

French papers team up to break Apple stranglehold

Apple's tight control over media content on its iPad is about to fall foul of some of France's most powerful newspapers and magazines, which hope that by teaming up they can stop the technology giant from dictating the terms of their distribution.

The bid by eight publications, including newspaper Le Figaro and sports daily L'Equipe, is the latest sign of growing disillusionment among some global publishers over what they consider Apple's rigid terms and high commission of 30 percent.



The French publications, which also include business daily Les Echos and news weekly le Nouvel Observateur, have launched a digital kiosk to sell individual issues on the iPad and will soon add subscriptions and bundled offers.

They are also negotiating with Apple as a collective, and will not sell their products on Apple's own kiosk, dubbed the Newsstand, set to launch next month, without key concessions.

"In the Internet world, we face actors like Apple, Google and Facebook that are infinitely powerful, much stronger than us publishers," said Pascale Pouquet, the head of new media for France's second-biggest daily, Le Figaro.

"It just made sense to us to try to establish a more favorable power dynamic to try to have more equal relations with them."

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The consortium brings together publications that are usually fierce competitors.

The highbrow daily Le Monde is the notable absentee. Chairman Louis Dreyfus said the paper believed that its brand was strong enough to attract users on-line without saddling itself with a slow group decision-making process.

Since Apple started selling subscriptions in February, the media industry has won some concessions. In June, the iPad maker dropped a controversial plan to require media to offer their lowest subscription price within its online store.

But Apple has not loosened its grip on subscriber data: publications only get access to a customer's information if he or she clicks on a button to allow it.

Now, as the French newspapers' initiative shows, some media companies are going further with new technologies and tougher negotiating stances to try to ensure that they get their share of the tablet computer boom.

In June, the UK's top business paper, the Financial Times, owned by Pearson, launched its own web-based application, which allows people to read and subscribe on the iPad without going through Apple's online store. By using a new technology known as HTML-5, the FT created a way for its readers to access the paper while sidestepping Apple's 30 percent commission and allowing the company to hold on to valuable subscriber data.

Apple responded by ejecting the FT from its online App Store in August.

Many publications are watching the FT's initiative to see whether they could adopt a similar technology. Amazon has already launched a similar web-based app, known as the Kindle Cloud Reader, allowing it to side-step the 30 percent commission on every e-book it sold.

These stirrings of resistance among media owners aren't likely to immediately derail the forward march of the Cupertino, California-based giant that virtually created the market for tablet computers with the iPad 18 months ago.

Apple's true influence comes not only from making the top-selling tablet computer, but also controlling the online site, the App Store, where users download the games, newspapers and movies that make the iPad so addictive.

Apple doesn't disclose exact figures, but is set to earn \$6 billion this year on its iTunes music store and the App Store.

Just as it imposed a standard 99 cents price per song on iTunes, Apple has sought to set a single price for everything from books to movies, often over the protests of the content creators, who prefer to be able to vary their prices.

The outcome of the tussles tend to be decided by the power of each industry, said Benedict Evans, an expert in digital content at consultancy Enders Analysis.

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"The music people needed Apple, so they weren't able to bargain much, while the movie business didn't, so managed to get better terms," said Evans. "The press is desperate, so Apple holds the upper hand."

DESTINY

In France, eight publishers are trying to take back control over their digital destiny. About 18 months ago, six papers and two magazines created a consortium to work on strategies for monetizing online content and finding new business models.

One of the participants, Xavier Spender, realized that the sports daily L'Equipe had a problem when he did the math on the economics of selling a single edition on the iPad. Once Apple's commission and taxes were taken into account, Spender said: "I make less money selling a digital edition of the newspaper than I do on the print edition sold in a kiosk."

Spender and his colleagues, fellow directors of new media from each of the papers, began to meet once every two weeks for day-long working sessions. They hashed out strategies on everything from how to earn more from online advertising to the design of their digital kiosk, dubbed e-presse.fr.

Their next move will come in November when they plan to start selling subscriptions and bundled offers giving readers discounts for signing up for more than one title.

Le Figaro executive Pascale Pouquet said the French publications were still in talks with Apple over whether it would accept the changes to the kiosk, but insisted that the papers would not fold on their key demands such as a reduction in the 30 percent commission and access to the customer data.

"We'll have to be ready to accept to lose some sales if we cannot come to terms with Apple," he said. "But sometimes it's better to cut off a finger than to sever the whole arm."

The group has already signed with Google to sell subscriptions via the digital kiosk on the Android marketplace for Google's smartphones and tablets. Google charged a lower commission of 10 percent and agreed to the publications' demands on customer data and setting their own prices.

The consortium has also created a pilot version of a web-based application, similar to the one created by the Financial Times to get around Apple's strictures, but hasn't yet decided to pursue this approach.

But one of the members, the left-wing daily Liberation, is planning on launching its own web-based app in the coming months, said Ludovic Belcher, who heads the paper's digital editions. "We can't be dependent on any one distributor, even one as powerful as Apple," he said. "We'll face the consequences if they remove us from the store."

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So far, the participants say they haven't run into serious conflicts as they seek to work together.

Ken Doctor, author of the book 'Newsonomics' and media industry expert, warns that such groupings have a mixed track record because the individual business interests of the members often prove impossible to reconcile.

For example, Next Issue Media was created last year by the five major U.S. magazine publishers Conde Nast, News Corp., Time Inc., Meredith Corp. and Hearst to create a digital kiosk and earn more from paid online content. In the end, its members splintered and signed separate deals with Apple for distribution on the iPad, Doctor said.

"It's a cautionary tale," said Doctor. "They were not able to use their old world market power."

Apple declined to comment for this story.

(Editing by Chris Wickham)

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