

GETTING TO GRIPS WITH DIGITAL TRANSFORMATION

Even mature companies can use startup tactics. **Peter Robbins, Julian Birkinshaw** and **Johnny Ryan** examine *The Irish Times*



any industries have been 'going digital' for about 20 years now. But even those parts of the economy most suited to digital transformation – books, newspapers, music, movies – continue to evolve in somewhat unpredictable ways. This is partly because digital transformation is a two-phase process. The first phase is where traditional offerings are digitised – newspapers replicating their print content on a website, for example. The second phase is where entirely new offerings emerge, things that are only possible because of digital technology. Online newspapers today include live blogs, video and interactive content; music is streamed and packaged into playlists created by online communities; and so on.

This two-phase process is well known, but it still throws up an interesting conundrum for incumbent companies. If you know your industry is going to be transformed in surprising ways, that don't simply involve digitising existing offerings, how can you capitalise on that change? Who should you talk to about what these new offerings will look like?

This is the question executives at *The Irish Times* were grappling with in 2011. Like every other newspaper in the developed world, their traditional sources of revenue – print sales, print advertising, classified advertising – were being eroded, and they were on the lookout for new ways of attracting readers and advertisers on to their website. They surmised that there was enormous scope to reinvent advertising online – to move beyond the traditional banner ads and pop-ups – but they didn't know how to do it.

Their chosen solution: a new way of working with startups called FUSION, where they welcomed a select group of new ventures into their offices to help them develop new digital offerings. Their working hypothesis was that if you create cool user experiences online – a game, a search tool, a community-building site – then opportunities for new advertising inventory will follow. For example, you don't want to just offer

Unilever a banner ad to market Dove Soap – you want to offer it a variety of ways to reach the target audience. FUSION was conceived as a way to discover what some of these alternative forms of advertising might look like.

Here's how *The Irish Times'* experimental new model worked. The approach they took, and the insights they gained, offer lessons for any companies that are grappling with digital transformation.

Background to FUSION

The Irish Times is Ireland's quality daily paper of record, a national institution located in the heart of Dublin for the last 150 years. It was quick off the blocks when the digital revolution began, with its first online offering appearing in 1994. But it did not capitalise on its early mover status. While new media entrants in the Irish market were developing new models, *The Irish Times* did not introduce any digital innovations in almost a decade.

By the late 2000s, executives recognised that change was needed. The challenge was to make *The Irish Times'* online offering sufficiently



Launched in 1859, *The Irish Times* successfully initiated new digital models by introducing an in-house startup incubator

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exciting that readers would be drawn to it rather than the dozens of alternative, typically free, news sites out there. This meant fresh thinking about what digital content looked like, which in turn required journalists to work in creative ways with software engineers and other types of specialists. It also required a greater openness to experimentation – to trying things that might not work, while still avoiding any 'bet the farm' risks.

A new-look *Irish Times* wouldn't just need to gain readers, it would also have to attract advertisers. But there was a sense of malaise in the advertising sector during this time

– dropping revenues, a new answerability to metrics, and a sense that digital formats remained largely underdeveloped. Observers suggested the advertising industry was at a pivot point, between the traditional 'flat' formats (banner ads and videos) and the new 'experience-based' formats that involved user interactivity. But it wasn't clear exactly what these new models would look like.

To tackle these challenges, *The Irish Times* launched a programme in 2012 that came to be called FUSION. It was positioned as an organisational experiment – a high-profile, national tournament for startup companies with the objective of developing game-changing innovations for the paper and for the industry.

The 2012 call, under the name Idea Lab, was very broad. The invitation went out to startups in a wide range of areas, not just those working in advertising but also others who were seeking to develop new, compelling experiences for end users in an online setting. The call went out via social media, startup gatherings and boot camps, and with a few ads in the newspaper itself. The startups were offered space inside *The Irish Times* buildings. Some limited financial and professional support was available, but there was no offer of equity investment from the newspaper.



The Irish Times editor Kevin O'Sullivan; Dr Johnny Ryan (front 2nd from left) and his team of startups at the launch of Fusion in the Irish Times.

One hundred startups applied, and five were selected. The approach showed some promise, but five startups wasn't enough to make an impact. So in 2013 the call was repeated, using the new brand name FUSION, to indicate that the intended collaboration between *The Irish Times* and the startups would be so close it would border on fusion. One hundred and thirty applications yielded 20 promising startups, and ten were selected following an initial training and evaluation.

FUSION was different in several ways to the normal corporate incubator model. Often, incubators provide a safe space to develop a new business idea, plus access to office essentials and professional advisors. Its then CIO Johnny Ryan saw it instead as a 'validator' – forcing the startup to face the hazards of the market from the outset. By surrounding it with real customers as well as supporters, the startup receives tough feedback that accelerates the development process by making micro pivots every day.

