The Need to Develop Middle Manager Staff

Figure 14 clearly shows the need for newspapers to re-educate their middle managers. This goes all through the industry, and is especially important in the editorial department and advertising department – perhaps the two departments that most acutely feel the external pressures.

![Graph showing the need to re-educate middle managers](image)

Figure 14: the need to re-educate middle managers

One surprise is that the development needs of the distribution department are regarded as a lower priority. This is more difficult to interpret, other than that the challenges of the organization are clearer within the distribution department and the need for development therefore is felt to a lesser extent. In advertising and editorial departments the ambiguities are higher and the traditions for management development are far less developed.

Conclusion

The challenges of the traditional newspaper in the Nordic countries are many. With stable distribution on top of the importance scale, the further challenges include developing large-scale focus on areas like product development, brand development and organizational development.

The challenges have not really changed dramatically from 2006 to 2007 but one can increasingly feel the digital imprints. Therefore the executives will have to move their organizations even more in the digital direction in the years to come.

5. RFID for Books in Japan

Claudio Hapke/Christian Loebbecke

RFID Technology and the Japanese Publishing Context

The Japanese publishing industry is one of the largest in the world with about 4,500 publishers, 70 wholesalers, and more than 20,000 retail outlets including bookstores, second-hand bookstores, and libraries (IPO 2005). With more than €22 billion in revenues (almost €10 billion from book sales), it reaches about 6% of the size of Japan’s automotive or electronic sectors.

Annually, Japanese publishers issue more than 75,000 new books and sell about 1.3 billion books from a variety of 1.2 million titles (IPO 2006; Miyamori/Whittaker 2005). They commonly take back about a third of the books delivered on consignment, i.e., the right to return unsold issues to publishers. Due to (1) decreasing personal income during the recession, (2) the spread of the Internet and mobile phones, and (3) emerging library services as well as the newly introduced second-hand book shops, the Japanese publishing market faced a major decline in the 1990s (Hasegawa 2003; Kob 1998; Maruzen 2002).

To counteract the downturn and increase margins along the supply chain, the publishing industry considered the use of Radio Frequency Identification (RFID). Deploying a technology-driven innovation (Punkt 2004; Hicks 1999; Power 2003), the industry expected to raise supply chain efficiency through increased speed and enhanced data quality (Shepard 2004; Loebbecke 2006).

Overall, RFID allows for contact-free reading and saving of data via electromagnetic waves (radio frequency field). RFID transponders can be integrated into wafer-thin tags and hence attached to items. As an RFID tag passes through a radio frequency field generated by a compatible reader, it identifies itself and transmits its stored data to the reader. No line-of-sight is needed between tag and reader. One can read several items at a time. From the RFID reader, data is usually transferred to a computer which may then hand the information to other enterprise systems to coordinate processes within and among organizations (Loebbecke/Palmer 2006).

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Utilizing those characteristics, RFID enables localization services to determine where individual items reside in the supply chain at any time and in real time. At item level, RFID can – for instance – distinguish every single copy of the newest Harry Potter book. RFID would imply a unique code, whereas International Standardized Book Number (ISBN) and barcode are the same for all books (Lichtenberg 2003).

However, RFID adoption has remained limited due to (1) tag prices, (2) software development and integration, (3) management of the vast amount of data gathered, and (4) a lack of industry specific technical standards (Lichtenberg 2003; Loebbecke/Hayakawa 2006).
The 2006 METI RFID Trial

The overarching goal of the 2006 METI RFID trial was seamless sharing of information through the use of RFID. Relevant issues were the distribution inefficiency, management of book returns on consignment deals and waste contamination associated with RFID tags.

Beyond the publishing context, METI aimed to promote fundamental R&D in RFID, to solve problems with the social acceptability of RFID, and to illustrate a role model for RFID adoption in other industries (Higashi 2006). The Japan Publishing Organization for Information Infrastructure Development (JPO) projected a 2.5 billion impact of RFID on the Japanese publishing sector from sales increases and cost reductions (JPO 2006).

To kick off the trial, the initiating METI assigned responsibility to industry players and invited technology vendor HITACHI. Early on, METI recognized that RFID usage potentially impinged on privacy issues concerning customer data being connected to the ISBN code on an RFID tag (Fujita 2007). To mitigate the risk of unwanted shopping behavior, METI and the MINISTRY OF INTERNAL AFFAIRS AND COMMUNICATIONS (MIC) jointly released a Privacy Protection Policy for consumer-facing RFID.

Further, METI noticed that the necessary frequency range for RFID was not regulated. It collaborated with the JAPANESE MINISTRY OF PUBLIC MANAGEMENT, HOME AFFAIRS, POSTS AND TELECOMMUNICATIONS, which released the internationally compatible 950 to 960MHz frequency range in the UHF band for RFID use (Hara 2003). Finally, METI aimed at developing and testing low-cost, high-quality, multi-standard, re-writable RFID tags, specifically designed for item level use. It funded the so-called “Hibiki project”, which resulted in the development of comparatively cheap tags for ¥0.05 a piece, assuming an output volume of 100 million tags.

The 2006 METI trial in the Japanese publishing industry consisted of five sub-trials: (1) the Customer Order Tracking sub-trial, (2) the Sales Management System sub-trial, (3) the Store Operation and Customer Service sub-trial, (4) the Code System and Privacy Protection sub-trial, and (5) the Paper Recycling sub-trial.

