksi. Service-dominant-logiikan näkökulmasta paperinvalmistajan rooli ei enää olisi pelkästään tuottaa raaka-ainetta painotuotteen arvoverkolle, vaan roolina olisi myös konsultinomainen toiminta tiedon ja tuen tarjoamiseksi asiakkaiden prosesseihin.
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Avainsanat	Magazines, print media, service innovation, co-creation, service-dominant logic
Julkaisija	

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The future magazine
Transition from product to service

There are many simultaneous forces shaping the magazine market and changing the core business logic. The Internet has had a tremendous effect on the media use habits of the consumers and how they perceive traditional media such as printed magazines. Due to digitalization and the declining trend in the consumption of printed products, the forest industry is also facing the need to change.

In the Fumaga project, we looked at the future of magazines from the viewpoint of the so-called service-dominant logic, which means that the customer value (value in use) is the starting point of the development. In this publication, the shift from goods-dominant logic towards service-dominant logic is discussed. The differences between these two approaches are highlighted and ideas are given of how to realize the shift in practice. Four case studies were carried out to find possibilities for new services from the paper producer to their customers: Hybrid media applications in magazines, New title launch, Brand experience and Service concepts for customers' processes. Applying the service-dominant logic perspective would require close relationship between the paper producer and the customers in order to be able to co-create value, and means that the role of the paper producer in the magazines' value chain would no longer be that of the raw material provider but also that of a consultant that offers knowledge and support into the customers' processes. Even though the publication is written mainly from the paper producers' viewpoint, it offers valuable information for firms in the value network of magazines interested in service development.