For *The Irish Times*, FUSION was an opportunity to get closer to the cutting-edge of innovation in the advertising industry. Managing Director Liam Kavanagh saw it as a culture change programme: "I was not expecting that we would find one major breakthrough – although we may have found several to different degrees. I was more focused on the cultural aspect, how

it would change our internal dynamic and our ability to experiment. We constantly receive external proposals but we often have difficulty engaging with them as our existing processes get in the way. The startups in FUSION allowed us to cut through a lot of that and to embrace experimentation."

Outcomes and key features

Following its two years under *The Irish Times* umbrella, FUSION was sold to an advertising partner, Allied Irish Bank (AIB), and relaunched as the 'AIB Startup Academy in association with *The Irish Times*'. As

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before, there are ten startups selected every year, though they are no longer housed within *The Irish Times*. Just like the startup companies it is supporting, the FUSION model continues to evolve with the changing realities of the marketplace.

Selling the FUSION concept – its high profile and its whole startup ecosystem – to the AIB was the biggest single deal ever struck in the history of *The Irish Times* advertising department. So it had a very positive impact on the bottom line.

What were the other benefits to *The Irish Times*?

1 It led to some neat product innovations on the digital side, and the launch of some new items of advertising inventory.

2 It helped to bring *Irish Times* employees up to speed with the ongoing transformation in the advertising industry.

3 And of course it also enabled *The Irish Times* to recast itself as a progressive digital player in the eyes of the advertising agencies.

Cara McAuley at Starcom said: "FUSION helped me look into the world of media startups and connect with possibilities that I would have never previously uncovered for my brands." Liam McDonnell, CEO of Dentsu Aegis, said: "Where they scored real kudos with the media community was when they sold the entire thing to AIB. The bank needs to show some fluency and understanding of startups and there was still a positive halo effect for *The Irish Times* too – it was a win, win."



FUSION had some interesting features that other established companies could benefit from

First, no money was given and no equity was taken. The startups kept their independence from the host organisation. *The Irish Times* offered each startup access to expert marketing advice and invited professional services firms to give them legal, accounting and taxation advice to help put their businesses on a solid footing for growth. But by not taking equity, or the option to buy them out, the startups were much less constrained than is often the case in corporate incubators.

Second, having startups in *The Irish Times* building was an exercise in organisational change. Each startup had full access throughout the building, a first for the 154-year-old *Irish Times*. With no investment in the status quo, and driven purely by their own profit motive, they acted as free

THE STARTUP PERSPECTIVE

Several of FUSION's startups became viable businesses in their own right. One is Frockadvisor, a digital platform for independent fashion retailers. The brainchild of Irish fashion TV presenters, Sonya Lennon and Brendan Courtney, it gives independent retailers an online destination on which to offer a personal service to customers. This sets them apart from the high-end fast fashion online market.

"When a user puts up a post about an item they are seeking, a retailer can respond directly with photos and details of their merchandise that most closely matches the desired item," says Lennon. "We're looking at giving a voice to a whole middle sector.

It's really important that, as part of a community, this sector survives and thrives. They have existing loyal customers and fanbases who aren't being serviced online at all."

How did FUSION help Frockadvisor? "It gave us a massive understanding of the landscape of advertising in terms of contacts, relationships, deliverables for industry and even how to develop advertising packages for clients," says Lennon.

Frockadvisor is now trading successfully and continues to work with *The Irish Times*, in fact, it has become a customer as *The Irish Times* features centrally in Frockadvisor 360 advertising packages so the relationship has been 'mutually reinforcing'.



radicals, helping to shake up the organisational culture. Working with them reacquainted their own staff with the high-adrenaline sense of urgency that accompanies the launch of novel enterprises - some of this excitement is likely to be infectious.

Third, by hosting the initiative as a tournament, *The Irish Times* was able to lure in international advertising luminaries from global agencies, media buyers and trade journals to judge the competition and choose the winner. Being the host of such an exciting experiment gave the company a more compelling and distinctive positioning with the industry's key figures than they had had before - and led to the largest ever advertising deal in its history as described above.

show them, first hand, what the energy and vibrancy of a startup feels like. They also got their biggest customers to look at them with a little more respect.

The reality in most industries is that it takes a long time for the potential benefits of digitisation to work their way through, and to really change the way products and services are provided. This is good news for incumbent firms, as they aren't going to go out of business overnight. But it requires them to take an enlightened approach to working with external partners, such as startups and agencies, and to see the formation of these types of relationships as part of a long journey of adaptation. Digital transformation is a marathon not a sprint. ■

FUSION may not have had a Disney ending but it was certainly a happy one. The startups got access to beta-customers, to advice, to mentoring and to VC organisations. The newspaper got a job in the arm to

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