The Customer Order Tracking sub-trial investigated the retail service cost on a per order basis across the entire supply chain. It involved 100,000 comic books tagged with “Hibiki RFID tags” during manufacturing and entered into the distribution system. The Customer Order Tracking sub-trial allowed fixing and maintaining delivery dates across the supply chain. For instance, upon request, the printing and book binding company would set a wholesale delivery date, the wholesaler in turn set a retail delivery date, and the retailer finally announced the date the book would be available in the store.

The Sales Management System sub-trial undertook an effort to both improve supply chain flexibility by reducing and more effectively managing book returns and optimize book supply. It included 10,000 copies of the “Encyclopedia of Health and Medicine”, which were tagged prior to distribution. It processed RFID-based information in the sales management system, allowing publishers, wholesalers, and bookstores to track returnable and non-returnable books.

Focusing on customer service in bookstores, the Store Operation and Customer Service sub-trial aimed at objective and granular information to create quantitative demand forecasts to improve customer services and increase sales. It involved flatbed smart shelves displaying information to both consumers and retail personnel. The sub-trial allowed employees to observe real-time book rankings, analyze the relationship between book browsing and purchases and send reports involving growth rates, privacy ratios, and inventory levels. It offered customers book rankings, summaries, and reviews.

The Code System and Privacy Protection sub-trial included printing and book binding companies tagging books with “Hibiki RFID tags” coded according to a common scheme for publishing products. It analyzed the trade-off between information provision and customer privacy. The Code System and Privacy Protection sub-trial used flatbed smart shelves to reconstitute routes that customers took through the store with a book in their hand. It prohibited storing customer data on tags or matching purchase data to customers, hence preserving anonymity.

Finally, the Paper Recycling sub-trial targeted paper manufacturers, printing and book binding companies. In a fully RFID-equipped paper manufacturing plant, it tried different ways of attaching and detaching RFID tags to and from books as ways to achieve better environmental protection.

Conclusion

Overall, the METI 2006 trial in the Japanese publishing industry indicated the technical feasibility of RFID at item level to enhance customer order fulfillment. It illustrated sufficient reading rates and data quality. It also enabled the acceleration of inventory take-off, delivery, and order tracking. Based on the availability of real-time information, it permitted more precise future demand estimates and improved allocation of production capacities. The METI 2006 trial indicated that customers readily adopted RFID-enabled devices in the store. It pointed, however, to some problems with the book recycling process and indicated the necessity for precise information entry by employees and for in-store installations to void RFID tags upon customer checkout.

Overall, the METI 2006 publishing trial paved the way for RFID deployment in other media industries. In music and movies with similarly broad product assortments, flexibility and efficiency along the supply chain are important. Hence, the positive effect of RFID on supply chain flexibility and efficiency experienced in the Japanese publishing industry may be replicable. RFID on CDs or DVDs may lead to less stock-outs, faster replenishment and enhanced customer service.

However, so far the RFID trials have been conducted in traditional media industries, where physical storage media such as paper, CDs, or DVDs holding media content are important. Further research is necessary to investigate the applicability of RFID technology and the corresponding concepts with regard to digital media and virtual supply chains.
References


Note: This paper summarizes opportunities that publishing industries can gain from RFID technology. It addresses a large-scale item-level RFID project in 2006 undertaken by the Japanese Ministry of Economy, Trade and Industry (METI), involving various players from the Japanese publishing industry. An extended version of the paper can be found under Loebbecke/Hayken (2008).

6. Newspaper Investors in Europe

Aldo van Wessel

The newspaper industry is usually referred to as stagnant or even as a declining industry. Daily newspapers in Europe have steadily reduced their total circulation from 96.7 million in 2001 to 90.6 million in 2005 (World Association of Newspapers 2006). The total advertising money spent in print media in Europe in 2005 was $51.7 billion, compared to $53.9 billion spent in 1996 (World Advertising Research Center 2006). The rise of the Internet and the entry of free dailies have added additional strain to an already questionable business model (Pijs 2002).

In this context, where newspapers face external and internal pressures, it seems appropriate to take a closer look at investors acquiring significant shares in newspaper companies. The Media Management literature does not reveal the characteristics of newspaper company buyers; thus most of what we know is anecdotal. Nonetheless, it has explored issues such as the impact of media ownership (e.g., Bagdikian 2004; Compann/Downey 2000), categories of investors in publicly-traded newspapers (Pijs 1994), and the economic and managerial conditions of different types of newspaper ownership (Pijs/van Wessel 2008).

The majority of the research on mergers and acquisitions (M&A) within the management literature has focused on the relationship between ownership and some type of performance — be it in terms of profitability or societal benefit, the likelihood of being acquired, and value creation for shareholders (Camerons/Ogden/De Lange 2005; Holt 1990). Few studies have addressed the characteristics of investors involved in these transactions and this type of research has usually employed large publicly traded corporations for their analyses (Camerons/Ogden/De Lange 2005).

This study departs from that line of research, setting a twofold goal: First, the characteristics of newspaper investors in Europe will be identified. Second, investors' behavior in terms of their degree of engagement — measured as the level of ownership they acquire — will be explained.

The Rationale behind M&A

Some researchers suggest that it is possible to obtain operational synergies, such as economies of scale and scope, by acquiring another company (Hitt/Ireland/Harrison 2001). Such synergistic effects are generated when two combined firms are able to create more value than each one independently (Goold/Campbell 1998). This is particularly true for acquisitions within the same industry — i.e., related acquisitions strategy (Singh/Montgomery 1987). In the case of newspapers, synergies might be what investors are looking for, since the industry has high fixed costs and rapidly declining average costs, i.e., economies of scale in printing and advertising sales (Pijs 2002). Also, cross-media advertising, and sharing such business activities as advertising sales and distribution might contribute to economies of scope.