

Investments heat up online news sector

August 23 2015

Suddenly the online news business is red-hot. Money is flowing into digital news ventures at an unprecedented pace, as investors anticipate an accelerating shift away from traditional media, and new ways to generate revenue from news.

BuzzFeed made [news](#) this past week with a \$200 million capital injection from Comcast's NBCUniversal, and with the announcement of a joint venture with Yahoo Japan for Japanese readers.

Earlier this month, Vox Media also secured \$200 million from NBCU as the startup seeks to ramp up its news websites including Vox.com, The Verge, Re/code and Bleacher Report.

Vox and BuzzFeed joined the club of "unicorns," or venture-funded startups worth at least \$1 billion, a group which also includes Vice Media, which unveiled a \$500 million funding round last year.

The flood of capital to the sector suggests confidence in the ability of digital [media](#) to connect with readers—especially younger audiences which eschew traditional media—and generate profits, say analysts.

"Right now it's an arms race. These are companies growing quickly and they have to grow quickly," said Ken Doctor, a media analyst with the research firm Outsell.

Doctor said a key for these organization is capturing the attention of "millennials," or young adults born after 1980 who rarely subscribe to

print publications or cable television, and who get most of their content online.

"Marketers have discovered the millennial generation as they get more earning power," he told AFP.

Interestingly, much of the money flowing into these organizations is coming from [traditional media](#), seeking fresh ways to deal with a transition to digital news.

The Murdoch family's 21st Century Fox is an investor in Vice Media, for example, while Time Warner has invested in the [online news](#) site Mashable.

"It's as much a hedge as anything else," Doctor said.

"It's a lot of money but not a bank-breaking amount."

'Digital eats everything'

The analyst added that big media groups which saw troubles for print a decade ago are now waking up to digital disruption of television.

With consumers slowly moving away from cable TV bundles, "you can see the fault lines," Doctor said. "Digital eats everything, and television is not immune."

The more successful media startups have found ways to connect and use technology better than legacy firms, say some analysts.

"BuzzFeed and Vox and other high-profile startups make the claim they are not just content companies, they are tech companies," says Nikki Usher Layser, a journalism professor at George Washington University

specializing in [digital media](#).

This means "using data science to understand how information is spreading" and being shared, she said, to better adapt news feeds and enable advertisers to reach specific segments of readers.

BuzzFeed is known for using technology to help understand how news goes viral, while Mashable uses its own system for this. AOL, which owns news sites such as The Huffington Post and TechCrunch, is known for ad technology which measures effectiveness of online messages.

Old, new media merge

Rebecca Lieb, an independent media analyst and consultant, said she sees benefits from bringing old and new media together.

Comcast's NBC can reach young audiences by sharing video from programming including the Olympic Games.

"We're seeing an era of declining television viewership and increased cord cutting," she told AFP.

"We have a large number of millennials who are never going to sign up for television packages so I'm sure NBC is hoping that BuzzFeed can help drive new audiences."

For journalism, the good news is that this trend is driving investment in content, which means more hiring and in-depth reporting at a time when traditional newsroom job losses are accelerating.

These large venture-funded news groups have been adding staff, along with smaller ones like Ozy, Fusion and Vocativ. Additionally, eBay founder Pierre Omidyar has pledged to invest \$250 million in his online

news operations, which include investigative site The Intercept.

Doctor said most new media groups spend 60 to 70 percent of their budgets on news and content compared with just 12 percent for the newspaper industry.

"These companies have a belief that good content and appropriate content is a business driver," Doctor said.

Still, it remains unclear if the companies are seeing an investment bubble which gives them unjustifiably high valuations.

"We have seen scant evidence of actual return of money to investors," Laysen said.

"We have not seen a magic bullet that is going to make a clear pathway to profitability."

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Citation: Investments heat up online news sector (2015, August 23) retrieved 28 April 2024 from <https://phys.org/news/2015-08-investments-online-news-sector.html>

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